



National Insurance Corporation
Of Eritrea Share Company



Group Term Life Insurance:
An innovative and inclusive
program for timely need!

2022

ANNUAL REPORT
& Financial Statements

Group Term Life Insurance

Recently, National Insurance Corporation of Eritrea Sh. Co. has introduced a new and affordable insurance cover called group term life insurance. It is new of its kind and many people are buying such covers being embraced in their Ministries, Associations and Institutions.



A group term life insurance cover is:

A life insurance product that is specially designed to provide coverage to a large group of people under a single policy.



A beneficial plan for those who can't afford to purchase a standalone life insurance policy.

A comprehensive coverage provided at an affordable premium rate.



This product is restructured to include employees of Ministries, Institutions and members of associations with legal entity.





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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



Board meeting in progress

THE BOARD OF DIRECTORS



STANDING:

(from left to right)

- 1 Mr. Kidane Tsegai
- 2 Mr. Sielu Abraha
- 3 Mr. Ghebregus Zere
- 4 Mr. Asefaw Gherezgihier

SITTING:

(from left to right)

- 5 Mr. Woldeyesus Elisa
- 6 Mr. Ghebreberhan Mehretab
(Chairman)
- 7 Ms. Lia Tesfai



SENIOR MANAGEMENT TEAM



Paulos Tecleab

*Acting General Manager & Finance
and Investment Manager*



Mesghina Nemariam

Technical Advisor



Tuquabo Mobae

Administration Manager



Samuel Teklemariam

Technical Manager



Alexander Zemicael

*Acting Marketing Manager
and Legal Advisor*



UNIQUE BENEFITS OF GROUP LIFE TERM ASSURANCE



KEY#1
Low Premium accompanied
by Higher Compensation



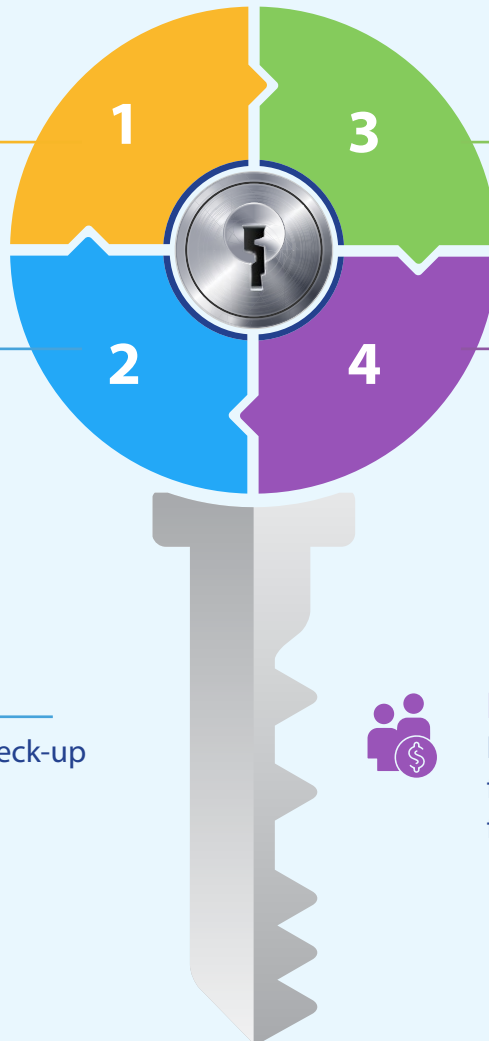
KEY#3
Age Limit beyond Retirement Age
(In most cases entry age is 18-80)



KEY#2
No Prior Medical Check-up
Required



KEY#4
Feeling of Contentment as the
family members of the deceased
fellow get compensation



CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board of Directors of National Insurance Corporation of Eritrea, it is my pleasure to present to you the Annual Report and Audited Financial Statements of the National Insurance Corporation of Eritrea as at 31st December 2022. 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 the 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. The following brief report will highlight the overall performance, the statement on corporate governance, the outlook for the year 2023, and other related topics.

PERFORMANCE

The gross premium grew by 4% from that of 2021. But the bottom-line figures of Net Profit and Dividend have shown a decrease of 3.71% and 3.56% respectively, and this is mainly due to the 66.4% increase in the Net Claims incurred compared with the previous year. The significant increase in Net Claims incurred recorded in this year was as the consequence of the frequent increase of accidents in motor vehicles. On the other side, the newly introduced Group Life Insurance Scheme's contribution to the total gross premium of the company was encouraging. The gross premium accumulated from the overall life business was Nakfa 23.4 million in this year, showing an increase of 57% when compared with that of the

previous year (in 2021 it was Nakfa 14.9 million). Accordingly, the life business has accounted 8% premium share of the total gross premium income of the company.

The New Sudan Insurance Company, our affiliated company in South Sudan, has recorded an encouraging result from its audited accounts of 2022 where its gross premium and net profit increased by 65% and 48% respectively compared to the previous year. However, this is largely due to the ever-increasing exchange rate effect prevalent in the country. The company has been working to rent the six-story modern office complex and its adjacent three-story parking lot to various tenants. As of yet the building is not rented but promising prospects are approaching the Management and it is expected to be rented soon. Our investment in Africa Reinsurance Corporation (Africa Re) and Zep Re (PTA Reinsurance Company) are expected to generate reasonable dividend yields from their 2022 financial results as usual. Shishai Feed Plant in Asmara seems to have shown slight progress in performance even though the underlying raw material and power shortages still remain unresolved. Our investment in Shemshemia Commercial Farm located in the Gash Barka zone has extensively deteriorated with a negative result as in previous years. The Board is working hard to find sustainable alternative short and long-term solutions to the problem.

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 practices 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. The Board is composed of Directors with a good mix of skills, experience and competencies in the relevant fields of expertise in line with the requirements of 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 in 2020 were replaced by new Board members through conducting an election at the 18th AGM held on the 4th of June 2022.

CHAIRMAN'S STATEMENT (Continued)



The Directors are:

- | | |
|------------------------------|------------|
| 1. Mr. Ghebreberhan Mehretab | - Chairman |
| 2. Mr. Woldeyesus Elisa | - Member |
| 3. Mr. Ghebregus Zere | - Member |
| 4. Mr. Seilu Abraha | - Member |
| 5. Mr. Kidane Tsegay | - Member |
| 6. Ms. Lia Tesfai | - Member |
| 7. Mr. Asefaw Gherezghier | - Member |

Board Charter and Work Plan

The Board Charter contains provisions that ensure that the Board observes best practices 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, among others, was to address the challenges in our investments and guarantee the succession of the current aging senior management team with qualified young employees.

