

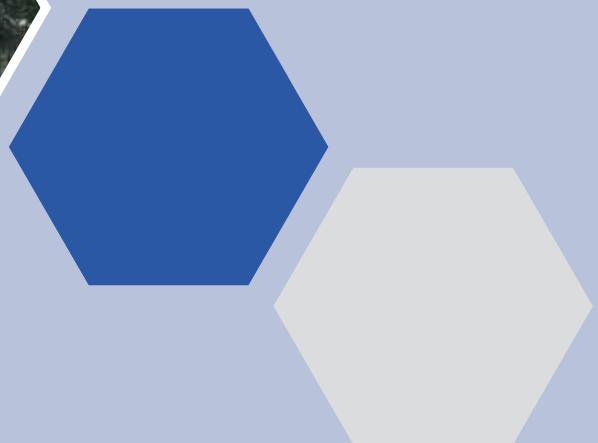
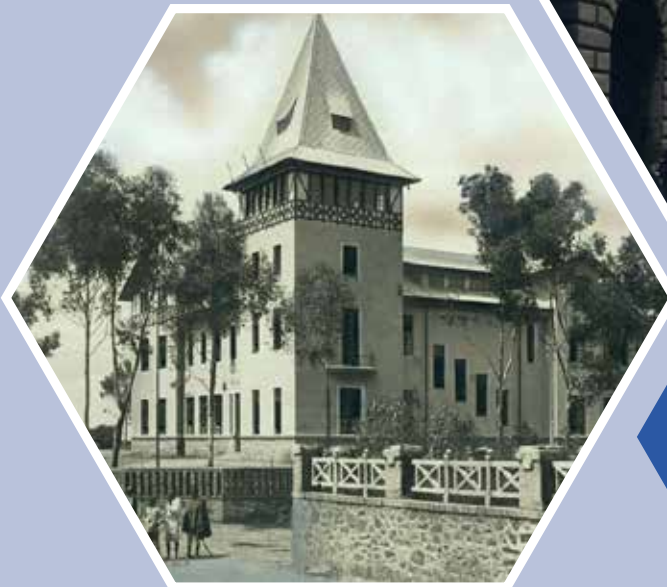


**National Insurance Corporation
Of Eritrea Share Company**



2016

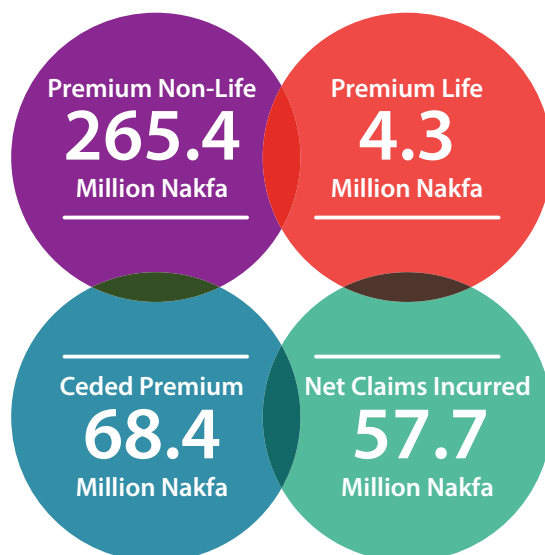
**Annual Report &
Financial Statements**



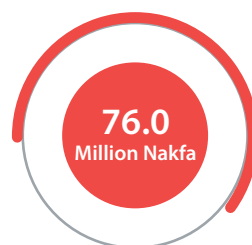


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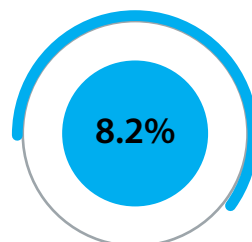
Net Profit



Dividend



Shareholders'
Fund



Mngt Exp. Ratio
on NEP

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



National Insurance Corporation of Eritrea Board meeting session in progress



The Board of Directors



1 Ghirmai Ghebremeskel - *Chairman*

2 Ghebrebrhan Mihreteab - *Director*

3 Elias Tesfay - *Director*

4 Tewolde Ogbagebriel - *Director*

5 Girmai Abraham - *Director*

6 Woldeyesus Elisa - *Director*

Senior Management Team



1 Zeru Woldemichael - General Manager/ CEO

2 Mesghina Nemariam - Technical Manager

3 Tuquabo Moba - Administration Manager

4 Paulos Tecleab - Finance & Investment Manager



Brief Management Report





Brief Management Report

This report provides an overview of the Company's performance, focusing on the key operational activities of premium, claims, reinsurance and expenses for the 2016 financial year.

The National Insurance Corporation of Eritrea is the sole insurer operating in the State of Eritrea, and is supported by highly renowned and prominent underwriters, namely, Munich Re, Africa Re, Zep Re, Kenya Re and East Africa Re. Our international brokers include J B Boda (Mumbai), Afro-Asian Insurance Services (London), Jordan Global (Lagos) and CK Re (London). The company has a prudent underwriting policy and adheres to the best practice and good governance principles.

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

FINANCIAL & TECHNICAL HIGHLIGHTS (NON-LIFE) 2007 – 2016 (IN '000 NAKFA)

DESCRIPTION	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Gross Premium	265,389	271,918	222,288	217,015	221,093	183,289	155,245	157,145	140,980	145,263
Net Written Premium	196,986	190,587	159,605	147,044	136,692	118,672	111,317	106,685	97,236	106,494
Net Premium Earned	193,034	183,864	156,992	146,359	135,612	115,951	111,301	105,110	102,736	109,553
Net Claims Incurred	57,685	53,175	64,734	55,790	47,073	50,781	34,491	29,709	24,135	31,713
Operating Expenses	25,834	27,081	23,995	24,034	23,243	26,514	26,209	27,983	26,469	26,193
Management expenses	15,751	16,968	13,672	14,275	13,470	11,712	11,225	12,817	11,578	10,902
Mgt expenses to Gross premium ratio	5.9%	6.2%	6.2%	6.6%	6.1%	6.4%	7.2%	8.2%	8.2%	7.5%
Profit before tax	129,914	124,467	96,230	91,546	83,127	66,342	68,838	69,070	72,925	76,379
Net Profit	82,783	78,519	62,816	59,142	53,386	42,680	41,487	41,820	44,378	46,711
Property & Equipment	247,806	253,710	261,982	268,292	272,070	277,548	84,829	97,927	110,567	123,335
Investments	288,227	174,352	168,036	164,359	92,454	95,869	98,643	74,389	83,238	71,768
Proposed Dividend	76,046	70,721	55,934	52,994	51,059	47,074	46,060	48,279	48,517	50,500
Share holders Fund	612,476	483,295	459,493	449,672	441,589	435,277	232,030	238,822	245,518	223,376

Brief Management Report (continued)

GROSS WRITTEN PREMIUM

During the year under review, the Company recorded gross premium income of Nakfa 265.4 million from its non life business which is 2.5% less than the premium generated in the previous year.

