



National Insurance Corporation  
Of Eritrea Share Company



**2018**  
Annual Report &  
Financial Statements



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BUSINESS

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is defining our future”*



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## REGISTERED AND PRINCIPAL PLACE OF BUSINESS

**National Insurance Corporation of Eritrea Share Co.**  
NICE Building  
Bdho Avenue, 171  
P. O. Box 881  
Asmara, Eritrea



## BANKERS

**Commercial Bank of Eritrea**  
Martyrs Branch  
Martyrs Avenue  
Asmara, Eritrea



## AUDITORS

**Audit Services Corporation**  
P. O. Box 912  
Asmara, Eritrea



## SOLICITORS

**Fessehaie Habte**  
Legal Consultant & Attorney at Law  
P. O. Box 5530, Nakfa House,  
1st Floor, No. 105  
Asmara, Eritrea



**National Insurance Corporation of Eritrea Board meeting session in progress**

# The Board of Directors



**Girmai Ghebremeskel**  
*Chairman*



**Elias Tesfay**  
*Director*



**Almaz Lijam**  
*Director*



**Woldeyesus Elisa**  
*Director*



**Ghebrebrhan Mihreteab**  
*Director*



**Ghebregus Zere**  
*Director*



**Abraha Tuccu**  
*Director*

# Senior Management Team



**Zeru Woldemichael**  
*General Manager/ CEO*



**Mesghina Nemariam**  
*Technical Manager*



**Tuquabo Moba**  
*Administration Manager*



**Paulos Tecleab**  
*Finance & Investment Manager*



Brief Management  
**Report**

# Brief Management Report



The performance of the Company's non-life business, during the Financial Year of 2018, in terms of premiums, claims, reinsurance, expenses and profits is briefly reviewed under this section. In spite of its monopoly position in the market, the Company has a cautious underwriting policy and operates professionally and follows the best practice of underwriting insurance risks by adhering to the principles of good governance.

The table below provides a summary of the key performance movements in the last ten years. It is worth noting that the bottom line indicators, such as profit, dividends and shareholders' funds have indeed shown a remarkable growth from all previous years.

## FINANCIAL & TECHNICAL HIGHLIGHTS (NON-LIFE) 2009 – 2018 (IN '000 NAKFA)

DESCRIPTION	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Gross Premium	247,277	253,417	265,389	271,918	222,288	217,015	221,093	183,289	155,245	157,145
Net Written Premium	177,059	182,935	196,986	190,587	159,605	147,044	136,692	118,672	111,317	106,685
Net Premium Earned	180,786	186,545	193,034	183,864	156,992	146,359	135,612	115,951	111,301	105,110
Net Claims Incurred	27,824	43,445	57,685	53,175	64,734	55,790	47,073	50,781	34,491	29,709
Operating Expenses	26,768	25,392	25,834	27,081	23,995	24,034	23,243	26,514	26,209	27,983
Management expenses	15,532	14,219	15,751	16,968	13,672	14,275	13,470	11,712	11,225	12,817
Mgt expenses to Gross premium ratio	6.3%	5.6%	5.9%	6.2%	6.2%	6.6%	6.1%	6.4%	7.2%	8.2%
Profit before tax	149,654	141,622	129,428	124,467	96,230	91,546	83,127	66,342	68,838	69,070
Net Profit	96,672	91,849	82,783	78,519	62,816	59,142	53,386	42,680	41,487	41,820
Property & Equipment	233,661	241,872	247,806	253,710	261,982	268,292	272,070	277,548	84,829	97,927
Investments	343,288	314,090	288,227	174,352	168,036	164,359	92,454	95,869	98,643	74,389
Proposed Dividend	87,852	83,753	76,046	70,721	55,934	52,994	51,059	47,074	46,060	48,279
Share holders Fund	667,416	628,519	612,476	483,295	459,493	449,672	441,589	435,277	232,030	238,822

# Brief Management Report (continued)

## GROSS WRITTEN PREMIUM

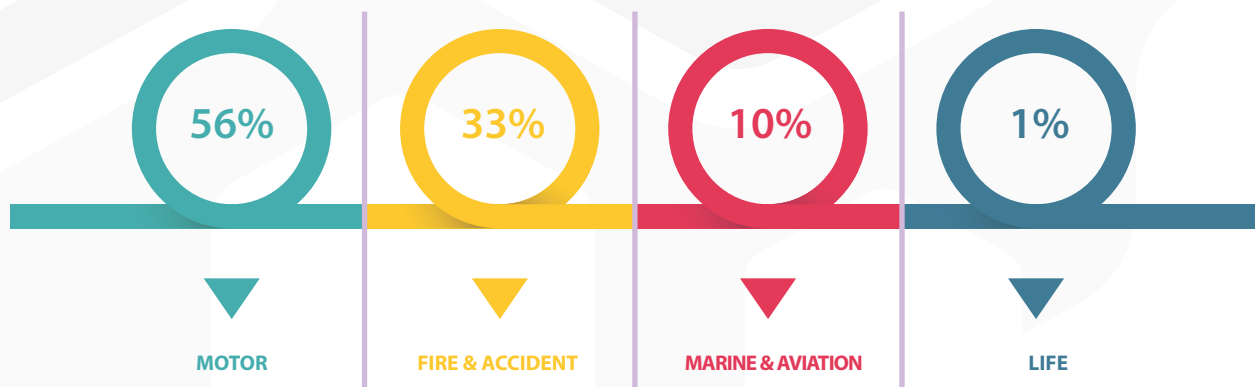
The Gross Premium Income (non-life) of Nakfa 247.3 million written in 2018 is less by 2.4% when compared to that of 2017. As can be noted from the table below Motor class of business has remained a dominant business with a share of 56%.

The table below shows comparative figures over the last ten years in respect of the gross premium income of the Company.

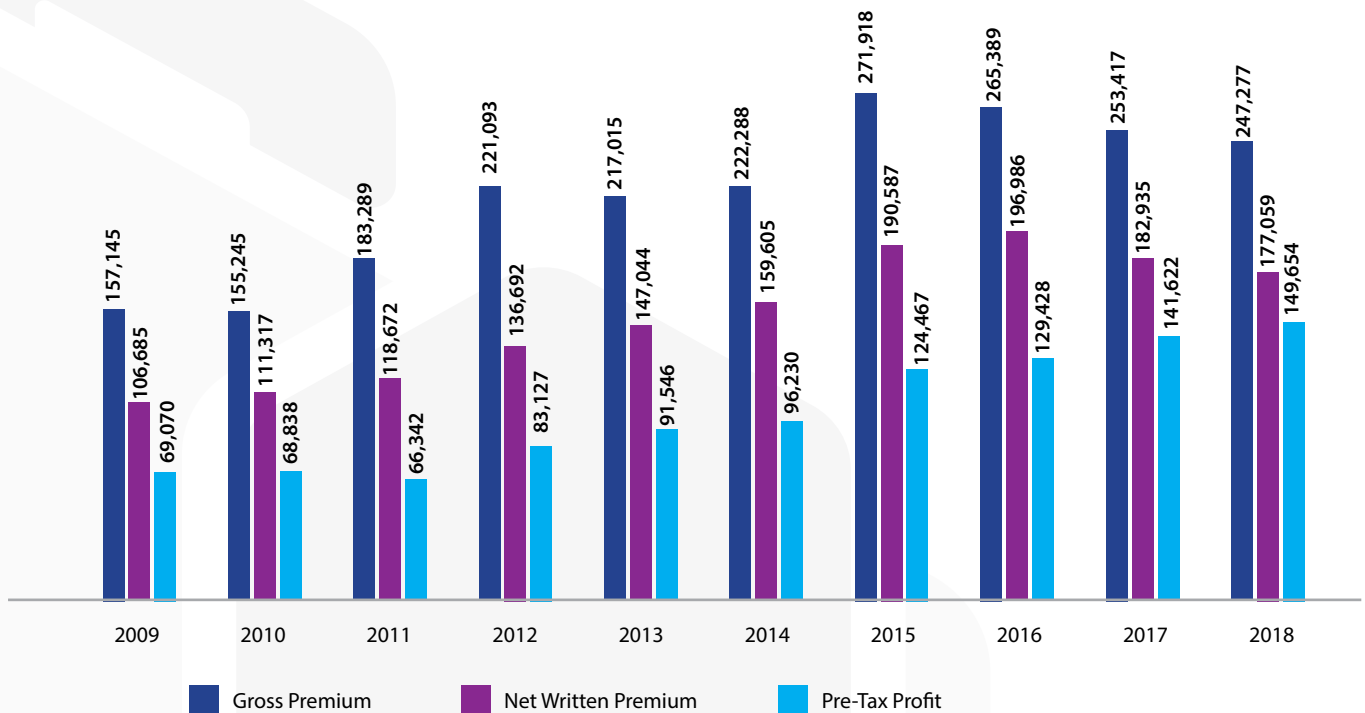
## GROSS PREMIUM INCOME (IN 000' NAKFA)

