



National Insurance Corporation  
Of Eritrea Share Company



# 2020

Annual Report &  
Financial Statements



## OUR VISION

To enable people overcome uncertainty by transferring risks



## OUR MISSION

To provide risk management, insurance security and quality services



## OUR VALUES

Professionalism, integrity, transparency and quality service



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## COMPANY INFORMATION



### 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



48th Board Meeting - Board in Session



# THE BOARD OF DIRECTORS



**Ghebrebrhan Mihreteab**  
*Director*

**Woldeyesus Elisa**  
*Director*

**Almaz Lijam**  
*Director*

**Girmai Ghebremeskel**  
*Chairman*

**Ghebregus Zere**  
*Director*

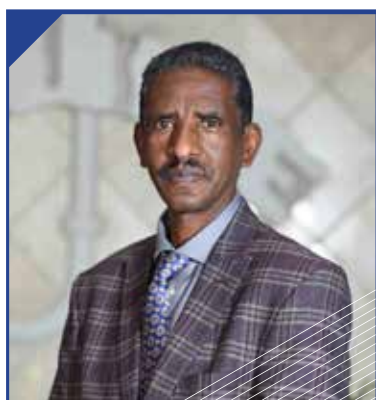
**Abraha Tuccu**  
*Director*



# SENIOR MANAGEMENT TEAM



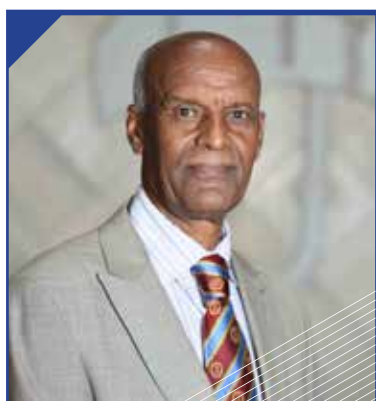
**Zeru Woldemichael**  
*General Manager/CEO*



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



**Mesghina Nemariam**  
*Technical Advisor*



**Tuquabo Moba**  
*Administration Manager*



**Samuel Teklemariam**  
*A/Technical Manager*





NICE facing the unprecedented challenges of COVID-19

## CHAIRMAN'S STATEMENT



# CHAIRMAN'S STATEMENT

## Dear Shareholders,

The year 2020 has been a great challenge in all aspects due to the unprecedented, multifaceted and overwhelming effects of COVID-19 which manifested itself starting from the beginning of the year under review. It is, therefore, my first thought that you all will be able to keep yourselves and your families safe from this pandemic. Against all odds and uncertainties, the Company has been trying to be prudent in looking at constructive ways and business continuity plans to deal with the situation by prioritizing the safety and wellbeing of our employees, customers and stakeholders. By and large, the effects of the pandemic will obviously be reflected in the following report and analysis.

Taking this in to mind, it is my pleasure, therefore, to present to you the Annual Report and Audited Financial Statements of the National Insurance Corporation of Eritrea as at 31st December 2020. I would also like to point out that the financial statements for this year, as in previous years, are prepared in accordance with International Financial Reporting Standards (IFRS) and in line with Commercial Code of the State of Eritrea and in adherence to the regulations of the Bank of Eritrea and the Memorandum and Articles of Association of the Company.

## PERFORMANCE

The gross premium has shown a declining trend in the last five years recording 5.8% less than in 2019. But the bottom-line figures of Net Profit and Dividend have only shown a slight decrease of around 2.3% and 2.1% respectively, and this is mainly due to the decrease of our Net Claims incurred, amounting to staggering 77.5% less than in 2019. The huge decrease in Net Claims incurred recorded in this year is the obvious effect of the restrictions in the movement of vehicles due to the pandemic.

The management has reinvigorated its focus on writing more life business in the previous years (particularly 2018), and it can be recalled that an increase of 143% was recorded. However, in the current year it has shown a slight 8% decrease.

The New Sudan Insurance Company, our affiliated company in South Sudan, has recorded an encouraging result (from its unaudited accounts of 2020) where its gross premium and net profit increased by around 63% and 19% from the previous year respectively largely due to exchange rate effect. The three-storey parking slots has been completed to attract tenants to rent its six-storey modern office complex. Our investment in Africa Reinsurance Corporation

The year 2020 has been a great challenge in all aspects due to the unprecedented, multifaceted and overwhelming effects of COVID-19 which manifested itself starting from the beginning of the year under review.

Nakfa  
**4,667,585**  
to Special Reserve

Nakfa  
**9,335,171**  
to Technical Reserve

Nakfa  
**85,029,767**  
to be paid as dividend

The management has reinvigorated its focus on writing more life business in the previous years (particularly 2018), and it can be recalled that an increase of 143% was recorded.



# CHAIRMAN'S STATEMENT (CONTINUED)

(Africa Re) and Zep Re (PTA Reinsurance Company) are expected to generate a reasonable dividend yields from their 2020 financial results. Unfortunately, our investment in the commercial farm at Gash Barka has extensively deteriorated with a negative result since 2013. Similarly, our animal feed plant in Asmara has also been showing a declining trend in the last three years

## CORPORATE GOVERNANCE

NICE is committed to adhering to the highest standards of good corporate governance at all levels of its operations. This commitment is rooted in our core values and beliefs. We have put in place elaborate governance processes which comply with best practice as set out in various codes on Corporate Governance.

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

### Board of Directors

The Board currently consists of seven non-executive directors (one director from the minority shareholders did not attend the 2019 and 2020 meetings due to situations beyond our control). The Board is composed of directors with a good mix of skills, experience and competences in the relevant fields of expertise and must possess sufficient qualification, experience and knowledge with high integrity and dedication in accordance with Article 11 (c) of the Memorandum and Articles of Association of the Company. Pursuant to Article 11 of the Memorandum and Articles of Association three members of the Board whose term terminated on 2020 were supposed to be replaced by new Board members through conducting an election at the previous AGM. However, as the AGM was conducted by inviting the representatives of the Shareholders only due to COVID-19 restrictions, the AGM decided to postpone the election. Because of this force majeure it was decided that the same board members will continue to hold their positions until the situation permits for an appropriate election process.

#### The Directors are:

- |                              |            |
|------------------------------|------------|
| 1. Mr. Ghirmai Ghebremeskel  | - Chairman |
| 2. Mr. Woldeyesus Elisa      | - Member   |
| 3. Mr. Ghebreberhan Mehretab | - Member   |
| 4. Mrs. Almaz Lijam          | - Member   |
| 5. Mr. Ghebregus Zere        | - Member   |
| 6. Mr. Abraha Tuccu          | - Member   |

### Board Charter and Work Plan

The Board Charter contains provisions that ensure that the Board observes best practice in corporate governance among which are details related to size, role and functions, induction, performance

assessment, corporate compliance, anti-money laundering, succession management, internal control procedures, conflict of interest, etc. The Board closely follows the work plan presented by the management through its annual budget, and evaluates its performance in its quarterly meetings.

The Board's highest priority during the year under review was to ensure that the Company endures through availing itself with young qualified employees succeeding the current aging senior management team and that the Company is mostly transformed into a computerized environment by the end of 2020. This endeavor seems to be succeeding.

### Board Meetings

The full Board meets at least four times a year. The Board deals with all significant matters including strategic direction of the Company; ensuring competent management of the business, internal control, compliance with laws and regulations and reporting performance. On a quarterly basis, the Board reviews the business operational plan to monitor the actual performance with the forecasted figures, while at the 4th quarter of each year the Board notes and approves the management's negotiated reinsurance treaty facilities. At the same time, it reviews business performance and forecast for the coming year.

The directors are provided with all available information in respect of items to be discussed at a meeting of the Board or Board committee around five days prior to the meeting

### Conflict of Interest

The directors of the Company are under fiduciary duty to act honestly and in the best interest of the Company. NICE has put in place a policy to ensure that a director must refrain from discussion or voting on matters of potential conflict of interests. In every Board meeting each member is formally requested to declare if there is any actual, potential or perceived conflict of interest, which may not allow him/her to participate in the meeting.