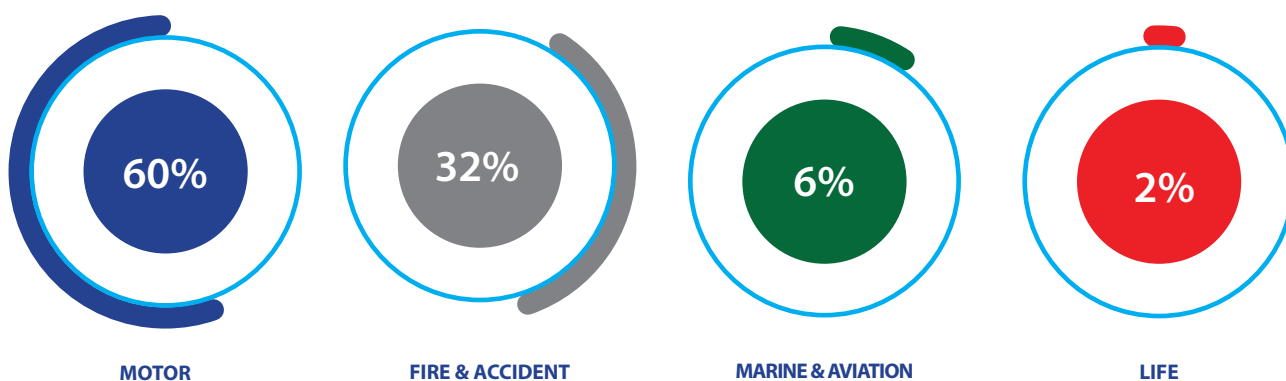
As can be noted from the table below business from Motor class of business has contributed 60% of the over all income of the Company. Income from life portfolio has grown by 50% over the 2015 figures of 2.9 million.

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
MOTOR	80,138	72,236	78,742	81,058	87,176	103,412	113,022	124,493	154,624	161,834
FIRE & ACCIDENT	32,881	33,135	46,075	43,645	65,533	86,253	77,626	80,416	88,327	86,410
MARINE & AVIATION	32,244	35,609	32,328	30,542	30,580	31,428	26,367	17,379	28,966	17,145
LIFE	2,455	2,208	2,128	2,217	2,610	2,298	2,725	2,450	2,857	4,261
TOTAL	147,718	143,188	159,273	157,462	185,899	223,391	219,740	224,738	274,774	269,650

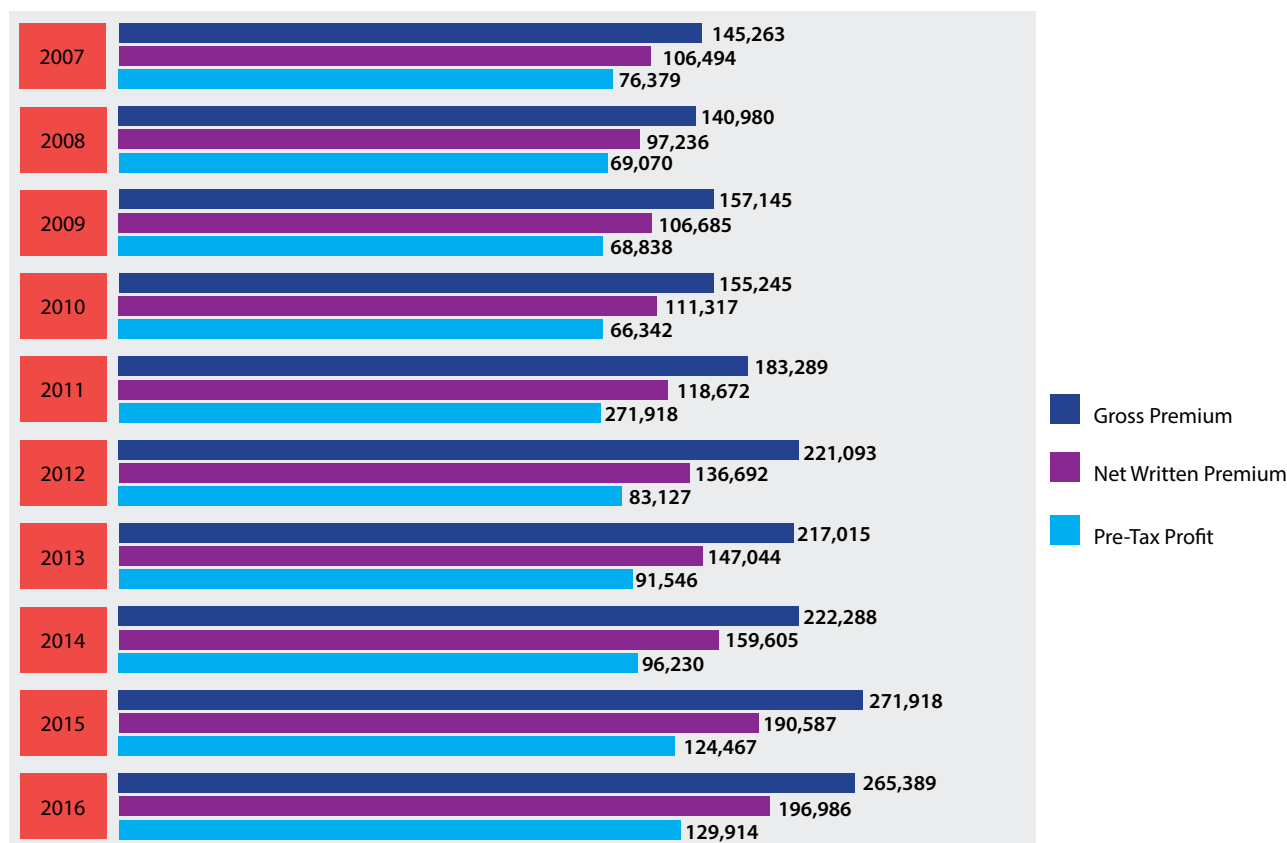
PREMIUM DISTRIBUTION 2016





Brief Management Report (continued)

DEVELOPMENT OF PREMIUMS AND PROFITS



CLAIMS

The total claims incurred during the year under review amounted to Nakfa 57.7 million showing 8.5% increase against the corresponding period of 2015 which was Nakfa 53.2 million. Consequently, the net claims ratio has increased from 29% in 2015 to 30% in 2016.

Comparison of the loss ratios of the company for the years 2015 and 2016 is as stated below.

LOSS RATIO 2016 AND 2015 (NET FOR THE COMPANY) (IN '000' NAKFA)

BUSINESS	2016			2015		
	PREMIUM EARNED	CLAIMS INCURRED	LOSS RATIO	PREMIUM EARNED	CLAIMS INCURRED	LOSS RATIO
MOTOR	156,572	50,044	32%	147,676	47,185	32%
MARINE	5,170	-	-	6,424	1,789	28%
FIRE	8,006	2,549	32%	8,071	363	5%
WORKMEN	9,932	2,375	24%	9,902	1,849	19%
ACCIDENT	13,354	2,717	20%	11,791	1,989	17%
TOTAL	193,034	57,685	30%	183,864	53,175	29%



Brief Management Report (continued)

UNDERWRITING RESULTS

In the year 2016 the net underwriting result was Nakfa 131.1 million showing an increase of 5.2% when compared to Nakfa 124.6 million in 2015. The increase in underwriting result in the year under review was mainly contributed by marine, motor, and accident classes of business.

