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THE UNITED INSURANCE COMPANY SC

Annual Report  
2016/17



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THE UNITED INSURANCE COMPANY SC



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THE UNITED INSURANCE COMPANY SC

## BOARD OF DIRECTORS



Ato Girma Wake  
*Chairman*



Ato Yemane Bisrat  
*Vice Chairman*



Ato Getachew Ashinne



Wro Akiko Seyoum



Ato Mulualem Birhane



Ato Abera Tasew



Eng. Samrawit Getamessay



Dr. Abonesh Hailemariam



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# EXECUTIVE MANAGEMENT



Wo. Meseret Bezabih  
GM/CEO



Wo. Azalech Yirgu  
DGM-Life & MEDEXIN



Ato Dawit G/Ammanuel  
DGM-Finance & Admin



Ato Tesfaye Desta  
DGM - Operations



Ato Gizie Alemu  
Controller



Wt. Bethlehem Mekbib  
Director. U/W & Tech.Serv



Ato Engida Kassaye  
Director, Fin & Investment



Wo. Assefash Abate  
Director, HR & Admin



Ato Girum Fekede  
Director, Claims & Eng.



Ato Mesfin Eyasu  
Manager, Marketing



Ato Aliye Mohammed  
Manager, IT Services



Ato Yinebeb Derseh  
Manager, Legal Services





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THE UNITED INSURANCE COMPANY SC

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THE UNITED INSURANCE COMPANY SC

## MISSION ,VISION & CORE VALUES

### VISION

<UNIC-ETHIOPIA> aims to be **The Best Insurance Company in the country: Most Professional, Most Commercial and Most Responsible.**

### MISSION

To provide complete insurance cover at economic rates, honest, prompt and courteous claims services through the aid of state-of-the-art technology to fully satisfy all its constituencies: **Customers, Shareholders, Employees, Society and the Environment.**

### CORE VALUES

- i. Customer Supremacy
- ii. Honesty and Integrity
- iii. Teamwork
- iv. Dynamism
- v. Fairness
- vi. Social Responsibility

*Striving for Excellence*



## NOTICE OF THE TWENTY THIRD ANNUAL GENERAL MEETING OF SHAREHOLDERS

IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES 418 & 419 OF THE COMMERCIAL CODE OF ETHIOPIA 1960 AND ARTICLE 3(4) OF THE COMPANY'S ARTICLES OF ASSOCIATION, NOTICE IS HEREBY GIVEN TO ALL SHAREHOLDERS THAT THE TWENTY THIRD ANNUAL GENERAL MEETING OF THE UNITED INSURANCE COMPANY SC <UNICE-ETHIOPIA> WILL BE HELD AT THE SHERATON ADDIS ON 2<sup>ND</sup> NOVEMBER 2017 FROM 9:00 AM TO DELIBERATE ON THE FOLLOWING AGENDA ITEMS:

1. To consider and approve the agenda items of the meeting;
2. To approve sale and/or transfer of the Company's shares up to and including 30<sup>th</sup> June 2017;
3. To consider and approve the Report of the Board of Directors;
4. To consider and approve the Accounts for the year ended 30<sup>th</sup> June 2017 and receive the Auditors' Report thereon;
5. To decide on the appropriation of net results of the Company's operations;
6. To discuss and fix Board of Directors' fee;
7. To hear the report of the Nomination Committee of the Board of Directors;
8. To elect members of the Board of Directors; and
9. To elect Board Nomination Committee members and fix their remuneration.

BY ORDER OF THE BOARD

Yinebeb Derseh  
Secretary to the Board

Dated at Addis Ababa this 12<sup>th</sup> day of October 2017.

**NOTE:** A Shareholder entitled to attend and vote at the General Meeting may appoint a PROXY in his/her stead. A PROXY need not be a shareholder of the Company. The PROXY FORM must be completed at the Head Office second floor Finance and Investment Division three days before the date of the General Meeting.





## CHAIRMAN'S LETTER TO SHAREHOLDERS

It gives me immense pleasure to welcome you all, on behalf of the Board of Directors and on my own behalf, to the TWENTY THIRD ANNUAL GENERAL MEETING of Shareholders of The United Insurance Company SC, <UNIC-ETHIOPIA>.

In accordance with the Company's past practice, the Board of Directors had decided to have the Annual Report printed and presented to the Annual General Meeting on the strict understanding that it will not be distributed to third parties until after its approval by the Annual General Meeting of Shareholders.

I would like this grand gathering to note that our Company, once again, has successfully concluded its 23rd year of business. While the full details are contained in the body of this report, I wish you to know at the outset just the highlights of major developments in performance for the year just ended on 30 June 2017.

During the reporting year, our Company's Non-life Gross Written Premium (GWP) has seen a record growth of 23% to reach Br387,214,707 while the Life Business generated Br29,818,321 growing by 10%. The combined written premium has gone up to the tune of Br417,033,028.

The growth in the net incurred claims by 19% (from Br159,423,569 in the preceding year to Br189,597,934 in 2016/17) outstripped that of the earned premium which grew only by 12%, casting a shadow over the shining performance in premiums during the reporting year. The incurred claims against earned premium of Br268,873,000 for the year (Br240,939,609 a year before) produced unpleasant corporate loss ratio of 70.5%.

The underwriting result for Non-Life for the year continued to give operational surplus which grew from Br70,832,073 in 2015/16 to Br76,001,389 in the reporting year, registering a modest growth of 7%. The combined Net Profit Before Tax of the Company's Life and Non-Life operations summed up to Br70,118,800 for 2016/17. Included in this final figure was a surplus transferred from Life Business in the amount of Br12,378,000 on the basis of valuation carried out by external actuaries commissioned by the Company.