### Committees of the Board

Subject to fundamental, strategic, policy and formal matters reserved for its decision, the Board has delegates some of its responsibilities to a number of standing committees which operate within defined terms of reference laid down by the Board in the Board Charter. Accordingly, the Board has two standing committees and may appoint an ad-hoc committee whenever a need arises.



# CHAIRMAN'S STATEMENT (CONTINUED)

## • Risk, Audit and Compliance Committee

The Committee meets four times a year or as necessary. Its responsibilities include review of financial information, evaluation of compliance and effectiveness of internal controls in liaison with the internal auditor and the help and advice of the external auditor. It reviews and monitors overall risk tolerance and risk appetite. The Committee is made up of three members of the Board. The Chief Executive Officer, the Finance and Investment Manager, the Technical Manager, the Risk and Compliance Officer, the Internal Auditor, the External Auditor and when necessary, the Legal Advisor attend all meetings of the Committee.

The current members of the Committee are: Mr. Ghebreberhan Mehreteab (Chairperson), Mr. Abraha Tuccu and Mrs. Almaz Lijam

## • Strategy and Investment Committee

The Committee meets twice a year or as necessary. Its responsibility include reviewing issues pertaining to strategy and investment. It sets investment benchmark, monitors and reviews performance and recommends on any strategic equity investments.

Currently members of the Committee are Mr. Woldeyesus Elisa (chairperson) and Mr. Ghebregus Zere.

## APPROVAL OF THE FINANCIAL STATEMENTS AND APPROPRIATION OF RESULTS

The Board of Directors approved the audited financial statements as at 31st December 2020 in its meeting held on 30th April 2021. Now the Board proposes to the Annual General Meeting of the Shareholders of the Company scheduled to be held on 5th June 2021 to approve the unappropriated profit as distributed as follows:

- Nakfa 4,667,585 to Special Reserve
- Nakfa 9,335,171 to Technical Reserve
- Nakfa 85,029,767 to be paid as dividend at the rate of Nakfa 8.123097 (2019 was Nakfa 8.296601) for a fully paid-up share capital (inclusive of bonus shares).

## Outlook for 2021

Our outlook of the year 2020 reported in our previous year's Annual Report advised the Shareholders to expect the worst-case scenarios considering the unpredictability of the effects of COVID-19,

particularly on economic environment - namely, prospects for growth and profitability in our underwriting and investment portfolios. The lines of business hit the hardest by the effects of the crisis were event cancellation and business interruption covers which do not hold significant percentages in our business. Accordingly, its overall effect was not as much in 2020 specially if we compare the bottom-line figures of Net Profit with the last year's even though a decline in the global insurance market of 1.4% in 2020 after the increases of 2.3% reported in 2019 and 4.8% in 2018. Consequently, projections for 2021 and the following years are, for their part, put on stand-by or revised downwards globally. Likewise, our stakeholder's expectation should be based on the financial and economic realities of the long-term effects of the pandemic in the coming years.

## APPRECIATION

On behalf of the Board, it is a privilege for me to express my sincere gratitude to our clients, reinsurers, brokers, business partners and the underwriting agents for the business, support, patience and understanding during the uncertain and testing times. Greater responsibilities require increased commitments of time and energy; I, therefore, acknowledge and appreciate the management and staff of the Company for their loyalty, sacrifice and hard work without which these results would not have been possible. It is well known that the unprecedented challenges faced demanded practical optimistic leadership qualities which are not lacking in our NICE.

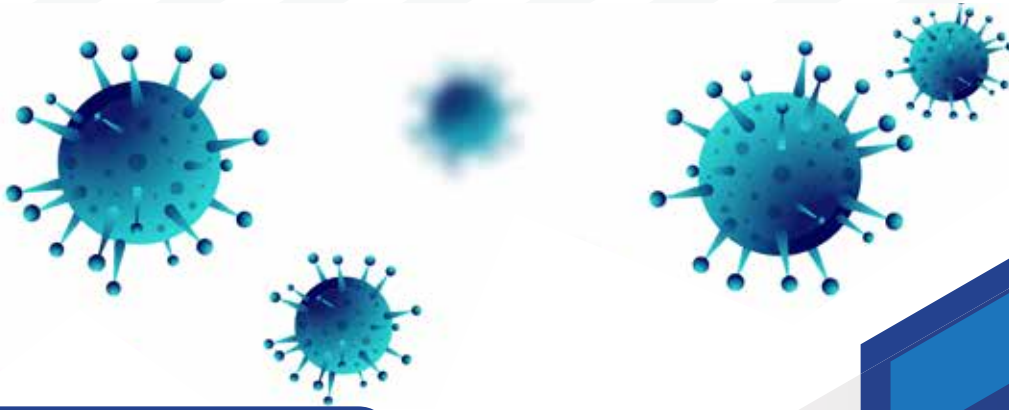
I would also like to acknowledge with appreciation my colleagues in the Board for their constructive input, guidance and support in a broader range of matters.

Finally, allow me to seize this opportunity to thank our Regulator (The Bank of Eritrea) for its guidance and continued cooperation and support.