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. Quarterly, the Board reviews the business operational plan to monitor the actual performance with the forecasted figures, while

in 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 forecasts 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 a 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 interest. 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 delegates some of its responsibilities to a number of standing committees that 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.

• 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



CHAIRMAN'S STATEMENT (Continued)

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. Ghebregus Zere (Chairperson), Mr Sielu Abraha and Mr. Asefaw Gherezgihier.

• Strategy and Investment Committee

The Committee meets twice a year or as necessary. Its responsibility includes reviewing issues pertaining to strategy and investment as well as monitoring and assessing performance and recommends on any strategic equity investments.

Currently, members of the Committee are Mr. Woldeyesus Elisa (chairperson), and Mr. Kidane Tsegay and Ms Lia Tesfay.

APPROVAL OF THE FINANCIAL STATEMENTS AND APPROPRIATION OF RESULTS

The Board of Directors approved the audited financial statements as at 31st December 2022 in its meeting held on 28th April 2023. Now, the Board proposes to the Annual General Meeting of the Shareholders of the Company to approve the unappropriated profit as distributed as follows:

- Nakfa 4,415,228 to Special Reserve
- Nakfa 8,830,455 to Technical Reserve
- Nakfa 80,739,686 is to be paid as a dividend at the rate of Nakfa 7.713255 (2021 was Nakfa 7.997686) for a fully paid-up share capital (inclusive of bonus shares).

OUTLOOK FOR 2023

Our outlook of the year 2022 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 the economic environment - namely, prospects for growth and profitability in our underwriting and investment

portfolios. A tentative recovery projection for 2021 was replaced with increasingly uncertain growth projections as economies displayed lower than expected performance throughout 2022. Global GDP forecasts were revised downwards multiple times over the last year. Similar revisions have been observed in premium growth projections across life and non-life business. The non-life premiums globally are expected to grow by 2.2% in 2023 — down from a 3.3% growth expectation this time last year. This is based mostly on the ongoing rate hardening in commercial lines and inflation factors. Accordingly, our stakeholder's expectations should be based on the financial and economic realities of the long-term effects of the pandemic and the hardening of the insurance market 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 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 regulators (The Bank of Eritrea) for their guidance and continued cooperation and support.

Ghebreberhan Mehretab
Chairman



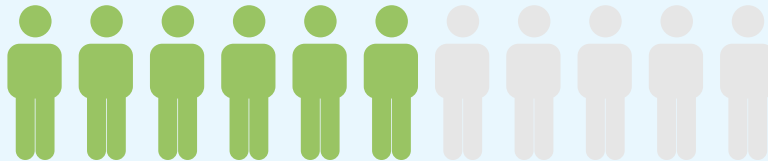
CURRENT GROUP LIVES ASSURED

Ministries
47,925



61%

Institutions
20,412

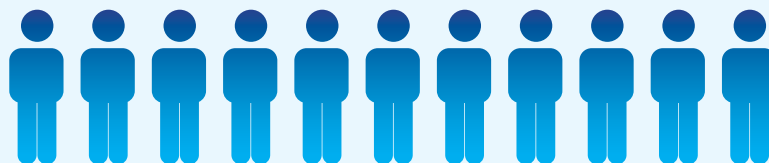


26%

Associations
10,211



13%



Grand Total
78,548



BRIEF MANAGEMENT REPORT

The 2022 management report reviews the key operational activities of the Company for the financial year. It contains the performance made in relation to gross premium income, claims, underwriting results, reinsurance cost, management expense and profits during the financial year under review.

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

FINANCIAL & TECHNICAL HIGHLIGHTS (NON-LIFE) 2013 – 2022 (IN '000 NAKFA)

DESCRIPTION	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Gross Premium	217,015	222,288	271,918	265,389	253,417	247,277	235,512	221,782	248,953	258,836
Net Written Premium	147,044	159,605	190,587	196,986	182,935	177,059	165,837	146,591	160,965	163,965
Net Premium Earned	146,359	156,992	183,864	193,034	186,545	180,786	172,328	148,574	159,554	164,037
Net Claims Incurred	55,790	64,734	53,175	57,685	43,445	27,824	33,735	7,577	18,942	31,521
Operating Expenses	24,034	23,995	27,081	25,834	25,392	26,768	23,892	24,218	24,085	23,614
Management expenses	14,275	13,672	16,968	15,751	14,219	15,532	14,349	14,724	14,312	15,106
Mgt expenses to Gross premium ratio	6.6%	6.2%	6.2%	5.9%	5.6%	6.3%	6.1%	6.6%	5.7%	5.8%
Profit before tax	91,546	96,230	124,467	129,914	141,622	149,654	145,835	143,347	142,219	136,940
Net Profit	59,142	62,816	78,519	82,783	91,849	96,672	95,488	93,352	91,807	88,305
Property & Equipment	268,292	261,982	253,710	247,806	241,872	233,661	226,868	218,174	209,872	203,284
Investments	164,359	168,036	174,352	288,227	314,090	343,288	336,639	359,635	366,438	360,977
Proposed Dividend	52,994	55,934	70,721	76,046	83,753	87,852	86,846	85,029	83,717	80,740
Shareholders Fund	449,672	459,493	483,295	612,476	628,519	667,416	665,792	694,180	707,295	712,157

BRIEF MANAGEMENT REPORT (Continued)

GROSS WRITTEN PREMIUM

During the year under review, the gross premium income produced from non-life business was Nakfa 258.8 million which is more by 4% when compared to that of 2021. As can be noted from the table below premium from our motor class of business, as usual, has remained to be the dominant business with a share of 44%.

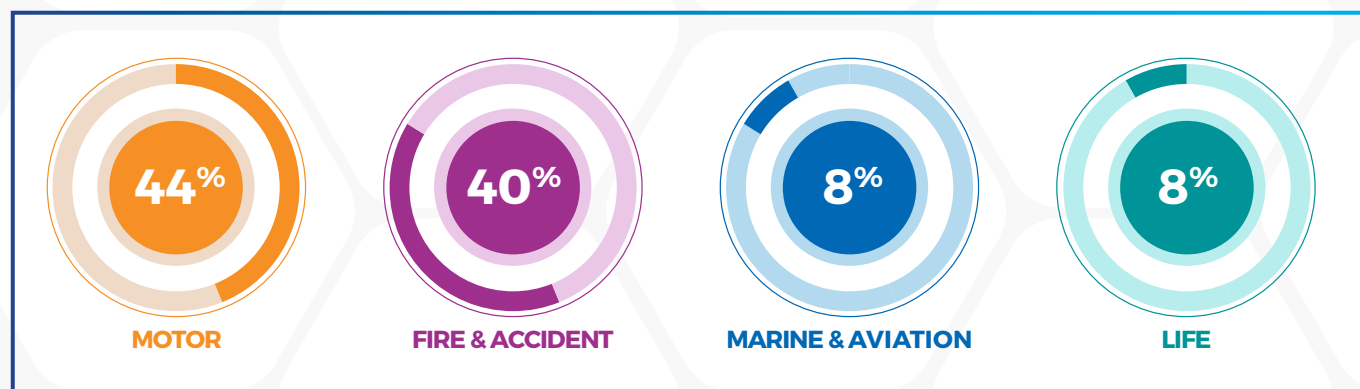
Due to the introduction of group life term assurance, the gross premium from life business has amounted to Nakfa 23.4 million showing an increase of 57% when compared with that of 2021 (Nakfa 14.9 million). Accordingly, the life business has accounted 8% of the premium distribution from the total gross premium income of the company.

