SOLVENCY AND FINANCIAL CONDITION REPORT 2022

NICOZDIAMOND
INSURANCE LIMITED
You never know what will happen
a member of FIRST MUTUAL HOLDINGS LIMITED

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SECTION 1

BUSINESS PERFORMANCE

1.1 COMPANY PROFILE & INFORMATION

1.2 UNDERWRITING PERFORMANCE

1.3 INVESTMENTS PERFORMANCE

1.4 PERFORMANCE ON OTHER ACTIVITIES

SECTION 1

1.1 BUSINESS PERFORMANCE

1.1.1 Information about the Company

NicozDiamond Insurance Limited (NDIL) is an insurance company incorporated and domiciled in Zimbabwe. The Company's registered office is located at 30 Samora Machel Avenue Harare, Zimbabwe. The main business of NicozDiamond Insurance Limited is the provision of short-term insurance risk solutions and property investments through its subsidiaries,Thirty Samora Machel (Private) Limited and Marabou Investments (Private Limited). The Company is a wholly owned subsidiary of First Mutual Holdings Limited (FMHL). NicozDiamond Insurance Limited has maintained regional performance through its Subsidiary Diamond Seguros operating from Mozambique and United General Insurance an Associate Company in Malawi. NicozDiamond Insurance Limited holds 34% in United General Insurance Company and 71.4 % of the shares of Diamond Seguros. The main business of Diamond Seguros Insurance is the provision of short-term insurance solutions to the Mozambican market. The company also has a 45% interest in Clover Leaf Panel Beaters which is also treated as an Associate.

NDIL is an established premier insurer and its performance is supported by a strong balance sheet, strong brand, high visibility and its consistency in being awarded an A+ financial strength rating by the Global Credit Rating Company of South Africa in May 2022.

1.1.2 Key Products Offered

The Company offers various short-term insurance contracts as outlined below. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of risk and level of insured benefits. Below are the various key products that the Company offers:

1.1.2.1 Motor Vehicle Insurance which provides cover under:

- Third party which covers the motorist's liability to others for damage to vehicles and/or other property, death and injury to third parties.
- Third party fire & theft which covers insured vehicle for damage due to fire or theft plus the benefits for third party.
- Comprehensive cover which is the most extensive form of insurance, in addition to providing the cover listed above , provides accidental damage cover to vehicles.

1.1.2.2 House Owners and Householders

- House owners' section which covers private dwellings, outbuildings, walls, fences and gates for the cost of re-building following damage caused by fire, lightning, explosion, storm, flood, earthquake, theft and accidental damage to fittings and fixtures. Cover extends to the cost of rentals in similar accommodation for a specified period.
- House holders' section which covers all movable contents of the home for replacement value less depreciation. Perils are the same as above and extends to include theft from washing line, deterioration of foodstuff, property of guests and domestic workers or injuries caused to other persons by domestic pets.

1.1.2.3 Travel Insurance

Covers travelling emergencies such as medical expenses, journey cancellations and loss of luggage.

1.1.2.4 Personal Accident Insurance

Covers the insured person in case of death or bodily injury caused by accidental, violent and visible means. Cover extends to include permanent disability, temporary disability and medical expenses.

1.1.2.5 Hospital Cash Plan

The Hospital Cash Plan is insurance cover that provides financial support for individuals when one suffers income loss due to the hospitalisation of dependants (spouse or children).

1.1.2.6 Assets All Risks

This is an all-encompassing insurance option for businesses to cover the following: Property loss or damage, Business interruption, Business All Risks, Account Receivables, Money Glass and Fidelity Guarantee.

1.1.2.7 Liabilities Insurance

Covers a business's exposure to various forms of legal liabilities for death or injury and /or damage to property, arising from negligent commission or omission of duty of care, such as: Public Liability, Products Liability, Environmental Liability, Employers Liability, Professional Indemnity and Residual Liability.

1.1.2.8 Marine Insurance

Marine Insurance policy protects against accidental damage to marine cargo or loss or damage to marine hull, machinery and third-party liabilities arising from use or ownership of such equipment. We cover cargo originating from or to destinations outside our borders while in transit by sea, air and road.

1.1.2.9 Aviation Insurance

Covers accidental loss of or damage to the aircraft and liability to third parties i.e. persons and/or property outside the aircraft and liability to passengers.

1.1.2.10 Engineering Insurance

Covers machinery breakdown and resultant deterioration of stock, plant and erection all risks, contractors all risks and resultant liabilities. This class of insurance covers a wide range of engineering related risks. Our solutions are set up to provide strong financial back up for all engineering projects:

- Contractor's all risks
- Machinery Breakdown
- Plant and Erection all risks
- Electronic Equipment

1.1.2.11 Bond and Surety

Offered by NicozDiamond to protect an employer against non-performance on the part of the contractor. The cover includes the Performance Bond, Bid/Tender Bond, Retention Bond and Advance Payment Bond.

1.1.2.12 Farming Insurance

- Crop insurance that covers against any loss or damage to crops such as tobacco, potatoes, cotton, maize and sugarcane from growing stage to the selling stage, against perils such as hail, windstorm and fire.
- Livestock Insurance covers against fire, lightning, impact and malicious damage to property. It also covers the risk of theft and straying.
- Farming Equipment insurance offers farmers insurance for their mechanical utilities so they are not at risk of being left stranded when they most need implements.

1.1.2.13 Mining Insurance

Mining presents unique risks almost always requiring tailor made insurance covers. NicozDiamond provides specialised cover for most mining needs.

1.1.3 External Environment

1.1.3.1 Economic Environment

According to the Ministry of Finance, Zimbabwe was expected to record a 5.5% growth in Gross Domestic Product ("GDP") for 2022 (2021:8.5%) on the back of a good 2021/2022 agriculture season complemented by the recovery of the mining sector following the increase in international commodity prices. Money market interest rates on Zimbabwe dollar (ZWL) investments averaged 80% in 2022 whilst those in United States dollar ("USD") averaged 5%. Year on year inflation closed the year at 243.8% compared to a 60.7% in 2021 driven by money supply growth. To reduce inflationary pressures the Government increased the interest rate to 200% and introduced Gold Coins as a measure to mop out excess funds in the market. The ZSE all share index recorded 80.1% gains from December 2021 to December 2022 to close at 19,439.9 points (2021; 10,822.4 points). The Victoria Falls Stock Exchange (VFEX), which opened in December last year gained momentum in 2022 and closed the year with a number of high-profile companies listed on the USD bourse.

1.1.3.2 Monetary Developments

The Reserve Bank of Zimbabwe auction system remained in use as the official rate in 2022. The ZWL rate against the USD at the end of December 2022 deteriorated to ZWL 677.85 compared to the 2021 closing rate of ZWL 108.66. The country operated in a multi-currency environment throughout the year.

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1.1.3.3 Impact of COVID-19

A significant number of staff was vaccinated against the COVID-19 virus. Due to efforts by the Government of Zimbabwe, the pandemic is no longer as pertinent a risk as it was in the prior year. The Group will continue to observe all COVID-19 protocols as announced by the Ministry of Health and Child Welfare, as well as the World Health Organization for the well-being of all our stakeholders.

1.1.3.4 Hyper-inflationary Economy

The country continued to operate in a hyper-inflationary environment and as a result the pronouncement issued by the Public Accountants and Auditors Board ("PAAB") in 2019 continued to apply. The International Accounting Standard ("IAS29") - Financial Reporting in Hyper-inflationary Economies was used in the preparation of the Group and the Company's financial statements.

1.1.3.5 Economic Outlook

Despite the current prevailing challenges that continue to manifest in the Zimbabwean economy, improvement and growth prospects remain conspicuous. The IMF anticipates a growth rate of 2.5% amid a global economic growth slowdown in 2023. NDIL intends to continue leveraging on its diverse business portfolio as well as regional footprint to sustain a positive growth trajectory into the future. The business is confident of the country's medium-term economic prospects and will thus continue to invest in its core businesses and complementary areas. NDIL will continue to focus on balance sheet preservation and strive to ensure that operating profits are achieved despite the volatile environment.

1.2 UNDERWRITING PERFORMANCE

The analysis below is for local operations on a historical cost basis.

1.2.1 Gross Premium Written

NDIL recorded gross premium income of ZWL 15.5 billion for the year ended 31 December 2022 which was a growth of 372% compared to 2022. Growth was anchored by increased foreign denominated business, acquisition of new business written and asset revaluations mainly driven by inflation. The Motor and Fire classes remained the dominant classes and contributed 42% and 25 % respectively towards total Premium Income.

1.2.2 Reinsurance Expenses

The retention ratio for 2022 was 42%, (2021: 49%). The lower retention was driven by increased foreign denominated business which is characterised by a lower retention ratio compared to local policies. The retention ratio excluding fronted policies however stood at 53%. The motor and engineering classes had the highest retention ratios of 76% and 44% respectively.

1.2.3 Claims expenses

The overall claims ratio increased from to 36% in 2021 to 52% for the period ended December 2022. The growth was largely as a result of to a more normalised operating environment compared to the prior year following the elimination of travel restrictions as well as the price arbitrages by repairers. Clams expenses were further affected by global inflation which had an impact on the prices for spares.

1.2.4 Commission and acquisition expenses

The commission and acquisition expense ratio stood at 20% compared to 18% in 2021. The higher commission ratio compared to prior year is attributed to increased broker business relative to other channels of business.

1.2.5 Underwriting Profit

The Company closed the year with an underwriting result of ZWL 1.4 billion on the back of growth in premium income. The business was however negatively affected by a higher combined ratio which stood at 134% closing the year with an underwriting loss of ZWL 1.7 billion. The higher combined ratio is largely as a result of exchange rate volatility, a significant portion of revenue was recognised at lower rates compared to higher rates which prevailed in subsequent periods for claims and administration expenses. An increase in foreign denominated business also weighed down on the retention ratio and the rest of the expense ratios. The tables below show the detailed underwriting performance per class.