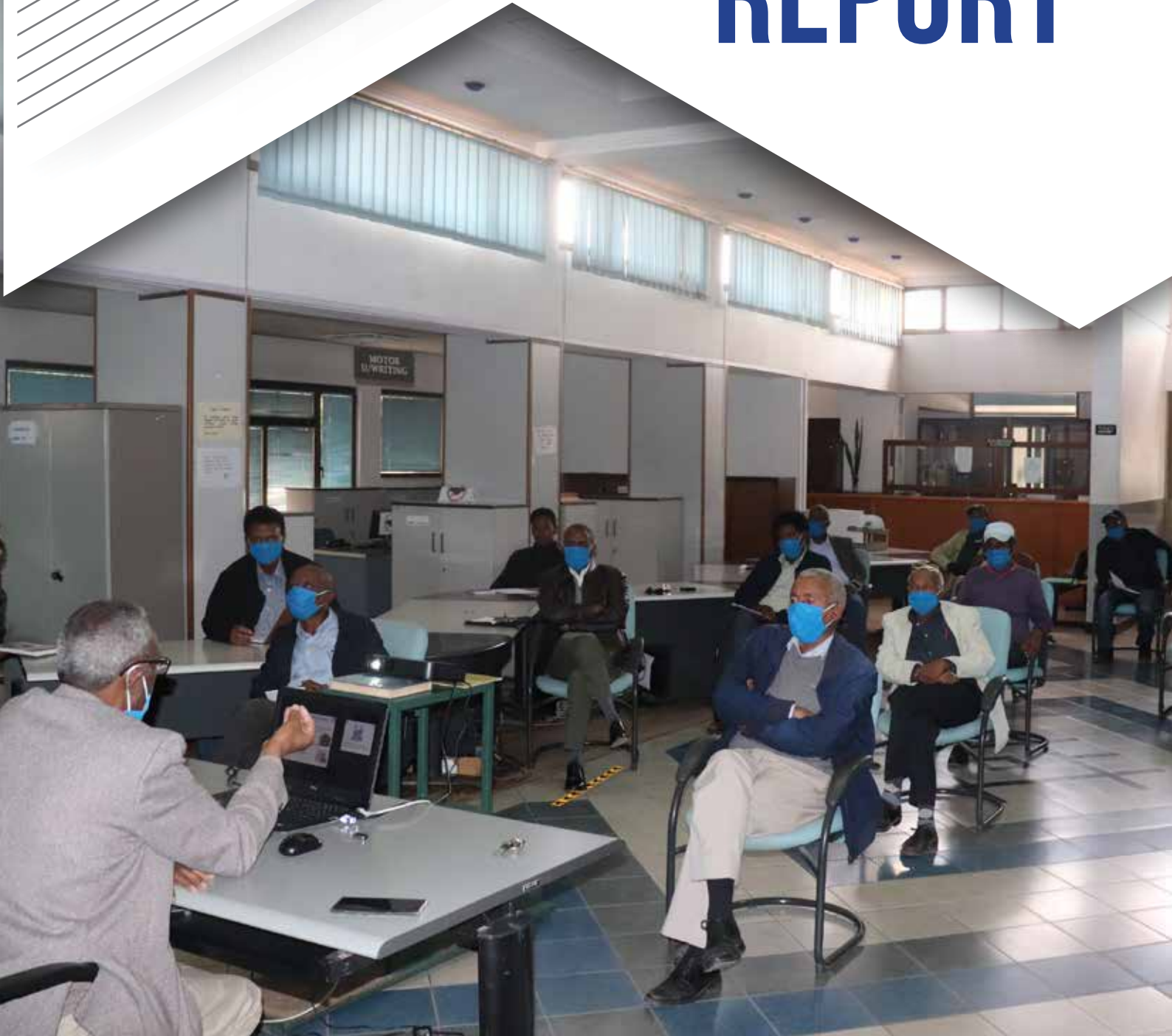
**Ghirmai Ghebremeskel**  
Chairman





NICE in action during the  
global pandemic crisis

# BRIEF MANAGEMENT REPORT



This report is designed to provide an overview of the Company's performance, focusing on the key operational activities of premium, claims, reinsurance and expense for the 2020 financial year. This year witnessed unique challenges brought about by COVID-19 and related effects. This result has been achieved whilst operating under the extremely challenging circumstances of COVID-19. The reports will, accordingly, endeavor to reflect its impact in all the above-mentioned activities. The company has been applying prudent underwriting policy and adheres to the best practice and good governance principles despite all the consequential effects of COVID-19 in the year under review. Undoubtedly, the strict lock down of movement of vehicles implemented by the government due to pandemic has grossly contributed to record the lowest ever claims figure.

The table below provides a summary of the key performance movements in the last ten years.

## FINANCIAL & TECHNICAL HIGHLIGHTS (NON-LIFE) 2011 – 2020 (IN '000 NAKFA)

DESCRIPTION	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gross Premium	183,289	221,093	217,015	222,288	271,918	265,389	253,417	247,277	235,512	221,782
Net Written Premium	118,672	136,692	147,044	159,605	190,587	196,986	182,935	177,059	165,837	146,591
Net Premium Earned	115,951	135,612	146,359	156,992	183,864	193,034	186,545	180,786	172,328	148,574
Net Claims Incurred	50,781	47,073	55,790	64,734	53,175	57,685	43,445	27,824	33,735	7,577
Operating Expenses	26,514	23,243	24,034	23,995	27,081	25,834	25,392	26,768	23,892	24,218
Management expenses	11,712	13,470	14,275	13,672	16,968	15,751	14,219	15,532	14,349	14,724
Mgt expenses to Gross premium ratio	6.4%	6.1%	6.6%	6.2%	6.2%	5.9%	5.6%	6.3%	6.1%	6.6%
Profit before tax	66,342	83,127	91,546	96,230	124,467	129,914	141,622	149,654	145,835	143,347
Net Profit	42,680	53,386	59,142	62,816	78,519	82,783	91,849	96,672	95,488	93,352
Property & Equipment	277,548	272,070	268,292	261,982	253,710	247,806	241,872	233,661	226,868	218,174
Investments	95,869	92,454	164,359	168,036	174,352	288,227	314,090	343,288	336,639	359,636
Proposed Dividend	47,074	51,059	52,994	55,934	70,721	76,046	83,753	87,852	86,846	85,030
Share holders Fund	435,277	441,589	449,672	459,493	483,295	612,476	628,519	667,416	665,792	694,180



## GROSS WRITTEN PREMIUM

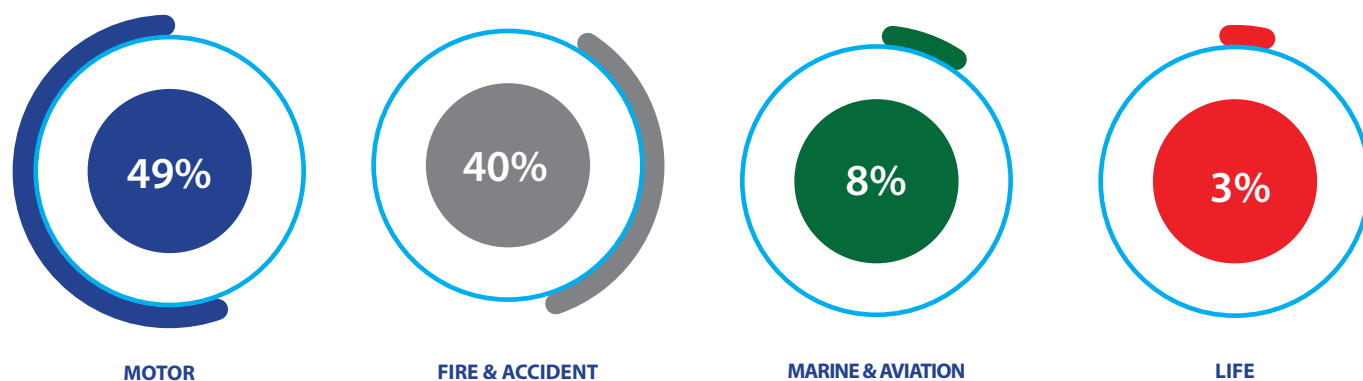
During the year under review the gross premium income produced from non-life business was Nakfa 221.8 million which is less by 5.8% when compared to that of 2019. Our gross premium from life business amounted to Nakfa 7.6 million which showed a decrease of 8.4% when compared with that of 2019 (Nakfa 8.3 million). As can be noted from the table below Motor class of business, as usual, has remained to be the dominant business with a share of 49%.

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

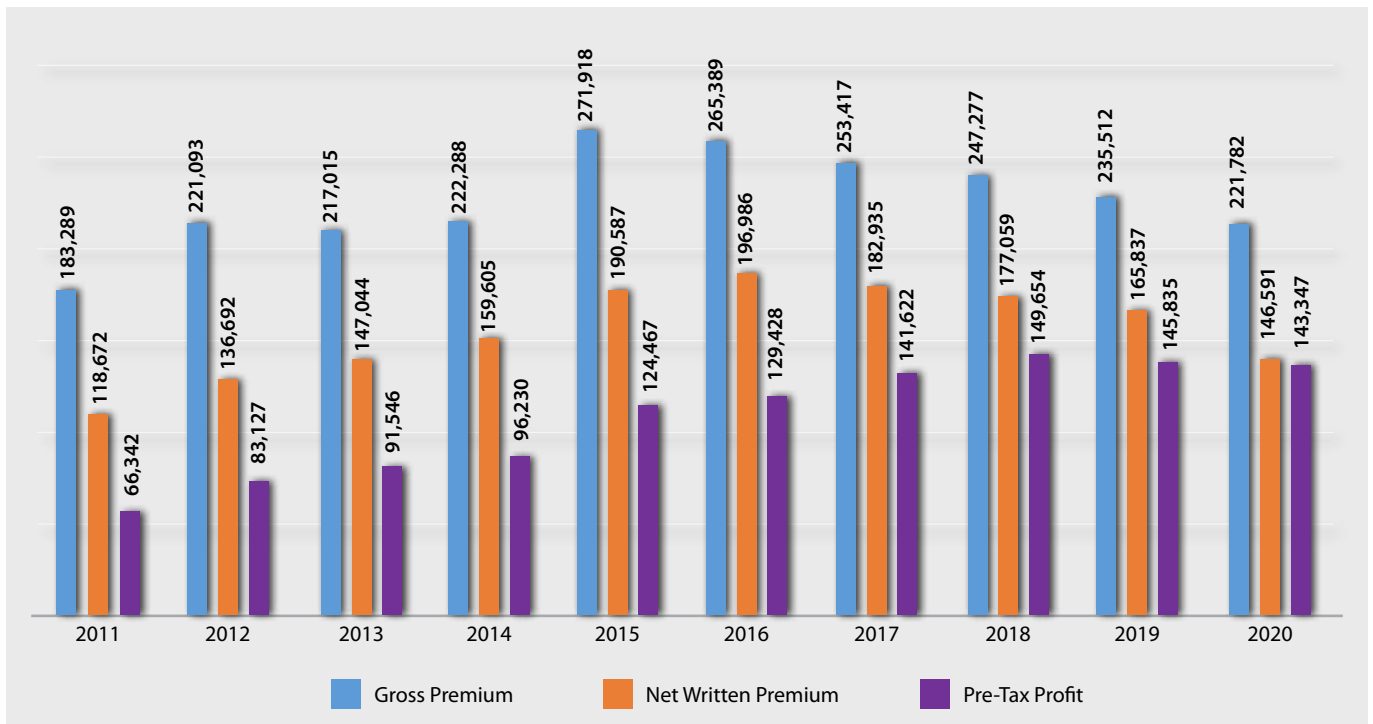
## GROSS PREMIUM INCOME (IN 000' NAKFA)

