

ANNUAL REPORT

፳፻፲፱ | 2019/20



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THE UNITED INSURANCE COMPANY SC
Tomorrow's Company Today!



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2019/20 G.C.

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VISION

<UNIC-ETHIOPIA> Aims to be the best insurance company in Ethiopia, most professional, most commercial, and most responsible.



MISSION

To provide complete insurance covers at economic rates, honest, prompt, and courteous claims services, through the aid of state-of-the-art technology to fully satisfy its constituencies: Customers, Shareholders, Employees, Society, and the Environment.



CORE VALUES

Customer Supremacy

We shall treat the customer as a “King” and/or “Queen”. We will ensure that the environment in which service is delivered is conducive and make the service delivery experience memorable.

Honesty and Integrity

We shall strive to promote a culture of honesty and integrity and adhere to a set of high moral standards and uphold ethical values.

Teamwork

We recognize that the team shall always be greater than the individuals. While taking personal responsibility for our work, we shall promote teamwork to achieve our corporate goals.

Dynamism

We shall embrace an organizational culture that encourages professionalism, keenness, enthusiasm, creativity, innovation and a sense of urgency so that we are responsive to the dynamics of the internal and external environment in which we operate.

Fairness

We wish to be the Best Equal-Opportunity Employer in the Country. And strive to undertake actions that are just, equitable, and fair that have a positive impact on the lives of our customers, employees, shareholders and the society at large. We uphold the value of fair Competition: Level playing Field and same Rule of the Game.

Social responsibility

In all our undertakings, we shall behave in a socially responsible and acceptable manner.

BOARD OF DIRECTORS



Ato Mulualet Berhane
Chairman



W/ro Akiko Seyoum
Vice Chairperson



Ato Abera Tassew



Eng. Samrawit Getamesay



W/rt Teguest Yilma



Ato Wondwosen Teshome



Ato Amare Gashaw



Ato Ayalew Alemu



Ato Alemayehu Gebre

EXECUTIVE MANAGEMENT



W/ro Meseret Bezabih
GM/ CEO



W/ro Azalech Yirgu
DGM - Life & MEDEXIN



Ato Tesfaye Desta
DGM - Operations Non-Life



Ato Dawit G/Ammanuel
DGM - Finance & Admin



Tilahun Tadesse
Controller



W/rt Bethlehem Mekbib
Director - U/W & Tec. Services



Ato Engida Kassaye
Director - Finance & Investments



Ato Gize Alemu
Director - HR & Admin



Ato Girum Fekede
Director - Claims & Eng.



W/rt Rebecca Legesse
Director - Life & MEDEXIN



Ato Mesfin Eyasu
Manager - Marketing



Ato Aliye Mohammed
Manager - IT Services



Ato Yinebeb Derseh
Manager - Legal Services

NOTICE OF THE TWENTY SIXTH ANNUAL GENERAL MEETING OF SHAREHOLDERS

IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES 418 & 419 OF THE COMMERCIAL CODE OF ETHIOPIA 1960 AND ARTICLE 3(4) OF THE COMPANY'S ARTICLES OF ASSOCIATION, NOTICE IS HEREBY GIVEN TO ALL SHAREHOLDERS THAT THE **TWENTY SIXTH ANNUAL GENERAL MEETING** OF THE UNITED INSURANCE COMPANY SC <UNIC-ETHIOPIA> WILL BE HELD AT ADDIS ABABA **HILTON HOTEL** ON 10TH OF NOVEMBER 2020 STARTING FROM 8:00 AM TO TRANSACT THE FOLLOWING BUSINESS:

1. To Consider and approve the Agenda items of the meeting;
2. To approve the sale and/or transfer of shares of the Company made up to and including 9th November 2020;
3. To consider the 2019/20 Report of the Board of Directors;
4. To consider the External Auditors Report for the financial year ended June 30, 2020.
5. To approve the reports stated under agenda number 3 and 4;
6. To decide on the allocation and distribution of the Company's profit for the 2019/20 financial year;
7. To consider and approve External Auditors Fee for the year 2020/21 financial year;
8. To consider and approve annual Board remuneration fee for the 2019/20 financial year and monthly transport fee for 2020/21 financial year;
9. To consider and approve nomination committee directive
10. To elect nomination committee members and consider their monthly transport fee

BY ORDER OF THE BOARD

Yinebeb Derseh

Secretary to the Board

Dated 10th day of November 2020

Addis Ababa

NOTE: A Shareholder entitled to attend and vote at the General Meeting may appoint a **PROXY** in his/her stead. **A PROXY** need not be a shareholder of the Company. To be valid, the enclosed **PROXY FORM** must be completed and presented to the Secretary of the Board at or before the General Meeting.

A PROXY or Share holder must hold original and copy of renewed identity card, passport or yellow card for Ethiopian Diaspora.

CHAIRMAN'S LETTER TO SHAREHOLDERS



ATO MULUALEM BERHANE
CHAIRMAN

On behalf of the Board of Directors and myself, I am pleased to seize this moment to welcome you all to the **TWENTY SIXTH ANNUAL GENERAL MEETING** of Shareholders of The United Insurance Company SC (<UNIC-ETHIOPIA>).

I feel sincerely honoured and privileged to stand before you and present Annual Report of the Board of Directors to this important gathering which takes place once a year in compliance with the provisions of the laws and the Memorandum of Association and Articles of Association of the Company.

It needs to be noted that, in line with tradition of the Company, the Board of Directors had decided to have the Annual Report printed and presented to the Annual General Meeting on the strict understanding that it will not be distributed to third parties until after its approval by the Annual General Meeting of Shareholders.

Despite the numerous challenges faced, the year 2019/20 had been a year of success for our Company. The slowdown witnessed in the economy, the social instability or unrest the country encountered in certain areas and the sudden outbreak of COVID-19 pandemic were some of the key challenges that had adversely impacted our Company's performance for the reporting year. The challenges notwithstanding, the Company

attained most of the plans set at the beginning of the year and registered another round of success in 2019/20 financial year.

As at 30 June 2020, <UNIC-ETHIOPIA> concluded the financial year with yet another sets of commendable results. Non-Life Gross Written Premium (GWP) grew to ETB551,594,000 by about 12% while Life business generated premium amounting to ETB45,811,000, up by 18%. The combined GWP rose by 12% to reach ETB597,405,000 during the reporting year relative to ETB533,561,000 in the preceding year.

Among others, proper management helped the Company contain growth in claims within reasonable range. Accordingly, consolidated net claims incurred (Life and Non-Life) had increased only slightly by about 6% to reach ETB240,642,000 in 2019/20 as compared to the previous year. As the result, corporate loss ratio dropped, for the second successive years, to about 55% as compared to 58% in 2018/19. (Note that the ratio stood at 68% in 2017/18).

Registering a robust growth rate of 21%, corporate Underwriting Profit (Life and Non-Life combined) rose from ETB173,466,000 in 2018/19 to ETB210,037,000 for the year under report. Likewise, Company's profit before tax showed a strong growth rate of 22% in the reporting year as compared to the previous year, increasing

to ETB147,767,000 from ETB121,179,000 in 2018/19. The after-tax profit grew by 17% from ETB106,597,000 in 2018/19 to ETB124,280,000 for the reporting year. Income tax expense for the year increased to ETB23,487,000 relative to last year's figure of ETB 14,582,000. The earning per share (EPS) was computed to be 29.9% for the year under report versus 33.8% in the preceding year. Paid-up capital of the Company grew by 16% to ETB436,228,000 as at 30 June 2020.

Given the varied and several challenges that characterized the landscape of the operating environment during the year under report, though not unique to our Company, the results achieved could be taken as laudable as it was in the preceding years.

The Board of Directors held twelve (12) regular meetings during the year under review, from 1st July 2019 to 30th June 2020 and had taken all necessary strategic decisions.

In prospect, the year ahead is supposed to be more challenging than ever before primarily because of COVID-19 pandemic. Our short-term intervention strategy is to do all within our means to protect the health and safety of our staff, esteemed customers, partners and the community at large by putting in place cost-effective, tested and professionally recommended mitigation approaches and methods to fight the pandemic.

Action has continued to be taken in line with that. It is worth noting here that, with the aim to assist the fight against this deadly disease and discharge our corporate social responsibility, our Company responded quickly to a call made by the government and donated ETB 3,000,000 to the Ministry of Health in the month of March 2020.

On the other hand, we also foresee the business environment to offer opportunities, however limited that may be. Maximum effort is being and will continue to be exerted to take advantage of the opportunities by aligning our strategies and resources in order to boost income, decrease controllable costs and sustain growth trajectory of the Company.

The Board and management are committed to continue to explore different strategic options to achieve targets and aim to add value to shareholders in particular and all stakeholders in general. Despite the apparent challenges, we trust the future of our Company will be brighter than current realities may project and with the help of God, we are optimistic to emerge successful in the year ahead!

As regards to the Financial Statements, the Company, in preparing the accounts, had taken into account all existing relevant laws and International Financial Reporting Standards (IFRS) as are applicable to the Company's business. In accordance with Article 3(4) of the Company's Articles of Association as amended by the First Annual General Meeting of Shareholders which was held on 12 October 1995, as well as in compliance with Directives issued by the Supervisory Authority, the National Bank of Ethiopia (NBE), this Report of the Directors and Accounts covers the financial year ended 30 June 2020.

In accordance with Articles 418 and 419 of the Commercial Code of Ethiopia 1960 and Article 3(4) of the Company's Articles of Association, I present, for your consideration and approval, as appropriate, the Report of the Directors, the Audited Financial Statements together with the Report of the External Auditors for the Financial Year ended 30 June 2020.

Finally, allow me to take this distinct opportunity to express my sincere appreciation and gratefulness to our esteemed customers who have vested great confidence in and shown loyalty by insuring with us; fellow Directors, the Management and the whole staff of <UNIC-ETHIOPIA> who made this success to unfold; the government, particularly the Supervisory Authority, NBE for all-rounded support; the reinsurers and other partners for their persistent backing.



Muluaem Berhane
Chairman, Board of Directors and
The Annual General Meeting

THE UNITED INSURANCE COMPANY SC

REPORT OF THE BOARD OF DIRECTORS

PRINCIPAL BANKERS



REPORT OF THE BOARD OF DIRECTORS

In line with the Company's long-established tradition, the Twenty Sixth Annual Report of the Directors gives a brief review of the trading landscape with specific mention of the main events and elements with significant effects on the performance of the industry, the Company's operations and results for the period under report as well as the prospects for the future.

1. THE BUSINESS ENVIRONMENT

1.1 THE COUNTRY'S ECONOMIC OVERVIEW

According to NBE's Bulletin (Fourth Quarter 2018/19), measured by Gross Domestic Product (GDP), the country's economy grew by 8.3% in 2018/19. The growth was attributable to favorable growth in the three major economic sectors, namely, the industry, services and agriculture which recorded growth rate of 12.6%, 11% and 3.3%, respectively. While the contribution of the industry and the service sectors to the GDP increased from 27% and 39.2% in 2017/18 to 28.1% and 39.8% in 2018/19, respectively, the share of agriculture dropped to 33.3% from 35%.

The NBE report further pointed out that the gradual but steady shift in the structure of the economy reflects the government's policy direction of developing manufacturing sector and promoting export-led growth while continuing to give due attention to modernizing the agriculture sector which has dominated the country's economic base for years.

The robust and sustained economic growth recorded over the last 15 years has led to improvements in income inequality and poverty reduction. According to NBE report, per capita income had continuously increased and reached USD985 in 2018/19. Poverty had declined to 22% in 2018/19 from 38.7% in 2004/05. Investment to GDP ratio had increased to 35.2% while that of domestic savings stood at 22.3%.

As per NBE, the Ethiopian economy was projected to grow by 10.8% in 2019/20 as compared to 3.3% and 3.5% growth forecast for the world and Sub-Saharan Africa (SSA), respectively (WEO – April 2019).

Sourced from the World Bank, economic challenges stated in a condensed form in the Directors' report in the previous year was considered worth repeating this year as well for the mere reason that the same problems continued to epitomize Ethiopia's economic landscape during the reporting year. The economic challenges of the country that persisted for long time include, among others, (a) limited competitiveness, which constrains the development of manufacturing, the creation of jobs and the increase of exports; (b) an underdeveloped private sector, which would limit the country's trade competitiveness and resilience to shocks (the government aiming to expand the role of the private sector through foreign direct investment and industrial parks to make Ethiopia's growth momentum more sustainable) and (c) political disruption, associated with social unrest which negatively impacts growth through lower foreign direct investment, tourism and exports.

In what appears to be more momentarily, other incidents that unfavourably impacted the economy during the reporting year included the outbreak of COVID-19 pandemic which constrained mobility beyond causing health crisis; the influx of locust that partly devastated agricultural produce on the one hand and entailing huge cost for protection on the other; the prevalence of flood and displacement of citizens were few among many factors for setback in the economy. The impact of COVID-19 pandemic in particular is expected to extend to the coming year as well.

On the other hand, the government is still in the process to privatizing key state-owned enterprises as part of the short-term intervention strategy to alleviate or minimize the foreign exchange shortage, reduce unemployment and increase private sector participation. This is anticipated to open window of opportunities for the growth of the insurance industry in general and the private insurers in particular for the fact that buyers would likely invest heavily to modernize and expand the enterprises.

1.2 THE INSURANCE INDUSTRY PERFORMANCE

Regarding the insurance industry, with entrance of one new insurer in to the market in the month of January 2020, the number of insurance companies operating in the market grew to 18 as at 30 June 2020 from 17 in the preceding year. This development could be taken as 'marked or significant' change in the market for the simple reason that the industry witnessed a new entrant a decade later. Of the total eighteen (18) companies, eleven (11) were composite insurers, writing both Life and Non-Life businesses and the rest were general insurers at the close of the budget year on 30 June 2020.

The existing companies and the new comer continued to expand their market outreach by opening new branches. In that regard, insurers in the industry expanded their market outlets (branches) to 605 in 2019/2020 from 568 in 2018/19, up by about 7%, of which nearly 50% of the branches are situated in the capital, Addis Ababa.

There were and still are three reinsurers represented in the market, the national reinsurer, Ethiopian Reinsurance Company SC (Ethio Re) that joined the industry since July 2016, and two others functioning by having representative offices in Addis Ababa, opened couple of years back, namely, Africa Re (Africa Reinsurance Corporation) and ZEP-Re (PTA Reinsurance Company) in which the Ethiopian government has stake.

At close of business on 30 June 2020, total assets of the insurance industry went up by nearly 12% to reach ETB29.065 billion (ETB2.385 billion for Life and ETB26.680 billion for Non-Life).

The industry's total paid-up capital increased to ETB4.967 billion (ETB297 million for Life and ETB4.670 billion for Non-Life) in 2019/20 from what it was in 2018/19 Financial Year, ETB4.023 billion (Life ETB290 million and Non-Life ETB3.733 billion). It saw a record growth rate of about 24% relative to the preceding year.

Market Gross Written Premiums (GWP), Life and Non-Life combined, grew significantly by about 23% to reach ETB11.158 billion at the close of business on 30 June 2020. Life business increased from ETB514 million in 2018/19 to ETB579 million in 2019/20, up by 13%, while Non-Life grew markedly by 23% to reach ETB10.579 billion. It was the exceptional growth registered in the aviation business during the year under report that drove up the marked increase in the market GWP.

Accounting for 95%, Non-Life insurance business continued to take the lion's share of the premium portfolio, ETB10.579 billion against ETB579 million for Life for the reporting year.

The industry's loss ratio in respect of Non-Life insurance slightly increased to 62% in year under report from 61% in 2018/19. The ratio stood at 63% in 2017/18. At 56%, <UNIC-ETHIOPIA>'s loss ratio was computed to be well below the industry average. With regard to Life insurance, market loss ratio rose to 58% for the year under report relative to 51% in 2018/19. Our loss ratio for Life insurance, at 22% (19% in 2018/19), was by far less than the industry's average for the year under report.

As it was in the past, price driven stiff competition 'strategy' continued to disrupt the insurance market. Premium rates undercutting prevailed throughout the year. That trend has remained one of the problem-child of the industry since the opening up of the market for domestic private investment. In terms of intensity, the situation persisted to worsen from year-to-year.

Insurers continued to engage in premium reduction almost to a bare minimum to attract or retain business with the aim to grow their market share. The long overdue project of actuarial study had been commissioned, few years back, by Association of Ethiopian Insurers (AEI) in collaboration with and endorsed by the National Bank of Ethiopia to solve this critical problem by setting floor premium rates. However, as the project seems to have remained in limbo for so long now, desired results were not achieved to-date. Yet, that approach remains to be the most feasible and viable venue to pursue the common good and we call upon all concerned to revitalize the said study to bring it to completion, by all means, so as to realize the end-result originally conceived.

1.3 STATUS REPORT ON MATTERS HAVING IMPACT ON THE INSURANCE INDUSTRY

As a matter of long-held tradition, our Annual Reports give views and assessments on issues considered relevant or matters to have significant impact, either positive or adverse, on the insurance industry. Every year, <UNIC-ETHIOPIA>'s Annual Reports of the Board of Directors attempt to shade light on such important matters. Unless the right kinds of measures are taken by concerned bodies, we continue to state them in our reports as we believe they should be addressed for the benefit of the insurance industry as well as all stakeholders.

The Board of Directors wish to seize this occasion to once again pay special tribute to National Bank of Ethiopia, for several Directives it recently issued to implement certain provisions of the Insurance Business Proclamation Number 746/2012 (as amended by Proclamation Number 1163/2019).

Proclamation No.: 1163/2019 – A Proclamation to Amend Insurance Business Proclamation

This Proclamation had come into full force at the right time on 9 January 2020. It contains important provisions that go in harmony with economic reform agenda the country has recently embarked on. Among others, the Proclamation not only permits the Diaspora to invest in the insurance business, it also sets out provisions that would help resolve long overdue disputes as related to investments committed in insurance companies by Ethiopians who later changed their citizenship and became foreign nationals of Ethiopian origin.

Moreover, the provision that gives the NBE the mandate to determine economic (minimum) premium rates with the view to keep insurers to remain strong and financially sound for the best interest of the policyholders is key stipulation of the (amended) Proclamation. It came out when insurance companies has started to show their frustration towards diminishing, rather fast eroding, premium rates.

Takaful (Sharia compliant or Islamic Insurance) is also one of the other key components of this vital Proclamation in addition to stipulations that deal with financial inclusion and digital insurance services. The article of the amended Proclamation that removed the unfair and discriminatory prohibition of CEO of insurers not to seat on the board of other financial institutions (the old Directive used to allow CEO of banks or MFIs to seat) is a welcome development.

In what can be seen as speedy implementation of the amended Proclamation, the NBE has soon issued several Directives since then for which the Board of Directors would like to congratulate and express gratefulness to the Bank.

Directive No.: SIB/49/2020 Manner of Equity Investment by Foreign Nationals of Ethiopian Origin or Organizations in an Insurance Company

Pursuant to the amended Proclamation, this Directive was issued as of 5th March 2020 spelling out how the Diaspora could invest in the insurance sub-sector. We regard this Directive as valuable development for the Diaspora is expected to inject huge capital into the financial market and come up with more advanced technologies, knowledge and skills.

Directive No.: SIB/51/2020 (1st Amendment) Prohibition of Issuance of Certain Types of Bonds by Insurance Companies

The National Bank of Ethiopia had issued Directive No.: SIB/24/2004 prohibiting insurers from issuance of Financial Guarantee Bonds and unconditional bonds with effect from 1st March 2004. The issuance of the Directive played a great role in saving the insurers from going into financial crisis that had been in the horizon at the time due to mounting claims arising from issuance of such bonds without having at all or having inadequate collateral backing.

The amendment under the captioned Directive took effect as of 4th August 2020. The amendment was that “the National Bank may allow the issuance of unconditional bonds as it deemed necessary”. Pursuant to that, NBE gave permission to insurers to issue unconditional bond referred to as ‘Regional Customs Transit Guarantee (RCTG)’ applicable for goods transiting within COMESA (Common Market for Eastern and Southern Africa) region.

It’s our Company’s position that the NBE should continue to prohibit the issuance of unconditional bonds including customs bonds (save RCTG) for the common good of all industry players for understandable reason.

Directive No.: SIB/1/2020 A Directive to License a Takaful Operator or Authorize A Takaful Window Operator

This new Directive came into force as of 15th June 2020. It came out as part of translating amended Insurance Business Proclamation into action on the one hand and introducing Takaful (Islamic Insurance) on the other. This development is strongly believed to create window of opportunities for growth in the insurance industry and could also serve as a vehicle to encourage wider financial inclusion.

The NBE deserves immense acknowledgment and huge appreciation for the fundamental steps it had taken.

Directive No.: SIB/52/2020 Amendment to Investment of Insurance Funds

The insurance industry was expecting for the revised investment Directive to come out as soon as possible but it took one and a-half years for reasons which we were not aware of. It was lately issued with effect from 4th August 2020. To the dissatisfaction of almost all stakeholders, the amended Directive was found to be short of addressing and responding to issues envisaged for the revision. Comments and recommendations of the insurance companies were totally sidelined and not incorporated in revised Directive. Surprisingly, it failed to maintain the points raised by the Bank itself in the draft form of the Directive. There were no clear indications as to what forced the Bank to retract even from its own original proposal.

The amended Directive is not much different from its 16-years-old predecessor and all the time and effort invested by the insurance industry as well as the Insurance Supervision Directorate seem to have been wasted in the subject amendment. The only difference was a -5% change made with regard to limits of investment of general insurance business funds in bank deposits still leaving 60% of insurers' assets to be subjected to a continued loss as a result of rising inflation.

The Association of Ethiopian Insurers (AEI) wrote an appeal letter to the Governor of the Bank by pointing out provisions of the Directive that would pose significant adverse impact to the growth and development of insurance business. It is hoped that the appeal will get sober reconsideration by the Bank and the 'amended' Directive will be amended again at least to the extent as was originally intended by the Supervisory Authority as reflected in the draft (amendment) Directive. We would also like to request NBE to issue a more pragmatic Directive in final form taking note of the economic situations on the ground and the concerns raised by AEI in this regard.

Directive No.: SIB/53/2020 Amendment to Manner and Criteria of Transacting Reinsurance by Insurers

The Directive referred to above was issued repealing the previous one under number SIB/44/2016. The amended Directive came into force effective as of 17th August 2020 although the revision process had started much earlier in 2019/20 budget year. Among others, the Directive allowed insurers to accept risks up to their gross treaty capacity unlike the scrapped Directive which limited such a capacity to one's own level of retention. The repealed Directive had actually worked in the obstruction of sound exchange of businesses among domestic insurers against which we continually flagged our Company's concern for revision of that regulatory instrument. Our repeated call had finally got proper attention from the Supervisory Body and thus the amendment. Our appreciation and gratitude to NBE in that regard!

There was no change in the key objectives of the Directive: to regulate business exchange scheme (facultative) among and between direct domestic insurers on top of raising local retention capacity to drive down reinsurance premiums that may flow out of the country in foreign exchange.

As per the amended Directive, for risks falling above treaty limits by given proportion, insurers are required to obtain premium rates and secure backing from at least 'A-' (A minus) rated reinsurer before they resort to facultative placement of such risks. This change will have indirect positive

influence on insurers to improve premium rates they charge in respect of mega projects which have continually been subjected to deterioration over the past years to the level of ‘bare minimum’.

Under the force of the Directive, all insurers are obliged to give businesses to domestic reinsurer, Ethiopian Reinsurance Company SC (ETHIO RE), under what is known as compulsory treaty cession and cession on each and every policy (policy cession). Doing so would certainly strengthen the capacity of the infant local reinsurer in the short-run but could be injurious in the long-run for the fact that it stands the chance to introduce dependency and inefficiencies to this newly established Reinsurance Company.

<UNIC-ETHIOPIA> continues to believe that there is an alternative that would greatly help enhance the national reinsurer’s capacity. We recommended the alternative option to NBE years back. We are grateful if that proposal could be given reconsideration by the Bankas it would greatly boost market retention. Besides, we reiterate our position that the compulsory cession should phase out on or before the expiry of the deadline set out in the repealed Directive for major reasons stated above.

Directive No.: SIB/46/2018 Limits on Board Remuneration and Number of Employees who Seat on the Board of an Insurer

As the naming indicates, this Directive deals with two issues: Director’s remuneration on the one hand, and employees who may seat on the Board of insurers on the other. In the latter case, the Directive prohibits any employee from being elected to or becoming a Director of an insurance company. That decision can be regarded as appropriate and right for obvious reason.

Part of the Directive that sets remuneration for Directors has remained the subject of concern for our Company. Apart from the monthly transport allowance, the fixed annual remuneration determined by the Bank would by no means be adequate given the huge responsibilities the Directors shoulder. The remuneration lacks to take into consideration, for example, the size of the financial institution (as risks and responsibilities increase with width and breadth of the Company) and the economic situation of the country where the purchasing power of the Birr has continued to deteriorate with time.