The Board of Directors held 12 Regular and one Extra-Ordinary/Urgent meetings between 01 July 2016 and 30 June 2017 and passed important and notable strategic decisions. The preparation of Company's Five Years Strategic Plan (2016/17 to 2020/21) during the reporting year and adoption of this vital document subsequent to the closing date was one of the major duties accomplished in the year. Several policy manuals including Board's Code of Conduct were prepared, adopted and put to use as well.

Everything remaining as envisaged, no doubt that we have a great deal of confidence that the Company is put on the right strategic direction to attain the major goals set out in its plan which we believe can elevate <UNIC-ETHIOPIA> to another new height. The Board is committed to continue to explore strategic opportunities that would add value to its esteemed shareholders and all stakeholders for that matter. Obviously, the best years are yet to come.

Coming back to the financial statements, all existing relevant laws and international accounting standards as are applicable to the Company's business were taken into account and applied as appropriate in the preparation of the year-end accounts.

In accordance with Article 3(4) of the Company's Articles of Association as amended by the First Annual General Meeting of Shareholders which held on 12 October 1995, as well as in compliance with Directives issued by the Supervisory Authority, the National Bank of Ethiopia (NBE), this Report of the Directors and Accounts cover the financial year ended 30 June 2017.

In accordance with Articles 418 and 419 of the Commercial Code of Ethiopia 1960 and Article 3(4) of the Company's Articles of Association, I present, for your consideration and approval, as appropriate, the Report of the Directors, the Audited Financial Statements together with the Report of the External Auditors for the Financial Year ended 30 June 2017.



GIRMA WAKE  
Chairman, Board of Directors &  
of the Annual General Meeting

## REPORT OF THE BOARD OF DIRECTORS

In line with the Company's long established tradition, the Twenty Third Annual Report of Directors gives a brief review of the trading landscape with specific mention of the main events and elements with significant effects on the performance of the industry, the Company's operations and results for the period under report as well as the prospects for the future.

### TRADING ENVIRONMENT

Having broken new grounds with the Company's 20th Annual Report of Directors by comparing the Company's place in the industry using certain well established technical and financial indicators, your Directors have decided to continue with the practice in light of comments received and appreciations expressed by those who read the report including those doing research in the area. Accordingly, we have, once again, collected industry data for the financial year under report (2016/17) from the National Bank of Ethiopia, to which we wish to express our thanks and appreciation.

#### STATUS OF ETHIOPIAN INSURANCE INDUSTRY 2013-2017 (Non-life)

currency:'000 Birr

DESCRIPTION	2013	2014	2015	2016	2017
Number of Companies	17	17	17	17	17
Total number of Branches	273	332	377	428	492
<UNIC-ETHIOPIA>	25	29	29	30	31
Market Gross Premiums (Non-Life)	4,497,666	4,687,657	5,242,085	6,093,677	7,133,500
<UNIC-ETHIOPIA>	248,938	274,311	296,465	314,828	387,215
Market share - %	5.50	5.90	5.70	5.20	5.43
Market Growth - %	20.80	4.20	11.20	16.20	17.10
<UNIC-ETHIOPIA> - %	4.20	10.20	8.10	6.20	23.00
Market Retention Ratio - %	69	73	77	76	74
<UNIC-ETHIOPIA> - %	80	81	81	82	77
Market Loss Ratio - %	65	65	63	69	65
<UNIC-ETHIOPIA> - %	55	52	53	64	70.5
Market Profit Before Tax	786,527	975,730	1,051,674	1,007,245	1,345,100
<UNIC-ETHIOPIA> Profit Before Tax	74,858	77,601	72,612	72,346	70,118
Market Profit Before Tax -(Profit/Premium)-%	17	21	20	17	19
<UNIC-ETHIOPIA> - %	30	28	24	23	18

Source: NBE, Insurance Supervision Directorate.





The number of insurance companies operating in the market has remained all the same, 17, for more than seven years now and hence, no new company entered the market in 2016/17 as well. The rise in the capital requirement from Birr 7 million to Birr 75 million to establish an insurance company is thought to be one of the prime reasons that effectively worked as entry barrier since the coming into force of NBE Directive No. SIB/34/2013 which contained stipulation that set Minimum Paid Up Capital for insurers.

However, the existing companies have continued to expand their market outreach by opening new branches from time to time. This endeavour helped the insurers grow their branch outlets by 15% from 428 in 2015/16 to 492 in 2016/17 while our Company opened only one new branch in the year just ended. Our Company's strategic choice was to set up more of what are known as 'Contact Offices' than branches. Such offices would eventually grow and graduate to branch level on meeting minimum performance standards on the basis of evaluation carried out periodically. Opening contact-offices was found to be more cost-effective than having full-fledged branches which needed higher initial investment. During the reporting period, six such offices were opened and made to operate under a close supervision of existing branches, two of them deservedly upgraded to branch status subsequent to the closing date of the reporting year as they met preset performance parameters.

The industry data further showed that, in terms of Gross Written Premium (GWP), the industry grew by 17% on average while our Company registered a record growth rate of 23%, which was well above the industry's. As the result, our Company's market share rose to 5.43% in the year under report from 5.20% the previous year. The total market share (life & non-life) rose from 5.4% previous year to 5.6% for the year under report.

The Company's strategic move and focus to regain its market share in view of long-term paybacks that it could give by conceding some compromises in the short-term profitability helped the Company to register record growth in the reporting year. On the other hand, our Company's non-life loss ratio rose up to 70.5% in 2016/17 from 64% in the preceding year, effectively offsetting the gains obtained from growth in premiums. Even then, the underwriting surplus has shown slight increase growing by 7% from Br70,832,073 last year to Br76,001,389 this reporting year.

In view of short-term stumbling blocks the Company faced in some performance indicators, it maintained premium retention rate (77%) relatively better than the industry's average (74%) even though <UNIC-ETHIOPIA>'s declined from 82% in 2015/16.