BUSINESS	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
MOTOR	78,742	81,058	87,176	103,412	113,022	124,493	154,624	161,834	147,909	141,052
FIRE & ACCIDENT	46,075	43,645	65,533	86,253	77,626	80,416	88,327	86,410	81,585	83,185
MARINE & AVIATION	32,328	30,542	30,580	31,428	26,367	17,379	28,966	17,145	23,923	23,039
LIFE	2,128	2,217	2,610	2,298	2,725	2,450	2,857	4,261	3,429	3,404
<b>TOTAL</b>	<b>159,273</b>	<b>157,462</b>	<b>185,899</b>	<b>223,391</b>	<b>219,740</b>	<b>224,738</b>	<b>274,774</b>	<b>269,650</b>	<b>256,846</b>	<b>250,680</b>

## PREMIUM DISTRIBUTION 2018



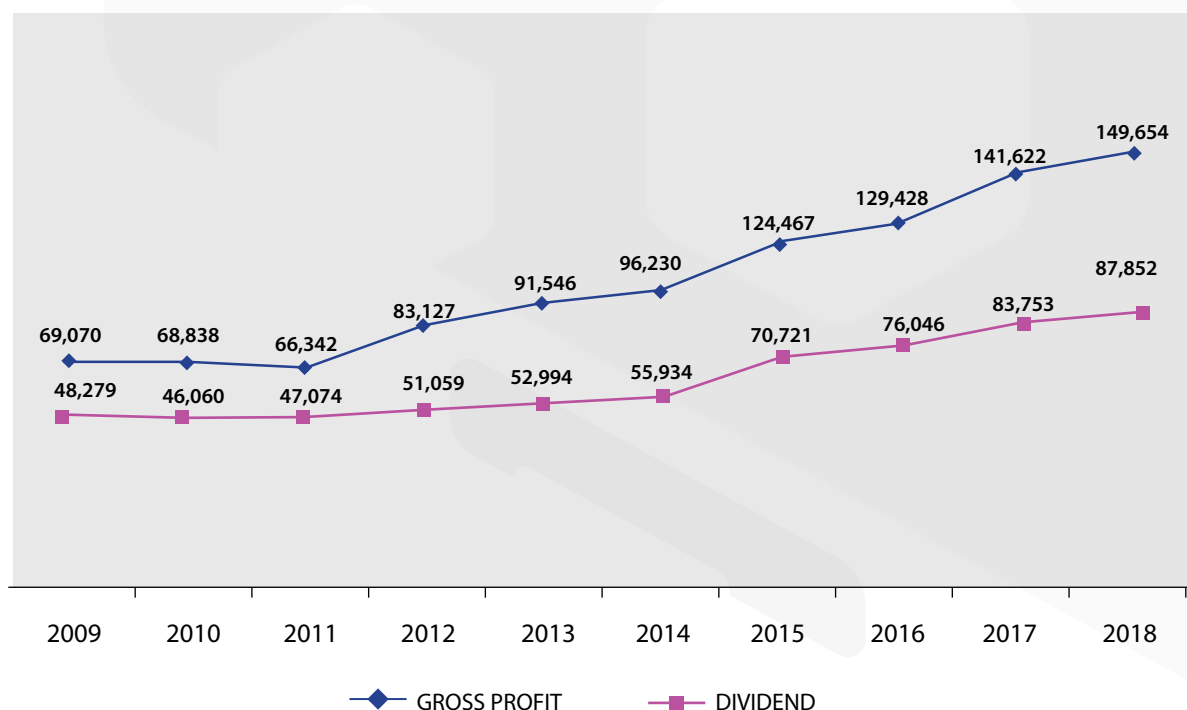
## DEVELOPMENT OF PREMIUMS AND PROFITS



## PROFIT

The profit before tax in the year under review was Nakfa 149.7 million (in 2017 was 141.6 million) resulting in a net profit of Nakfa 96.7 million (in 2017 was 91.8 million). This year's profit was the result of the gain secured from operational activities and dividends. Accordingly the Board of Directors have recommended a dividend of Nakfa 87.9 million (in 2017 was Nakfa 83.7 million) for distribution to shareholders.

## DEVELOPMENT OF PROFITS AND DIVIDENDS (IN '000 NAKFA)



## CLAIMS

As can be seen from the figures below the total claims incurred during the year under review amounted to Nakfa 27.8 million showing 8% decrease against the corresponding period of 2017 which was Nakfa 43.4 million. Consequently, the overall claims ratio has decreased from 23% in 2017 to 15% in 2018. This result had a significant contribution to the increase in profit.

Comparison of the loss ratios of the company for the years 2017 and 2018 is as stated below.

### LOSS RATIO 2018 AND 2017 (NET FOR THE COMPANY) (IN '000' NAKFA)

BUSINESS	2018			2017		
	PREMIUM EARNED	CLAIMS INCURRED	LOSS RATIO	PREMIUM EARNED	CLAIMS INCURRED	LOSS RATIO
MOTOR	146,249	19,307	13%	150,552	37,330	25%
MARINE	2,442	-164	0%	4,736	24	0.5%
FIRE	6,337	16	0.25%	8,423	433	5%
WORKMEN	11,165	3,323	30%	9,835	2,324	24%
ACCIDENT	14,593	5,342	37%	12,999	3,334	26%
<b>TOTAL</b>	<b>180,786</b>	<b>27,824</b>	<b>15%</b>	<b>186,545</b>	<b>43,445</b>	<b>23%</b>

## UNDERWRITING RESULTS

In the year under review the net underwriting result Nakfa 151.7 million showing an increase of 6% when compared to Nakfa 143.4 million in 2017. The increase in underwriting result was mainly contributed from motor class of business.

The table below shows comparative underwriting results in the last ten years.

BUSINESS	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
MOTOR	45,285	48,380	33,464	55,030	55,442	51,251	86,997	95,428	105,366	117,985
MARINE	9,244	4,994	2,947	7,888	5,647	9,171	5,626	6,878	6,534	4,384
FIRE	8,195	7,323	8,634	6,786	7,349	9,760	10,733	7,430	11,463	9,610
WORKMEN	2,992	3,992	8,329	4,120	6,163	5,910	7,662	6,908	7,002	7,022
ACCIDENT	8,739	10,281	11,110	10,995	11,683	12,421	13,610	14,498	13,077	12,676
<b>TOTAL</b>	<b>74,455</b>	<b>74,970</b>	<b>64,484</b>	<b>84,819</b>	<b>86,284</b>	<b>88,513</b>	<b>124,628</b>	<b>131,142</b>	<b>143,442</b>	<b>151,677</b>

# Brief Management Report (continued)

## REINSURANCE COST

As can be noted from the table below the Company has retained 71.6% of its gross premium for its own account. Large risks, such as mining projects, bulk marine shipments, risks with large sum insured etc, will necessitate seeking reinsurance cover affecting our retention capacity. As has always been the case, the management will remain vigilant on the effect of the reinsurance cost and will ensure that the shareholders assets and interests are duly protected.