BUSINESS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
MOTOR	87,176	103,412	113,022	124,493	154,624	161,834	147,909	141,052	132,586	112,198
FIRE & ACCIDENT	65,533	86,253	77,626	80,416	88,327	86,410	81,585	81,998	87,107	91,531
MARINE & AVIATION	30,580	31,428	26,367	17,379	28,966	17,145	23,923	24,226	15,819	18,053
TOTAL NON-LIFE	183,289	221,093	217,015	222,288	271,917	265,389	253,417	247,276	235,512	221,782
LIFE	2,610	2,298	2,725	2,450	2,857	4,261	3,429	3,404	8,274	7,580
GRAND TOTAL	185,899	223,391	219,740	224,738	274,774	269,650	256,846	250,680	243,786	229,362

## PREMIUM DISTRIBUTION 2020



## DEVELOPMENT OF PREMIUMS AND PROFITS



## CLAIMS

The total claims incurred during the year under review amounted to Nakfa 7.6 million showing 77.5% decrease against the corresponding period of 2019 which was Nakfa 33.7 million. Consequently, the overall claims ratio has decrease from 20% in 2019 to 5% in 2020. The significant change in the total claims incurred was as a result of the strict restriction of movement of vehicles due to the pandemic and thereby a decrease in accidents which led to less claims record.

Comparison of the loss ratios of the company for the years 2020 and 2019 is as stated below.

## LOSS RATIO 2020 AND 2019 (NET FOR THE COMPANY) (IN '000' NAKFA)

BUSINESS	2020			2019		
	PREMIUM EARNED	CLAIMS INCURRED	LOSS RATIO	PREMIUM EARNED	CLAIMS INCURRED	LOSS RATIO
MOTOR	114,916	8,873	8%	133,571	27,430	20%
MARINE	1,730	45	3%	3,425	32	1%
FIRE	6,441	(1,546)	-	7,871	3,360	43%
WORKMEN	8,545	(618)	-	11,919	2,650	22%
ACCIDENT	16,942	823	5%	15,542	263	2%
<b>TOTAL</b>	<b>148,574</b>	<b>7,577</b>	<b>5%</b>	<b>172,328</b>	<b>33,735</b>	<b>20%</b>



## UNDERWRITING RESULTS

In the year under review the net underwriting result was Nakfa 141.8 million increased by 1% when compared to Nakfa 140.6 million in 2019. As can be shown from the table below, the increase in underwriting result mainly came from fire and motor class of business compared to the previous year's results.

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

BUSINESS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
MOTOR	33,464	55,030	55,442	51,251	86,997	95,428	105,366	117,985	98,314	<b>100,052</b>
MARINE & AVIATION	2,947	7,888	5,647	9,171	5,626	6,878	6,534	4,384	4,049	<b>3,431</b>
FIRE	8,634	6,786	7,349	9,760	10,733	7,430	11,463	9,610	7,957	<b>10,087</b>
WORKMEN	8,329	4,120	6,163	5,910	7,662	6,908	7,002	7,022	8,708	<b>8,803</b>
ACCIDENT	11,110	10,995	11,683	12,421	13,610	14,498	13,077	12,676	21,621	<b>19,404</b>
<b>TOTAL</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>	<b>140,649</b>	<b>141,777</b>

## REINSURANCE COST

The Company's rate of retention has dropped from 70.4% in 2019 to 66.1% in the year under review. Large risks, such as mining projects, and bulk marine shipments require the involvement of reinsurers at higher share. However, 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 2011– 2020 (IN '000' ERN)

YEAR	GROSS PREMIUM	PREMIUM CEDED	PREMIUM RETAINED	RATE OF RETENTION
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%
2018	247,277	70,218	177,059	71.6%
2019	235,512	69,675	165,837	70.4%
<b>2020</b>	<b>221,782</b>	<b>75,191</b>	<b>146,591</b>	<b>66.1%</b>



## MANAGEMENT EXPENSES

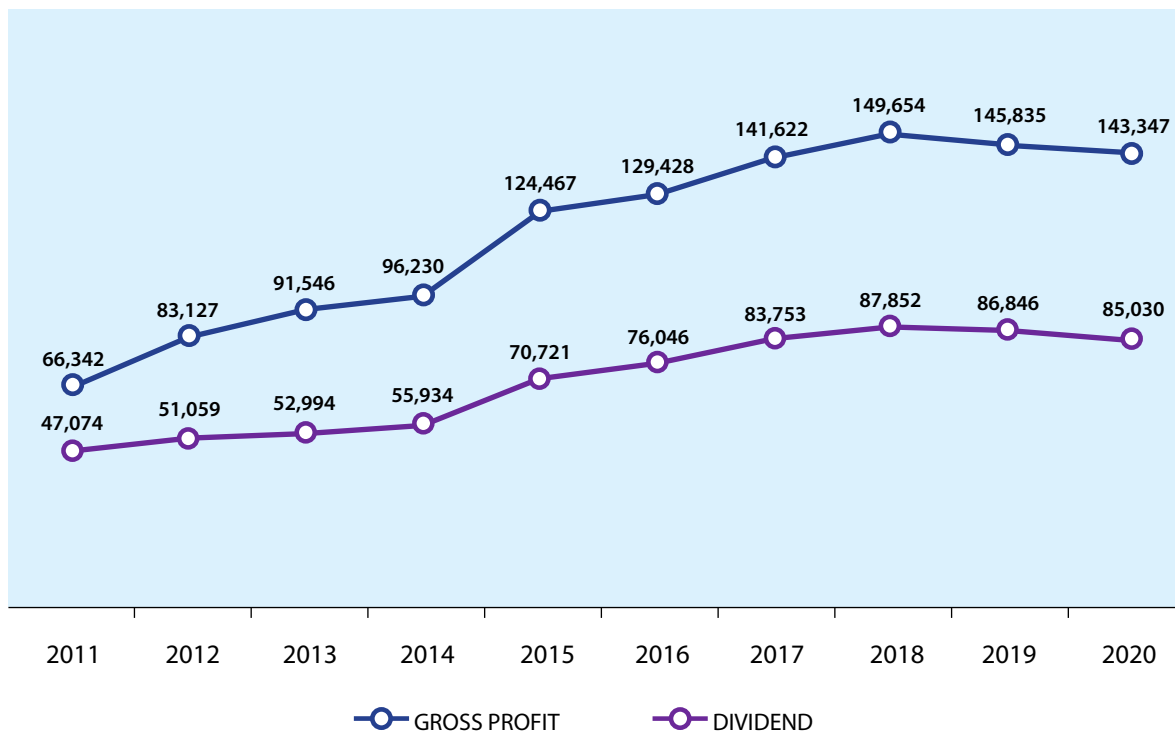
During the financial year ending 31st December 2020, the total operating and management expenses was Nakfa 24.2 million (in 2019 was Nakfa 23.9 million). The management expenses charged to revenue account amounting to Nakfa 14.7 million (in 2019 was 14.4 million). The remaining Nakfa 9.5 million was charged to statement of profit or loss.

The ratio of management expenses to gross premium was 6.6% (in 2019 was 6.1%) 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.