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

BUSINESS	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
MOTOR	51,110	51,420	45,285	48,380	33,464	55,030	55,442	51,251	86,997	95,428
MARINE	10,840	10,631	9,244	4,994	2,947	7,888	5,647	9,171	5,626	6,878
FIRE	5,329	7,279	8,195	7,323	8,634	6,786	7,349	9,760	10,733	7,430
WORKMEN	3,614	3,111	2,992	3,992	8,329	4,120	6,163	5,910	7,662	6,908
ACCIDENT	8,433	7,437	8,739	10,281	11,110	10,995	11,683	12,421	13,610	14,498
TOTAL	79,326	79,878	74,455	74,970	64,484	84,819	86,284	88,513	124,628	131,142

REINSURANCE COST

As can be noted from the table below the Company has retained 74.2% of its gross premium for its own account, the highest ever in the last 10 years. This was due to prudent and cautious underwriting approach, but large risks, such as the mining projects, bulk marine shipments, the Hirgigo Power plant, etc., will demand reinsurance cover from the international market. As has always been the case, the management will remain vigilant to increase its retention capacity but will always be cautious not to unduly expose the assets and interests of the shareholders.

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

NON-LIFE PREMIUM RETENTION RATES 2007– 2016 (IN '000 NAKFA)

YEAR	GROSS PREMIUM	PREMIUM CEDED	PREMIUM RETAINED	RATE OF RETENTION
2007	145,263	38,769	106,494	73.3%
2008	140,980	43,744	97,236	69.0%
2009	157,145	50,460	106,685	67.9%
2010	155,245	43,928	111,317	71.7%
2011	183,289	64,617	118,672	64.7%
2012	221,093	84,400	136,692	61.8%
2013	217,015	69,972	147,044	67.8%
2014	222,288	62,683	159,605	71.8%
2015	271,918	81,331	190,587	70.1%
2016	265,389	68,404	196,986	74.2%

MANAGEMENT EXPENSES

During the financial year ending 31st December 2016, the total operating and management expenses was Nakfa 25.8 million (in 2015 was Nakfa 27.1 million). The management expenses charged to revenue account was Nakfa 15.8 million (in 2015 was 17.0 million). The remaining Nakfa 10.1 million was charged to the Statement of Profit or Loss.

The ratio of management expenses to Earned Premium was 8.2 % (in 2015 was 9.2%) and to Gross Premium was 5.9% (in 2015 was 6.2%) which is one of the lowest ratio compared with our peer organizations in the region.

Staff rationalization and stringent cost control measures implemented by Management have successfully contributed to achieve a milestone result in 2016.

Management will continue to consciously manage operational expenditure and will strive for even better results in the years ahead.

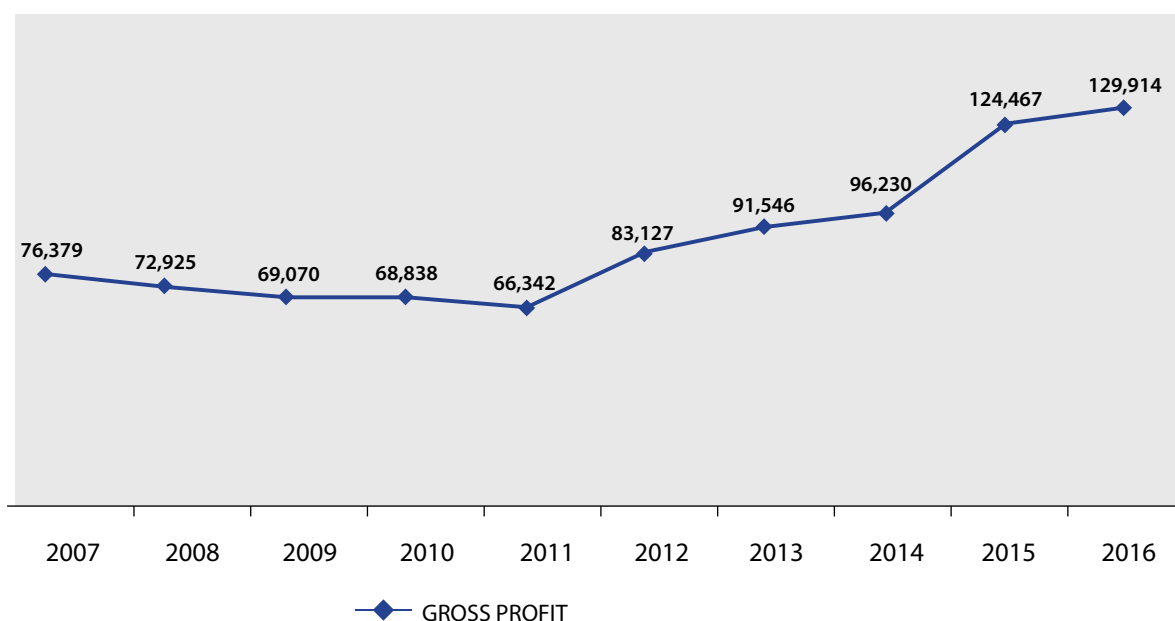


Brief Management Report (continued)

