

MUA INSURANCE (RWANDA) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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MUA INSURANCE (RWANDA) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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**MUA INSURANCE (RWANDA) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

COMPANY INFORMATION

REGISTERED OFFICE

MUA Insurance (Rwanda) Limited
8th Floor, Grand Pension Plaza
P.O. Box 82
Kigali, Rwanda

SHAREHOLDERS

Shareholder	%
MUA Insurance Kenya Limited.	54.99%
The Mauritius Union Assurance CY Ltd	45.00%
Others	0.01%
	<u>100%</u>

DIRECTORS

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

Mr. Nikesh Patel	Chairman	Mauritian	Independent	Appointed on 14 th December 2021
Ms. Aliza Alibhai	Director	Kenyan	Independent	Appointed on 13 th May 2021
Ms. Umwali Mireille	Director	Rwandan	Independent	Appointed on 13 th May 2021
Mr. Jerome Katz	Director	Mauritian	Non- independent	Appointed on 13 th May 2021
Mr. Bertrand Casteres	Director	Mauritian	Non- independent	Appointed on 1st December 2017
Mr. Herbert Gatsinzi	Director	Rwandan	Independent	Appointed on 22 nd May 2019

COMPANY SECRETARY

Sylver Gatete
MUA Insurance (Rwanda) Limited
8th Floor, Grand Pension Plaza
P.O. Box 82
Kigali, Rwanda

BANKERS

Guarantee Trust Bank Plc
20 Boulevard de la Revolution
P.O. Box 331
Kigali, Rwanda

Ecobank Rwanda Plc
Plot 314, Avenue de la Paix
P.O. Box 3268
Kigali, Rwanda

Access Bank (Rwanda) Plc
3rd Floor UTC Building
Avenue de la paix
P.O Box 2059 Kigali, Rwanda

BPR Bank Rwanda Plc
32 Avenue de l Armee
P.O. Box 1348
Kigali, Rwanda

Bank of Kigali Plc
53, Avenue du Commerce
P.O. Box 175
Kigali, Rwanda

Cogebanque Plc
Centenary House
P.O. Box 5230
Kigali- Rwanda

AB Bank Plc
Nyarugenge Avenue
KN 131st
P.O. Box 671
Kigali – Rwanda

Equity Bank Rwanda Plc
Grand Pension Plaza
P.O. Box 494
Kigali, Rwanda

Unguka Bank Plc
Dorona House
P.O. Box 6417
Kigali, Rwanda

NCBA Bank Plc
Kigali Heights,
KG7 Avenue, Boulevard de
L'Umuganda,
P.O. Box 6774
Kigali, Rwanda

MUA INSURANCE (RWANDA) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

COMPANY INFORMATION (Continued)

AUDITOR

KPMG Rwanda Limited
5th Floor, Grand Pension Plaza
P.O Box 6755
Kigali, Rwanda

LAWYERS

CABINET D'AVOCAT - CONSEIL
Anastace Mafaranga
P.O. Box 2845
Kigali, Rwanda

AGORA LAW OFFICE
Nyarugenge - Muhima
Kn 1 Road Plot No 92
Tel +250788305701
Kigali, Rwanda

Lex Chambers
M. Peace Plaza, 4th Floor
P.O Box 6562 Kigali
Kigali, Rwanda

LEGALIS Law Firm
Tel: 0788301363
Mbabamik1900@gmail.com
Kigali - Rwanda

ETHOS ATTORNEYS AND CONSULTANTS
(Close to Umubano Hotel-Kacyiru at Kg 546 St. House 02)
P.O Box: 2122
Kigali, Rwanda

CABINET D'AVOCAT
Maître P. Celestin Buhuru & Asocies
Boulevard De L'oua N0. 7
Bp.10 Kigali - Rwanda
Kigali, Rwanda

Probity Partners East Africa
P.O Box 3866, Kigali - Rwanda
Kigali - Rwanda

B&A Advocates
P.O Box 4067
Kigali - Rwanda

MUA INSURANCE (RWANDA) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of MUA Insurance (Rwanda) Limited (the "Company").

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is to provide insurance cover for general business.

2. INCORPORATION

The Company was incorporated on 13 April 2006 under Law No. 007/2021 of 05/02/2021 Governing Companies and is domiciled in Rwanda

3. RESULTS

The financial results for the year are as below:

	2022	2021
	Frw '000	Frw '000
Profit before income tax	1,858,924	840,007
Income tax expense	(563,646)	(254,270)
Profit for the year	1,295,278	585,737
Other comprehensive income (OCI)	14,969	4,766
Total comprehensive income for the year	1,310,247	590,503

4. DIVIDEND

The directors do not recommend payment of dividend in respect of the year ended 31 December 2022 (2021: Nil)

5. AUDITORS

The Company's auditor, KPMG Rwanda Limited was appointed during the year and has indicated willingness to continue in office in accordance with the regulation No 44/2022 of 02/06/2022 determining requirements and other conditions for accreditation of external auditors for regulated institutions.

6. GOING CONCERN

The Directors have made an assessment of the ability of the Company to continue as going concern and, having taken into account all information at hand, have no reason to believe that the business will not be a going concern for at least the next twelve months from the date of this statement.

BY ORDER OF THE BOARD



Secretary

on ³⁰.....March 2023

STATEMENT OF CORPORATE GOVERNANCE

MUA Insurance (Rwanda) Limited ("the Company") is committed to the best principles of corporate governance in running the operations of a Company. The Company ensures the compliance of all the rules, regulations and laws in the conduct of its business. The Company is administered in pursuit of earning credibility in the market and increasing value for the stakeholders. The decision making and powers are exercised with integrity, responsibility, accountability and transparency.

Board of Directors

The directors who served during the year ended 31 December 2022 are listed on page 1.

Though the overall responsibility of monitoring and controlling the operational and financial performance of the Company vests with the Board of Directors, the day-to-day management of the Company has been delegated to the Managing Director.

The Board of Directors meets at least quarterly and is chaired by a non-executive independent director.

Board Committee

The Board has instituted various committees to assist it in fulfilling its role of monitoring key activities of the Company. The Board reviews the reports and minutes of the committees and is accountable of its decisions and functions.

Board Audit Committee

The Board Audit Committee comprises of three members. The Chairman who is an independent and non-executive director and two other non-executive directors. Its key objective is to assist the Board in providing an independent review of the effectiveness of the financial reporting process and internal control system of the Company. It reviews the performance and findings of the Internal Audit and Compliance function and recommend appropriate remedial action at least quarterly. The members are Ms. Mireille Umwali, - Chairman (independent), Herbert Gatsinzi (independent) and Mr. Jerome Katz (non-independent).

Board Risk Committee

The Board Risk Committee comprises three Directors. Its key objectives; to ensure that the Company has in place all the key elements of a sound risk management system and to oversee the Investment Policy of the organization. The Committee is mandated to set out the nature, role, responsibility and authority of the insurer's risk management function and systems and outline the scope of risk management work and to ensure that Company holds sufficient assets of appropriate nature, term that enables it to meet all liabilities of the Company as they become due. It meets quarterly to monitor the Assets Liability Management strategy with the objective of making the optimum utilization of funds. The members are Ms. Liza Alibhai (non-independent), and Mr. Bertrand Casteres (non-independent).

Underwriting and claims strategy Board Committee

The Underwriting and claims strategy Board Committee is responsible for the review, approval, and monitoring of overall risk tolerance and risk appetite. It establishes the policy on fraud detection and prevention; Company's models and metrics to evaluate the underwritten risk; reviewing claims policies and procedures; review periodically the policies and guidelines governing the Company's insurance underwriting and reinsurance treaties; review on periodic basis, the Company's insurance underwriting and reinsurance processes and procedures; monitor compliance with approved underwriting policies and guidelines; review and approve acquisitions and disposals of lines of business, joint ventures and strategic equity investments; review and assess on a regular basis the policy on technical provisions of an insurer; review on a regular basis pricing's policy and strategy and review and approve re-insurance strategy of the insurer. The members are Mr. Herbert Gatsinzi - Chairman (independent), Mr. Bertrand Casteres (non-independent) and Mr. Jerome Katz (non-independent).

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Board Member attendance

Director	Ordinary Board of Directors meeting	Audit Committee	Risk Management Committee	Underwriting and Claims strategy Committee	Extra ordinary Board of Directors Meeting
Mr. Nikesh Patel	4/4	-	-	-	1/1
Ms. Aliza Alibhai	4/4	-	4/4	-	1/1
Ms. Mireille Umwali	4/4	4/4	-	-	1/1
Mr. Jerome Katz	4/4	4/4	-	4/4	1/1
Mr. Bertrand Casteres	4/4		4/4	4/4	1/1
Mr. Herbert Gatsinzi	2/4	2/4	-	2/4	-

Directors' fees are reported on note 25

Management Committee

The Management Committee meets each month and comprises of the executive and senior staff. Its key objective is to monitor the implementation of overall strategy of the Company. The committee reviews Company's performance of all departments each month and particularly ensures that the Company's financial results are maintained.

EXECUTIVE

Konde Bugingo

Managing Director

SENIOR MANAGERS

Francis Nkubana

Finance Director

Sylver Gatete

Compliance and Company secretary

Theobald Ndayisaba

Claim senior Manager

Anthony Ngalika

Underwriting and Risk senior Manager

Miravumba Jean Luc

Business Development Manager

Robert Nkomezi

Underwriting manager

MUA INSURANCE (RWANDA) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of financial statements that give a true and fair view of MUA Insurance Company (Rwanda) Limited, as set out from page 11 to 62 which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies, in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation N° 47/2022 of 02/06/2022 on publication of financial statements and other disclosures by insurers.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe that the company will not be a going concern for at least the next twelve months from the date of this statement.

The independent auditor is responsible for reporting on whether, based on their audit, the annual financial statements give a true and fair view in accordance with IFRS Standards and in the manner required by Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation N° 47/2022 OF 02/06/2022 on publication of financial statements and other disclosures by insurers.

Approval of the financial statements

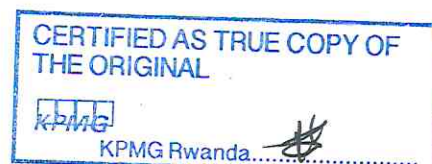
The financial statements on pages 11 to 62 were approved and authorized for issue by the Board of Directors and signed on its behalf by:


.....
Director




.....
Director

Date 30 March 2023





KPMG Rwanda Limited
Certified Public Accountants
5th Floor, Grand Pension Plaza
Boulevard de la Révolution
PO Box 6755
Kigali, Rwanda

Telephone +250 788 175 700/ +250 252 579 790
Email: info.rw@kpmg.com
Internet: www.kpmg.com/estafrica

Independent auditor's report

To the shareholders of MUA Insurance Company (Rwanda) Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of MUA Insurance Company (Rwanda) Limited (the Company) set out on pages 11 to 62, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

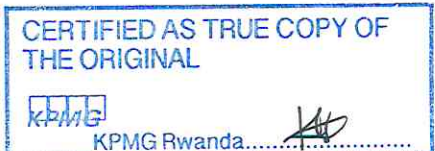
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards), and in the manner required by Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation No. 47/2022 of 02/06/2022 on publication of financial statements and other disclosures by insurers.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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, and we do not provide a separate opinion on these matters.



Independent auditor's report

To the shareholders of MUA Insurance Company (Rwanda) Limited (*continued*)
Report on the audit of the financial statements – (Continued)

Key audit matter	How the matter was addressed in our audit
Valuation of insurance contract liabilities	
Refer to notes 2(b), 4(d) and 28 of the financial statements	
<p>As at 31 December 2022, the valuation of the non-life insurance contract liabilities was Frw 6.08bn (2021: Frw 5.48bn). These non-life contract liabilities are measured in accordance with actuarial guidance in a manner allowed under IFRS 4: Insurance Contracts in the financial statements.</p> <p>The key assumptions that drive the reserving calculations (determination of IBNR) are dependent on the reserving methodology used as described below:</p> <ul style="list-style-type: none"> - projection of the gross claims and use of the proportion of the net gross historical claims paid to project the net IBNR; - implicit assumption that historical claims expenses estimate to expected claims adjusted for the impact of inflation - the use of historical claim development ratios to estimate future claims and - judgements made for classes of contracts that do not have adequate historical data to accurately establish claims patterns. <p>If the historical claims expense data used in calculating insurance liabilities, or for forming judgments over key assumptions, is not complete and accurate then material impacts on the valuation of insurance liabilities may arise.</p> <p>We determined the valuation of insurance contract liabilities to be a key audit matter due to the high degree of estimation uncertainty and significant judgement applied by management in the determination of the reported amounts.</p>	<p>Our audit procedures in this area included</p> <ul style="list-style-type: none"> — Evaluating the key control (inspection of the review of data used by management's actuary and the actuarial report) around the claim reserving and settlement process which included assessing the design and implementation as well as the operating effectiveness of controls around the determination of insurance contract liabilities; — Inspecting subsequent claims and subsequent claims payments to identify any unrecorded liabilities at the end of the year and to ascertain whether insurance claims liabilities recorded at year end were adequate; — Involving our own actuarial specialists to evaluate the assumptions such as projection of the gross claims and use of the proportion of the net gross claims paid to project the net IBNR, implicit assumption on inflation, claim development ratios estimation and judgements such as judgements for classes of business with inadequate data made by management by comparing these to the international best practices and requirements of IFRS 4. — Inspecting the reconciliation between the historical claims data included in the financial reporting systems and that used in the actuarial reserving calculations for consistency; — Using our own actuarial specialist to evaluate the reasonableness of the methodology used by management in the estimation of reserves against general accepted actuarial approaches; and — Evaluating the adequacy of disclosures in the financial statements including disclosures of key estimates and judgements on insurance contract liabilities as required by IFRS 4 <i>Insurance contracts</i>.