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)

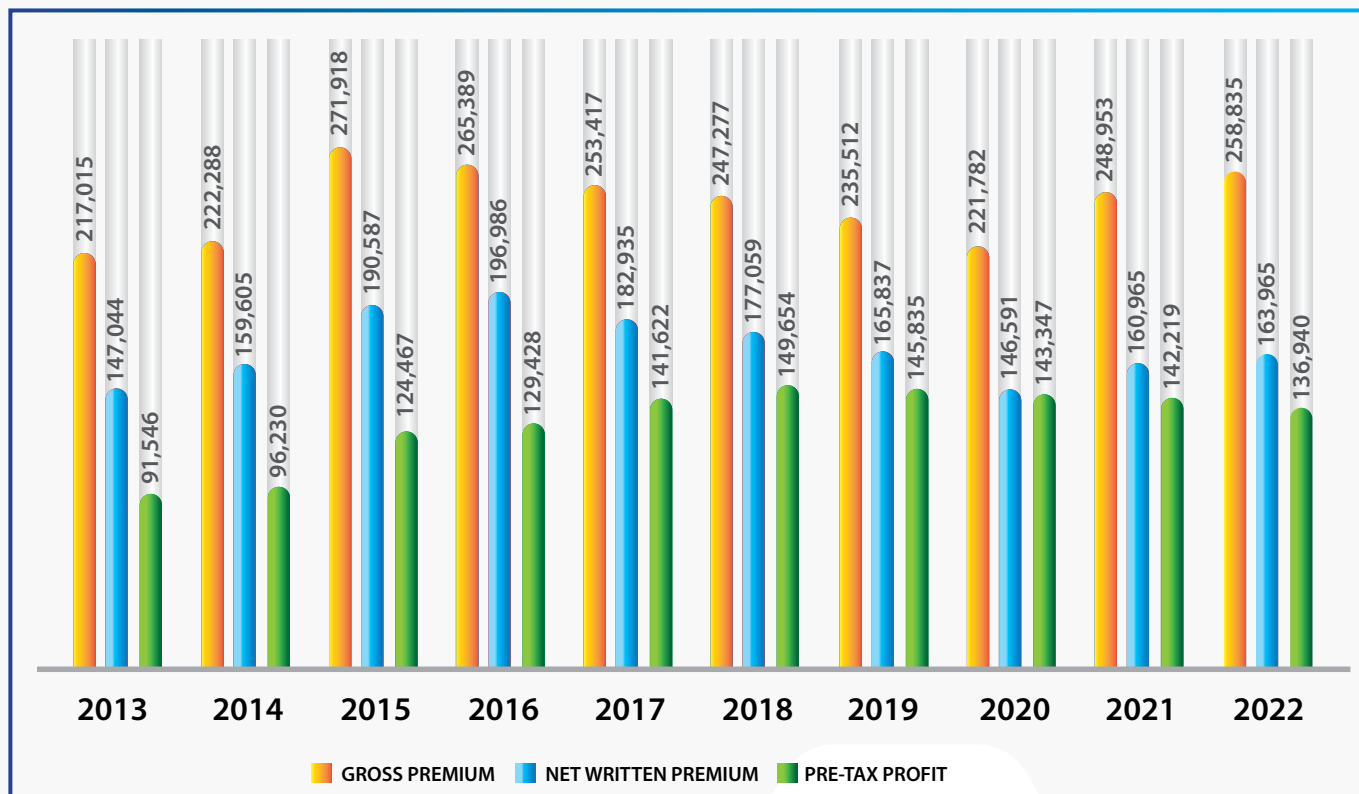
BUSINESS	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
MOTOR	113,022	124,493	154,624	161,834	147,909	141,052	132,586	112,198	123,439	123,703
FIRE & ACCIDENT	77,626	80,416	88,327	86,410	81,585	81,998	87,107	91,531	103,762	112,857
MARINE & AVIATION	26,367	17,379	28,966	17,145	23,923	24,226	15,819	18,053	21,752	22,276
TOTAL NON-LIFE	217,015	222,288	271,917	265,389	253,417	247,276	235,512	221,782	248,953	258,836
LIFE	2,725	2,450	2,857	4,261	3,429	3,404	8,274	7,580	14,939	23,427
GRAND TOTAL	219,740	224,738	274,774	269,650	256,846	250,680	243,786	229,362	263,892	282,263

PREMIUM DISTRIBUTION 2022



BRIEF MANAGEMENT REPORT (Continued)

DEVELOPMENT OF PREMIUMS AND PROFITS (IN '000' NAKFA)



CLAIMS

The total net claims incurred during the year under review amounted to Nakfa 31.5 million showing an increase of 66.4% when compared with the corresponding period of 2021 which was Nakfa 18.9 million. Consequently, the overall claims ratio has increased from 12% in 2021 to 19% in 2022. The significant change in the total claims incurred was due to the increase in motor road accidents and personal accidents to employees of mining companies.

Comparison of the loss ratios of the company for the years 2021 and 2022 is as stated below.

LOSS RATIO 2021 AND 2022 (NET FOR THE COMPANY) (IN '000' NAKFA)

BUSINESS	2021			2022		
	PREMIUM EARNED	CLAIMS INCURRED	LOSS RATIO	PREMIUM EARNED	CLAIMS INCURRED	LOSS RATIO
MOTOR	121,512	13,752	11%	124,628	23,967	19%
MARINE	2,877	30	1%	3,776	385	10%
FIRE	6,925	-77	-	5,780	174	3%
WORKMEN	7,103	1,731	24%	6,845	1,968	29%
ACCIDENT	21,137	3,507	17%	23,008	5,027	22%
TOTAL	159,554	18,943	12%	164,037	31,521	19%



BRIEF MANAGEMENT REPORT (Continued)

UNDERWRITING RESULTS

In the year under review, the net underwriting result was Nakfa 138.2 million showing a decrease of 3.6% when compared to Nakfa 143.4 million in 2021. As can be shown from the table below, the decline in underwriting results mainly came from the motor class of business due to frequent road accidents that occurred during the year compared to the previous year's results.