Against all odds, the Company has continued its strive to meet and exceed the needs and expectations of customers. Providing services that the customers need most, and not what the Company wants to sell, and innovativeness have remained to be the driving force in this regard. It was against this conviction that the Company has started online sales of selected insurance products in 2016/17 with possible options to scale it up over time. It would be worth noting to report the fact that our Company was the first in the country to pioneer, introduce and provide online sales of insurance services to the insuring public, the decision we consider we have made rightly and timely which started to work meaningfully in the enhancement of image on the one hand and help the Company gain what businesspersons referred to as "first mover's advantage" on the other.



These innovative products, some others in the pipeline, with proper marketing strategy put in place, would certainly pay off overtime in the years ahead. The added advantages of such endeavours could also be seen in terms of competitive edge the Company would gain in the long-run.

## Status Report on Miscellaneous Matters Raised in Previous Reports

Every year, our Company's Annual Report of Directors attempts to indicate issues considered relevant to the industry along with proposals of measures that may need to be taken. Such issues are kept alive by repeating our comments until appropriate actions are taken by any of the appropriate parties: the Supervisory Authority, the insurance companies or Government or all three as the case may be.

Once again, the Board of Directors wishes to seize this occasion to pay special tribute to the Supervisory Authority for the Directives it issued in recent past to implement certain provisions of Proclamation Number 746/2016, a Proclamation to Provide for Insurance Business.

## Directive No.: SIB/44/2016 Manner and Criteria of Transacting Reinsurance by Insurers

Obviously, the Directive was meant to regulate facultative exchange of reinsurance businesses among and between direct domestic insurers with the aim to raise local retention capacity as well as to drive down foreign exchange outflow of reinsurance premiums. Understandably, the imposition on local insurers of compulsory treaty and policy cessions by the Directive could certainly strengthen the infant local reinsurer in the short-run but could be injurious in the long-run for the fact that it stands the chance to introduce dependency and inefficiencies to the toddler reinsurance company.

Our Company continued to believe that there is better alternative options that would greatly help enhance the national reinsurer's capacity, the alternative which were recommended to the NBE long back for consideration and adoption as the case may be. Considering that proposal to have been discounted, we hold the opinion that the compulsory cession should be phased out on or before the expiry of the deadline set out in the Directive for same reason we argued against such cession.

Besides, it is our Company's strong position that local insurers must be allowed to accept risks through business exchange scheme to the extent of their respective treaty capacity as opposed to the provision of the Directive that limits such acceptance to Company's retention. Amendment much expected to be made to the Directive in this regard remained long overdue now and we would like to call upon the regulatory body to take measures at soonest convenience to put the matter right to get the intended result from the arrangement.

## The Dangers of Uneconomic Premiums

As in the preceding years, unfortunately, the year under report came to an end with no much change taking place in the price-driven industry's competitive market place. We all as insurers continued to engage in premium undercutting to attract and/or retain businesses with the view not to lose customers at the minimum or keep hold of existing market position or else to grow market share at best. For all practical reason, as regards to the financial year just ended, no insurer could lay a claim to be immune from this undesirable practice including that of ours. Our Company was gradually drawn to join the 'throat-cut' resembling competition on the ground to recapture the market share it has lost for more than half-a-decade now. That would not be without a pain to the Company despite its long-held policy to maintain prudence and quality of business in underwriting and yet, with flexible strategies.

The adverse outcome of the said competition would be the ultimate cost insurers are forced to pay in a form of exorbitant claims costs that continued to grow almost year-on-year basis. As the lasting remedy still rests with the industry players, particularly with insurers who are supposed to come together to find a common ground that would decisively lessen the burden each of the companies, with no exception, has carried for so long now.

The encouraging steps taken by the Association of Ethiopian Insurers (AEI) in close collaboration with the regulatory organ, NBE, to undertake actuarial study with the prime aim to set mutually beneficial minimum premium rates for most classes of business was a welcome development in the right direction to abate the problem. Expatriate actuarial firm retained by AEI to carry out the feasibility study was reported to have submitted final form of the study which may hopefully start to be implemented in next budget year, 2017/18. <UNIC-ETHIOPIA> takes this moment to extend its heartfelt appreciation to the NBE for the unreserved support including close follow up on the developments of the project and big 'Thank You!' goes to the AEI for shouldering the responsibility to get the task done as owner of the project.

## Lack of Level Playing Field and Its Harmful Effects on the Industry

The Directors have openly expressed their views and continued to do so that policy ambivalence towards fair competition and level playing field for domestic financial sector companies, not much has changed. At the risk of sounding repetitive, your Directors continue to hold the view that whether Ethiopia accedes to the membership of institutions such as the COMESA FTA or the World Trade Organization sooner or later from now, the training of our domestic companies in the art and science of fair competition should have started yesterday. Those who advise on and/or formulate policies of the sector had been hesitant, timid or afraid of making mistakes by not liberalizing the domestic market for domestic companies. Irrespective of the specific time table Ethiopia may agree with the said institutions to open its financial services sector, and open it will have to one day, the time to liberalize the domestic market for domestic companies is now! Failure to do so will greatly harm the local companies and the country as well.





## GENERAL

Following the decision of the Extraordinary General Meeting held on 22nd October 2015 to increase the paid capital to Br250,000,000, such a capital reached Br245,071,177 at the close of business on June 30, 2017.

The Board of Directors held 12 Regular and 1 Extraordinary/Urgent meetings between 01 July 2016 and 30 June 2017. As in the past, matters requiring special attention were referred to the four Board Committees, namely, (a) Audit Committee; (b) HR & Administration Committee; (c) Risk Management Committee; and (d) Budget Committee.

The Company opened one new branch and six contact offices during the year under report. As one of its strategies to grow its premium income, however, the Company has continued to design innovative insurance products not only to provide reliable services but also to make its product offerings more complete and suitable for wider selections to customers. Special partnership agreement with Ethiopian Airlines by which Sheba Mile customers would be granted such miles when they buy insurance from <UNIC-ETHIOPIA>, the recently developed online sales of selected products using internet technology and emergency medical insurance are just few of the developments in this regard.