We thus strongly urge the NBE to put in place a system that would allow payment of Directors remuneration linked to a given range of percentages to be computed, as the basis, on the annual net profit so that the Shareholders would have the latitude to make remuneration decision that would more properly compensate the performance of the Directors. Doing so would also, more or less, make the remuneration to match up with the performance of each insurer and the changing economic realities at any given time.

Directive No.: SIB/48/2019 Insurance Corporate Governance (1st Replacement)

This amended Directive came into force effective 1st July 2019. The replacement Directive sounds more complete and comprehensive than its predecessor, a welcome development by all measures.

As we consider the need for further amendment of the Directive, specifically with regard to “Nomination Committee”, we would like to draw the attention of the Supervisory Body to give a thought in that perspective, taking feedback from pertinent stakeholders. We trust doing so would lessen the process and cut the cost involved to carry out the nomination and eventual election of the Board of Directors.

The Dangers of Uneconomic Premiums

As in the preceding years, unfortunately, the year under report came to an end with no change taking place in the price-driven industry’s competitive marketplace.

The project initiated by the Association of Ethiopian Insurers (AEI) to get actuarial study conducted by a foreign consultant with a view to set minimum premium rates in consultation with and approval of the NBE seems to have failed for the second time. It is regrettable to hear this undesirable outcome when NBE has got a mandate derived from amended Insurance Business Proclamation to determine the said minimum rates. We hope AEI would look into better alternative to come out of such predicament.

We strongly believe that setting the stated floor premium rates would serve common purpose for key stakeholders involved: the insured (to have recourse for compensation in case of misfortune arising from insured risks at any one time); the insurer (to have the means and financial capacities to meet its obligations all the time) and the regulatory body (to properly protect policyholders’ interests sustainably).

Once again, <UNIC-ETHIOPIA> would like to reaffirm its position and commitment to extend any assistance required to realize the determination of minimum rates for the good of all concerned. Time is of essence in this regard.

The Directors wish to seize this occasion to sincerely thank NBE for the unreserved support and due attention it has given to this critically important issue that would have the potential to stabilize the market for assured sustainability.

The Need for Establishing a Capital Market

As repeatedly indicated in previous Annual Reports, we strongly hold to the view that the establishment and operation of a well-regulated equity market could enhance initiatives to establish new and expand/diversify existing businesses by providing venture capital as well as the flexibility to exit from or simply change investment portfolios and attract a credible volume of foreign direct investment (FDI).

Directors continue to hold the view that such a market, driven by the private sector, remains a viable complement to the government-driven Commodities Exchange Market already established and in active operation.

The effort recently being made by the government in general and the NBE in particular to establish the said market is taken to be a right move on the right track and our words of encouragement to all concerned is ‘never slow down, never give up’.

2. THE COMPANY'S PERFORMANCE

2.1 GENERAL

The Board held monthly regular meetings over the reporting period, passed key strategic decisions and had taken pertinent actions. It had 12 regular meetings during the year under review from 1 July 2019 to 30 June 2020, and deliberated and taken decisions on institutional affairs of the Company.

In addition, the Board having four principal committees, namely, Human Resources and Administration Affairs Committee, Risk and Compliance Committee, Audit Committee, and Business Development Committee had been engaged in handling matters requiring special attention that were referred to each as per its respective assigned duties and responsibilities.

Following the decision of the eleventh Extraordinary General Meeting of Shareholders held on 27 November 2018 to increase the paid-up capital to ETB500,000,000 until November 2022, the capital had reached ETB436,228,000 at the close of business on 30 June 2020.

Fighting against COVID-19 pandemic was (still is) one of the major tasks that needed special focus during the second half of the year under report which will continue up until the pandemic disease would subside or eradicated. Maximum effort has continued to be exerted to minimize the adverse impact of this risk on our performance. Due attention has been given to the protection of the Company's workforce from infection by the disease by taking all necessary steps in compliance with government rules and regulations as well as advices from medical professionals.

A taskforce of five-member management team chaired by CEO was established with the primary objective to mitigate the impact of COVID-19 on our critical asset, the staff, and future performance of the Company (business continuity plan and execution). In addition, the Company donated ETB3,000,000 to the Ministry of Health to assist government in the fight it staged against the pandemic.

2.2 OPERATIONAL AND FINANCIAL PERFORMANCE AND RESULTS

2.2.1 Gross Written Premium and Underwriting Result (Combined)

Life and Non-Life businesses combined, Gross Written Premium (GWP) for the year ended 30 June 2020 grew to ETB597,404,000 as compared to ETB533,561,000 in 2018/19. While ETB551,594,000 was generated from Non-Life business, Life insurance (Long-term insurance) produced ETB45,810,000 during the reporting year. The combined GWP grew by about 12% in 2019/20.

Among others, proper management helped the Company contain growth in claims within reasonable range. Accordingly, consolidated net claims incurred (Life and Non-Life) had increased only slightly by about 6% to reach ETB240,642,000 in 2019/20 as compared to the previous year. As the result, corporate Loss Ratio dropped, for the second successive years, to about 55% as compared to 58% in 2018/19. (Note that the ratio stood at 68% in 2017/18).

As in the preceding years, the Company continued to make positive Underwriting (operational) Profit, one of the vital performance indicators for insurance companies. Accordingly, the Company's combined Underwriting Profit from Life and Non-Life businesses registered a growth of about 21%. It grew to ETB210,037,000 in 2019/20 from ETB173,465,000 in 2018/19. Reasonable growth in earned premiums and relative drop in growth of incurred claims were the major explanations for the good result achieved in respect of this performance indicator.

2.2.2 NON-LIFE BUSINESS

Gross Premiums Written

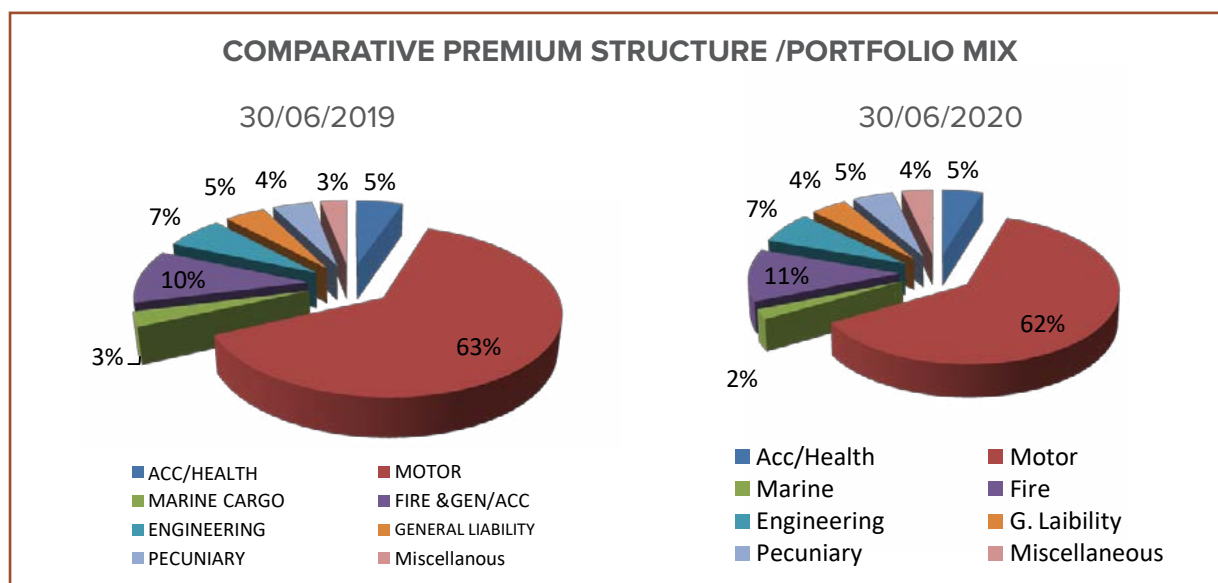
As at 30 June 2020, the Company's Non-Life premium had reached ETB551,594,000, registering a reasonable growth of nearly 12% over that of the previous year. All classes of business recorded growth during the financial year under report with the exception of a decline by 13% in Marine Cargo/Inland Transit Insurance for the reason much attributable to shortage of foreign exchange. The highest growth of 36% had occurred in the 'Other' class of businesses comprising of insurance products with small premiums; followed successively by Fire and General Accident which grew by 22%; Pecuniary by 20%; Engineering by 18%; Motor by 10% and General Liability by 6%; and Accident/Health by only 2%.

The Company attained reasonable results in premium income despite the many challenges faced during the year.

Portfolio Mix

As in previous years and as anticipated, Motor class of business had continued to take the lion's share of the Company's total premium portfolio accounting for 62% as at 30 June 2020, a negligible decrease relative to the preceding year which was computed to be 63%.

Fire and General Accident class of business became a very far second with a share of 11% (10% in 2018/19) followed by Engineering class of business at 7%, exactly same as last year. Accident and Health, and Pecuniary took a 5% share each while General Liability and Other classes of business accounted for 4% each as well. It was Marine Cargo/Transit class of business that contributed the least to total GWP, only 2%.



Claims and Profitability – Loss Ratio and Underwriting Surplus/Deficit

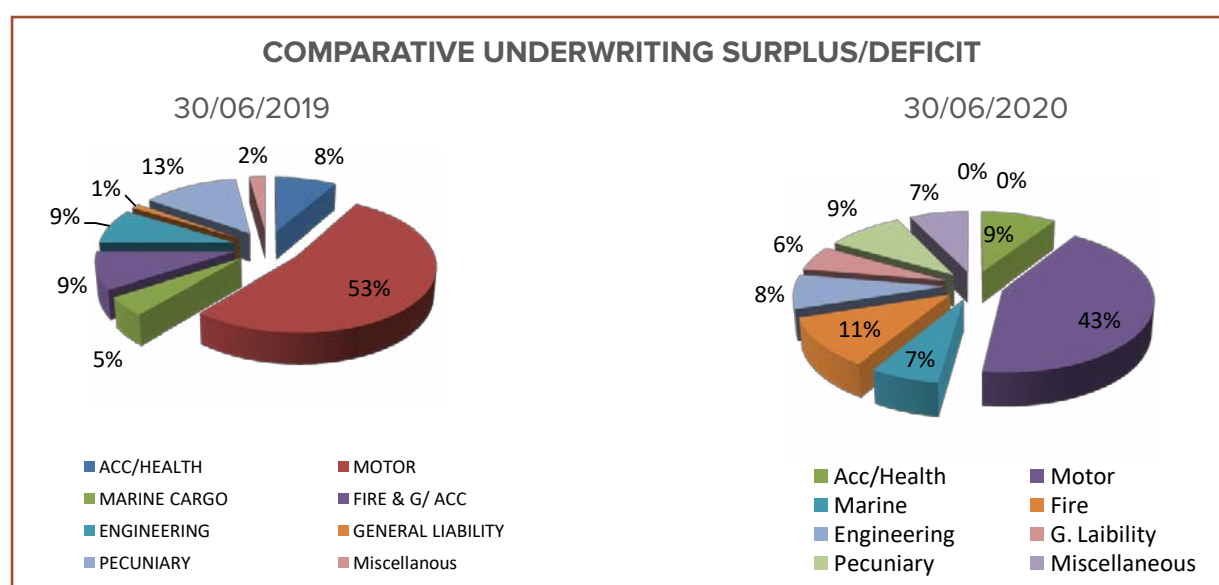
For the period under report, the Company's overall claims for Non-Life showed yet another encouraging positive development as a notable decline was recorded in the loss ratio for the year that ended on 30 June 2020. Loss Ratio for Non-Life Business of 2019/20 was computed to be 56%, witnessing a drop by 4 percentage point from what it was in 2018/19 (60%). Note that the ratio stood at 68% in 2017/18.

There is a natural tendency for claims to grow normally along with increase in written premiums. Fortunate enough, claim costs of this reporting period were contained, more or less, below the targets and predictions primarily because of prudent underwriting coupled with sound claims management. Nevertheless, uneconomic premiums charged in acceptance of risks in response to stiff competition and upsurge in the frequency and severity of road accidents coupled with the escalating motor repair costs continued to be the major challenges for the loss ratio to still remain on the high side, particular for motor classes of business at 66%.

With record growth of 27%, the total Non-Life Underwriting Profit for the year 2019/20 shot up to ETB187,557,000 from the previous year of ETB147,583,000. It should be noted that every class of business underwritten during the year under report yielded positive contribution to the Company Underwriting Profit.

As was in the preceding year, the largest contribution to the year's Underwriting Surplus /Profit came from the Motor class of business. Constituting about 62% of the Company's total premium portfolio, any improvement in Motor loss ratio was bound to have a substantial positive effect on the final outcome of the Company's performance. Accordingly, Motor contributed close to 43% (against 53% last year) to this year's surplus.

This was followed by a very far second contribution of Fire and General Accident class to the Underwriting Profit by 11%; Pecuniary and Accident/ Health by 9% each; Engineering by 8%; Other class of businesses and Marine Cargo/Inland Transit by 7% each; and General Liability by 6%.



2.2.3 LIFE & MEDEXIN – PREMIUM GROWTH AND OVERALL PERFORMANCE

At the close of the financial year on 30 June 2020 and as per the latest actuarial valuation undertaken following the closing date, the Company's long-term business (Life Insurance) registered a growth of about 18%, generating a GWP of ETB45,810,000 during the reporting year as compared to ETB38,852,000 in the preceding year. The loss ratio for the year was only 22%, far below the industry's average of 58%. This was an exceptional achievement attributable to the underwriting prudence and skills of our Life Department which deserve admiration and appreciation.

The Company submitted Financial Statements of the long-term business for the year ended 30 June 2020 to external actuarial firm for valuation in compliance with NBE Directive and accepted practices. Accordingly, the valuation was undertaken by Kenya-based M/S Zamara Actuaries, Administrator and Consultant Limited. At the recommendation of the actuarial firm, a good sum of profit was transferred to the Profit and Loss and Appropriation of Profit Account of 30 June 2020 for distribution to the Shareholders. We are very much thankful to the actuarial firm for professional valuation it carried out and for producing relevant certificate thereon in good time.

2.2.4 CONSOLIDATED RESULTS: PROFIT – LIFE AND NON-LIFE

As can be seen from the IFRS Financial Statements for the year ended 30 June 2020, corporate Underwriting Profit (Life and Non-Life combined) had witnessed a robust growth of 21%, a sizable increase to ETB210,037,000 in 2019/20 from ETB173,466,000 in the preceding year. Similarly, Profit Before-Tax for the reporting year grew by about 22% to reach ETB147,767,000 from ETB121,179,000 in 2018/19. The after-tax Profit grew by 17% from ETB106,597,000 in 2018/19 to ETB124,279,000 for the reporting year (2019/20). Income tax expense for the year was computed to be ETB23,487,000 as compared to last year's figure of ETB14,582,000.

The consolidated result for the reporting year was found to be commendable given the very tough economic environment the country had been witnessing for some years in recent past. The only lacklustre result was the modest decline in the earning per share (EPS) by about 11% to 29.9% from ETB 33.8% per share due to significant increase in the paid-up capital of the Company which grew by 16% to ETB 436,228,000 during the reporting year.

2.3 INVESTMENTS CONSOLIDATED (LIFE AND NON-LIFE)

It is to be recalled that the Company had heavily invested in real estate over recent years and it now owns four buildings, namely, Head Quarter Building at Tewodros Square, Multi-purpose Building at Kality, Commercial Building at Bole Medhanealem, and Commercial Building at Bahirdar. Rent income generated from the buildings not only augmented our revenue, it also helped make a huge saving in rent expense that otherwise would have been paid in respect of our former Head Office.

Almost all spaces on the buildings are rented out, except some at Kality building and we are making every effort to let out the remaining spaces as much as practicable. More than half of the spaces of Kality building had already been leased out. Lack of demand in the area coupled with massive public road construction underway were the major problems not to let out the entire space. Since the road construction now is near completion, we are optimistic to get lesser in the near future.

Dividend Income had accrued to the Company during the reporting period from equity investment in shares of United Bank SC and Ethiopian Reinsurance Company SC. It should be noted, however, that no dividend income accrued to the Company from similar investment in Habesha Cement SC to date.

2.4 HUMAN RESOURCE DEVELOPMENT

At <UNIC-ETHIOPIA>, we consider people as the most centerpiece of the Company. Its employees in particular are believed to have second-to-None role in keeping the Company strong and assuring its sustainable growth. That is why the Company, as equal opportunity employer, is committed to its consistent and persistent policy of attracting and retaining the best professionals in the industry. Such a policy coupled with thoughtful investment in human capital helped the Company harness the commitment and dedication of its entire workforce in order to make sure that the continuity of growth and lasting success is kept on track. Hence, <UNIC-ETHIOPIA> has continued to maintain its well-rooted corporate culture in creating merit-based job opportunities for Ethiopians.

On 30 June 2020, the Company's total staff complement, up by about 11%, stood at 428 employees as compared to 387 at the close of business in the preceding year. Out of the total, 217 or nearly 51% were women and the rest, 211 or 49%, were men. The gender mix remained almost the same as in the preceding years. That is quite healthy for the fact that the provision of insurance services is all about caring and women are generally considered more caring than their men counterparts.

As at 30 June 2020, the total staff was composed of 399 (about 93%) of regular employees and 29 (about 7%) casual workers. With completion of construction projects of the Company, the proportion of casual workers dropped to 7% for the reporting year from 12% in the preceding year. In terms of education, out of the total, 282 staff were degree holders (31 having second degree while 251 holding first degree), 70 had Diplomas while 75 held Certificates or pre-college papers.

The Company has continued to invest in its human resources development to maintain its policy of having the best talent and skill in the industry. Its investment in human capital in terms of training was ETB1,935,866 during the reporting year as compared to ETB2,548,475 in 2018/19. Accordingly, during the year under report, various trainings were given to 241 staff members including senior management. Of the total, 13 staffs participated in overseas training and the rest had attended short-term trainings (from 3 days to two weeks) locally in different subjects. Less was expended on training relative to last year primarily because of COVID-19 pandemic which forced local training institutions to close their doors as the result and made travel overseas unthinkable particular in the second half year of the reporting period.

It is worth noting to bear out to the fact that the Company had continued to stick to its corporate culture of maintaining conducive working environment which greatly helped sustain friendly, smooth, harmonious and collaborative relationships among the entire workforce. Family-like relations dominantly characterize the working landscape of the Company which needs to be perpetuated to realize the Company's strive for better results and excellence.

2.5 MARKET AND BUSINESS DEVELOPMENT

At close of the year on 30 June 2020, the number of market outlets – branches and contact offices - grew to 51 (39 full-fledged branches and 12 contact offices) from 50 the previous year. The only addition this year was the opening of one new office at Ashewa Meda in Oromia Region of Burayu township.

Our plan for the year was to open more offices based on market assessment. However, we were later forced to halt the expansion temporarily with the view to reduce costs as revenues were, at the time, anticipated to contract owing to the sudden outbreak of corona virus (COVID-19) pandemic in the second half of the year. We will continue to expand to reach out to important locations, both in the city and in the upcountry, by way of opening market outlets as situations change and as deemed necessary.

During the reporting year, 10 new sales agents were trained and deployed to the market with the objective to strengthen our capabilities to explore and exploit the insurance market to the best advantages of the Company.

2.6. IT DEVELOPMENT

It needs to be noted that we moved our Head Office to our newly constructed building located at Tewodros Square on 1st July 2019. It was a daunting task at the time for the fact that we relocated before fulfilling all facilities to run a decent office. The reason was to reduce rental cost which continued to mount at the time. Relocation of IT server to the new building had been one of the critical milestones to make sure continuity of business and services. Team of staff in general and IT professionals in particular had worked hard to minimize/avoid service interruption and they were on duty day and night to make the move successful and they made it eventually.

The online sales of Life insurance to travelers to Arab countries as domestic workers was made operational during the year even though the business was disrupted or interrupted due to the outbreak of COVID-19 pandemic in the second half of the reporting year. The system is quite reliable and we are optimistically looking forward to continue doing the business once this pandemic disease subdues or disappears or is eradicated.

The Company finalized the project to automate its Human Resource and Fixed Asset Management System during the year which became operational since July 2020.

As part of its business continuity strategy in the face of COVID-19 pandemic, the Company developed online insurance policy renewal system including user's guide and made it public for use or application starting July 2020. Customers can renew their policies online from wherever they are.

Our Company uses IT as a strategic tool to make doing business with us easy, simple, accessible and reliable.

3. FUTURE PROSPECTS

The country has continued to face challenges in the political, social and economic arenas despite various reforms being made since April 2018. Many express variety of reasons for the challenges continued to be encountered.

The challenges notwithstanding, there are also potentials for favorable change and development in the years ahead. The policies laid down in the Ten Year Perspective Plan (2020/21 to 2029/30) and the three year Home-Grown Economic Reform, if implemented as intended, would certainly bring meaningful changes and development for the country as a whole which ultimately helps business to thrive in general.

Many sources including the government hold to the view that Ethiopia's economy will continue to grow but may not be at the pace it used to grow in the past fifteen years. Official records reveal that the country saw a decent growth rate of about 8.3% in 2018/19. Growth rate was projected for the year 2019/20 ranging from as high as 8.2% as per the government sources (NBE) and 3.2% as per the World Bank. At the time of writing this report, the actual official data was yet to come out. Whatever the growth rate could be, big or small, it is believed that the economy will grow certainly and thus the insurance business provided all things remain the same or show improvement.

Many new banks are currently under formation ranging from conventional banks (not less than seven in number) to Interest-free Banking/Islamic Banking (not less than the number of conventional banks), are supposed to join the banking industry perhaps in 2020/21. The latter may come up with their own counterparty insurers known as Takaful Operators, a Sharia compliant insurance services or Islamic Insurance. More heightened competition is expected to come to the scene in the insurance marketplace.

The opening up of the financial sector (including insurance - amended Insurance Proclamation is already in full force) for investment by the Diaspora can be taken as a good step forward to stimulate and attract financial investment although no tangible development had been seen so far. The Diaspora is anticipated not only to inject huge capital into the financial market but it is also anticipated to come up with more advanced technologies, knowledge and skills.

The government's bold decision to privatize key state-owned enterprises is said to be in good progress which could create prospects for private insurers to secure business.

Generally, while the economic challenges would have the power to constrain the growth of the insurance industry, the positive developments taking place within the economic sphere of the country is expected to create supportive business environment for the industry to thrive and grow.

With the hope that reasonable amendment would be made to NBE's Directive on Investment of Insurance Funds, the Company has drawn up a plan to develop a real estate on the extra open space behind the building it acquired years back at around Bole Medhanealem area. It has also a plan to complete construction of the building at Bahir Dar as per the design and want to acquire office buildings in major cities of the country. The subject 'amended' Directive came out recently to the disappointment of all insurers restricting the expansion of investment in real estate. Appeal was made against the amended Directive to the NBE's Governor for revision in light of economic realities of the country, experience of the insurance industry and protection of the rights of policyholders.

The stated projects will be carried out as planned provided the Directive would be revised again as was intended originally (even by NBE) and give any latitude to the Company to make investment in such real estates. Otherwise, the implementation of these projects will be postponed until such time the financial structure of the Company would allow us to comply with the stipulation of the Directive.

We have also been approached by different firms to make equity investment in businesses or projects they initiated which are currently at different stages. After appraisal of required studies on our side, we may invest according to our capacity provided doing so would also give us the opportunity to expand and grow our business.

New insurance products both in Life and Non-Life are being developed and, in the pipeline, to attain better performance in the years ahead of us. Strengthening the online services, enhancing personal-selling by way of deploying or engaging intermediaries, promoting the company using different cost-effective media outlets are just some of the approaches to be pursued to remain successful in the years ahead.

We will do our level best to let out unoccupied spaces to earn optimal rent income from the properties.

To sum up, the year ahead is going to be very tough for obvious reasons. Given all odds, however, we strive to attain all the goals set for the year by deploying turn-around strategies that would match up with fast changing business environment so as to effectively use available opportunities and cultivate the results. The support and collaboration of key stakeholders, particularly of the shareholders is critically important, at this hardest time, to keep our journey on success path.

VOTE OF THANKS

The Board of Directors, Management and Staff of <UNIC-ETHIOPIA> wish to express their deepest gratitude to all the wonderful Customers of the Company for their continued support and patronage.

The Board and Management also wish to record their appreciation for the association the Company enjoys with its reinsurers and the mutually advantageous business relations it has developed with both domestic and international brokers.

A special gratitude is due to all its field officers who have played and continue to play a pivotal role in the Company's growth. They help it identify the needs of the insuring public on the one hand and they serve as its ambassadors on the other hand.