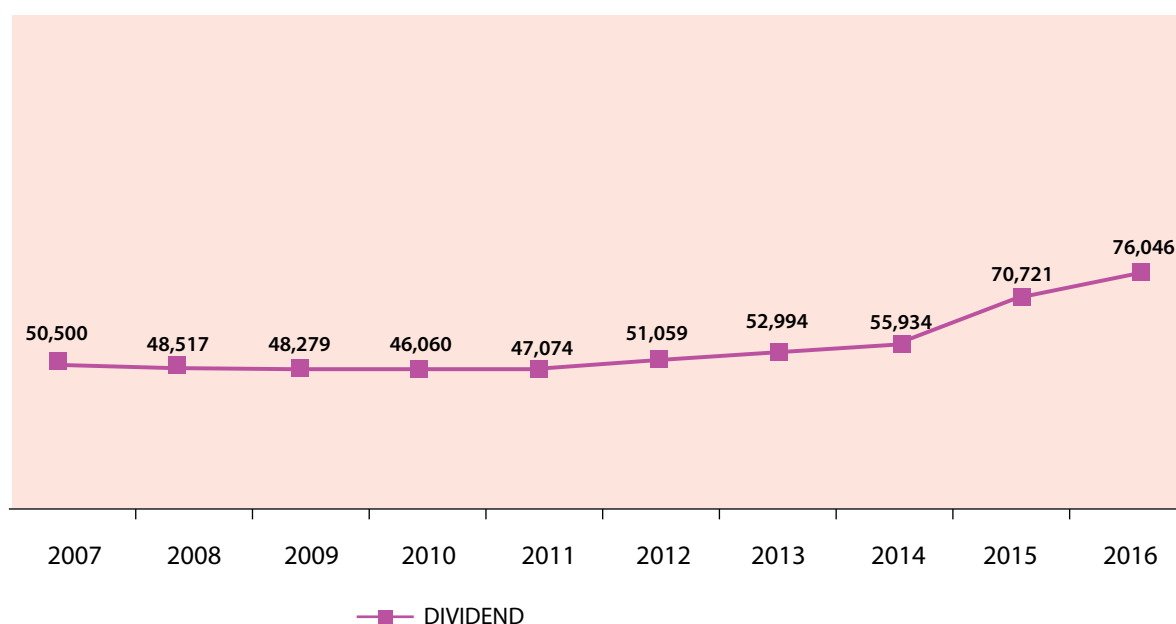
PROFIT

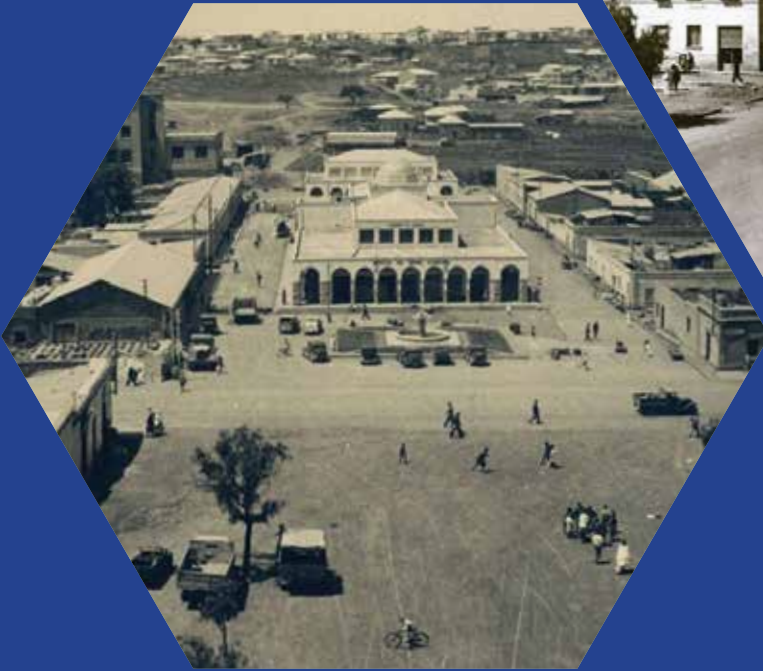
The profit before tax in the year under review was Nakfa 129.4 million (in 2015 was Nakfa 124.5 million) resulting in a net profit of Nakfa 82.8 million (in 2015 was 78.5 Million). This year's profit was mainly due the exceptional result in our underwriting revenue, reduction in operational expenses and income from our investment portfolio. Accordingly the Board of Directors has recommended a dividend of Nakfa 76 million (in 2015 was Nakfa 70.7 million) for distribution to share holders.

DEVELOPMENT OF PROFITS (IN '000 NAKFA)



DEVELOPMENT OF DIVIDENDS (IN '000 NAKFA)





Directors' Report Chairman's Statement

**The Company has recorded
an impressive and the
highest result in Profit,
Dividend and Shareholders'
Funds of all the past years.**



INTRODUCTION

On behalf of the Board of Directors, I have the honor of submitting the Annual Report and Audited Financial Statements of the National Insurance Corporation of Eritrea Share Company as at the end of 31st December 2016, prepared in accordance with the provisions of the relevant articles of the Provisional Commercial Code of the State of Eritrea and in line with the Memorandum and Articles of Association of the Company.

STATEMENT OF COMPLIANCE

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

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

PERFORMANCE

The Company has recorded an impressive result on profit and dividend in spite of its gross premium being lower and the claims incurred higher than last year. The following were the significant figures worth noting:

Positive -

- Profit increased from Nakfa 124.5 million to Nakfa 130.0 million

- Earned Premium increased from Nakfa 183.9 million to Nakfa 193.0 million
- Operating Expenses decreased from Nakfa 27.1 million to Nakfa 25.8 million
- Management Expense ratio reduced from 6.2% to 5.9%
- Proposed dividend increased from Nakfa 70.7 million to 76.0 million
- Shareholders' fund increased from Nakfa 483.3 million to Nakfa 612.5 million

Negative -

- Gross premium income decreased from Nakfa 271.9 million to Nakfa 265.4 million
- Net claims incurred increased from Nakfa 53.2 million to Nakfa 57.7 million

Our affiliated company in South Sudan has also recorded a remarkable performance despite the political turbulence in that country. The outlook remains gloomy. It is anticipated that the economic conditions in South Sudan will further deteriorate and the foreign currency liquidity becoming even more constrained, but the management will remain cautious to minimize unnecessary risk exposure in all aspects.

The return on investment from both Africa Reinsurance Corporation and Zep Re for the year ending 2016 is reported



Directors' Report (continued)

to be higher than our expectation and will closely monitor our investment strategy to take advantage of the higher yield realized from these companies.

Our investment in Shishay Feed Plc and Roof Garden Restaurants has recorded modest profit but Shemshemiya Commercial Farm has yet to be transformed from making continuous losses.

MEMBERS OF THE BOARD OF DIRECTORS

The Board Members shown below, have served their three year terms in accordance with Article 11 of the Memorandum of Association and the Shareholders shall elect their new Directors on the 13th Annual General Meeting scheduled on 3rd June 2017.

The Directors at the date of this report are:

- | | |
|-------------------------|------------|
| 1. Ghirmai Ghebremeskel | - Chairman |
| 2. Girmai Abraham | - Member |
| 3. Ghebrebhan Mihreteab | - Member |
| 4. Woldeyesus Elisa | - Member |
| 5. Tewolde Ogbagebriel | - Member |
| 6. Elias Tesfay | - Member |

GOVERNANCE STRUCTURE

The Board is always guided by the following core values:

- Integrity;
- Transparency;
- Promoting the best interests of the shareholders, employees and other stakeholders of the Company; and
- Compliance with the requirements of the legal and regulatory environment in which the Company operate

The Board rules and procedures are governed by a Board Charter and has three Committee which are governed by their respective charters. These are: 1) Risk, Audit and Compliance Committee, 2) Strategy and Investments Committee and 3) an ad-hoc Committee of Human Resources with specific duty to look into the succession plan of the Company

The Board of Directors meet at least three times a year or as often as the circumstances may determine, the Committees also meet frequently and at such other times as are necessary.

During the year under review:

- The Board held its regular meetings in compliance with Art. 12(a) of the Memorandum of Associations
- Approved the 2017 Budget
- Approved the audited financial statement as at 31st December 2016

- Amended the Memorandum and Articles of Association for approval at the 2nd Extra Ordinary Meeting of Shareholders to be held on 3rd June 2017
- Attended a two day Board Induction training (16th and 17th October 2016) at Hotel Asmara Palace along with other board members from Eritrean institutions by a visiting trainer from Zep Re - Kenya
- The Chairman attended the Shareholders Meeting of New Sudan Insurance Company in Juba on 20th May 2017.