The following table shows the development of the rate of retention and the premium ceded in the last 10 years.

### NON-LIFE PREMIUM RETENTION RATES 2009– 2018 (IN '000' ERN)

YEAR	GROSS PREMIUM	PREMIUM CEDED	PREMIUM RETAINED	RATE OF RETENTION
2009	157,145	50,460	106,685	67.9%
2010	155,245	43,928	111,317	71.7%
2011	183,289	64,617	118,672	64.7%
2012	221,093	84,400	136,692	61.8%
2013	217,015	69,972	147,044	67.8%
2014	222,288	62,683	159,605	71.8%
2015	271,918	81,331	190,587	70.1%
2016	265,389	68,404	196,986	73.9%
2017	253,417	70,482	182,935	72.2%
<b>2018</b>	<b>247,277</b>	<b>70,218</b>	<b>177,059</b>	<b>71.6%</b>

## MANAGEMENT EXPENSES

During the financial year ending 31st December 2018, the total operating and management expenses was Nakfa 26.8 million (in 2017 was Nakfa 25.4 million). The management expenses charged to revenue account was Nakfa 15.5 million (in 2017 was 14.2 million). The remaining Nakfa 11.2 million was charged to statement of profit or loss.

The ratio of management expenses to gross premium was 6.3% (in 2017 was 5.6%) which is favorably accepted within similar direct insurance companies in the African Insurance industry. Management will closely monitor the management expenses are kept within a reasonably low to effectively optimize resource allocation.



# Directors' Report Chairman's Statement



## INTRODUCTION

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Financial Statements of the National Insurance Corporation of Eritrea as at 31st December 2018.

The report is made in accordance with the provisions of the relevant articles of the Transitional Commercial Code of the State of Eritrea and the Memorandum and Articles of Association of the Company.

## STATEMENT OF COMPLIANCE

The National Insurance Corporation Of Eritrea Share Company underwrites all classes of life and non-life insurance risks as mandated under Art.4 of the Memorandum of Association.

The Board mainly complies with the generally accepted principles of good governance and strictly adheres to the Guidelines on Corporate Governance for Insurance Companies issued by the Bank of Eritrea.

## PERFORMANCE

The Company has recorded an impressive result on profit and dividend in spite of its gross premium being lower than last year. The bottom line of our results have significantly been better than all past years. With the peace environment in our region we are even very optimistic to secure better results in the years ahead.

The following are worth noting:

### Positive -

- Profit increased from Nakfa 141.6 million to Nakfa 149.7 million
- Combined Ratio decreased from 36.9% to 30.2%
- Net claims incurred decreased from Nakfa 43.4 million to Nakfa 27.8 million
- Proposed dividend increased from Nakfa 83.8 million to Nakfa 87.9 million
- Shareholders' fund increased from Nakfa 628.5 million to Nakfa 667.4 million

### Negative -

- Gross premium income decreased from Nakfa 253.4 million to Nakfa 247.2 million
- Earned Premium decreased from Nakfa 186.5 million to Nakfa 180.8 million
- Management Expense ratio increased from 5.6% to 6.3%
- Operating Expenses increased from Nakfa 25.4 million to Nakfa 26.8 million

## Performance of our Investment in Other Companies

Our affiliated company in South Sudan recorded a remarkable performance despite the political turbulence in that country. The Company has secured the confidence of most international organizations, NGOs and the oil and energy industry among others. It has secured the business of the Ezra Power Project, two biggest oil risks, and the two top five star hotels (Pyramid and Blue Diamond Hotels). With the forthcoming peace on the horizon, the Company is expected to play a vital role in the insurance industry of South Sudan.

The return on investment from both Africa Reinsurance Corporation and Zep Re for the year ending 2018 is yielding a commendable earnings as the previous year and as usual we will closely monitor our investment strategy to take advantage of the higher proceeds realized from these companies. Shishay Feed Plc is struggling to survive with the critical shortage of raw materials in the market while Shemshemiya Commercial Farm has yet to be transformed from making continuous losses.

## Members of the Board of Directors

The Directors of the Company who have held office since the 13th Annual General Meeting, held on 3rd June 2017 will serve up to the 16th Annual General Meeting in mid of 2020.

# Directors' Report (continued)

The Directors at the date of this report are:

- |                          |            |
|--------------------------|------------|
| 1. Ghirmai Ghebremeskel  | - Chairman |
| 2. Woldeyesus Elisa      | - Member   |
| 3. Ghebreberhan Mihretab | - Member   |
| 4. Elias Tesfay          | - Member   |
| 5. Almaz Lijam           | - Member   |
| 6. Ghebrenigus Zere      | - Member   |
| 7. Abraha Tuccu          | - Member   |

## CORPORATE GOVERNANCE

NICE is committed to the highest standards of corporate governance, and the Company strives to regularly review its processes, rules, regulations and structures with a view to ensuring the best performance of the Board, Board Committees and overall management of its business, in line with international standards.

Key aspects of our approach to corporate governance are as follows:

### The Board of Directors:

The Board of Directors is guided by a Charter that defines its functions, accountabilities and responsibilities.

Directors are provided with appropriate and timely information by management to enable them maintain full and effective control over strategic, financial, operational and compliance issues.

The Board meets at least four times a year and is composed entirely of non-executive Directors. The Board provides overall strategic direction, review performance and takes material policy decisions. Responsibility for implementing strategy and day to day operation is delegated by the Board to the General Manager (CEO).

### Board Committees:

- The Board, Risk, Audit and Compliance Committee meets regularly to review effectiveness of internal controls, risk management strategies and ensures that the Company complies with all relevant regulations. The Internal Auditor and External Auditors also attend these meetings to ensure that the Committees' independence is not impaired and both have unrestricted access to the Committee.
- The Board Strategy and Investment Committee meets regularly to review all policy issues pertaining to strategy and investment.
- Ad-Hoc Board Committee for Human Resources on succession plan - This Committee's objective is to ensure that the Company endures continuity by availing young qualified employees in succeeding the current aging senior management team and ensuring that the Company is transformed into a fully computerized environment by the end of 2020.

### Board Charter

The National Insurance Corporation of Eritrea, in appointing Directors, elects individuals on the basis of their professional competencies, personal qualities and the contribution they can

make to the governance of the Company.

To reaffirm this commitment, the Board of Directors created and implemented a Charter aimed at facilitating the full and free exercise of these qualities and to ensure the effectiveness of each Director's contribution, consistent with the standards of independent judgement, ethics and integrity they are expected to observe.

## Corporate Social Responsibility

The National Insurance Corporation of Eritrea is envisaging to fully involve in corporate social responsibility and has marginally contributed to the Diabetic Association and Autism and Down Syndrome Association. The Company has also finalized negotiation to sponsor a women's football team. Responsible corporate citizenship will remain one of its core values

## Approval of the Audited Financial Statements and Appropriation of Results

The Board of Directors approved the audited Financial Statements as at 31st December 2018.

In furthering of the Company's commitment to consolidate its financial position while remunerating the capital invested in its equity, the Board recommends that the unappropriated profit be distributed as follows:

- Nakfa 4,833,578 Special Reserve
- Nakfa 9,667,156 to Technical Reserve
- Nakfa 87,851,646 to be paid as dividend at the rate of Nakfa 8.392677 (2017 was Nakfa 8.001094) for a fully paid up share capital (inclusive of bonus shares).

## Appreciation

On behalf of the Board, I wish to express our sincere gratitude to our clients, reinsurers, business partners, suppliers, service providers, shareholders and the Underwriting Agents for the business and support throughout the year. I recognize and appreciate the management and staff of the Company for the loyalty, dedication and hard work that have made these results possible. I would also like to acknowledge with appreciation my colleagues in the Board for their diligence, guidance and support that has ensured the achievement of superior and excellent results during the year.