Last but not least, both on behalf of the Board of Directors and myself, I wish to confirm, once again, that the Company's Management and Staff demonstrated their commitment to the Company's continued strive for EXCELLENCE: in their professionalism and strong team spirit without which the commendable results achieved would have not been possible.



Mulualem Berhane
Chairman, Board of Directors



Meseret Bezabih
Chief Executive Officer

THE UNITED INSURANCE COMPANY SC STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2020

The Directors submit their report together with the financial statements for the period ended 30 June 2020, to the shareholders of The United Insurance Company SC. This report discloses the financial performance and state of affairs of the Company.

Incorporation and address

The United Insurance Company SC was established by 87 Ethiopians (individuals and enterprises) in November 1994 with an authorized capital of Birr 25 million and an initial paid up capital of Birr 8.073 million. Following the merger with Lion Insurance Company SC in 2002, the Company is currently owned by more than 484 shareholders. As a result of the merger and the decision of the Eleventh Extra-Ordinary General Meeting of shareholders, the Company's authorized capital rose to Birr 500 million. The paid up Capital is now Birr436 million.

Principal activities

The principal activities of the Company is the transaction of general insurance business (non - life) and life insurance business.

Results and dividends

The Company's results for the year ended 30 June 2020 are set out on page 29 The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30 June 2020 Birr'000	30 June 2019 Birr'000
Net Underwriting Income	486,766	427,635
Profit before income tax	147,767	121,179
Income tax expense	(23,487)	(14,582)
Profit for the year	124,280	106,597
Other comprehensive income net of taxes	804	24
Total comprehensive income for the year	125,084	106,621

Directors

The directors who held office during the year and to the date of this report are set out on page 25



Meseret Bezabih
Chief Executive Officer

THE UNITED INSURANCE COMPANY SC STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2020

In accordance with the financial reporting proclamation No. 847/2014 and Insurance Business proclamation No. 746/2012, all reporting entities established in accordance with the Ethiopian law or operating in Ethiopia are to prepare financial statements in line with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting standards Board ("IASB").

The Company's board of directors are responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in Ethiopia and in the manner required by the Commercial Code of Ethiopia of 1960, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Company is required to keep such records as are necessary to:

- Exhibit clearly and correctly the state of its affairs;
- Explain its transactions and financial position; and
- Enable the Accounting and Audit Board of Ethiopia to determine whether the Insurance Company had complied with the provisions of the Insurance Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The Company's board of directors accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Insurance Business Proclamation, Commercial code of 1960 and the relevant Directives issued by the National Bank of Ethiopia.

The board of directors is 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 profit or loss.

The board further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Signed on behalf of the Directors by:



Mulualem Berhane
Chairman, Board of Directors
November 10, 2020



Meseret Bezabih
Chief Executive Officer
November 10, 2020

THE UNITED INSURANCE COMPANY SC DIRECTORS, PROFESSIONAL ADVISERS AND REGISTERED OFFICE FOR THE YEAR ENDED 30 JUNE 2020

COMPANY REGISTRATION NUMBER

KK/AA/3/0006590/2006 E.C (Ethiopian Calendar)

LICENSE NUMBER

LBB/019/12 G.C (Gregorian Calendar)

DIRECTORS (as of 30 June, 2020)

		Date of Appointment
Ato Mulualem Berhane	Board Chairperson	11/3/2016
W/ro Akiko Seyoum	Vice Chairperson	11/3/2016
W/t Teguest Yilma	Director	2/11/2017
Ato Abera Tasew	Director	28/07/2015
Eng. Samrawit Getamesay	Director	28/07/2015
Enat Bank represented By Ato Wondwosen Teshome	Director	2/11/2017
Ato Amare Gashaw Semu	Director	14/02/2019
Ato Ayalew Alemu Bezabih	Director	14/02/2019
Ato Alemayehu Gebre Tilahun	Director	14/02/2019

EXECUTIVE MANAGEMENT (as of 30 June, 2020)

		Date of Appointment
W/ro Meseret Bezabih	General Manager/CEO	25/10/2011
Ato Tesfaye Desta	DGM Operations-Non-Life	09/01/2016
W/ro Azalech Yirgu	DGM Life & Medexin	07/01/2010
Ato Dawit G/Ammanuel	DGM Finance & Admin	04/01/2015
Ato Gize Alemu	Director, HR & Admin.	06/01/2018
W/t Bethlehem Mekbib	Director, U/W & Tech. Service	03/01/2015
Ato Girum Fekede	Director, Claims and Engineering	09/01/2016
Ato Engida Kassaye	Director, Fin. & Investment	03/01/2015
Ato Yinebeb Derseh	Manager, Legal services	16/01/2017
Ato Aliye Mohammed	Manager, IT	01/01/2016
Ato Mesfin Eyasu	Manager, Marketing	07/01/2014

DEGEFA & TEWODROS AUDIT SERVICE PARTNERSHIP

Chartered Certified Accountants (UK)
Authorized Auditors in Ethiopia
Addis Ababa, Ethiopia

CORPORATE OFFICE

The United Insurance Company S.C.
Corporate Head Office: Tewodros Square, <UNIC-ETHIOPIA> BLDG, Arada Sub city, Woreda 01, House No:220
Addis Ababa, Ethiopia

PRINCIPAL BANKERS

United Bank SC
Commercial Bank of Ethiopia

PRINCIPAL REINSURERS

Africa Re-insurers
Ethiopian Reinsurance Share company
Hannover Re
ZEP Re

CONSULTING ACTUARIES

General Business
Actuarial Services East Africa Limited
26th Floor UAP -Old Mutual Towers
Upper Hill Road, Upper Hill
Nairobi, Kenya

Long Term Business

Zamara Actuaries, Administration and Consultant Limited
Lane Mark Plaza , 10th Floor Argwings Kodek Road
Po Box 524339
Nairobi, Kenya

THE UNITED INSURANCE COMPANY SC

AUDITOR'S REPORT

PRINCIPAL REINSURERS



**THE UNITED INSURANCE COMPANY SC
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

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አገልግሎት የሕ/ሽ/ማህበር**

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Mobile: +251 911 223 210
+251 966 215 921

**Degefa and Tewodros Audit
Services Partnership**

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E-mail: deg.lem@ethionet.et
chalatewodros@gmail.com
Addis Ababa, Ethiopia

Partners
Degefa Lemessa, B.A, FCCA & Tewodros Hailu, M.A, FCCA

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
THE UNITED INSURANCE COMPANY S.C**

OPINION

We have audited the accompanying financial statements of THE UNITED INSURANCE COMPANY SC which comprise the statement of profit and loss and other comprehensive income for the year ended 30 June 2020, statement of financial position as at 30 June 2020, statement of changing equity and statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of THE UNITED INSURANCE COMPANY S.C as at 30 June 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by IAASB.

As required by the commercial code of Ethiopia, based on our audit we report as follows:

- i) Pursuant to Article 375(1) of the Commercial Code of Ethiopia, 1960 and based on our reviews of the board of directors' report, we have not noted any matter that we may wish to bring to your attention.
- ii) Pursuant to article 375 (2) of the commercial code of Ethiopia we recommend the financial statements be approved.

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 the International Ethics Standards Board for Accountants' code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



THE UNITED INSURANCE COMPANY SC INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon; we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies of the company and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

In preparing the financial statements management is 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 for accounting unless management either intends to liquidate the company or to close operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditors Responsibility 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.




Degefa & Tewodros Audit Services Partnership
Chartered Certified Accountants
Addis Ababa
October 10/2020

THE UNITED INSURANCE COMPANY SC
COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	30 June 2020 Birr'000	30 June 2019 Birr'000
Gross written premiums	6	597,405	533,561
Change in unearned premium reserve	6	(16,514)	(17,720)
Gross earned premiums		580,891	515,841
Less: Premiums ceded to reinsurers	6	140,821	121,088
Net earned premiums		440,070	394,753
Commission income	7	46,696	32,882
Net underwriting income		486,766	427,635
Claims and policy holder benefits payable	10	258,272	275,838
Less: claims recoveries from reinsurers		(17,630)	(48,921)
Net claims and benefits		240,642	226,917
Underwriting expenses	13	36,086	27,252
Total underwriting expenses		276,728	254,169
Underwriting profit		210,038	173,466
Investment income	8	111,854	83,095
Other income	9	2,482	1,952
Net income		324,374	258,513
Operating and other expense	12	164,565	137,100
Impairment on insurance receivable	12	5,497	101
Finance (income) / costs	14	154,312	121,312
Profit before income tax		6,545	133
Income tax expense	32	147,767	121,179
Profit for the year		(23,487)	(14,582)
Other comprehensive income		124,280	106,597
Items that will not be subsequently reclassified into profit or loss:			
Re-measurement gain/ (loss) on retirement benefits obligations	35	1,149	34
Deferred tax (liability)/asset on re-measurement gain or loss		(345)	(10)
Total comprehensive income for the year		125,084	106,621
Basic earnings per shares (in Birr)		298.96	337.54



Mulualem Berhane
Chairman, Board of Directors




Meseret Bezabih
Chief Executive Officer

THE UNITED INSURANCE COMPANY SC
COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2020

ASSETS		30 June 2020	30 June 2019
	Notes	Birr'000	Birr'000
Property, plant and equipment	15	340,572	331,265
Investment properties	16	280,627	298,331
Intangible assets	17	822	647
Right-of-use assets	34	12,388	4,244
Investment securities:			
Available for sale	18	157,576	134,936
Loans and receivables	18	-	35
Statutory deposits	19	68,015	58,067
Reinsurance receivables	20	3,190	9,088
Insurance receivables	21	1,898	494
Reinsurance assets	22	155,169	175,439
Policy holder loans	23	877	702
Deferred acquisition costs	24	15,468	13,838
Salvage property held for sale	25	4,839	12,417
Other assets	26	75,949	48,826
Deposits with financial institutions	27	464,503	397,198
Cash and cash equivalents	27	43,699	33,498
Total assets		1,625,592	1,519,025
LIABILITIES			
Insurance contract liabilities	28	609,243	594,202
Deferred reinsurance commission	29	18,700	14,802
Insurance Payables	30	48,907	51,115
Other liabilities	31	67,784	65,823
Current income tax liabilities	32	14,902	11,489
Long term Loan	33	33,354	48,150
Lease Liabilities	34	5,913	1,313
Defined benefit obligations	35	3,190	2,847
Deferred income tax	32	36,121	17,982
Total liabilities		838,114	807,723
EQUITY			
Share capital	36	436,228	375,579
Share premium	36	-	1,369
Retained earnings	38	177,904	176,226
Legal reserve	39	80,808	68,380
Life fund reserve	40	92,381	90,394
Other reserves	41	158	(646)
Total equity		787,478	711,302
Total equity and liabilities		1,625,592	1,519,025

The financial statements and notes to the financial statement shown on pages 29 to 149 were approved and authorized for issue by the board of directors on 10/11/2020 and were signed on its behalf by:



Mulualem Berhane
Chairman, Board of Directors




Meseret Bezabih
Chief Executive Officer

THE UNITED INSURANCE COMPANY SC
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Life fund reserve Birr'000	Other reserve Birr'000	Total Birr'000
As at 1 July 2018		250,000	-	188,344	57,721	94,750	(670)	590,145
Profit for the year	38			106,597	-	-	-	106,597
Transfer to legal reserve	39			(10,659)	10,659			-
Transfer to capital		125,578						125,578
Transfer to life fund	40					(4,356)	-	(4,356)
Premium availed for distribution			1,369					1,369
Adjustment								
Owners:								-
Contribution of equity net of transaction costs								-
Dividends declared and paid				(108,055)				(108,055)
Other comprehensive income:								-
Re-measurement gains on defined benefit plans (net of tax)							24	24
Total comprehensive income for the year		125,578	1,369	(12,117)	10,659	(4,356)	24	121,133
As at 30 June 2019		375,578	1,369	176,227	68,380	90,394	(646)	711,302
As at 1 July 2019		375,578	1,369	176,227	68,380	90,394	(646)	711,302
Profit for the year				124,280				124,280
Deferred tax accounted for undistributable profit				(15,245)				(15,245)
Transfer to legal reserve				(12,428)	12,428			-
Transfer to capital		60,650		-				60,650
Transfer to life fund				-		1,987		1,987
Premium availed for distribution			(1,369)					(1,369)
Transaction with owners in their capacity as owners								-
Contribution of equity net of transaction costs								-
Dividends declared and paid				(94,929)				(94,929)
Other comprehensive income:								-
Re-measurement gains on defined benefit plans (net of tax)							804	804
Total comprehensive income for the year		60,650		1,678	12,428	1,987	804	76,178
As at 30 June 2020		436,228	-	177,903	80,808	92,381	158	787,478

Mulualem Berhane
Chairman, Board of Directors



Meseret Bezabih
Chief Executive Officer

**THE UNITED INSURANCE COMPANY SC
COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	30 June 2020 Birr'000	30 June 2019 Birr'000
Cash flows from operating activities			
Cash generated from operations	42	247,772	195,677
Interest income	8	(54,901)	(46,069)
Dividend income	8	(22,641)	(19,794)
Income tax paid		(17,526)	(8,766)
Rent income	8	(34,312)	(17,232)
Net cash (outflow)/inflow from operating activities		118,392	103,816
Cash flows from investing activities			
Purchase of investment securities	18	(22,642)	(25,346)
Investment in Fixed time deposit	8	(67,305)	(63,481)
Purchase of investment property	16	(1,496)	(75,938)
Right of use assets	34	(7,801)	
Proceeds from sale of equity investment	9	-	1,754
Purchase of intangible assets		(450)	-
Purchase of property, plant and equipment		(61,927)	(8,853)
Proceeds from sale of property, plant and equipment	15	156	728
Dividends received		22,641	19,794
Proceeds from policy loans		(176)	(24)
Rent income received		34,312	17,232
Interest income received		54,901	46,069
Increase in statutory deposit	19	(9,947)	(19,461)
Net cash (outflow)/inflow from investing activities		(59,732)	(107,526)
Cash flows from financing activities			
Dividends paid		(96,298)	(108,055)
Proceeds from issues of shares		60,650	126,948
Decrease in life fund		1,987	(4,356)
Principal elements of lease payments (2019 - principal Elements of leasehold land payments)			(195)
Proceeds from borrowings		-	50,000
Principal elements of lease payments			
Repayment of borrowings	33	(14,796)	(68,600)
Net cash (outflow)/inflow from financing activities		(48,457)	(4,258)
Net increase/ (decrease) in cash and cash equivalents		10,201	(7,968)
Cash and cash equivalents at the beginning of the year	27	33,498	41,466
Foreign exchange (losses)/ gains on cash and cash		-	-
Net increase / (decrease) in cash and cash equivalents			-
Cash and cash equivalents at the end of the year	27	43,699	33,498



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. GENERAL INFORMATION

The United Insurance Company SC, was established by 87 Ethiopians (individuals and enterprises) in November 1994 with an authorized capital of Br 25 million and an initial paid up capital of Br 8.073 million. Following the merger with Lion Insurance Company SC in 2002, the Company is currently owned by more than 484 shareholders. As a result of the merger and the decision of the Eleventh Extra-Ordinary General Meeting of shareholders, the Company's authorized capital rose to Br 500 million. The paid up Capital is now Br436 million. The Company's registered office is at:

The United Insurance Company S.C.

Corporate Head Office: Tewodros Square, <UNIC-ETHIOPIA>BLDG, Arada Sub city, Woreda 01, HOUSE No: 220 Addis Ababa, Ethiopia

The Company is principally engaged in the business of non life and life insurance services and other ancillary business activities to clients in Ethiopian Market.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 INTRODUCTION TO SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.2 BASIS OF PREPARATION

The financial statements for the year ended 30 June 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements for the year ended 30 June 2020.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept.

All values are rounded to the nearest thousands, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (Birr' 000).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly.



THE UNITED INSURANCE COMPANY SC COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2020

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2.1 Going concern

The financial statements have been prepared on a going concern basis. The management have no doubt that the Company would remain in existence after 12 months.

2.2.2 Changes in accounting policies and disclosures

Adoption of new Standards, amendments and interpretations applicable in future financial years.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 June 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9 - Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. However, for insurers, the International accounting standards board (IASB) has voted to delay the implementation of IFRS 17 for one year to 1 January 2023. The board has also decided to the temporary exemption for insurers to apply the financial instruments standard, IFRS9, so that both IFRS 9 and IFRS 17 can be applied at the same time. That coincides the accounting standard for financial instruments with the accounting standard for financial instruments with the implementation of IFRS 17.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Early adoption of the standard is permitted. The Company is yet to assess IFRS 9's full impact.

IFRS 17 - Insurance contracts

Disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

This standard requires a company that issues insurance contracts to report insurance obligations and risks on the balance sheet as the total of:

- a. The fulfillment cash flows—the current estimates of amounts that the insurer expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those cash flows; and
- b. The contractual service margin—the expected profit for providing future insurance coverage (i.e. unearned profit).

The measurement of the fulfillment cash flows reflects the current value of any interest-rate guarantees and financial options included in the insurance contracts.

The standard replaces IFRS 4 'Insurance contracts'. The standard is effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. The Company is yet to assess the expected impact on this standard.

IFRS 17 aims to set high quality and globally accepted financial reporting standards based on clearly outlined principles according to the International accounting standards Board (IASB). It will make global insurance reporting aligned and consistent. It also aims to apply uniform accounting standards for all types of insurance contracts.

IFRS 17 provides new basis for liability measurement and profit recognition. The measurement models are; i) Building block approach (BBA) measure the net inflow between the risk-adjusted present value of expected inflows and outflows at inception. This method is applicable for measurement of long-term and whole life insurance and reinsurance contracts. ii) Premium allocation approach (PAA) this method is applicable for measurement of short term life, group life and general insurance. iii) Variable fee Approach (VFA) measures participating business where policy holder liability is linked to underlying items. This method is applicable for measurement of unit-linked contracts, deposit administration contracts.

New Standards, amendments and interpretations applied in financial year ended.

Effect from July 1, 2019, the Company has applied the following new or amended standards that have come into effect.

IFRS 16 - Leases

Effective 1 January 2019, IFRS 16, has replaced IAS 17 leases and IFRIC 4 Determining whether a contract contains a lease. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Company has an insignificant leasing activities acting as a lessor.

(a) Transition method and practical expedients applied

The Company adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 July 2019), without restatement of comparative figures. The Company elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not released. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristic;
- Applied the exemption not to recognize right- of use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing impairment review under IAS 36 as at the date of initial application;
- Excluded initial direct costs from the measurement of the right of use asset at the date of initial application;
- Used hindsight when determining the lease term;

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for some leases with a lease term of 12 months or less.

On adoption of IFRS 16, the Company recognized right- of assets and lease liabilities in relation to leases of office space, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at 1 July 2019. The incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor or National Bank of Ethiopia under comparable terms and conditions. The weighted-average rate applied was 13.50%. The right of use assets of office space is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Impact of initial application of IFRS 16 leases

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.



THE UNITED INSURANCE COMPANY SC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 July 2019. In preparation for the first time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on lessee accounting

Former operating lease- IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), the Company:

1. recognizes right -of use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
2. Recognize depreciation of right-of use assets and interest on lease liabilities in profit or loss;
3. Separates the total amount of cash paid into a principal portion (presented within financing activities) in the statement of cash flows.

(c) Impact on lessor accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16, has changed and expanded the disclosures required, in particulars with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Leases for which the Company is a lessor is classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease all other leases are classified as operating leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the term of the relevant lease and are included in 'Investment income'.

On 1 July 2019, we adopted the requirements of IFRS 16 retrospectively. The cumulative effect of initially applying the standard was recognized as an adjustment to the operating balance of retained earnings at that date.

Comparatives were not restated. The adoption of the standard increased assets by Birr 4,956,120 and increased lease liabilities by Birr 4,956,120 with no effect on net assets or retained earnings.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 01 July 2019:

	1 'July '2019 Birr'000
Right- of use assets (New)	4,957
Prepaid office rent transferred to right of use assets	3,305
Lease hold land transferred to Right of use assets	3,305
Net change in retained earnings	0



THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

The following table reconciles the minimum lease commitments disclosed in the Company's 30 June 2019 annual financial statements to the amount of lease liabilities recognized on 1 July 2019:

	1 July '2019 Birr'000
Minimum operating lease commitment at 30 June 2019	12,180
Less: short-term leases not recognized under IFRS 16	(3,027)
Less: low value leases not recognized under IFRS 16	0
Less: Lease paid in advance but taken as a lease commitment at 30/06/2019	(3,305)
Plus: effect of extension options reasonably certain to be exercised	0
undiscounted lease payments	
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	5,848 (891)
Lease liabilities recognized at 1 July 2019	4,957



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(b) Significant Accounting policies subsequent to transition

All leases are accounted for by recognizing a right-of use asset and a lease liability except for:

- Leases with a term of 12 months or less; and
- Lease of low value assets.

Lease Liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- Amounts expected to be payable under and residual value guarantee;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- The exercise price of any purchase option granted in favor of the Company if it is reasonable certain to assess that Option.

Right of use assets is initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred;
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right - of use assets are amortized on a straight - line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Lease liabilities are re measured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Amendments to IAS 40 Transfers of Investment property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

IFRIC 23 uncertainty over income tax treatments

Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation. The Company does not expect the standard to have a significant impact on its financial statements.

Except for IFRS 16, no material impact on the annual financial statements was identified.

2.3 INVESTMENT IN ASSOCIATES

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Company's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the Company's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'Share of profit of an associate and a joint venture' in the income statement.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in income statement.



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2.4 FOREIGN CURRENCY TRANSLATION

a. Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The functional currency and presentation currency of the Company is the Ethiopian Birr (Birr).

b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in profit or loss within other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in income statement as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:



**THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

Asset class	Depreciation rate (years)	Residual value (%)
Buildings	50	5%
Lifts	15	1%
Office and other	7	1%
Furniture and fittings	10	1%
Computer equipment	7	1%
Motor vehicle	10	5%
Fence and recovery		
Improvements	10	1%

The Company commences depreciation when the asset is available for use. Capital work-in-progress is not depreciated as these assets are not yet available for use. They are disclosed when reclassified during the year.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.6 INVESTMENT PROPERTY

Properties that are held for rent by the Company to earn rental income or for capital appreciation, or both, and are not occupied by the Company, are classified as investment properties.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Company and the cost can be reliably measured. This is usually when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The Company has opted to subsequently carry investment property at cost and disclose fair value. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. Fair value of the Company's investment property is determined by the Company's staff that has recent experience in the location and category of the investment property being valued. Professional valuers were not involved.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.



THE UNITED INSURANCE COMPANY SC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Earned rental income is recorded in profit or loss for the year within (other operating income). Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately. Investment properties are de-recognized when they have been disposed.

2.7 INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. 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 amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortization expenses on intangible assets with finite lives are presented as a separate line item in the income statement.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follow:

Intangible assets class	Useful lives (years)	Residual value(%)
Computer software	8	0%



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2.8 DEFERRED ACQUISITION COSTS (DAC)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalized as an intangible asset (DAC). All other costs are recognized as expenses when incurred.

The DAC is subsequently amortized over the life of the contracts as follows:

- For property, casualty and short-duration life insurance contracts, DAC is amortized over the terms of the policies as premium is earned;
- For long-term insurance contracts with fixed and guaranteed terms, DAC is amortized in line with premium revenue using assumptions consistent with those used in calculating future policy benefit liabilities; and
- For long-term insurance contracts without fixed terms and investment contracts with DPF, DAC is amortized over the expected total life of the contract group as a constant percentage of estimated gross profit margins (including investment income) arising from these contracts. The pattern of expected profit margins is based on historical and anticipated future experience and is updated at the end of each accounting period. The resulting change to the carrying value of the DAC is charged to revenue.

2.9 STATUTORY DEPOSITS

Statutory deposits are cash balances held with the National Bank of Ethiopia in line with article 20 of Insurance Business Proclamation No. 746/2012 and may not be withdrawn except with the written permission of the National Bank of Ethiopia, or be used as a pledge or security for any loan. They have been separately disclosed due to their nature and liquidity. Statutory deposit is measured at cost.

2.10 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 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. 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. When 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 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 companies or other available fair value indicators.



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The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

2.10.1 Financial instruments - initial recognition and subsequent measurement

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.

2.10.2 Financial assets

2.10.2.1 Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

2.10.2.2 Subsequent measurement

For purposes of subsequent measurement of the Company's financial assets are classified into two categories:

- Loans and receivables
- Available for sale

a. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized 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 amortization is included in interest and similar income in income statement. The losses arising from impairment are recognized in income statement in loan impairment charge.