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

UNDERWRITING RESULTS 2013 - 2022 (IN '000' NAKFA)

BUSINESS	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
MOTOR	55,442	51,251	86,997	95,428	105,366	117,985	98,314	100,052	98,875	92,940
MARINE & AVAITION	5,647	9,171	5,626	6,878	6,534	4,384	4,049	3,431	6,963	8,142
FIRE	7,349	9,760	10,733	7,430	11,463	9,610	7,957	10,087	10,437	8,822
WORKMEN	6,163	5,910	7,662	6,908	7,002	7,022	8,708	8,803	5,154	4,409
ACCIDENT	11,683	12,421	13,610	14,498	13,077	12,676	21,621	19,404	21,955	23,898
TOTAL	86,284	88,513	124,628	131,142	143,442	151,677	140,649	141,777	143,384	138,211

REINSURANCE COST

As would be observed from the table below, the Company retained 63.3% of its gross premium income in the year under review. The reduction when compared to last year was mainly due to risks, such as mining projects, aviation, and bulk marine shipments which require the involvement of reinsurers at higher shares. However, the management will remain vigilant about 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 2013- 2022 (IN '000' NAKFA)

YEAR	GROSS PREMIUM	PREMIUM CEDED	PREMIUM RETAINED	RATE OF RETENTION
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%
2020	221,782	75,191	146,591	66.1%
2021	248,953	87,987	160,966	64.7%
2022	258,836	94,870	163,966	63.3%

BRIEF MANAGEMENT REPORT (Continued)

MANAGEMENT EXPENSES

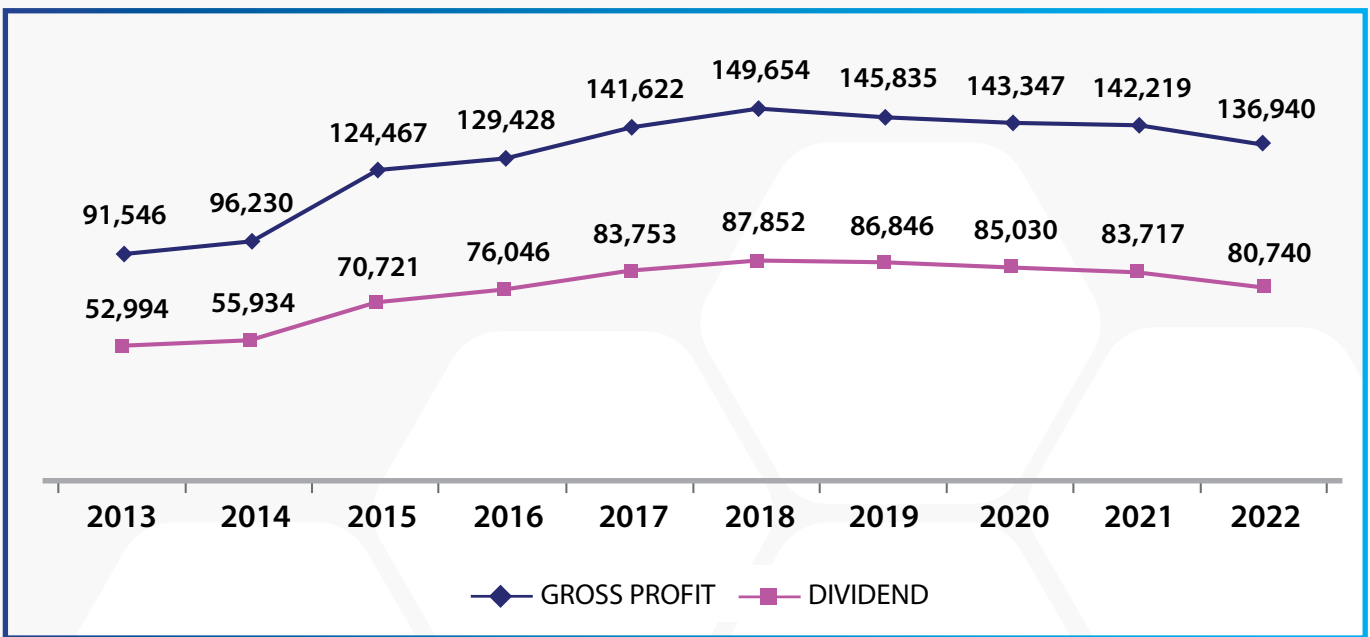
During the financial year ending 31st December 2022, the total operating and management expenses was Nakfa 23.6 million (in 2021 was Nakfa 24.1 million). The management expenses charged to the revenue account was Nakfa 15.1 million (in 2022 was Nakfa 14.3 million). The remaining Nakfa 8.5 million was charged to the statement of profit or loss.

The ratio of management expenses to gross premium was 5.8% (in 2021 was 5.7%) which is reasonable compared to 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 136.9 million (in 2021 was 142.2 million) resulting in a net profit of Nakfa 88.3 million (in 2021 was 91.8 million). As in the previous year this year's profit is also the result of the gain secured from operational activities and investment income. The claim rate recorded in this year has significantly increased and as a result negatively affected our net profit. However, modest income has been recorded in the given year. Accordingly, the Board of Directors have recommended a dividend of Nakfa 80.7 million (in 2021 was Nakfa 83.7 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 2022

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.

Chairman

28 April 2023

Director



INDEPENDENT AUDITOR'S REPORT TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2022

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Audit Services Corporation (Asmara - Eritrea)

P.O.Box: 912

Tel: 120814
202030
Fax: 125756

28 April 2023

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 2022, 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 2022 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



INDEPENDENT AUDITOR'S REPORT TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2022 (continued)


arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with 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





If a child, a spouse, a life partner or a parent depends on you and your income, you need life insurance.