We are indeed very proud of these accomplishments and will continue to strive for even better results in the years ahead.



Ghirmai Ghebremeskel  
Chairman



## Statement Of Directors' Responsibilities On The Financial Statements – For The Year Ended 31 December 2018

The Transitional Commercial Code of the State of Eritrea and the Company's Memorandum and Articles of Associations require the Directors to prepare financial statements for each financial year, which present fairly the state of affairs of the Company as of the end of the financial year and of its results of operations for that year. They also require the Directors to ensure that the Company keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the annual financial statements, which have been prepared using sound accounting principles supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the Transitional Commercial Code of the State of Eritrea. The Directors are of the opinion that the financial statements present fairly the state of financial affairs of the Company and of its results of operations in accordance with International Financial Reporting Standards.

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

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

Chairman

Director

27 April 2019

# Independent Auditor's Report To The Financial Statements - For The Year Ended 31 December 2018



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Audit Services Corporation (Asmara - Eritrea)

P.O.Box 912  
E-mail asc@tse.com.er

Tel: 120814  
202030  
Fax: 125756

14 April 2019

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL INSURANCE CORPORATION OF ERITREA SHARE COMPANY

We have audited the accompanying financial statements of the National Insurance Corporation of Eritrea Share Company (the Company) which comprise the statement of financial position at 31 December 2018, the related statement of profit or loss, underwriting revenue account, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Directors' responsibility for the financial statements**

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Transitional Commercial Code of the State of Eritrea. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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.

An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements set out on pages 18 to 37, present fairly, in all material respects, the financial position of the National Insurance Corporation of Eritrea Share Company at 31 December 2018 and the results of its financial performance and its cash flows for the year then ended in conformity with International Financial Reporting Standards and comply with the Transitional Commercial Code of the State of Eritrea.

We have no comments on the report of the Board of Directors in so far as it relates to these financial statements and pursuant to Article 375 of the Transitional Commercial Code of the State of Eritrea, we recommend approval of the financial statements.

*Audit Services Corporation*





# Financial Statements

# Statement Of Financial Position

At 31 December 2018



		Currency: Eritrean Nakfa	
ASSETS	Notes	2018	2017
<b>Current assets</b>			
Cash and bank balances		317,942,763	286,601,745
Treasury bill		-	30,000,000
Trade and other receivables	3	45,918,798	68,136,284
Related party receivables	4	12,010,710	11,860,167
Due from reinsurers		905,835	909,285
		<b>376, 778,106</b>	<b>397, 507,481</b>
<b>Non-current assets</b>			
Investments	5	355,233,668	318,095,462
Property and equipment	6	225,060,073	232,232,349
Intangible assets	7	8,601,039	9,643,987
		588,894,780	559,971,798
		<b>965,672,886</b>	<b>957,479,279</b>
<b>Total assets</b>			
<b>LIABILITIES, CAPITAL AND RESERVES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	21,725,589	19,126,919
Related party payables	9	-	14, 283,000
Deferred income	10	-	151,578
Provision for taxation	11	52,631,403	49,635,161
Dividend payable	12	8,701,063	8,528,052
Due to reinsurers	13	30, 553,199	30, 753,473
Insurance fund	14	140, 554,914	163, 858,711
		254, 166,168	286, 336,894
<b>Non - current liabilities</b>			
Employee benefits and obligations	15	11,395,403	10,546,556
<b>Capital and reserves</b>			
Share capital	16	104,676,540	104,676,540
Legal reserve	17	20,935,308	20,935,308
Revaluation reserve		219,935,961	225,616,780
Technical reserve	18	61,665,274	51,998,116
Investment reserve		142,223,054	116,527,526
Special reserve	19	27,797,413	22,963,834
Retained earnings		2,330,812	2,048,561
Unappropriated profit		87,851,646	83,752,685
		667,416,008	628,519,350
Life insurance fund	20	32,695,307	32,076,479
		<b>965,672,886</b>	<b>957,479,279</b>
<b>Total liabilities, capital and reserves</b>			

The statement of financial position is to be read in conjunction with the notes, set out on pages 26 to 36, forming part of the financial statements.

The financial statements, set out on pages 17 to 36, were approved by the Board of Directors on 27th of April 2019 and were signed on its behalf by:

Chairman



Chief Executive Officer



# Statement Of Profit Or Loss

For The Year Ended 31 December 2018

		Currency: Eritrean Nakfa	
	Notes	2018	2017
<b>Revenue</b>			
<b>Surplus from underwriting</b>		151,676,597	143,445,118
Other income	21	3,912,770	1,242,711
		155,589,367	144,687,829
<b>Expenses</b>			
Depreciation and Amortization	6(b)&7	10,461,476	10,282,353
General assembly and Board of Directors meetings		597,757	713,189
Audit fee		177,000	177,000
		<b>11,236,233</b>	<b>11,172,542</b>
<b>Profit from operations</b>		144,353,134	133,515,287
Office rent income		782,576	730,373
Interest income		749,258	1,090,341
Investment income		3,900,570	4,613,400
Management fee		120,000	120,000
Exchange rate differences	2(b)	(82,194)	495,020
Cost of finance		(213,808)	(329,244)
Doubtful receivables recovery		44,606	1,386,559
		5,301,008	8,106,449
<b>Profit before taxation</b>		149,654,142	141,621,736
Provision for taxation	11	52,982,579	49,772,480
<b>Net profit after taxation</b>		96,671,563	91,849,256

The statement of profit or loss is to be read in conjunction with the notes, set out on pages 26 to 36, forming part of the financial statements.

# Underwriting Revenue Account

For The Year Ended 31 December 2018



Currency: Eritrean Nakfa

INCOME	Notes	2018	2017
<b>Gross premiums</b>		247,276,971	253,417,011
Premiums ceded		70,217,647	70,481,842
Net premiums		177,059,324	182,935,169
Changes in unearned premiums		(3,726,958)	(3,610,255)
Premiums earned		<b>180,786,282</b>	<b>186,545,424</b>
Reinsurance commissions			
Ceding commission		13,691,235	13,245,294
Profit commission		761,976	884,593
		14,453,211	14,129,887
<b>Total income</b>		<b>195,239,493</b>	<b>200,675,311</b>
<b>OUTGO</b>			
Gross claims paid		99,872,786	48,675,959
Claims ceded		52,864,697	202,462
Net claims paid		47,008,089	48,473,497
Changes in outstanding claims		(19,184,268)	(5,028,212)
<b>Net claims incurred</b>		27,823,821	43,445,285
Changes in technical provision		(587,584)	(1,405,073)
Commission		794,770	970,797
<b>Total outgo</b>		28,031,007	43,011,009
Management expenses	22	15,531,889	14,219,184
		43,562,896	57,230,193
<b>Underwriting surplus</b>		<b>151,676,597</b>	<b>143,445,118</b>

The underwriting revenue account is to be read in conjunction with the notes, set out on pages 26 to 36, forming part of the financial statements.