Table 1: Underwriting Performance Per Class

All Figures are in (ZWL'000)	Total	Fire	Motor	Engineering	Marine	Aviation	Accident	Credit	Farming
Gross Premium Written	**15,485,644**	**3,820,800**	**6,437,115**	**575,741**	**547,648**	**1,350,308**	**1,252,387**	**1,294,398**	**207,247**
Reinsurance	(8,947,767)	(3,398,997)	(1,540,491)	(320,017)	(406,096)	(1,351,383)	(943,613)	(832,543)	(154,628)
Net Premium Written	**6,537,877**	**421,803**	**4,896,625**	**255,724**	**141,552**	**(1,075)**	**308,774**	**461,855**	**52,619**
Unearned Premium	(1,389,707)	(206,370)	(844,314)	(57,968)	(31,468)	2,113	(89,656)	(151,071)	(10,973)
Earned Premium	**5,148,169**	**215,433**	**4,052,311**	**197,756**	**110,084**	**1,038**	**219,118**	**310,783**	**41,647**
Net claims Expenses	(2,688,195)	(207,472)	(2,238,305)	(34,782)	(20,799)	0	(100,681)	(57,762)	(28,394)
Commission & Acquisition Expenses	(1,018,610)	(138,118)	(787,505)	15,285	(10,958)	(46,367)	(39,258)	(5,631)	(6,058)
Underwriting Result	**1,441,364**	**(130,157)**	**1,026,501**	**178,259**	**78,326**	**(45,329)**	**79,179**	**247,390**	**7,194**
Operating Expenses	(3,183,632)	(205,398)	(2,384,421)	(124,525)	(68,929)	524	(150,358)	(224,901)	(25,623)
Underwriting Profit	**(1,742,268)**	**(335,555)**	**(1,357,920)**	**53,733**	**9,397**	**(44,805)**	**(71,179)**	**22,489**	**(18,429)**

Table 2: Key Performance Indicators Per Class

	Total	Fire	Motor	Engineering	Marine	Aviation	Accident	Credit	Farming
Retention Ratio	42%	11%	76%	44%	26%	0%	25%	36%	25%
UPR Ratio	21%	49%	17%	23%	22%	197%	29%	33%	21%
Claims Ratio	52%	96%	55%	18%	19%	0%	46%	19%	68%
Commission & Acquisitions Expense Ratio	20%	64%	19%	-8%	10%	4468%	18%	2%	15%
Admin cost Ratio	62%	95%	59%	63%	63%	-50%	69%	72%	62%
Combined Ratio	134%	256%	134%	73%	91%	4418%	132%	93%	144%

Table 3: Performance by Geographical Location

All Figures are in (ZWL'000)	TOTAL	HARARE	BULAWAYO	MUTARE	GWERU	MASVINGO
Gross Premiums Written	**15,485,644**	**13,933,913**	**1,030,558**	**184,307**	**229,278**	**107,587**
Reinsurance Cessions	(8,947,767)	(8,012,711)	(765,641)	(51,339)	(91,230)	(26,847)
Net Premiums Written	**6,537,877**	**5,921,202**	**264,917**	**132,969**	**138,048**	**80,741**
Unearned Premium	(1,389,707)	(1,223,752)	(77,279)	(46,303)	(18,763)	(23,610)
Earned Premiums	**5,148,169**	**4,697,450**	**187,639**	**86,665**	**119,285**	**57,131**
Net Claims Incurred	(2,688,195)	(2,495,348)	(63,633)	(45,530)	(55,854)	(27,830)
Commission & acquisition expenses	(1,018,610)	(911,093)	(88,545)	(6,691)	(12,112)	(170)
Underwriting Result	**1,441,364**	**1,291,008**	**35,462**	**34,444**	**51,319**	**29,131**

1.2.6 Reinsurance Covers

Reinsurance security selection was done using the standard selection criteria of looking at security rating and claims paying ability.

Types of reinsurance arrangements in place

1. Fire and Engineering Surplus Treaty
2. Fire and Engineering Excess of Loss
3. Miscellaneous Accident Surplus
4. Accident Excess of Loss
5. Motor Quota Share
6. Motor Excess of Loss
7. Accident Excess of Loss
8. Facultative Obligatory (all classes)
9. Farming Quota Share

The table below shows reinsurance participants for the covers held

Table 4: Reinsurance participants

	Reinsurer	Rating	Rating Agent	Proportion (ZWL)
1.	FBC Re	A-	GCR	20%
2.	First Mutual Reinsurance	AAA	GCR	20%
3.	Zep Re (PTA Re)	AAA	GCR	19%
4.	Emeritus Re	A-	GCR	15%
5.	ZB Re	BBB	AUGUSTO	11%
6.	Grand Re	AA+	GCR	8%
7	Tropical Re	BBB+	GCR	5%
8	Waica Re	AAA	GCR	2%

1.3 INVESTMENTS PERFORMANCE

1.3.1 Investments Performance Overview

NDIL seeks to achieve superior risk-adjusted investment returns relative to liabilities. This entails optimising investment returns while minimizing or eliminating exposure to unintended or uncompensated risks. The business has a structured, comprehensive, dynamic, integrated and inclusive risk management approach meant at identifying, analysing and managing the Company's risks to an acceptable level, so as to enhance opportunities and ensure a sustainable performance of its investment portfolio.

The table below shows the market values of the investment portfolio by asset class as at 31 December 2022 and 31 December 2021.

1.3.2 Investments Portfolio

Table 5: Investment by asset class

Asset Class	Dec-22 Market Value ZWL'000	Weight	Dec-21 Market Value ZWL'000	Weight	Growth
Financial assets at fair value through profit or loss	1,323,590	64%	292,421	85%	353%
Debt securities at amortised Cost	630,794	30%	51,600	15%	1122%
Gold Coins	122,348	6%	0	0%	0%
Total	**2,076,732**	**100%**	**344,021**	**100%**	**504%**

The investments portfolio grew by 504% compared to prior year, growth was mainly driven by new additions as well as investment returns earned during the period.

1.3.3 Investment Income

Table 6: Investment Income by asset class

	Dec-22 ZWL'000	Dec-21 ZWL'000	Growth
Fair value adjustments on quoted equity securities	64,379	132,053	-51%
Fair value adjustments on unquoted equity securities	266,188	5,177	5042%
Net rental income from investment properties	59,128	13,368	342%
Dividend income	33,718	11,571	191%
Investment income in gold coins	15,943	-	100%
Total	**439,356**	**162,169**	**171%**

The business generated investment income of ZWL 439 million in 2022 compared to ZWL 162 million for the previous year. The growth is mainly attributed to significant positive returns on unquoted equities.

1.4 PERFORMANCE ON OTHER ACTIVITIES

The two wholly owned subsidiaries of NicozDiamond Insurance Limited, Thirty Samora Machel and Marabou are involved in property investment. These involve leasing out office space as well as holiday resort to clients. NicozDiamond is a lessee to 30 Samora Machel one of its properties located in Harare. The lease arrangement is a financial lease due to its long-term nature. Below is the summary performance of 30 Samora Machel, Marabou and Diamond Seguros operating from Mozambique as at 31 December 2022.

Table 7: Performance of other subsidiaries

	Dec-22 ZWL'000	Dec-21 ZWL'000	Growth %
MARABOU			
Revenue	4,848	281	1625%
Operating (Loss)/ Profit	(4,460)	(1,554)	-187%
Profit Before tax	56,495	8,496	565%
THIRTY SAMORA MACHEL	**ZWL'000**	**ZWL'000**	
Revenue	200,561	31,805	531%
Operating profit	123,236	11,898	936%
Profit Before tax	3,257,447	464,162	602%
DIAMOND SEGUROS	**ZWL'000**	**ZWL'000**	
Gross Premium Written	679,191	256,424	165%
Net Premium Earned	310,903	122,165	154%
Underwriting Result	167,393	77,571	116%

SECTION 2

SYSTEM OF GOVERNANCE

2.1 GENERAL INFORMATION ON SYSTEM OF GOVERNANCE

2.2 FIT AND PROPER

2.3 INTERNAL CONTROLS

2.4 INTERNAL AUDIT

2.5 ACTUARIAL FUNCTION

2.6 OUTSOURCING

SECTION 2

2.1 GENERAL INFORMATION ON SYSTEM OF GOVERNANCE

2.1.1 System of governance overview

NDIL is committed to the principles of good corporate governance. The directors recognise the need to conduct the business of the Company with integrity and following generally accepted corporate practices to safeguard stakeholder's interests. The Board and management believe the governance systems and practices in place are appropriate for the Company and are essentially in line with the National Code on Corporate Governance Zimbabwe (ZIMCODE). The Company is committed to promoting the highest standards of ethical behaviour amongst all its employees.

The company is substantially compliant with the minimum standards for the conduct of insurance business in terms of the Directive on Governance and Risk Management for Insurance Companies issued by the Insurance and Pension Commission in terms of the Insurance Act [Chapter 24:07]. The directive details the minimum guiding principles to ensure that insurers have effective systems of risk management including governance structures, internal controls and oversight functions.

2.1.2 Administrative and Management Bodies

NDIL is under the supervision of an Executive Committee, the Board Audit Committee and full Board of Directors at company level. In addition, the Board of Directors receives and independently considers recommendations from various Board Committees of the First Mutual Holdings Limited Group (FMHL) Board. The Board of Directors enjoys the benefits from the in-depth, expert and Group-level analysis and interrogation of issues that these FMHL Board Committees bring over at individual business unit level. The FMHL Board Committees that the Company Board receives recommendations from are the Combined Audit and Actuarial Committee, Human Resources and Governance Committee, Investments Committee and Risk Committee.

Table 8 (a): Board of Directors composition

Name of Director	Executive/Non-executive	Nationality
Elisha K. Moyo	Board Chairman (Non-Executive)	Zimbabwean
Bruce Campbell	Non- Executive Director	South African
John Mapani	Non- Executive Director	Zimbabwean
Antony Makonese	Non- Executive Director	Zimbabwean
Tembiwe Moyo	Non- Executive Director	Zimbabwean
Fungayi Primrose Chatiza	Non- Executive Director	Zimbabwean
Nester Mukwehwa	Non- Executive Director	Zimbabwean

The full Company Board meets quarterly and currently receives the risk report from the Chief Risk Officer and collectively interrogates the risk profile and the effectiveness of the risk management activity for the Company as provided in the Board Charter. This is creating sufficient common understanding of risk management among all members of the Board and allowing the varied disciplines and experiences of all Board members to deliberate more broadly on the evolving risk management in the short-term insurance industry. The Board has the mandate to and will, when they deem it more beneficial and practical, establish a Board Risk Committee. In this process, the Board will exercise their minds with the regulatory requirement as a preeminent factor in mind. Meanwhile, the FMHL Risk Committee continues to provide risk management oversight for the consolidated entity.