At <UNIC-ETHIOPIA>, we deeply believe that the Company's strength and sustainable growth hinges up on the quality, commitment and dedication of its entire workforce who have kept and continued to keep the Company on repeated and lasting success paths. And hence, as a matter of its guiding principles and perusal of its policy of fair and equal opportunity employer, as in the past, <UNIC-ETHIOPIA> has continued to maintain its well-rooted corporate culture in creating merit-based job opportunities for Ethiopians.

In was in that perspective that the Company's staff strength had grown to 312 as at June 30, 2017 from 289 employees last year same period. The gender balance remained almost exactly the same as it was last year: 53% female and 47% male. In terms of employment standing, of the total, 297 or 95% were regular while the remaining lot comprised of casual workers. Gender wise, 155 or nearly 52% were female and 142 or 48% were male from the regular category while casual workers consisted of 9 women and 6 men. Out of the total, 188 staff were degree holders (9 MAs and 179 BAs), 70 had Diplomas while 54 held Certificates or pre-college papers.

The Company has continued to invest in its human resources development to maintain its policy of having the best talent and skill in the industry. It expended Br1,852,296.74 in the reporting year for staff training. Accordingly, during the year under report, 147 (47%) of the Company's employees have gone through technical and/or managerial training courses at various institutions: 35 in-house, 99 local external and 13 overseas.

It should be noted that the Company continued to uphold conducive working environment and we believe the relationship with and among employees has remained quite smooth and will hopefully stay more than satisfactory in the years ahead. Family-like and friendly relationships dominantly characterize the working landscape of the Company which needs to be sustained for better results.



As reported last year, the remaining works of the Company's construction project at Akaki-Kality was entirely completed in the first half of 2016/17 financial year. In the coming period, it will be rented out and start to earn the Company envisaged rent income.

The construction of Head Office building at Tewodros Square, more specifically the finishing work, has continued to advance and will be completed soon. We expect the Company will move its Head Quarters to the new building before the end of 2017/18 financial year.

As reported in the preceding year, the Company has taken bank loan to meet the huge financing needs the construction projects required. Beyond the huge capital need of such a scenario, the Company was strained to forgo gains that could have materialized from short-range investments like the sorts of bank fixed time deposits which would have had the immediate effect of augmenting current period profitability. We firmly believed that the short-term trade off made in support of long-term value creation to the shareholders worth sacrificing by any standard measure.

Except the investment made at United Bank SC by ploughing back dividends earned in 2015/16 in the amount of Br13,079,591, the Company did not make any investment in equities during the year ended 30 June 2017. Its total investment (equity and non-equity) grew modestly by 13.5% to Br109,891,420 in 2016/17 from Br96,811,829 the previous year. Except the United Bank SC, the Company's other major equity investments consisting of Raya Brewery SC (Br12,000,000), Ethiopian Reinsurance SC (Br12,500,000) and Habesha Cement SC (Br5,000,000) did not give back returns in a form of dividend so far. We, however, are hopeful that the investments will start to earn the Company additional income in a couple of years to come.

As the terms of office of two of the Directors would have expired by the time of the 23rd Annual General Meeting of Shareholders, two directors would be elected. It is to be recalled that, in compliance with Directive SIB/42/2015, the 22nd Annual General Meeting of Shareholders held on 1st November 2016 established Nomination Committee to facilitate election of the two incoming Board of Directors. This 23rd AGM today is thus tasked with the duty to hear the report of the Nomination Committee and subsequently, elect the said Board of Directors.

## FINANCIAL PERFORMANCE AND RESULTS - NON LIFE

### Gross Premiums Written

As at 30 June 2017, the Company had written a Non-Life premium of EBr387,214,707, registering a record growth of 23% over that of the previous year. On the other hand, compared to the Nation's Non-Life premium growth of 17%, our Company could be said to have met its expectations in that respect.

Much of the record growth attained can be attributed to the growth and expansion strategy the Company has chosen to follow starting July 1, 2016. Lucky enough, as it has never been the case for the last five years, growth was registered in all classes of business in 2016/17 as depicted hereby in descending order: Marine Cargo and Inland Transit by 48%; Engineering 43%; Fire and General Accident 32%; Motor 21%; Pecuniary 17% and group of 'small premiums' 11%.

## Retention and Reinsurance

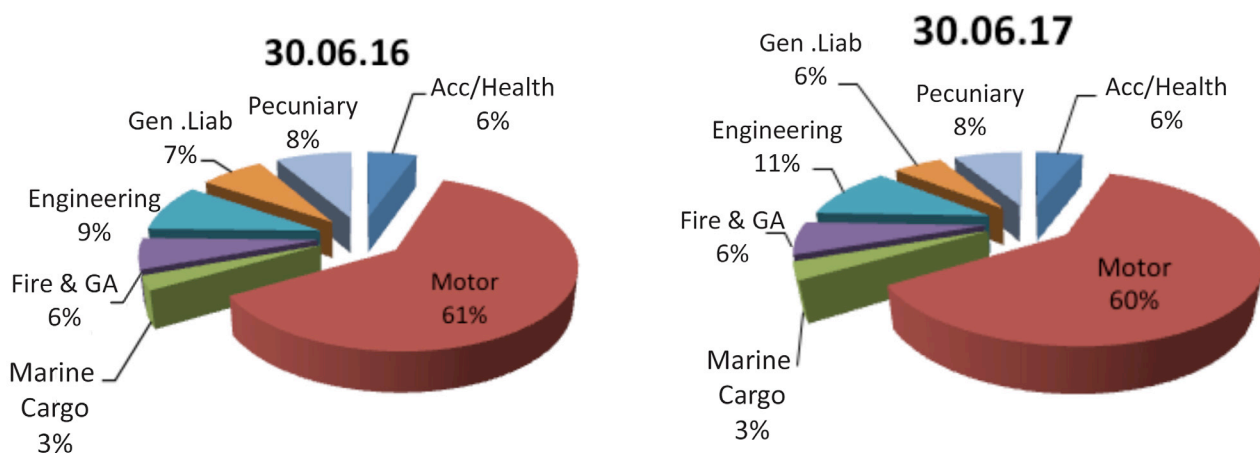
As at June 30, 2017, the books of accounts showed the fact that Br298,194,999 was retained by the Company from the total Non-Life Gross Written Premium of Br387,214,707 yielding a retention ratio of 77%, a decline from 82% last period. The comparable figure for the last year was a retained premium of Br258,681,519 out of Br314,828,292 GWP. The comparative industry retention ratio also saw a slight fall from 76% in 2015/16 to 74% in year under report.