# Statement Of Changes In Equity

## For The Year Ended 31 December 2018



	Share Capital	Legal Reserve	Technical Reserve	Revaluation Reserve	Retained Earnings	Investment Reserve	Special Reserve	Unappropriated Profit	Total
<b>At 01 January 2017</b>	104,676,540	20,935,308	42,813,191	231,297,597	1,808,598	116,527,526	18,371,371	76,046,357	612,476,488
Net profit after tax	-	-	-	-	-	-	-	91,849,256	91,849,256
Transfer to legal reserve	-	-	-	-	-	-	-	-	-
Transfer to technical reserve	-	-	9,184,925	-	-	-	-	(9,184,925)	-
Transfer to special reserve	-	-	-	-	-	-	4,592,463	(4,592,463)	-
Excess depreciation realised	-	-	-	(5,680,817)	-	-	-	5,680,817	-
Transfer from dividend payable	-	-	-	-	239,963	-	-	-	239,963
Transfer to dividend payable	-	-	-	-	-	-	-	(76,046,357)	(76,046,357)
<b>At 01 January 2018</b>	<b>104,676,540</b>	<b>20,935,308</b>	<b>51,998,116</b>	<b>225,616,780</b>	<b>2,048,561</b>	<b>116,527,526</b>	<b>22,963,834</b>	<b>83,752,685</b>	<b>628,519,350</b>
Net profit after tax	-	-	-	-	-	-	-	96,671,563	96,671,563
Transfer to legal reserve	-	-	-	-	-	-	-	-	-
Transfer to technical reserve	-	-	9,667,156	-	-	-	-	(9,667,156)	-
Transfer to special reserve	-	-	-	-	-	-	4,833,578	(4,833,578)	-
Transfer to investment reserve	-	-	-	-	-	25,695,528	-	-	25,695,528
Dividend paid from Retained earnings	-	-	-	-	(147,348)	-	-	-	(147,348)
Excess depreciation realised	-	-	-	(5,680,817)	-	-	-	5,680,817	-
Transfer from Dividend payable	-	-	-	-	429,600	-	-	-	429,600
Transfer to dividend payable	-	-	-	-	-	-	-	(83,752,685)	(83,752,685)
<b>At 31 December 2018</b>	<b>104,676,540</b>	<b>20,935,308</b>	<b>61,665,272</b>	<b>219,935,963</b>	<b>2,330,813</b>	<b>142,223,054</b>	<b>27,797,412</b>	<b>87,851,646</b>	<b>667,416,008</b>

The statement of changes in equity is to be read in conjunction with the notes, set out on pages 26 to 36, forming part of the financial statements.

# Statement Of Cash Flows

## For The Year Ended 31 December 2018



	Notes	Currency: Eritrean Nakfa	
		2018	2017
<b>Cash flows from operating activities</b>			
Net profit before taxation		149,654,142	141,621,736
Adjustments for:			
Depreciation	6(b)	8,257,729	8,852,288
Amortization	7	2,207,890	1,430,645
Investment income		(3,900,570)	(4,613,400)
<b>Operating profit before changes on working capital</b>		<b>156,219,191</b>	<b>147,291,269</b>
Decrease in trade and other receivables		22,217,486	6,705,478
(Increase) /Decrease in related party receivables		(150,543)	2,023,240
Decrease/ (Increase) in amounts due from reinsurers		3,450	(72,403)
Increase /(Decrease) in trade and other payables		2,598,670	(12,056,157)
(Decrease)/Increase in related party payables		(14,283,000)	14,283,000
(Decrease) in deferred income		(151,578)	-
(Decrease)/Increase in amounts due to reinsurers		(200,274)	10,417,265
(Decrease) in insurance funds		(23,303,797)	(10,564,476)
<b>Cash generated from operations</b>		<b>142,949,605</b>	<b>158,027,216</b>
Profit tax paid	11	(49,986,337)	(46,645,524)
Dividend paid	12	(83,297,422)	(75,204,135)
<b>Net cash flows from operating activities</b>		<b>9,665,846</b>	<b>36,177,557</b>
<b>Cash flows from investing / financing activities</b>			
Purchase of property and equipment	6(b)	(1,085,453)	(467,133)
Purchase of intangible assets	7	(1,164,942)	(3,881,352)
Increase in life insurance fund	20	618,828	525,238
Investment income		3,900,570	4,613,400
(Increase) in investments	5	(37,138,206)	(19,331,991)
Increase in investment reserve		25,695,528	-
Increase in employee benefits and obligations		848,847	273,046
Redemption of treasury bills		30,000,000	-
<b>Net cash flow from / (used in) investing / financing activities</b>		<b>21,675,172</b>	<b>(18,268,792)</b>
<b>Net increase in cash and bank balances</b>		<b>31,341,018</b>	<b>17,908,765</b>
Cash and bank balances at the beginning of the year		286,601,745	268,692,980
Cash and bank balances at the end of the year		<b>317,942,763</b>	<b>286,601,745</b>

The statement of cash flows is to be read in conjunction with the notes, set out on pages 26 to 36, forming part of the financial statements.

# Statement of Financial Position-Non-Life

At 31 December 2018



Currency: Eritrean Nakfa

	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances		293,746,935	257,058,851
Treasury bill		-	30,000,000
Trade and other receivables	3	45,266,742	66,237,479
Related party receivables	4	12,010,710	11,860,167
Due from reinsurers		905,835	909,285
		<b>351,930,222</b>	<b>366,065,782</b>
<b>Non – current assets</b>			
Investment	5	343,288,605	314,090,234
Property and equipment	6	225,060,072	232,228,205
Intangible assets	7	8,601,039	9,643,987
		<b>576,949,716</b>	<b>555,962,426</b>
<b>Total assets</b>		<b>928,879,938</b>	<b>922,028,208</b>
<b>LIABILITIES, CAPITAL AND RESERVES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	18,704,335	17,009,748
Related party payables	9	-	14,283,000
Deferred income	10	-	151,578
Provision for taxation	11	52,631,403	49,635,161
Dividend payable	12	8,701,063	8,528,052
Due to reinsurers	13	30,553,199	30,333,138
Insurance funds	14	140,123,923	163,622,733
		<b>250,717,923</b>	<b>283,563,410</b>
<b>Non – current liabilities</b>			
Employee benefits and obligations	15	10,750,007	9,945,448
<b>Capital and reserves</b>			
Share capital	16	104,676,540	104,676,540
Legal reserve	17	20,935,308	20,935,308
Revaluation reserve		219,935,961	225,616,780
Technical reserve	18	61,665,274	51,998,116
Investment reserve		142,223,054	116,527,526
Special reserve	19	27,797,413	22,963,834
Retained earnings		2,330,812	2,048,561
Unappropriated profit		87,851,646	83,752,685
		<b>667,416,008</b>	<b>628,519,350</b>
<b>Total liabilities, capital and reserves</b>		<b>928,879,938</b>	<b>922,028,208</b>

The statement of financial position is to be read in conjunction with the notes, set out on pages 26 to 36, forming part of the financial statements.

# Statement of Financial Position-Life

At 31 December 2018



	Notes	Currency: Eritrean Nakfa	
		2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances		24,195,828	29,542,894
Trade and other receivables	3	652,056	1,898,805
		24, 847,884	31, 441,699
<b>Non-current assets</b>			
Investment	5	11,945,063	4,005,228
Furniture and equipment	6	1.	4,144
		11,945,064	4,009,372
<b>Total assets</b>		<b>36,792,948</b>	<b>35,451,071</b>
<b>Current liabilities</b>			
Trade and other payables	8	3,021,254	2,117,171
Outstanding claims (Net)	14	430,991	235,978
Due to reinsurers		-	420,335
		3, 452,245	2, 773,484
<b>Non-current liabilities</b>			
Employee benefits and obligations	15	645,396	601,108
Life Insurance Fund	20	32,695,307	32,076,479
		33,340,703	32,677,587
<b>Total liabilities and funds</b>		<b>36,792,948</b>	<b>35,451,071</b>

The statement of financial position is to be read in conjunction with the notes, set out on pages 26 to 36, forming part of the financial statements.