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Independent auditor's report

To the shareholders of MUA Insurance Company (Rwanda) Limited
Report on the audit of the financial statements – (Continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in *MUA Insurance Company (Rwanda) Limited Report and Financial Statements for the year ended 31 December 2022* but does not include the financial statements and our auditor's report thereon.

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

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

Other matter relating to comparative information

The financial statements of the Company as at and for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 22 March 2022.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Standards and in the manner required by Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation No. 47/2022 of 02/06/2022 on publication of financial statements and other disclosures by insurers, and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent auditor's report

To the shareholders of MUA Insurance Company (Rwanda) Limited (*continued*)
Report on the audit of the financial statements – (Continued)

Auditor's responsibilities for the audit of the financial statements (Continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required provisions of Article 135 of by the Law No. 007/2021 of 05/02/2021 Governing Companies, we report to you solely based on our audit of the financial statements, that:

- We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
- Proper accounting records have been kept by the Company, so far as appears from our examination;
- We have no relationship, interest or debt with MUA Insurance Company (Rwanda) Limited. As indicated in our report on the audit of the financial statements, we comply with ethical requirements. These are the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) which includes comprehensive independence and other requirements.
- We have reported internal control matters together with our recommendations to management in a separate management letter.; and
- According to the best of the information and the explanations given to us as the auditor, as shown by the accounting and other documents of the company, the annual accounts comply with Article 125 of Law No. 007/2021 of 05/02/2021 Governing Companies.

The engagement partner on the audit resulting in this independent auditor's report is CPA Wilson Kaindi [PC/CPA/0642/0123].



KPMG Rwanda Limited
Certified Public Accountants
P. O. Box 6755
Kigali, Rwanda

Date: 31 March 2023



MUA INSURANCE (RWANDA) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021
	Note	Frw '000	Frw '000
Gross premiums earned	6	9,175,546	7,712,477
Less: Insurance premiums ceded	7	(3,159,291)	(2,890,828)
Net earned premiums		6,016,255	4,821,649
Gross claims paid	8	(8,008,147)	(3,111,377)
Less: Reinsurer share of claims	8	4,807,830	812,575
Change in outstanding claims	9(a)	81,912	(907,476)
Change in incurred but not reported (IBNR) claims	9(b)	(115,708)	(119,710)
Net insurance claims incurred		(3,234,113)	(3,325,988)
Commission expenses	10	(1,010,519)	(770,864)
Fees and commission income	11	970,562	867,580
Net commission (expense)/earned		(39,957)	96,716
Underwriting profit before management expenses		2,742,185	1,592,377
Impairment expense on financial instruments	35	(251)	(8,872)
Expected credit losses on premium receivables	23	(19,689)	(246,626)
Administrative expenses	12	(2,115,532)	(1,498,292)
Underwriting profit/(loss)		606,713	(161,413)
Investment income	13	1,187,342	954,626
Foreign exchange gains	14	64,869	45,956
Other income	15	-	838
Total investment and other income		1,252,211	1,001,420
Profit before income tax		1,858,924	840,007
Income tax expense	16(c)	(563,646)	(254,270)
Net profit for the year		1,295,278	585,737
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Change in fair value of equity instruments at fair value through other comprehensive income (net of tax)	20	14,969	4,766
Total comprehensive income for the year		1,310,247	590,503

The notes set out on pages 15 to 62 form an integral part of these financial statements.



MUA INSURANCE (RWANDA) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 Frw '000	2021 Frw '000
ASSETS			
Cash and cash equivalents	26	826,950	880,772
Short term deposit	26(b)	2,140,106	3,544,940
Government securities at amortised cost	19	8,586,613	7,634,174
Long term deposits at amortised cost	26b(ii)	-	398,160
Financial assets measured fair value through other comprehensive income	20	139,502	118,118
Premiums outstanding	23	1,299,785	1,007,300
Sundry receivables	24	182,083	104,238
Due from related parties	25(a)	-	28,627
Reinsurance assets	21	4,744,497	6,411,246
Deferred acquisition cost	22(i)	450,871	430,438
Property and equipment	17	54,094	37,632
Intangible assets	18	39,827	68,470
Deferred income tax asset	16(a)	243,330	202,314
Right-of-use assets	33	206,471	246,871
TOTAL ASSETS		18,914,129	21,113,300
EQUITY AND LIABILITIES			
LIABILITIES			
Current income tax	16(b)	307,642	71,258
Due to related parties	25(b)	46,542	33,143
Sundry payables	29	2,639,303	2,712,058
Reinsurance payables	30	471,618	629,889
Insurance contracts liabilities	28	8,288,139	11,681,102
Deferred commission income	22(ii)	328,858	431,801
Lease liability	33	270,709	302,978
TOTAL LIABILITIES		12,352,811	15,862,229
EQUITY			
Share capital	27(a)	3,000,000	1,000,000
Fair value through other comprehensive income reserve	20	66,540	51,571
Retained earnings	27(b)	3,494,778	4,199,500
TOTAL EQUITY		6,561,318	5,251,071
TOTAL EQUITY AND LIABILITIES		18,914,129	21,113,300

These financial statements were approved by the Board of Directors on 30 March 2023 and signed on its behalf by: -


Director




Director

The notes set out on pages 15 to 62 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Share capital Frw '000	FVOCI Reserve Frw '000	Retained earnings Frw '000	Total Frw '000
At 1 January 2021		1,000,000	46,805	3,613,763	4,660,568
Profit for the year		-	-	585,737	585,737
Other comprehensive income	20	-	4,766	-	4,766
Total comprehensive income			51,571		
Transactions with owners		-	-	-	-
As at 31 December 2021		1,000,000	51,571	4,199,500	5,251,071
At 1 January 2022		1,000,000	51,571	4,199,500	5,251,071
Profit for the year		-	-	1,295,278	1,295,278
Other comprehensive income	20	-	14,969	-	14,969
Total comprehensive income			66,540		
Transactions with owners					
Recapitalisation of retained earnings		2,000,000	-	(2,000,000)	-
As at 31 December 2022		3,000,000	66,540	3,494,778	6,561,318

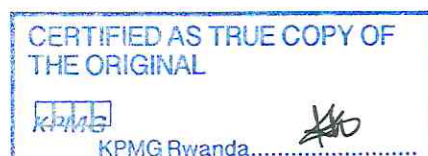
The notes set out on pages 15 to 62 form an integral part of these financial statements.

MUA INSURANCE (RWANDA) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 Frw '000	2021 Frw '000
Cash flows from operating activities			
Profit before income tax		1,858,924	840,007
Adjustment for;			
Depreciation of property and equipment	17	28,225	25,636
Amortisation of intangible assets	18	33,443	33,232
Interest income	33(a)	(1,184,293)	(959,287)
Provision for bad debts	23	19,689	246,626
Impairment provision	35	14,312	14,454
Depreciation of right-of-use assets	13	48,581	47,023
lease modification	33	(3,978)	-
Interest expense on lease liabilities	33	44,783	49,950
Dividend income	13	(14,143)	(7,165)
Operating profit before changes in working capital		845,543	290,475
Changes in working capital			
Premiums outstanding		(312,174)	(653,857)
Reinsurance assets		1,666,750	(1,560,269)
Deferred acquisition costs		(20,433)	(56,827)
Deferred commission income		(102,943)	(21,283)
Due from related parties		28,627	(8,056)
Sundry receivables		(77,846)	(55,421)
Insurance contract liabilities		(3,392,963)	3,050,587
Sundry payables		(72,755)	817,565
Due to related parties		13,399	(15,866)
Insurance payables		(158,270)	(447,392)
Cash (used in)/generated from operating activities		(1,583,065)	1,339,656
Interest paid on lease liabilities		(44,783)	(49,950)
Income tax paid	16(b)	(374,693)	(375,716)
Net cash (used in)/generated from operating activities		(2,002,541)	913,990
Cash flow from investing activities			
Purchase of property and equipment	17	(44,686)	(16,331)
Purchase of intangible assets	18	(4,800)	(43,093)
Interest received	13	1,184,293	959,287
Dividends received	13	14,143	7,165
Investment in government securities at amortised cost		(964,794)	(1,771,739)
Purchase of the investment in short term deposits		(550,863)	(685,538)
Proceeds from investment in short term deposits at amortised cost		2,351,558	-
Net cash generated from/ (used in) investing activities		1,984,851	(1,550,249)
Cash flows from financing activities			
Payment of principal portion of lease liabilities	26(d)	(36,472)	(32,993)
Net decrease in cash and cash equivalents		(54,162)	(669,252)
Cash and cash equivalent at the beginning of the year		883,888	1,553,140
Cash and cash equivalent at the end of the year		829,726	883,888
Reconciled to;			
Cash in hand	26(c)	8	9,126
Cash at bank	26(c)	829,718	874,762
		829,726	883,888

The notes set out on pages 15 to 62 form an integral part of these financial statements.



Notes

1. Reporting entity

MUA Insurance (Rwanda) Limited is a Company limited by shares, registered and domiciled in Rwanda and licensed under the Law No. 007/2021 of 05/02/2021 Governing Companies in Rwanda. The address of its registered office and principal place of business is stated in page 1. The majority shareholder is MUA Kenya Ltd, which owns 54.99% of the Company's shares.

Basis of Preparation

The financial statements of the Company have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation No. 47/2022 of 02/06/2022 on publication of financial statements and other disclosures by insurers.

The preparation of financial statements in conformity with IFRS Standards requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Historical cost convention

The financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities that have been measured at fair value. The financial statements are presented in thousands of Rwandan Francs (Frw'000).

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

Functional and presentation currency

The financial statements are presented in Rwanda Francs (Frw), which is the company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2 Summary of significant accounting policies

a Changes in accounting policies and disclosures

(i) New and amended standards adopted by the Company

The Company has adopted the following new standards and amendments during the year ended 31 December 2022, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2022:

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

Some contracts may be loss-making from the outset or become loss-making during their life cycle. There may be various drivers for a loss-making contract, including external factors and a company's own strategy.

Companies previously applying the 'incremental cost' approach will need to recognise bigger and potentially more provisions for onerous contracts. This follows recent amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, which clarify the types of costs a company includes as the 'costs of fulfilling a contract' when assessing whether a contract is onerous.

Following the withdrawal of IAS 11 Construction Contracts, companies apply the requirements in IAS 37 when determining whether a contract is onerous. These requirements specify that a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e., the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits.

While IAS 11 specified which costs were included as a cost of fulfilling a contract, IAS 37 did not, which led to diversity in practice. The International Accounting Standards Board's amendments address this issue by clarifying those costs that comprise the costs of fulfilling a contract.

Notes (continued)

2 Summary of significant accounting policies (continued)
a Changes in accounting policies and disclosures (continued)
i New and amended standards adopted by the company (continued)

The amendments clarify that the 'costs of fulfilling a contract' comprise both:

- the incremental costs – e.g. direct labour and materials; and
- an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

This clarification is unlikely to affect companies that already apply the 'full cost' approach, but those that apply the 'incremental cost' approach will need to recognise bigger and potentially more provisions.

The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

The amendments did not have a significant impact on the company's financial statements.

Annual Improvements to IFRS Standards 2018–2020

As part of its process to make non-urgent but necessary amendments to IFRS Standards, the International Accounting Standards Board (the Board) has issued the Annual Improvements to IFRS Standards 2018–2020.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards**
This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards.
- **IFRS 9 Financial Instruments**
This amendment clarifies that for the purpose of performing the '10 per cent test' for derecognition of financial liabilities in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- **IFRS 16 Leases, Illustrative Example 13**
The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.
- **IAS 41 Agriculture**
This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement.

The amendments did not have a significant impact on the company's financial statements.

Property and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

In the process of making an item of PPE available for its intended use, a company may produce and sell items e.g. minerals extracted in the process of constructing an underground mine or oil and gas from testing wells before starting production.

To address diversity in practice, the International Accounting Standards Board (the Board) has amended IAS 16 Property, Plant and Equipment to provide guidance on the accounting for such sale proceeds and the related production costs.

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- Costs associated with producing and selling items before the item of PPE is available for use; and
- costs associated with making the item of PPE available for its intended use.

Making this allocation of costs may require significant estimation and judgement. Companies in the extractive industry may need to monitor costs at a more granular level.

Notes (continued)

2 Summary of significant accounting policies (continued)

a Changes in accounting policies and disclosures (continued)

i New and amended standards adopted by the company (continued)

The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance e.g. assessing whether the PPE has achieved a certain level of operating margin.