APPROVAL OF THE AUDITED FINANCIAL STATEMENTS AND DISTRIBUTION OF PROFITS

The Board of Directors approved the audited financial statements as at 31st December 2016.


Realizing that the shareholders need to be remunerated for their investment, the Board of Directors recommends that the surplus realized amounting to Nakfa 88,463,805 be distributed in accordance with Art.8 of the Memorandum of Association as follows:

- Nakfa 4,139,149 to Special Reserve
- Nakfa 8,278,299 to Technical Reserve
- Nakfa 76,046,357 to be paid as dividend at the rate of Nakfa 7.264890 (2015 was Nakfa 6.756169) for a fully paid up share capital (inclusive of bonus shares).

APPRECIATION

This being the last report of the retiring Directors, as Chairman of the Board, I would like to appreciate the wise counsel provided by my fellow Board members in their contribution to the milestones achieved. I am also grateful to the management and members of staff who have continued to demonstrate commitment and dedication in realizing the goals of the Company.

On behalf of the Directors, I wish to express our sincere gratitude to our clients, business partners, underwriting agents and all our stakeholders for the support and cooperation and look forward to continued fruitful association in the years ahead.


Ghirmai Ghebremeskel
Chairman



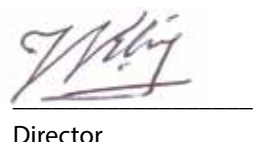
Statement Of Directors' Responsibilities On The Financial Statements For The Year Ended 31 December 2016

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

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

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

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


Chairman
Director

22 April 2017



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Audit Services Corporation (Asmara - Eritrea)

P.O.Box 912
E-mail ASC@TSE.com.er

Tel: 120814
202030
Fax: 125756

14 April 2017

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

We have audited the accompanying financial statements of the National Insurance Corporation of Eritrea Share Company (the Company) which comprise the statement of financial position at 31 December 2016, the related statement of profit or loss, underwriting revenue account, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

Opinion

In our opinion, the financial statements set out on pages 18 to 37, present fairly, in all material respects, the financial position of the National Insurance Corporation of Eritrea Share Company at 31 December 2016 and the results of its financial performance and its cash flows for the year then ended in conformity with International Financial Reporting Standards and comply with the Transitional Commercial Code of the State of Eritrea.

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

Audit Services Corporation





Financial Statements





Statement Of Financial Position

At 31 December 2016

	Notes	Currency: Eritrean Nakfa	
		2016	2015
ASSETS			
Current assets			
Cash and bank balances		268,692,980	216,896,490
Treasury bill		30,000,000	30,000,000
Trade and other receivables	3	74,841,762	78,243,525
Related party receivables	4	13,883,407	12,656,283
Due from reinsurers		836,882	1,608,182
		388,255,031	339,404,480
Non-current assets			
Investments	5	298,763,471	191,338,253
Property and equipment	6	247,810,784	253,715,204
		546,574,255	445,053,457
Total assets		934,829,286	784,457,937
LIABILITIES, CAPITAL AND RESERVES			
Trade and other payables	7	31,183,076	30,018,986
Deferred income	8	151,578	612,931
Provision for taxation	9	46,508,205	45,742,793
Dividend payable	10	7,925,793	6,874,810
Due to reinsurers	11	20,336,208	16,900,169
Insurance fund	12	174,423,187	160,575,123
		280,528,047	260,724,812
Non-current liabilities			
Employee benefits and obligations	13	10,273,510	9,439,375
Capital and reserves			
Share capital	14	104,676,540	104,676,540
Legal reserve	15	20,935,308	20,935,308
Revaluation reserve		231,297,597	236,978,414
Technical reserve	16	42,813,191	34,534,892
Investment reserve		116,527,526	-
Special reserve	17	18,371,371	14,232,222
Retained earnings		1,808,598	1,216,582
Unappropriated profit		76,046,357	70,721,240
		612,476,488	483,295,198
Life insurance fund	18	31,551,241	30,998,552
Total liabilities, capital and reserves		934,829,286	784,457,937

The statement of financial position is to be read in conjunction with the notes, set out on pages 27 to 37, forming part of the financial statements.

The financial statements, set out on pages 18 to 37, were approved by the Board of Directors on 22 April 2017 and were signed on its behalf by:


Chairman




Chief Executive Officer



Statement Of Profit Or Loss

For The Year Ended 31 December 2016

	Notes	Currency: Eritrean Nakfa	
		2016	2015
Revenue			
Surplus from underwriting		131,141,634	124,627,599
Other income	19	3,168,129	3,357,402
		134,309,763	127,985,001
Expenses			
Depreciation	6(b)	9,232,501	9,402,238
General assembly and Board of Directors meetings		673,056	513,250
Audit fee		177,000	197,800
		10,082,557	10,113,288
Profit from operations		124,227,206	117,871,713
Office rent income		713,890	672,902
Interest income		1,482,792	2,208,404
Investment income		4,562,685	1,507,592
Management fee		605,455	2,805,000
Exchange rate differences	2(b)	(789,510)	1,481,080
Cost of finance		(100,435)	(212,445)
Gain on disposal of property and equipment		198,733	2,719,924
Provision for doubtful receivables		(1,472,360)	(4,587,642)
		5,201,250	6,594,815
Profit before taxation		129,428,456	124,466,528
Provision for taxation	9	46,645,468	45,947,855
Net profit after taxation		82,782,988	78,518,673

The statement of profit or loss is to be read in conjunction with the notes, set out on pages 27 to 37, forming part of the financial statements.



Underwriting Revenue Account

For The Year Ended 31 December 2016

	Notes	Currency: Eritrean Nakfa	
		2016	2015
INCOME			
Gross premiums		265,389,446	271,918,000
Premiums ceded		68,403,539	81,330,737
Net premiums		196,985,907	190,587,263
Changes in unearned premiums		3,952,400	6,723,443
Premiums earned		193,033,507	183,863,820
Reinsurance commissions			
- Ceding commission		12,733,152	13,460,427
- Profit commission		358,510	1,311,372
		13,091,662	14,771,799
Total income		206,125,169	198,635,619
OUTGO			
Gross claims paid		49,566,090	38,395,478
Claims ceded		537,524	2,525,935
Net claims paid		49,028,566	35,869,543
Changes in outstanding claims		8,656,286	17,305,233
Net claims incurred		57,684,852	53,174,776
Changes in technical provision		639,658	3,098,445
Commission		907,889	767,101
Total outgo		59,232,399	57,040,322
Management expenses	20	15,751,136	16,967,698
		74,983,535	74,008,020
Underwriting surplus		131,141,634	124,627,599

The underwriting revenue account is to be read in conjunction with the notes, set out on pages 27 to 37, forming part of the financial statements.

