

NICO GENERAL INSURANCE COMPANY LIMITED

SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2018 K'000	2017 K'000
Gross written premium	17,216,629	15,017,360
Reinsurance premium	(6,836,653)	(5,481,035)
Net written premium	10,379,976	9,536,325
Less: change in unearned premium provision	(266,962)	(444,281)
Net earned premium	10,113,014	9,092,044
Re-insurance commission	1,172,557	1,013,285
Net income	11,285,571	10,105,329
Insurance claims and loss adjustment expenses	(8,992,228)	(6,808,617)
Insurance claims and loss adjustment from re-insurers	3,126,253	1,962,769
Net claims incurred	(5,865,975)	(4,845,848)
Net insurance benefits	5,419,596	5,259,481
Net investment income	1,379,660	1,778,047
Other income	103,237	15,199
	6,902,493	7,052,727
EXPENSES		
Expenses for acquisition of insurance contracts	(1,670,895)	(1,479,751)
Management expenses	(3,161,246)	(2,582,405)
Total expenses	(4,832,141)	(4,062,156)
Profit before income tax expense	2,070,352	2,990,571
Income tax expense	(667,534)	(800,301)
Profit for the year	1,402,818	2,190,270
Other comprehensive income		
Change in fair value of financial assets available for sale	252,862	361,861
Total comprehensive income for the year	1,655,680	2,552,131

SUMMARY STATEMENT OF FINANCIAL POSITION

	2018 K'000	2017 K'000
ASSETS		
Non-current assets		
Other investments and loans receivables	515,500	5,664
Motor vehicles and Equipment	203,680	221,734
Intangible assets	274,491	308,206
Total non-current assets	993,671	535,604
Current assets		
Cash and cash equivalents	4,953,041	3,223,533
Treasury bills and repos	4,064,844	4,633,136
Net insurance contracts receivable	9,116,244	7,921,841
Other receivables	601,796	223,629
Equity shares in listed companies	1,531,898	1,275,895
Other investments and loans receivables	255,444	811,686
Due from group companies	-	4,043
Deferred acquisition costs	1,184,863	1,054,640
Total current assets	21,708,130	19,148,403
Total assets	22,701,801	19,684,007
EQUITY AND LIABILITIES		
Equity		
Share capital	9,000	8,000
Share premium	1,195,618	112,000
Equity investment revaluation reserve	1,166,150	913,288
Retained earnings	4,365,614	5,641,284
Total equity	6,736,382	6,674,572
Liabilities		
Non current liabilities		
Deferred tax liabilities	6,230	17,579
Current liabilities		
Insurance contract outstanding claims	6,587,400	4,763,194
Unearned premium provision	5,924,312	5,273,198
Reinsurance contracts	1,926,701	1,596,673
Income tax payable	108,023	347,510
Other payables	874,840	558,426
Due to group companies	37,547	29,320
Deferred acquisition revenue	500,366	423,535
Total current liabilities	15,959,189	12,991,856
Total equity and liabilities	22,701,801	19,684,007

SUMMARY STATEMENT OF CHANGES IN EQUITY

	2018 K'000	2017 K'000
At the beginning of the year	6,674,572	5,522,441
IFRS 9 Transitional adjustment	(93,870)	0
As at the beginning of the year restated	6,580,702	5,522,441
Profit for the year	1,402,818	2,190,270
Other comprehensive Income	252,862	361,861
Dividend paid	(1,500,000)	(1,400,000)
At the end of the year	6,736,382	6,674,572

SUMMARY STATEMENT OF CASH FLOWS

	2018 K'000	2017 K'000
Cash flows from operating activities		
Cash generated from operations	2,533,454	1,303,438
Income taxes paid	(874,902)	(895,719)
Net cash from operating activities	1,658,552	407,719
Cash flows from investing activities		
Proceeds from disposal of furniture and equipment	12,625	1,856
Interest and dividend received	1,431,658	1,815,331
Additions to equipment & Intangible assets	(110,997)	(146,803)
Additions to short term investments	218,210	497,905
Net cash from investing activities	1,551,496	2,168,289
Cash flows from financing activities		
Dividend paid	(1,500,000)	(1,400,000)
Net increase in cash and cash equivalents	1,710,048	1,176,008
Cash and cash equivalents at 1 January	3,223,533	2,041,608
Effects of exchange fluctuations on cash held	19,460	5,917
Cash and cash equivalents at 31 December	4,953,041	3,223,533
Increase in net working capital	364,131	1,006,709

BASIS OF PREPARATION

The directors have prepared the summary financial statements to meet the requirements of the Financial Services Act, 2010. The directors have considered 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 26 March 2019.

BUSINESS OVERVIEW

The Board of NICO General is pleased with the continued support the company is receiving from its esteemed customers which has seen satisfactory premium growth in the year. During the year the company enhanced its operating system so that it can be able to provide value adding digital products and solutions. The company is working with a number of the financial institutions to develop tailor made bancassurance products which also includes agriculture insurance products. Our fast Track Claims service continues to be an exceptional service being enjoyed by our customers.

The company maintained its AA- (mw) Claims paying ability rating in 2018, which has been bolstered by a robust earnings profile and healthy investment returns over the years. The Liquidity position of the company has remained strong which has helped the company to remain a significant market player.

FINANCIAL PERFORMANCE

The company registered a growth of 15% in gross written premium from K15.02 billion in 2017 to K17.22 billion in 2018 and net written premium grew by 9%, from K9.54 billion in 2017 to K10.38 billion in 2018. The underwriting result was lower than last year due to higher reported claims in the year on property, motor and accident classes. The company remains resilient and responsive to all shocks associated with its nature of the business.

The business environment in 2018 was challenging despite positive economic indicators driven by reducing and single digit inflation and downward revision of the policy rate. The Investment portfolio did not perform as expected as it was adversely affected by both reduced interest rates on the money market, and lower valuation surpluses on the equity market.

The company has posted a profit for the year of K1.402 billion against a reported profit of K2.19 billion in 2017.

OUTLOOK

The business outlook remains challenging reflecting uncertainties related to weather conditions and impact of regional cyclones, which will bring in higher claims and impact on food security. The company faced several challenges in the year ranging from increased cost of claims including higher than normal level of reported claims, mostly coming from Fire and motor classes. There is a lot of undercutting in the market that is affecting the equitable risk premium and premium collection has remained a challenge. Despite these challenges the company continue to demonstrate remarkable resilience coupled with positive performance in the tough competitive environment.

The company continues to pursue its strategy of growth and drive service excellency through innovation and professionalism ensuring customer satisfaction and accelerating digital product offering to enable efficient and excellent customer service.

The company will also leverage on its strengths to exploit the opportunities in the market and with its strong market leadership and resource base the company is optimistic for strong performance in 2019 and beyond.

BY ORDER OF THE BOARD

Vizenge Kumwenda
Chairman

Donbell 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 2018, the summary statement of comprehensive income, summary statement of changes in equity and 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 2018.

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, and the basis described on the basis for preparation paragraph.

Summary financial statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards (IFRSs). 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 29 March 2019. That report also includes communication of key audit matters (KAM). 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.

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 (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Deloitte.

Chartered Accountants
Madalo Mwenelupembe
Partner
24 April 2019