No disclosure requirements have been added to IAS 16 for sales of items that are an output of a company's ordinary activities: the disclosure requirements of IFRS 15 Revenue from Contracts with Customers and IAS 2 will apply in such cases.

However, for the sale of items that are not part of a company's ordinary activities, the amendments require the company to:

- disclose separately the sales proceeds and related production cost recognised in profit or loss; and
- specify the line items in which such proceeds and costs are included in the statement of comprehensive income.

This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

Although the amendments are not effective until 2022, companies will need to consider including IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors disclosures in their next annual financial statements.

The amendments did not have a significant impact on the company's financial statements.

Reference to the Conceptual Framework (Amendments to IFRS 3)

IFRS 3, Business Combinations specifies how an entity should account for the assets and liabilities it acquires when it obtains control of a business. IFRS 3 requires an entity to refer to the Conceptual Framework for Financial Reporting (Conceptual Framework) to determine what constitutes an asset or a liability.

Originally, IFRS 3 required an entity to refer to the version of the Conceptual Framework that existed when IFRS 3 was developed. The purpose of this project was to update IFRS 3 to require an entity to refer instead to a later version issued in March 2018.

The Board completed this project in May 2020 by issuing amendments to IFRS 3. The amendments updated the reference to the Conceptual Framework. They also added to IFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Board added this exception to avoid an unintended consequence of updating the reference. Without the exception, an entity would have recognized some liabilities on the acquisition of a business that it would not recognize in other circumstances. Immediately after the acquisition, the entity would have had to derecognize such liabilities and recognize a gain that did not depict an economic gain.

The Board expects this exception to remain in IFRS 3 for as long as the definition of a liability in IAS 37 differs from the definition in the latest version of the Conceptual Framework. The Board plans to consider aligning the definitions as part of a project to make targeted improvements to IAS 37.

The amendments to IFRS 3 are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

The amendments did not have a significant impact on the company's financial statements.

Notes (continued)

2 Summary of significant accounting policies (continued)

a Changes in accounting policies and disclosures (continued)

ii New and amended standards that have been issued but are not yet effective

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2022 and have not been applied in preparing these financial statements.

New standards or amendments	Effective for annual periods beginning on or after
Disclosure of Accounting Policies -Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 202
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice statement 2)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Deferred Tax relating to Assets and Liabilities arising for a Single Transaction (Amendments to IAS 12)	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts and IFRS 9 Comparative information	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption/ effective date deferred indefinitely
Lease liability in a sale and leaseback (Amendment to IFRS 16)	1 January 2024

Adoption of IFRS 17

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted.

IFRS 17 provides consistent principles for all aspects of accounting for insurance contracts. It removes existing inconsistencies and enables investors, analysts and others to meaningfully compare companies, contracts and industries.

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. This standard will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the company's financial statements in the period of initial application.

Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation feature (DPF).

When identifying contracts in the scope of IFRS 17, in some cases the Company will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Company does not expect significant changes arising from the application of these requirements.

For investment contracts with DPF, under IFRS 4 the Company separately identifies and classifies part of the DPF as equity. Under IFRS 17, the Company will consider all of the discretionary benefits in the measurement of the liabilities. In addition, these contracts are currently subject to the disclosure requirements of IFRS 7 Financial Instruments: Disclosures and some of the presentation requirements of IAS 32 Financial Instruments: Presentation. On transition to IFRS 17, they will no longer be subject to those requirements because the presentation and disclosure requirements of IFRS 17 will apply to them.

Level of aggregation

Under IFRS 17, insurance contracts and investment contracts with DPF are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines or issued by different Company are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e., by year of issue) and each annual cohort into three groups:

any contracts that are onerous on initial recognition.

any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and any remaining contracts in the annual cohort.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

Notes (continued)

2 Summary of significant accounting policies (continued)

a Changes in accounting policies and disclosures (continued)

ii New and amended standards that have been issued but are not yet effective (continued)

Level of aggregation(continued)

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. Groups of reinsurance contracts are established such that each group comprises a single contract.

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a Contract Service Margin (CSM), against losses on groups of onerous contracts, which are recognized immediately. Compared with the level at which the liability adequacy test is performed under IFRS 4 (i.e., portfolio of contracts level), the level of aggregation under IFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Company expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of cashflows to be included in the measurement of existing recognized contracts, as opposed to future unrecognized contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

Insurance contracts

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services). A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Some term life and critical illness contracts issued by the Company have annual terms that are guaranteed to be renewable each year. Currently, the Company accounts for these contracts as annual contracts. Under IFRS 17, the cash flows related to future renewals (i.e., the guaranteed renewable terms) of these contracts will be within the contract boundary. This is because the Company does

not have the practical ability to reassess the risks of the policyholders at individual contract or portfolio level.

Investment contracts with discretionary participation features

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

Some of the Company's quota share reinsurance contracts cover underlying contracts issued within the annual term on a risk-attaching basis and provide unilateral rights to both the Company and the reinsurer to terminate the attachment of new underlying contracts at any time by giving three months' notice to the other party. Currently, the measurement of these reinsurance contracts generally aligns with that of the underlying contracts and considers only underlying contracts already ceded at the measurement date. However, under IFRS 17 cash flows arising from underlying contracts expected to be issued and ceded after the measurement date, in addition to those arising from underlying contracts already ceded, may be within the boundaries of the reinsurance contracts and may have to be considered and estimated in their measurement.

Notes (continued)

2 Summary of significant accounting policies (continued)

a Changes in accounting policies and disclosures (continued)

ii New and amended standards that have been issued but are not yet effective (continued)

Measurement – Overview

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company group fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

Contracts are subject to different requirements depending on whether they are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts that are substantially investment-related service contracts under which the Group promises an investment return based on underlying items; they are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All insurance contracts and investment contracts with DPF in the Participating segment are expected to be classified as direct participating contracts. Shadow accounting will no longer be applied to these contracts. To avoid accounting mismatches between these contracts and their underlying items, the group will:

For investment contracts with DPF, the cash flows are within the contract boundary if they result from a substantive obligation of the Company to deliver cash at a present or future date. The Company has no substantive obligation to deliver cash if it has the practical ability to set a price for the promise to deliver the cash that fully reflects the amount of cash promised and related risks.

Premium allocation approach (PAA)

The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria.

The Company expects that it will apply the PAA to all contracts in the non-life segment because the following criteria are expected to be met at inception.

- Insurance contracts and loss-occurring reinsurance contracts: The coverage period of each contract in the group is one year or less.

Risk-attaching reinsurance contracts: The Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies described above.

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are not expected to have material impact on the Company's financial statements in the period of initial application.

Estimated impact of the adoption of IFRS 17 and IFRS 9

The is in the process of estimating the impact that the initial application of IFRS 17 and IFRS 9 will have on its financial statements and therefore, the Company has not disclosed known or reasonably estimable information relevant to assessing the possible impact that the application of IFRS 17 and IFRS 9 will have on its financial statements in the period of initial application that was available when the 2022 financial statements were authorised for issue. The company is in the process of development of IT systems, governance framework, assumptions, judgements, estimation techniques new accounting processes and internal controls required to apply IFRS 9 and 17 using an external consultant and internal staff. The Company will restate comparative information on adoption of IFRS 17 and IFRS 9. The Company has applied IFRS 9 requirements on government securities, fixed deposits investments, amounts due to related parties and staff loans. Refer to note 35.

Notes (continued)

2 Summary of accounting policies (continued)
a Changes in accounting policies and disclosures (continued)
iii) Classification

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance 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.

Insurance contracts issued by the Company are classified as general insurance business based on the duration of the risk insured. Classes of general insurance include fire, accident, motor, marine, bond and Miscellaneous insurance (i.e., class of business not included under those listed above).

Fire insurance business means the business of affecting and carrying out contracts of insurance, otherwise than incidental to some other class of insurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.

Miscellaneous accident insurance business means contracts of insurance other than motor, fire, engineering, marine and bond insurance. This insurance covers a variety of risks including personal accident, liability insurance, fidelity insurance etc.

Motor insurance business means the business of affecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of, motor vehicles, inclusive of third-party risks but exclusive of transit risks.

Marine insurance business means the business of insurance that covers cargo losses or damage caused to ships, cargo vessels, terminals, and any transport in which goods are transferred or acquired between different points of origin and their final destination.

Bond insurance business means insurance that a bond issuer purchases that guarantees the repayment of the principal to the bondholders in the event of default. Short term business is normally of single-year duration

B Insurance contracts

i) Recognition and measurement

1. Premium income

Premium income is recognised on assumption of risks and includes estimates of premiums due but not yet received less unearned premium. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired terms of policies in force at the financial reporting date and is computed using the 365ths method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

2. Claims and policyholder benefits payable

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

Notes (continued)

2 Summary of significant accounting policies (continued)

i) Recognition and measurement (continued)

3. Commissions payable and deferred acquisition costs ("DAC")

A proportion of commission's payable is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end.

4. Liability adequacy test

At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance 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.

5. 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 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

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

6. Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

Notes (continued)

2 Summary of significant accounting policies (continued)

B Insurance contracts (continued)

i) Recognition and measurement (continued)

7. Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property. Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

C Product classification

Insurance contracts are those contracts that the Company has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

d Intangible assets

Intangible assets relate to accounting software and are initially measured at cost. Subsequently, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life of 4 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

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

e Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

Notes (continued)

2 Summary of significant accounting policies (continued)

f. Deferred expenses

Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, DAC are amortised over the period in which the related revenues are earned. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

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

g. Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:

Motor vehicles	25%
Furniture, fittings and office equipment	25%
Leasehold improvements	33.3%
Computer equipment	50%
Intangible asset	25%

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

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in profit or loss as an expense. An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

h. Financial assets

i) Classification

Recognition and initial measurement

The company recognised deposits with financial institutions and loans and borrowings on the date on which they are originated. All other financial instruments including regular way purchases and sales of financial assets are recognised on the trade date on which the company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through Other Comprehensive Income (OCI) and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI).

For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Financial assets at amortised cost include deposits with financial institutions, Government bonds, and other assets whereas financial assets measured at fair value through other comprehensive income include shares in BRALIRWA and the Bank of Kigali Plc

The Company has the following types of financial assets that are subject to IFRS 9 expected credit loss model:

- Receivables due from sister companies
- Government securities at amortised cost
- Bank balances and term deposits with financial institutions

Notes (continued)

2 Summary of significant accounting policies (continued)

h) financial assets (continued)

i. classification (continued)

Recognition and measurement (continued)

The measurement category and the carrying amounts of financial assets as per IFRS9 as at 31 December 2022 is as follow:

Financial Assets	Measurement category	Exposure at default (EAD) Frw '000	Expected credit loss (ECL) Frw '000	Carrying amount Frw'000 Frw '000
Short term fixed deposits				
investments	Amortised cost	2,150,860	10,754	2,140,106
Treasury bills	Amortised cost	1,015,278	5,077	1,010,201
Treasury bonds	Amortised cost	7,614,484	38,072	7,576,412
Demand deposit balances	Amortised cost	829,718	2,776	826,942
FVOCI (Investments in equity instruments)	FVOCI	139,502	-	139,502
Total		11,749,842	56,679	11,693,163

Reconciliation of expected credit losses for financial assets measured at amortised cost for the period

31 December 2022	Opening ECL	ECL on new exposures raised	Subsequent changes in ECL	Income statement movements	Closing ECL
Financial assets					
Long term fixed Deposits					
Investments	1,840	-	(1840)	(1840)	-
Short term fixed Deposits					
Investments	12,814	-	(2,060)	(2,060)	10,754
Treasury bills	8,678	5,076	(8,677)	-3601	5,077
Treasury bonds	26,649	14,327	(2,904)	11423	38,072
Due from related party	3,331	-	(3,331)	(3,331)	-
Demand deposit balances	3,116		(340)	(340)	2,776
Total	56,428	19,403	-19,152	251	56,679

MUA INSURANCE (RWANDA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes (continued)

2 Summary of significant accounting policies (continued)
h) financial assets (continued)

i. classification (continued)

Recognition and measurement (continued)

The measurement category and the carrying amounts of financial assets as per IFRS9 as at 31 December 2021 is as follow:

Financial Assets	Measurement category	Exposure at default (EAD) Frw '000	Expected credit loss (ECL) Frw '000	Carrying amount Frw'000
Long term fixed deposits investments	Amortised costs	403,737	1,840	401,897
Short term fixed deposits investments	Amortised costs	3,554,018	12,814	3,541,204
Treasury bills	Amortised costs	1,886,622	8,678	1,877,944
Government bonds	Amortised costs	5,793,340	26,649	5,766,691
Due from related parties	Amortised costs	31,958	3,331	28,627
Demand deposit balances	Amortised costs	874,762	3,116	871,646
FVOCI (Investments in equity instruments)	FVOCI	118,118	-	118,118
Total		12,662,555	56,428	12,606,127

Reconciliation of expected credit losses for financial assets measured at amortised cost for the period

31 December 2021	Opening ECL	ECL on new exposures raised	Subsequent changes in ECL	Income statement movements	Closing ECL
Financial assets					
Long term fixed Deposits Investments	1,840	-	-	-	1,840
Short term fixed Deposits Investments	10,000	2,404	410	2,814	12,814
Treasury bills	2,845	8,678	(3,003)	8,678	8,678
Government bonds	24,310	5,365	(3,026)	5,076	26,649
Due from related party	2,491	840	-	840	3,331
Demand deposit balances	6,070		(2,954)	(2,954)	3,116
Total	47,556	17,287	(8,573)	14,454	56,428

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Notes (continued)

2 Summary of significant accounting policies (continued)

h. Financial Assets (continued)

ii) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented within operating and other expenses in the statement of profit or loss.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses).
- Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at fair value through profit or loss (FVPL). gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

iii) Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

iv) Classification of between debt and equity

A financial instrument is classified as debt if it has a contractual obligation to:

Deliver cash or another financial asset to another entity, or

Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company.