Statement Of Changes In Equity

For The Year Ended 31 December 2016

	Share Capital	Legal Reserve	Technical Reserve	Revaluation Reserve	Retained Earnings	Investment Reserve	Special Reserve	Unappropriated Profit	Total
At 01 January 2015	104,676,540	19,234,859	26,683,025	242,659,231	-	-	10,306,288	55,933,544	459,493,487
Net profit after tax	-	-	-	-	-	-	-	78,518,673	78,518,673
Transfer to legal reserve	-	1,700,449	-	-	-	-	-	(1,700,449)	-
Transfer to technical reserve	-	-	7,851,867	-	-	-	-	(7,851,867)	-
Transfer to special reserve	-	-	-	-	-	-	3,925,934	(3,925,934)	-
Excess depreciation realised	-	-	-	(5,680,817)	-	-	-	5,680,817	-
Transfer from dividend payable	-	-	-	-	1,216,582	-	-	-	1,216,582
Transfer to dividend payable	-	-	-	-	-	-	-	(55,933,544)	(55,933,544)
At 31 December 2015	104,676,540	20,935,308	34,534,892	236,978,414	1,216,582	-	14,232,222	70,721,240	483,295,198
Net profit after tax	-	-	-	-	-	-	-	82,782,988	82,782,988
Transfer to legal reserve	-	-	-	-	-	-	-	-	-
Transfer to technical reserve	-	-	8,278,299	-	-	-	-	(8,278,299)	-
Transfer to special reserve	-	-	-	-	-	-	4,139,149	(4,139,149)	-
Transfer to Investment reserve	-	-	-	-	-	116,527,526	-	-	116,527,526
Dividend paid from Retained earnings	-	-	-	-	(30,782)	-	-	-	(30,782)
Excess depreciation realised	-	-	-	(5,680,817)	-	-	5,680,817	-	-
Transfer from Dividend payable	-	-	-	-	622,798	-	-	-	622,798
Transfer to dividend payable	-	-	-	-	-	-	-	(70,721,240)	(70,721,240)
At 31 December 2016	104,676,540	20,935,308	42,813,191	231,297,597	1,808,598	116,527,526	18,371,371	76,046,357	612,476,488

The statement of changes in equity is to be read in conjunction with the notes, set out on pages 27 to 37, forming part of the financial statements.



Statement Of Cash Flows

For The Year Ended 31 December 2016

	Notes	Currency: Eritrean Nakfa	
		2016	2015
Cash flows from operating activities			
Net profit before taxation		129,428,456	124,466,528
Adjustments for:			
Depreciation	6(b)	9,233,081	9,402,818
(Gain) on disposal of property and equipment	6(b)	(198,733)	(2,719,924)
Investment income		(4,562,685)	(1,507,592)
Operating profit before changes on working capital		133,900,119	129,641,830
Decrease / (Increase) in trade and other receivables		3,401,763	(15,487,623)
(Increase) / Decrease in related party receivables		(1,227,124)	1,449,605
Decrease / (Increase) in amounts due from reinsurers		771,300	(330,036)
Increase / (Decrease) in trade and other payables		1,164,090	(3,082,238)
Decrease / (Increase) in deferred income		(461,353)	458,710
Increase / (Decrease) in amounts due to reinsurers		3,436,039	(1,472,056)
Increase in insurance funds		13,848,064	27,147,121
Cash generated from operations		154,832,898	138,325,313
Profit tax paid	9	(45,880,056)	(33,414,094)
Dividend paid	10	(69,078,241)	(54,545,641)
Net cash flows from operating activities		39,874,601	50,365,578
Cash flows from investing / financing activities			
Purchase of property and equipment	6(b)	(3,343,266)	(1,155,489)
Increase / (Decrease) in life insurance fund		552,689	(844,284)
Investment income		4,562,685	1,507,592
(Increase) / Decrease in investments		(107,425,218)	2,775,893
Increase in investment reserve		116,527,526	-
Increase in employee benefits and obligations		834,135	1,635,432
Proceeds from disposal of property and equipment	6(b)	213,338	2,744,520
Net cash flow from/ (used in) investing / financing activities		11,921,889	6,663,664
Net increase in cash and bank balances		51,796,490	57,029,242
Cash and bank balances at the beginning of the year		216,896,490	159,867,248
Cash and bank balances at the end of the year		268,692,980	216,896,490

The statement of cash flows is to be read in conjunction with the notes, set out on pages 27 to 37, forming part of the financial statements.



Statement of Financial Position-Non-Life

At 31 December 2016

	Notes	Currency: Eritrean Nakfa	
		2016	2015
ASSETS			
Current assets			
Cash and bank balances		244,174,312	200,131,098
Treasury bill		30,000,000	30,000,000
Trade and other receivables	3	74,162,264	77,561,704
Related party receivables	4	13,883,407	12,656,283
Due from reinsurers		836,882	1,608,182
		363,056,865	321,957,267
Non-current assets			
Investment	5	288,226,604	174,351,675
Property and equipment	6	247,806,060	253,709,900
		536,032,664	428,061,575
Total assets		899,089,529	750,018,842
LIABILITIES, CAPITAL AND RESERVES			
Current liabilities			
Trade and other payables	7	28,728,628	27,671,587
Deferred income	8	151,578	612,931
Provision for taxation	9	46,508,205	45,742,793
Dividend payable	10	7,925,793	6,874,810
Due to reinsurers	11	19,915,873	16,479,834
Insurance funds	12	173,666,273	160,417,929
		276,896,350	257,799,884
Non-current liabilities			
Employee benefits and obligations	13	9,716,691	8,923,760
Capital and reserves			
Share capital	14	104,676,540	104,676,540
Legal reserve	15	20,935,308	20,935,308
Revaluation reserve		231,297,597	236,978,414
Technical reserve	16	42,813,191	34,534,892
Investment reserve		116,527,526	-
Special reserve	17	18,371,371	14,232,222
Retained earnings		1,808,598	1,216,582
Unappropriated profit		76,046,357	70,721,240
		612,476,488	483,295,198
Total liabilities, capital and reserves		899,089,529	750,018,842

The statement of financial position is to be read in conjunction with the notes, set out on pages 27 to 37, forming part of the financial statements.



Statement of Financial Position-Life

At 31 December 2016

	Notes	Currency: Eritrean Nakfa	
		2016	2015
ASSETS			
Current assets			
Cash and bank balances		24,518,668	16,765,392
Trade and other receivables	3	679,498	681,821
		25,198,166	17,447,213
Non-current assets			
Investment	5	10,536,867	16,986,578
Furniture and equipment	6	4,724	5,304
		10,541,591	16,991,882
Total assets		35,739,757	34,439,095
Current liabilities			
Trade and other payables	7	2,454,448	2,347,399
Outstanding claims (Net)	12	756,914	157,194
Due to reinsurers		420,335	420,335
		3,631,697	2,924,928
Non-current liabilities			
Employee benefits and obligations	13	556,819	515,615
Life Insurance Fund	18	31,551,241	30,998,552
Total liabilities and funds		35,739,757	34,439,095

The statement of financial position is to be read in conjunction with the notes, set out on pages 27 to 37, forming part of the financial statements.