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The Company's loans and receivables comprise of trade receivables, investment securities and other financial assets. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

b. Available-for-sale (AFS) financial assets

AFS investments include equity investments. Equity investments classified as AFS are those which are neither classified as held-for-trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to income statement in impairment loss on financial investment. Interest earned whilst holding AFS financial investments is reported as interest and similar income using the EIR method. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss. Refer to the information below under reclassification.

c. 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company immediately recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Other operating income'.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable, or when the instrument is derecognized.

d. Reclassification of financial assets

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Company does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.



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For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognized in equity is amortized to income statement over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to income statement.

The Company may reclassify a non-derivative trading asset out of the 'held-for-trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

If a financial asset is reclassified, and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from date of change in estimate.

e. De-recognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's statement of financial position) when:

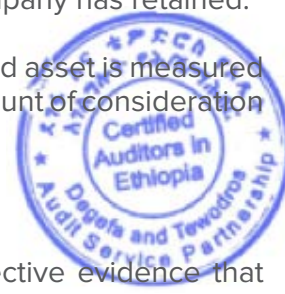
- the rights to receive cash flows from the asset have expired, or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - 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.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes 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 that the Company could be required to repay.

f. Impairment of financial assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.



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

i. Financial assets carried at amortized cost

For financial assets carried at amortized cost (such as loans and receivables), the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'loan impairment charge'.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company.



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Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

ii. Available-for-sale (AFS) financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognized in profit or loss. If any loss on the financial asset was previously recognized directly in equity as a reduction in fair value, the cumulative net loss that had been recognized in equity is transferred to profit or loss and is recognized as part of the impairment loss. The amount of the loss recognized in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

2.10.2 Financial liabilities

a. Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. The Company's financial liabilities include customer's deposits, margin held on letter of credits, and other liabilities. Interest expenditure is recognized in interest and similar expense.

b. Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below.

c. Financial liabilities at amortized cost

Financial instruments issued by the Company, that are not designated at fair value through profit or loss but are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or



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another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

d. De-recognition of financial liabilities

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Company tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent de-recognition).

2.10.3 Offsetting financial instruments

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

2.11 OTHER ASSETS

Other assets are generally defined as claims held against other entities for the future receipt of money or other benefits. The other assets in the Company's financial statements include the following:

a. Prepayments

Prepayments are payments made in advance for services to be enjoyed in future. The amount is initially capitalized in the reporting period in which the payment is made and subsequently amortized over the period in which the service is to be enjoyed.

b. Other receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when Payment is received.

The Company's other receivables are rent receivables and other receivables from debtors.

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with Banks and other short-term highly liquid investments with original maturities of three months or less.



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For the purposes of the cash flow statement, cash and cash equivalents include cash and restricted balances with National Bank of Ethiopia.

2.13 INSURANCE AND INVESTMENT CONTRACTS CLASSIFICATION

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

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. A number of insurance and investment contracts contain a discretionary participation feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- a. That are likely to be a significant portion of the total contractual benefits;
- b. Whose amount or timing is contractually at the discretion of the Company; and
- c. That are contractually based on:
 - The performance of a specified pool of contracts or a specified type of contract;
 - Realized and/or unrealized investment returns on a specified pool of assets held by the Company; or
 - The profit or loss of the Company, fund or other entity that issues the contract.

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

2.14 INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DPF

a) Recognition and Measurement

IFRS4p37 (a) Insurance contracts and investment contracts with DPF are classified into four main categories, depending on the Duration of risk and whether or not the terms and conditions are fixed.

i. Short-term insurance contracts

These contracts are casualty, property and short-duration life insurance contracts. Causality insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual



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and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Short-duration life insurance contracts protect the Company's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

ii. Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.



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Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognized as income in line with the decrease of unexpired insurance risk of the contracts in force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid. The liabilities are recalculated at each end of the reporting period using the assumptions established at inception of the contracts.

iii. Long-term insurance contracts without fixed terms and with DPF – unit-linked and universal life

These contracts insure human life events (for example, death or survival) over a long duration. However, insurance premiums are recognized directly as liabilities. These liabilities are increased by credited interest (in the case of universal life contracts) or change in the unit prices (in the case of unit-linked contracts) and are decreased by policy administration fees, mortality and surrender charges and any withdrawals.

The liability for these contracts includes any amounts necessary to compensate the Company for services to be performed over future periods. This is the case for contracts where the policy administration charges are higher in the initial years than in subsequent years. The mortality charges deducted in each period from the contract holders as a group are considered adequate to cover the expected total death benefit claims in excess of the contract account balances in each period; no additional liability is therefore established for these claims.

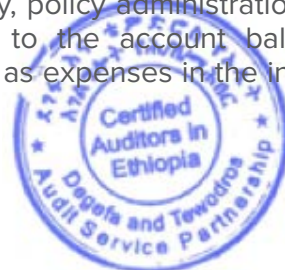
A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Company with the consideration received from the contract holders.

This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

Universal life contracts contain a DPF that entitles the holders to a minimum guaranteed crediting rate per annum (3% or 4%, depending on the contract commencement date) or, when higher, a bonus rate declared by the Company from the DPF eligible surplus available to date. The Company has an obligation to eventually pay to contract holders at least 90% of the DPF eligible surplus (that is, all interest and realized gains and losses arising from the assets backing these contracts).

Any portion of the DPF eligible surplus that is not declared as a bonus rate and credited to individual contract holders is retained in a liability for the benefit of all contract holders until declared and credited to them individually in future periods. In relation to the unrealized gains and losses arising from the assets backing these contracts (the DPF latent surplus), the Company establishes a liability equal to 90% of these net gains as if they were realized at year-end.

Shareholders' interest in the DPF latent surplus (equal to 10%) is recognized in the equity component of DPF. Revenue consists of fees deducted for mortality, policy administration and surrender charges. Interest or changes in the unit prices credited to the account balances and excess benefit claims incurred in the period are charged as expenses in the income statement.



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b. Liability adequacy test

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. 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).

As set out in (a) above, long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities. Any DAC written off as a result of this test cannot subsequently be reinstated.

c. Reinsurance contracts

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

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

In certain cases, a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Company's property or casualty insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Company for the related claim, the difference is amortized over the estimated remaining settlement period.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is calculated following the same method used for these financial assets. These processes are described in Note 2.9.

d. Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance



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receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables.

The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.8.

e. Salvage and subrogation reimbursements

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

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

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

f. Deferred income

Deferred income represents apportion of commission received on reinsurance contracts which are booked during the financial year and are deferred to the extent that they are recoverable out of future revenue margins. It is calculated by applying the reinsurance commission income to the ratio of prepaid reinsurance to reinsurance cost.

2.15 INSURANCE CONTRACTS LIABILITIES

The recognition and measurement of insurance contracts have been set out under Note 2.11. Insurance contract Liabilities arising from insurance contracts are determined as follows:

i. Non- Life Insurance contracts

a. Reserves for outstanding claims

The reserve for outstanding claims is maintained at the total amount of outstanding claims incurred and reported plus claims incurred but not reported ("IBNR") as at the balance sheet date. The IBNR is based on the liability adequacy test described in note 2.14.

b. Reserves for unearned premium and unexpired risk

The reserve for unearned premium is calculated on a time apportionment basis in respect of risk accepted during the year. A provision for additional unexpired risk reserve is recognized for an underwriting year where it is envisaged that the estimated cost of claims and expenses would exceed the unearned premium reserve.



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At the end of each reporting period, proportions of net retained premium of the general insurance are provided to cover portions of risks which have not expired. The reserves are calculated on 1/24th method as prescribed by the directive of the National Bank of Ethiopia.

c. Reserve methodology

Data Segmentation: The data used for reserving is segmented into the following classes as per the NBE Directives:

- Accidents
- Fire
- Burglary and housebreaking and/or theft
- Engineering
- Employer's Liability
- Fire
- Goods in transit
- Liability
- Marine
- Medical Expense
- Motor
- Pecuniary and;
- Others

ii. Life Insurance contracts

This is made up of net liabilities on policies enforce as determined by qualified actuaries at the reporting date. Surplus or deficit arising from the periodic valuation of the Life insurance contracts are recognized in the statement of profit or loss. The reserves include incurred but not reported (IBNR) and unearned premium reserve (UPR).

Reserve methodology

Data segmentation: The data used for reserving is segmented into the following classes:

- Term
- Endowment
- Whole Life
- Permanent health
- Investment linked insurance and;
- Others



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2.16 REVENUE RECOGNITION

a. Gross premiums

Gross recurring premiums on life and investment contracts with DPF are recognized as revenue when payable by the policyholder. For single premium business, revenue is recognized on the date on which the policy is effective. Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognized on the date on which the policy commences. Premiums include any adjustments arising in the reporting 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 recognized 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 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.

b. Reinsurance premiums

Gross outward reinsurance premiums on life and investment contracts are recognized as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Gross general reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognized on the date on which the policy incept. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

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.

Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net benefits and claims, respectively, because this is consistent with how the business is managed.

c. 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 recognized 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 recognized over those future periods.

d. Investment income

Interest income is recognized 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 recognized as an adjustment to the EIR of the instrument.



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Investment income also includes dividends when the right to receive payment is established.

e. Dividend income

This is recognized when the Company's right to receive the payment is established, which is generally when the shareholders approve and declare the dividend.

f. Foreign exchange revaluation gains or losses

These are gains and losses arising on settlement and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's spot rate of exchange at the reporting date. This amount is recognized in the income statement and it is further broken down into realized and unrealized portion.

The monetary assets and liabilities include financial assets within the foreign currencies deposits received and held on behalf of third parties.

2.17 GROSS BENEFITS AND CLAIMS

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

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

2.18 REINSURANCE CLAIMS

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

2.19 FINANCE COST

Interest paid is recognized 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.

2.20 EMPLOYEE BENEFITS

The Company operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post employment benefits.



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

a. Wages, salaries and annual leave

Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Company.

b. Defined contribution plan

The Company operates two defined contribution plans;

1. Pension scheme in line with the provisions of Ethiopian pension of private organization employees' proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Company respectively; with additional 3%
2. Provident fund, funding for employees under pension scheme provident fund contribution, funding under this scheme is 6% and 14% by employees and the Company respectively based on the employees' salary

Once the contributions have been paid, the Company retains no legal or constructive obligation to pay further contributions if the fund does not hold enough assets to finance benefits accruing under the retirement benefit plan. The Company's obligations are recognized in the profit and loss account.

c. Defined benefit obligations

The Company operates a defined benefit severance scheme in Ethiopia, where members of staff who have spent 5 years or more in service of the Company are entitled to benefit payments upon retirement. The benefit payments are based on final emolument of staff and length of service. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of gratuity benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Liability recognized in respect of defined benefit gratuity plans is the present value of the defined benefit.

Obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the market rates on government bonds that have terms to maturity approximating to the terms of the related pension obligation. Company's contributions to this scheme are charged to profit or loss in the year in which they relate. Re-measurement gain and loss arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Current service and interest cost are included as part of employee benefit expense in the profit or loss. Past-service costs are recognized immediately in profit or loss. Gains or losses on curtailment or settlement are recognized in profit or loss when the curtailment or settlement occurs.



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2.21 FAIR VALUE MEASUREMENT

The Company measures financial instruments classified as available-for-sale at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are, summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Note 4.7.1 and Notes 3
- Quantitative disclosures of fair value measurement hierarchy Note 4.7.2
- Financial instruments (including those carried at amortized cost) Note 4.7.3

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as available-for-sale financial assets.

2.22 PROVISIONS

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in income statement net of any reimbursement.



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If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as other operating expenses.

2.23 INSURANCE PAYABLE

Insurance payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted as the impact is not expected to be significant.

2.24 OTHER PAYABLES

Other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted as the impact is not expected to be significant.

2.25 SHARE CAPITAL

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds. The excess of the issue price over the par value is recorded in the share premium reserve.

2.26 EARNINGS PER SHARE

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding for the efforts of all diluted potential ordinary shares.

2.27 RETAINED EARNINGS

The net profits or losses from operations in current and prior periods are accumulated in retained earnings less distributions to equity holders.

2.28 LEGAL RESERVES

In accordance with article 22 sub article (1) and (2), of insurance Business Proclamation No. 746/2012, the Company, at the end of each financial year, transfers to its legal reserve to account a sum of not less than 10% of profit. When the legal reserve becomes equal to the paid up capital of the Company, the amount of the legal reserve to be retained by the Company each year from its net profit shall be determined by The National Bank of Ethiopia's Directive.



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2.29 DIVIDEND

Dividends are recorded in equity in the period in which they are declared. Any dividend declared after the end of the reporting period and before the financial statements are authorized for issue, is disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations.

2.30 UNDERWRITING EXPENSES

Underwriting expenses are made up of acquisition and maintenance expenses comprising commission and policy expenses and other direct costs. Underwriting expenses for insurance contracts are recognized as expense when incurred, with the exception of acquisition costs which are recognized on a time apportionment basis in respect of risk.

2.31 LEASES

The Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration-i.e the customer has the rights to:

- Obtain substantially all of the economic benefits from using the assets; and
- Direct the use of the asset.

As a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and Leases of low value assets. The Company recognizes lease liabilities to make lease payments and right-of use assets representing the right to use the underlying assets.

a. Right-of use assets

The Company recognizes right-of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company at the end of the lease term or cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of use assets arising from a lease are initially measured on a present value basis and also subject to impairment.

b. Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include



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fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in interest bearing finance lease liabilities.

c. Short term leases and leases of low value assets

The Company applies the short term lease recognition exemption to its short term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short term leases and leases of low value assets are recognized as expense on a straight line basis over the lease term.

As a lessor

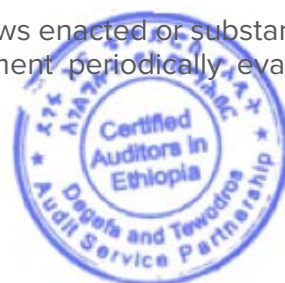
Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are Classified as operating leases. Lease income arising is accounted for on a straight line basis over the lease terms and is included in investment income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as lease income. Contingent rents are recognized as revenue in the period in which they are earned.

2.32 INCOME TAXATION

a. Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. Management periodically evaluates



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positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

b. Deferred tax

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Capital management Note 4.6
- Financial risk management and policies Note 4
- Sensitivity analyses disclosures Note 4.5.2

3.1 JUDGMENTS

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:



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Determining the lease term of contracts with renewal and termination options - as lessee

The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. 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 option (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Operating lease commitments -Company as lessor

The Company has entered into lease of Land and its office building. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the Land and office building, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

3.2 ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

a. Valuation of insurance contract liabilities

Life insurance contract liabilities

The liability for life insurance contracts and investment contracts with DPF is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time together with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs (DAC) and are amortized to the consolidated statement of profit or loss over time. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs to the consolidated statement of profit or loss.



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These liabilities are estimated using appropriate and acceptable base tables of standard mortality according to the type of contract being written. Management makes various assumptions such as expenses inflation and mortality in estimating the required liabilities for life contracts.

Non-life insurance contract liabilities

For non-life 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). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provide by a contract requires amortization of unearned premium on a basis other than time apportionment.

The carrying value at the reporting date of non-life insurance contract liabilities is 608,858 (2019: 549,202)

b. Impairment losses on loans and receivables

The Company assesses at the end of every reporting period whether there is any objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognized for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. For individually



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significant financial assets that has been deemed to be impaired, management has deemed that cash flow from collateral obtained would arise within 24 months where the financial asset is collateralized.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed

The use of historical loss experience is supplemented with significant management judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgment applied in the calculation of the Company's impairment charge on financial assets are set out in the financial risk management section.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and interest rates. The assumptions underlying this judgment are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience.

c. Liabilities arising from insurance contracts

Liabilities for nonpaid claims are estimated on case by case basis. The reserves made for claims fluctuate based on the nature and severity of the claim reported. Claims incurred but not reported are determined using statistical analysis and the Company deems the reserves as adequate.

d. Retirement benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of severance pay obligations. The assumptions used in determining the net cost (income) include the discount rate, rate of return on assets, future salary increments and mortality rates.

The Company determines the appropriate discount rate at the end of the year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality government bonds that are denominated in



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the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability. Other key assumptions for retirement benefit obligations are based in part on current market conditions.

e. Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives of assets is based on Management's judgment. The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. Property, plant and equipment is depreciated over its useful life. Estimates could change if expectations differ due to physical wear and tear and technical or commercial obsolescence. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase expenses and decrease the carrying value of non-current assets.

f. Impairment of non- financial assets

The Company reviews other non-financial assets for possible impairment if there are events or changes in circumstances that indicate that the carrying values of the assets may not be recoverable, or at least at every reporting date, when there is any indication that the asset might be impaired. The Company is of the opinion that there is no impairment indicator on its non-financial assets as at the reporting date.

g. Fair valuation of investment properties

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is determined by reference to observable market prices. The fair value of investment property does not reflect the related future benefits from this future expenditure. These valuations are performed by external appraisers. Assumptions are made about expected future cash flows and the discounting rates.

h. Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 4.7.2 for further disclosures.

i. Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results



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and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

4. INSURANCE AND FINANCIAL RISK MANAGEMENT INTRODUCTION

Risk is inherent in the Company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to insurance and financial (credit, liquidity and market) risk. It is also subject to country risk and various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Company's policy is to monitor those business risks through the Company's strategic planning process.

4.1.1 Risk Management Structure

The Board of Directors (The Board) is responsible for the overall risk encountered by the Company. The Board is responsible to develop comprehensive risk management program and policies of the Company. The Board has an oversight role on the proper implementation of the Company's risk management program or policies. The Board monitors proper implementation policies through various reports.

The Management has the overall responsibility for the proper execution and interpretation of the risk strategy and implementing principles, frameworks, policies and limits. It is also responsible for managing risk decisions and monitoring risk levels and deliberate on reports to the Board regarding risk management issues and give timely directions.

The Risk Management and compliance work unit is responsible for implementing and maintaining risk related procedures, independently assesses and monitor the level of risk assumed by the Company. Besides, the work Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company. It carries out an assessment of risk on periodic basis to monitor the Company's overall risk, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. Exceptions are reported, where necessary, to the Board's Risk and Compliance Committee and the relevant actions are taken to address exceptions and any areas of weakness. The unit works closely with the Management to ensure that procedures are compliant with the overall framework. The risk management has also



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reporting relationship with internal audit function. Internal audit function among others ensures the effectiveness of the risk management function periodically. Internal Audit Function discusses the results of its assessments with management, and reports its findings and recommendations to the Board Audit Committee.

The Company's Finance and Investment work unit is responsible for managing the financial assets, financial liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Company as per the company's investment and liquidity policy.

4.1.2 Risk Measurement and Reporting Systems

The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statically model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected segments. In addition, the Company measures and monitors the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3 Risk mitigation

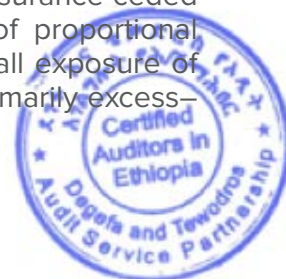
The Company uses various risk mitigating techniques to reduce its risk to the level acceptable. Risk controls and mitigates, identified and approved for the Company, are documented for existing and new processes and systems.

Risk management reports are presented by the risk management work unit based on the National bank of Ethiopia risk parameters and company's identified risks. The reports are discussed in the quarterly report of the Risk management and Compliance committee meetings. Control processes are also regularly reviewed at Business unit level and changes agreed with the Board.

4.2 INSURANCE RISK

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting policy and procedures as well as the use of reinsurance arrangements. The Company purchases reinsurance as part of its risks mitigation programmed. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is surplus treaty reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-



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of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits are determined based on the company's reinsurance policy and vary by product line.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. the Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

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.

Life Insurance Contracts

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

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Investment return risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected. These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.



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The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

- **Mortality and morbidity rates**

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

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

- **Longevity**

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Company's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

- **Expenses**

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

- **Discount rate**

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

- **Sensitivities**

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.



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		Change in liability	
		30 June	30 June
		2020	2019
		Birr'000	Birr'000
Change in assumptions			
Mortality/morbidity rate	10%	267,496	235,980
Investment return	1%	(3,542,410)	
(3,072,497)			
Expenses	10%	3,995,276	3,461,350
Lapse and surrenders rate	10%	(355,470)	(297,072)
		Change in liability	
		30 June	30 June
		2020	2019
		Birr'000	Birr'000
Change in assumptions			
Mortality/morbidity rate	-10%	(263,777)	(233,455)
Investment return	-1%	3,864,552	310,219
Expenses	-10%	(3,970,847)	3,331,123
Lapse and surrenders rate	-10%	372,642	310,219

The above analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated - for example, change in interest rate and change in market values; and change in lapses and future mortality.

Non- Life Insurance Contracts

The Company principally issues the following types of general insurance contracts: Property, Personal and Liability insurance coverage to policyholders and are not guaranteed as renewable. Most of Risks under non-life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from Natural and Man-made calamities. For longer tail claims that take some years to settle, there is also inflation risk.

The table below sets out the concentration of non-life insurance contract liabilities by type of contract:



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	Claims reported			Incurred but not reported		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Accident	153	8	145	950	34	916
Medical expense	575	45	530	386	14	372
W/c	779	37	742	1,155	18	1,137
Motor	182,219	12,397	169,822	26,398	1,134	25,264
Marine	906	241	665	1,298	331	967
Goods in transit	329	16	313	289	74	215
Fire	890	375	515	2,624	1,387	1,237
Burglary and House breaking	415	245	170	125	37	88
Engineering	15,013	12,346	2,667	3,189	1,200	1,989
Liability	6,879	347	6,532	2,707	50	2,657
Pecuniary	58,292	55,420	2,872	3,761	1,050	2,711
Total	266,451	81,477	184,973	42,882	5,329	37,553

	Claims reported			Incurred but not reported		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Accident	853	43	810	750	27	723
Medical expense	1,322	80	1,242	305	11	294
W/c	2,053	97	1,956	456	7	449
Motor	161,431	11,216	150,215	23,926	1,028	22,898
Marine	2,525	303	2,222	1,024	261	763
Goods in transit	61	3	58	228	58	170
Fire	797	700	97	2,107	1,124	983
Burglary and House breaking	625	424	201	62	0	62
Engineering	11,171	9,178	1,993	2,516	947	1,569
Liability	8,920	1,249	7,671	1,068	20	1,048
Pecuniary	99,497	93,403	6,094	2,968	829	2,139
Total	289,255	116,696	172,559	35,410	4,312	31,098



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Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in 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 movements in these assumptions are non-linear.

- a. The table below looks at how changes in the claims cost affects the current liability. A 10% increase will lead to liability increase of ETB 97.6 million.

		Change in liability	
		30 June 2019	30 June 2020
		Birr'000	Birr'000
Increase in gross Liabilities			
Average claim cost	+10%	97,649	96,653
Average number of claims	+10%	97,649	96,653

- b. A 10% decrease will lead to a liability decrease of ETB 91.3 million

		Change in liability	
		30 June 2019	30 June 2020
		Birr'000	Birr'000
Decrease in gross Liabilities			
Average claim cost	-10%	(91,262)	(89,064)
Average number of claims	-10%	(91,262)	(89,064)



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- c. The gross IBNR is estimated at ETB 42.9 million and the outstanding claims are estimated at ETB 256.7 million and the
- d. Total Actuarial liability is estimated at ETB 299.6 million.

IBNR	42,883	35,411
Outstanding claims	256,708	273,549
Total Actuarial Liability	299,591	308,960

- e. Based on the triangles the average claims settlement period in years for each class is shown below:

Class of Business	30 June 2019	30 June 2020
Accident	6.00	7.25
Engineering	6.00	7.25
Fire	6.00	7.25
Liability	6.25	6.25
Marine cargo	6.00	7.25
Motor	6.75	8.00
Pecuniary	6.00	7.25
Workmen's Compensation	6.25	6.25
Average	6.16	7.09

- f. The average claims settlement period for 2019 was 6.16 years while in 2020 the average claim settlement period was 7.09 years. This signifies a change of approximately 0.94 years/ 11 months in the average claims settlement period.

Claims development Triangle

The following table show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

Gross non-life insurance contract outstanding claims provision for 2020:



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Accident year	2014 & prior Birr'000	2015 Birr'000	2016 Birr'000	2017 Birr'000	2018 Birr'000	2019 Birr'000	2020 Birr'000
0	407,141	133,544	164,655	201,859	204,161	254,161	226,230
1	4,609	2,442	3,944	13,404	22,244	8,142	0
2	288	6	209	185	15	0	0
3	272	2,422	183	40	0	0	0
4	201	4	0	0	0	0	0
5	19	68	0	0	0	0	0
6	44						
Cumulative incurred claims	412,574	138,486	168,991	215,488	226,420	262,303	226,230
IBNR	0	0	0	0	98	12,528	30,253
Ultimate claims projected	412,574	138,486	168,991	215,488	226,518	274,831	256,483

4.2 FINANCIAL RISK

Financial instruments by category

The Company's financial assets are classified into the following measurement categories: available-for-sale and loans and receivables and the financial liabilities are classified into other liabilities at amortized cost.