All other financial instruments other than debt explained above are recognised as equity.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

v) Impairment

The Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Debt investments at amortised cost are considered to be low risk, and therefore the impairment provision is determined as 12 months expected credit losses.

Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the other receivables

2 Summary of significant accounting policies (continued)

i) Financial Assets (continued)

v) Impairment (continued)

Premium outstanding are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable.

Subsequent to initial recognition, premiums outstanding are measured at amortised cost. The carrying value of premiums outstanding is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement. Management considers the receivable to be impaired when the collection measures have been applied and collection has failed, and the balance is outstanding for more than 4 months. Premium's outstanding are derecognised when derecognition criteria for financial assets have been met.

Rights and obligations arising under an insurance contract as defined in IFRS 4 Insurance Contracts are outside the scope of IFRS 9.

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits held at call or for a term with the banks. Cash and cash equivalents are assessed as low credit risk since all cash is held with selected banks and financial institutions and this is measured at amortised cost.

i. Financial liabilities

In both the current and prior period, financial liabilities are classified and subsequently measured at amortised cost.

Financial liabilities are derecognised when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, minus directly attributable transaction costs. The Company's financial liabilities include, trade and other payables excluding insurance payables and collateral guarantee contracts.

Derecognition of financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

2 Summary of significant accounting policies (continued)

j. Insurance payables

Insurance payables are recognised when due and measured on initial recognition at their fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

k. Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount included in outstanding or paid claims.

l. Employee benefits

Defined contribution scheme

The Company and all its employees contribute to the Rwanda Social Security Board, which is a statutory defined benefit scheme.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided

m. Deferred revenue

Deferred revenue includes the unearned premiums and other front-end fees. The unearned premiums are calculated on a daily pro rata basis and the proportion attributable to subsequent periods is deferred. The other front-end fees received for rendering future investment management services relating, are deferred and recognised as revenue when the related services are rendered.

Notes (continued)

2 Summary of significant accounting policies (continued)

n. Provisions

General

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

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the expected economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

o. Equity movements

Ordinary share capital

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

p. Revenue recognition

Gross premiums

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

Portfolio transfer from reinsurers related to amounts refunded from re-insurers, this arises when there is a change of reinsurance treaty before the lapse of the insurance cover period. The amounts are refunded back to the Company. Since the risk is fully taken up by the Company, the amounts are included under gross income.

Reinsurance premiums

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

Unearned reinsurance premiums are those proportions of premiums written 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

q) Revenue recognition (Continued)

Reinsurance commission income

Commissions are charged on any policy reinsured as per the existing reinsurance treaty. These commissions are recognised as revenue over the period in which the related services are performed. Payments are made by netting off commissions from ceded premiums.

Profit commissions are charged on any policy reinsured as per the existing reinsurance treaty over and above the ceding commission as an encouragement for good quality underwriting and on profitability of the treaty. Payments are made by netting off the amount from ceded premiums and claims incurred

Investment income

Interest income is recognised in profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

Realised and unrealised gains and losses

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

q. Benefits, claims and expenses recognition

Gross benefits and claims

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

Reinsurance claims

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

r. Income tax expense

(i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the country where the Company operates and generates taxable income. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

(ii) Deferred income tax

Deferred income tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes (continued)

2 Summary of significant accounting policies (continued)

s. Income tax expense (continued)

(ii). Deferred income tax (continued)

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

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

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

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

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred income tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

s. Sales taxes and premium taxes

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

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

t. Foreign currency translation

The Company's financial statements are presented in Rwandan franc which is also the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of differences on foreign monetary items that form part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the profit or loss. Tax changes and credits attributable to exchange differences on these items are also recorded in other comprehensive income

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

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

The ultimate liability arising from claims made under insurance contracts

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

The Company uses both the Average Cost Per Claim (ACPC) method and the Basic chain ladder method (BCL). The method that outputs the highest reserves is what is recorded by management.

The key methodology aspects and assumptions are:

- projection of the gross claims and use of the proportion of the net gross claims paid to project the net IBNR;
- implicit assumption of inflation,
- claim development ratios estimation based on the cumulative claims development in each period and used to project the ultimate claims and

The judgment is:

- Classes of business with inadequate data the triangles were combined into motor and non-motor classes then the IBNR per class of business determined based on the gross earned premium proportions.

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). IBNR is determined using actuaries in accordance with the regulatory requirements.

In the current year, actuaries have determined that additional gross reserves of Frw 178 million in relation to incurred but not enough reported is booked.

Income taxes

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

Provisions on financial assets

The recognition of provisions involves assumptions about the probability, amount and timing of an outflow of resources embodying economic benefits. A provision is recognised to the extent that an outflow of resources embodying economic benefits is probable and a reliable estimate can be made.

Significant increase of credit risk:

Expected credit losses (ECL) are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Establishing groups of assets with similar credit risk characteristics:

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

Rights and obligations arising under an insurance contract as defined in IFRS 4 Insurance Contracts are outside the scope of IFRS 9.

Notes (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an Identified 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 asset; and direct the use of the asset

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any Initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term in addition, the right-of-use asset is periodically reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is Initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses Its incremental borrowing rate as the discount rate.

The Company determines its Incremental borrowing rate by analysing Its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following.

- Fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee, and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments In an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early
- The lease liability is measured at amortised cost using the effective interest method. Its remeasured when there is:
 - a change in future lease payments arising from a change in an index or rate;
 - a change in the amounts expected to be payable under a residual value guarantee
 - a change in the Company's assessment of whether it will exercise a purchase, extension or termination option; or
 - a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-to-use asset has been reduced to zero

The Company presents its right-to-use assets and lease liabilities as a separate note in the statement of financial position.

Notes (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Leases (continued)

Short-term leases and leases of low value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. The Company classifies all leases for which it is a lessor as operating leases, because each of these leases does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Lease payments from operating leases are recognised as Income on a straight-line basis over the lease term and are included in other investment revenue

Short-term leases and leases of low value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes (continued)

4 Management of insurance and financial risks

The Company has exposure to the following risks from its use of financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk
- (iv) Insurance risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) 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,

For all classes of financial assets held by the Company, other than those relating to reinsurance contracts as described in reinsurance risk, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position. The Company seeks to limit its credit risk with respect to customers by setting credit limit for individual customers and monitoring outstanding receivables. Premiums and insurance balances receivable comprise a large number of customers and insurance companies within Rwanda.

The Company has exposure to credit risk, Key areas where the Company is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from related parties
- Government securities at amortised cost
- Bank balances and deposits with financial institutions

Premiums outstanding

Premium outstanding are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable.

Subsequent to initial recognition, premiums outstanding are measured at amortised cost. The carrying value of premiums outstanding is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement. Management considers the receivable to be impaired when the collection measures have been applied and collection has failed, and the balance is outstanding for more than 4 months. Premium's outstanding are derecognised when derecognition criteria for financial assets have been met.

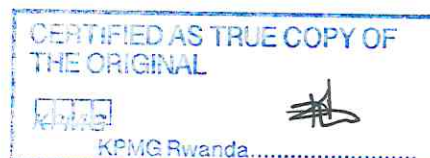
Exposure to credit risk

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

	2022	2021
	Frw '000	Frw '000
Cash and cash equivalents and short-term deposits	2,967,056	4,425,712
Reinsurance asset	4,744,497	6,411,246
Premiums outstanding	1,299,785	1,007,300
Long term deposit at amortised cost	-	398,160
Due from related parties	-	28,627
Government securities at amortised cost	8,586,613	7,634,174
Staff loans	6,019	1,911
Cash held as guarantee	34,977	7,772
	<u>17,638,947</u>	<u>19,914,902</u>

The ageing of the outstanding premiums at the reporting date was:

	2022	2021
	Frw '000	Frw '000
Gross premium receivables	1,862,144	1,549,970
Less: allowance for impairment	(562,359)	(542,670)
Net premium receivables	<u>1,299,785</u>	<u>1,007,300</u>



MUA INSURANCE (RWANDA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes (continued)

4 Management of insurance and financial risks (continued)

i) Credit risk (Continued)

Aging analysis of outstanding premium that is neither past due nor impaired as per government institution and private individual and companies.

	0-30	30-60	60-90	90-180	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
2022					
Government and International institutions	91,056	21,980	31,691	14,472	159,199
Private individuals and Companies	195,989	547,028	248,133	149,436	1,140,586
Total	287,045	569,008	279,824	163,908	1,299,785
2021					
Government and International institutions	60,474	9,625	60,627	20,424	151,151
Private individuals and Companies	325,557	188,683	93,881	248,029	856,149
Total	386,031	198,308	154,508	268,453	1,007,300

(ii) Liquidity risk

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

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

The following table provides an analysis of financial assets and liabilities of the Company into relevant contractual maturity based on the remaining periods to maturity. It also shows the applicable effective interest rates and the periods within which the financial assets and liabilities reprice.

2022	Less than 3 months Frw '000'	3 - 12 months Frw '000'	1 - 5 years Frw '000'	After 5 years Frw '000'	Total Frw '000'
Assets					
Financial assets measured at fair value through other comprehensive income	-	-	-	139,502	139,502
Premium outstanding	1,135,877	163,908	-	-	1,299,785
Reinsurance assets	3,544,496	1,200,000	-	-	4,744,496
Short term deposit	-	2,140,106	-	-	2,140,106
Cash and cash equivalent	826,950	-	-	-	826,950
Government securities at amortised cost	1,197,678	5,072,767	1,468,976	847,192	8,586,613
At 31 December 2022	6,705,001	8,576,781	1,468,976	986,694	17,737,452
Liabilities					
Insurance contract liabilities	2,000,000	6,288,139	-	-	8,288,139
Reinsurance payables	471,618	-	-	-	471,618
Sundry payables	1,444,291	1,195,012	-	-	2,639,303
leases	-	81,255	325,020	-	406,276
Due to related parties	46,542	-	-	-	46,542
At 31 December 2022	3,962,451	7,564,406	325,020	-	11,851,878
Liquidity surplus	2,742,550	1,012,375	1,143,956	986,694	5,885,574

MUA INSURANCE (RWANDA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes (continued)

4 Management of insurance and financial risks (continued)

(ii) Liquidity risk (continued)

2021	Less than 3 months Frw'000'	3 - 12 months Frw'000'	1 - 5 years Frw'000'	After 5 years Frw'000'	Total Frw'000'
Assets					
Financial assets at fair value through other comprehensive income	-	-	-	118,118	118,118
Premium outstanding	738,847	268,453	-	-	1,007,300
Reinsurance assets	5,411,246	1,000,000	-	-	6,411,246
Due from related parties	28,627	-	-	-	28,627
Long term deposit	-	-	398,160	-	398,160
Short term deposit	-	3,544,940	-	-	3,544,940
Cash and cash equivalent	880,772	-	-	-	880,772
Government securities at amortised cost	1,139,180	4,899,233	1,414,860	180,901	7,634,174
At 31 December 2021	8,198,672	9,712,626	1,813,020	299,019	20,023,337
Liabilities					
Insurance contract liabilities	3,000,000	7,005,007	1,676,095	-	11,681,102
Reinsurance payables	629,889	-	-	-	629,889
Sundry payables	1,716,450	995,609	-	-	2,712,059
leases	-	82,944	331,776	-	414,720
Due to related parties	33,143	-	-	-	33,143
At 31 December 2021	5,379,482	9,676,711	1,676,095	-	16,732,287
Liquidity (gap)/surplus	2,819,190	35,916	136,925	299,019	3,291,049

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Market price risk is the risk that the value of financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk with respect to its investments.

Notes (continued)

4 Management of insurance and financial risks (continued)

(iii) Market risk (Continued)

a) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The amounts below summarise the foreign currency exposure position as at 31 December 2022

USD currency

As at 31 December 2022

	Frw'000'	Total Frw'000'
Cash and bank (Asset)	17,341	17,341
Due to related parties (Liability)	(46,542)	(46,542)
Net financial position	(29,201)	(29,201)

As at 31 December 2021

Cash and bank (Asset)	1,556,074	1,556,074
Due to related parties (Liability)	(33,143)	(33,143)
Net financial position	1,522,931	1,522,931

The following sensitivity analysis shows how profit and equity would be affected if the market risk variables had been different at the reporting date with all other variables held constant.