Underwriting Revenue Account-Life

For The Year Ended 31 December 2016

	Notes	Currency: Eritrean Nakfa	
		2016	2015
INCOME			
Gross premiums		4,260,592	2,856,581
Premiums ceded		-	601,702
Net premiums collected		4,260,592	2,254,879
Commission		-	189,002
Total income		4,260,592	2,443,881
OUTGO			
Gross claims paid		3,474,501	1,287,590
Claims ceded		-	-
Net claims paid		3,474,501	1,287,590
Commission		5,766	3,918
Change in outstanding claims		599,720	20,000
Others		1,124	1,615
Total outgo		4,081,111	1,313,123
Management expenses	20	289,465	338,340
		4,370,576	1,651,463
Underwriting(deficit)/ surplus		(109,984)	792,418
Interest income		675,287	1,000,341
Other income		3	50
		565,306	1,792,809
Expenses			
Depreciation		580	580
Cost of finance		837	598
Audit fee		11,200	10,000
		12,617	11,178
Net operating surplus		552,689	1,781,631
Insurance fund at 01 January 2016		30,998,552	31,842,836
Prior year adjustment		-	(2,625,915)
Insurance fund at 31 December 2016	18	31,551,241	30,998,552

The underwriting revenue account is to be read in conjunction with the notes, set out on pages 27 to 37, forming part of the financial statements.



Notes To The Financial Statements





Notes To The Financial Statements

31 December 2016

1. ESTABLISHMENT

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

(b) Translation of foreign currencies

i) Functional currency

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

ii) Transactions and balances

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

(c) Investments

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

Recognition

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

i) Measurement

Investments at fair value through profit or loss

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

ii) Held to maturity

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

iii) Available-for-sale investments

Investments which are intended to be held for undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available- for-sale investments.



Notes To The Financial Statements

31 December 2016 (continued)

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.

(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) 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.

(h) 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 $\frac{(2M-1)P}{24}$: where 'P' is the annual premium and 'M' represents month.

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(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.

Notes To The Financial Statements

31 December 2016 (continued)

(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.

3. TRADE AND OTHER RECEIVABLES

Currency: Eritrean Nakfa

	31 December 2016			31 December 2015		
	Non-life	Life	Total	Non-life	Life	Total
Trade receivables	74,482,184	650,873	75,133,057	79,072,151	651,915	79,724,066
Other receivables	7,043,149	28,625	7,071,774	4,380,262	29,906	4,410,168
	81,525,333	679,498	82,204,831	83,452,413	681,821	84,134,234
Less: Provision for doubtful receivables	7,363,069	-	7,363,069	5,890,709	-	5,890,709
	74,162,264	679,498	74,841,762	77,561,704	681,821	78,243,525

4. RELATED PARTY RECEIVABLES

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

	31 December 2016			31 December 2015		
	Non-life	Life	Total	Non-life	Life	Total
Roof Garden Restaurant	1,063,434	-	1,063,434	1,119,847	-	1,119,847
Shishay Feed Plant	583,737	-	583,737	583,737	-	583,737
New Sudan Insurance	2,511,170	-	2,511,170	2,412,784	-	2,412,784
Ministry of Finance	58,221	-	58,221	58,221	-	58,221
Shemshemiya	9,666,845	-	9,666,845	8,481,694	-	8,481,694
Commercial Farm						
	13,883,407	-	13,883,407	12,656,283	-	12,656,283



Notes To The Financial Statements

31 December 2016 (continued)

5. INVESTMENTS

(a) These are made up of:

Currency: Eritrean Nakfa

	31 December 2016			31 December 2015		
	Non-life	Life	Total	Non-life	Life	Total
Available for sale						
African Reinsurance Corporation	89,443,080	-	89,443,080	15,664,635	-	15,664,635
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. Shemshemya	87,020,347	-	87,020,347	44,271,266	-	44,271,266
Commercial Farm	74,699,000	-	74,699,000	68,699,000	-	68,699,000
New Sudan Insurance Co.	22,444,995	-	22,444,995	22,444,995	-	22,444,995
	279,958,422	-	279,958,422	157,430,896	-	157,430,896
Held to maturity						
Loan to New Sudan Insurance Co.	2,700,000	-	2,700,000	2,700,000	-	2,700,000
Loans to life policyholders	-	2,070,958	2,070,958	-	2,043,396	2,043,396
Loans to financial institutions	5,568,182	8,465,909	14,034,091	14,220,779	14,943,182	29,163,961
	8,268,182	10,536,867	18,805,049	16,920,779	16,986,578	33,907,357
	288,226,604	10,536,867	298,763,471	174,351,675	16,986,578	191,338,253

(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 2018.

(d) The loan to a financial institution is a loan granted to Eritrean Development and Investment Bank at different intervals. The batches of loan are fully repayable before 30 June 2017, 31 December 2018 and 30 June 2018 and bears average interest of 5% per annum.

Notes To The Financial Statements

31 December 2016 (continued)

6. PROPERTY AND EQUIPMENT

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

Currency: Eritrean Nakfa

	31 December 2016			31 December 2015		
	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	10,650,417	55,963	10,706,380	11,366,751	55,963	11,422,714
Computers	17,915,063	31,906	17,946,969	14,884,344	31,906	14,916,250
Motor vehicles and cycles	9,180,978	-	9,180,978	9,180,978	-	9,180,978
Text books	83,360	-	83,360	83,360	-	83,360
	414,617,034	87,869	414,704,903	412,302,649	87,869	412,390,518
Depreciation						
Buildings	140,419,391	-	140,419,391	132,989,671	-	132,989,671
Furniture and equipment	8,477,088	51,240	8,528,328	8,829,402	50,660	8,880,062
Computers	10,285,796	31,905	10,317,701	10,045,598	31,905	10,077,503
Motor vehicles and cycles	7,545,371	-	7,545,371	6,644,750	-	6,644,750
Text books	83,328	-	83,328	83,328	-	83,328
	166,810,974	83,145	166,894,119	158,592,749	82,565	158,675,314
Carrying Amount						
Buildings	236,367,825	-	236,367,825	243,797,545	-	243,797,545
Furniture and equipment	2,173,329	4,723	2,178,052	2,537,349	5,303	2,542,652
Computers	7,629,267	1	7,629,268	4,838,746	1	4,838,747
Motor vehicles and cycles	1,635,607	-	1,635,607	2,536,228	-	2,536,228
Text books	32	-	32	32	-	32
	247,806,060	4,724	247,810,784	253,709,900	5,304	253,715,204

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

	Cost/Revaluation			Depreciation		
	Additions	Transfers	Disposal	Additions	Transfers	Disposal
Non-Life	3,343,266	-	(1,028,881)	9,232,501	-	(1,014,276)
Life	-	-	-	580	-	-
	3,343,266	-	(1,028,881)	9,233,081	-	(1,014,276)

(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 2016 (continued)