Table 8 (b): Audit Committee Members

Name of Director	Executive/Non executive	Nationality
Bruce Campbell	Non- Executive Director	South African
Antony Makonese	Non- Executive Director	Zimbabwean
Tembiwe Moyo	Non- Executive Director	Zimbabwean

The FMHL Board is supported by various Committees in executing its responsibilities. The main Committees meet at least quarterly to review performance and provide guidance to management on both operational and policy issues. Each Committee acts within written terms of reference under which certain functions of the Board are delegated with clearly defined purposes. The Board monitors the effectiveness of controls through reviews by the Combined Audit and Actuarial Committee and an independent assessment by the independent auditors. The following are the summary roles of the FMHL Board Committees.

Table 9: Summary of Roles and Responsibilities

Committee	Summary of Roles and Responsibilities
Group Human Resources and Governance Committee	This Committee comprises of three (3) non-executive directors of First Mutual, one of whom is the Chairperson. This Committee is mandated to deal with staff development and formulate remuneration policies as well as approve remuneration packages for executive directors and senior executives. The Committee is responsible for reviewing and assessing organisational structure in line with the Strategy and make recommendations to the Board. The Committee reviews recruitment procedures and strives to ensure that remuneration packages remain competitive. The Committee acts as a Nominations Committee for Directors to Boards in the Group of Companies and, also, the Committee considers wider corporate governance issues and related party transactions. The Committee has responsibility for drafting the remuneration policy. This draws on local and regional survey data from independent advisors to ensure that the remuneration policy is appropriate and relevant to the prevailing times.
Group Investments Committee	This Committee comprises of three (3) non-executive directors one of whom is the Chairperson. The Group Chief Executive Officer and Group Finance Director attend in ex officio capacities. The Committee formulates investments strategy and policy, reviews the performance of investments within the Group and recommends new investments for approval by the Board. The Committee assists the Board in reviewing the implementation of its investment policies and ensures that portfolio management is conducted following the Group's policies.
Group Risk Committee	This Committee comprises of three Non-Executive Directors of First Mutual Holdings Limited. The Committee reviews the Group's overall risk strategy, current risk exposures, and risk governance. The Committee considers and approves the remit of the risk management function and reviews reports on material breaches of risk limits, as well as the adequacy of remedial action. The Committee also advises the Board on the risk's aspects of proposed strategic transactions. The committee liaises with other Board Committees as necessary.

2.1.3 Remuneration Policy

NDIL's remuneration policies are under the supervision of the First Mutual Holdings Limited Group Human Resources and Governance Committee. This Committee is mandated to deal with staff development and formulate remuneration policies as well as approve remuneration packages for executive directors and senior executives. The Committee is responsible for reviewing and assessing organisational structure in line with the Strategy and make recommendations to the Board.

The Committee reviews recruitment procedures and strives to ensure that remuneration packages remain competitive. The Committee acts as a Nominations Committee for Directors to Boards in the Group of Companies and, also, the Committee considers wider corporate governance issues and related party transactions.

The Committee has responsibility for drafting the remuneration policy. This draws on local and regional survey data from independent advisors to ensure that the remuneration policy is appropriate and relevant to the prevailing times.

The remuneration structures at First Mutual Holdings Limited are designed to attract and retain talent at all levels. The remuneration packages are geared to the employee's level of influence and role complexity.

2.2 FIT AND PROPER REQUIREMENTS

2.2.1 Fit and Proper Overview

NicozDiamond is committed to applying the highest standards of ethics and integrity that promote sound corporate governance standards aimed at ensuring that the company is prudently and soundly managed by persons responsible for management oversight who possess the appropriate skills, experience and knowledge, and act with honesty and integrity.

Members of the Board and Senior Management provide strategic leadership that influences the financial condition, performance and future direction of NDIL. As such, persons who are responsible for the management and oversight of NDIL, and persons employed by the Group whose activities may materially affect the business or financial standing of the company, need to have appropriate skills, experience and knowledge, and act with honesty and integrity.

These skills and qualities strengthen the protection afforded to shareholders, policyholders, regulators and other stakeholders. The expectations on the suitability of persons in key positions are an extension of the corporate governance framework and are also aimed at ensuring that NDIL is led by persons of integrity, credibility and competency .

2.2.2 Fit and Assessment Criteria

- The fit and proper criteria sets high internal standards of ethics and integrity that promote sound corporate governance, appropriate expertise, educational qualifications, experience, skills and knowledge in respect of the duties that such a person shall perform.
- The person in the responsible position must have the appropriate skills, experience and knowledge to perform that role and must act with the requisite character, diligence, honesty, integrity and judgement to effectively execute their duties.

- In order to be deemed fit, an assessment of both managerial and technical competency must be considered. At a minimum, the assessment includes professional, industry and formal qualifications including compliance with any applicable legislation, regulations or standards, applicable to the person's professional qualification or area of work, knowledge and relevant experience within the insurance, investment, industries/sectors, other financial sectors, or other businesses. Where relevant, the insurance, investment, financial, accounting, actuarial and management skills of the person and, whether the person has demonstrated due skill, care, diligence and compliance with the relevant legislation, regulations and standards of the area/ sector that he/she has worked in.
- The assessment of whether an individual can be deemed fit, must explicitly take into account the specific role and duties that would be allocated to the person in the work place. This includes consideration of the knowledge, skills and resources necessitated by the size and nature of the business, and the role in the business.
- For the purpose of establishing whether a person is fit and proper to hold a key responsible position, the company will consider the following major areas:
  a) Competence and capability
  b) Probity, personal integrity and reputation
  c) Financial soundness

2.2.3 Competence and Capability

A person must have the necessary skills, experience, ability and commitment to carry out the role. Competency and capacity are demonstrated by a person who possesses the relevant qualification, experience and ability to understand the technical requirements of the position.

Assessment of competence and capability of a responsible person includes the following aspects:

- Appropriate qualification, training, skills, practical experience and commitment to effectively fulfil the role and responsibilities of the position and in the case of directors, having regard to their other commitments.
- Satisfactory past performance or expertise in the nature of the business being conducted or position being appointed to.
- Disciplinary cases by a professional, trade or regulatory body, dismissed or requested to resign from any position or office for negligence, incompetence, mismanagement, fraud or other criminal conduct.
- Conflict of interest or otherwise that can impair the person's ability to discharge his/her duties.
- In relation to a person who should be a registered professional, such as an auditor, public accountant, actuary, or senior manager; whether such registration subsists.
- Sound knowledge of the business and the responsibilities of the position (soundness of judgment is derived from lack of adverse information and cannot stand alone).

The following is a summary of the minimum qualifications and competence for the responsible persons:

Table 10: Minimum qualifications and Competence

Responsible Person	Minimum Qualifications and Competence
Director	• Director's minimum qualifications, skills and competence are specified by Group Human Resources and Governance Committee. Such competencies take the collective knowledge, competence and experience of the Board into consideration. • A Director must possess any of the following: market knowledge, business strategy; the systems of governance, risk management and internal control, but with particular reference to the risks faced by the Company, financial and actuarial analysis; and the regulatory framework and requirements. • A minimum of a university degree or a professional qualification in finance, accounting, economics, business studies, insurance, legal, banking or any professional qualification recommended by the Group Human Resources and Governance Committee.
Principal Officer or Managing Director	• A qualification in insurance, or any other qualification approved by the insurance regulator. The person must have more than 10 years experience in a managerial position in the insurance sector.
Managers of Technical departments (Underwriting, Claims)	• To be Chartered Insurers or Fellows in insurance or any recognised professional qualifications.
Manager of Finance function	• Qualified Chartered Accountant (CA, ACCA or CIMA) or any other local professional body recognised by IPEC.
Heads of Control Functions	• The specific competencies are specified in the approved Job Responsibilities. • Must meet IPEC requirements.
Appointed Actuary	• Has appropriate formal qualifications • Is not the Chief Executive nor a Director of the business or of a related entity. • Has a minimum of five years relevant experience in the provisions of actuarial services to entities carrying on insurance business and it will be prudent to conclude that the person is familiar with current issues in the provision of actuarial services to such insurance entities. • Is a fellow or accredited member of an approved actuarial institute in accordance with the directive on actuaries. • Authorised by IPEC to provide actuarial services.
External Auditors	• Possession of appropriate formal qualifications. • Should be a registered company auditor under Zimbabwean law. • Should have a minimum of three years' experience in the audit of insurance entities and has experience relating to insurers that is sufficiently relevant and recent to provide reasonable assurance that the person is familiar with current issues in the audit of insurers. • Is a member of a recognised professional body • Is ordinarily resident in Zimbabwe.

2.2.4 Probity, Personal Integrity and Reputation

A responsible person must have personal qualities such as honesty, integrity, diligence, independence of mind and fairness and a disciplined and on-ongoing commitment to high ethical standards. The assessment of propriety must, at least, consider the person's reputation and integrity encompassing an assessment of whether there are reasons to believe, from past conduct, that the person may not discharge their duties, in line with applicable rules, regulations and guidelines. NDIL will consider matters including, but not limited to the following;

- Criminal, financial or supervisory malpractice.
- Has contravened any provision made by or under any written law designed to protect members of the public against financial loss due to dishonesty, incompetence or malpractice.
- Has contravened any of the requirements and standards of a regulatory body, professional body, government or its agencies.
- Has been investigated, disciplined, suspended or reprimanded by a regulatory or professional body, a court or tribunal, whether publicly or privately.
- Has been engaged in any business practices in a negligent, deceitful, oppressive or otherwise improper (whether unlawful or not), or otherwise discreditable business or professional practices.
- Has been associated, in ownership or management capacity, with a company, partnership or other business association that has been refused registration, authorisation, membership or a license to conduct any trade, business or profession, or has had that registration, authorisation, membership or license revoked, withdrawn or terminated and whether there is proof that the person's actions or failure to act contributed to receivership, insolvency, or liquidation.