# Underwriting Revenue Account-Life

For The Year Ended 31 December 2018



	Notes	Currency: Eritrean Nakfa	
		2018	2017
<b>INCOME</b>			
Gross premiums		3,404,181	3,429,176
Premiums ceded		-	-
Net premiums collected		3,404,181	3,429,176
Commission		-	-
<b>Total income</b>		<b>3,404,181</b>	<b>3,429,176</b>
<b>OUTGO</b>			
Gross claims paid		2,333,154	3,458,315
Claims ceded		-	-
Net claims paid		2,333,154	3,458,315
Commission		2,777	7,294
Change in outstanding claims		195,012	(520,936)
Others		1,478	6,718
<b>Total outgo</b>		<b>2,532,421</b>	<b>2,951,391</b>
Management expenses		288,639	284,061
		<b>2,821,060</b>	<b>3,235,452</b>
<b>Underwriting surplus/ (deficit)</b>		<b>583,121</b>	<b>193,724</b>
Interest income		50,588	345,032
<b>Other income</b>		<b>(4)</b>	<b>-</b>
		<b>633,707</b>	<b>538,756</b>
<b>Expenses</b>			
Depreciation		4,143	580
Cost of finance		734	2,938
Audit fee		10,000	10,000
		<b>14,877</b>	<b>13,518</b>
<b>Net operating surplus</b>		<b>618,828</b>	<b>525,238</b>
Insurance fund at 01 January 2018		32,076,479	31,551,241
Insurance fund at 31 December 2018		<b>32,695,307</b>	<b>32,076,479</b>

The underwriting revenue account is to be read in conjunction with the notes, set out on pages 26 to 36, forming part of the financial statements..



# Notes To The Financial Statements

## 1. ESTABLISHMENT

National Insurance Corporation of Eritrea Share Company was formed as Share Company to take over the activities of the former National Insurance Corporation of Eritrea. The main activities of the Company are: - To carry on all kinds of life, non-life insurance, reinsurance, all kinds of guarantee and indemnity business.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards. The financial statements are prepared under the historical cost convention as modified by revaluation of the buildings disclosed on Note 6(c) below.

### (b) Translation of foreign currencies

#### i) Functional currency

The Company's reporting currency is the Eritrean Nakfa (Nfa).

#### ii) Transactions and balances

Transactions in foreign currencies are translated into Eritrean Nakfa at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Eritrean Nakfa at the rate ruling at the reporting date. Resulting exchange differences are recognised in the statement of profit or loss.

### (c) Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. Subsequently, these are recognised and classified as follows:

#### Recognition

All purchases and sales of investments are recorded on the trade date, which is the date that the Company commits to purchase or sell the investment.

#### i) Measurement

Investments at fair value through profit or loss

Investments acquired for the purpose of trading in the near future or are part of a portfolio of financial assets subject to trading are classified under this heading. Investments, which are designated as such, are re-measured to fair value at each subsequent reporting date. Gains or losses on investments on re-measurement are recognised in the statement of profit or loss. The Company currently has no such investments.

#### ii) Held to maturity

Investments with fixed maturity and fixed income investments, where management has both the intent and the ability to hold to maturity, are classified as held-to maturity.

#### iii) Available-for-sale investments

Investments which are intended to be held for undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available- for-sale investments. The fair value changes of available-for-sale investments are recognised in investment reserves as part of shareholders' equity, with the exception of interest calculated using effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in statement of profit or loss.

### (d) Trade receivables

Trade receivables are carried at original invoice less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad receivables are written off when identified.

# Notes To The Financial Statements

31 December 2018 (continued)

(e) Property and equipment

These are stated at cost/valuation less accumulated depreciation. Depreciation is charged on the straight-line basis at the following rates per annum:

	%
Buildings	2-5
Furniture and equipment	10
Computers	20
Motor vehicles and cycles	20
Text books	20

(f) Impairment

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An impairment loss is deemed to have occurred where the asset is carried at more than its recoverable amount. Such losses are immediately expensed through the statement of profit or loss.

(g) Intangible assets

Acquired computer software licenses are capitalised on the basis of costs incurred and bring to use the specific software. These costs are amortized on a straight line method over their useful lives, not exceeding a period of five years

(h) Outstanding claims (Net)

This is a provision for the net estimated cost of incidents notified on or before the end of the financial year. Any difference between the estimated claim and the actual settlement is charged/ credited to the revenue account of the year in which the settlement is made.

(i) Provision for unexpired risks

(i) The provision for unexpired risks for marine and aviation insurance business is provided for at 100% of the total premium underwritten during the year.

(ii) The provision for unexpired risks for other classes of insurance business is calculated on the assumption that all contracts made with the policyholders are signed at the middle of the various months. Hence, to spread the risk over and evenly throughout the year the risk exposure is computed applying the formula  $\frac{2M-1}{24} P$ : where 'P' is the annual premium and 'M' represents month.

(j) Technical provisions

These are provisions made for all types of insurance, except aviation, at 10% of the net premium underwritten during the year. These are meant to cover unreported and unforeseen risks.

(k) Employee benefits and obligations

The Company contributes towards the following employee benefits and obligations:

- Provident fund representing 13% of the employees' salaries;
- Compensation for service (severance pay) in accordance with the Labor Law Proclamation No. 118/2001;
- Pension scheme, which is a defined benefit scheme in line with the National Pension Establishment Proclamation No. 135/2003.

(l) Dividend on shares

Dividend on shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders in their annual general meetings.

# Notes To The Financial Statements

31 December 2018 (continued)

## 3. TRADE AND OTHER RECEIVABLES

	31 December 2018			31 December 2017		
	Non-life	Life	Total	Non-life	Life	Total
	Currency: Eritrean Nakfa					
Trade receivables	47,623,707	623,703	48,247,410	69,723,536	1,869,860	71,593,396
Other receivables	3,575,467	28,353	3,603,820	2,490,453	28,945	2,519,398
	51,199,174	652,056	51,851,230	72,213,989	1,898,805	74,112,794
Less: Provision for doubtful receivables	(5,932,432)	-	(5,932,432)	(5,976,510)	-	(5,976,510)
	45,266,742	652,056	45,918,798	66,237,479	1,898,805	68,136,284

## 4. RELATED PARTY RECEIVABLES

The Company has various related parties, most of whom are by virtue of being shareholders and partly common ownership. Transactions with related parties are at arm's length and in the ordinary course of business at terms and conditions those offered to other clients.

	31 December 2018			31 December 2017		
	Non-life	Life	Total	Non-life	Life	Total
	Currency: Eritrean Nakfa					
Roof Garden Restaurant	58,352	-	58,352	60,927	-	60,927
Shishay Feed Plant	649,737	-	649,737	583,737	-	583,737
New Sudan Insurance	2,468,510	-	2,468,510	2,517,395	-	2,517,395
Shemshemiya Commercial Farm	8,834,111	-	8,834,111	8,698,108	-	8,698,108
	12,010,710	-	12,010,710	11,860,167	-	11,860,167

## 5. INVESTMENTS

(a) These are made up of:

	31 December 2018			31 December 2017		
	Non-life	Life	Total	Non-life	Life	Total
<b>Available for sale</b>						
African Reinsurance Corporation	92,775,510	-	92,775,510	89,443,080	-	89,443,080
COMESA Reinsurance Contribution	351,000	-	351,000	351,000	-	351,000
Shishay Feed Plant	6,000,000	-	6,000,000	6,000,000	-	6,000,000
P.T.A Reinsurance Co.	130,035,100	-	130,035,100	103,771,432	-	103,771,432
Shemshemya Commercial Farm	88,982,000	-	88,982,000	88,982,000	-	88,982,000
New Sudan Insurance Co.	22,444,995	-	22,444,995	22,444,995	-	22,444,995
	340,588,605	-	340,588,605	310,992,507	-	310,992,507
<b>Held to maturity</b>						
Loan to New Sudan Insurance Co.	2,700,000	-	2,700,000	2,700,000	-	2,700,000
Loans to life policyholders	-	1,945,063	1,945,063	-	2,016,592	2,016,592
Loans to financial institutions	-	10,000,000	10,000,000	397,727	1,988,636	2,386,363
	2,700,000	11,945,063	14,645,063	3,097,727	4,005,228	7,102,955
	343,288,605	11,945,063	355,233,668	314,090,234	4,005,228	318,095,462

# Notes To The Financial Statements

31 December 2018 (continued)



- (b) The share certificate in respect of 6,800 shares in the African Reinsurance Corporation is in the name of the State of Eritrea.
- (c) The loan to New Sudan Insurance Company is fully repayable before 31 December 2019.
- (d) The loan to a financial institution is a loan granted to Eritrean Development and Investment Bank. The loan is fully repayable before 31 December 2022 and bears average interest of 4.5% per annum.