	2022 Effect on profit before tax FRW '000	2021 Effect on profit before tax FRW '000
Currency – USD		
- 6%/3.8% FRW Movement	(1,752)	(58,139)
+ 6% /-3.8% FRW Movement	1,752	(58,139)

a) Interest rate risk

The Company ensures that its investments are held primarily at fixed interest rates to avoid fluctuations in earnings due to change in interest rates.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair value of financial instruments. The Company has deposits with banks which are subject to interest rate risk.

Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return or increasing the cost of finance to the Company. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its deposits and investments are denominated.

Fair value sensitivity analysis for fixed rate instruments

The Company has short term fixed deposits with banks and thus the interest is not sensitive to changes and therefore a change in interest rate at the reporting date would not affect profit and loss.

b) Equity price risks

Equity price risk arises from fair value through other comprehensive income for equity securities held. Directors of the Company monitors equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Asset Liability Committee.

The primary goal of the Company's investment strategy is to maximise investment returns in order to meet partially the Company's claims payment obligations.

As at 31 December 2022

	Change in variables	Effect on Equity Frw'000'
Quoted investments on the Rwanda Stock Exchange	+/-15%	21,384 / (21,384)

As at 31 December 2021

Quoted investments on the Rwanda Stock Exchange	+/-5.7% %	6,733/ (6,733)
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Notes (continued)

Management of insurance and financial risks (continued)

(iii) Market risk (Continued)

b) Equity price risks

Benchmark interest rate

Benchmark interest rate is an interest rate that determines the amount of other interest rates. A fundamental reform of major interest benchmark has been take globally including replacement of some interbank offered rates with an alternative nearly risk-free rate.

The company has reduced its exposure to investments that are subject to interest rate reform through investment in short term fixed deposits and thus the interest is not sensitive to changes and any change in benchmark interest at the reporting date would not materially affect profit or loss.

c) Insurance risk management

The Company's activities expose it to a variety of financial risks, including its portfolio of risks covered and perils insured. The Company's overall risk management program focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. The Company has policies in place to ensure that insurance is sold to customers with an appropriate claim and credit history. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts in different product classes which are fire, marine, motor, accident, bonds and aviation.

The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Company purchases reinsurance as part of its risk's mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line.

The Company manages the insurance risk in the manner briefly outlined below:

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of insurance, risk is random and therefore unpredictable. Inevitable makes it certain hence not insurable.

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

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

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location, the nature of insurance covered and likelihood of a catastrophe.

Notes (continued)

4 Management of insurance and financial risks (continued)

i) Insurance risk

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

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of insurance covered.

Claims are payable on claims occurrence basis.

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

For certain contracts, the Company has limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year. The Company also has the right to re-price the risk at renewal. It also has the ability to impose deductibles and reject fraudulent claims.

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

The Company reinsurance placement policy assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

Maximum insured loss

Class of business		2022	2021
		FRW'000	FRW'000
Fire	Gross	1,944,906,518	1,281,881,284
	Net	551,828,150	365,094,106
Engineering	Gross	774,653,628	478,092,716
	Net	143,781,417	139,827,398
Bonds	Gross	15,303,378	48,264,027
	Net	6,035,998	9,123,824
General Accident	Gross	942,637,048	516,052,982
	Net	271,533,764	138,222,725
Marine	Gross	81,486,101	83,723,260
	Net	60,754,628	55,846,317
Motor	Gross	252,663,453	176,491,083
	Net	220,012,822	155,663,630
Travel	Gross	35,427	11,445
	Net	11,452	3,708
Total	Gross	4,011,685,553	2,584,516,797
	Net	1,253,958,231	863,781,708

Notes (continued)

4 Management of insurance and financial risks (continued)

(c) Insurance risk management (continued)

Insurance contract liabilities

Gross claims reported, claims handling expenses liability and the liability for claims incurred but not reported (IBNR) are net of expected recoveries from salvages.

The Company uses the most reliable technique to estimate the ultimate cost of claims including IBNR provision. The Company has estimated IBNR based on actuarial valuation. Management has determined that the estimate is adequate for purposes of covering the risk and will ensure the Company will remain profitable in the future. As such management does not review claims development (i.e., actual claims compared with previous estimates) to manage its insurance risk.

Reinsurance risk

In common with other insurance companies, in order to minimize financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under excess of loss reinsurance contracts.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristic of the reinsurers.

Strategic Risk

Reinsurance contracts do not relieve the Company from its obligations to cedants and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. The organization's internal characteristics are evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes.

The strategic risks were assessed based on the following indicators;

Whether risk management practices are an integral part of strategic planning.

Whether strategic goals, objectives, corporate culture, and behavior are effectively communicated and consistently applied throughout the institution. Strategic direction and organizational efficiency are enhanced by the depth and technical expertise of Management.

Whether Management has been successful in accomplishing past goals and is appropriately disciplined.

Whether management information systems effectively support strategic direction and initiatives.

Exposure reflects strategic goals that are not overly aggressive and are compatible with developed business strategies.

Whether initiatives are well conceived and supported by appropriate communication channels, operating systems, and service delivery networks. The initiatives are supported by capital for the foreseeable future and pose only nominal possible effects on earnings volatility.

Whether strategic initiatives are supported by sound due diligence and strong risk management systems. The decisions can be reversed with little difficulty and manageable costs.

After assessment of strategic risks based on above criteria, management is convinced that this risk is low.

Notes (continued)

4 Management of insurance and financial risks (continued)

(c) Insurance risk management (continued)

i) Operational Risk

The Company recognizes that managing operational risk is an important feature of sound risk management practice. The most important types of operational risk involve breakdowns in internal controls and corporate governance. Such breakdowns can lead to financial losses through error, fraud, or failure to perform in a timely manner or cause the operations of the Company to be compromised in some other way, for example, by its clients' other staff exceeding their authority or conducting business in an unethical or risky manner. Other aspects of operational risk include major failure of information technology systems or events such as major fires or other disasters.

The Company recognizes all such risks and has adopted mitigating solutions through setting clear strategies and oversight by the board of directors and senior management, a strong operational risk culture and internal control culture (including, among other things, clear lines of responsibility) and effective internal reporting.

ii) Compliance Risk

This is related with conforming to stated requirements. At Company level, it is achieved through management processes which identify the applicable requirements (defined for example in laws, regulations, contracts, strategies and policies), assess the state of compliance, assess the risks and potential costs of non-compliance against the projected expenses to achieve compliance, and hence prioritize, fund and initiate any corrective actions deemed necessary. The Company feels that compliance risk is moderate.

iii) Capital management

The Company's objectives when managing capital are:

To comply with the insurance capital requirements required by the regulators of the insurance markets where the Company operates:

- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In Rwanda, the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital must be maintained at all times throughout the year.

The Company is subject to insurance solvency regulations and is required to comply with solvency regulations. The Company has embedded in its Asset Liability Policy Framework the necessary tests to ensure continuous and full compliance with such regulations.

The National Bank of Rwanda imposes a minimum capital requirement of Frw 3 billion.

The solvency and capital adequacy margins are calculated based on distribution of assets among investment classes, and the matching of specific classes of assets and liabilities.

Notes (continued)

5 FAIR VALUE

Fair values versus carrying amounts

The carrying amounts of the Company's financial assets and liabilities approximates its fair values.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
 - In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible by the Company.

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.

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	Level 2	Level 3
Fair value determined using:	Unadjusted quoted prices in active market for identical assets and liabilities	Valuation model with directly or indirectly market observable inputs	Valuation models using significant non-market observable inputs
Types of financial assets:	Actively traded government and other agency securities	Corporate and other governments and loans	Highly structured OTC derivatives with unobservable parameters
Types of financial liabilities:	Listed equities Listed derivative instruments	Unlisted equities Over-the-counter derivatives	Highly structured OTC derivatives with unobservable parameters

MUA INSURANCE (RWANDA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes (continued)

5. FAIR VALUE (Continued)

Valuation methods and assumptions

Reinsurance assets, premium outstanding, sundry receivables, deferred acquisition cost, due from related parties, sundry payables, deferred commission income, reinsurance payable, and due to related parties, approximate their carrying value amounts due to the short-term maturities of these instruments.

The tables below include items that have recurring fair value measurements (i.e., financial assets at FVOCI or FVPL and at amortised cost).

	Carrying amount	Fair value	Fair value measurement using		
			Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
			Level 1	Level 2	Level 3
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
31 December 2022:					
Financial assets at FVOCI	139,502	139,502	139,502	-	-
Government securities at amortised cost	8,586,613	8,629,762		8,629,762	-
Short term deposits at amortised cost	2,140,106	2,150,860	-	2,150,860	-
31 December 2021:					
Financial assets at FVOCI	118,118	118,118	118,118	-	-
Government securities at amortised cost	7,634,016	7,669,344	-	7,669,344	-
Long term deposits at amortised cost	401,880	403,737	-	403,737	-
Short term deposits at amortised cost	3,544,940	3,557,754	-	3,557,754	-

The carrying amount of all the remaining financial instruments, their cost approximates fair value

	2022 Frw'000	2021 Frw'000
6 Gross insurance premium earned		
Gross written premium	9,518,560	8,293,145
Unearned premium at the beginning of the year	3,953,301	3,372,633
Unearned premium at the end of the year	(4,296,315)	(3,953,301)
Gross insurance premium earned for the period	9,175,546	7,712,477
7 Insurance premium ceded to reinsurers		
Ceded Premium	2,658,548	2,712,729
Excess of loss cession	203,772	152,196
	2,862,320	2,864,925
Reinsurers share in Reserves		
Unearned premium at the beginning of the year	1,625,599	1,651,502
Unearned premium at the end of the year	(1,328,628)	(1,625,599)
	296,971	25,903
Insurance premium ceded	3,159,291	2,890,828

MUA INSURANCE (RWANDA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes (continued)

7 Insurance premium ceded to reinsurers (Continued)		2022	2021
		Frw'000	Frw'000
Insurance premium ceded		Frw'000	Frw'000
P.T.A ZEP Re	CGR rating B+	691,571	849,785
Africa Re	S&P rating A-	438,137	425,770
CICA RE	A M Best rating B+	-	22,305
Swiss RE	A M Best rating A+	561,786	548,118
Continental Re	A M Best rating B+	175,606	180,890
KOREAN REINSURANCE COMPANY	A M Best rating A (Excellent)	2,945	2,300
Trust Re	S&P rating A	1,177	2,164
Kenya Re	A M Best rating B	8,287	3,361
GIC SOUTH AFRICA	S&P rating BB+	93,451	77,945
MDP (SWISS, AFRICA RE, PTA RE)	N/A	203,772	152,196
Arab Insurance Group	A M Best rating BB+	1,050	2,164
Sonarwa	Locally regulated	52,447	68,968
GHANA RE	A M Best rating B (Fair)	28,234	23,879
Score	S&P rating A+	38,849	38,364
SORAS	Locally regulated	42,078	25,643
TT Club Mutual Insurance Limited	A M Best rating A- (Excellent)	9,297	8,661
INTER PARTNER ASSISTANCE	S&P rating AA-	25,072	8,030
MAYFAIR INSURANCE COMPANY	Locally regulated	59,951	51,897
Odyssey Re	S&P rating A	133,892	116,196
PRIME INSURANCE	Locally regulated	28,909	22,693
RADIANT INSURANCE COMPANY	Locally regulated	49,500	17,684
TIM/BMI	Fitch rating AAA	5,004	291
UAP- INSURANCE RWANDA LTD	Locally regulated	32,174	16,227
BRITAM	Locally regulated	43,590	56,676
BK GENERAL INSURANCE	Locally regulated	38,587	38,371
SONAC SA	CRISIL BB	17,126	43,497
WAICA RE	A M Best rating B	24,003	35,771
KUWAIT Re	A M Best rating A-	29,665	25,079
NEWLINE HOLDINGS UK Ltd (Lloyds Syndicate)	A M Best rating A+	14,732	-
EAST AFRICA RE	A M Best rating AA-	11,428	-
		<u>2,862,320</u>	<u>2,864,925</u>

MUA INSURANCE (RWANDA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes (continued)

	2022 Frw'000	2021 Frw'000
8 Gross claims paid		
Claims paid	8,008,147	3,111,377
Reinsurer share of claims	(4,807,830)	(812,575)
	<u>3,200,317</u>	<u>2,298,802</u>
9 Change in insurance contract liabilities		
Change in outstanding claims (9 a)	(81,912)	907,476
Change in incurred but not reported (IBNR) claims (9 b)	115,708	119,710
	<u>33,796</u>	<u>1,027,186</u>
(a) Change in outstanding claims		
Gross claims at the beginning	6,876,095	4,607,794
Gross claims at the end	(2,961,736)	(6,876,095)
	<u>3,914,359</u>	<u>(2,268,301)</u>
Reinsurer Share in Gross claims		
Reinsurance share in gross claims at the beginning	(4,451,916)	(3,091,091)
Reinsurance share in gross claims at the end	619,469	4,451,916
	<u>(3,832,447)</u>	<u>1,360,825</u>
Net claims outstanding	<u>81,912</u>	<u>(907,476)</u>
(b) Change in incurred but not reported (IBNR) claims		
Gross IBNR at the beginning	(851,705)	(650,087)
Gross IBNR at the end	1,030,087	851,705
	<u>178,382</u>	<u>201,618</u>
Reinsurer Share in IBNR		
Reinsurance share in IBNR at the beginning	190,294	108,386
Reinsurance share in IBNR at the end	(252,968)	(190,294)
	<u>(62,674)</u>	<u>(81,908)</u>
	<u>115,708</u>	<u>119,710</u>