## PROFIT

The profit before tax in the year under review was Nakfa 143.3 million (in 2019 was 145.8 million) resulting in a net profit of Nakfa 93.4 million (in 2019 was 95.5 million). This year's profit is the result of the gain secured from operational activities and dividends from investments. Accordingly, the Board of Directors have recommended a dividend of Nakfa 85 million (in 2019 was Nakfa 86.8 million) for distribution to shareholders.

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



# STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The 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 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.



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Chairman



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Director

14 April 2021



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አሰመራ-ኤርትራ**

Audit Services Corporation (Asmara - Eritrea)

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

Tel: 120814  
202030  
Fax: 125756

14 April 2021

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

**Opinion**

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 2020, statement of profit or loss, statements of changes in equity and statement of cash flows for the year then ended and significant accounting policies and other explanatory notes.

In our opinion, the financial statements, set out on pages 19 to 38 present fairly, in all material respects, the financial position of the National Insurance Corporation of Eritrea Share Company at 31 December 2020 and the results of its financial performance and its cash flows for the year then ended in conformity with International Financial Reporting Standards (IFRSs) and comply with the 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.

**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 ethical requirement that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as the management determines necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance 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.



# INDEPENDENT AUDITOR'S REPORT TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

As part of an audit in accordance with international auditing standards, 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 management.
- Conclude on the appropriateness of the management's 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

*Audit Services Corporation*





# FINANCIAL STATEMENTS



Protecting business employees and customers in times of Pandemic

# STATEMENT OF FINANCIAL POSITION

## AT 31 DECEMBER 2020

### ASSETS

#### Current assets

Cash and bank balances	
Trade and other receivables	
Related party receivables	
Due from reinsurers	

#### Non-current assets

Investments	
Property and equipment	
Intangible assets	

#### Total assets

### LIABILITIES, CAPITAL AND RESERVES

#### Current liabilities

Trade and other payables	
Provision for taxation	
Dividend payable	
Due to reinsurers	
Insurance fund	

#### Non-current liabilities

Employee benefits and obligations	
-----------------------------------	--

#### Capital and reserves

Share capital	
Legal reserve	
Revaluation reserve	
Technical reserve	
Investment reserve	
Special reserve	
Retained earnings	
Unappropriated profit	

Life insurance fund	
---------------------	--

#### Total liabilities, capital and reserves


Currency: Eritrean Nakfa		
Notes	2020	2019
	317,255,686	320,721,522
4	53,199,531	61,084,526
5	7,049,271	7,538,375
	6,589,581	817,324
	<b>384,094,069</b>	<b>390,161,747</b>
6	366,566,110	346,076,213
7	213,156,048	219,147,942
8	5,018,099	7,720,083
	584,740,257	572,944,238
	<b>968,834,326</b>	<b>963,105,985</b>
9	34,589,367	19,134,723
10	49,628,134	49,995,094
11	10,524,552	11,761,850
12	21,251,927	38,581,500
13	109,572,126	129,420,025
	225,566,106	248,893,192
14	<b>12,526,557</b>	<b>12,322,538</b>
15	104,676,540	104,676,540
16	20,935,308	20,935,308
	208,574,329	214,255,146
17	80,549,282	71,214,111
	153,545,726	132,453,599
18	37,239,417	32,571,832
	3,629,372	2,839,125
	85,029,767	86,845,951
	694,179,741	665,791,612
19	36,561,922	36,098,643
	<b>968,834,326</b>	<b>963,105,985</b>

The statement of financial position is to be read in conjunction with the notes, set out on pages 28 to 38, forming part of the financial statements.

The financial statements, set out on pages 19 to 38, were approved by the Board of Directors on 30 April 2021 and were signed on its behalf by:

  
Chairman



  
Chief Executive Officer



# STATEMENT OF PROFIT OR LOSS

## FOR THE YEAR ENDED 31 DECEMBER 2020

		Currency: Eritrean Nakfa	
	Notes	2020	2019
<b>Revenue</b>			
Surplus from underwriting		141,777,463	140,649,414
Other income	20	3,483,365	6,871,478
		<b>145,260,828</b>	<b>147,520,892</b>
<b>Expenses</b>			
Depreciation and Amortization	7(b) & 8	9,180,159	8,783,554
General assembly and Board of Directors meetings		146,229	591,525
Audit fee		168,000	168,000
		<b>9,494,388</b>	<b>9,543,079</b>
		<b>135,766,440</b>	<b>137,977,813</b>
<b>Profit from operations</b>			
Office rent income		646,308	696,057
Investment income		6,690,246	7,052,244
Management fee		120,000	120,000
Exchange rate differences	3(b)	347,969	(47,969)
Cost of finance		(223,975)	(158,719)
Gain on disposal of equipment		-	195,261
		<b>7,580,548</b>	<b>7,856,874</b>
		<b>143,346,988</b>	<b>145,834,687</b>
<b>Profit before taxation</b>		<b>143,346,988</b>	<b>145,834,687</b>
Provision for taxation	10	49,995,282	50,346,295
<b>Net profit after taxation</b>		<b>93,351,706</b>	<b>95,488,392</b>

The statement of profit or loss is to be read in conjunction with the notes, set out on pages 28 to 38, forming part of the financial statements.



# UNDERWRITING REVENUE ACCOUNT

## FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Currency: Eritrean Nakfa	
		2020	2019
<b>INCOME</b>			
<b>Gross premiums</b>		221,782,134	235,511,770
Premiums ceded		75,191,065	69,675,037
Net premiums		146,591,069	165,836,733
Changes in unearned premiums		(1,983,223)	(6,491,555)
Premiums earned		<b>148,574,292</b>	<b>172,328,288</b>
<b>Reinsurance commissions</b>			
Ceding commission		12,988,258	15,678,645
Profit commission		1,148,501	358,193
		14,136,759	16,036,838
<b>Total income</b>		<b>162,711,051</b>	<b>188,365,126</b>
<b>OUTGO</b>			
Gross claims paid		51,352,580	62,990,707
Claims ceded		27,293,550	25,361,590
Net claims paid		24,059,030	37,629,117
Changes in outstanding claims		(16,482,110)	(3,894,449)
Net claims incurred		7,576,920	33,734,668
Changes in technical provision		(1,924,566)	(1,122,260)
Commission		557,062	754,749
<b>Total outgo</b>		<b>6,209,416</b>	<b>33,367,157</b>
Management expenses	21	14,724,172	14,348,555
		20,933,588	47,715,712
<b>Underwriting surplus</b>		<b>141,777,463</b>	<b>140,649,414</b>

The underwriting revenue account is to be read in conjunction with the notes, set out on pages 28 to 38, forming part of the financial statements.



# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital	Legal Reserve	Technical Reserve	Revaluation Reserve	Retained Earnings	Investment Reserve	Special Reserve	Unappropriated Profit	Total
<b>At 01 January 2019</b>	<b>104,676,540</b>	<b>20,935,308</b>	<b>61,665,272</b>	<b>219,935,963</b>	<b>2,330,812</b>	<b>142,223,054</b>	<b>27,797,413</b>	<b>87,851,646</b>	<b>667,416,008</b>
Net profit after tax	-	-	-	-	-	-	-	95,488,392	95,488,392
Transfer to technical reserve	-	-	9,548,839	-	-	-	-	(9,548,839)	-
Transfer to special reserve	-	-	-	-	-	-	4,774,419	(4,774,419)	-
Adjustment to investment reserve	-	-	-	-	-	(9,769,455)	-	-	(9,769,455)
Excess depreciation realised	-	-	-	(5,680,817)	-	-	-	5,680,817	-
Dividend paid from Retained earnings	-	-	-	-	(110,065)	-	-	-	(110,065)
Transfer from dividend payable	-	-	-	-	618,378	-	-	-	618,378
Transfer to dividend payable	-	-	-	-	-	-	-	(87,851,646)	(87,851,646)
<b>At 01 January 2020</b>	<b>104,676,540</b>	<b>20,935,308</b>	<b>71,214,111</b>	<b>214,255,146</b>	<b>2,839,125</b>	<b>132,453,599</b>	<b>32,571,832</b>	<b>86,845,951</b>	<b>665,791,612</b>
Net profit after tax	-	-	-	-	-	-	-	93,351,706	93,351,706
Transfer to technical reserve	-	-	9,335,171	-	-	-	-	(9,335,171)	-
Transfer to special reserve	-	-	-	-	-	-	4,667,585	(4,667,585)	-
Adjustment to investment reserve	-	-	-	-	-	21,092,127	-	-	21,092,127
Excess depreciation realised	-	-	-	(5,680,817)	-	-	-	5,680,817	-
Dividend paid from Retained earnings	-	-	-	-	(94,150)	-	-	-	(94,150)
Transfer from Dividend payable	-	-	-	-	884,397	-	-	-	884,397
Transfer to dividend payable	-	-	-	-	-	-	-	(86,845,951)	(86,845,951)
<b>At 31 December 2020</b>	<b>104,676,540</b>	<b>20,935,308</b>	<b>80,549,282</b>	<b>208,574,329</b>	<b>3,629,372</b>	<b>153,545,726</b>	<b>37,239,417</b>	<b>85,029,767</b>	<b>694,179,741</b>