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

The Company's classification of its financial assets is summarized in the table below:



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Financial Assets

	Notes	Available For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
30 June 2020				
Investment securities:				
Loan and receivables	18	0	0	0
Available for sales	18	157,576		157,576
Other assets	26		16,565	16,565
Reinsurance assets	22		155,169	155,169
Loan to life policy holders	23		877	877
Deposit with financial institutions	27		464,503	464,503
Cash and cash equivalents	27		43,699	43,699
Total financial assets		157,576	680,813	838,389

	Notes	Available For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
30 June 2019				
Investment securities:				
Loan and receivables	18		35	35
Available for sales	18	134,936		134,936
Other assets	26		16,119	16,119
Reinsurance assets	22		175,439	175,439
Loan to life policy holders	23		702	702
Deposit with financial institutions	27		397,198	397,198
Cash and cash equivalents	27		33,498	33,498
Total financial assets		134,936	622,991	757,927

Financial Liabilities

		Other financial liabilities Birr'000	Total Birr'000
30 June 2020			
Insurance Payables	30	48,907	48,907
Insurance contract liabilities	28	609,243	609,243
Long term loan	33	33,354	33,354
Other payables	31	15,446	15,446
Total financial Liabilities		706,950	706,950



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		Other financial liabilities	Total
		Birr'000	Birr'000
30 June 2019			
Insurance Payables	30	51,115	51,115
Insurance contract liabilities	28	594,202	594,202
Long term loan	33	48,150	48,150
Other payables	31	13,713	13,713
Total financial Liabilities		707,180	707,180

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment portfolio, long term staff loans and the reliance on reinsurers to make payment when certain loss conditions are met. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure. The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company's risk management policy sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored, exposures and breaches are reported to the Company's risk committee. The Policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or Company of counterparties and industry segments (i.e. limits are set for investments and cash deposits)
- The Company further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it enters into significant volumes of transactions. However, such arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with such balances is reduced in the event of a default, when such balances are settled on a net basis. The Company's reinsurance treaty contracts involve netting arrangements.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the management and are subject to regular reviews. At each reporting date, management performs an assessment of credit worthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- In line with above policies and procedures, the Company's credit risk arises predominantly from financing activities, investment activities and reinsurance activities. Key areas where the company is exposed to credit risk are:
 - Receivables arising out of direct insurance arrangements;
 - Receivables arising out of Reinsurance arrangements; and
 - Receivables arising out of short term investments



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The table below shows the maximum exposure to credit risk for the Company's financial assets. The maximum exposure is shown gross, before the effect of mitigation:

		30 June 2020 Birr'000	30 June 2019 Birr'000
Financial Assets			
Investment securities:			
Loan and receivables	18	0	35
Available for sales	18	157,576	134,936
Other assets	26	16,565	16,119
Reinsurance assets	22	155,169	175,439
Loan to life policy holders	23	877	702
Deposit with financial institutions	27	464,503	397,198
Cash and cash equivalents	27	43,699	33,498
Total financial assets		838,389	757,927

4.3.1 Management of Credit Risk

In measuring credit risk of loans and receivables to various counterparties, the Company considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counter party/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations- value of collateral and other ways out.

The risk associated with direct insurance arrangements is insignificant due to National Bank of Ethiopia regulation which is "No Premium No Cover Credit" Insurance policies are sold on cash basis to all policyholders except governmental organizations which is not relevant to our case; As a result the risk of default is non existence.

Reinsurance arrangements mitigate insurance risk but expose the Company to credit risk. Reinsurance is placed with companies based on an evaluation of the financial strength of the reinsurers, rating, terms of coverage and price. It is Company policy to only deal with reinsurers with credit ratings of at least B from known credit rating agency other than Ethiopian Reinsurance share Company which is not yet rated for mandatory policy and treaty cession as per local regulatory requirements.

The credit risk in the Reinsurance area arises:

- When the Company's reinsurers fails to make a claim reimbursement as and when it is claimed.
- The Company transfers a part of their portfolio to a reinsurer in exchange for a premium. A default on the part of the reinsurer can lead to adverse impacts, on the profitability solvency, underwriting abilities of the Company.



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The exposure to individual counterparties is also managed by other mechanisms, such as the right to offset counterparties is both debtors and creditors to the company. Provisions for impairment receivables and subsequent write-offs are presented to the top management and the board as appropriate as per the write off policy of the company. Internal audit makes regular reviews to assess the degree of compliance based on the company internal audit manual.

4.3.2 Concentration of Credit Risk

The credit risk of the company has been concentrated in the following key areas of activities;

a. Investing/Lending activities

Credit risks associated with investments, risk happens when a firm invests' on debentures or loans to individuals having poor history in repayments or putting money into an asset with the expectation of capital appreciation, dividends and/or interest earnings. Such area is a major source of credit risk.

In our scenario neither debenture nor lending activities exists except policy loan where the long term business section of the company neither advances loan to life policy holders nor is the risk of default totally non existence as the collateral is the accumulated cash value. Other loan with small portfolio is given to staff based on property security and personal guarantee with low default risk. The current Company's equity investment is in banks and in local reinsurance company with low risk.

b. Credit Concentration of a single counter party

There is a potential credit risk arising from the fact that banks may not settle time deposits on timely basis.

4.3.3 Credit Quality Analysis

a. Cash and cash equivalents

The credit quality of cash and bank balances and short term investments that were neither past due nor impaired at as 30 June 2019 and 30 June,2018 and are held in Ethiopian banks and have been classified as non rated as

There are no credit rating agencies in Ethiopia. The Company has no cash and cash equivalents that are held in foreign banks.

b. Investment securities

The Company further manages its risk exposure to credit risk through counterparty risk via established limits as approved by the Directive issued by National Bank of Ethiopia. All fixed income investments are measured for performance on a quarterly basis and monitored by management. The credit risk exposure associated with money market investments is low.



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c. Reinsurance assets

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

d. Credit quality of other financial assets

	Notes	Neither Past due nor impaired Birr '000	Past due but not impaired Birr '000	Individually impaired Birr '000	Total Birr '000
June 30, 2020					
Insurance receivables:					
Due from Contract holders		21		10,982	10,982
				10,982	10,982
Less: Impairment allowance		21		(9,084)	(9,084)
Net Insurance receivable				1,898	1,898
Other assets					
Rent receivable		26	974		974
Inter office receivable - Life		26	1,120		1,120
Restricted cash		26	1,081		1,081
Receivables on policy loan		26	217		217
Staff debtors		26	6,592		6,592
Sundry debtors		26	6,581		6,581
Gross amount			16,565		16,565
Less: Specific impairment allowance					
Net other assets			16,565		16,565



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	Notes	Neither Past due nor impaired Birr '000	Past due but not impaired Birr '000	Individually impaired Birr '000	Total Birr '000
June 30, 2019					
Insurance receivables:					
Due from Contract holders	21			20,679	20,679
				20,679	20,679
Less: Impairment allowance	21			(20,185)	(20,185)
Net Insurance receivable				494	494
Other assets					
Rent receivable	26	31			31
Inter office receivable - Life	26	1,005			1,005
Restricted cash	26	1,101			1,101
Staff debtors	26	6,592			6,592
Sundry debtors	26	6,527			6,527
Gross amount		15,256			15,256
Less: Specific impairment allowance		0			0
Net other assets		15,256			15,256

Insurance receivables - neither past due nor impaired

The credit quality of the portfolio of insurance receivables that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Insurance receivables in this category are receivables from contract holders (Government customers) that are past due for less than 30 (thirty) days. Insurance receivables that have been classified as neither past due nor impaired are assessed on a collective basis.

Other assets

Other receivables balances constitute; rent receivables, other account receivables, Sundry debtors and Staff debtors. The Company has an internal system of assessing the credit quality of other receivables through established policies and approval systems. The Company constantly monitors its exposure to these receivables via periodic performance review. The Company further manages its exposure to credit risk through deduction of transactions at source. The exposure to credit risk associated with other receivables is low.



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4.3.4 Allowance for impairment

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for Companies of homogeneous assets in respect of losses that have been incurred but have not been identified on receivables subject to individual assessment for impairment.

	Notes	30 June 2020 Birr'000	30 June 2019 Birr'000
Due from contract holders	21	9,084	20,185
Other loans and receivables		0	0
Total allowance for impairment		9,084	20,185

4.4 LIQUIDITY RISK

Liquidity refers to the Company's insufficient cash resources to meet financial obligations as and it is a measure of the ability of a debtor to pay his debts when they fall due (without affecting either the daily operations or the financial condition of the Company). It is also the risk that a financial institution will incur losses because it finds difficult to secure the necessary funds or forced to obtain funds at far higher interest rates than under normal conditions due to mismatch between the maturities of assets and liabilities or unexpected outflow of funds. In addition, liquidity risk is expressed as a financial institution that incurs losses because it is unable to conduct market transactions or is forced to conduct transactions at far more unfavorable prices than under normal conditions due to a market crisis and the like. It is usually expressed as the ratio or a percentage of current liabilities to liquid assets.

Liquidity risk management in the Company is solely determined by management, which bears the overall responsibility for liquidity risk. The main objectives of the Company's liquidity risk frame work are to maintain sufficient liquidity in order to ensure that we meet our maturing obligations.

4.4.1 Management of Liquidity Risk

Cash flow forecasting is performed by the finance and investment department. The department forecasts rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs. The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company devises strategies to manage its liquidity risk. Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Company's reputation.



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And the report includes, among other items, the following;

- Factors that may seriously affect liquidity risks.
- External environment conditions such as the economic and market conditions.
- Urgency of funds need.
- Level of trend of liquidity risk.
- Status of compliance with limits and use thereof.
- Ensures that the liquidity policy is properly co-ordinate with other related assets/liability policies of the Company.
- Cash flow needs for the immediate future (one year);
- Previous years liquidity fluctuations (at least two years);
- Income requirements for the year;
- Volume of claims and other operational expenses;
- Any other known factors which may have an effect on available liquidity.

4.4.2 Measurement of Liquidity Risk

The Company has a process for measuring and monitoring its existing liquidity position as well as its net funding requirements. This involves forecasting cash inflows and outflows over various time horizons to identify potential cash imbalances.

Liquidity risk is primarily measured as the ratio of current liability to liquid assets. It is expected that the ratio should at all times be less than to 1.05(105%). i.e. the maximum tolerance liquidity rate the company should keep on hand is one birr for one birr and five cents obligation or liability.

In addition, the company should maintain at least 65% and 50% of admitted asset bank deposits and treasury bills, for General and Long term Insurance business respectively a minimum operating liquidity level should be established to maintain a comfortable cushion beyond the minimum statutory requirement, in order to meet cash needs. A desired target maximum for operating liquidity also needs to be established to reflect the fact that too much liquidity has a negative effect on earnings; there is some gap in liquidity ration as compared with the market ratio where the company has devised various mitigation strategies including capital raising and generating income from rent and other investment sources.

4.4.3 Maturity Analysis of Financial Liabilities

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future.



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	Note	0-1 year Birr '000	1-3 years Birr '000	3-5 years Birr '000	Over 5 years Birr '000	Total Birr '000
30 June 2020						
Insurance contract liabilities	28	609,243				609,243
Insurance Payables	30	48,907				48,907
Long term Loan	33	33,354				33,354
Other liabilities	31	15,446				15,446
Total financial liabilities		706,950	-	-	-	706,950
	Note	0-1 year Birr '000	1-3 years Birr '000	3-5 years Birr '000	Over 5 years Birr '000	Total Birr '000
30 June 2019						
Insurance contract liabilities	28	594,202				594,202
Insurance Payables	30	51,115				51,115
Long term Loan	33	48,150				48,150
Other liabilities	31	13,721				13,721
Total financial liabilities		707,188	-	-	-	707,188

4.5 MARKET RISK

Market risk is the risk of adverse financial impact due to changes in the value or future cash flows of financial instruments from fluctuations in, interest rates and equity prices. Changes in price may occur to a specific investment or in general to the portfolio of investment. Market risk encompasses the risk of financial loss resulting from movements in market prices which refers to the standard deviation of the change in value of a financial instrument with a specific time horizon. The Company does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

4.5.1 Management of Market Risk

To effectively control and manage market risk the need for establishing capital market is un questionnable.

The establishment and operation of a well regulated equity market could enhance initiatives to establish new and expand/diversify existing business by providing venture capital and the flexibility to exist from or simply change investment portfolio.



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Market risk is monitored by the risk management unit. It is responsible to prepare a quarterly investment report that will provide analysis of the status of the current investment portfolio and transactions made over the reporting period. Besides, investment committee has been established and it is responsible for assessing investment options and recommending the viable options to senior management.

4.5.2 Measurement of Market Risk

The principle adopted in the management of investments is to closely match assets to the nature and term of insurance liabilities where possible. Total capital held in each entity reflects the results of internal models of economic capital, and takes in to account business growth plans, as well as the likelihood of not being able to demonstrate an appropriate level of solvency.

Market risk is measured on the basis of investment capital or need of the company. Investment is made on evaluating the investee companies and the type of investment. Investment risk is measured on the basis of security of the investees, liquidity consideration, and interest rate offer, and investment period, rate of return and feasibility study documents.

4.5.3 Monitoring of Market Risk

Market risk is monitored by performing regular asset liability matching exercises, monitoring market volatility, comparing actual performance with benchmark performance, and tracking errors and distributions of fixed interest assets. Market risk is further monitored by measuring and comparing the actual risk exposure in terms of economic capital to an approved limit, based on a value at risk calculation.

Interest rate risk

Is the risk that the value of a financial instrument will be affected by changes in market interest rate? The company's exposure to the risk of changes in market interest rates relates primarily to its financial obligations and financial assets with fixed interest rates. The Company monitors this exposure through periodic reviews of the assets and liability position. Estimate of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio and insurance provisions are modeled and reviewed. The overall objective these strategies are to limit the net change in value of assets and liabilities arising from interest rate movements. While it is more difficult to measure the interest sensitivity of insurance liabilities than that of the related assets, to the extent that such sensitivities are measurable than the interest rate movements will generate asset value changes that substantially offset changes in the value of the liabilities relating to the underlying products. The Company is also exposed to the risk of changes in future cash flows from fixed income securities arising from the changes in interest rates.

The table below sets out information on the exposures to fixed and variable interest instruments.



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	Notes	Fixed Birr'000	Non interest bearing Birr'000	Total Birr'000
30 June 2020				
Assets				
Cash and bank balances	27	508,202		508,202
Investment securities:				
available for sale	18		157,576	157,576
Loans and receivable	18			-
Insurance receivables	21	1,898		1,898
Reinsurance assets	22	155,169		155,169
Other assets	26	16,565		16,565
Total		681,834	157,576	839,410
Liabilities				
Insurance contract liabilities	28	609,243		609,243
Insurance payables	30	48,907		48,907
Long term Loan	33	33,354		33,354
Other payables	31	15,446		15,446
Total		706,950	-	706,950
	Notes	Fixed Birr'000	Non interest bearing Birr'000	Total Birr'000
30 June 2019				
Assets				
Cash and bank balances	27	430,696		430,696
Investment securities:				
Available for sale	18		134,936	134,936
Loans and receivable	18	35		35
Insurance receivables	21	494		494
Reinsurance assets	22	175,439		175,439
Other assets	26	16,119		16,119
Total		622,783	134,936	757,719
Liabilities				
Insurance contract liabilities	28	594,202		594,202
Insurance payables	30	51,115		51,115
Long term Loan	33	48,150		48,150
Other payables	31	13,721		13,721
Total		707,188		707,188



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Foreign Exchange Risk

Foreign exchange risk is the risk of loss arising from adverse exchange rate movements in foreign exchange exposures. The Company primarily transacts in Ethiopian Birr and its assets and liabilities are denominated in the same currency. Therefore, the company is not exposed to currency risk.

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, and limit on investments in each sector and market.

The Company has no significant concentration of price risk as there is no active market in Ethiopia.

4.6 CAPITAL MANAGEMENT

Capital management risk is failure to maintain adequate regulatory capital to meet NBE's capital requirements or the Company's internal capital target aiming to safeguard its ability to continue as a going concern, and maintain strong capital base so as to maintain investors, creditors, and enhance market confidence and sustain future developments of business. Even though the current paid up capital of the company's seems above the regulatory threshold. The company contemplates to double the capital within the coming five years in order to meet the needs of policyholders and other stakeholders.

4.6.1 Margin of Solvency Ratio

Solvency margin is the amount by which the asset of an insurer exceeds its liabilities. Methods of calculating solvency margin of an insurer are prescribed in the margin of solvency (MOS) Directive No.SIB/45/2016 of National Bank of Ethiopia (NBE).

The directive stipulate the minimum solvency margin, which an insurer must maintain at all times. For instance, an insurer carrying on general business shall keep admitted capital amounting 25% of its technical provision (or 20% of Written premiums in the last preceding financial year, or 10% of the minimum paid up capital). Whereas, an insurer carrying on long term business shall keep admitted capital amounting to the higher of 10% of technical provisions or the minimum paid up capital can be mentioned.

The solvency of insurance company or its financial strength depends chiefly on whether sufficient technical reserves have been setup for the obligations entered in to and whether the company has adequate capital as security.



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		30 June 2020 Birr'000	30 June 2019 Birr'000
General business			
Admissible assets	A		
Property, plant and equipment		315,906	311,963
Investment properties		258,255	275,497
Less: Unrealizable asset		(79,369)	(82,351)
Investment securities:			
Available for sale		121,083	103,868
Loans and receivables			35
Statutory deposits		61,207	52,336
Reinsurance receivables			5,382
Insurance receivables		1,898	494
Reinsurance assets		152,367	172,930
Salvage property held for sale		4,839	12,417
Other assets		61,460	30,256
Over invested in real estate		(86,623)	(5,726)
Deposits with financial institutions		342,454	285,061
Cash and cash equivalents		39,860	28,755
Total		1,193,337	1,190,917
Admissible Liabilities	B		
Insurance contract liabilities		591,528	580,414
Deferred reinsurance commission		18,499	14,679
Insurance Payables		44,182	49,104
Other liabilities		65,760	63,551
Current income tax liabilities		9,742	5,623
Long term Loan		33,354	48,150
Finance lease liability		5,913	1,313
Defined benefit obligations		3,093	2,768
Deferred income tax		33,253	16,628
Total		805,324	782,230
Excess (admitted capital) (A)-(B)	C	388,013	408,687
Net premium (preceding year)	D	379,839	354,479
Technical provision (current year)	E	591,528	580,414
Solvency margin			
Limit of net premium i.e. 20% of net premium	F	75,968	70,896



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Limit of technical provision i.e. 25% of technical provision			
	G	147,882	145,103
Minimum paid-up Capital		60,000	60,000
Required Minimum of paid up capital	H	147,882	145,103
Margin of solvency	(C-D)	25,101	54,208
Solvency ratio	C/H	2.7	2.8
		30 June 2020	30 June 2019
		Birr'000	Birr'000
Life business			
Admissible assets			
A			
Property, plant and equipment		16,234	16,737
Investment properties		22,372	22,834
Less: Unrealizable asset		(6,161)	(6,334)
Available for sale		36,493	31,068
Statutory deposits		6,808	5,731
Reinsurance receivables		3,190	3,706
Insurance receivables			
Reinsurance assets		2,802	2,509
Other assets		217	
Deposits with financial institutions		122,049	112,137
Cash and cash equivalents		3,839	4,742
Total		207,843	193,130
Admissible Liabilities			
B			
Insurance contract liabilities		17,715	13,788
Deferred reinsurance commission		201	123
Insurance Payables		4,725	2,011
Other liabilities		2,024	2,272
Current income tax liabilities		5,159	5,866
Life fund reserve		92,381	90,394
Defined benefit obligations		97	79
Deferred income tax		2,867	1,354
Total		125,169	115,887



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Excess (admitted capital) (A)-(B)	C	82,674	77,243
Technical provision (current year)	D	104,182	108,538
Solvency margin			
Limit of technical provision i.e. 10% of technical provision	E	10,418	10,854
Minimum paid up Capital	F	15,000	15,000
Required Minimum of paid up capital	G	15,000	15,000
Margin of solvency	(C-D)	(21,508)	(31,295)
Solvency ratio	C/G	6	5

As per the National Bank regulation, the admitted capital should be above 10% of technical provisions or the minimum paid up capital and the long term business solvency margin is above the minimum requirement as shown in the above table

4.7 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

4.7.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflects market data obtained from independent source; Unobservable input reflect the Company's market assumptions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, and based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1: Inputs that are quoted market prices (Unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices or indirectly (i.e. derived from prices) . This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data. In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs). This Category includes all assets and liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4.7.2 Financial instruments not measured at fair value

The following table summarizes the carrying amounts of financial assets and liabilities at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

	30 June 2020		30 June 2019	
	Carrying amount Birr'000	Fair value Birr'000	Carrying amount Birr'000	Fair value Birr'000
Financial assets				
Cash and Cash equivalents	43,699	43,699	33,498	33,498
Deposits with financial institutions	464,503	464,503	397,198	397,198
Investment securities:				
Available for sales	157,576	157,576	134,936	134,936
Loans and receivables			35	35
Reinsurance assets	155,169	155,169	175,439	175,439
Other assets	16,565	16,565	16,119	16,119
Total	837,512	837,512	757,225	757,225
Financial Liabilities				
Insurance contract liabilities	609,243	609,243	594,202	594,202
Insurance Payables	48,907	48,907	51,115	51,115
Long term loan	33,354	33,354	48,150	48,150
Other liabilities	15,446	15,446	13,721	13,721
	706,950	706,950	707,188	707,188



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4.7.3 Fair value methods and assumptions Investment securities

Government bonds are classified as loans and receivables and are measured at amortized cost using the effective interest rate (EIR) method. This means the amortized cost is determined as the fair value of the bond at inception plus interest accrued using the effective interest rate.

4.7.4 Valuation technique using significant unobservable inputs - Level 2

The Company has no financial asset measured at fair value on subsequent recognition.

4.7.5 Transfers between the fair value hierarchy categories

During the three reporting periods covered by these annual financial statements, there were no movements between levels as result of significant inputs to the fair valuation process becoming observable or unobservable.

4.8 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

There are no offsetting arrangements, financial assets and liabilities are settled and disclosed on a gross basis.

5. SEGMENT INFORMATION

Segment information is presented in respect of the Company's business segments which represents the primary segment reporting format and is based on the Company's management and reporting structure.

Business segments

The Company operates the following main business segments:

Non- life (General) Business- Includes general insurance transactions with individual and corporate customers.

Life Business- Includes life insurance policies with individual and corporate customers.