The major factor for the decline in the retention rate was the NBE Directive which imposed compulsory policy cession which has come into full swing starting right from the beginning of the reporting year along with the domestic reinsurer emerging into the market almost in full force. Due to this fact, all insurers are obliged to cede premiums coming from even the smallest risks to Ethiopian Reinsurance Company SC, which could otherwise have been retained to own accounts.

## Portfolio Mix

A close look at the portfolio mix clearly illustrated the fact that it almost followed the same trend as was in the last year. Motor insurance, increased by 21% in premium as compared with previous year accounted for 60% of the total portfolio for 2016/17 and hence, continued to take the lion's share in the Company's Gross Written Premium of Br387,214,707 as at 30 June 2017. Yet, it should be noted that its share slightly dropped from 61% in previous year.

## COMPARATIVE PREMIUM STRUCTURE







Growing by 11%, what the Company had classified as “small premium classes” (Personal Accident, Workmen’s & General Liability), like in the preceding year, took the second rank in the overall Non-Life GWP of the Company for the reporting period while Engineering class of business, with significant growth of 43% as compared to last year, maintained the same share 11% in the portfolio of 2016/17.

Pecuniary with reasonable growth of 17% and Fire & General Accident, up by considerable margin of 32%, contributed 8% and 6%, respectively, to the total premium while Marine Cargo and Inland Transit continued to account for only 3%, just like last year, despite the fact that this line of business was in the lead in terms of premium growth, 48%, as compared to last year.

It should be noted that all classes of business registered robust growth ranging from as low as 11% in group of “Small Premiums” to as high as 48% in Marine Cargo and Inland Transit to bring a corporate record growth of 23%, which was well over industry’s 17% as stated earlier.

It needs to be noted that the portfolio mix of the premiums has, more or less, followed initial projections the Company had made right at the start of the reporting year as adopted in the Business Plan for 2016/17.

### Claims and Profitability – Loss Ratio and Underwriting Surplus/(Deficit)

By all comparison, the Company’s overall claims experience in the year under report recorded a considerable increase. The claim ratio went up from 64% last year to 70.5% in 2016/17. As compared to industry’s average of 65 % (69% the previous year), the Company’s loss ratio moved above this line for the first time in recent past.

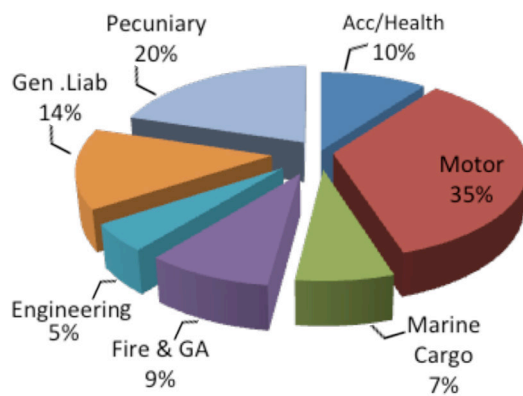
The Company’s Non-Life loss ratio unfavourably grew in most of the class of businesses with the exception of a drop in only two classes, Engineering and the group of “small premiums”. Accordingly, Motor’s loss ratio grew from 75.8% last year to 85.7% in 2016/17; Marine Cargo and Inland Transit from 13% to 30%; Fire and General Accident from 10% to 18%; Pecuniary from negative (-3%) to negative (-2%) while loss ratios in respect of Engineering class of business and group of “Small Premiums” improved, respectively, to 49% from 90% and to 26% from 50% in 2016/17 as compared to the preceding year.

Accounting for lion’s share of total incurred claims or 92% (Br174, 343,086 for motor against Br189, 597,934 total incurred claims), the Motor class of business has produced a loss ratio of 85.7% for 2016/17 as compared to 75.8% in 2015/16.

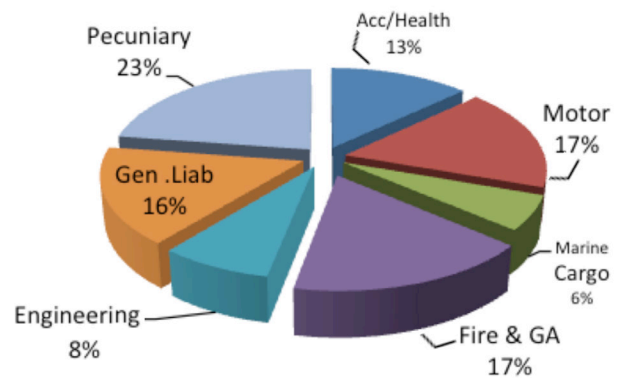
Motor accounting for almost 60% of the total premium in the portfolio of the Company, the nearly 13.1% increase recorded in the loss ratio of that class for the reporting year was nevertheless significant.