2.2.5 Assessment Process

- At a minimum, Responsible Persons shall be assessed according to the process defined in the Fit and Proper Policy .
- Affidavit of Fitness and Probity, the Group Company Secretary shall ensure that the Affidavit of Fitness and Probity reflects the minimum fit and proper requirements, defined by the policy in place. The Group Company Secretary must satisfy himself / herself that the Affidavit of Fitness and Probity will capture sufficient detail, to enable an objective assessment of whether or not a person is fit and proper to discharge the duties being assigned to them.
- All Responsible Persons are required to complete and sign, the Affidavit of Fitness and Probity. The affidavit should be submitted to the Group Human Resources and Governance Committee (where appointment falls within their mandate), for consideration and approval, prior to appointment of the individual. Individuals who do not meet the fit and proper criteria for Responsible Persons, as defined in the fit and proper policy, will not be appointed into that respective key role.
- In this context, the above fit and proper appointment process shall extend to the internal recruitment and promotion process for key roles in the Company.
- All documentation relating to the fit and proper assessments will be retained to demonstrate the fitness and propriety of key persons and their immediate predecessors.
- As part of the initial fit and proper assessment, responsible persons are required to submit the following documents:
  a) Affidavit of Fitness and Probity
  b) Police clearance
  c) Curriculum vitae
  d) Tax clearance
  e) Past and present directorship positions

2.2.6 Ongoing Assessment

Assessment shall not be limited to the time of employment. It must extend to arranging for further professional training, as necessary, so that Responsible Persons are able to meet the changing, or increasing requirements, of their assigned duties. At a minimum, the Group Human Resources Executive and the Group Company Secretary shall ensure that Responsible Persons receive training, on at least an annual basis, and that the training programme includes an assessment that will allow the Company to satisfy itself, as to the ongoing fitness and propriety of Responsible Persons in the business. Prior to any changes that occur within the Board, the Company should be able to demonstrate that the collective knowledge of the members of the Board will be maintained at an adequate level, to ensure that the sound and prudent management of the company continues.

2.3 INTERNAL CONTROLS

NDIL maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that transactions are executed and recorded in accordance with International Financial Reporting Standards and in the manner required by the Companies and Other Business Entities Act , 2019. Management constantly checks and reviews the systems which are designed to provide maximum accountability at all levels. This includes measures to detect any irregularities or fraudulent activities, and the systems of internal controls.

The company's internal controls are set out in the relevant procedures manuals which also set the required standards and key control activities. These are underpinned by adequate segregation of duties to enhance the effectiveness of these controls. The accounting policies are reviewed periodically by the Audit and Actuarial Committee, internal control functions and the external auditors. The Group Internal Audit Department works closely with the business to asses and ensure the adequacy of internal controls making the necessary recommendations to the Board. It plays an independent appraisal role which examines and evaluates the company's activities.

2.4 INTERNAL AUDIT

NDIL internal audit activities are carried out by the Group Internal Audit Department. The department is headed by the Internal Audit Executive and it reports to the subsidiary company audit committee and to the Group Combined Audit and Actuarial Committee and has unrestricted access to these Committees.

The internal audit function plays an independent appraisal role in examining and evaluating the Company's activities. Its objective is to assist the board and executive management in the effective discharge of their responsibilities. The scope of the internal audit function is to review the reliability and integrity of financial and operations information, the systems of internal control, the means of safeguarding assets, the efficient management of company's resources and the effective conduct of operations. The review mechanism is supported by IT generated data, procedural, operational and policy manuals which are periodically updated in line with changes to operational as well as commercial risks within the company's principal activities.

The Head of Internal Audit has unrestricted access to the Chairperson of the Audit Committee. A report is furnished to directors on a quarterly basis, but any items considered to be of a serious nature are communicated immediately. The Audit Committee also ensures that risk is minimised and assesses the adequacy of internal controls and makes the necessary recommendations to the Board.

NDIL is audited regularly according to the audit plan. The main activities of the Internal audit department are to address the following issues;

- Appraising of systems, procedures and management controls and providing recommendations for improvements
- Evaluating the integrity of management and financial information
- Assessing controls over the company's assets
- Reviewing compliance with applicable legislation, regulations, group policies and procedures.

2.5 ACTUARIAL FUNCTION

Actuarial services are offered by the Group Actuarial Department. The Audit Committee reviews the Actuarial Valuation reports and monitors the implementation of recommendations. Actuarial Valuations are carried out mid-year and year-end.

2.5.1 Roles and responsibilities of the actuarial function

The Actuarial function performs services and activities relating to the Company as may be appropriate, including but not limited to the following;

- Carrying out mid-year and year-end statutory Actuarial Valuations which include calculation of technical reserves, and checking adequacy. The actuarial department should also establish the minimum capital required for regulatory purposes as well as establish the Company's solvency position.
- Assessment of assets backing technical liabilities in view of their admissibility.
- Participating in data clean-up exercise for mid-year and year-end valuations as well as assisting management in peer-reviewing valuation results.
- Checking data for validity, reasonability, consistency and adequacy in order to carry out a financially sound valuation.
- Assessing the sufficiency and quality of the data used for actuarial calculations.
- Reviewing of the existing products in liaison with the Company.
- Determining the overall retention limits for reinsurance optimisation
- Pricing of new insurance products.
- Providing support in review of investment strategy and risk management
- Holding quarterly update meetings with senior management of the Company

2.5.2 Objectives of the actuarial function

The key objectives of the actuarial department include the following;

- To assess and report on capital adequacy, solvency position and the financial soundness of the company
- To give recommendations and comment on the regulatory and external environment factors affecting solvency
- To provide an assurance regarding the accuracy of the calculations and the suitability of the assumptions underlying insurance liabilities and capital adequacy requirements
- To comment on any material risks arising from the risk management framework of the Insurer.

2.6 OUTSOURCING

2.6.1 Outsourcing – Overview

NDIL has an outsourcing policy which provides a framework within which the board and management can outsource control functions and material functions which would otherwise have been performed by NDIL inhouse. The policy also intends to ensure that NDIL is able to satisfy customer needs as well as ensure the fair treatment of customers. This is achieved through the selection of service providers that have adequate acceptable business practices, financial soundness, governance, risk management, compliance structures, processes and operational efficiencies to perform outsourced activities based on criteria defined and assessed by the business.

The policy applies to all employees of NDIL including the Board of Directors, Executive Committee, Managers, permanent staff and contracted business partners involved in outsourcing. The policy applies to the outsourcing of the Control Functions and Material Business Functions. Outsourcing applies to any services provided by any external legal person, including companies related to NDIL such as the First Mutual Holdings Group.

2.6.2 Material Service Providers

Material Function includes any function that has the potential if disrupted, to have a significant impact on the insurance business operations to manage risk effectively, including risk to the fair treatment of customers. Below are the business functions which are regarded as material functions

Table 11: Material Service Providers

Business Function	Ownership and Location
Information Technology	Group Shared Service
Human Resources	Group Shared Service
Marketing	Group Shared Service
Procurement	Group Shared Service
Administration	Group Shared Service
Legal services	Group Shared Service
Catering services	External Service Provider

NDIL also has control functions which are offered by the First Mutual Holdings Limited Group Shared Services which include Risk Management, Compliance, Internal audit and the Actuarial function.

SECTION 3

RISK MANAGEMENT

3.1 UNDERWRITING RISK

3. MARKET RISK

3.3 CREDIT RISK

3.4 LIQUIDITY RISK

3.5 OPERATIONAL RISK

3.6 ASSET LIABILITY MODELING RISKS

3.7 ANY OTHER MATERIAL RISKS

SECTION 3

3.1 UNDERWRITING RISK

3.1.1 Underwriting Risk Summary

Underwriting risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing may expose the business to financial loss and the consequent inability to meet its liabilities. There is unexpected change in the value of insurance liabilities when the pricing and provision assumptions on claims payments differ from the actual payments.

3.1.2 Risk exposure

The frequency and severity of the insured events leads to higher expenses than revenue resulting in negative underwriting results. The following are the sources of underwriting risks:

Table 12: Underwriting Risks

Risk source	Description
Non-Renewal Policy/Lapse risk	Discontinuity of policies after expiry of the insurance period.
Expense Overrun risk	Claims and operating expenses higher than revenue generated. The frequency, severity and timing of insured claims may differ from those expected.
Premium risk	The claims cost for future claims exceeds the expected level resulting in adverse changes in the value of the insurance liabilities.
Breach of Underwriting Limits risk	Underwriting decisions are not consistent with underwriting guidelines or by unauthorised personnel.
Reserve adequacy risk	Relates to incurred claims, resulting from insured events which have occurred at or prior to the balance sheet date. As a result, technical provisions are not sufficient to cover the cost for already incurred claims and there is a loss or adverse changes in the value of insurance liabilities.
Policy Cancellation risk	Discontinuity of insurance contracts mid-term
Catastrophe risk	Once off occurrence of an event or chain of events with high severity impact for perils covered.

3.1.3 Risk Concentration

The business's exposure is spread over a diversified portfolio of products, sources of business and portfolio sizes. No individual producer or client is large enough to represent concentration as a proportion of NDIL total risk exposure in the context of the business concentration risk policy. The table below shows the risk concentration matrix.

Table 13: Risk Concentration Matrix

Focus area	Maximum Limit	Benchmark	Indicators			
Producer	25%	GPW	0% to 25%	26% to 50%	51% to 75%	above 75%
			Acceptable	Acceptable and monitor	Remedial measures required	Strategy refocusing. Urgent action is required (cause for concern)
Client / Customer	5%	NPW	0% to 5%	6% to 10%	above 10%	
			Acceptable	Remedial measures required	Strategy refocusing. Urgent action is required (cause for concern)	
Geographical location	80%	GPW	0% to 50%	51% to 75%	above 75%	
			Acceptable	Remedial measures required	Strategy refocusing. Urgent action is required (cause for concern)	
Class of business	50%	GPW	0% to 50%	51% to 75%	above 75%	
			Acceptable	Remedial measures required	Strategy refocusing. Urgent action is required (cause for concern)	
Sector	25%	GPW	0% to 25%	26% to 50%	51% to 75%	above 75%
			Acceptable	Acceptable and monitor	Remedial measures required	Strategy refocusing. Urgent action is required (cause for concern)

3.1.4 Mitigation strategies

Reinsurance is used to reduce underwriting risk exposure and the panel of participants on the reinsurance programme is based on international standards claims paying rating guide. The minimum acceptable rating being a C.