STATEMENT OF FINANCIAL POSITION

At 31 December 2022

Currency: Eritrean Nakfa

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

Notes	2022	2021
	345,290,159	327,368,308
4	64,269,398	63,350,491
5	11,150,288	6,096,261
	16,766,822	2,880,376
	437,476,667	399,695,436
6	362,800,721	370,817,826
7	202,288,592	207,556,440
8	995,344	2,316,115
	566,084,657	580,690,381
	1,003,561,324	980,385,817
9	22,100,356	15,941,762
10	48,284,334	50,060,525
11	19,455,978	15,275,893
12	32,840,218	31,116,445
13	113,036,917	109,749,396
	235,717,803	222,144,021
14	13,339,324	12,733,260
15	104,676,540	104,676,540
16	20,935,308	20,935,308
	197,212,694	202,893,512
17	70,296,396	89,730,010
	187,650,694	159,386,625
18	46,245,009	41,829,781
	4,400,503	4,126,521
	80,739,686	83,717,007
	712,156,830	707,295,304
19	42,347,367	38,213,232
	1,003,561,324	980,385,817

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 28th April 2023 and were signed on its behalf by:

Chairman



A/Chief Executive Officer



STATEMENT OF PROFIT OR LOSS

For The Year Ended 31 December 2022

Currency: Eritrean Nakfa

	Notes	2022	2021
Revenue			
Surplus from underwriting		138,210,858	143,384,451
Other income	20	2,489,218	4,059,118
		140,700,076	147,443,569
Expenses			
Depreciation and Amortization	7(b) & 8	8,044,424	9,406,226
General assembly and Board of Directors meetings		270,345	191,392
Audit fee		193,160	175,800
		8,507,929	9,773,418
Profit from operations		132,192,147	137,670,151
Office rent income		569,016	558,567
Investment income		4,452,685	4,340,040
Management fee		60,000	60,000
Exchange rate differences	3(b)	(154,402)	(235,314)
Cost of finance		(179,312)	(184,634)
Doubtful receivables recovery		-	10,234
		4,747,987	4,548,893
Profit before taxation		136,940,134	142,219,044
Provision for taxation	10	48,635,583	50,411,762
Net profit after taxation		88,304,551	91,807,282

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 2022

Currency: Eritrean Nakfa

INCOME

Gross premiums

Premiums ceded

Net premiums

Changes in unearned premiums

Premiums earned

Reinsurance commissions

Ceding commission

Profit commission

Total income

OUTGO

Gross claims paid

Claims ceded

Net claims paid

Changes in outstanding claims

Net claims incurred

Changes in technical provision

Commission

Total outgo

Management expenses

Underwriting surplus

Notes	2022	2021
	258,835,547	248,952,900
	94,870,254	87,987,469
	163,965,293	160,965,431
	(71,747)	1,411,692
	164,037,040	159,553,739
	19,584,925	16,868,292
	2,171,079	2,361,409
	21,756,004	19,229,701
	185,793,044	178,783,440
	44,466,370	23,120,199
	15,780,105	1,383,659
	28,686,265	21,736,540
	2,834,980	(2,793,922)
	31,521,245	18,942,618
	299,986	1,437,436
	654,703	706,803
	32,475,934	21,086,857
21	15,106,252	14,312,132
	47,582,186	35,398,989
	138,210,858	143,384,451

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 2022

	Share Capital	Legal Reserve	Technical Reserve	Revaluation Reserve	Retained Earnings	Investment Reserve	Special Reserve	Unappropriated Profit	Total
At 01 January 2021	104,676,540	20,935,308	80,549,282	208,574,329	3,629,372	153,545,726	37,239,417	85,029,767	694,179,741
Net profit after tax	-	-	-	-	-	-	-	91,807,282	91,807,282
Transfer to technical reserve	-	-	9,180,728	-	-	-	-	(9,180,728)	-
Transfer to special reserve	-	-	-	-	-	-	4,590,364	(4,590,364)	-
Transfer to investment reserve	-	-	-	-	-	5,840,899	-	-	5,840,899
Excess depreciation realised	-	-	-	(5,680,817)	-	-	-	5,680,817	-
Dividend paid from Retained earnings	-	-	-	-	(4,320)	-	-	-	(4,320)
Transfer from dividend payable	-	-	-	-	501,469	-	-	-	501,469
Transfer to dividend payable	-	-	-	-	-	-	-	(85,029,767)	(85,029,767)
At 01 January 2022	104,676,540	20,935,308	89,730,010	202,893,512	4,126,521	159,386,625	41,829,781	83,717,007	707,295,304
Net profit after tax	-	-	-	-	-	-	-	88,304,551	88,304,551
Transfer to technical reserve	-	-	8,830,455	-	-	-	-	(8,830,455)	-
Transfer to special reserve	-	-	-	-	-	-	4,415,228	(4,415,228)	-
Adjustment to investment reserve	-	-	-	-	-	28,264,069	-	-	28,264,069
Adjustment to technical reserve	-	-	(28,264,069)	-	-	-	-	-	(28,264,069)
Excess depreciation realised	-	-	-	(5,680,818)	-	-	-	5,680,818	-
Dividend paid from Retained earnings	-	-	-	-	(161,423)	-	-	-	(161,423)
Transfer from dividend payable	-	-	-	-	435,405	-	-	-	435,405
Transfer to dividend payable	-	-	-	-	-	-	-	(83,717,007)	(83,717,007)
At 31 December 2022	104,676,540	20,935,308	70,296,396	197,212,694	4,400,503	187,650,694	46,245,009	80,739,686	712,156,830

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 2022

			Currency: Eritrean Nakfa	
	Notes	2022	2021	
Cash flows from operating activities				
Net profit before taxation		136,940,134	142,219,044	
Adjustments for:				
Depreciation	7(b)	6,723,653	6,704,242	
Amortization	8	1,320,771	2,701,984	
Investment income		(4,452,685)	(4,340,040)	
Technical reserve		(28,264,069)	-	
Operating profit before changes on working capital		112,267,804	147,285,230	
(Increase) in trade and other receivables		(918,907)	(10,150,960)	
(Increase)/Decrease in related party receivables		(5,054,027)	953,010	
(Increase) /Decrease in amounts due from reinsurers		(13,886,446)	3,709,205	
Increase /(Decrease) in trade and other payables		6,158,594	(18,647,605)	
Increase in amounts due to reinsurers		1,723,773	9,864,518	
Increase in insurance funds		3,287,521	177,270	
Cash generated from operations		103,578,312	133,190,668	
Profit tax paid	10	(50,411,774)	(49,979,371)	
Dividend paid	11	(79,262,940)	(79,781,277)	
Net cash flow (used to)/ from operating activities		(26,096,402)	3,430,020	
Cash flows from investing / financing activities				
Purchase of property and equipment	7(b)	(1,455,805)	(1,104,634)	
Increase in life insurance fund	19	4,134,135	1,651,310	
Investment income		4,452,685	4,340,040	
Decrease/(Increase) in investments	5	8,017,105	(4,251,716)	
Increase in investment reserve		28,264,069	5,840,899	
Increase in employee benefits and obligation`s		606,064	206,703	
Net cash flow from investing / financing activities		44,018,253	6,682,602	
Net Increase in cash and bank balances		17,921,851	10,112,622	
Cash and bank balances at the beginning of the year		327,368,308	317,255,686	
Cash and bank balances at the end of the year		345,290,159	327,368,308	