MUA INSURANCE (RWANDA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes (continued)

10 Commission expenses

	2022 Frw'000	2021 Frw'000
Alliance insurance Brokers	112,548	104,582
Ascoma	175,296	109,561
Mutsinzi Paul	66,334	87,559
MRR Agnacy Ltd	-	4,218
Utmost Insurance Brokers	-	-197
Agak Ltd	7,768	8,397
Global Risk Advisors Ltd	58,404	38,693
Imanzi Buganza Sonny	966	614
Gasasira Amos	74	712
Kairos Legacy Partners Ltd	223	355
Liaison	3,475	1,033
Mukayisenga Louise	-	2,256
Elephant Insurance Brokers Ltd	-	54
Ndashyikirwa Jean Baptiste	107	1,271
Masengesho Jean baptiste	-	245
Alpha Insurance brokers ltd	17,199	17,946
Habumuremyi Jimmy/Gatuna	3,038	713
Mr. Kalisa Albert/Rusumo	2	209
Uwamahoro Jacqueline/Nyabugogo	8,670	8,123
Connect Insurance Brokerage Services Ltd	2,285	2,937
Insider Consulting	52,650	54,269
Ngirumpatse Viateur	7	128
Staple brokerage ltd	117,525	85,474
CUZO insurance brokerage R Ltd	51,373	33,987
Kigali Trust Brokers Ltd	61	77
Kabasha Odinga Lambert	1,166	1,460
Safe Insurance Brokers Ltd	4,759	-
Kanyamge Kayigamba	-	147
Falcon insurance service ltd	2,926	-
Ntaganda Oriane	893	2,293
NIYITANGA RICHARD	-	11,469
Hatangimana Abia	15,120	12,384
Ntakirutimana Boniface	47,863	19,071
Zamara Actuaries Admins and Insurance Brokers Ltd	23,880	25,233
KANA LTD	25,233	-
MUKASHEMA ANTOINETTE	17,037	-
ZION INSURANCE BROKER LTD	16,368	-
MUHORAKEYE CHRISTINE	14,441	-
NDAYISHIMIYE GASPARD	14,027	-
EQUITY BANK RWANDA PLC	12,927	-
EQUITY BANK RWANDA PLC	12,551	-
APPEX SERVICES LIMITED	123,323	135,591
Others	-	-
	<u>1,010,519</u>	<u>770,864</u>

11. Fees and commission income

Reinsurance commission income (11(a))	761,191	716,161
Fees	114,466	114,893
Profit Commission. (11(b))	94,905	36,526
	<u>970,562</u>	<u>867,580</u>



MUA INSURANCE (RWANDA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes (continued)

11 Fees and commission income (Continued)

11a) Reinsurance commission income	Rating	2022 Frw'000	2021 Frw'000
P.T.A ZEP	CGR rating B+	183,513	197,997
AFRICA RE	S&P rating A-	130,227	119,463
Swiss Re	A M Best Rating A+	173,729	165,451
TT Club Mutual Insurance Limited	A M Best Rating A-	1,881	1,495
Trust Re	S&P rating A	504	892
TIM/BMI	Fitch rating AAA	1,734	101
Odyssey Re	S&P rating A	40,014	33,807
Continental Re	A M Best rating B+	50,082	53,141
GIC SOUTH AFRICA	S&P BB+	27,690	22,419
Arab Insurance Group	S&P rating BB+	460	892
Kenya Re	A M Best rating B	2,102	1,012
GHANA RE	A M Best rating B (Fair)	7,354	6,573
CICA RE	A M Best rating B+	-	10,239
KOREAN REINSURANCE COMPANY	A M Best rating A	-	-
SCOR	(Excellent)	1,146	940
BRITAM	S&P rating A+	12,160	11,076
MAYFAIR INSURANCE COMPANY	Locally regulated	13,851	11,734
PRIME INSURANCE	Locally regulated	17,779	13,317
Radiant insurance Company	Locally regulated	8,357	275
BK GENERAL INSURANCE	A M Best rating AA-	14,529	4,556
UAP- INSURANCE RWANDA LTD	Locally regulated	11,408	9,746
SANLAM	Locally regulated	9,301	4,181
SOCIETE NOUVELLE D' ASSURANCE DU	Locally regulated	12,136	6,607
RWANDA	Locally regulated	-	-
SONAC SA	CRISIL BB	16,598	17,609
WAICA RE	CRISIL BB	1,980	4,483
KUWAIT Re	A M Best rating B	6,738	10,834
NEWLINE HOLDINGS UK Ltd (Lloyds	A M Best rating A-	9,016	7,321
Syndicate)	A M Best rating A+	4,259	-
EAST AFRICA RE	A M Best rating AA-	2,643	-
		<u>761,191</u>	<u>716,161</u>

MUA INSURANCE (RWANDA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes (continued)

11 Fees and commission income (Continued)

11b) Profit Commission

	2022	2021
	Frw'000	Frw'000
Profit Commission Marine	2,469	-
Profit Commission Fire & Eng.	113	23,028
Profit Commission General Accident	9,740	5,338
Profit commission Engineering	47,474	8,160
Profit commission Bond	35,109	-
	<u>94,905</u>	<u>36,526</u>

Profit commission was received on profitable account from reinsurers as per reinsurance treaties.

12. Administrative expenses

	2022	2021
	Frw'000	Frw'000
Employee benefits	1,252,720	785,281
Depreciation of property and equipment	28,225	25,636
Amortisation of intangible assets	33,443	33,232
Depreciation of ROUA	48,581	47,023
Professional fees and charges	62,857	55,229
Printing and stationary	36,935	28,744
Lease liability interest (note 33)	44,783	49,950
Board sitting allowance	43,348	40,135
Travel and communication costs	104,387	48,967
Management expenses	41,135	34,519
Medical expenses	34,007	34,084
Advertising and promotion	59,527	29,286
Auditors' remuneration	27,732	20,173
Service fees	112,245	133,618
Motor vehicles expenses	37,594	24,064
Repairs and maintenance	57,645	45,534
Office upkeep and maintenance	7,971	20,799
Electricity and water	11,548	11,046
Utilities fee	9,012	8,053
Legal fees	48	1,275
Staff training	4,784	4,700
VAT Reverse charge	4,288	2,820
Bank charges	17,662	10,327
Donations	2,875	500
District licence charge	2,365	2,210
Tax fines and penalties	12,148	-
Insurance	713	807
Postage expenses	780	30
Surveyor valuation charges	-	252
Professional insurance	16,174	-
	<u>2,115,532</u>	<u>1,498,292</u>

MUA INSURANCE (RWANDA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes (continued)

		2022 Frw'000	2021 Frw'000
13. Investment income			
Interest on fixed deposits		1,184,293	959,287
Investment expense		(11,094)	(11,826)
Dividend income		14,143	7,165
		<u>1,187,342</u>	<u>954,626</u>
14. Foreign exchange gain			
Foreign exchange gain		<u>64,869</u>	<u>45,956</u>
15. Other income			
Other income		-	463
Being recovery of maternity leave fees		-	375
		<u>-</u>	<u>838</u>
16. Taxation			
a) Deferred income tax asset	At start of year Frw '000	Charge/(Credit) to profit or loss Frw '000	At year end Frw '000
Year ended 31 December 2022			
Accrued expenses	2,293	34,679	36,972
Expected Credit Losses on receivables	162,801	5,907	168,708
Leave accrual	1,554	-	1,554
Depreciation	(4,435)	3,137	(1,298)
Expected credit losses on financial assets	16,932	75	17,007
Impact of IFRS 16	18,183	3,633	21,816
	<u>197,328</u>	<u>47,431</u>	<u>244,759</u>
Fair value through other comprehensive income	4,986	(6,415)	(1,429)
	<u>202,314</u>	<u>41,016</u>	<u>243,330</u>
Year ended 31 December 2021			
Accrued expenses	18,861	(16,568)	2,293
Expected Credit Losses on receivables	88,814	73,988	162,801
Leave accrual	1,554	-	1,554
Depreciation	(4,196)	(239)	(4,435)
Expected credit losses on financial assets	14,269	2,663	16,932
Impact of IFRS 16	13,974	4,209	18,183
Year ended 31 December 2021	<u>133,276</u>	<u>64,053</u>	<u>197,328</u>
Fair value through other comprehensive income	7,028	(2,042)	4,986
	<u>140,304</u>	<u>62,011</u>	<u>202,314</u>

Notes (continued)

16. Income taxes (Continued)

b) Current income tax payable

	2022	2021
	Frw'000	Frw'000
As at 1 January	71,258	128,651
Charge for the year (Note 16.c)	611,077	318,323
Paid during the year	(374,693)	(375,716)
As at 31 December	<u>307,642</u>	<u>71,258</u>

The components of income tax expense for the years ended 31 December 2022 and 31 December 2021 are:

	2022	2021
	Frw'000	Frw'000
c) Income tax expense		
Current income tax	611,077	318,323
Deferred income tax credit	(47,431)	(64,053)
Income tax expense	<u>563,646</u>	<u>254,270</u>

Reconciliation between the tax expense and the accounting profit multiplied by Rwanda's domestic tax rate for the years ended 31 December 2022 and 31 December 2021 is as follows:

Accounting profit before income tax	<u>1,858,924</u>	<u>840,007</u>
Rwanda's statutory income tax rate of 30%	557,677	252,002
Tax effect on non-deductible expenses	10,212	38,884
Tax effect on non-taxable income	(4,243)	(36,616)
	<u>563,646</u>	<u>254,270</u>

Included in non-deductible expenses are items such as impairment of assets, effect of IFRS16. These items are expected to recur in future periods.

MUA INSURANCE (RWANDA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes (continued)

17. Property and equipment		Motor Vehicles	Computer equipment	Furniture and Fittings	Office Equipment	Leasehold improvements	Total
Cost		Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
As at 1 January 2021		48,175					
Additions		-	99,197	10,230	30,545	47,270	235,417
As at 31 December 2021		48,175	15,787	364	180	-	16,331
			114,984	10,594	30,725	47,270	251,748
As at 1 January 2022		48,175					
Additions			114,984	10,594	30,725	47,270	251,748
As at 31 December 2022		48,175	23,613	16,804	2,118	2,151	44,686
			138,597	27,398	32,843	49,421	296,434
Accumulated Depreciation							
As at 1 January 2021		24,561	89,854	8,101	23,030	42,934	188,480
Charge for the year		8,492	8,418	1,675	4,405	2,646	25,636
As at 31 December 2021		33,053	98,272	9,776	27,435	45,580	214,116
As at 1 January 2022		33,053					
Charge for the year		8,168	98,272	9,776	27,435	45,580	214,116
As at 31 December 2022		41,221	11,658	4,033	2,086	2,280	28,225
			109,930	13,809	29,521	47,860	242,341
Net Book Value							
At 31 December 2022		6,954	28,667	13,589	3,322	1,561	54,093
At 31 December 2021		15,122	16,712	818	3,290	1,690	37,632

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Notes (continued)

	2022	2021
	Frw'000	Frw'000
18. Intangible assets		
Cost		
As at 1 January	201,363	158,270
Additions	695	43,093
WIP	4,105	-
As at 31 December	206,163	201,363
Amortisation		
As at 1 January	132,893	99,661
Charge for the year	33,443	33,232
Balance at 31 December	166,336	132,893
Carrying amount	39,827	68,470
Intangible assets relate to accounting software and amortised at 25%		
19. Government securities at amortised cost		
(i) Treasury bond (at cost)	7,375,594	5,626,316
Accrued interest on government bond	238,890	156,563
Expected credit loss	(38,072)	(26,649)
	7,576,412	5,756,230
<i>Treasury Bills at amortised cost</i>		
(ii) Treasury Bill (at cost)	962,100	1,818,150
Accrued interest on treasury bill	53,178	68,472
Expected credit loss	(5,077)	(8,678)
	1,010,201	1,877,944
<i>Reconciliation of balance</i>		
(iii) Opening balance	7,444,466	5,727,400
Additions	893,229	1,717,066
	8,337,695	7,444,466
Accrued interest on government treasury bonds & treasury bills	292,067	225,035
	8,629,762	7,669,501
Expected credit loss	(43,149)	(35,327)
Closing balance	8,586,613	7,634,174
<i>Breakdown of current and non-current</i>		
Current	1,010,201	1,877,944
Non-current	7,576,412	5,756,230
	8,586,613	7,634,174
20. Financial assets at fair value through other comprehensive income		
Bralirwa Plc (343,000 shares)	58,310	43,218
BK Group Plc (225,400 shares)	81,192	74,900
	139,502	118,118
<i>Reconciliation of balance</i>		
Opening balance	118,118	111,310
Fair value gain	21,384	6,808
	139,502	118,118
Fair value through other comprehensive income reserve		
As at 1 January	51,571	46,805
Fair value gain	21,384	6,808
Deferred tax on fair value gain	(6,415)	(2,042)
Net fair value gain	14,969	4,766
As at 31 December	66,540	51,571