For business falling within the company's retention levels, underwriting risks are managed through the use of appropriate and regularly monitored activities which include:

- Sound underwriting policies, standards, guidelines & exposure limits
- Actuarially determined premium rates and claims reserves/provisions
- Monitoring of claims experience
- Sound underwriting expertise
- Consistent underwriting profitability

NDIL actively monitors the actual experience of the above and any divergence which may expose the business to underwriting risks are identified and appropriate measures are implemented.

3.1.5 Risk Appetite

NDIL uses underwriting profit or loss as a basis for evaluating its underwriting performance. The company aims for stability and consistency and to underwrite prudently in order to achieve its strategic profitable growth objectives. The business has a risk appetite framework which limits underwriting risks exposure.

Table 14: Underwriting Risks Quantitative Metrics

Underwriting Risks Quantitative Metrics			
Measures	**Risk Tolerance Threshold (WIP)**		
	Green	**Amber**	**Red**
Claims Loss Ratio	≤ 60%	60-80%	> 80%
Non-Renewal Policy/Lapse Ratio	≤ 15%	15-20%	> 20%
Management expense ratio	≤ 5%/	5-10%	> 10%
Premium Rate Deviations	10%	10-15%	> 15%
Breach of Underwriting Limits	≤ 5%	5-10%	> 10%
Reserve Adequacy Ratio	12%	12-8%	< 8%
Policy Cancellation Ratio	≤ 5%	5-10%	> 10%

Table 15: Underwriting Risks Qualitative Metrics

Underwriting Risk - Qualitative Measures		
Low	**Medium**	**High**
▪ Sound underwriting policies, standards, guidelines & exposure limits ▪ Actuarially determined premium rates and claims reserves/provisions ▪ Monitoring of claims experience ▪ Sound underwriting expertise ▪ Consistent underwriting profitability	▪ Fluctuating underwriting performance ▪ Insufficient underwriting expertise ▪ Weak underwriting policies, standards, guidelines & authority limits ▪ Inadequate actuarial input	▪ Consistent underwriting losses ▪ Lack of underwriting expertise ▪ Very weak underwriting policies, standards and guidelines ▪ Lack of adherence to established underwriting procedures ▪ Cash flow underwriting

Table 16: Key

Underwriting Risk Preference		Description
	High	The company readily accept and would like to strongly grow exposure to these risks, as managing them is a core competency and central to the business strategy. The company would like to sell and retain as much of this business as possible, subject to such products meeting customer needs and affordability considerations and shareholders' expectation of return on CAI deployed.
	Moderate	The company seeks to increase exposure to these risks, but on a controlled basis as they also represent opportunities that can contribute to the business's success however, exposure to these risks will be limited through business policies and processes due to concerns about risk manageability.
	Low	The company has a limited appetite for these risks, as they are viewed as a marginal risk/return trade-off in relation to the mission where they arise, extra measures will be taken to mitigate them or where appropriate transfer them to third parties. Such risks maybe reinsured.
	Zero	The company has no appetite for these risks, as they are not viewed as attractive and not part of the strategy for achieving the mission; but the company does recognise that limited exposures may arise from time to time. Such risks are reinsured 100%.

3.1.6 Sensitivity analysis

As part of the company's internal risk management processes, the impact of the underwriting risk scenarios is monitored.

3. 2 MARKET RISK

Market risk encompasses the risk of financial loss resulting from movements in market prices. Risk can arise from changes in interest rates, credit spreads, foreign exchange rates, equity prices and other relevant parameters, such as market volatility and market implied default probabilities. The company has a market risk management policy whose main objective is to manage NDIL's market risk by applying a comprehensive and integrated system to support the identification and assessment, monitoring and reporting, control and mitigation of market risks so as to enhance opportunities, reduce threats, and thus ensure sustainable performance. The Company also considers the general market and macroeconomic conditions in which it operates in, its assessment and management of market risks and its loss absorbing capacity. The risk processes and capital levels for NDIL shall be adequate for countering the impact of potential stress developments, including significant deterioration of market liquidity conditions, which emanate from its operating environment.

3.2.1 Risk Exposure

The company is exposed to the following types of market risks:

3.2.1.1 Interest rate Risk

Risk that the fair value or future cash flows of a financial instrument will fluctuate because of interest rate changes. The Company analyses its interest rate exposure on a dynamic basis and various scenarios are simulated. Interest rate risk is also managed at both Board level through the Group Investments Committee and at management level through regular reviewing of policies that relate to interest rate risk management. Key activities include daily monitoring of costs of funds, monthly analysis of interest rate re-pricing gaps and monthly interest rate simulations. The Company's exposure to the risk of changes in the market interest rates relates primarily to cash and cash equivalents, including financial instruments earning interest at fixed interest rates.

3.2.1.2 Foreign Exchange Risk

Risk that the fair value of the cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Foreign exchange risks arise from recognised monetary financial assets and liabilities future commercial transactions, that are not denominated in the functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States of America Dollar, Malawi Kwacha and the Mozambique Metical. The Company manages foreign exchange risk by increasing investments in illiquid assets such as high value unquoted equity securities in foreign currency generating investments.

3.2.1.3 Equity Price Risk

Equity price risk is the potential loss arising from changes in the market price of a financial instrument as a result of fluctuations in the market price. A substantial part of the equity portfolio comprises listed counters. Unquoted counters are subjected to periodic financial analysis and review. The equity price risk is managed by setting and monitoring objectives on investments, diversification of portfolios and setting limits on investment in each sector.

3.2.1.4 Credit Spread Risk

Related to the potential decline in market value due to perceived change in the credit quality of the issuers of the securities held in the portfolio.

3.2.2 Concentration

The business has a small exposure to market risk concentration due to its diversified investment portfolio governed by a well-structured, comprehensive, dynamic, integrated and inclusive risk management approach. Board approved limits within the investment mandate and a low-risk appetite framework for market risk strictly limits exposure to the type of assets held and exposure to an individual risk.
An effective asset allocation strategy with room for diversifying investments over the permissible classes result in a reduction of risk and volatility while achieving robust returns.

3.2.3 Market Risk Mitigation and Monitoring

The company has a limits framework that covers the mitigation and monitoring of all market risks associated with the business. The limits are consistent with the Company's business plan and market risk policy and commensurate with its risk-bearing capacity. The level of risk permitted under the limits set on market risk taking are taken into account in the NDIL's capital adequacy planning. The limits set must be reviewed on a regular basis and be reviewed whenever the business plan is updated or otherwise required. In conjunction with Group Risk function, risk owners are responsible for periodic self-assessments to determine the inherent risk of market risk within their respective areas, the effectiveness of the controls in place and the resulting residual risk.

The risk-control function segregated from the Company's risk-taking activities monitors compliance with set limits and report excess exposures. Guidelines are in place to deal with exposures in excess of set limits. The Company allocates appropriate limits for different units and lines of business, specific portfolios and products. The Company hedges the investment portfolio against currency risk by having a portfolio with a mixture of dollar defensives and local defensives to hedge company risk.

NDIL manages its market risks primarily through the Group Board Investment Committee which manages and monitor the impact of external economic factors, NDIL investments portfolio mix, liquidity position and forecasts. Market risk mitigation is executed through the following:

- Investments limits framework which is consistent with the company's strategy, market risk policy and the business's risk bearing capacity. The limits sets are reviewed on a regular basis and or when the business strategy is updated or when otherwise required.

- In conjunction with the FMHL Group Risk function periodic risk assessments are conducted to determine the inherent market risk, the effectiveness of the controls in place and the residual risk. The risk-control function segregated from the Company's risk-taking activities monitors compliance with set limits and reports excess exposures which are then addressed as per the set guidelines.

- Properly diversify NDIL Investments across class, industries and counterparties so as to avoid excessive reliance on any particular asset, issuer belonging to the same group thus managing the concentration risk.

- Invest assets held in a manner appropriate to the nature and duration of insurance liabilities to the best interest of shareholders and policyholders.

- NDIL hedges portfolio against currency risk by having a portfolio with a mixture of dollar defensives and local defensives to hedge company risk.

- Where possible assets of similar duration to liabilities are held to mitigate interest rate risk .

3. 3 CREDIT RISK

3.3.1 Credit Risk Overview

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge debt securities investments carried at amortised cost and other outstanding receivables as well as credit exposures to insurers and retrocession recoveries.

3.3.2 Credit Risk Exposure

The Company's maximum exposure to credit risk by class of financial asset is as follows;

	Historical Cost Company	
	2022 ZWL'000	**2021 ZWL'000**
Other receivables (excluding prepayments and statutory receivables)	422 664	111 122
Insurance receivables	2 635 156	775 822
Amounts due from related parties	196 483	17 194
Debt securities investments at amortised cost	630 794	185 250
Cash and cash equivalents (excluding cash on hand)	685 110	259 527
	4 570 208	**1 348 914**

3.3.3 Credit Risk Exposure

The business manages and analyses credit risk for each of their customers which include the insured, brokers, agents, tenants and cedants, before standard payment, delivery terms and conditions are offered. Exposure limits are set for each counterparty or group of counterparties. It is the Group's policy that all customers who trade on credit terms be subjected to credit verification procedures.

In addition, receivable balances are monitored on an on-going basis with respect to credit risk arising from other financial assets of the Group, which comprise cash and balances with banks and debt securities investments at amortised cost. The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The following policies and procedures are in place to mitigate exposure to credit risk:

- Exposure limits are set for each counterparty or group of counterparties (i.e., limits are set for investments counterparties and cash deposits)

- Reinsurance is placed with counter parties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparty limits that are set each year by the Board of Directors and are subject to regular reviews. At each reporting date management performs an assessment of creditworthiness of reinsurers and reviews the reinsurance placement strategy.

The following additional policies and procedures (by each financial instrument) are in place to mitigate the Company 's exposure to credit risk.