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 2022

Currency: Eritrean Nakfa

	Notes	2022	2021
ASSETS			
Current assets			
Cash and bank balances		298,944,306	289,415,443
Trade and other receivables	4	61,934,124	61,132,003
Related party receivables	5	11,150,288	6,096,261
Due from reinsurers		13,310,257	1,085,590
		385,338,975	357,729,297
Non – current assets			
Investment	6	360,976,708	366,438,331
Property and equipment	7	202,288,591	207,556,439
Intangible assets	8	995,344	2,316,115
		564,260,643	576,310,885
Total assets		949,599,618	934,040,182
LIABILITIES, CAPITAL AND RESERVES			
Current liabilities			
Trade and other payables	9	18,826,226	13,530,292
Provision for taxation	10	48,284,334	50,060,525
Dividend payable	11	19,455,978	15,275,893
Due to reinsurers	12	26,878,508	27,510,885
Insurance funds	13	111,344,185	108,280,966
		224,789,231	214,658,561
Non – current liabilities			
Employee benefits and obligations	14	12,653,557	12,086,317
Capital and reserves			
Share capital	15	104,676,540	104,676,540
Legal reserve	16	20,935,308	20,935,308
Revaluation reserve		197,212,694	202,893,512
Technical reserve	17	70,296,396	89,730,010
Investment reserve		187,650,694	159,386,625
Special reserve	18	46,245,009	41,829,781
Retained earnings		4,400,503	4,126,521
Unappropriated profit		80,739,686	83,717,007
		712,156,830	707,295,304
Total liabilities, capital and reserves		949,599,618	934,040,182

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 2022

		Currency: Eritrean Nakfa	
	Notes	2022	2021
ASSETS			
Current assets			
Cash and bank balances		46,345,853	37,952,865
Trade and other receivables	4	2,335,274	2,218,488
Due from reinsurers		3,456,565	1,794,786
		52,137,692	41,966,139
Non-current assets			
Investment	6	1,824,013	4,379,495
Furniture and equipment	7	1	1
		1,824,014	4,379,496
		53,961,706	46,345,635
Total assets			
Current liabilities			
Trade and other payables	9	3,274,130	2,411,470
Outstanding claims (Net)	13	1,692,732	1,468,430
Due to reinsurers		5,961,710	3,605,560
		10,928,572	7,485,460
Non-current liabilities			
Employee benefits and obligations	14	685,767	646,943
Life Insurance Fund	19	42,347,367	38,213,232
		43,033,134	38,860,175
		53,961,706	46,345,635
Total liabilities and funds			

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 2022

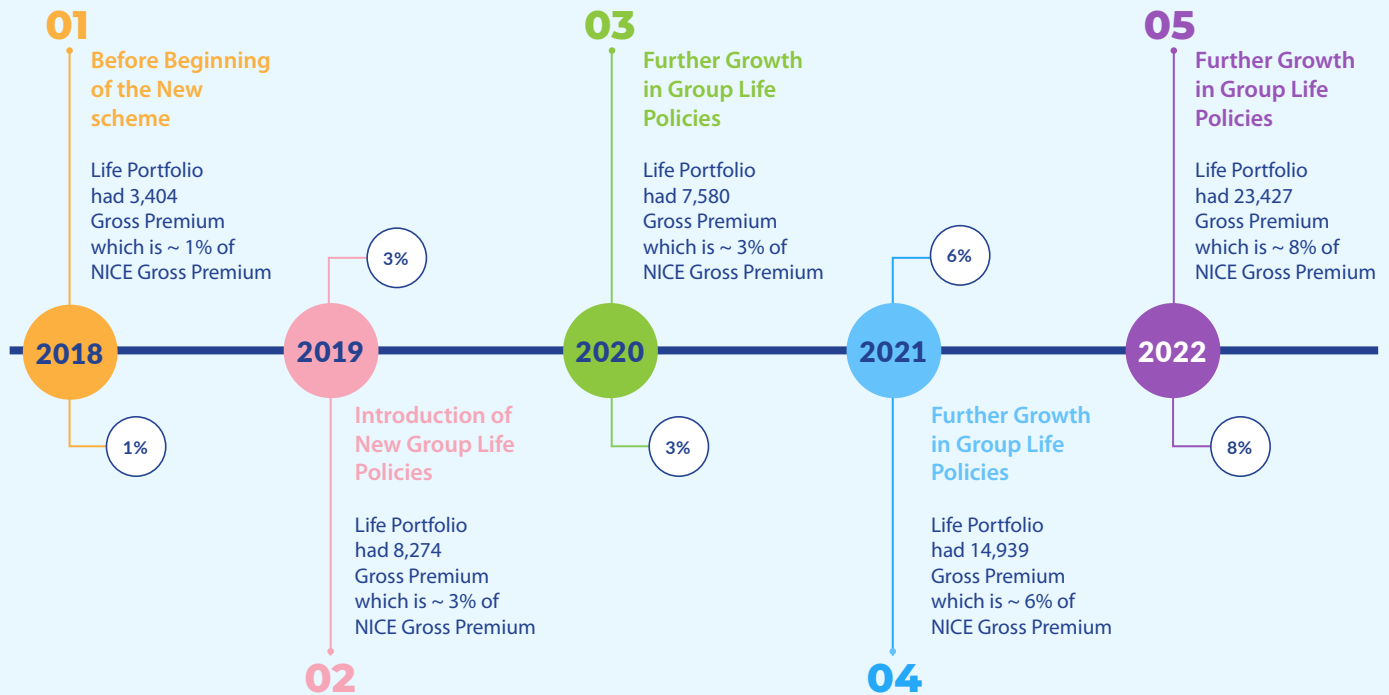
Currency: Eritrean Nakfa

	Notes	2022	2021
INCOME			
Gross premiums		23,427,833	14,938,679
Premiums ceded		17,738,540	11,019,064
Net premiums collected		5,689,293	3,919,615
Commission		4,867,374	3,022,407
Total income		10,556,667	6,942,022
OUTGO			
Gross claims paid		16,517,680	10,631,670
Claims ceded		11,110,500	6,480,000
Net claims paid		5,407,180	4,151,670
Commission		7,187	8,509
Change in outstanding claims		224,302	122,064
Others		613	2,355
Total outgo		5,639,282	4,284,598
Management expenses	21	854,675	1,191,766
		6,493,957	5,476,364
Underwriting surplus		4,062,710	1,465,658
Interest income		84,144	197,123
Other income		947	-
		4,147,801	1,662,781
Expenses			
Cost of finance		4,466	4,671
Audit fee		9,200	6,800
		13,666	11,471
Net operating surplus		4,134,135	1,651,310
Insurance fund at 01 January 2022		38,213,232	36,561,922
Insurance fund at 31 December 2022	19	42,347,367	38,213,232

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.