These investments have been adjusted to fair value based on their market price quotes at Rwanda Stock Exchange as at 31 December 2022. The fair value adjustment is recognized within other comprehensive income as change in FVOCI

MUA INSURANCE (RWANDA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes (continued)

	2022	2021
	Frw'000	Frw'000
21. Reinsurance assets		
Due from reinsurers	2,543,432	143,437
Reinsurance share of insurance contract liabilities	2,012,893	6,083,067
Coinsurers	188,172	184,742
Total reinsurers' share of insurance contract liabilities	<u>4,744,497</u>	<u>6,411,246</u>
Breakdown of reinsurance/coinsurance asset		
Current	4,744,497	6,411,246
Past-due but not impaired	<u>4,744,497</u>	<u>6,411,246</u>
22. (i) Deferred acquisition cost		
As at 1 January	430,438	373,611
Deferred expenses	1,030,952	827,692
Amortisation	(1,010,519)	(770,865)
As at 31 December	<u>450,871</u>	<u>430,438</u>
Breakdown of current and non-current		
Current	450,871	430,438
Non-current	<u>450,871</u>	<u>430,438</u>
(ii) Deferred commission income		
As at 1 January	431,801	453,084
Deferred income	658,248	694,878
Amortisation	(761,191)	(716,161)
	<u>328,858</u>	<u>431,801</u>
23. Premiums outstanding at amortised cost		
Premium receivables	1,862,144	1,549,970
Expected credit loss	(562,359)	(542,670)
	<u>1,299,785</u>	<u>1,007,300</u>
Expected credit loss reconciliation		
Balance as at 01 January	542,670	296,044
Charge for the year	19,689	246,626
Balance as at 31 December	<u>562,359</u>	<u>542,670</u>
24. Sundry receivables		
Staff loans	6,019	1,911
Prepayments and deposit	22,750	13,242
Advances to agents and brokers	9,163	10,554
Withholding tax receivable	15,465	1,252
Other receivables	2,779	11,164
Cash held as guarantee	34,977	7,772
VAT recoverable	90,930	58,343
	<u>182,083</u>	<u>104,238</u>



Notes (continued)

25. Related party transactions

The Company is controlled by MUA (Kenya) Insurance Limited; the ultimate parent and the ultimate controlling party of the Company is the Mauritius union insurance (MUA) Ltd incorporated in Mauritius. There are other companies related to MUA Insurance (Rwanda) Limited through common shareholdings or common directorship. During the year, the Company has entered into transactions with its related parties as shown below. All the related parties are fellow subsidiaries to the parent Company. The balances are interest free and do not have a specific repayment period. The results of the transactions are as follows:

	2022	2021
	Frw'000	Frw'000
(a) Due from related parties		
MUA (Uganda) Insurance Limited	-	15,339
Phoenix of Tanzania Assurance Company Limited	-	13,992
MUA (Kenya) Insurance Limited	-	2,627
Expected credit loss	-	(3,331)
	-	28,627
(b) Due to related parties		
MUA Kenya Insurance Limited	707	-
Phoenix of Tanzania Assurance Company Limited	7,045	-
The Mauritius Union Assurance Cy Ltd	38,178	33,143
MUA (Uganda) Insurance Limited	612	-
	46,542	33,143
(i) Reconciliation of related parties balance		
Opening balance	33,143	49,009
Movement	13,399	(15,866)
Closing balance	46,542	33,143
(c) Compensation of key management personnel and directors		

Key management personnel of the Company include the Managing Director, the Financial Controller, Claim Manager, Underwriting and Risk Manager, Business Development Manager and Legal and Company Secretary. The summary of compensation of key management personnel and directors for the year is, as follows:

	2022	2021
	Frw'000	Frw'000
i). Key management personnel		
Defined contribution plan contribution	568,914	446,772
Total compensation of key management personnel	26,179	20,473
	595,093	467,245
ii). Directors		
Total compensation of the Directors	43,348	40,135
	43,348	40,135
(d) Transactions with related parties		
Expense recharges (MUA (Kenya) Insurance Limited)	-	6,662
Expense recharges (Phoenix (Tanzania) Insurance Limited)	22,283	1,187
Expense recharges (The Mauritius Union Assurance Cy Ltd)	41,575	46,041
Expense recharges (MUA (Uganda) Insurance Limited)	613	-
	64,471	53,890

MUA INSURANCE (RWANDA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes (continued)

26. Cash and cash equivalents

	2022 Frw'000	2021 Frw'000
Cash in hand	8	9,126
Cash at bank (26(a))	826,942	871,646
	<u>826,950</u>	<u>880,772</u>
(a) Bank balances at amortised cost		
Guarantee Trust Bank Plc	230,662	220,113
Bank of Kigali Plc	303,087	239,003
Ecobank Plc	61,839	51,337
KCB Bank Rwanda Plc	1,631	34,646
I&M Bank Rwanda Plc	22,121	63,826
Banque Populaire du Rwanda Plc (BPR)	8,172	38,459
Equity Bank Rwanda Plc	25,431	39,034
Cogebanque Plc	456	48,465
Access Bank Plc	82,715	63,842
Unguka Bank Plc	774	16,003
AB Bank plc	21,487	7,694
NCBA Bank Plc	57,100	52,340
MOMO	14,243	-
ECL on cash at bank balances	(2,776)	(3,116)
	<u>826,942</u>	<u>871,646</u>
(b) Term deposits at amortised cost		
Short term deposit at amortised cost		
(i) Bank of Kigali Plc	-	450,000
Banque Populaire Du Rwanda Plc	-	707,132
Equity Bank Rwanda Plc	-	626,102
I&M Bank Rwanda Plc	700,000	700,000
NCBA Bank Plc	500,000	500,000
AB Bank Plc	500,000	500,000
Cogebanque Plc	400,000	-
Accrued interest	50,860	74,520
	<u>2,150,860</u>	<u>3,557,754</u>
Expected credit loss	(10,754)	(12,814)
Net short-term deposit	<u>2,140,106</u>	<u>3,544,940</u>
The short-term deposits are deposits with local banks and they shall all mature in year 2022. Accrued interest includes accrued interest on short-term deposit. Interest on Cogebanque Plc deposit is received semi-annually.		
(ii) Long term deposit at amortised cost		
Cogebanque Plc	-	400,000
Expected credit loss	-	(1,840)
Net long-term deposit	<u>-</u>	<u>398,160</u>
(iii) Reconciliation of balance		
Opening balance	3,943,100	3,260,377
(Expired)	(2,351,558)	-
Additions	500,000	611,017
Accrued interest	50,860	74,520
Expected credit loss	(2,296)	(2,814)
Total term deposit (i&ii)	<u>2,140,106</u>	<u>3,943,100</u>

	2022 Amount (Frw'000)	Maturity date	2021 Amount (Frw'000)	Maturity date
Term deposit				
Cogebanque Plc	400,000	1-Jun-23	400,000	1-Jun-23
I&M Bank Plc	500,000	18-Aug-2023	500,000	19-Aug-22
I&M Bank Plc	200,000	8-Sep-2023	200,000	7-Sep-22
NCBA Plc	500,000	29-Dec-2023	500,000	27-Dec-22
AB Bank Plc	300,000	11-May-2023	300,000	8-May-22
AB Bank Plc	200,000	31-Aug-2023	200,000	31-Aug-22
BPR Bank Plc	-	-	707,132	5-Aug-22
Equity Bank Rwanda Plc	-	-	626,102	3-Aug-22
Bank of Kigali Plc	-	-	450,000	22-Sep-22
	<u>2,100,000</u>		<u>3883234</u>	



MUA INSURANCE (RWANDA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes (continued)

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

	2022 Frw'000	2021 Frw'000
Cash in hand	8	9,126
Cash at bank (26(a))	829,718	874,762
Cash and cash equivalent	829,726	883,888
ECL on demand deposit balances	(2,776)	(3,116)
	<u>826,950</u>	<u>880,772</u>

(d) Reconciliation of cashflows from financing activities

	2022 Amount (Frw'000)	2021 Amount (Frw'000)
Lease liability as at 1 Jan 2022	302,978	335,972
Interest on lease	44,783	49,950
Lease payment	(81,255)	(82,944)
Effects on lease modification	4,203	-
Lease liability as of 31 Dec 2022	<u>270,709</u>	<u>302,978</u>

27. Shareholders' funds

(a) Paid up capital

	2022 Frw'000	2021 Frw'000
Authorized, issued, and fully paid up (1,000,000 Ordinary shares at Frw 1,000 each (At 1 January)	1,000,000	1,000,000
Recapitalization of retained earnings (2,000,000 Ordinary shares of Frw 1,000 each) At 31 December (3,000,000 shares at Frw 1,000 each)	<u>2,000,000</u>	<u>-</u>
	<u>3,000,000</u>	<u>1,000,000</u>

(b) Retained earnings

As at 1 January	4,199,500	3,613,763
Recapitalization of retained earnings	(2,000,000)	-
Net profit for the year	<u>1,295,278</u>	<u>585,737</u>
	<u>3,494,778</u>	<u>4,199,500</u>

All ordinary shares rank equally with regard to the company's residual assets. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the company.

In November 2022, 2,000,000 shares were issued equivalent to Frw 2 billion to the existing shareholders through recapitalisation of retained earnings to meet the minimum paid up capital of Frw 3 billion.

28. Insurance contracts liabilities

Gross

	2022 Frw'000	2021 Frw'000
Claims reported and loss adjustment expenses	2,961,736	6,876,095
Claims incurred but not reported (IBNR)	1,030,087	851,705
Unearned premium reserve	4,296,316	3,953,302
Total gross insurance contract liabilities	<u>8,288,139</u>	<u>11,681,102</u>

Reinsurance share of insurance contract liabilities

Claims reported and loss adjustment expenses	619,469	4,380,444
Claims incurred but not reported (IBNR)	252,969	190,294
Unearned premium reserve	1,328,627	1,625,599
Total reinsurers' share of insurance contract liabilities	<u>2,201,065</u>	<u>6,196,337</u>

Net

Claims reported and loss adjustment expenses	2,342,267	2,495,651
Claims incurred but not reported (IBNR)	777,119	661,411
Unearned premiums	2,967,688	2,327,703
Total net insurance contract liabilities	<u>6,087,074</u>	<u>5,484,765</u>

Breakdown of current and non-current

Current	6,087,074	5,484,765
Non-current	-	-
	<u>6,087,074</u>	<u>5,484,765</u>

Notes (continued)

28. Insurance contracts liabilities (continued)

The development of insurance liabilities provides a measure of the company's ability to estimate the ultimate value of claims. The table below demonstrates how company's estimate of claims liability for each accident year has changed at successive year-ends

Claim development schedule	2017	2018	2019	2020	2021	2022
- At end of claim year	3,289,635	2,642,013	2,995,534	6,923,667	2,113,388	3,040,843
- One year later	323,538	316,155	174,162	102,018	529,518	-
- Two years later	15,606	15,020	18,670	12,239	-	-
- Three years later	-	31,258	581	-	-	-
- Four years later	9,340	2,823	-	-	-	-
- Five years later	-	-	-	-	-	-
Gross claims incurred	3,638,118	3,007,268	3,188,947	7,037,923	2,642,906	3,040,843
Gross IBNR	-	-	-	733	227,633	704,786
Ultimate gross claims projected	<u>3,638,118</u>	<u>3,007,268</u>	<u>3,188,947</u>	<u>7,038,656</u>	<u>2,870,539</u>	<u>3,745,629</u>

29. Sundry payables

	2022 Frw'000	2021 Frw'000
Cash held guarantee		
Salaries and wages payable	1,440,732	1,726,115
Fund guarantee	33,722	36,785
Payable to surveyors	961	5,475
Due to lawyers and agencies	14,923	10,535
Accruals (note 29 (a))	2,983	2,983
Payable to suppliers	284,654	121,254
Withholding tax payable	-	43,938
Advance received from clients	4,270	14,838
Commission payable to brokers and agents	131,795	112,157
Payables to garages and clients	560,329	502,604
	164,934	135,374
	<u>2,639,303</u>	<u>2,712,058</u>

29 (a) Accruals

Staff leave		
Director liability insurance	4,713	4,713
External audit & tax audit fees	-	7,647
Electricity	26,807	20,173
Internet charge MTN	2,576	836
Cleaning fees	1,099	-
Provision for staff bonus	-	470
Act server Actuarial consultants	114,683	-
IFRS 17 Project	7,187	5,869
UAP - Medical	101,861	78,744
Parking fees/ KAPS	-	2,802
Branded promotional material	360	-
ESICIA LTD	25,045	-
Ubumwe grand hotel	186	-
	137	-
	<u>284,654</u>	<u>121,254</u>

29. Sundry payables

Breakdown of current and non-current		
Current		
Non-current	2,639,303	2,712,058
	<u>2,639,303</u>	<u>2,712,058</u>

Cash held guarantee relates to cash collected from customers on performance guarantees (i.e., insurance contracts that provide compensation if the customer fails to perform a contractual obligation to the guaranteed party for example an obligation to construct a building). The guarantee is provided by the Company on behalf of the customers. If there is no claim from the guaranteed party in the specified period and the customer provides a clearance letter on successful completion of the contractual obligation, the guaranteed cash is paid back to the customer.