3.3.4 Debt securities investments at amortised cost

NDIL's debt instruments consist of bonds such as Government and municipal stocks, bonds and treasury bills, which are considered to be low risk investments as these are Government guaranteed and those that have matured to date have been honoured. The credit ratings of investments are monitored for credit deterioration. All of the entity's debt securities at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected credit losses. Instruments are considered to have low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

3.3.5 Insurance Receivables

The following policies and procedures are in place to mitigate credit risk;

- Exposure limits are set for each counterparty or groups of counterparties.
- The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company.
- Management information reported to the Board of Directors includes details of provisions for impairment on amounts due from customers and subsequent write-offs.

Credit limits are monitored based on the financial position and history of the customer's ability to pay. In the view of management, the credit quality of receivables is considered sound. Management does not expect any losses from non-performance by counterparties. The credit risk in respect of customer balances incurred on non-payment of premium will only persist during the period specified in the policy document.

3.3.6 Other Receivables

The credit risk in respect of staff loans will only persist when an employee is no longer within the employment of the entity and if their exit package is inadequate to cover amounts owing. Management does not expect any losses from staff loans as they are recovered from employee remuneration. Furthermore, no losses are expected from the other receivable's balances.

3.3.7 Cash and cash equivalents

The Company has a policy that establishes counterparty trading limits for each banking institution that it trades with. These counterparty limits are reviewed at least semi-annually and submitted to the Group Investments Committee for approval. In this process the financial results of the banking institutions which are published semi-annually, are reviewed together with other qualitative factors. The limits computed are proposed to the Group Investments Committee for approval.

Credit risk from balances with banks and financial institutions is managed by the Group Investments Committee in accordance with the Group policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. NDIL only trades with and receives services from banking institutions that meet regulatory requirements including minimum regulatory capital. Qualitative factors include additional opinion formed through market intelligence on the financial institution, shareholder profile, management and segment of market being served. The banks are classified into three internal categories as set out below.

- Tier 1 Banks - banks that are considered to have well above the regulatory capital and have a proven performance record. No security is required from these counterparties.
- Tier 2 Banks - banks that are assessed to be significantly stable but have lower performance and shareholder ratings than Tier 1 Banks. Security is required for investments with these banks.
- Tier 3 Banks - banks that are evaluated as currently not suitable to be classified as trading counterparties.

The financial institutions holding the Company's cash and cash equivalents are classified as follows:

	Historical cost Company	
	2022 ZWL'000	2021 ZWL'000
Tier 1	447 480	44 811
Tier 2	237 630	111 262
	685 110	**156 073**

Credit risk from balances with banks and financial institutions is managed by the Group Investments Committee in accordance with the Group policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise concentration. NDIL has four types of financial assets that are subject to the expected credit loss model:

- Insurance receivables
- Other receivables
- Amounts due from related parties
- Debt securities investments at amortised cost

3. 4 LIQUIDITY RISK

3.4.1 Liquidity Risk Overview

Liquidity risk is the risk that the Company may fail to meet its payment obligations when they fall due, the consequences of which may be failure to meet the obligations to creditors. The Company identifies this risk through periodic liquidity gap analysis and the maturing profile of assets and liabilities.
Where major gaps appear, action is taken in advance to close or minimise the gaps, it is the Company's policy to ensure that resources are available to meet cash flow requirements as they arise from normal payment of claims and benefits falling due, purchase of investments and other operating expenses. Such outflows are generally adequately matched by inflows from premium income, maturing investments, investment income and rental income. NDIL maintains comprehensive cash flow forecasts and budgets. The following policies and procedures are in place to mitigate the business's exposure to liquidity risk:

- Guidelines are set for asset allocation, portfolio limit structures and maturity profiles of assets in order to ensure sufficient funding is available to meet insurance obligations
- Contingency funding plans are in place, which specify minimum proportion of funds to meet emergency calls as well as specifying events that trigger such plans.
- Cash flow forecasting is performed by management. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with the internal Statement of Financial Position ratio targets and where applicable extend to regulatory and legal.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. Surplus cash held by the Group over and above the balance required for working capital management is invested in interest bearing instruments with appropriate maturities taking into consideration the Company's operational needs.

The table below analyses NDIL 's non-derivative financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant

Historical cost
Company

As at 31 December 2022	On demand and up to 6 months ZWL	6 months to 1 year ZWL	1 year to 3 years ZWL	Over 3 years ZWL	Total ZWL
Financial assets					
Financial assets at fair value through profit or loss*	-	-	1 323 590 336	-	1 323 590 336
Other receivables (excluding prepayments and statutory receivables)	-	-	-	-	
	422 664 292	-	-	-	422 664 292
Insurance receivables	(64 032 598)	2 699 188 478	-	-	2 635 155 880
Amounts due from related parties	196 483 344	-	-	-	196 483 344
Debt securities investments at amortised cost	-	630 794 436	-	-	630 794 436
Cash and cash equivalents	733 484 863	-	-	-	733 484 863
	1 288 599 902	**3 329 982 914**	**1 323 590 336**	**-**	**5 942 173 152**
Financial liabilities					
Lease liabilities (undiscounted)	17 945 661	3 919 338	37 147 518	16 689 465	75 701 982
Insurance liabilities (excluding insurance provisions)	-	-	-	-	-
	3 723 364 455	-	-	-	3 723 364 455
Amounts due to related parties	116 605 713	-	-	-	116 605 713
Other payables and accruals (excluding statutory	-	-	-	-	-
liabilities, provisions and deferred revenue)	726 531 020	-	-	-	726 531 020
	4 584 446 850	**3 919 338**	**37 147 518**	**16 689 465**	**4 642 203 171**
Liquidity gap	**(3 295 846 948)**	**3 326 063 576**	**1 286 442 818**	**(16 689 465)**	**1 299 969 981**
Cumulative liquidity gap	**(3 295 846 948)**	**30 216 628**	**1 316 659 446**	**1 299 969 981**	**-**

As at 31 December 2021	On demand and up to 6 months ZWL	6 months to 1 year ZWL	1 year to 3 years ZWL	Over 3 years ZWL	Total ZWL
			Historical cost Company		
Financial assets					
Financial assets at fair value through profit or loss*	-	-	137 426 579	-	137 426 579
Other receivables (excluding prepayments and statutory receivables)	- 75 013 666	- -	- -	- -	75 013 666
Insurance receivables	346 677 593	137 892 298	-	-	484 569 891
Amounts due from related parties	9 422 570	-	-	-	9 422 570
Debt securities investments at amortised cost	-	44 841 988	-	-	44 841 988
Cash and cash equivalents	204 201 717	-	-	-	204 201 717
	635 315 546	**182 734 286**	**137 426 579**	**-**	**955 476 411**
Financial liabilities					
Lease liabilities (undiscounted)	3 919 338	3 919 338	4 798 877	3 039 799	15 677 352
Insurance liabilities (excluding insurance provisions)	516 961 709	-	-	-	516 961 709
Amounts due to related parties	12 669 581	-	-	-	12 669 581
Other payables and accruals (excluding statutory liabilities, provisions and deferred revenue)	66 179 646	-	-	-	66 179 646
	599 730 274	**3 919 338**	**4 798 877**	**3 039 799**	**611 488 288**
Liquidity gap	**35 585 272**	**178 814 948**	**132 627 702**	**(3 039 799)**	**343 988 123**
Cumulative liquidity gap	**35 585 272**	**214 400 220**	**347 027 922**	**343 988 123**	**-**

3. 5 OPERATIONAL RISK

3.5.1 Operational risk overview

NDIL operates in a complex and dynamic business environment which gives rise to a number of risks that negatively or positively affect the achievement of its strategic objectives. Recognising that risks are inherent and an integral part of its business, NDIL has adopted a disciplined approach to identify, assess and respond to external and internal risks that have the potential to impact its business strategy. Accordingly, NDIL has implemented a structured, comprehensive, dynamic, integrated and inclusive risk management approach, effected across all levels of the organisation, with the goal of identifying, analysing and managing the organisation's risks to an acceptable level, so as to enhance opportunities, reduce threats, and thus ensure sustainable performance. The Company has identified operational risk as a distinct risk category which is inherent in all of its people, products, activities, processes and systems.

The Company has an operational risk policy whose main objective is to establish and communicate a sound and prudent operational risk management approach to ensure that NDIL has a comprehensive and integrated system to support the identification and assessment, monitoring and reporting, control and mitigation of operational risks.

3.5.2 Operational Risk Identification and Assessment

The Company through management ensures the identification and assessment of the operational risk inherent in all material products, activities, processes and systems to make sure that risks are well understood and appropriately managed. Risk identification and assessment are fundamental characteristics of an effective operational risk management approach where a sound process allows the Company to better understand its risk profile and allocate resources accordingly. When identifying its operational risk, NDIL considers both internal and external factors that could adversely affect the achievement of its objectives. NDIL uses (but not limited to) the following tools to identify and assess its operational risk exposures;

- Risk and Performance Indicators
- Escalation/Incident management process
- Risk registry and controls review
- New initiative review and approval process
- Quantification of operational risk

3.5.3 Operational Risk Monitoring and Reporting

NDIL implements a process of monitoring operational risk profiles and material exposures to losses across the organisation. Appropriate reporting mechanisms are in place at board level, senior management and operating levels which support proactive management of operational risk where reporting should be timely, accurate, frequent and actionable across operational areas and products.

3.5.4 Operational Risk Control and Mitigation

NDIL maintains a strong control environment that utilises policies, procedures and processes, individual mandates, technology systems, appropriate internal controls, and appropriate risk mitigation strategies. The ongoing effectiveness of controls is monitored and tracked by the Group Risk Management function.
Taking into account risk exposures and the cost of controls, in the context of NDIL's risk appetite. Strategies to mitigate risk exposures considers the outcome of operational risk assessments that contemplate likelihood and severity. NDIL maintain an effective internal control system which ensures;

- Appropriate segregation of duties.
- Close monitoring of adherence to assigned risk limits or thresholds and investigation of breaches
- Maintaining safeguards for access to and use of company assets and records
- Staff has appropriate expertise and training.
- Identifying of business lines or products where returns appear to be significantly out of line with reasonable expectations .
- Regular verification and reconciliation of transactions and accounts.