The statement of changes in equity is to be read in conjunction with the notes, set out on pages 28 to 38, forming part of the financial statements.



# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2020

Currency: Eritrean Nakfa		
Notes	2020	2019
<b>Cash flows from operating activities</b>		
	143,346,988	145,834,687
Net profit before taxation		
Adjustments for:		
Depreciation	7(b) 6,478,175	6,579,232
Amortization	8 2,701,984	2,204,322
Gain on disposal of equipment	-	(195,261)
Investment income	(6,690,246)	(7,052,244)
<b>Operating profit before changes on working capital</b>		
	145,836,901	147,370,736
Decrease/ (Increase) in trade and other receivables		
	7,884,995	(15,165,728)
Decrease in related party receivables		
	489,104	4,472,335
(Increase)/ Decrease in amounts due from reinsurers		
	(5,772,257)	88,511
Increase/ (Decrease) in trade and other payables		
	15,454,644	(2,590,866)
(Decrease)/ Increase in amounts due to reinsurers		
	(17,329,573)	8,028,301
(Decrease) in insurance funds		
	(19,847,899)	(11,134,889)
<b>Cash generated from operations</b>		
	126,715,915	131,068,400
Profit tax paid		
	10 (50,362,242)	(52,982,604)
Dividend paid		
	11 (87,293,002)	(84,282,547)
<b>Net cash (used)/flows from operating activities</b>		
	(10,939,329)	(6,196,751)
<b>Cash flows from investing / financing activities</b>		
Purchase of property and equipment		
	7(b) (486,281)	(667,100)
Proceeds from disposal of equipment		
	7(b) -	195,261
Purchase of intangible assets		
	8 -	(1,323,366)
Increase in life insurance fund		
	19 463,279	3,403,336
Investment income		
	6,690,246	7,052,244
(Increase)/ Decrease in investments		
	5 (20,489,897)	9,157,455
Increase /(Decrease) in investment reserve		
	21,092,127	(9,769,455)
Increase in employee benefits and obligation`s		
	204,019	927,135
<b>Net cash flow from investing / financing activities</b>		
	7,473,493	8,975,510
<b>Net increase in cash and bank balances</b>		
	(3,465,836)	2,778,759
Cash and bank balances at the beginning of the year		
	320,721,522	317,942,763
Cash and bank balances at the end of the year		
	<b>317,255,686</b>	<b>320,721,522</b>

The statement of cash flows is to be read in conjunction with the notes, set out on pages 28 to 38, forming part of the financial statements.



# STATEMENT OF FINANCIAL POSITION-NON-LIFE

## AT 31 DECEMBER 2020

National Insurance Corporation of Eritrea Share Company  
Annual Report & Financial Statements 2020

### ASSETS

#### Current assets

Cash and bank balances		282,914,559	289,021,918
Trade and other receivables	4	52,085,884	60,448,674
Related party receivables	5	7,049,271	7,538,375
Due from reinsurers		6,155,723	817,324
		<b>348,205,437</b>	<b>357,826,291</b>

#### Non – current assets

Investment	6	359,635,512	336,638,730
Property and equipment	7	213,156,047	219,147,941
Intangible assets	8	5,018,099	7,720,083
		<b>577,809,658</b>	<b>563,506,754</b>

#### Total assets

**926,015,095**      **921,333,045**

### LIABILITIES, CAPITAL AND RESERVES

#### Current liabilities

Trade and other payables	9	32,478,487	16,114,703
Provision for taxation	10	49,628,134	49,995,094
Dividend payable	11	10,524,552	11,761,850
Due to reinsurers	12	19,229,850	37,427,042
Insurance funds	13	108,225,760	128,615,659
		<b>220,086,783</b>	<b>243,914,348</b>

#### Non – current liabilities

Employee benefits and obligations	14	11,748,571	11,627,085
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#### Capital and reserves

Share capital	15	104,676,540	104,676,540
Legal reserve	16	20,935,308	20,935,308
Revaluation reserve		208,574,329	214,255,146
Technical reserve	17	80,549,282	71,214,111
Investment reserve		153,545,726	132,453,599
Special reserve	18	37,239,417	32,571,832
Retained earnings		3,629,372	2,839,125
Unappropriated profit		85,029,767	86,845,951
		<b>694,179,741</b>	<b>665,791,612</b>

#### Total liabilities, capital and reserves

**926,015,095**      **921,333,045**

The statement of financial position is to be read in conjunction with the notes, set out on pages 28 to 38, forming part of the financial statements.



# STATEMENT OF FINANCIAL POSITION-LIFE

## AT 31 DECEMBER 2020

### ASSETS

#### Current assets

Cash and bank balances			
Trade and other receivables	4		
Due from reinsurers			

#### Non-current assets

Investment	6		
Furniture and equipment	7		

#### Total assets

#### Current liabilities

Trade and other payables	9		
Outstanding claims (Net)	13		
Due to reinsurers			

#### Non-current liabilities

Employee benefits and obligations	14		
Life Insurance Fund	19		

#### Total liabilities and funds

Currency: Eritrean Nakfa			
Notes	2020	2019	
	34,341,127	31,699,604	
4	1,113,647	635,852	
	433,858	-	
	35,888,632	32,335,456	
	6,930,598	9,437,483	
7	1	1	
	6,930,599	9,437,484	
	42,819,231	41,772,940	
	2,110,880	3,020,020	
13	1,346,366	804,366	
	2,022,077	1,154,458	
	5,479,323	4,978,844	
	777,986	695,453	
19	36,561,922	36,098,643	
	37,339,908	36,794,096	
	42,819,231	41,772,940	

The statement of financial position is to be read in conjunction with the notes, set out on pages 28 to 38, forming part of the financial statements.



## UNDERWRITING REVENUE ACCOUNT-LIFE FOR THE YEAR ENDED 31 DECEMBER 2020

### INCOME

Gross premiums	
Premiums ceded	
Net premiums collected	
Commission	

### Total income

### OUTGO

Gross claims paid	
Claims ceded	
Net claims paid	
Commission	
Change in outstanding claims	
Others	

### Total outgo

Management expenses	
---------------------	--

### Underwriting surplus

Interest income	
Other income	

### Expenses

Depreciation	
Cost of finance	
Audit fee	

### Net operating surplus

Insurance fund at 01 January 2020	
Insurance fund at 31 December 2020	

Currency: Eritrean Nakfa		
Notes	2020	2019
	7,580,083	8,273,763
	5,125,419	3,210,671
	2,454,664	5,063,092
	1,400,966	836,606
	3,855,630	5,899,698
	4,861,605	3,506,181
	3,060,000	1,165,000
	1,801,605	2,341,181
	14,398	17,611
	542,000	373,375
	1,913	9,198
	2,359,916	2,741,365
21	1,332,261	322,590
	3,692,177	3,063,955
	163,453	2,835,743
	309,144	570,112
	17	68
	472,614	3,405,923
	-	-
	1,335	1,287
	8,000	1,300
	9,335	2,587
	463,279	3,403,336
	36,098,643	32,695,307
19	36,561,922	36,098,643

The underwriting revenue account is to be read in conjunction with the notes, set out on pages 28 to 38, forming part of the financial statements.