## 6. PROPERTY AND EQUIPMENT

- (a) The details of the property and equipment are:

Currency: Eritrean Nakfa

	31 December 2018			31 December 2017		
	Non-life	Life	Total	Non-life	Life	Total
<b>COST/VALUATION</b>						
Buildings	376,787,216	-	376,787,216	376,787,216	-	376,787,216
Furniture and equipment	11,089,825	55,963	11,145,788	10,708,088	55,963	10,764,051
Computers	8,150,816	31,906	8,182,722	7,447,100	31,906	7,479,006
Motor vehicles and cycles	9,180,978	-	9,180,978	9,180,978	-	9,180,978
Text books	83,360	-	83,360	83,360	-	83,360
	405,292,195	87,869	405,380,064	404,206,742	87,869	404,294,611
<b>DEPRECIATION</b>						
Buildings	154,910,506	-	154,910,506	147,849,110	-	147,849,110
Furniture and equipment	9,233,137	55,963	9,289,100	8,850,442	51,820	8,902,262
Computers	7,248,067	31,905	7,279,972	6,977,899	31,905	7,009,804
Motor vehicles and cycles	8,757,085	-	8,757,085	8,217,758	-	8,217,758
Text books	83,328	-	83,328	83,328	-	83,328
	180,232,123	87,868	180,319,991	171,978,537	83,725	172,062,262
<b>CARRYING AMOUNT</b>						
Buildings	221,876,710	-	221,876,710	228,938,106	-	228,938,106
Furniture and equipment	1,856,688	-	1,856,688	1,857,646	4,143	1,861,789
Computers	902,749	1	902,750	469,201	1	469,202
Motor vehicles and cycles	423,893	-	423,893	963,220	-	963,220
Text books	32	-	32	32	-	32
	225,060,072	1	225,060,073	232,228,205	4,144	232,232,349

- (b) The movements on property and equipment during the year are:

	Cost/Revaluation			Depreciation		
	Additions	Transfers	Disposal	Additions	Transfers	Disposal
Non-Life	1,085,453	-	-	8,253,586	-	-
Life	-	-	-	4,143	-	-
	1,085,453	-	-	8,257,729	-	-

- (c) The Company's buildings were revalued at 31 December 2011 by General, Development Engineering and Consulting Company (GEDECC), independent valuers, on open market basis and issued a certificate in February 2012.

# Notes To The Financial Statements

31 December 2018 (continued)



## 7. INTANGIBLE ASSETS

Currency: Eritrean Nakfa

	31 December 2018			31 December 2017		
	Computer software	Computer software in progress	Total	Computer software	Computer software in progress	Total
<b>COST/VALUATION</b>						
At 01 January 2018	11,552,171	3,206,606	14,758,777	7,616,284	3,261,141	10,877,425
Additions	1,164,942	-	1,164,942	-	3,881,352	3,881,352
Transfer from software in progress	3,206,606	(3,206,606)	-	3,935,887	(3,935,887)	-
At 31 December 2018	15,923,719	-	15,923,719	11,552,171	3,206,606	14,758,777
<b>AMORTIZATION</b>						
At 01 January 2018	5,114,790	-	5,114,790	3,684,145	-	3,684,145
Additions	2,207,890	-	2,207,890	643,468	-	643,468
Transfer from software in progress	-	-	-	787,177	-	787,177
At 31 December 2018	7,322,680	-	7,322,680	5,114,790	-	5,114,790
<b>CARRYING AMOUNT</b>	<b>8,601,039</b>	<b>-</b>	<b>8,601,039</b>	<b>6,437,381</b>	<b>3,206,606</b>	<b>9,643,987</b>

## 8. TRADE AND OTHER PAYABLES

	31 December 2018			31 December 2017		
	Non-life	Life	Total	Non-life	Life	Total
Trade payables	14,948,490	2,849,678	17,798,168	12,968,972	1,932,130	14,901,102
Payable to contractors	42,762	-	42,762	42,762	-	42,762
Other payables	3,003,248	142,046	3,145,294	3,518,019	150,056	3,668,075
Accruals	709,835	29,530	739,365	479,995	34,985	514,980
	<b>18,704,335</b>	<b>3,021,254</b>	<b>21,725,589</b>	<b>17,009,748</b>	<b>2,117,171</b>	<b>19,126,919</b>

## 9. RELATED PARTY PAYABLES

	31 December 2018			31 December 2017		
	Non-life	Life	Total	Non-life	Life	Total
Shemshemia Commercial Farm	-	-	-	14,283,000	-	14,283,000

## 10. DEFERRED INCOME

	31 December 2018			31 December 2017		
	Non-life	Life	Total	Non-life	Life	Total
Premiums received in advance	-	-	-	1,578	-	1,578
Interest received in advance	-	-	-	150,000	-	150,000
	<b>-</b>	<b>-</b>	<b>-</b>	<b>151,578</b>	<b>-</b>	<b>151,578</b>

# Notes To The Financial Statements

31 December 2018 (continued)



## 11. PROVISION FOR TAXATION

a) This is made up of:

Currency: Eritrean Nakfa

	Profit Tax	Municipal Tax	Rent income Tax	Total
Balance at 01 January 2018	43,253,261	5,441,835	940,065	49,635,161
Less: Payments made during the year	43,955,555	5,832,228	198,554	49,986,337
	(702,294)	(390,393)	741,511	(351,176)
Add: Current year's provision	46,561,299	6,208,173	213,107	52,982,579
Balance at 31 December 2018	<b>45,859,005</b>	<b>5,817,780</b>	<b>954,618</b>	<b>52,631,403</b>

b) The current year's provision for taxation has yet to be assessed by and agreed with the Inland Revenue Department.

## 12. DIVIDEND PAYABLE

a) The balance comprises:

The balance comprises:

	2018	2017
Balance at 01 January 2018	8,528,052	7,925,793
Dividend declared	83,752,685	76,046,357
	92,280,737	83,972,150
Less: Payment made during the year	(83,297,422)	(75,204,135)
	8,983,315	8,768,015
Less: Transferred to retained earnings	( 429,600)	(239,963)
Add: Dividend paid from retained earnings	147,348	-
Balance at 31 December 2018	<b>8,701,063</b>	<b>8,528,052</b>

b) The shareholders in their 11th annual general meeting, Resolution No 6, has agreed to transfer dividends owing to those shareholders that never claimed their dividends for the last ten years to Retained Earnings Account and any subsequent claim by such shareholders to be paid out of this fund.

## 13. DUE TO REINSURERS

The substantial amount due to reinsurers is in respect of Aviation and Mining risks, the premium of which is payable on installment basis and is collectable in US dollars.

## 14. INSURANCE FUNDS

Currency: Eritrean Nakfa

	31 December 2018			31 December 2017		
	Non-life	Life	Total	Non-life	Life	Total
Outstanding claims (Net)	81,389,926	430,991	81,820,917	100,574,194	235,978	100,810,172
Provision for unexpired risks	41,028,064	-	41,028,064	44,755,022	-	44,755,022
Technical provisions	17,705,933	-	17,705,933	18,293,517	-	18,293,517
	<b>140,123,923</b>	<b>430,991</b>	<b>140,554,914</b>	<b>163,622,733</b>	<b>235,978</b>	<b>163,858,711</b>

### 15. EMPLOYEE BENEFITS AND OBLIGATIONS

	31 December 2018			31 December 2017		
	Non-life	Life	Total	Non-life	Life	Total
Provident fund	7,421,614	420,210	7,841,824	6,773,289	383,558	7,156,847
Provision for compensation for service	3,328,393	225,186	3,553,579	3,172,159	217,550	3,389,709
	<b>10,750,007</b>	<b>645,396</b>	<b>11,395,403</b>	<b>9,945,448</b>	<b>601,108</b>	<b>10,546,556</b>

- The average number of employees engaged during the year was 76 (2017: 85).

