

# NICO GENERAL INSURANCE COMPANY LIMITED

## SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017



associated with Sanlam group

### SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2017 K'000	2016 K'000
Gross written premium	15,017,360	12,517,452
Reinsurance premium	(5,481,035)	(4,567,675)
<b>Net written premium</b>	<b>9,536,325</b>	<b>7,949,777</b>
Less: change in unearned premium provision	(444,281)	(354,943)
<b>Net earned premium</b>	<b>9,092,044</b>	<b>7,594,834</b>
Re-insurance commission	1,013,285	870,831
<b>Net income</b>	<b>10,105,329</b>	<b>8,465,665</b>
Insurance claims and loss adjustment expenses	(6,808,617)	(5,376,852)
Insurance claims and loss adjustment from re-insurers	1,962,769	1,355,179
<b>Net claims incurred</b>	<b>(4,845,848)</b>	<b>(4,021,673)</b>
<b>Net insurance benefits</b>	<b>5,259,481</b>	<b>4,443,992</b>
Net investment income	1,778,047	1,817,096
Other income	15,199	18,956
	<b>7,052,727</b>	<b>6,280,044</b>
<b>EXPENSES</b>		
Expenses for acquisition of insurance contracts	(1,479,751)	(1,181,507)
Management expenses	(2,582,405)	(2,296,814)
<b>Total expenses</b>	<b>(4,062,156)</b>	<b>(3,478,321)</b>
<b>Profit before income tax expense</b>	<b>2,990,571</b>	<b>2,801,723</b>
Income tax expense	(800,301)	(937,534)
<b>Profit for the year</b>	<b>2,190,270</b>	<b>1,864,189</b>
Other comprehensive income		
Change in fair value of financial assets available for sale	361,861	(44,735)
<b>Total comprehensive income for the year</b>	<b>2,552,131</b>	<b>1,819,454</b>

### SUMMARY STATEMENT OF FINANCIAL POSITION

	2017 K'000	2016 K'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Other investments and loans receivables	5,664	-
Equipment	221,734	175,442
Intangible assets	308,206	326,026
<b>Total non-current assets</b>	<b>535,604</b>	<b>501,468</b>
<b>Current assets</b>		
Cash and cash equivalents	3,223,533	2,041,608
Treasury bills and repos	4,633,136	5,623,690
Net insurance contracts receivable	7,921,841	6,125,650
Other receivables	223,629	171,951
Equity shares in listed companies	1,275,895	914,034
Other investments and loans receivables	811,686	290,248
Due from group companies	4,043	-
Deferred acquisition costs	1,054,640	874,229
<b>Total current assets</b>	<b>19,148,403</b>	<b>16,041,410</b>
<b>Total assets</b>	<b>19,684,007</b>	<b>16,542,878</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Paid up capital	8,000	8,000
Share premium	112,000	112,000
Equity investment revaluation reserve	913,288	551,427
Retained earnings	5,641,284	4,851,014
<b>Total equity</b>	<b>6,674,572</b>	<b>5,522,441</b>
<b>Liabilities</b>		
<b>Non current liabilities</b>		
Deferred tax liabilities	17,579	105,258
<b>Current liabilities</b>		
Insurance contract outstanding claims	4,763,194	4,409,778
Unearned premium provision	5,273,198	4,371,144
Reinsurance contracts payables	1,596,673	674,862
Income tax payable	347,510	359,867
Other payables	558,426	749,190
Due to group companies	29,320	18,357
Deferred acquisition revenue	423,535	331,981
<b>Total current liabilities</b>	<b>12,991,856</b>	<b>10,915,179</b>
<b>Total equity and liabilities</b>	<b>19,684,007</b>	<b>16,542,878</b>

### SUMMARY STATEMENT OF CHANGES IN EQUITY

	2017 K'000	2016 K'000
<b>At the beginning of the year</b>	<b>5,522,441</b>	<b>4,752,987</b>
Profit for the year	2,190,270	1,864,189
Other comprehensive Income	361,861	(44,735)
Dividend paid	(1,400,000)	(1,050,000)
<b>At the end of the year</b>	<b>6,674,572</b>	<b>5,522,441</b>

### SUMMARY STATEMENT OF CASH FLOWS

	2017 K'000	2016 K'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	1,303,438	591,846
Income taxes paid	(895,719)	(727,106)
<b>Net cash from operating activities</b>	<b>407,719</b>	<b>(135,260)</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of furniture and equipment	1,856	2,289
Interest and dividend received	1,815,331	1,172,072
Additions to equipment & Intangible assets	(146,803)	(146,299)
Additions to short term investments	497,905	(1,677,998)
Net cash from investing activities	2,168,289	(649,936)
<b>Cash flows from financing activities</b>		
Dividend paid	(1,400,000)	(1,050,000)
Net increase in cash and cash equivalents	1,176,008	(1,835,196)
Cash and cash equivalents at 1 January	2,041,608	3,857,792
Effects of exchange fluctuations on cash held	5,917	19,012
Cash and cash equivalents at 31 December	<b>3,223,533</b>	<b>2,041,608</b>
<b>Increase in net working capital</b>	<b>1,006,709</b>	<b>920,297</b>

### BASIS OF PREPARATION

The directors have prepared the summary financial statements in compliance with the requirements of the Financial Services Act, 2010 and believe that the summary statements of financial position, comprehensive income and cash flows are sufficient to meet the requirements of the users of the summary financial statements.