The segment information for the reporting segments for the year ended 30 June 2020 is as follows:



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5 Statement of Financial Position - 30 June 2020

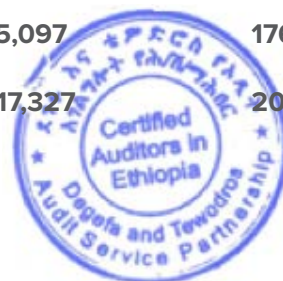
	Note	General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS				
Property, plant and equipment	15	323,993	16,579	340,572
Investment properties	16	258,255	22,372	280,627
Intangible assets	17	541	281	822
Right-of-use assets	34	12,388		12,388
Investment securities :				
Available for sale	18	121,083	36,493	157,576
Statutory deposits	19	61,207	6,808	68,015
Reinsurance receivables	20		3,190	3,190
Insurance receivables	21	1,898		1,898
Reinsurance assets	22	152,367	2,802	155,169
Policy holder loans	23		877	877
Deferred acquisition costs	24	13,765	1,703	15,468
Salvage property held for sale	25	4,839		4,839
Other assets	26	75,661	288	75,949
Deposits with financial institutions	27	342,454	122,049	464,503
Cash and cash equivalents	27	39,860	3,839	43,699
Total assets		1,408,311	217,280	1,625,592
LIABILITIES				
Insurance contract liabilities	28	591,528	17,715	609,243
Deferred reinsurance commission	29	18,499	201	18,700
Insurance Payables	30	44,182	4,725	48,907
Other liabilities	31	65,760	2,024	67,784
Current income tax liabilities	32	9,742	5,160	14,901
Long term Loan	33	33,354		33,354
Lease Liabilities	34	5,913		5,913
Defined benefit obligations	35	3,093	97	3,190
Deferred income tax	32	33,253	2,868	36,121
Total liabilities		805,324	32,790	838,114
EQUITY				
Share capital	36	392,708	43,520	436,228
Retained earnings	38	143,639	34,265	177,903
Legal reserve	39	66,463	14,345	80,808
Life fund reserve	40		92,381	92,381
Other reserves	41	178	(20)	158
Total equity		682,987	184,491	787,478
Total equity and liabilities		1,408,311	217,281	1,625,592



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FOR THE YEAR ENDED 30 JUNE 2020

5 Statement of Financial Position - 30 June 2019

	Note	General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS				
Property, plant and equipment	15	314,489	16,776	331,265
Investment properties	16	275,497	22,834	298,331
Intangible assets	17	647		647
Investment securities:				
Available for sale	18	103,868	31,068	134,936
Loans and receivables	18	35		35
Statutory deposits	19	52,336	5,731	58,067
Reinsurance receivables	20	5,382	3,706	9,088
Insurance receivables	21	494		494
Reinsurance assets	22	172,930	2,509	175,439
Policy holder loans	23		702	702
Deferred acquisition costs	24	12,564	1,274	13,838
Salvage property held for sale	25	12,417		12,417
Prepayment for Leasehold land	34	4,244		4,244
Other assets	26	48,607	219	48,826
Deposits with financial institutions	27	285,061	112,137	397,198
Cash and cash equivalents	27	28,756	4,742	33,498
Total assets		1,317,327	201,698	1,519,025
LIABILITIES				
Insurance contract liabilities	28	580,414	13,788	594,202
Deferred reinsurance commission	29	14,679	123	14,802
Insurance Payables	30	49,104	2,011	51,115
Other liabilities	31	63,551	2,272	65,823
Current income tax liabilities	32	5,623	5,866	11,489
Long term Loan	33	48,150		48,150
Finance lease liability	34	1,313		1,313
Defined benefit obligations	35	2,768	79	2,847
Deferred income tax	32	16,628	1,354	17,982
Total liabilities		782,230	25,493	807,72
EQUITY				
Share capital	36	338,524	37,055	375,579
Share premium	36	1,369		1,369
Retained earnings / Surplus fund	38	138,463	37,763	176,226
Legal reserve	39	57,345	11,035	68,380
Life fund reserve	40		90,394	90,394
Other reserves	41	(604)	(42)	(646)
Total equity		535,097	176,205	711,302
Total equity and liabilities		1,317,327	201,698	1,519,025



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30 June 2020

	Note	General Business Birr'000	Life Business Birr'000	Total Birr'000
Gross written premiums	6	551,594	45,811	597,405
Change in unearned premium reserve	6	12,949	3,565	16,514
Gross earned premiums		538,645	42,246	580,891
Less: Premiums ceded to reinsurers	6	134,483	6,338	140,821
Net earned premiums		404,162	35,908	440,070
Commission income	7	43,982	2,714	46,696
Net underwriting income		448,144	38,622	486,766
Claims and policy holder benefits payable	10	242,838	15,434	258,272
Change in life fund				-
Less: claims recoveries from reinsurers	10	(15,584)	(2,046)	(17,630)
Net claims and benefits		227,254	13,388	240,642
Underwriting expenses	13	33,333	2,753	36,086
Total underwriting expenses		260,587	16,141	276,728
Underwriting profit		187,557	22,481	210,038
Investment income	8	90,375	21,479	111,854
Other income	9	1,788	694	2,482
Net income		279,720	44,654	324,374
Operating and other expense	12	159,080	5,485	164,565
Impairment on insurance receivables		5,497		5,497
		115,144	39,168	154,312
Finance (income) / costs		6,545	-	6,545
Profit before tax from reportable segments		108,599	39,168	147,767
Income tax expense		(17,422)	(6,065)	(23,487)
Profit for the year		91,177	33,103	124,280



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Assets and liabilities 2020

Total assets	1,408,311	217,281	1,625,592
Total liabilities	805,324	32,790	838,114
Net assets/(liabilities)	602,987	184,491	787,478

External revenue 2020

Net premium earned	404,162	35,908	440,070
Net underwriting income	448,144	38,622	486,766
Net investment income	90,375	21,479	111,854
Other income	1,788	694	2,482
Total segment revenue	540,307	60,795	601,102
Reportable segment profit before tax	108,599	39,168	147,767
Reportable segment assets	1,408,311	217,281	1,625,592
Reportable segment liabilities	805,324	32,790	838,114

6 30 June 2019

		General Business Birr'000	Life Business Birr'000	Total Birr'000
Gross written premiums	6	494,709	38,852	533,561
Change in unearned premium reserve	6	(13,859)	(3,861)	(17,720)
Gross earned premiums		480,850	34,991	515,841
Less: Premiums ceded to reinsurers	6	114,870	6,218	121,088
Net earned premiums		365,980	28,773	394,753
Commission income	7	28,067	4,815	32,882
Net underwriting income		394,047	33,588	427,635
Claims and policy holder benefits payable	10	265,851	9,987	275,838
Less: claims recoveries from reinsurers	10	(44,480)	(4,440)	(48,920)
Net claims and benefits		221,371	5,547	226,918
Underwriting expenses	13	25,094	2,158	27,252
Total underwriting expenses		246,465	7,705	254,170
Underwriting profit		147,582	25,883	173,465
Investment income		63,430	19,665	83,095



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Other income	9	1,578	374	1,952
Net income		212,590	45,922	258,512
Operating and other expense	12	131,266	5,833	137,099
Impairment on insurance receivables		101	-	101
Total benefits, claims and other expense		81,223	40,089	121,312
Finance (income) / costs	11	133	-	133
Profit before tax from reportable segments		81,090	40,089	121,179
Income tax expense	32	(10,644)	(3,938)	(14,582)
Profit for the year		70,446	36,151	106,597

Assets and liabilities 2019

Total assets	1,317,327	201,698	1,519,025
Total liabilities	782,230	25,493	807,723
Net assets/(liabilities)	535,097	176,205	711,302

External revenue 2019

Net premium earned	365,980	28,773	394,753
Net underwriting income	394,047	33,588	427,635
Net investment income	63,430	19,665	83,095
Other income	1,578	374	1,952
Total segment revenue	459,055	53,627	512,682
Reportable segment profit before tax	81,090	40,089	121,179
Reportable segment assets	1,317,327	201,698	1,519,025
Reportable segment liabilities	782,230	25,493	807,723



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NOTES TO THE FINANCIAL STATEMENTS
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	30 June 2020 Birr'000	30 June 2019 Birr'000
6. Net premiums		
a. Gross premiums on insurance contracts		
General business		
Motor	341,487	311,500
Good in transit	2,779	2,408
Marine	9,497	11,771
Accident	8,251	6,923
Liability	23,696	22,338
Workmen's compensation	11,750	11,997
Fire	60,458	50,413
Engineering	38,070	32,274
Pecuniary	26,413	22,024
Burglary and house breaking	2,954	1,607
Miscellaneous	20,036	14,697
Medical	6,203	6,757
General business gross premiums	551,594	494,709
Life business		
Individual life	19,254	15,628
Group life	18,842	14,123
Medical	7,691	9,094
Funeral	25	7
Life business gross premiums	45,812	38,852
Total	597,406	533,561
	30 June 2020 Birr'000	30 June 2019 Birr'000
b. Change in unearned premium reserve		
General business		
Engineering	1,609	(961)
Liability	(441)	(11)
Pecuniary	(1,115)	394
Fire	1,651	1,943
Burglary and house breaking	420	50
Accident	319	(1,239)
Medical	(349)	446
Workmen's compensation	(543)	1,065



THE UNITED INSURANCE COMPANY SC
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Motor	12,386	11,749
Marine	(146)	(376)
Goods in transit	(122)	278
Miscellaneous	(720)	521
Unearned premium reserve	12,949	13,859
Life business		
Medical expense		
Group life	3,565	3,861
Unearned premium reserve	3,565	3,861
Total	16,514	17,720
	30 June	30 June
	2020	2019
	Birr'000	Birr'000
c. Premiums ceded to reinsurers General business		
General business		
Motor	19,118	22,111
Marine	2,464	4,072
Goods in transit	595	334
Accident	700	777
Medical	1,940	1,935
Workmen's compensation	605	802
Liability	3,063	2,852
Fire	42,763	35,869
Burglary and house breaking	1,390	756
Engineering	26,536	22,250
Pecuniary	18,014	12,321
Miscellaneous	17,295	10,791
Premiums ceded to reinsurers	134,483	114,870
Life business		
Individual life	1,770	1,999
Group life	4,183	3,803
Group medical	385	416
Group funeral	1	-
Total premiums ceded to reinsurers	6,339	6,218
	140,822	121,088



**THE UNITED INSURANCE COMPANY SC
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Total net earned premiums

General business	404,162	365,980
Life business	35,908	28,773
	440,070	394,753

**30 June
2020
Birr'000**

**30 June
2019
Birr'000**

7. Reinsurance Commission income

General business

Reinsurance ceding commission	32,376	25,072
Profit commission	11,606	2,996
Commission income	43,982	28,068

Life business

Reinsurance ceding commission	314	394
Profit commission	2,400	4,420
Commission income	2,714	4,814

Total commission income	46,696	32,882
--------------------------------	---------------	---------------

**30 June
2020
Birr'000**

**30 June
2019
Birr'000**

8. Investment income

General business

Interest on time deposits	36,307	28,773
Interest on savings	20	9
Interest on staff loans	846	921
Dividend income	17,215	15,030
Interest on government bond	4,333	3,420
Rent income	31,655	15,278

Investment income

90,376

63,431

Life business

Interest on time deposits	12,751	12,460
Interest on savings	100	66
Interest on staff loans	-	-
Interest on policy loans	65	50
Dividend income	5,426	4,764



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Interest on government bond	479	370
Rent income	2,657	1,954
Total investment income	21,478	19,664
	111,854	83,095
	30 June	30 June
	2020	2019
	Birr'000	Birr'000
9. Other income		
General business		
Service charge	1,438	1,355
Provision for bad debts		
Gain on disposal of Fixed Assets	38	115
Gain on sale of equity investment		
Miscellaneous income	312	108
Other income	1,788	1,578
Life business		
Gain on sale of equity investment		254
Miscellaneous income	694	120
Other income	694	374
Total other income	2,482	1,952
	30 June	30 June
	2020	2019
	Birr'000	Birr'000
10. Claims and policy holder benefits payable		
General business		
Benefits and claims paid	218,651	250,139
Change in claims outstanding	12,421	9,531
Change in incurred but not reported reserve	6,455	3,834
Other Technical expenses	5,453	2,129
Change in unallocated loss adjustment expense	(141)	217
	242,839	265,850
Recoverable from reinsurance:		
Claims recoveries from reinsurers	(15,585)	(44,480)
Net claims and loss adjustment expense	227,254	221,370



**THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
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Life business		
Benefits and claims paid	13,292	13,077
Change in Life fund	2,074	(4,355)
Change in claims outstanding	(95)	578
Change in incurred but not reported reserve	163	688
	15,434	9,988
Recoverable from reinsurance:		
Claims recoveries from reinsurers	(2,046)	(4,440)
Net claims and loss adjustment expense	13,388	5,548
Total	240,642	226,918
	30 June 2020 Birr'000	30 June 2019 Birr'000
11. Finance costs		
Borrowings (no more than 12 months)	-	-
Interest expense on bank overdraft	-	-
Borrowings (more than 12 months)	-	29,549
Lease interest expenses	-	-
	-	29,549

The company is constructing a building for its own office purpose and investment reasons. The building is financed through borrowing earlier from United Bank and currently from Awash Bank. The total finance cost incurred at 30 June 2019 Br29,549. This cost has been capitalized as cost of building as per IAS 38. Since 1 July 2019, interest incurred and paid on the remaining balance is considered as a finance cost and totals as at 30 June 2020 is Birr 5,583,034.75.

	30 June 2020 Birr'000	30 June 2019 Birr'000
12. Operating and other expense		
General business		
Director fixed emoluments	947	677
Depreciation	18,638	9,456
Amortization	348	544
Depreciation-ROU	5,654	
Financial expense	1,910	1,803
Office rent	3,590	15,230
Auditor remuneration	186	163
Other general expense	10,280	4,677



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Repair and maintenance	4,149	4,488
Stationeries and office supplies	3,740	2,659
Gifts and donations	3,314	1,027
Impairment of receivables-provision	5,497	101
Communication costs	2,816	2,580
Transportation costs	3,100	2,608
Advertising and promotion	5,834	4,620
Insurance costs	931	796
Annual general meeting	1,661	267
Professional services	420	1,051
	73,015	52,747
Employee benefits expense		
Salaries and wages	56,582	46,479
Staff insurance	3,086	2,433
Leave pay	1,224	1,126
Staff bonus	11,024	12,773
Staff training expense	1,932	2,387
Defined contribution costs- employers' contribution	7,511	6,229
Defined benefit costs- severance pay	1,576	864
Other staff expenses	8,627	6,329
	91,562	78,620
	164,577	131,367
Operating and other expense		
Life business		
Director fixed emoluments	21	23
Depreciation	1,004	677
Amortization	23	
Financial expense	40	110
Office rent		265
Auditor remuneration	15	21
Other general expense	93	218
Actuarial fee	122	114
Repair and maintenance	9	40
Stationeries and office supplies	250	393
Communication costs	11	89
Transportation costs	111	50
Annual general meeting		32
Advertising and promotion	414	664
	2,113	2,696



**THE UNITED INSURANCE COMPANY SC
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Employee benefits expense		
Salaries and wages	2,372	2,180
Leave pay	53	11
Staff bonus	512	528
Defined contribution costs	185	131
Defined benefit costs	49	19
Other staff expenses	201	269
	3,372	3,138
	5,485	5,834
Total operating and Other Expenses	170,001	137,201
	30 June 2020 Birr'000	30 June 2019 Birr'000
12. Underwriting expenses		
General business		
Commission expense	34,534	26,618
Changes in deferred acquisition cost	(1,201)	(1,524)
	33,333	25,094
Life business		
Commission expense	2,753	2,145
Changes in deferred acquisition cost	-	13
	2,753	2,158
Total underwriting expenses	36,086	27,252

This relates to commissions earned by intermediaries for insurance business placed by them and to other insurance companies for facultative inward insurance business.



THE UNITED INSURANCE COMPANY SC
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	30 June 2020 Birr'000	30 June 2019 Birr'000
14. Finance (income) / costs		
General business		
Finance costs-Lease	6,545	133
Life business		
Finance costs-Lease	6,545	133

Finance cost is the interest cost paid on unpaid portion of leased office premises and land at Kaliti recovery site.

15. Property, plant and equipment

a. General Business

	Buildings Birr'000	Office equip Birr'000	Computer Equi. Birr'000	Furni and fittings Birr'000	Motor vehicle Birr'000	Fence and recovery Birr'000	Total Birr'000
Cost							
As at 1 July 2018	313,989	4,855	5,527	5,473	44,502	2,587	376,933
Additions	75,938	234	1,104	355	6,997		84,628
Disposals / Transfer	(124,374)				(830)	(1,423)	(126,627)
Reclassification		27		(27)			-
As at 30 June 2019	265,553	5,116	6,631	5,801	50,669	1,164	334,934
As at 1 July 2019	265,553	5,116	6,631	5,801	50,669	1,164	334,934
Additions	32,936	1,103	4,359	8,088	15,213		61,699
Disposals / Transfer				(118)	(2,350)		(2,468)
Reclassification	(38,349)	2,872		(1,425)		(105)	(37,006)
As at 30 June 2020	260,140	9,091	10,990	12,346	63,532	1,059	357,157
Accumulated depreciation							
As at 1 July 2018		3,016	2,985	2,894	5,869	2,188	16,952
Charge for the year		603	665	410	4,094	115	5,887
Disposals					(217)		(217)
Reclassification		28	4	(28)	6	(2,188)	(2,178)
As at 30 June 2019	-	3,647	3,654	3,276	9,752	115	20,444
As at 1 July 2019	-	3,647	3,655	3,275	9,752	115	20,444
Charge for the year	5,055	1,092	1,222	983	5,018	94	13,464
Disposals					(744)		(744)
Reclassification							-



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As at 30 June 2020	5,055	4,739	4,877	4,258	14,026	210	33,164
Net book value							
As at 1 July 2018	313,989	1,839	2,542	2,579	38,633	399	359,981
As at 30 June 2019	265,553	1,469	2,977	2,525	40,917	1,049	314,490
As at 30 June 2020	255,085	4,352	6,113	8,088	49,506	849	323,993

b. Life business

	Buildings Birr'000	Office equip Birr'000	Computer Equi. Birr'000	Furni and fittings Birr'000	Motor vehicle Birr'000	Fence and recovery Birr'000	Total Birr'000
Cost							
As at 1 July 2018	15,000	40	126	114	1,945		17,225
Additions		36	128				164
Reclassifications							
Disposals							
As at 30 June 2019	15,000	76	254	114	1,945	-	17,389
As at 1 July 2019	15,000	76	254	114	1,945		17,389
Additions				228			228
Disposals/transfer				118			118
Reclassification		-					
As at 30 June 2020	15,000	76	254	460	1,945	-	17,735
Accumulated depreciation							
As at 1 July 2018		39	84	67	205		395
Charge for the year		4	21	8	185		218
Disposals		-					
As at 30 June 2019	-	43	105	75	390	-	613
As at 1 July 2019	-	43	105	75	390		613
Charge for the year	286	5	27	40	185		543
Disposals		-					
As at 30 June 2020	286	48	132	115	575	-	1,156
Net book value							
As at 1 July 2018	15,000	1	42	47	1,740		16,830
As at 30 June 2019	15,000	33	149	39	1,555		16,776
As at 30 June 2020	14,714	28	122	345	1,370	-	16,579



**THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
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	30 June 2020 Birr'000	30 June 2019 Birr'000
16. Investment property		
a. General business cost:		
Bole Medhaniallem Building	113,786	113,786
Kality Building	113,686	125,754
Barhidar Building	48,000	48,000
	275,472	287,540
Accumulated depreciation:		
Bole Medhaniallem Building	9,140	6,855
Kality Building	4,429	2,452
Bahirdar Building	3,648	2,736
	17,217	12,043
Net book value	258,255	275,497
b. Life business		
Cost:		
Bole Medhaniallem Building	24,214	24,214
	24,214	24,214
Accumulated depreciation:		
Bole Medhaniallem Building	1,842	1,380
	1,842	1,380
Net book value	22,372	22,834

Transfers from property, plant and equipment relates to buildings recognized under property, plant and equipment which are held to earn rental income and fall under the Company's definition of an investment property.

c. Amounts recognized in profit or loss for investment properties

	30 June 2020 Birr'000	30 June 2019 Birr'000
Rental income	34,312	17,232
Direct operating expenses from property that generated rental income	(10,857)	(6,499)
Net income	23,455	10,733

d. Fair value measurement of the Company's investment properties

The Company's investment property is measured at cost. These properties include those held for rental purposes. There are currently no restrictions on the reliability of these properties.



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Investment property is initially measured at cost including transaction costs and subsequently measured at depreciated cost (less any accumulated impairment losses). Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 50 years. The fair value of investment properties has been disclosed as required.

The fair value of the Company's investment property as at the reporting date and has been arrived at by in-house engineers qualified estate surveyors and valuers. These valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the replacement cost concept which approximates the estimated amount for which a property should exchange on the date of valuation between knowledgeable willing parties in an arm's length transaction after proper marketing, prudently and without compulsion. This implies a market comparable approach that reflects the recent transaction prices for similar properties). In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels are shown under 4.7.1.

e. Fair value hierarchy

Details of the Company's investment properties and information about the fair value hierarchy are as follows:

30 June 2020	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Bole Medhanialalem	-	138,000	-
Kality Building	-	113,686	-
Bahidar building	-	48,000	-
	-	299,686	-
30 June 2019	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000
Bole Medhanialalem	-	138,000	-
Kality Building	-	113,686	-
Bahidar building	-	48,000	-
	-	299,686	-



**THE UNITED INSURANCE COMPANY SC
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17. Intangible Assets	General business Comp software Birr'000	Long term business Comp software Birr'000	Computer software Total Birr'000
Cost:			
As at 1 July 2018	7,553		7,553
Acquisitions			-
Internal development			-
Transfer from property, plant and equipment			-
As at 30 June 2019	7,553	-	7,553
As at 1 July 2019	7,553	304	7,857
Acquisitions	146		146
Internal development			
Transfer from property and equipment			
As at 30 June 2020	7,699	304	8,003
Accumulated amortization and impairment losses			
As at 1 July 2018	6,457		6,457
Amortization for the year	449		449
Impairment losses			
As at 30 June 2019	6,906	-	6,906
As at 1 July 2019	6,906		6,906
Amortization for the year	252	23	275
Impairment losses			
As at 30 June 2020	7,158	23	7,181
Net book value			
As at 1 July 2018	1,096		1,096
As at 30 June 2019	647	-	647
As at 30 June 2020	541	281	822



**THE UNITED INSURANCE COMPANY SC
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	30 June 2020 Birr'000	30 June 2019 Birr'000
18. Investment securities :		
a. Available for sale		
General business		
Equity Investments	121,083	103,868
Less: Impairment		
	121,083	103,868
Life business		
Equity Investments	36,493	31,067
Less: Impairment		
	36,493	31,067
At end of year	157,576	134,935

The Company holds equity investments in the following entities;

		30 June 2020 Birr'000		30 June 2019 Birr'000
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
United Bank SC	134,817	3.8%	115,024	5.0%
Ethiopian Reinsurance S.C	17,459	2.5%	14,611	2.5%
Habesha Cement Factory SC	5,300	0.5%	5,300	0.5%
	157,576		134,935	

These investments are unquoted equity securities measured at cost. The fair value of the unquoted equity securities carried at cost cannot be reliably estimated as there are no active market for these financial instruments; they have therefore been disclosed at cost less impairment.



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	30 June 2020 Birr'000	30 June 2019 Birr'000
b. Loans and receivables		
General business		
Government securities held to maturity		34
Additions		
Interest received on Government Bond		1
Interest receivable on Government Bond	-	35
Life business		
Government securities held to maturity		-
Additions		-
Government securities held to maturity		-
Interest received on Government Bond		-
Interest receivable on Government Bond		-
At end of year	-	35
	30 June 2020 Birr'000	30 June 2019 Birr'000
Maturity analysis		
Current	0	0
Non - Current	157,576	134,970
	157,576	134,970

19. Statutory deposits

Government security comprise of bonds held by the National Bank of Ethiopia (NBE). The bonds are held as statutory deposits in compliance with article 20 of the licensing and supervision of insurance as per business proclamation number 746/2012 SG 18. The law requires that in respect of each main class of insurance, the insurer carries an amount equal to 15% of the company's paid up capital in cash or government securities. The bonds bear interest at the rate of 6% per annum and repayable after six years from date of acquisition.



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	30 June 2020 Birr'000	30 June 2019 Birr'000
General business		
Statutory deposits	58,906	50,250
Reclassification	0	529
Interest receivable on Government Bond	2,301	1,558
	61,207	52,337
Life business		
Statutory deposits	6,542	5,558
Interest receivable on Government Bond	265	172
	6,807	5,730
Statutory deposits	68,014	58,067
The movement of statutory deposit during the year is as follows:		
	30 June 2020 Birr'000	30 June 2019 Birr'000
As at 1 July	58,067	38,606
Additions	9,111	18,837
Interest received on statutory deposit invested in Government Bond	(1,730)	(1,106)
Interest receivable on statutory deposit invested in Government Bond	2,566	1,730
As at 30 June	68,014	58,067

The minimum amount required to be set aside is Br65,434 (2019 : Br56,337, 2018: Br37,500), accrued interest receivable on the statutory deposit transferred to Ethiopian Government savings Bond of Br2,566(2019: Br1,730, 2018: Br1,106) has been included in the above figures.



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	30 June 2020 Birr'000	30 June 2019 Birr'000
20. Reinsurance receivables		
General Business		
Gross receivables	5,382	5,382
Impairment provision	(5,382)	-
	-	5,382
	30 June 2020 Birr'000	30 June 2019 Birr'000
Life business		
Gross receivables	3,190	3,706
Impairment provision	-	-
	3,190	3,706
	3,190	9,088

These are receivables that arise from reinsurance policies that provide an insurer with coverage for specific individual risks that are unusual or so large that they are not covered in the Company's reinsurance treaties.