GROUP LIFE INSURANCE'S IMPACT ON NICE PORTFOLIO (NAKFA '000')



GROUP INCURRED CLAIMS 2019-2022 (NAKFA '000')





NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

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 2022

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.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

(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) 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.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

4. TRADE AND OTHER RECEIVABLES

Currency: Eritrean Nakfa

	31 December 2022			31 December 2021		
	Non-life	Life	Total	Non-life	Life	Total
Trade receivables	62,395,412	1,041,693	63,437,105	64,036,178	870,060	64,906,238
Other receivables	5,460,910	1,293,581	6,754,491	3,018,023	1,348,428	4,366,451
	67,856,322	2,335,274	70,191,596	67,054,201	2,218,488	69,272,689
Less: Provision for doubtful receivables	(5,922,198)	-	(5,922,198)	(5,922,198)	-	(5,922,198)
	61,934,124	2,335,274	64,269,398	61,132,003	2,218,488	63,350,491

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 2022			31 December 2021		
	Non-life	Life	Total	Non-life	Life	Total
Roof Garden Restaurant	278,457	-	278,457	360,014	-	360,014
Shishay Feed Plant	257,890	-	257,890	208,962	-	208,962
New Sudan Insurance	1,324,500	-	1,324,500	2,425,725	-	2,425,725
Shemshemiya Commercial Farm	9,289,441	-	9,289,441	3,101,560	-	3,101,560
	11,150,288	-	11,150,288	6,096,261	-	6,096,261

6. INVESTMENTS

(a) These are made up of:

	31 December 2022			31 December 2021		
	Non-life	Life	Total	Non-life	Life	Total
Available for sale						
African Reinsurance Corporation	85,800,465	-	85,800,465	85,800,465	-	85,800,465
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.	160,159,871	-	160,159,871	160,159,871	-	160,159,871
Shemshemiya Commercial Farm	84,870,377	-	84,870,377	88,982,000	-	88,982,000
New Sudan Insurance Co.	22,444,995	-	22,444,995	22,444,995	-	22,444,995
	359,626,708	-	359,626,708	363,738,331	-	363,738,331
Held to maturity						
Loan to New Sudan Insurance Co.	1,350,000	-	1,350,000	2,700,000	-	2,700,000
Loans to life policyholders	-	1,824,013	1,824,013	-	1,879,495	1,879,495
Loans to financial institutions	-	-	-	-	2,500,000	2,500,000
	1,350,000	1,824,013	3,174,013	2,700,000	4,379,495	7,079,495
	360,976,708	1,824,013	362,800,721	366,438,331	4,379,495	370,817,826

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (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 2023.

7. PROPERTY AND EQUIPMENT

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

Currency: Eritrean Nakfa

	31 December 2022			31 December 2021		
	Non-life	Life	Total	Non-life	Life	Total
COST/VALUATION						
Buildings	376,787,216	-	376,787,216	376,787,216	-	376,787,216
Furniture and equipment	11,723,068	55,963	11,779,031	10,841,547	55,963	10,897,510
Computers	7,574,956	31,906	7,606,862	7,000,672	31,906	7,032,578
Motor vehicles and cycles	10,411,978	-	10,411,978	10,411,978	-	10,411,978
Text books	83,360	-	83,360	83,360	-	83,360
	406,580,578	87,869	406,668,447	405,124,773	87,869	405,212,642
DEPRECIATION						
Buildings	177,934,034	-	177,934,034	172,213,277	-	172,213,277
Furniture and equipment	10,184,575	55,963	10,240,538	9,860,504	55,963	9,916,467
Computers	6,662,793	31,905	6,694,698	6,306,180	31,905	6,338,085
Motor vehicles and cycles	9,427,257	-	9,427,257	9,105,045	-	9,105,045
Text books	83,328	-	83,328	83,328	-	83,328
	204,291,987	87,868	204,379,855	197,568,334	87,868	197,656,202
CARRYING AMOUNT						
Buildings	198,853,182	-	198,853,182	204,573,939	-	204,573,939
Furniture and equipment	1,538,493	-	1,538,493	981,043	-	981,043
Computers	912,163	1	912,164	694,492	1	694,493
Motor vehicles and cycles	984,721	-	984,721	1,306,933	-	1,306,933
Text books	32	-	32	32	-	32
	202,288,591	1	202,288,592	207,556,439	1	207,556,440

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

	Cost/Revaluation			Depreciation		
	Additions	Transfers	Disposal	Additions	Transfers	Disposal
Non-Life	1,455,805	-	-	6,723,653	-	-
Life	-	-	-	-	-	-
	1,455,805	-	-	6,723,653	-	-

- (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 2022 (Continued)

8. INTANGIBLE ASSETS

Currency: Eritrean Nakfa

COST/VALUATION

At 01 January 2022

At 31 December 2022

AMORTIZATION

At 01 January 2022

Additions

At 31 December 2022

CARRYING AMOUNT

	31 December 2022	31 December 2021
	Computer software	Computer software
At 01 January 2022	17,247,085	17,247,085
At 31 December 2022	17,247,085	17,247,085
At 01 January 2022	14,930,970	12,228,986
Additions	1,320,771	2,701,984
At 31 December 2022	16,251,741	14,930,970
CARRYING AMOUNT	995,344	2,316,115

9. TRADE AND OTHER PAYABLES

	31 December 2022			31 December 2021		
	Non-life	Life	Total	Non-life	Life	Total
Trade payables	16,268,334	2,769,786	19,038,120	11,374,284	2,105,930	13,480,214
Other payables	1,872,241	462,189	2,334,430	1,659,239	263,445	1,922,684
Accruals	685,651	42,155	727,806	496,769	42,095	538,864
	18,826,226	3,274,130	22,100,356	13,530,292	2,411,470	15,941,762

10. PROVISION FOR TAXATION

a) This is made up of:

	Profit Tax	Municipal Tax	Rent income Tax	Total
Balance at 01 January 2022	43,649,813	5,522,683	888,029	50,060,525
Less: Payments made during the year	44,348,076	5,913,078	150,620	50,411,774
	(698,263)	(390,395)	737,409	(351,249)
Add: Current year's provision	42,778,288	5,703,772	153,523	48,635,583
Balance at 31 December 2022	42,080,025	5,313,377	890,932	48,284,334

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



NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

11. DIVIDEND PAYABLE

- a) The balance comprises:

	Currency: Eritrean Nakfa	
	31 December 2022	31 December 2021
Balance at 01 January 2022	15,275,893	10,524,552
Dividend declared	83,717,007	85,029,768
	98,992,900	95,554,320
Less: Payment made during the year	(79,262,940)	(79,781,277)
	19,729,960	15,773,043
Less: Transferred to retained earnings	(435,405)	(501,470)
Add: Dividend paid from retained earnings	161,423	4,320
Balance at 31 December 2022	19,455,978	15,275,893