3. 6 ASSET LIABILITY MODELING RISKS

Asset/ Liability Matching
The Company actively manages and monitors the performance of assets against liability benchmarks and liquidity risk is minimised through the process of planned asset and liability matching

The table below shows a comparison of the balance sheet cash and near cash assets and technical liabilities.

Table 17: Asset Liability matching

31-Dec-22			
Assets ZWL'000		Liabilities ZWL'000	
Bank & Cash balances	774,176	Technical reserves	2,639,486
Short-term Investments	0	Third party creditors	1,129,286
Premium Debtors	2,635,156	Other liabilities	3,339,113
Gold Coins	122,348		
Other Assets	2,434,419		
Total Cash and Near Cash Assets	**5,966,098**	**Total Current Liabilities**	**7,107,886**
Quoted Equities	968,886	Deferred taxation	2,722,152
Unquoted Equities	1,358,263		
Properties	7,838,456		
Total Assets	**16,131,703**	**Total Liabilities**	**9,830,037**

The near cash assets do not fully cover current liabilities using the SI 95 of 2017 basis on valuing technical liabilities as at 31 December 2022.

SECTION 4

REGULATORY STATEMENT OF FINANCIAL POSITION FOR SOLVENCY PURPOSES

4.1 ASSETS AND LIABILITIES OVERVIEW

4.2 ASSETS

4.3 LIABILITIES

4.3 VALUATION OF LIABILITIES

SECTION 4

4.1 ASSETS AND LIABILITIES OVERVIEW

The following sections cover the valuation of assets (section 4.2) and liability provisions (section 4.3) for the Company. The valuation is determined in line with regulations.

In accordance with IFRS 4 requirements and unless expressly stated below, the Company has valued its assets and other liabilities at fair value. In order to establish the fair value of assets and other liabilities, the following principles have been applied:

- Assets have been valued at the amounts for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.
- Other liabilities have been valued at the amounts for which they could be transferred or settled between knowledgeable willing parties in an arm's length transaction.

Sections 4.2 and 4.3 provide separately for each of the material classes of assets and liabilities, technical provisions, a description of the methods and main assumptions used in their valuation for solvency purposes. An explanation of differences to the IFRS financial statements and application of SI 95 of 2017 is also provided. The SI 95 of 2017 value of the assets and liabilities are set out together with IFRS 4 column in the table in section 4.2.1 below.

The recognition and valuation methods used for the completion of the IFRS 4 column are used by companies in their financial statements in accordance with International Financial Reporting Standards (IFRS).

4.2 ASSETS

4.2.1 Types of Assets

This section covers the valuation of assets and liabilities on the Company's IFRS 4 and SI 95 of 2017 balance sheet. The table below sets out the IFRS 4 balance sheet and the admissible assets as per SI 95 of 2017 for the Company as at 31 December 2022.

Table 18: IFRS 4 Balance Sheet and Admissible Assets (Excluding Diamond Seguros)

	IFRS 4		Admissible assets (SI 95 of 2017)	
	31-Dec-22 ZWL'000	%	31-Dec-22 ZWL'000	%
Bank & Cash balances	774,176	5%	774,176	7%
Short-term Investments	0	0%	0	0%
Quoted Equities	968,886	6%	849,120	7%
Unquoted Equities	354,704	2%	299,382	3%
Investments in Gold Coins	122,348	1%	122,348	1%
Property, Plant and Equipment	82,043	1%	56	0%
Investment Properties	7,756,412	48%	5,429,489	47%
Investment in Associates	1,003,559	6%	561,993	5%
Debtors	2,635,156	16%	2,004,544	17%
Other Assets	2,434,419	15%	1,579,001	14%
Total	**16,131,703**	**100%**	**11,620,109**	**100%**

4.2.2 Methods and assumptions used for valuation

The Company's IFRS 4 valuation principles (including the methods and main assumptions) for each asset and liability class are set out below. Details regarding the valuation of technical liabilities are covered separately.

Table 19 (a): Assumptions for valuation

Balance Sheet Item	Valuation Principles
Property, plant and equipment held for own use	**Property held for own use** In line with IFRS, owner-occupied property is stated at the market value, being an estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. **Plant and equipment held for own use** In the Company's IFRS statutory accounts, plant and equipment is initially recognised at cost and subsequently measured at cost less depreciation. Depreciation is charged to the income statement over two to 15 years depending on the length of time the Company expects to derive benefit from the asset. Where property, plant and equipment relate to a right-of-use lease asset, the right-of-use asset is initially measured at cost and subsequently depreciated using the straight-line method from commencement date to the end of the lease term. There is no valuation difference between the Solvency II balance sheet and the IFRS statutory accounts in property, plant and equipment held for own use.
Intangible assets	For IFRS 4 intangible assets are measured on the balance sheet at cost less accumulated amortisation and any impairment loss recognised to date.
Investment Properties	In line with IFRS, investment properties are stated at the market value, being an estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
Quoted Equities	Recognises the fair value of the equities. The fair value of the equity instruments is based on their current bid prices in an active market.
Unquoted equities	Recognises the fair value of unquoted equities. The fair value of unquoted equity instruments is based on their historical cost.
Debt Securities at Amortised Cost	Management assessed that the fair values of debt securities investments approximate their carrying amounts largely due to the short-term maturities of these instruments.
Investments in Associates	Recognises the fair value of unquoted equities. The fair value of the unquoted equity instruments is based on their historical cost.

Table 19 (b): Assumptions for valuation

Balance Sheet item	Valuation Principles
Insurance and intercompany receivables	Given their short-term nature, the carrying amount per the IFRS financial statements is considered to represent the fair value for these assets under IFRS 4.
Rental Receivables	Given their short-term nature, the carrying amount per the IFRS financial statements is considered to represent the fair value for these assets under IFRS 4.
Other Receivables	Under IFRS, prepayments are recognised as an asset at amount paid less expenses incurred.
Reinsurance Receivables	The value of reinsurance receivables is dependent on the expected claims and benefits arising under the related reinsured policies.
Investments: Short-term	Comprises short-term deposits that cannot be used to make payments before a specific maturity date or without any penalty.
Consumable Stock	Goods recognised at amount paid.
Deferred Acquisition Costs	In the Company's IFRS accounts, some costs incurred in issuing certain policies are deferred and amortised as Deferred Acquisition Costs ('DAC'). The carrying amount of the costs of issuing these policies is recognised as DAC.
Bank and cash balances	Cash and cash equivalents comprise of cash balances that are usable for all forms of payments without penalty or restriction.

4.2.3 Differences to Accounting Valuation of Assets

The SI 95 of 2017 assets have been arrived at by applying the following discounts as guided by the statutory instrument

Table 20: Valuation of Assets

Asset	Discount
Bank & cash balances	0%
Short term Investment	0%
Investments-Held to Maturity	0%
Listed Equities- Afreximbank	0% (prescribed asset)
Quoted Equities	20%
Unquoted Equities	20% non-marketability and 30% for illiquidity
Property, plant and equipment	30% for owner occupied building (in the absence of forced sale value) and 100% for Furniture and Equipment
Investment Property	Consider the Forced Sale Value
Deferred Taxation	Deferred tax liability for each asset was discounted by the discount rate attributed to the corresponding asset value
Investment in associates	20% non-marketability and 30% for illiquidity (Treated as Unquoted Equities)
Debtors	Recognise premium debtors aged below 90 days and other receivables aged below 60 days
Other	100%

4.2.4 Financial Instruments

The following table shows the financial instruments within the Company's portfolio and how they are valued.

Table 21: Valuation Principles

Balance Sheet item	Valuation Principles
Quoted Equities	Recognises the fair value of equities. The fair value of the equity instruments is based on their current bid prices in an active market.
Unquoted equities	Recognises the fair value of the unquoted equities. The fair value of the unquoted equity instruments is based on their historical cost.
Debt Securities at Amortised Cost	Management assessed that the fair values of debt securities investments approximate their carrying amounts largely due to the short-term maturities of these instruments.
Investments in Associates	Recognises the fair value of the unquoted equities. The fair value of the unquoted equity instruments is based on their historical cost.

4.3 LIABILITIES

This section outlines the technical liabilities of the Company as at 31 December 2022. The best estimate of each liability class was determined based on the prescribed methods set out in Circular 1 of 2014. We also describe the methods used to value the liabilities and assumptions made and compare the results to prior years.

4.3.1 Outstanding Reported Claims Reserves

The following table shows the gross and net ZWL outstanding claims of the Company as at 31 December 2022 by line of business.

Table 22: Gross and net claims per class (ZWL)

Class	Gross (ZWL'000)	Recoveries (ZWL'000)	Net (ZWL'000)
Engineering	7,378	4,642	2,735
Fire	32,106	20,870	11,235
Farming	8,767	4,384	4,384
Miscellaneous, Accident	20,606	8,616	11,991
Liability	215	-	215
Marine	291	-	290
Motor	140,104	65,649	74,455
Total	**209,466**	**104,161**	**105,305**

The following table shows the gross and net USD outstanding claims of the Company as at 31 December 2022 by line of business.

Table 23: Gross outstanding claims (USD)

Class	Gross (USD'000)	Recoveries (ZWL'000)	Net (USD'000)
Engineering	27	2	25
Fire	97	62	35
Farming	115	104	11
Miscellaneous, Accident	2,163	2,136	27
Liability	9	-	9
Marine	11	9	2
Motor	863	461	402
Total	**3,285**	**2,773**	**512**

4.3.2 Incurred but Not Reported Reserve

The following table shows the gross and net ZWL Incurred but Not Reported Reserve of the Company as at 31 December 2022 by line of business

Table 24: Incurred but Not Reported Reserve (ZWL)

	December-22 (ZWL'000)		
Business line	**Gross**	**Recoveries**	**Net**
Miscellaneous Accident	48,828	17,757	31,071
Marine, Aviation, Liability, Farming	35,193	21,162	14,031
Engineering	17,631	6,725	10,906
Fire and Property	63,213	34,704	28,509
Motor	506,903	281,985	224,918
Total	**671,768**	**362,333**	**309,435**

The following table shows the gross and net USD Incurred but Not Reported Reserve of the Company as at 31 December 2022 by line of business.