The amounts in the summary financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards. The summary financial statements have been derived from the Annual Financial Statements which were approved by the board of directors on 20 March 2018.

### PERFORMANCE

The company registered a growth of 20% in gross written premium from K12.52 billion in 2016 to K15.07 billion in 2017 and net written premiums grew by 20%, from K7.95 billion in 2016 to K9.54 billion in 2017. The company reported a better underwriting result in 2017 compared to 2016.

The business environment in 2017 showed signs of improvement, with inflation continuing a downwards trend from 20% in December 2016 to 7.1% in December 2017. The policy rate was reduced downwards in the year which was consistent with inflationary trend. However, economic activity was still subdued mainly coming from lower business activity.

Overall Investment portfolio performed very well despite being affected by reducing interest rates on the money market, however performance on the equity market helped to improve the overall investment result. The company has posted commendable results with a growth of 17% in profit after tax from K1.86 billion in 2016 to K2.19 billion in 2017.

### CHALLENGES

The company faced several challenges in the year ranging from stiff competition for business, premium collection challenges, increased cost of claims especially on spare parts and repair costs for motor vehicles, fraudulent claims cases and higher litigations costs. Despite these challenges the company has demonstrated remarkable resilience in performance in the tough competitive environment.

### CAPITAL AND SOLVENCY

The Board approved the Increase in paid up capital of the company from K120Million to K1.204 Billion against the regulatory minimum of K750Million which was done through a bonus issue of shares and completed in march 2018, this was done to comply with the Insurance (Minimum Capital and Solvency Requirement for General Insurers) Directive, 2017. The Board and Management of NICO General Insurance, has taken heed of the need to have adequate capital in excess of the minimum required so as to be resilient in the ever changing environment and enabling the company to increase its capacity to underwrite bigger and more complex risks.

As at 31 December 2017 the company's core capital was in excess of K6 billion and had a healthy regulatory solvency of 40.2% which was above the required minimum of 20%.

### MARKET DEVELOPMENTS

The company has maintained its position as the significant and leading player in the General Insurance market with a market share averaging 36%, which has been made possible because of the support from its loyal customers, entrenched market relationships and innovations in services and products.

During the year the company credit rating was upgraded from A+(mw) claims paying ability to AA- (mw) following the review by Global Credit Rating Agency (GCR) with outlook being stable. The Upgrade reflected the companies sustained strength in earnings capacity supported by enhanced underwriting profitability. The rating currently matches the national scale claims paying ability rating ceiling applicable to entities operating in the malawian short term insurance industry.

### OUTLOOK

The company will continue to pursue its strategy of growth and drive service excellency through delivering world class general insurance products and services. The company is developing mobility solutions to improve client service and engagement and offering a multiplatform to lodge complaints and feedback and buy insurance online.

Overall the company will drive its strategy through digital innovation and by continuing to offer professional service, ensuring customer satisfaction to meet the ever changing environment. The company will also leverage on its strengths so as to exploit the opportunities in the market. The company also commits to remain compliant to all regulatory requirements and other applicable laws to ensure good governance in all areas of the business.

With its strong market leadership and resource base the company is optimistic for strong performance in 2018 and beyond.

The financial statements were approved by the board on 20th March 2018.

Vizenge M. Kumwenda  
Chairman

Donbell S. Mandala  
Chief Executive Officer

### REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Shareholders of Nico General Insurance Company Limited

#### Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2017, the summary statement of comprehensive income, summary statement of changes in equity, summary statement of cash flows for the year then ended and related notes, are derived from the audited financial statements of Nico General Insurance Company Limited for the year ended 31 December, 2017.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements of Nico General Insurance Company Limited, in accordance with the requirements of the Financial Services Act, 2010 as applicable to summary financial statements.

#### Summary financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

#### The Audited Financial Statements and our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 12 April 2018. That report also includes;

(i) Other matters paragraph which states that the financial statements of the company for the year ended 31 December, 2016, were audited by another auditor, who expressed an unmodified opinion on those statements on 31 March, 2017;

(ii) The communication of 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 year; and

(iii) A "Report on Other Legal and Regulatory Requirements" section that draws attention to Note 29 of the audited financial statements. Note 29 of the audited financial statements indicates that the company did not meet the minimum paid up capital as at 31 December 2017, as required by The Insurance (Minimum Capital and Solvency Requirements for General Insurers) Directive, 2017.

#### Directors' Responsibility for the Summary Financial Statements

The directors are responsible for the preparation of the summary financial statements in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards, Financial Services Act, 2010, and for such internal control as the directors determine is necessary to enable the preparation of the summary financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

**Deloitte.**

Chartered Accountants  
Madalo Mwenelupembe  
Partner  
12 April 2018