7. TRADE AND OTHER PAYABLES

Currency: Eritrean Nakfa

	31 December 2016			31 December 2015		
	Non-life	Life	Total	Non-life	Life	Total
Trade payables	24,010,481	1,902,693	25,913,174	23,910,995	1,887,426	25,798,421
Payable to contractors	42,763	-	42,763	42,763	-	42,763
Other payables	3,865,749	522,225	4,387,974	3,019,105	431,643	3,450,748
Accruals	809,635	29,530	839,165	698,724	28,330	727,054
	28,728,628	2,454,448	31,183,076	27,671,587	2,347,399	30,018,986

8. DEFERRED INCOME

	31 December 2016			31 December 2015		
	Non-life	Life	Total	Non-life	Life	Total
Premiums received in advance	1,578	-	1,578	462,931	-	462,931
Interest received in advance	150,000	-	150,000	150,000	-	150,000
	151,578	-	151,578	612,931	-	612,931

9. PROVISION FOR TAXATION

a) This is made up of:

	Profit Tax	Municipal Tax	Rent income Tax	Total
Balance at 01 January 2016	39,824,923	4,993,765	924,105	45,742,793
Less: Payments made during the year	40,313,374	5,384,158	182,524	45,880,056
	(488,451)	(390,393)	741,581	(137,263)
Add: Current year's provision	40,986,640	5,464,885	193,943	46,645,468
Balance at 31 December 2016	40,498,189	5,074,492	935,524	46,508,205

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

10. DIVIDEND PAYABLE

a) The balance comprises:

The balance comprises:

	2016	2015
Balance at 01 January 2016	6,874,810	6,703,489
Dividend declared	70,721,240	55,933,544
	77,596,050	62,637,033
Less: Payment made during the year	(69,078,241)	(54,545,641)
	8,517,809	8,091,392
Less: Transferred to retained earnings	(622,798)	(1,216,582)
Add: Dividend paid from retained earnings	30,782	-
Balance at 31 December 2016	7,925,793	6,874,810

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.

Notes To The Financial Statements

31 December 2016 (continued)

11. 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.

12. INSURANCE FUNDS

Currency: Eritrean Nakfa

	31 December 2016			31 December 2015		
	Non-life	Life	Total	Non-life	Life	Total
Outstanding claims (Net)	105,602,406	756,914	106,359,320	96,946,120	157,194	97,103,314
Provision for unexpired risks	48,365,277	-	48,365,277	44,412,877	-	44,412,877
Technical provisions	19,698,590	-	19,698,590	19,058,932	-	19,058,932
	173,666,273	756,914	174,423,187	160,417,929	157,194	160,575,123

13. EMPLOYEE BENEFITS AND OBLIGATIONS

	31 December 2016			31 December 2015		
	Non-life	Life	Total	Non-life	Life	Total
Provident fund	6,519,482	346,905	6,866,387	5,836,061	310,252	6,146,313
Provision for compensation for service	3,197,209	209,914	3,407,123	3,087,699	205,363	3,293,062
	9,716,691	556,819	10,273,510	8,923,760	515,615	9,439,375

- The average number of employees engaged during the year was 90(2015: 88).

14. 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.

15. 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.

16. 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.

17. 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.



Notes To The Financial Statements

31 December 2016 (continued)

18. LIFE INSURANCE FUND

Currency: Eritrean Nakfa

(a) The balance comprises:

	2016	2015
Balance at 01 January 2016	30,998,552	31,842,836
Less: Prior year adjustment	-	(2,625,915)
Add: Current year's transfer	30,998,552 552,689	29,216,921 1,781,631
Balance at 31 December 2016	31,551,241	30,998,552

(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.

19. OTHER INCOME

	31 December 2016		31 December 2015	
	Non-life	Life	Non-life	Life
Survey fees	10,610	-	66,083	-
Crane rental	384,750	-	22,916	-
Cost recovery	2,770,000	-	3,230,587	-
Others	2,769	-	37,816	-
	3,168,129	-	3,357,402	-

20. MANAGEMENT EXPENSES

	31 December 2016		31 December 2015	
	Non-life	Life	Non-life	Life
Salaries and related benefits	5,716,554	252,151	6,495,430	304,300
Car running and maintenance	1,453,621	-	2,158,967	-
Advertisement and promotion	565,840	-	637,732	-
Printing and stationery	1,878,244	-	1,800,066	-
Light and water	292,124	-	237,783	-
Insurance	1,646,400	37,314	1,742,414	34,040
Travel and per-diem	294,681	-	432,314	-
Maintenance and supplies	566,381	-	308,506	-
Postage, telephone and fax	359,882	-	309,828	-
Representation	226,052	-	181,903	-
Entertainment	480,864	-	268,352	-
Legal, membership and consultation fees	836,503	-	662,439	-
Uniforms	80,820	-	177,937	-
Cleaning and sanitation	726,964	-	779,208	-
Medical	25,376	-	38,351	-
Tuition and training	554,378	-	528,003	-
Land and building taxes	37,335	-	202,137	-
Others	9,117	-	6,328	-
	15,751,136	289,465	16,967,698	338,340



Notes To The Financial Statements

31 December 2016 (continued)

21. COMMITMENTS

The Company has no capital expenditure commitments at 31 December 2016.

22. 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 2016 (continued)

23. 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	86,410,163	161,833,976	17,145,307	265,389,446
Premiums ceded	54,953,193	982,969	12,467,377	68,403,539
Net written premiums	31,456,970	160,851,007	4,677,930	196,985,907
Changes in unearned premiums	164,984	4,279,364	(491,948)	3,952,400
Net earned premiums	31,291,986	156,571,643	5,169,878	193,033,507
Ceding commission	9,774,614	10,525	2,948,013	12,733,152
Profit commission	358,510	-	-	358,510
Technical income	41,425,110	156,582,168	8,117,891	206,125,169
OUTGO				
Gross claims paid	6,688,795	42,329,659	547,636	49,566,090
Claims ceded	332,524	205,000	-	537,524
Net claims paid	6,356,271	42,124,659	547,636	49,028,566
Changes in o/s claims	1,290,160	7,919,106	(552,980)	8,656,286
Net claims incurred	7,646,431	50,043,765	(5,344)	57,684,852
Changes in technical provision	108,728	723,861	(192,931)	639,658
Sales commission	227,926	677,277	2,686	907,889
Total technical outgo	7,983,085	51,444,903	(195,589)	59,232,399
Result before management expenses	33,442,025	105,137,265	8,313,480	146,892,770
Management expenses	4,966,980	9,709,411	1,074,745	15,751,136
Underwriting surplus	28,475,045	95,427,854	7,238,735	131,141,634
Percentage	22%	73%	5%	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 20 to the financial statements are prorated among the Fire and Accident, Motor and Marine and Aviation insurances in accordance with their respective gross written premium of each segment and their related branches.



Notes To The Financial Statements

31 December 2016 (continued)

24. SHAREHOLDINGS

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

	2016
	Holdings %
Ministry of Finance	58.77
Ministry of labor and Human Welfare (Martyrs' Trust Fund)	30.02
Mahber Wenenti Mekayin White	4.33
Others	6.88
	100.00







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