	30 June 2020 Birr'000	30 June 2019 Birr'000
Maturity analysis		
Current	3,190	9,088
Non- current	-	-
	3,190	9,088



**THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
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21. Insurance Receivables

	30 June 2020 Birr'000	30 June 2019 Birr'000
Due from policyholders	9,221	20,079
Due from risk sharing (local insurers)	1,761	600
	10,982	20,679
Provision for impairment	(9,084)	(20,185)
	1,898	494

Movements on the provision for impairment of receivables arising out of direct insurance arrangements are as follows:

	30 June 2020 Birr'000	30 June 2019 Birr'000
At start of the year	20,185	20,085
Increase/ (Decrease) in the year	(11,101)	101
As at 30 June	9,084	20,186

22. Reinsurers' share of technical provision and reserves/Reinsurance assets General business

	30 June 2020 Birr'000	30 June 2019 Birr'000
Unearned premium	65,560	51,923
Notified claims outstanding	81,477	116,695
Claims incurred but not reported	5,330	4,312
Impairment provision	-	-

At end of year **152,367** **172,930**

Life business

Unearned premium	2,472	512
Notified claims outstanding	73	1,740
Claims incurred but not reported	257	257
Impairment provision	-	-

At end of year **2,802** **2,509**

Total General and Life Business **155,169** **175,439**



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	30 June 2020 Birr'000	30 June 2019 Birr'000
Maturity analysis		
Current	155,169	175,439
Non Current	-	-
	155,169	175,439

These are reinsurers' share of technical provisions and reserves. The Company has made a review of an impairment test of the reinsurance assets and no impairment is required in respect of these assets as the Company has the right to set-off reinsurance assets against reinsurance liabilities on settlement. The carrying amounts disclosed above is in respect of the reinsurance of investment contracts approximate fair value at the reporting date.

	30 June 2020 Birr'000	30 June 2019 Birr'000
23. Policy holder loans		
Life Business		
Policy holder loans	877	702
At end of year	877	702
Maturity profile of policy loans		
Loans maturing:		
Within 1 year	573	17
Within 1 - 5 years	275	563
In over 5 years	29	122
	877	702

24. Deferred acquisition costs

A commission on unearned premium relating the unexpired tenure of risk.

	30 June 2020 Birr'000	30 June 2019 Birr'000
General business	13,765	12,563
Life business	1,703	1,275
At end of year	15,468	13,838



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The movement in deferred acquisition cost is as follows:

	30 June 2020 Birr'000	30 June 2019 Birr'000
As at 1 July	13,838	11,792
Amortization during the year	1,630	2,046
As at 30 June	15,468	13,838

	30 June 2020 Birr'000	30 June 2019 Birr'000
25. Salvage property held for sale		
Non-current asset held for sale	4,839	12,417
	4,839	12,417

The movement in Noncurrent assets held for sale is as follows:

	30 June 2020 Birr'000	30 June 2019 Birr'000
As at 1 July	12,417	5,058
Additions during the year	4,839	12,417
Sold during the year	(12,417)	(5,058)
As at 30 June	4,839	12,417

These Non-current assets held for sale represents salvage properties that are fully or partially damaged and fully compensated to the policyholders by the Company. These assets are recognized and classified as held for sale in the financial statement by their carrying amount and fair value less cost of disposal as per IFRS 5. The Company's management intention regarding these assets is to dispose through public auction. These assets will not be held for more than a year from the date of compensation and their carrying value will only be recovered through disposal rather than continuing use.



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	30 June 2020 Birr'000	30 June 2019 Birr'000
26. Other assets		
Loans and receivables:		
General business		
Rent receivable	974	31
Restricted cash	1,081	1,101
Inter office receivable - Life	1,120	1,005
Staff debtors	6,592	7,126
Sundry debtors	6,527	6,635
	16,294	15,898
Non financial assets:		
Deposits for prepaid office rent short term	7,414	11,455
Prepaid staff assets	65	219
Deferred prepaid profit tax		12
Deferred tax assets. Employee benefit	259	259
Prepayments	51,629	20,762
	59,367	32,707
Less impairment loss on other assets:		
On other receivables	-	-
On non financial assets	-	-
	75,661	48,605
Loans and receivables:		
Life business		
Inter office receivable - non life		
Receivables on policy loan	217	
Sundry debtors	54	221
	271	221
Non financial assets:		
Deposits		
Deferred tax assets employee benefit	17	
Prepayments		
	17	-
Less impairment loss on other assets:		
On other receivables		
on non financial assets		
	288	221
	75,949	48,826



**THE UNITED INSURANCE COMPANY SC
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	30 June 2020 Birr'000	30 June 2019 Birr'000
Current	75,949	48,826
Non Current	75,949	48,826
At 30 June, there is no allowance for impairment losses		
	30 June 2020 Birr'000	30 June 2019 Birr'000
27. Cash and Bank balances		
General business		
Cash in hand	13,278	552
Cash at bank	26,582	28,204
Deposits with financial institutions	342,454	285,061
	382,314	313,817
	30 June 2020 Birr'000	30 June 2019 Birr'000
Maturity analysis		
Current	327,314	258,817
Non- current	55,000	55,000
	382,314	313,817

Out of the above deposits with financial institution, Birr 55 million is pledged as security for borrowings from Awash Bank SC



THE UNITED INSURANCE COMPANY SC
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	30 June 2020 Birr'000	30 June 2019 Birr'000
Cash and Bank balances		
Life business		
Cash in hand	37	8
Cash at bank	3,802	4,735
Deposits with financial institutions	122,049	112,137
	125,888	116,880
	30 June 2020 Birr'000	30 June 2019 Birr'000
Maturity analysis		
Current	125,888	116,880
Non- current	-	-
	125,888	116,880
Total Cash and Bank balances	508,202	430,697

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, cash at bank, short term deposit with banks.

	30 June 2020 Birr'000	30 June 2019 Birr'000
Cash and cash equivalents		
General business		
Cash in hand	13,278	552
Cash at bank	26,582	28,204
Short term deposits with bank		
	39,860	28,756



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NOTES TO THE FINANCIAL STATEMENTS
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	30 June 2020 Birr'000	30 June 2019 Birr'000
Life business		
Cash and cash equivalents		
Cash in hand	37	8
Cash at bank	3,802	4,735
Short term deposits with bank		
	3,839	4,743
Total cash and cash equivalents	43,699	33,498

The movement of deposits with financial institutions

	30 June 2020 Birr'000	30 June 2019 Birr'000
General business		
As at 1 July	285,061	226,309
Additions	54,577	55,498
Interest received on Fixed time deposit	(12,199)	(8,945)
Interest receivable on fixed time deposit	15,015	12,199
As at 30 June	342,454	285,061

The movement of deposits with financial institutions

	30 June 2020 Birr'000	30 June 2019 Birr'000
Life business		
As at 1 July	112,137	107,408
Additions	9,929	4,808
Interest received on Fixed time deposit	(3,904)	(3,983)
Interest receivable on fixed time deposit	3,887	3,904
As at 30 June	122,049	112,137



THE UNITED INSURANCE COMPANY SC
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	30 June 2020 Birr'000	30 June 2019 Birr'000
28. Insurance contract liabilities		
a. General business		
Gross insurance contracts :		
Claims reported and loss adjustment expenses	266,451	289,256
Claims incurred but not reported IBNR	42,883	35,410
Additional unexpired risk reserve	277,700	251,114
Unallocated loss adjustment expense	4,494	4,634
Total insurance liabilities, gross	591,528	580,414
Recoverable from reinsurers:		
Notified claims outstanding	81,477	116,695
Claims incurred but not reported	5,330	4,312
Additional unexpired risk reserves	65,560	51,923
Unallocated loss adjustment expenses	-	-
Total reinsurers' share of insurance liabilities	152,367	172,930
Net Insurance contracts liabilities:		
Claims reported and loss adjustment expense	184,974	172,561
Claims incurred but not reported IBNR	37,553	31,098
Additional unexpired risk reserve	212,140	199,191
Unallocated loss adjustment expense	4,494	4,634
Total insurance contract liabilities, net	439,161	407,484
Gross Life business insurance contracts:		
Gross insurance contracts :		
Claims reported and loss adjustment expenses	1,709	3,470
Claims incurred but not reported IBNR	1,353	1,189
Additional unexpired risk reserves	14,654	9,129
Unallocated loss adjustment expenses	-	-
Total insurance liabilities, gross	17,716	13,788
Recoverable from reinsurers		
Notified claims outstanding	73	1,740
Claims incurred but not reported	257	257
Additional unexpired risk reserve	2,472	512
Unallocated loss adjustment expense	-	-
Total reinsurers' share of insurance liabilities	2,802	2,509



**THE UNITED INSURANCE COMPANY SC
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Net Insurance contracts liabilities:	1635	1730
Claims reported and loss adjustment expense	1,635	1,730
Claims incurred but not reported IBNR	1,096	932
Additional unexpired risk reserve	12,182	8,617
Unallocated loss adjustment expense	-	-
Total insurance contract liabilities, net	14,913	11,279
Total insurance liabilities, gross	609,244	594,202
Total reinsurers' share of insurance liabilities	155,169	175,439
Total insurance contract liabilities, net	454,074	418,763
	30 June 2020 Birr'000	30 June 2019 Birr'000
Maturity analysis		
Current	454,074	418,763
Non- current	-	-
	454,074	418,763

These provisions represent the liability for Company's insurance business contracts where the Company's obligations are not expired at the year end. Except unearned premium reserve, the Company's insurance contract liability was tested for adequacy by Actuarial Services (act serve) Ltd, an actuary located in Kenya.

Movements in insurance Liabilities and reinsurance assets

a. General Business insurance contracts:

	30 June 2020			30 June 2019		
	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
i. Outstanding						
At 1 July						
Notified claims	289,256	116,695	172,561	275,421	112,392	163,029
IBNR	35,410	4,312	31,098	30,988	3,724	27,264
ULAE	4,634		4,634	4,417	0	4,417
As At 30 June	329,300	121,007	208,293	310,826	116,116	194,710



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

At 1 July

Paid claims for the year	(242,839)	15,585	(227,254)	(265,851)	44,480	(310,331)
Increase In Liability:						
Current and prior period	556,667	71,222	454,275	595,151	76,527	518,624

As at 30 June	313,828	86,807	227,021	329,300	121,007	208,293
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Notified claims (Outstanding plus disputed)	266,451	81,477	184,974	289,256	116,695	172,561
IBNR	42,883	5,330	37,553	35,410	4,312	31,098
ULAE	4,494	-	4,494	4,634	4,634	

As at 30 June	313,828	86,807	227,021	329,300	121,007	208,293
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ii. Provision for unearned premiums 30 June 2020

Class of Business	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Engineering	27,371	12,620	14,751
Liability	12,361	1,468	10,893
Pecuniary	18,330	11,934	6,396
Fire	28,561	19,632	8,929
Burglary and House breaking	1,327	590	737
Accident	3,390	248	3,142
Medical	1,931	563	1,368
Workmen's Compensation	5,376	267	5,109
Motor	164,036	8,659	155,377
Marine	4,411	949	3,462
Goods in transit	1,293	211	1,082
Miscellaneous	9,313	8,419	894
	277,700	65,560	212,140

30 June 2019

Class of Business	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Engineering	23,366	10,224	13,142
Liability	12,507	1,213	11,294
Pecuniary	13,468	5,917	7,551
Fire	25,151	17,873	7,278
Burglary and House breaking	620	303	317
Accident	3,071	248	2,823



**THE UNITED INSURANCE COMPANY SC
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Medical	2,628	911	1,717
Workmen's Compensation	5,950	298	5,652
Motor	150,892	7,900	142,992
Marine	5,891	2,283	3,608
Goods in transit	1,303	99	1,204
Miscellaneous	6,267	4,654	1,613
	251,114	51,923	199,191

	30 June 2020			30 June 2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
i. Movement						
At 1 July	251,114	51,923	199,191	220,348	35,016	185,332
Change in unearned income	26,586	13,637	12,949	30,766	16,907	13,859
As at 30 June	277,700	65,560	212,140	251,114	51,923	199,191

b. Life business insurance contracts:
i. Provision for unearned premiums

	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000
30 June 2020			
Class of Business			
Group Term	10,671	2,276	8,395
Group medical	3,982	196	3,786
	14,653	2,472	12,181

	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000
30 June 2019			
Class of Business			
Group Term	5,538	332	5,206
Group medical	3,590	180	3,410
	9,128	512	8,616



THE UNITED INSURANCE COMPANY SC
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Movement	30 June 2020			30 June 2019		
	Gross Birr'000	Reinsurance Birr'000	Net Birr'000	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
At 1 July	9,128	512	8,616	7,765	3,009	4,756
Change in unearned income	5,525	1,960	3,565	1,363	(2,497)	3,860
As at 30 June	14,653	2,472	12,181	9,128	512	8,616

ii. Life insurance funds

	30 June 2020 Birr'000	30 June 2019 Birr'000
At 1 July	90,394	94,750
Net premium received investment income	39,474	32,634
Change in net UPR	(3,565)	(3,861)
Investment income	21,478	19,920
Other income	694	120
Claims paid	(13,292)	(13,077)
Claims recovered from reinsurers management expenses	2,046	4,440
Change in net IBNR	(163)	(688)
Management expenses	(5,485)	(5,834)
Net commission paid/ (Received)	(117)	2,656
Changes in outstanding claims	95	(578)
Distribution to policy holders	0	0
Other outgo	(10)	1
Distribution to shareholders	(39,168)	(40,089)
As at 30 June	92,381	90,394

The Company carried out an actuarial valuation to determine the actuarial liabilities for its life fund as at the reporting date. The outcomes of the Actuarial valuation are shown below:

Life Fund Movement	30 June 2020 Birr'000	30 June 2019 Birr'000
Actuarial Liabilities	90,394	94,750
Actuarial surplus	41,155	35,733
Distribution to Shareholders	(39,168)	(40,089)
Life Fund	92,381	90,394



**THE UNITED INSURANCE COMPANY SC
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	30 June 2020 Birr'000	30 June 2019 Birr'000
iii. Outstanding claims provision		
At 1 July	1,730	1,152
Change in Outstanding claim	(95)	578
As at 30 June	1,635	1,730
29. Deferred reinsurance commission	30 June 2020 Birr'000	30 June 2019 Birr'000
General business	18,499	14,679
Life business	201	123
	18,700	14,802
30. Insurance payables	30 June 2020 Birr'000	30 June 2019 Birr'000
General business		
Due to Reinsurers	40,574	48,916
Payable to local Insurance	3,608	188
Impairment provision	-	-
At end of the year	44,182	49,104
Life business		
Due to Reinsurers	4,725	2,011
Payable to local Insurance Impairment provision		
At end of the year	4,725	2,011
Gross amount	48,907	51,115
Maturity analysis	30 June 2020 Birr'000	30 June 2019 Birr'000
Current	48,907	51,115
Non- current	-	-
	48,907	51,115



The carrying amounts disclosed above approximate fair value at the reporting date. All amounts payable on direct insurance business and assumed reinsurance business are payable within one year.

**THE UNITED INSURANCE COMPANY SC
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	30 June 2020 Birr'000	30 June 2019 Birr'000
31. Other liabilities		
a. General business		
Financial liabilities		
Dividend payable	10,100	8,928
Commission payable	5,346	4,785
	15,446	13,713
Non financial liabilities		
Sundry creditors	2,385	9,848
Uncollected cheques	5,758	5,080
Deferred income	9,838	5,015
Retention fee payable	3,918	4,912
Provisions	18,082	18,147
Rent advance	5,891	4,240
Debtors with credit balance	4,441	2,596
	50,313	49,838
	65,759	63,551
b. Life business		
Financial liabilities		
Dividend payable	-	8
		8
Non financial liabilities		
Sundry creditors	640	604
Inter office A/C with Non life	786	1,005
Provisions	598	655
	2,034	2,264
	2,024	2,272
Gross amount	67,783	65,823
	30 June 2020 Birr'000	30 June 2019 Birr'000
Maturity analysis		
Current	67,783	65,823
Non- current	67,783	65,823



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NOTES TO THE FINANCIAL STATEMENTS
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32. Company income and deferred tax

a. Current income tax

	30 June 2020 Birr'000	30 June 2019 Birr'000
Company income tax	20,939	16,136
Prior year (over)/ under provision	-	-
Deferred income tax/ (credit) to profit or loss	17,794	(1,554)
Total charge to profit or loss	38,733	14,582
Tax (credit) on other comprehensive income	345	-
Total tax in statement of comprehensive income	39,078	14,582

b. Reconciliation of effective tax to statutory tax-30 June 2020

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:

	General Business Birr'000	Life Business Birr'000	Total Birr'000
Profit before tax	108,599	39,168	147,767
Add: Disallowed expenses			
Entertainment	635	37	672
Penalty	58		58
Gifts and donations			
Shareholders' meeting expenses	1,661		1,661
Giveaway items	496	37	533
25th Anniversary & inauguration expense	1,776		1,776
Additional prior period profit tax	663		663
Medical expenses for UNIC-staff family	18		18
Staff award expense	1,457		1,457
Severance pay- provision	1,442	49	1,491
Impairment of receivables-Provision	5,497		5,497
Depreciation for right of use asset	5,654		5,654
Interest on lease liability of right of use asset	394		394
Depreciation for IFRS accounting purpose	18,638	1,004	20,195
Amortization for IFRS accounting purpose	252	23	275
Total disallowable expenses	38,641	1,150	39,791



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	General Business Birr'000	Life Business Birr'000	Total Birr'000
Less: Allowable expense/ income taxed at source			
Depreciation for tax purpose	32,461	2,054	34,515
Amortization for tax purposes	263	76	339
Dividend income taxed at source	17,215	5,426	22,641
Rent expenses lease term over a year	6,277		6,277
Interest income taxed at source-Local Deposit	40,660	13,331	53,991
Total allowable expenses/ income	96,876	20,887	117,763
Taxable profit	50,364	19,432	69,796
Current tax at 30%	15,109	5,830	20,939

C. Reconciliation of effective tax to statutory tax-30 June 2019

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:

	General Business Birr'000	Life Business Birr'000	Total Birr'000
Profit before tax	81,090	40,089	121,179
Add: Disallowed expenses			
Entertainment	856	84	940
Penalty	102		102
Advance redemption fee	1,344		1,344
Gifts and donations	10		10
Shareholders' meeting expenses	267	46	313
Giveaway items	346	23	369
Staff award expense	119	5	124
Severance Liability	724	19	743
Impairment of receivables-Provision	101		101
Depreciation for IFRS accounting purpose	9,456	677	10,133
Amortization for IFRS accounting purpose	449		449
Total disallowable expenses	13,774	854	14,628



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less: Allowable expense/ income taxed at source

Depreciation for tax purpose	15,322	1,277	16,599
Amortization for tax purposes	274		274
Dividend income taxed at source	15,030	4,764	19,794
Gain on sale of equity		254	254
Interest income taxed at source-Local Deposit	32,201	12,897	45,098
Total allowable expenses/ income	62,827	19,192	82,019
Taxable profit	32,037	21,751	53,788
Current tax at 30%	9,611	6,525	16,136

	30 June 2020 Birr'000	30 June 2019 Birr'000
d. Current income tax assets / (liability)		
Balance at the beginning of the year	(11,489)	(4,118)
Current year provision	(20,939)	(16,136)
WHT Not utilized	6,037	4,647
Payment during the year	11,489	4,118
Balance at the end of the year	(14,902)	(11,489)

e. Deferred income tax

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
d. Current income tax assets / (liability)		
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	36,121	17,982
To be recovered within 12 months	-	-
	36,121	17,982

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss ("P/L), in equity and other comprehensive income are attributable to the following items:



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	At 1 July 2019	Credit/ (charge) to P/L	Credit/ (charge) to equity	30 June 2020
Deferred income tax assets/(liabilities):	Birr'000	Birr'000	Birr'000	Birr'000
Property, plant and equipment	18,914	18,222		37,137
Intangibles	(78)	19		(59)
Unrealized exchange gain				
Tax losses charged to profit or loss				
Post employment benefit obligation	(854)	(447)	345	(957)
Total deferred tax assets/(liabilities)	17,982	17,794	345	36,121

	30 June 2020	30 June 2019
	Birr'000	Birr'000
33. Borrowings		
Borrowings from domestic banks	33,354	48,150
	33,354	48,150

Borrowings from domestic banks relates to a loans from Awash Bank SC, bearing interest at the rate of 14.50% per annum and repayable on monthly installments of Birr 1,721,048.87. The loan tenure is 3 years. The first repayment was due on 4 May 2019.

Maturity analysis

Current

Non- current



**30 June
2020
Birr'000**

33,354
33,354

**30 June
2019
Birr'000**

48,150
48,150

34. Leases as a lessee

The Company leases land and buildings for its own use principally for office premises. These leases have a non- cancellable term of lease, with an option to extend or terminate the lease at the end of the lease term. The Company also has lease term with no renewal options or variable payments.

A right-of-use asset and lease liability are recognized at the commencement date of a lease. Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made before the commencement date, and any initial direct costs incurred. Lease liabilities are initially measured at the present value of lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the company's incremental borrowing rate. The Company typically uses National

THE UNITED INSURANCE COMPANY SC
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Bank of Ethiopian average lending rate as Company's incremental borrowing rate. Right-of-use assets are presented in the financial position separately from other assets. Lease liabilities are also presented in the financial position separately from other liabilities.

Subsequent to initial recognition, right-of-use assets are depreciated using the straight-line method over the shorter of the lease term and the right-of-use asset's useful life, with depreciation expense recorded as operating expenses or other expenses in the statement of profit or loss and other comprehensive income, and lease liabilities are measured at amortized cost using the effective interest method, with accretion of lease liabilities recorded as interest expense in the statement of profit or loss and other comprehensive income. Each lease payment is allocated between principal and interest expense to produce a constant periodic rate of interest on the remaining balance of the lease liability. The interest and principal portions cash payments on lease liabilities are reported as operating activities and financing activities respectively in the statement of cash flows.

Right-of-use assets and lease liabilities are not recognized for short-term leases that have a lease term of twelve months or less, or for low value leases, which principally relate to office premises. Payments for short-term and low value leases are recorded on a straight-line basis over the lease term in the statement of profit or loss and comprehensive income and reported as operating activities in the statement of cash flows.

Set out below are the carrying amounts of right-of use assets recognized and the movements during the period.

a. Right- of use assets

	Office premises	
	30 June 2020 Birr'000	30 June 2019 Birr'000
As at 1 July 2019	8,261	
Additions	5,632	
Depreciations expenses	(5,654)	
As at 30 June 2020	8,239	

b. Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	30 June 2020 Birr'000	30 June 2019 Birr'000
As at 1 July 2019	4,957	
Additions	2,415	
Accretion of interest	394	
Payments	(2,970)	
As at 30 June 2020	4,796	



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	30 June 2020 Birr'000	30 June 2019 Birr'000
Current	4,796	
Noncurrent	-	
	4,796	
Amount recognized in profit or loss		
	30 June 2020 Birr'000	30 June 2019 Birr'000
Depreciation expense of right of use assets	5,654	
Interest expense on lease liabilities	394	
Expense relating to short term leases (included in other lease expenses)		
Expenses relating to leases of low value assets (included in admin. Expenses)	3,590	
Variable lease payments		
Total amount recognized in profit or loss	9,638	
Amount recognized in the statement of cash flows		
	30 June 2020 Birr'000	30 June 2019 Birr'000
Total cash out flow for leases	2,903	
c. Prepaid operating Leasehold land		
	30 June 2020 Birr'000	30 June 2019 Birr'000
Cost:		
At the beginning of the year	4,245	5,421
Accumulated amortization charge	-	(1,176)
Reclassification to right of use assets	(4,245)	-
At the end of the year	-	4,245



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Right of use assets

The Company has leased land for its use. The lease hold period for land at Bahirdar, Kality and Bole Medhanialelem is 60, 50 and 12 years respectively. Information about the leases in which the Company is a lessee is presented below:

	30 June 2020 Birr'000	30 June 2019 Birr'000
Cost:		
At the beginning of the year recognized on adoption of IFRS 16		
Reclassified from prepaid operating lease holding land	4,245	
At the end of the year	4,245	-
Depreciation		
At the beginning of the year		-
Charge for the year	(96)	-
At the end of the year	4,149	-

As a lessor

The Company has entered into operating leases on its investment property portfolio consisting of certain office premises. These leases have terms of leases between one and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Payments received from operating leases are recorded on a straight-line basis over the lease term as investment income in the statement of profit or loss and other comprehensive income. Lease income recognized from investment property by the Company during the year is Birr 34,312 (2019: Birr 17,232).

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2020 are as follows:

	30 June 2020 Birr'000	30 June 2019 Birr'000
Within one year	42,476	-
After one year but not more than five years	131,924	-
More than five years	174,400	-
	348,800	-



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d. Leasehold land lease liability

Land Lease Payable	1,117	1,313
	1,117	1,313
	30 June	30 June
	2020	2019
Maturity analysis	Birr'000	Birr'000
Current	-	-
Non- current	1,117	1,313
	1,117	1,313

35. Defined benefits liabilities:

Defined benefits liabilities:			
Severance pay - Life business	Note 36(a)	97	79
Severance pay - Non life business	Note 36(a)	3,093	2,768

Liability in the company statement of financial position **3,190** **2,847**

Income statement charge included in personnel expenses:

Severance costs - Life business	Note 36(a)	74	19
Severance costs - Non life business	Note 36(a)	2,586	864

Total defined benefit expenses **2,660** **883**

Remeasurements for:

Life business

Remeasurement (gains)/losses - Life business	31	44
Deferred tax (liability)/asset on remeasurement gain or loss	9	13
	22	31

General business

Remeasurement (gains)/losses - Non life business	1,118	78
Deferred tax (liability)/asset on remeasurement gain or loss	(335)	(23)
	783	55
Gross amount	805	86

The income statement charge included within personnel expenses includes current service cost, interest cost, past service costs on the defined benefit schemes.



**THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

Severance pay

The Company operates an unfunded severance pay plan for its employees who have served the Company for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund). The final payout is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 1 month salary for the first year in employment plus 1/3 of monthly salary for each subsequent in employment to a maximum of 12 months final monthly salary.

Below are the details of movements and amounts recognized in the financial statements:

	30 June 2020 Birr'000	30 June 2019 Birr'000
a. Defined benefit liability		
Liability recognized in the financial position - Life business	97	79
Liability recognized in the financial position - General business	3,093	2,768
	3,190	2,847
	30 June 2020 Birr'000	30 June 2019 Birr'000
b. Amount recognized in the profit or loss		
Life business		
Current service cost	48	14
Interest cost	12	6
Past service cost	15	-
	75	20
General business		
Current service cost	1,690	566
Interest cost	411	298
Past service cost	485	-
	2,586	864
Gross amount	2,661	884
c. Amount recognized in other comprehensive income:		
Remeasurement (gains)/losses arising from changes in demographic assumptions - Life	(31)	44
Remeasurement (gains)/losses arising from changes in demographic assumptions - General	(1,118)	(78)
	(1,149)	(34)



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The movement in the defined benefit obligation over the years is as follows:

	30 June 2020 Birr'000	30 June 2019 Birr'000
Life business		
At the beginning of the year	79	40
Current service cost	47	14
Interest cost	12	4
Remeasurement (gains)/ losses	(31)	44
Past service cost	15	
Benefits paid	(25)	(23)
At the end of the year	97	79
General business		
At the beginning of the year	2,768	2,122
Current service cost	1,690	566
Interest cost	411	298
Remeasurement (gains)/ losses	(1,117)	(78)
Past service cost	485	
Benefits paid	(1,144)	(140)
At the end of the year	3,093	2,768

The significant actuarial assumptions were as follows:

i. Financial Assumption Long term Average

	30 June 2020 Birr'000	30 June 2019 Birr'000
Discount rate (p.a)	14.25%	13.50%
Long term salary Increase rate (p.a)	8.00%	12.00%

ii. Mortality in Service

The rate of mortality assumed for employees are those according to the British A1949/52 ultimate table published by the Institute of Actuaries of England. These rates combined are approximately summarized as follows:



**THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

Age	Mortality rate	
	Male %	Female %
20	0.111	0.111
25	0.112	0.111
30	0.116	0.113
35	0.132	0.120
40	0.188	0.147
45	0.330	0.231
50	0.599	0.420
55	1.035	0.750
60	1.720	1.272

iii. Withdrawal from Service

The withdrawal rates are as summarized below:

Age	Resignation rates per annum	
	Male	Female
20	15.00%	15.00%
25	12.00%	12.00%
30	6.00%	6.00%
35	2.50%	2.50%
40	1.80%	1.80%
45	1.00%	1.00%
50	0.00%	0.00%
55	0.00%	0.00%
60	0.00%	0.00%

iv. III-Health/Disability

The withdrawal rates are as summarized below:

Age	Resignation rates per annum	
	Male	Female
20	0.04%	0.04%
25	0.04%	0.04%
30	0.04%	0.04%
35	0.04%	0.04%
40	0.06%	0.05%
45	0.11%	0.08%
50	0.20%	0.14%
50	0.35%	0.25%
55	0.57%	0.42%
60		



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The sensitivity of the overall defined benefit liability to changes in the weighted principal assumption is:

	30 June 2020				
	Scenario 1 Base	Scenario 2 Discount rate by 1%	Scenario 3 Salary rate by 1%	Scenario 4 Discount rate by 1%	Scenario 5 Salary rate by 1%
Discount rate	14.25%	15.25%	14.25%	13.25%	14.25%
Salary rate	8.00%	8.00%	9.00%	8.00%	7.00%
Net liability at start of period	2,768,551	2,768,551	2,768,551	2,768,551	2,768,551
Total net expense recognized in income statement	2,586,212	2,586,212	2,586,212	2,586,212	2,586,212
Net expense recognized in other comprehensive income	(1,117,505)	(1,262,108)	(961,220)	(956,345)	(1,258,712)
Employer contribution	(1,144,467)	(1,144,467)	(1,144,467)	(1,144,467)	(1,144,467)
Net liability at end of period	3,092,791	2,948,188	3,249,076	3,253,951	2,951,584
	30 June 2019				
	Scenario 1 Base	Scenario 2 Discount rate by 1%	Scenario 3 Salary rate by 1%	Scenario 4 Discount rate by 1%	Scenario 5 Salary rate by 1%
Discount rate	12.75%	14.50%	13.50%	12.50%	13.50%
Salary rate	12.00%	12.00%	12.00%	12.00%	12.00%
Net liability at start of period	2,122,409	2,122,409	2,122,409	2,122,409	2,122,409
Total net expense recognized in income statement	864,093	864,093	864,093	864,093	864,093
Net increase recognized in other comprehensive income	(77,986)	(259,309)	131,328	129,566	(263,755)
Employer contribution	(139,965)	(139,965)	(139,965)	(139,965)	(139,965)
Net liability at end of period	2,768,551	2,587,228	2,977,865	2,976,103	2,582,782

Life business



THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	30 June 2020				
	Scenario 1 Base	Scenario 2 Discount rate by 1%	Scenario 3 Salary rate by 1%	Scenario 4 Discount rate by 1%	Scenario 5 Salary rate by 1%
Discount rate	14.25%	15.25%	14.25%	13.25%	14.25%
Salary rate	8.00%	8.00%	9.00%	8.00%	7.00%
Net liability at start of period	79,150	79,150	79,150	79,150	79,150
Total net expense recognized in income statement	74,768	74,768	74,768	74,768	74,768
Net expense recognized in other comprehensive income	(31,440)	(35,702)	(26,846)	(26,716)	(35,617)
Employer contribution	(25,348)	(25,348)	(25,348)	(25,348)	(25,348)
Net liability at end of period	97,130	92,868	101,724	101,854	92,953

	30 June 2019				
	Scenario 1 Base	Scenario 2 Discount rate by 1%	Scenario 3 Salary rate by 1%	Scenario 4 Discount rate by 1%	Scenario 5 Salary rate by 1%
Discount rate	13.50%	14.50%	13.50%	12.50%	13.50%
Salary rate	12.00%	12.00%	13.00%	12.00%	11.00%
		Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period	39,833	39,833	39,833	39,833	39,833
Total net expense recognized in income statement	18,513	18,513	18,513	18,513	18,513
Net increase recognized in other comprehensive income	43,816	38,911	49,430	49,382	38,789
Employer contribution	(23,012)	(23,012)	(23,012)	(23,012)	(23,012)
Net liability at end of period	79,150	74,245	84,764	84,716	74,123



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The weighted average duration of defined benefit obligation at the end of the reporting period for general insurance staff is 6.50 years and for long term insurance staff is 6.0 years.

The current arrangements are unfunded with no pre-determined contributions. The Company however meets benefit payments on a pay- as-you-go basis.

	30 June 2020 Birr'000	30 June 2019 Birr'000
36. Ordinary share capital Authorized:		
500,000 ordinary shares of Birr 1000 each	500,000	500,000
Issued and fully paid:		
375,578 ordinary shares of Birr 1000 each	375,578	250,000
60,650 ordinary shares of Birr 1000 each	60,650	125,578
	436,228	375,578
Share premium		1,369

Share premium represents the excess of contributions received over the nominal value of shares issued.

37. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year

	30 June 2020 Birr'000	30 June 2019 Birr'000
Current year profit Attributable to the shareholders	124,280	106,597
Weighted Average number of ordinary share in issue	415,710	315,801
Earnings per share in BIRR	0.30	0.34



THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no other transactions involving ordinary shares or potential ordinary shares between the reporting date and of compilation of these financial statements.

38. Retained earnings

General business

At the beginning of the year distributable earnings
 At the beginning of the year un-distributable earnings
 Profit/ (Loss) for the year
 Transfer to legal reserve
 Transfer to capital

Dividend provided for

Total retained earnings- General business

at the end of the year un-distributable earnings
 At the end of the year distributable earnings

Life business

At the beginning of the year distributable earnings
 At the beginning of the year un-distributable earnings
 Profit/ (Loss) for the year
 Transfer to legal reserve
 Transfer to Capital

Dividend provided for

Total retained earnings- Life business

At the end of the year un-distributable earnings
 At the end of the year distributable earnings

39. Legal reserve

General business

At the beginning of the year
 Transfer from profit or loss
 At the end of the year

Life business

At the beginning of the year
 Transfer from profit or loss

At the end of the year

**30 June
2020
Birr'000**

**30 June
2019
Birr'000**

63,019
61,468
91,176
(9,118)
(54,303)

73,179
75,445
70,445
(7,045)
(68,742)

(8,603)
143,639
61,468
82,171

(4,819)
138,463
75,445
63,019

32,023
4,472
33,103
(3,310)
(6,346)
(25,677)
34,265
4,472
29,793
177,903

33,980
5,740
36,152
(3,615)
(12,055)
(22,439)
37,763
5,740
32,023
176,226

**30 June
2020
Birr'000**

**30 June
2019
Birr'000**

57,345
9,118
66,463

50,074
7,271
57,345

11,035
3,310

7,647
3,388

14,345
80,808

11,035
68,380



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

This is a reserve constituted in accordance with Article 22 of Proclamation No. 746/201 licensing and supervision of insurance business. The law requires the insurer to transfer 10% of its annual net profit to its legal reserve account until such account equals its capital.

40. Life fund reserve

Life business

At the beginning of the year

Transfer from / to retained earnings

At the end of the year

**30 June
2020
Birr'000**

90,394
1,987

92,381

**30 June
2019
Birr'000**

94,750
(4,356)

90,394

Life fund reserve represents accumulated life fund inclusive of surpluses distributable to shareholders. The amount determined after actuarial valuation has been conducted.

41. Actuarial (gain)/Loss of employee

General Business

At the beginning of the year

Gross gain/(loss)

Deferred tax asset/(liability)

Net gain/(Loss)

Life business

At the beginning of the year

Gross gain/(loss)

Deferred tax asset/(liability)

Net gain/(Loss)

**30 June
2020
Birr'000**

(604)
1,117
(335)
178

(42)
31
(9)
(20)
158

**30 June
2019
Birr'000**

(941)
78
259
(604)

(16)
(44)
18
(42)
(646)



42. Cash generated from operating activities

Profit before tax

Adjustments for non- cash items:

Depreciation of property, plant and equipment

Amortization of intangible assets

Right of use asset -depreciation

**30 June
2020
Birr'000**

147,767

19,642
276
5,750

**30 June
2019
Birr'000**

121,179

12,295
449
94

THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Gain/(Loss) on disposal of property, plant and equipment	90	(115)
Fixed asset given away as prize net of related gain	1,360	
Gain on sale of equity		(254)
Defined employees benefit		720
Fixed assets adjustment		(2,050)
Change in operational assets:		
Decrease/(Increase) Reinsurance receivables	5,899	(9,088)
Decrease/(Increase) Insurance receivables	(1,404)	555
Decrease/(Increase) Reinsurance assets	20,270	(20,560)
-Decrease/ (Increase) deferred acquisition costs	(1,630)	(2,046)
Decrease/(Increase) other assets	23,447	28,561
Decrease/(Increase) loan and receivable	35	203
Decrease/ (Increase) salvage property held for sales	7,578	(7,359)
Change in operational liabilities:		
-Increase/ (decrease) insurance contract liabilities	15,041	53,129
-Increase/ (decrease) deferred reinsurance commission	3,898	4,577
-Increase/ (decrease) Insurance payables	(2,208)	6,833
-Increase/ (decrease) other liabilities	1,961	8,554
Cash generated from operations	247,772	195,677

In the statement of cash flows, profit on sale of property, plant and equipment comprise:

	30 June 2020 Birr'000	30 June 2019 Birr'000
Proceeds on disposal	156	728
Net book value of property, plant and equipment disposed	246	613
Gain/ (loss) on sale of property, plant and equipment	(90)	115



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

43. Related party transactions

A number of transactions were entered into with related parties in the normal course of business. These are disclosed as

	30 June 2020 Birr'000	30 June 2019 Birr'000
a. Transactions with related parties		
Loan to key management personnel	552	656
	552	656

b. Key management compensation

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Company. The compensation paid or payable to key management for is shown. There were no sales or purchase of goods and services between the Company and key management personnel as at 30 June 2020.

	30 June 2020 Birr'000	30 June 2019 Birr'000
Salaries and other short-term employee benefits	8,259	7,939
Post-employment benefits	-	-
Termination benefits	-	-
Sitting allowance	1,268	972
Other expenses		
	9,527	8,911

44. Directors and employees

i. The average number of persons (excluding directors) employed during the year was as follows:

	30 June 2020 Number	30 June 2019 Number
Professionals and High Level Supervisors	31	32
Semi-professional, Administrative and Clerical	13	17
Technician and Skilled	-	-
Manual and Custodian	20	33
	64	82



THE UNITED INSURANCE COMPANY SC NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- ii. The table below shows the number of employees (excluding directors), who earned over Birr 10,000 as emoluments in the year and were within the bands stated.

	30 June 2020 Birr'000	30 June 2019 Birr'000
10,000- 30,000	159	127
30,001 - 50,000	18	14
50,001 - 100,000	5	4
Above 100,000	-	-
	182	145

45. Contingent liabilities

Claims and litigation

The Company is exposed to various contingent liabilities in the normal course of business including a number of legal cases. The legal department evaluates the status of these exposures on regular basis to assess the probabilities of the Company's incurring related liabilities. The liabilities are recognized and recorded in the financial statement after;

- Assessing the existence of a present obligation (legal or constructive) as a result of a past event;
- Assessing the probability that an outflow of resources embodying economic benefits will be required to settle claim;
- Estimating the amount to be paid out.

Following the above facts, the Company has made a final assessment related to the claims under litigation for 109 cases amounting to Birr 9,743,472.26 is included in the current financial statement, However, 26 legal cases amounting to Birr 82,830,281.86 disclosed as contingent liability as the probability of payment is remote. The amount is subject of ongoing court cases between the plaintiffs and defendant. Management are of the opinion that this will not be payable and as a result, no provision has been made in these financial statement as at 30 June 2020.

46. Commitments

The Company has a capital commitment in connection with head office building at Tewodros Square site of Birr 10 million of the year 30 June 2020.

47. Operating lease commitments - Company as lessee

The Company leases various properties under non-cancellable operating lease agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of each lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:



THE UNITED INSURANCE COMPANY SC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	30 June 2020 Birr'000	30 June 2019 Birr'000
No later than 1 year	3,906	1,292
Later than 1 year and no later than 2 years	842	6,377
Later than 2 years but not later than 5 years	-	4,511
Total	4,748	12,180

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset and align with the Company's business needs.

Management exercises significant judgments in determine whether these extension and termination options are reasonably certain to be exercised (Note 3).

48. Currency

The financial statements are presented in thousands of Ethiopian Birr (Br'000).

49. Revaluation reserves at deemed cost

The revaluation reserve at deemed cost relates to investment, property and equipment. The reserve is non -distributable

50. Actuarial valuations

An actuarial valuation of the Company's Life business as of 30 June 2020 was carried out by our consulting actuaries, ZAMARA actuaries, administrator and consultant Limited. The valuation revealed Br39, 167,670 for distribution from surplus to shareholders for the year ended 30 June 2020. The Company did not have any with profit policies as at 30 June 2020.

51. Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Company as at 30 June 2020 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.



**THE UNITED INSURANCE COMPANY SC
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2020
REPORT OF THE CONSULTING ACTUARY**

I have conducted an actuarial valuation of the General and severance benefits of The United Insurance Company SC.

The valuation was conducted in accordance with generally accepted actuarial principles. These principles require that prudent provision for future outgo under contracts generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies. In completing the actuarial valuation,

I have relied upon the financial statements of the Company
In my opinion, the non-life (general) business and severance benefits were financially sound and:

- i. Non-life (general) value of actuarial liabilities did not exceed the claims and premium reserves held by the Company;
- ii. The severance liability can be incorporated in the financial statements in line with the International Accounting Standards 19.



Abed Mureithi
Fellow of the Institute and Faculty of Actuaries Actuarial Services East Africa Limited

**THE UNITED INSURANCE COMPANY SC
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2020
REPORT OF THE CONSULTING ACTUARY**



Appendix E: Actuary's Solvency Certificate

The United Insurance Company S.C.

Actuarial Valuation as at 30 June 2018

Actuary's Solvency Certificate

I, James Israel Omanyala Olubayi of Zamara Actuaries, Administrators and consultants Limited, Land Mark Plazaz 10th floor, Argwings Kodhek Road, PO Box 52439, Nairobi Kenya, being a fully qualified Actuary and having conducted an actuarial valuation of the Life fund as at 30 June 2020 using generally acceptable actuarial principles do hereby certify as under:-

- a. that in my opinion the value placed upon the aggregate liabilities relating to the long-term insurance business of The United Insurance Company SC in respect of policies of valuation adopted by me has been arrived at using a professionally sound and prudent actuarial basis;
- b. that I am satisfied that the value of assets adopted by me are, on the basis of the auditors' certificate appended to the balance sheet, fully of the value so adopted.

James I.O. Olubayi
Fellow of the Institute of Actuaries
Zamara Actuaries, Administrators and Consultants Limited



**25TH ANNUAL GENERAL MEETING OF
SHAREHOLDERS (14 NOVEMBER, 2019)**





HEAD OFFICE BUILDING INAUGURATION (09 NOVEMBER, 2019)



25TH YEAR ANNIVER



SARY CELEBRATION



BEST PERFORMING AGENTS



BEST PERFORMING BROKERS



PARTNERS



CORPORATE SOCIAL RESPONSIBILITY



**3 MILLION BIRR DONATION FOR
FIGHTING AGAINST CORONA VIRUS**



**SUPPORTING THE CONSTRUCTION OF GERD,
TOTAL BOND PURCHASE 73 MILLION**

ADDIS KETEMA

✉ 183091
☎ 0112 762 575
📱 0966 215 848
💻 0112 766 868

ADDISU GEBEYA

✉ 1156
☎ 0111 546 158
📱 0929 499 116
💻 0111 547 082

ARADA

✉ 25869
☎ 0111 558 787
📱 0966 216 356
💻 0111 558 788

ARAT-KILO

✉ 1156
☎ 0111 561 162
📱 0912 507 665
💻 0111 564 798

AYERTENA

✉ 1156
☎ 0113 471 798
📱 0966 216 362
💻 0113 471 799

BEKLOBET

✉ 17340
☎ 0114 655 225
📱 0911 236 520
💻 0114 655 246

BOLE M/ALEM

✉ 1156
☎ 0116 625 799
📱 0966 215 868
💻 0116 625 814

BOLE ROAD

✉ 1156
☎ 0116 504 737
📱 0929 319 578
💻 0116 504 485

GERJI

✉ 1156
☎ 0116 394 699
📱 0929 319 579
💻 0116 394 698

GOTERA

✉ 1156
☎ 0114 672 211
📱 0911 254 887
💻 0114 671 630

JEMO

✉ 1156
☎ 0114 713 786
📱 0929 319 580
💻 0114 713 665

KAZANCHIS

✉ 1156
☎ 0115 585 047
📱 0929 319 577
💻 0115 585 038

LANCHA

✉ 1156
☎ 0114 671 935
📱 0929 499 112
💻 0114 671 934

LEGEHAR

✉ 1156
☎ 0115 506 052
📱 0935 986 942
💻 0115 516 788

LIDETA

✉ 40045
☎ 0115 545 756
📱 0966 216 364
💻 0115 545 755

LION

✉ 661/1110
☎ 0115 515 656
📱 0911 254 889
💻 0115 534 799

MEGENAGNA

✉ 1156
☎ 0116 180 223
📱 0966 215 859
💻 0116 180 983

MESALEMIA

✉ 50118
☎ 0112 755 268
📱 0966 215 857
💻 0112 755 271

MESKEL FLOWER

✉ 1156
☎ 0114 702 028
📱 0910 270 979
💻 0114 701 855

MISRAK

✉ 10164
☎ 0116 628 121
📱 0966 215 866
💻 0116 623 599

T/HAYMANOT

✉ 1156
☎ 0112 766 608
📱 0966 215 858
💻 0112 139 107

SHALLA

✉ 1156
☎ 0116 358 059
📱 0966 216 365
💻 0116 358 058

BESHALE

✉ 1156
☎ 0116 683 262
📱 0929 097 759
💻 0116 660 599



CITY
BRANCHES

UP COUNTRY BRANCHES

ADAMA

✉ 896
☎ 0221 113 426
📱 0911 901 091
🏢 0221 120 207

DESSIE

✉ 1185
☎ 0331 111 128
📱 0966 215 861
🏢 0331 111 129

HOSSAENA

✉ 419
☎ 0465 552 151
📱 0966 215 863
🏢 0465 553 091

BAHIR DAR

✉ 1082
☎ 0582 201 777
📱 0918 760 209
🏢 0582 201 798

DIRE DAWA

✉ 2199
☎ 0251 110 280
📱 0966 215 865
🏢 0251 114 099

JIMMA

✉ 1308
☎ 0471 119 440
📱 0966 215 862
🏢 0471 119 490

BALE ROBE

☎ 0222 440 017
📱 0966 216 354
🏢 0222 440 014

GONDAR

✉ 39
☎ 0581 114 626
📱 0935 983 424
🏢 0581 114 616

MEKELLE

✉ 1395
☎ 0344 403 934
📱 0966 215 847
🏢 0344 403 933

BISHOFTU

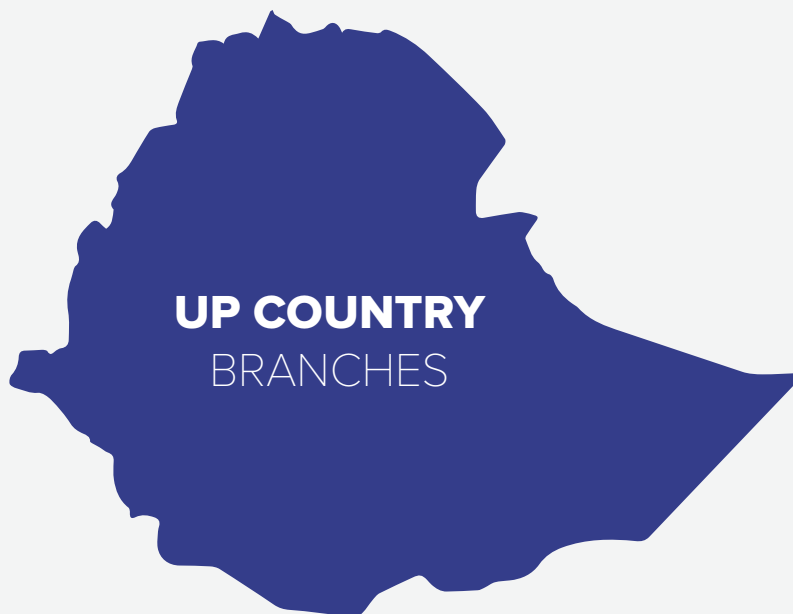
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☎ 0114 371 634
📱 0935 986 941
🏢 0114 330 925

HAWASSA

✉ 931
☎ 0462 206 610
📱 0966 215 864
🏢 0462 203 793

WOLDIA

✉ 368
☎ 0334 310 647
📱 0920 182 568
🏢 0334 312 603



AMBO

☎ 0112 609 559
📱 0911 894 149
🏢 0112 609 434

GENET

✉ 1156
☎ 01189 63 900
📱 0912 036 765
🏢 0115 509 898

HARAR

☎ 0254 663 604
📱 0912 386 320
🏢 0254 663 350

ASHEWA MEDA

☎ 0112 320 146
📱 0943 051 766
🏢 0112 320 183

SARBET

✉ 1156
☎ 0113 852 091
📱 0912 043 102
🏢 0113 852 090

DEBREBIRHAN

☎ 0116 376 552
📱 0941 622 731
🏢 0116 375 423

WOLISO

☎ 0113 664 276
📱 0943 051 764
🏢 0113 664 839

ALEMGENA

☎ 0113 871 729
📱 0988 189 664
🏢 0113 871 729

SEMERA

☎ 0333 667 815
📱 0911 292 333
🏢 0333 660 140

KALITY MENAHERIYA

☎ 0114 715 917
📱 0966 215 849
🏢 0114 716 938

CONTACT OFFICES



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በክብረት እንገነባለን
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