## COMPARATIVE UNDERWRITING SURPLUS/DEFICIT

Finanacial Year Ended 30.06.16

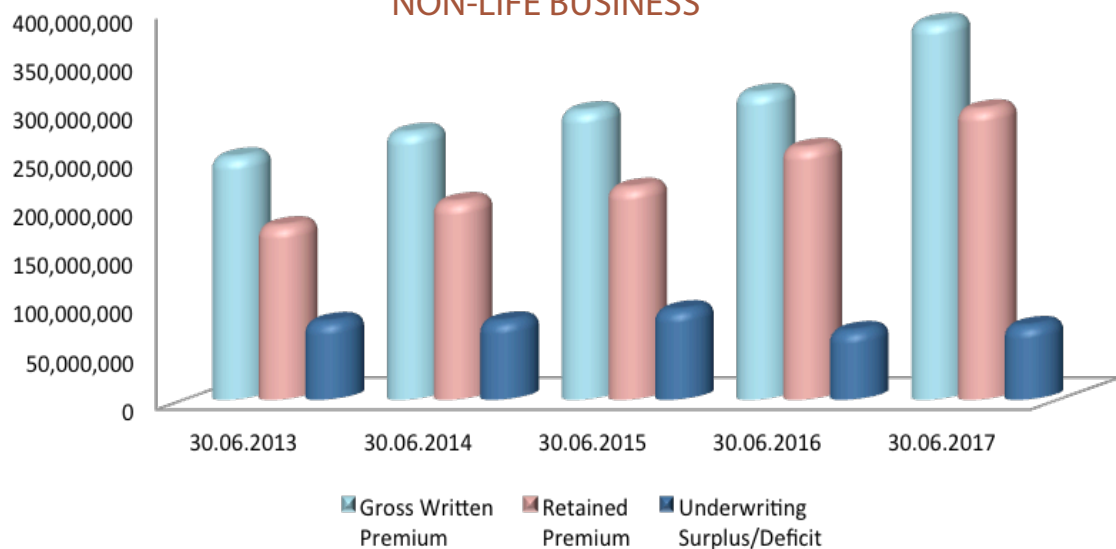


Finanacial Year Ended 30.06.17



A combination of various adverse factors worked effectively to give unpleasant picture to the 'face' of claims. Notably, the inability to charge risk-related premium in all classes of business in general and motor in particular, owing to continued 'infectious' competitive pressure, played the key role in increasing the Company's claims ratio. The ever-escalating or growing trends in cost of doing business in the country in general and the rise in cost of labour and spare parts in motor claims in particular; the worsening situations in the frequency of accidents and severity of resultant losses particularly in the motor class of business still continued to take away much of the hard-earned premiums on much discounted basis.

### NON-LIFE BUSINESS



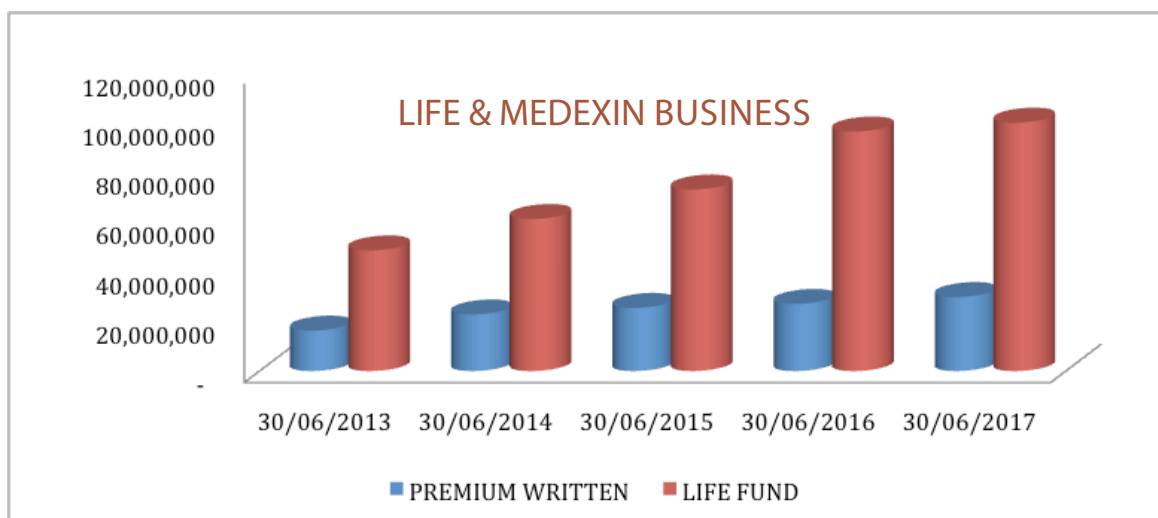


## LIFE & MEDEXIN - Premium Growth & Overall Performance

At the close of the financial year 30 June 2017 and the latest actuarial valuation following the closing date, the Company's long-term business (Life Insurance) has registered a robust growth of 10% (against industry's 8%) to reach a Gross Written Premium of Br29,818,321 from Br27,046,000 the previous year.

The Life Business, even though small relative to the Non-Life, has continued to earn the Company a good sum of profit from time to time. Unlike in the preceding years, where actuarial valuation were carried out every two years, the Company submitted financial statements for the long-term business for the year ended on June 30, 2017 to external actuaries for valuation for the second year in a row. The valuation so undertaken by the Company's long-standing external actuarial consults, M/S Zamara Actuaries, Administrator and Consultants Limited, ascertained and revealed that Br12,378,000 be transferred to the Profit and Loss and Appropriation of Profit Account of June 30, 2017 for distribution to the shareholders. This was taken to be a clear sign for the gradual transformation of the long-term business into continual contribution towards the overall performance of the Company with particular augmentation of its bottom-line which may even overtake the Non-Life business provided its customers' base widens over time.

Unreserved efforts being made and the range of products to be put to the market shortly with the view to grow Life Business is expected to bear fruit starting 2017/18 budget year. At the time of writing this report, the Company has concluded a grand and prolific contract, after lengthy and painstaking negotiation, to provide services specifically designed to meet particular needs of its customers which would certainly elevate the Company's image on the one hand and generate reasonable size of premiums gradually on the other provided that everything would go as foreseen and predicted in the time ahead. With choice of right strategy focused on consumer education and awareness creation, the Life Business will predictably grow steadily but slowly in the years to come as the country's economy continued to transform alongside auspicious change in the life style of the public at large.