### 16. SHARE CAPITAL

The share capital of the Company is Nfa104,676,540 sub-divided into 10,467,654 ordinary registered shares, the par value of each share being 10 Eritrean Nakfa.

### 17. LEGAL RESERVE

In accordance with Article 8 (1) (a) of the Memorandum of Association and the Transitional Commercial Code of the State of Eritrea, Article 454 (1); 5% of the net profit after tax is transferred to legal reserve until it amounts to 20% of the share capital.

### 18. TECHNICAL RESERVE

Transfer of 10% of net profit after tax is made to technical reserve each year in accordance with Article 8 (1) (b) of the Memorandum of Association.

### 19. SPECIAL RESERVE

Transfer of 5% of the net profit after tax is made to special reserve in accordance with Article 8 (1) (c) of the Memorandum of Association and General Assembly Resolution No.5/2010 to cater for any investment risk factor.

# Notes To The Financial Statements

31 December 2018 (continued)



## 20. LIFE INSURANCE FUND

Currency: Eritrean Nakfa

(a) The balance comprises:

	2018	2017
Balance at 01 January 2018	31,551,241	30,998,552
Add: Current year's transfer	525,238	552,689
<b>Balance at 31 December 2018</b>	<b>32,076,479</b>	<b>31,551,241</b>

(b) Actuarial valuation:

The latest actuarial valuation of the long-term life assurance business was carried out by Alexander Forbes Financial Services (EA) Limited consulting actuaries at 31 December 2011.

## 21. OTHER INCOME

	31 December 2018		31 December 2017	
	Non-life	Life	Non-life	Life
Survey fees	4,850	-	5,160	-
Crane rental	14,208	-	42,500	-
Cost recovery	3,878,437	-	1,188,201	-
Others	15,275	-	6,850	-
	<b>3,912,770</b>	<b>-</b>	<b>1,242,711</b>	<b>-</b>

## 22. MANAGEMENT EXPENSES

	31 December 2018		31 December 2017	
	Non-life	Life	Non-life	Life
Salaries and related benefits	5,725,016	245,882	5,727,689	243,107
Car running and maintenance	716,951	-	757,187	-
Advertisement and promotion	985,003	-	504,991	-
Printing and stationery	1,658,041	-	1,408,314	-
Light and water	424,913	-	302,684	-
Insurance	2,327,140	40,954	1,566,898	40,954
Travel and per-diem	553,827	-	509,292	-
Maintenance and supplies	442,071	-	745,269	-
Postage, telephone and fax	504,679	1,803	436,826	-
Representation	186,569	-	64,576	-
Entertainment	423,029	-	346,554	-
Legal, membership and consultation fees	189,579	-	718,764	-
Uniforms	46,730	-	59,708	-
Cleaning and sanitation	704,835	-	738,768	-
Medical	42,790	-	34,343	-
Tuition and training	541,106	-	236,608	-
Land and building taxes	56,315	-	56,315	-
Others	3,295	-	4,398	-
	<b>15,531,889</b>	<b>288,639</b>	<b>14,219,184</b>	<b>284,061</b>

### 23. COMMITMENTS

The Company has no capital expenditure commitments at 31 December 2018.

### 24. FINANCIAL RISK MANAGEMENT

#### (a) Reinsurance risk

The above risk is mitigated by reinsurance agreements to cover the high risk nature of insurance class of business such as mining and aviation industry. The management constantly strives to minimize its dependence in the reinsurance market without disproportionately exposing its assets. The motor class of business, whose risk is significantly retained within the Company, plays a major role in local loss minimization activities by sponsoring annual safety events to increase road safety awareness.

#### (b) Interest rate risk

- i) The Company's exposure to market risk due to changes in interest rates would primarily relate to long term borrowings where potential increases in interest rates would translate into higher interest expense exposure.
- ii) The Company has no long-term interest bearing obligations that would expose it to interest rate risk. However, on the loan extended to local financial institutions, the Company is exposed to interest rate risk in case of a change in interest rate by the Government. Nevertheless, there is no risk exposure to the loan due from its subsidiary as the loan attracts interest at fixed rates.

#### (c) Foreign currency risk

The Company has no long-term interest bearing obligations that would expose it to interest rate risk. However, on the loan extended to local financial institutions, the Company is exposed to interest rate risk in case of a change in interest rate by the Government. Nevertheless, there is no risk exposure to the loan due from its subsidiary as the loan attracts interest at fixed rates.

#### (d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fully discharge its obligations under the terms of its agreement. To mitigate this risk, the Company's credit risk policy requires testing rigorously the financial worthiness of its credit customers and proper follow up of receivables is made to ensure their recoverability.

## 25. SEGMENT INFORMATION

The Company is organized into two main business segments of short term and long term business operations. The performance of these two segments is reported separately under Non-Life and Life underwriting revenue accounts respectively, which are part of the financial statements.

- a) The Company's Non-Life Insurance business is organised into three broad business segments aligned to the revenue generation process. The results are summarised below:-

### Non-Life Underwriting Revenue Account

Currency: Eritrean Nakfa

	Fire and Accident	Motor	Marine and Aviation	Total
<b>INCOME</b>				
<b>Gross written premiums</b>	83,185,307	141,052,375	23,039,289	247,276,971
Premiums ceded	49,667,432	870,750	19,679,465	70,217,647
<b>Net written premiums</b>	33,517,875	140,181,625	3,359,824	177,059,324
Changes in unearned premiums	1,421,963	(6,067,112)	918,191	(3,726,958)
<b>Net earned premiums</b>	32,095,912	146,248,737	2,441,633	180,786,282
Ceding commission	10,000,051	-	3,691,184	13,691,235
Profit commission	761,976	-	-	761,976
<b>Technical income</b>	42,857,939	146,248,737	6,132,817	195,239,493
<b>OUTGO</b>				
<b>Gross claims paid</b>	57,720,377	41,769,525	382,884	99,872,786
Claims ceded	52,488,207	-	376,490	52,864,697
<b>Net claims paid</b>	5,232,170	41,769,525	6,394	47,008,089
Changes in o/s claims	3,448,573	(22,462,598)	(170,243)	(19,184,268)
<b>Net claims incurred</b>	8,680,743	19,306,927	(163,849)	27,823,821
Changes in technical provision	232,875	(678,197)	(142,262)	(587,584)
Sales commission	193,020	601,750	-	794,770
<b>Total technical outgo</b>	9,106,638	19,230,480	(306,111)	28,031,007
Result before management expenses	33,751,301	127,018,257	6,438,928	167,208,486
Management expenses	5,129,735	9,033,581	1,368,573	15,531,889
<b>Underwriting surplus</b>	28,621,566	117,984,676	5,070,355	151,676,597
Percentage	19%	78%	3%	100%

- b) The majority of the Company's revenue is generated locally as stipulated here above from Motor and Fire and Accident.
- c) The management expenses indicated in Note 22 to the financial statements are prorated among the Fire and Accident, Motor and Marine and Aviation insurances in proportion to their respective gross written premium of each segment and their related branches.

# Notes To The Financial Statements

31 December 2018 (continued)



## 26. SHAREHOLDINGS

The following is a list of shareholders at the year-end.

	<b>2018</b>
	Holdings
	%
Ministry of Finance	58.77
Ministry of Labor and Human Welfare (Martyrs' Trust Fund)	30.02
Mahber Wenenti Mekayin White	4.33
Others	6.88
	<b>100.00</b>



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