# NOTES TO THE FINANCIAL STATEMENTS



Our business; Prevailing during the pandemic

## 1. GENERAL INFORMATION

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. ACCOUNTING POLICIES

Adaption of new and revised International Financial Reporting Standards (IFRS)

*New standards and amendments to published standards effective for the year ended 31 December 2020*

New and revised standards in the current year are not expected to have a material impact on amounts reported in the Company's financial statements. Therefore, the Company does not plan to adopt these standards early.

## 3. 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 7(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 at a fair value at each 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 and approved.

### (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.

Provision for unexpired risks

- (i) (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.

### (i) 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.

### (j) 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.

### (k) 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.



#### 4. TRADE AND OTHER RECEIVABLES

	Currency: Eritrean Nakfa					
	31 December 2020			31 December 2019		
	Non-life	Life	Total	Non-life	Life	Total
Trade receivables	53,652,833	1,100,235	54,753,068	66,082,671	622,499	66,705,170
Other receivables	4,365,483	13,412	4,378,895	298,435	13,353	311,788
	58,018,316	1,113,647	59,131,963	66,381,106	635,852	67,016,958
Less: Provision for doubtful receivables	(5,932,432)	-	(5,932,432)	(5,932,432)	-	(5,932,432)
	52,085,884	1,113,647	53,199,531	60,448,674	635,852	61,084,526

#### 5. 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 2020			31 December 2019		
	Non-life	Life	Total	Non-life	Life	Total
Roof Garden Restaurant	409,616	-	409,616	342,508	-	342,508
Shishay Feed Plant	2,993,729	-	2,993,729	4,516,401	-	4,516,401
New Sudan Insurance	2,425,725	-	2,425,725	1,673,700	-	1,673,700
Shemshemiya Commercial Farm	1,220,201	-	1,220,201	1,005,766	-	1,005,766
	7,049,271	-	7,049,271	7,538,375	-	7,538,375

#### 6. INVESTMENTS

(a) These are made up of:

	31 December 2020			31 December 2019		
	Non-life	Life	Total	Non-life	Life	Total
<b>Available for sale</b>						
African Reinsurance Corporation	85,800,465	-	85,800,465	83,006,055	-	83,006,055
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.	153,357,052	-	153,357,052	133,154,680	-	133,154,680
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
	356,935,512	-	356,935,512	333,938,730	-	333,938,730
<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	-	1,930,598	1,930,598	-	1,937,483	1,937,483
Loans to financial institutions	-	5,000,000	5,000,000	-	7,500,000	7,500,000
	2,700,000	6,930,598	9,630,598	2,700,000	9,437,483	12,137,483
	359,635,512	6,930,598	366,566,110	336,638,730	9,437,483	346,076,213



- (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 2021.
- (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.

## 7. PROPERTY AND EQUIPMENT

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

	Currency: Eritrean Nakfa					
	31 December 2020			31 December 2019		
	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	10,833,995	55,963	10,889,958	10,771,080	55,963	10,827,043
Computers	6,980,569	31,906	7,012,475	6,851,408	31,906	6,883,314
Motor vehicles and cycles	9,334,999	-	9,334,999	9,334,999	-	9,334,999
Text books	83,360	-	83,360	83,360	-	83,360
	404,020,139	87,869	404,108,008	403,828,063	87,869	403,915,932
<b>DEPRECIATION</b>						
Buildings	166,492,520	-	166,492,520	160,771,762	-	160,771,762
Furniture and equipment	9,549,383	55,963	9,605,346	9,161,319	55,963	9,217,282
Computers	5,925,916	31,905	5,957,821	5,862,071	31,905	5,893,976
Motor vehicles and cycles	8,812,945	-	8,812,945	8,801,642	-	8,801,642
Text books	83,328	-	83,328	83,328	-	83,328
	190,864,092	87,868	190,951,960	184,680,122	87,868	184,767,990
<b>CARRYING AMOUNT</b>						
Buildings	210,294,696	-	210,294,696	216,015,454	-	216,015,454
Furniture and equipment	1,284,612	-	1,284,612	1,609,761	-	1,609,761
Computers	1,054,653	1	1,054,654	989,337	1	989,338
Motor vehicles and cycles	522,054	-	522,054	533,357	-	533,357
Text books	32	-	32	32	-	32
	213,156,047	1	213,156,048	219,147,941	1	219,147,942

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

	Cost/Revaluation			Depreciation		
	Additions	Transfers	Disposal	Additions	Transfers	Disposal
Non-Life	486,281	-	294,205	6,478,175	-	294,205
Life	-	-	-	-	-	-
	486,281	-	294,205	6,478,175	-	294,205

- (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.



### 8. INTANGIBLE ASSETS

	Currency: Eritrean Nakfa					
	31 December 2020			31 December 2019		
	Computer software	Computer software in progress	Total	Computer software	Computer software in progress	Total
<b>COST/VALUATION</b>						
At 01 January 2020	17,247,085	-	17,247,085	15,923,719	-	15,923,719
Additions	-	-	-	1,323,366	-	1,323,366
Transfer from software in progress	-	-	-	-	-	-
At 31 December 2020	17,247,085	-	17,247,085	17,247,085	-	17,247,085
<b>AMORTIZATION</b>						
At 01 January 2020	9,527,002	-	9,527,002	7,322,680	-	7,322,680
Additions	2,701,984	-	2,701,984	2,204,322	-	2,204,322
Transfer from software in progress	-	-	-	-	-	-
At 31 December 2020	12,228,986	-	12,228,986	9,527,002	-	9,527,002
<b>CARRYING AMOUNT</b>	<b>5,018,099</b>	<b>-</b>	<b>5,018,099</b>	<b>7,720,083</b>	<b>-</b>	<b>7,720,083</b>

### 9. TRADE AND OTHER PAYABLES

	Currency: Eritrean Nakfa					
	31 December 2020			31 December 2019		
	Non-life	Life	Total	Non-life	Life	Total
Trade payables	28,835,465	1,932,769	30,768,234	13,192,595	2,903,365	16,095,960
Other payables	2,981,156	132,349	3,113,505	2,272,091	97,020	2,369,111
Accruals	661,866	45,762	707,628	650,017	19,635	669,652
	<b>32,478,487</b>	<b>2,110,880</b>	<b>34,589,367</b>	<b>16,114,703</b>	<b>3,020,020</b>	<b>19,134,723</b>

### 10. PROVISION FOR TAXATION

a) This is made up of:

	Currency: Eritrean Nakfa			
	Profit Tax	Municipal Tax	Rent income Tax	Total
Balance at 01 January 2020	43,554,159	5,510,469	930,466	49,995,094
Less: Payments made during the year	44,256,465	5,900,862	204,915	50,362,242
	(702,306)	(390,393)	725,551	(367,148)
Add: Current year's provision	43,958,994	5,861,199	175,089	49,995,282
Balance at 31 December 2020	<b>43,256,688</b>	<b>5,470,806</b>	<b>900,640</b>	<b>49,628,134</b>

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



### 11. DIVIDEND PAYABLE

a) The balance comprises:

	Currency: Eritrean Nakfa	
	31 December 2020	31 December 2019
Balance at 01 January 2020	11,761,850	8,701,063
Dividend declared	86,845,951	87,851,647
	98,607,801	96,552,710
Less: Payment made during the year	(87,293,002)	(84,282,547)
	11,314,799	12,270,163
Less: Transferred to retained earnings	( 884,397)	( 618,378)
Add: Dividend paid from retained earnings	94,150	110,065
Balance at 31 December 2020	<b>10,524,552</b>	<b>11,761,850</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.