## Performance Development - Consolidated

As opposed to the trends in the preceding five years, where growth and market share were almost remained stagnant, the Company at the direction of the Board of Directors, changed its strategies from what appeared to have stayed 'reactive' to 'proactive' and more aggressive business acquisition to register a record growth in premiums both in Life and Non-life Businesses. Accordingly, the Company's Non-Life and Life premiums grew by 23% and 10%, respectively, against the industry's average of 17% and 8%. The laudable performance in this respect helped the Company generate a combined premiums of Br417,033,028 in 2016/17 of which 93% was from Non-Life. The comparative figure for the previous year was Br341, 874,027.

Despite commendable growth in the premiums during the year, the Company's Non-Life Business' loss ratio grew to 70.5% this year from 65% the last period owing to the fact that earned premium recorded an increase of 12% (Br268,873,000 for 2016/17 as compared to Br240,939,609 in 2015/16) which was much less than the growth in the net incurred claims of 19% (Br189,597,934 in 2016/17 from Br159,423,569 in 2015/16).

Notwithstanding the increase in the claims (loss ratio growing to 70.5% in 2016/17) that counterbalanced the strides of gains achieved in volume of premium that grew by more than market average, the Company had continued to maintain positive operational results as the Non-Life portfolio had produced an Underwriting Surplus of Br76, 001,389 as at June 30, 2017, up by 7% from the previous period.

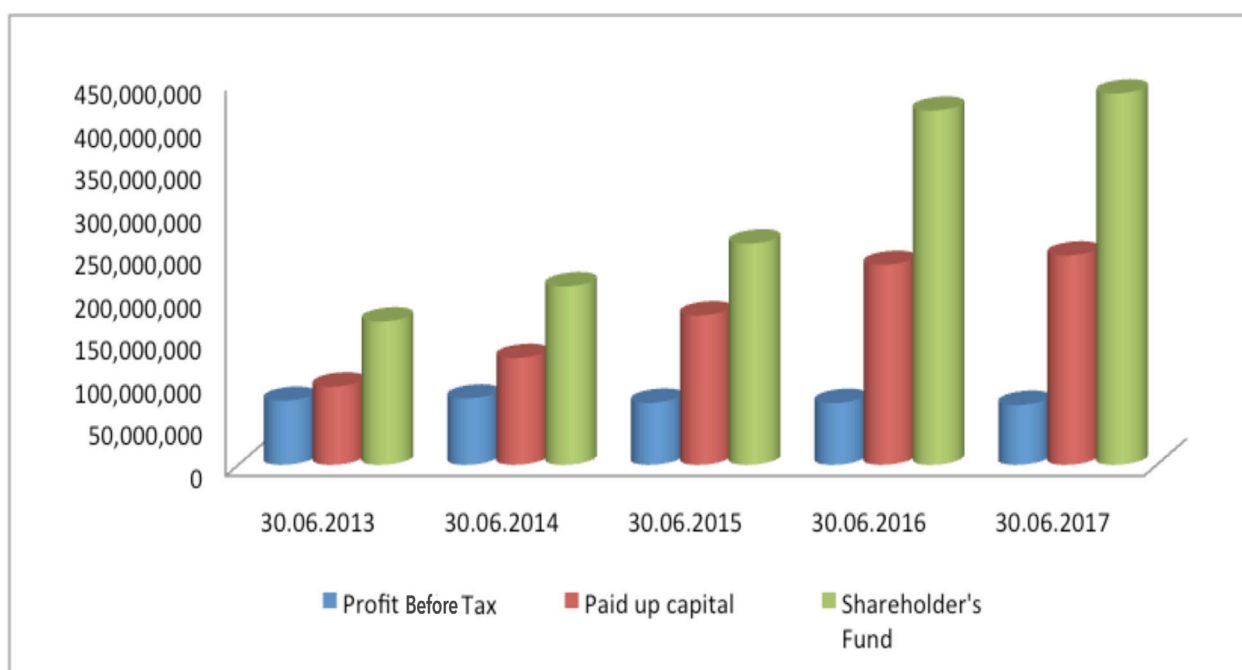
This was augmented not insignificantly by incomes from Investment: Interest Income amounting to Br22,084,466 (Br17,539,161 last period); Dividends Br9,849,424 (Br9,435,800 last time); Rent Income Br7,100,560 (Br7,906,976 in 2015/16) and other income of Br1,699,975 (Br991,4630 last year), all summed up to produce a combined total contribution of Br40,734,425 or 35% of the financial year's Total Income of Br116,694,418.

The total expence of the company has also shown growth in the reporting year, up by 11% from previous period. The major contributors for the growth of the expense was employees salaries and benefits which grew by 21% (Br17,350,166 in 2015/16 to Br21,072,071 in 2016/17) and office rent grew by 11% (Br10,796,684 in 2015/16 to Br11,999,698 in 2016/17). However, as compared to 23% growth in total premium for the year 2016/17, the total expense grew only by 11%.

The Non-Life Net Profit Before Tax for the reporting year slightly increased by 4% from Br55,501,866 in 2015/16 to Br57,740,800 in 2016/17. For the second successive years, a transfer of surplus amounting to Br12,378,000 from the Life business was allowed and effected to supplement the total profit. The provision for Profit Tax was computed to be Br9,133,902 leaving a balance of Br61,234,374 as After-tax Net Profit for the reporting period. The corresponding balance the previous year was Br60,811,793.