- 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 2022			31 December 2021		
	Non-life	Life	Total	Non-life	Life	Total
Outstanding claims (Net)	61,054,425	1,692,732	62,747,157	58,219,445	1,468,430	59,687,875
Provision for unexpired risks	33,893,231	-	33,893,231	33,964,978	-	33,964,978
Technical provisions	16,396,529	-	16,396,529	16,096,543	-	16,096,543
	111,344,185	1,692,732	113,036,917	108,280,966	1,468,430	109,749,396

14. EMPLOYEE BENEFITS AND OBLIGATIONS

	Currency: Eritrean Nakfa					
	31 December 2022			31 December 2021		
	Non-life	Life	Total	Non-life	Life	Total
Provident fund	8,974,395	376,054	9,350,449	8,389,795	344,710	8,734,505
Provision for compensation for service	3,679,162	309,713	3,988,875	3,696,522	302,233	3,998,755
	12,653,557	685,767	13,339,324	12,086,317	646,943	12,733,260

- The average number of employees engaged during the year was 88 (2021: 98).



NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

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

Currency: Eritrean Nakfa

(a) The balance comprises:

Balance at 01 January 2022
Add: Current year's transfer
Balance at 31 December 2022

31 December 2022	31 December 2021
38,213,232	36,561,922
4,134,135	1,651,310
42,347,367	38,213,232

(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

31 December 2022		31 December 2021	
Non-life	Life	Non-life	Life
19,050	-	19,610	-
3,750	-	30,416	-
2,436,295	-	3,997,285	-
30,123	-	11,807	-
2,489,218	-	4,059,118	-



NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

21. MANAGEMENT EXPENSES

Currency: Eritrean Nakfa

	31 December 2022		31 December 2021	
	Non-life	Life	Non-life	Life
Salaries and related benefits	5,455,727	303,655	5,248,310	399,477
Car running and maintenance	1,057,121	640	944,910	-
Advertisement and promotion	1,326,119	527,600	2,780,926	790,000
Printing and stationery	997,929	-	1,196,236	-
Light and water	174,183	-	218,365	-
Insurance	1,860,329	-	1,590,356	-
Travel and per-diem	784,088	22,021	87,011	1,530
Maintenance and supplies	759,671	-	258,886	-
Postage, telephone and fax	385,214	759	567,797	759
Representation	6,670	-	42,118	-
Entertainment	139,751	-	81,554	-
Legal, membership and consultation fees	1,289,994	-	422,292	-
Cleaning and sanitation	693,423	-	738,749	-
Medical	45,170	-	20,733	-
Tuition and training	54,070	-	50,605	-
Land and building taxes	56,316	-	56,316	-
Others	20,477	-	6,968	-
	15,106,252	854,675	14,312,132	1,191,766

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

22. COMMITMENTS

The Company has no capital expenditure commitments at 31 December 2022.

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.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

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

	Fire and Accident	Motor	Marine and Aviation	Total
INCOME				
Gross written premiums	112,856,823	123,702,964	22,275,760	258,835,547
Premiums ceded	76,694,558	705,583	17,470,113	94,870,254
Net written premiums	36,162,265	122,997,381	4,805,647	163,965,293
Changes in unearned premiums	529,575	(1,630,558)	1,029,236	(71,747)
Net earned premiums	35,632,690	124,627,939	3,776,411	164,037,040
Ceding commission	15,507,101	-	4,077,824	19,584,925
Profit commission	95,633	-	2,075,446	2,171,079
Technical income	51,235,424	124,627,939	9,929,681	185,793,044
OUTGO				
Gross claims paid	22,834,807	21,631,563	-	44,466,370
Claims ceded	15,780,105	-	-	15,780,105
Net claims paid	7,054,702	21,631,563	-	28,686,265
Changes in o/s claims	114,791	2,335,189	385,000	2,834,980
Net claims incurred	7,169,493	23,966,752	385,000	31,521,245
Changes in technical provision	171,937	25,125	102,924	299,986
Sales commission	178,761	475,942	-	654,703
Total technical outgo	7,520,191	24,467,819	487,924	32,475,934
Result before management expenses	43,715,233	100,160,120	9,441,757	153,317,110
Management expenses	6,586,590	7,219,596	1,300,066	15,106,252
Underwriting surplus	37,128,643	92,940,524	8,141,691	138,210,858
Percentage	27%	67%	6%	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.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 (Continued)

25. SHAREHOLDINGS

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

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

	2022
	Holdings
	%
	58.77
	30.02
	4.33
	6.88
	100.00

Life Well Lived

The late Mr. Zeru Woldemichael Tesfazghi, was born in Embatkala, Eritrea in 1950. After completing his elementary education, he moved to the capital city and completed his further education. In 1968 he joined Addis Ababa University and graduated in 1972 with Bachelors in Business Administration (BBA) Majoring in Management and Minor in Accounting. From 1983-1988 he became a Chartered Insurer and Associate Member of the Chartered Insurance Institute of London.

His professional carrier started in 1973 in various managerial positions in the Ethiopian insurance industry where he was the Operations Manager of the Ethiopian Insurance Corporation up to 1982. He later was stationed in the Sudan and served as the Technical Manager of Khartoum Insurance Company (Sudan) from 1983 up to 1989. From 1991 until his death, he served as a General Manager/CEO of the National Insurance Corporation of Eritrea as well as New Sudan Insurance Company in the Republic of South Sudan from 2008.



Mr. Zeru Woldemichael, has also served as a Board Member in various organizations including at Africa Re (as a Vice-Chairman), Zep-Re and recently at Organization of Eastern and Southern Africa Insurers (OESAI), and many more.

Mr. Zeru's more than 50 years' experience and knowledge of the insurance and reinsurance industry and his role as CEO and involvement in various related aspects is well known throughout Africa and abroad. His professionalism, hard work, discipline, excellence, confidence, fatherhood and his passion to leave a legacy to the young generation was without equal and an inspiration to many.

Mr. Zeru leaves behind a wife and a son and three daughters.

Mr. Zeru will always have a special place and be admired in the hearts of many who have benefited from his service and experience.

Life Insurance: Future Plan

To improve the level of awareness of our society in the life insurance business.

To create a competitive Eritrean life insurance market like the competitive markets around the world.



To help more families sustain financial loss related to the death of a breadwinner by reducing financial burdens of the survivors.

To upsurge the gross premium of life insurance portfolio to a 20% of NICE's Gross Premium by 2030.



National Insurance Corporation of Eritrea Sh. Co. invites every group to the new innovative product to have Group Term Life Insurance cover. It is better to be prepared than sorry. So make sure to be insured now!



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