### 12. 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.

### 13. INSURANCE FUNDS

	Currency: Eritrean Nakfa					
	31 December 2020			31 December 2019		
	Non-life	Life	Total	Non-life	Life	Total
Outstanding claims (Net)	61,013,367	1,346,366	62,359,733	81,389,926	77,495,477	78,299,843
Provision for unexpired risks	32,553,286	-	32,553,286	41,028,064	34,536,509	34,536,509
Technical provisions	14,659,107	-	14,659,107	17,705,933	16,583,673	16,583,673
	<b>108,225,760</b>	<b>1,346,366</b>	<b>109,572,126</b>	<b>140,123,923</b>	<b>128,615,659</b>	<b>129,420,025</b>

### 14. EMPLOYEE BENEFITS AND OBLIGATIONS

	Currency: Eritrean Nakfa					
	31 December 2020			31 December 2019		
	Non-life	Life	Total	Non-life	Life	Total
Provident fund	8,202,707	506,265	8,708,972	8,075,014	461,560	8,536,574
Provision for compensation for service	3,545,864	271,721	3,817,585	3,552,071	233,893	3,785,964
	<b>11,748,571</b>	<b>777,986</b>	<b>12,526,557</b>	<b>11,627,085</b>	<b>695,453</b>	<b>12,322,538</b>

• The average number of employees engaged during the year was 103 (2019: 104).



### 15. 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.

### 16. 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.

### 17. 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.

### 18. 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.

### 19. LIFE INSURANCE FUND

(a) The balance comprises:

Balance at 01 January 2020  
Add: Current year's transfer  
**Balance at 31 December 2020**

Currency: Eritrean Nakfa	
31 December 2020	31 December 2019
36,098,643	32,695,307
463,279	3,403,336
<b>36,561,922</b>	<b>36,098,643</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.

### 20. OTHER INCOME

Survey fees  
Crane rental  
Cost recovery  
Others

Currency: Eritrean Nakfa			
31 December 2020		31 December 2019	
Non-life	Life	Non-life	Life
10,269	-	4,162	-
99,375	-	-	-
3,353,855	-	6,271,311	-
19,866	-	596,005	-
<b>3,483,365</b>	<b>-</b>	<b>6,871,478</b>	<b>-</b>



### 21. MANAGEMENT EXPENSES

	Currency: Eritrean Nakfa			
	31 December 2020		31 December 2019	
	Non-life	Life	Non-life	Life
Salaries and related benefits	6,069,143	379,890	4,746,269	214,949
Car running and maintenance	658,000	-	580,238	-
Advertisement and promotion	2,891,075	947,275	2,207,982	69,932
Printing and stationery	879,817	4,400	1,536,638	15,250
Light and water	253,215	-	164,107	-
Insurance	1,454,694	-	1,344,101	21,763
Travel and per-diem	97,747	-	659,354	-
Maintenance and supplies	324,832	-	471,343	-
Postage, telephone and fax	500,633	696	503,360	696
Representation	24,971	-	148,132	-
Entertainment	95,678	-	361,240	-
Legal, membership and consultation fees	396,506	-	516,664	-
Uniforms	-	-	28,590	-
Cleaning and sanitation	716,618	-	802,626	-
Medical	34,339	-	40,991	-
Tuition and training	268,490	-	173,916	-
Land and building taxes	56,315	-	56,315	-
Others	2,099	-	6,689	-
	<b>14,724,172</b>	<b>1,332,261</b>	<b>14,348,555</b>	<b>322,590</b>

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## 22. COMMITMENTS

The Company has no capital expenditure commitments at 31 December 2020.

## 23. 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

Foreign currency risk arises from translation of balances and transactions into local currency (Eritrean Nakfa), where such translation may affect the Company's profitability. The Company is exposed to the risk of foreign exchange losses arising from transactions or translation as it has revenues, expenses and balances denominated in foreign currencies.

### (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.



## 24. 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			Total
	Fire and Accident	Motor	Marine and Aviation	
<b>INCOME</b>				
<b>Gross written premiums</b>	91,531,063	112,197,825	18,053,246	221,782,134
Premiums ceded	59,308,426	695,482	15,187,157	75,191,065
<b>Net written premiums</b>	32,222,637	111,502,343	2,866,089	146,591,069
Changes in unearned premiums	293,740	(3,413,499)	1,136,536	(1,983,223)
<b>Net earned premiums</b>	31,928,897	114,915,842	1,729,553	148,574,292
Ceding commission	10,898,156	-	2,090,102	12,988,258
Profit commission	233,093	-	915,408	1,148,501
<b>Technical income</b>	<b>43,060,146</b>	<b>114,915,842</b>	<b>4,735,063</b>	<b>162,711,051</b>
<b>OUTGO</b>				
<b>Gross claims paid</b>	24,708,698	19,893,882	6,750,000	51,352,580
Claims ceded	20,543,550	-	6,750,000	27,293,550
<b>Net claims paid</b>	4,165,148	19,893,882	-	24,059,030
Changes in o/s claims	(5,506,679)	(11,020,363)	44,932	(16,482,110)
<b>Net claims incurred</b>	(1,341,531)	8,873,519	44,932	7,576,920
Changes in technical provision	1,559	(2,038,653)	112,528	(1,924,566)
Sales commission	176,874	380,188	-	557,062
<b>Total technical outgo</b>	<b>(1,163,098)</b>	<b>7,215,054</b>	<b>157,460</b>	<b>6,209,416</b>
Result before management expenses	44,223,244	107,700,788	4,577,603	156,501,635
Management expenses	5,928,994	7,648,763	1,146,415	14,724,172
<b>Underwriting surplus</b>	<b>38,294,250</b>	<b>100,052,025</b>	<b>3,431,188</b>	<b>141,777,463</b>
Percentage on underwriting surplus	27%	71%	2%	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 21 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.

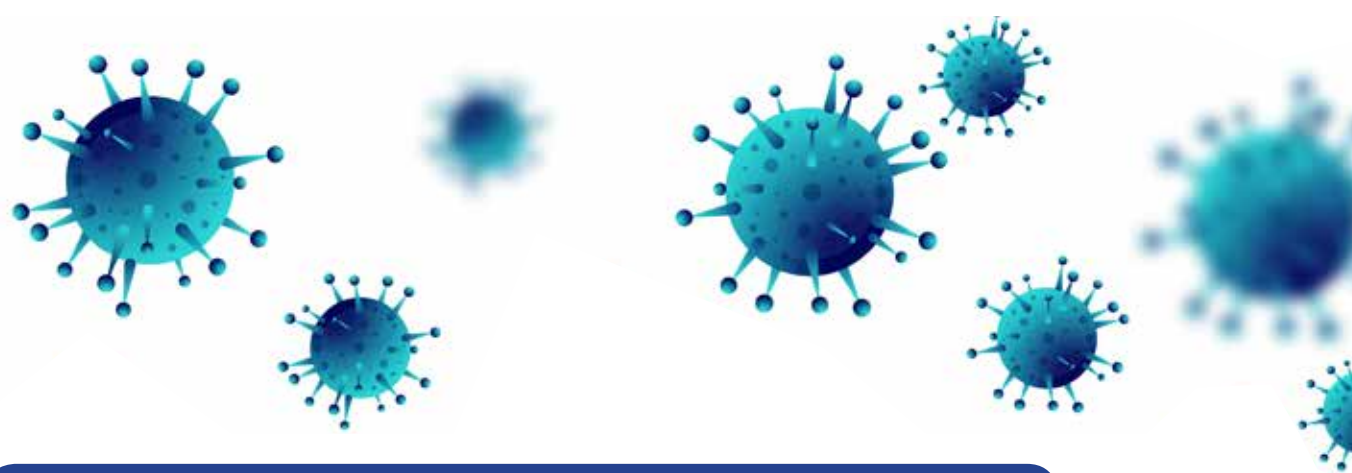


**26. SHAREHOLDINGS**

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

Ministry of Finance  
 Martyrs' Trust Fund  
 Mahber Wenenti Mekayin White  
 Others

	<b>2020</b>
	Holdings
	%
	58.77
	30.02
	4.33
	6.88
	<b>100.00</b>



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