Notes (continued)

30. Reinsurance payables

	2022 Frw'000	2021 Frw'000
Reinsurance premium payable	471,618	629,889
Breakdown of current and non-current		
Current	471,618	629,889
Non-current	-	-
	<u>471,618</u>	<u>629,889</u>

31. Contingencies

The Company has contingencies arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. The Company has given guarantees in the ordinary course of business to third parties for which the Company has secured by cash collateral valued at Frw 1,441 million (2021:1726 million and counter guarantees or other form of securities. These guarantees (Bonds) are in form of performance bond, Advance payment and customs bonds.

32. Events after the reporting period

The directors are not aware of events after the reporting date that require disclosure in or adjustments to the financial statements as at the date of this report.

33. Leases

The statement of financial position shows the following amounts relating to leases:

	2022 FRW '000	2021 FRW '000
Right-of-use assets		
Balance as at 01 January	246,871	293,894
Depreciation for the period	(48,581)	(47,023)
Impact on lease modification	8,181	-
Balance as at 31 December	<u>206,471</u>	<u>246,871</u>

The lease modification was a result of the change in lease payments

Lease liabilities

Balance as at 01 January	302,978	335,972
Interest on lease liabilities	44,783	49,950
Lease payment	(81,255)	(82,944)
Impact on lease modification	4,203	-
Balance as at 31 December	<u>270,709</u>	<u>302,978</u>

The lease modification was a result of the change in lease payments

The statement of profit or loss shows the following amounts relating to leases:

	2022 FRW '000	2021 FRW '000
Depreciation charge of right-of-use assets	48,581	47,023
Interest expense	44,783	49,950

Notes (continued)

34. Capital commitment

As at 31 December 2022, the Company had no capital commitment (2021 – the Company had no capital commitment).

35. Classification and measurement of financial instruments

The measurement category and the carrying amounts of financial assets as per IFRS9 as at 31 December 2022 is as follow:

Financial Assets	Measurement category	Exposure at default (EAD) Frw '000	Expected credit loss (ECL) Frw '000	Carrying amount Frw'000
Short term fixed deposits investments	Amortised cost	2,150,860	10,754	2,140,106
Treasury bill	Amortised cost	1,015,278	5,077	1,010,201
Government bond	Amortised cost	7,614,484	38,072	7,576,412
Cash at bank	Amortised cost	829,718	2,776	826,942
FVOCI (Investments in equity instruments)	FVOCI	139,502	-	139,502
Total		11,749,842	56,679	11,693,163

Reconciliation of expected credit losses for financial assets measured at amortised cost for the period 31 December 2022

	Opening ECL	ECL on new exposures raised	Subsequent changes in ECL	Income statement movements	Closing ECL
Financial assets					
Long term fixed deposits Investments	1,840	-	(1840)	(1,840)	-
Short term fixed deposits Investments	12,814	-	(2,060)	(2,060)	10,754
T bills	8,678	5,076	(8,677)	(3,601)	5,077
T bond	26,649	14,327	(2,904)	11,423	38,072
Due from related party	3,331	-	(3,331)	(3,331)	-
Demand deposit balances	3,116		(340)	(340)	2,776
Total	56,428	19,403	(19,152)	251	56,679

Notes (continued)

35. Classification and measurement of financial instruments (continued)

The measurement category and the carrying amounts of financial assets as per IFRS9 as at 31 December 2021 is as follow:

Financial Assets	Measurement category	Exposure at default (EAD)	Expected credit loss (ECL)	Carrying amount
		Frw '000	Frw '000	Frw '000
Long term fixed deposits investments	Amortised cost	403,737	1,840	401,897
Short term fixed deposits investments	Amortised cost	3,554,018	12,814	3,541,204
Treasury bill	Amortised cost	1,886,622	8,678	1,877,944
Government bond	Amortised cost	5,793,340	26,649	5,766,691
Due from related parties	Amortised cost	31,958	3,331	28,627
Demand deposit balances	Amortised cost	874,762	3,116	871,646
FVOCI (Investments in equity instruments)	FVOCI	118,118	-	118,118
Total		<u>12,662,555</u>	<u>56,428</u>	<u>12,606,127</u>

Reconciliation of expected credit losses for financial assets measured at amortised cost for the period

31 December 2021	Opening ECL	ECL on new exposures raised	Subsequent changes in ECL	Income statement movements	Closing ECL
Financial assets					
Long term fixed deposits Investments	1,840	-	-	-	1,840
Short term fixed deposits Investments	10,000	2,404	410	2,814	12,814
T bills	2,845	8,678	(2,845)	5,833	8,678
T bond	24,310	5,365	(3,026)	2,339	26,649
Due from related party	2,491	840	-	840	3,331
Demand deposit balances	6,070		(2,954)	(2,954)	3,116
Total	<u>47,556</u>	<u>17,287</u>	<u>-8,415</u>	<u>8,872</u>	<u>56,428</u>

MUA INSURANCE (RWANDA) LIMITED
SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

APPENDIX I - GENERAL INSURANCE BUSINESS- DETAILED REVENUE ACCOUNT YEAR END 31 DECEMBER 2021

	FIRE	ACCIDENT	MOTOR	MARINE	Bond	TOTAL
	Dec-21	Dec-21	Dec-21	Dec-21	Dec-21	Dec-21
Gross written premium	2,822,448	898,237	3,746,368	201,057	625,035	8,293,145
Unearned premium B/F	1,445,412	309,570	1,262,475	13,032	342,144	3,372,633
Unearned premium C/F	(1,716,352)	(457,661)	(1,512,029)	(16,391)	(250,868)	(3,953,301)
Gross earned premium	2,551,508	750,146	3,496,815	197,698	716,311	7,712,477
Reinsurance Ceded	(1,935,314)	(277,810)	(102,429)	(59,011)	(490,361)	(2,864,925)
Reinsurance share B/F	(1,236,340)	(104,735)	(37,934)	(5,091)	(267,401)	(1,651,501)
Reinsurance share C/F	1,275,030	126,019		4,350	220,199	1,625,598
Net Earned Premium	654,884	493,620	3,356,452	137,946	178,748	4,821,649
Claims Paid	(830,420)	(278,015)	(1,861,774)	(45,959)	(95,209)	(3,111,377)
Claims outstanding:						
OCR at beginning	578,316	201,879	1,329,420	75,105	2,423,075	4,607,795
OCR at end	(257,322)	(258,486)	(1,466,419)	(123,476)	(4,770,392)	(6,876,095)
IBNR at beginning	38,979	42,052	422,469	17,737	31,913	553,150
IBNR at end	(137,995)	(41,430)	(518,577)	(17,737)	(39,030)	(754,769)
IBNER at the beginning	927	1,000	93,829	422	759	96,937
IBNER at the end	(927)	(1,000)	(93,829)	(422)	(759)	(96,937)
Gross Claims Incurred	(608,442)	(334,000)	(2,094,881)	(94,330)	(2,449,643)	(5,581,296)
Reinsurance Recoveries	435,070	(4,911)	280,698	4,033	97,685	812,575
Reinsurance share in OCR B/F	(398,265)	(8,442)	(369,780)	(4,605)	(2,309,999)	(3,091,091)
Reinsurance share OCR C/F	243,508	4,554	284,716	67,286	3,851,852	4,451,916
Reinsurance share IBNR B/F	(30,146)	(21,026)	(16,899)	(5,853)	(28,722)	(102,646)
Reinsurance share IBNR C/F	86,645	1,241	50,091	14,675	31,850	184,502
Reinsurance share IBNER B/F	(717)	(500)	(3,753)	(87)	(683)	(5,740)
Reinsurance share IBNER C/F	717	500	3,753	139	683	5,792
NET INCURRED CLAIMS	(271,630)	(362,584)	(1,866,055)	(18,742)	(806,977)	(3,325,988)
Commission Paid	(229,240)	(77,493)	(391,246)	(21,043)	(51,843)	(770,865)
Commission & Fees Received	579,750	78,711	45,930	18,592	144,597	867,580
NET COMMISSIONS	350,510	1,218	(345,316)	(2,451)	92,754	96,716
Net Underwriting Profit/Loss without Mgt Exp	733,764	132,254	1,145,081	116,753	(535,475)	1,592,377
Management expenses	(136,609)	(157,590)	(1,159,642)	(56,530)	(243,419)	(1,753,790)
Net Underwriting Profit/Loss with Mgt Exp	597,155	(25,336)	(14,561)	60,223	(778,894)	(161,413)

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KPMG Rwanda

APPENDIX II – CALCULATION OF SOLVENCY MARGIN

LINE CODE	PARTICULARS	Amount (in '000') "A"	Maximum admissible % "B"	Deductions "A-(A*B)"
38.SMC. B.9	1. Investment in equities-listed	139,502	90%	13,950
38.SMC. B.10	Investment in equities-unlisted	-	70%	-
38.SMC. B.11	2. Investments in debt securities	-	70%	-
38.SMC. B.12	3. Investments in properties	-	80%	-
38.SMC. B.13	Receivables from reinsurers which are not overdue	2,731,603	90%	273,160
38.SMC. B.14	4. (a) All other assets (Total assets less II.A.7 and II.B.A 1,2,3)	14,850,309		
38.SMC. B.15	Less:			
38.SMC. B.16	(-) Cash	826,949		
38.SMC. B.17	(-) Deposit Balances	2,140,106		
38.SMC. B.18	(-) Government securities	8,586,613		
38.SMC. B.19	(b) All other assets subject to maximum %	3,296,641	50%	1,648,320
38.SMC. B.20	5. Total Deductions (add II.B 1,2,3 and 4b)			1,935,431
38.SMC.B	III.C. Admitted Liabilities			
LINE CODE	PARTICULARS	Amount on B/Sheet "A"	Additional percentage factor "B"	Admitted liabilities "A + A * B"
38.SMC. B.25	1. Technical Provisions	8,288,139	10%	9,116,953
38.SMC. B.26	-Unearned premium	4,296,316	10%	4,725,947
38.SMC. B.27	-Unexpired risk	-	10%	-
38.SMC. B.28	-Outstanding claims	2,961,736	10%	3,257,910
38.SMC. B.29	-IBNR	1,030,087	10%	1,133,096
38.SMC. B.30	2. All other liabilities (Total liabilities less Technical Provisions)	4,064,676	0%	4,064,676
38.SMC. B.31	3. Total Admitted Liabilities			13,186,416



APPENDIX II – CALCULATION OF SOLVENCY MARGIN (CONTINUED)

Required Solvency Margin	Amount (in'000' Frw)
1. Gross premium less reinsurance ceded last preceding year	5,428,220
2. Solvency Margin Required: 20% of I.1 or Rwf 500 million whichever is greater	1,085,644
Compliance with Solvency Margin	
3. Total Assets	18,914,130
4. Less: Non-Admitted Assets as per II.A.7	1,192,715
5. Less: Deductions for assets subject to maximum admissible % as per II. B.5	1,935,431
6. Admitted Assets I.3 less I.4 and I.5	15,785,983
7. Less Admitted Liabilities as per III. C.3	13,181,628
8. Solvency Margin Available (I.6 less I.7)	2,604,355
9. Excess or Deficiency of solvency required (I. 8 less I. 2)	1,518,711
10. Solvency Coverage Ratio (I.8 divided by I. 2)	239.89%
II.A. Non-Admitted Assets	
PARTICULARS	Amount (in'000' Frw)
1. Intangible assets	35,722
2.Exposures (Loans & Investments) to connected persons	6,019
3. Loans to insurance intermediary's overdue for more than 6 months	-
4. Reinsurance receivable overdue for more than 6 months	-
5. Loans and other receivables overdue for more than 6 months	443,733
6. Deferred expenses, deferred taxes and prepayments	707,241
7. Total Non-Admitted Assets (add II.A.1 to 6)	1,192,715



APPENDIX III LIQUIDITY RATIO

Current assets	2022 Frw' 000	2021 Frw' 000	Current liabilities	2022 Frw' 000	2021 Frw' 000
Reinsurance assets			Insurance contracts liabilities	8,288,139	11,681,102
Deferred acquisition cost	4,744,496	6,411,246	Sundry payables	2,639,303	2,712,059
Premiums outstanding	450,871	430,438	Due to related parties	46,542	33,143
Sundry receivables	1,299,785	1,007,300	Insurance payables	471,618	629,889
Income tax recoverable	182,083	104,238	Deferred commission income	328,858	431,801
Due from related parties	-	28,627	Income tax payable	307,642	71,258
Held to maturity financial assets	8,586,613	7,634,174	Lease liability	46,213	38,773
Short term deposit	2,140,106	3,544,940			
Cash and cash equivalents	826,950	880,772			
	18,230,905	20,041,734		12,128,315	15,598,024

Liquidity ratio

97% 78%