Table 25: Incurred But Not Reported Reserve (USD)

	December-22 (USD'000)		
Business line	**Gross**	**Recoveries**	**Net**
Miscellaneous Accident	99	86	14
Marine, Aviation, Liability, Farming	339	282	57
Engineering	35	29	6
Fire and Property	350	309	41
Motor	315	114	201
Total	**1,138**	**820**	**318**

4.3.3 Unearned Premium Reserve

The following table shows the ZWL Unearned Premium Reserve as at 31 December 2022.

Table 26: Unearned Premium Reserve (ZWL)

	December-22 (ZWL'000)		
Business Line	**Gross UPR**	**Reinsurance UPR**	**Net UPR**
Aviation	10	10	-
Bonds	2,938	2,471	466
Engineering	32,972	11,338	21,635
Farming	32,463	22,087	10,376
Fire	92,950	53,013	39,937
General Accident	58,146	26,504	31,641
Liability	34,650	20,332	14,319
Marine	4,936	257	4,679
Miscellaneous	59,105	40,598	18,507
Motor	337,792	104,848	232,944
Total	**655,962**	**281,458**	**374,504**

The following table shows the USD Unearned Premium Reserve as at 31 December 2022.

Table 27: Unearned Premium Reserve (USD)

	December-22 (USD'000)		
Business Line	**Gross UPR**	**Reinsurance UPR**	**Net UPR**
Aviation	600	600	-
Bonds	3	3	-
Engineering	240	166	74
Farming	15	13	2
Fire	1,953	1,634	319
General Accident	542	433	109
Liability	103	47	56
Marine	491	442	50
Miscellaneous	516	369	146
Motor	1,583	440	1,143
Total	**6,045**	**4,146**	**1,900**

4.3.4 Methodology and Assumptions

The Bornhuetter Ferguson Method was applied on the calculation of IBNR for the Miscellaneous Accident and Fire classes whilst the Percentage of Premium was applied on the Marine, Aviation, Liability, Farming, Engineering and Motor (for the ZWL business). We adopted a 7% of the Net Written Premium for the ZWL business. The USD business had insufficient data for statistical analysis and guided by the regulatory approach (Circular 1 of 2014) of determining IBNR reserve through applying a minimum of 5% of Net Written Premium

The methodology makes a broad assumption that future claims development pattern will be comparable to past claims development. There is need to ensure that the claims development pattern is adjusted for factors that affect claims pattern, chief among them being inflation.

IBNR results based on the inflation adjusted chain ladder (triangulation) method were used to compare and check the appropriateness of Bornhuetter Ferguson methods selected.

4.3.5 Inflation Adjustment

There is need to adjust for past inflation to ensure that claim amounts in past accident and development years are brought to present day terms for comparability. We applied past inflation in line with movement in the company's valuation factors.

The following table shows the movement in the Company's valuation factor over the period from 2014 to 2022.

Table 28: Movements in the valuation factor

Period	Movement in NDI Valuation Factor	Period	Movement in NDI Valuation Factor
Q1 2014	0%	Q3 2018	0%
Q2 2014	0%	Q4 2018	0%
Q3 2014	0%	Q1 2019	320%
Q4 2014	0%	Q2 2019	162%
Q1 2015	0%	Q3 2019	64%
Q2 2015	0%	Q4 2019	26%
Q3 2015	0%	Q1 2020	10%
Q4 2015	0%	Q2 2020	140%
Q1 2016	0%	Q3 2020	67%
Q2 2016	0%	Q4 2020	0%
Q3 2016	0%	Q1 2021	15%
Q4 2016	0%	Q2 2021	4%
Q1 2017	0%	Q3 2021	25%
Q2 2017	0%	Q4 2021	20%
Q3 2017	0%	Q1 2022	22%
Q4 2017	0%	Q2 2022	127%
Q1 2018	0%	Q3 2022	60%
Q2 2018	0%	Q4 2022	13%

Future inflation was assumed to move in line with First Mutual Wealth projections. The table below shows our future insurance rate assumptions

Table 29: Future Inflation Assumptions

Period	Movement in Informal Exchange Rate	Period	Movement in Informal Exchange Rate
Q1 2023	32%	Q3 2027	4%
Q2 2023	32%	Q4 2027	4%
Q3 2023	32%	Q1 2028	0%
Q4 2023	32%	Q2 2028	0%
Q1 2024	1%	Q3 2028	0%
Q2 2024	1%	Q4 2028	0%
Q3 2024	1%	Q1 2029	0%
Q4 2024	1%	Q2 2029	0%
Q1 2025	6%	Q3 2029	0%
Q2 2025	6%	Q4 2029	0%
Q3 2025	6%	Q1 2030	0%
Q4 2025	6%	Q2 2030	0%
Q1 2026	6%	Q3 2030	0%
Q2 2026	6%	Q4 2030	0%
Q3 2026	6%	Q1 2031	0%
Q4 2026	6%	Q2 2031	0%

4.3.6 Basis for Estimates

4.3.6.1 Outstanding Reported Claims Reserve

Case estimates set aside by the claims underwriting department were considered to be best estimate reserves for outstanding reported claims.

4.3.6.2 Unearned Premium Reserve

The liability in respect of future unexpired risk was calculated using the 365th method.

4.3.6.3 Incurred But Not Enough Reported (IBNER)

The Liability Adequacy Test was conducted on outstanding claims and settled claims for the past reporting periods.

4.3.6.3 Additional Unearned Premium Reserves (AUPR)

The Premium Adequacy Test was used to assess whether AUPR is required. The premium adequacy assessment considers the Company's combined ratio. If the combined ratio is less than 100% it means the UPR is adequate to cover the expected claims from unexpired risks.

4.3.7 Prior year comparisons

The following table compares the 2022 technical liabilities results to the 2021 position for pure ZWL business.

Table 30: Technical Liabilities

	GROSS			NET		
	ZWL'000 Dec-22	ZWL'000 Dec-21	Change	ZWL'000 Dec-22	ZWL'000 Dec-21	Change
Written Premiums	**5,922,924**	**1,813,902**	**227%**	**4,017,809**	**1,370,801**	**193%**
UPR	655,962	189,182	247%	374,504	149,802	150%
AURR	-	-	-		-	-
IBNR	671,768	197,672	240%	309,435	110,991	179%
IBNER	-	-	-		-	-
ORCR	209,466	102,687	104%	105,305	62,073	70%
Total Reserves	**1,537,195**	**489,541**	**214%**	**789,243**	**322,865**	**144%**

Major business lines had significant increases in both gross and net Incurred But Not Reported, Outstanding Reported Claims Reserve and Unearned Premium Reserve reverses as a result of an increase in average claim size due to inflation. As expected, the total recommended liabilities increased between December 2021 and December 2022.

4.3.8 Other Liabilities

The following table shows the non-technical liabilities of the Company as at 31 December 2022.

Table 31: Non - technical liabilities as 31 December 2022

	Liabilities 31-Dec-22 (ZWL'000)
Deferred Taxation	2,722,152
Intercompany Payables	71,855
Reinsurance Premium	2,246,823
Commissions	499,186
Trade & Other Payables	1,057,431
Current Tax Liability	26,647
Claims payable account	525,285
Lease Liability	5,184
Share based payment reserve	35,988
Total Non-Technical Liabilities	**7,190,551**

4.4 VALUATION OF LIABILITIES

The following are the valuation methods for the other liabilities in the table above

Table 32: Valuation Methods

Balance Sheet item	Valuation Principles
Deferred Taxation	Recognised by reference to expected future taxable profits and valued based on the differences between the carrying value in the balance sheet and its tax base.
Intercompany Payables	These are short term in nature and are valued at amortised cost.
Reinsurance Premium	Valued at fair value, i.e., amounts payable on the balance sheet date as they are also short term in nature.
Commissions	These are short term in nature and are valued at fair value, i.e., amounts payable on the balance sheet date.
Trade & Other Payables	In the Company's IFRS accounts, trade payables are recorded at amortised cost.
Current Tax Liability	Valued at fair value, i.e., amounts payable on the balance sheet date as they are also short term in nature.

SECTION 5

CAPITAL MANAGEMENT

5.1 CAPITAL MANAGEMENT OVERVIEW

5.2 CAPITAL POSITION

SECTION 5

5.1 CAPITAL MANAGEMENT

The operations of the Company are subject to regulatory requirements which impose certain restrictive provisions such as capital adequacy to minimise the risk of default and insolvency to meet unforeseen liabilities as these arise. It is the Company's objective to maintain a level of solvency to meet the regulatory capital adequacy requirements and a positive capital ratio to support the development of the business. Capital adequacy is actuarially determined and the Actuary comments on the level of solvency considering the stipulated minimum capital requirements and any directives on capital management.

The shareholder always seeks to maintain a balance between higher returns for shareholders on equity held, and the security that a sound capital position provides. This is achieved by managing capital in a way that maximises long-term shareholder value while maintaining financial strength within competitive range, and meeting regulatory, solvency and rating agency requirements.

5.2 CAPITAL POSITION

The table below shows the company's capital position as at December 2022 and December 2021 calculated on the IFRS 4 basis and using Statutory Instrument 95 of 2017.

Table 33: Capital position as at December 2022 and December 2021 (Excluding Diamond Seguros)

	IFRS 4 Basis		Statutory Basis (SI 95)	
	Dec-22 ZWL'000	**Dec-21 ZWL'000**	**Dec-22 ZWL'000**	**Dec-21 ZWL'000**
Total Assets	16,131,703	3,471,199	11,620,109	1,954,801
Technical Liabilities	2,639,486	487,141	2,639,486	487,141
Non - Technical Liabilities	7,190,551	1,250,803	6,373,906	1,064,416
Total Liabilities	**9,830,037**	**1,737,944**	**9,013,392**	**1,551,557**
Excess Assets	**6,301,665**	**1,733,255**	**2,606,717**	**403,244**
Statutory Capital Adequacy Requirement (SCAR)	1,016,779	37,500	1,016,779	37,500
Statutory Capital Cover	6.20	46.22	2.6	10.8
Net Written Premium	6,537,877	1,618,898	6,537,877	1,618,898
Statutory Minimum Solvency Ratio Requirement	25%	25%		
Management Target Solvency Ratio	50%	50%		
Solvency Ratio	96%	107%		

NICOZDIAMOND
INSURANCE LIMITED
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