Despite slight growth in the Net Profit After Tax (Br61,067,498 against Br60,811,793 a year before), Earning Per Share dropped nearly by 23% from Br312.63 in the preceding year to Br254.64 for the reporting period partly because of the growth in Company's Paid-Up Capital on the one hand and primarily for considerable upward surge in an "Unearned Premium" from Br130,322,300 the previous period to Br 159,644,299 on the closing date of 2016/17 financial year, up by 22%. Increase in loss ratios coupled with more premium cessions to reinsurers owing to compulsory cession to Ethiopian Reinsurance Company SC contributed for the EPS to shrink and investment consisting of Raya Brewery SC (Br12,000,000), Ethiopian Reinsurance SC (Br12,500,000) and Habesha Cement SC (Br5,000,000) and the two buildings under construction did not bring any return for the year under report.

### CONSOLIDATED DEVELOPMENT INDICATORS



Always keenly aware that volatility in the performance and/or results of insurance companies would remain an inherent character, your Directors continue to be encouraged by the performance of our Company as reflected by the foregoing indicators.

They remain consistent in their conviction that the commercial and professional quality of an insurance company may be best judged mainly by, (among others), the final results produced. And by such measures, our Company has, during the year under report, produced a commendable performance against multiple of challenges faced during the period under report.





## FUTURE PROSPECTS

According to the annual report of National Bank of Ethiopia, the country has recorded 8.0% real GDP growth rate for the fiscal year 2015/16. The service sector has expanded by 8.7% in the same year. The report also disclosed that per capita income grew from USD725 in 2014/15 to USD794 in 2015/16.

This trend is a good indicative of the fact that insurance business would also take advantage of the country's continuous economic growth to thrive in the coming years. Furthermore, coupled with increase in disposable income as reflected by per capita income, people's attitude towards and awareness about insurance is gradually changing which is expected to give a good push to the business we forge ahead in the subsequent years.

On the other hand, the return of double digit inflation exacerbating the cost of running business in general and the claim cost in particular; the more or less 'severe' foreign exchange shortage witnessed very recently (if continued); the challenges more specific to the industry (mentioned above earlier in the forgoing paragraphs) would be some of the major factors that are considered to have either positive or negative contribution towards the increase or decrease in incomes (more particularly premium income) or the costs/expenses, especially cost of spares for motor claims.

Looking internally, the investments we have made in equities of entities well recognized by the public are expected to give returns starting the coming year. The Company has also a plan to develop and set up smart parking lot on the extra space lying behind the building it acquired couple of years back at around Bole Medhanealem area. Besides, new insurance products, specifically of life insurance that could have the potential to raise life's premium to another record peak, are in the pipeline to attain better performance ahead. The two newly constructed large buildings are right on the horizon now to begin to generate rent income on the one hand and save us a good sum of money that would otherwise be paid in a form of rent expense for the current Head Office on the other (Note that HO move will take place early 2018).

To sum up, given all odds, we believe that the years ahead hold bright future for the Company to cultivate. We considerably hope that the five-year strategic plan crafted for the Company and put to implementation would give the intended results if properly executed, and we do not have any hesitation or doubt in our execution capabilities.

## VOTE OF THANKS

The Board of Directors, Management and Staff of <UNIC-ETHIOPIA> wish to express their deep gratitude to all the wonderful Customers of the Company for their continued support and patronage.

The Board and Management also wish to record their appreciation for the association the Company enjoys with its reinsurers and the mutually advantageous business relations it has developed with both domestic and international brokers.



A special thank you is due to all its field officers who have played and continue to play a pivotal role in the Company's growth. They help it identify the needs of the insuring public on the one hand and they serve as its ambassadors on the other hand.

Last but not least, both on behalf of the Board and in my own name, I wish to confirm once again that the Company's Management and Staff demonstrated their commitment to the Company's continued strive for EXCELLENCE: in their professionalism, commercialism and strong team spirit without which the commendable results achieved would have not been possible.

A handwritten signature in blue ink, appearing to read 'Girma Wake'.

Girma Wake  
Chairman, Board of Directors & of  
the Annual General Meeting

A handwritten signature in blue ink, appearing to read 'Meseret Bezabih'.

MeseretBezabih  
General Manager/CEO



## Kokeb & Melkamu Audit Partnership.

*Chartered Certified Accountants (UK)*

We have audited the accompanying financial statements of The United Insurance Company SC <UNIC-ETHIOPIA>, which comprise the Statement of Financial Position as at 30 June 2017, the Statement of Comprehensive Income, Revenue Accounts, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory notes, set out on pages 21 to 43, which have been prepared under the historical cost convention and the accounting policies on page 27 to 28.

### Respective responsibilities of Management and Auditors

The Management of <UNIC-ETHIOPIA> is responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with generally accepted auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the management in preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

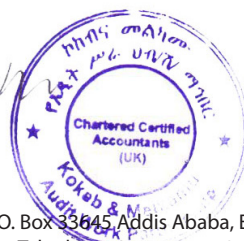
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its results and cash flows for the year then ended in accordance with the accounting policies adopted by the Company.

We have no comment to make on the report of your Board of Directors so far as it relates to the financial statements and pursuant to Article 375(2) of the Commercial Code of Ethiopia, recommend approval of the financial statements.

Kokeb & Melkamu Audit Partnership  
Chartered Certified Accountants (UK)  
Authorized Auditors in Ethiopia



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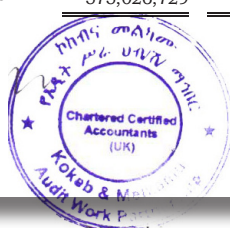
Addis Ababa  
October 12, 2017



THE UNITED INSURANCE COMPANY SC  
 STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2017

		Currency: Birr			
	Notes	General Insurance	Long term Insurance	Total	30.06.16
<b>ASSETS EMPLOYED</b>					
<b>CURRENT ASSETS</b>					
Cash and bank balances	1	20,615,568	1,086,201	21,701,769	25,333,932
Bank deposits at interest	2	225,622,689	57,166,357	282,789,046	262,696,526
Debtors, deposit and prepayments	1(j),3	88,389,355	1,332,180	89,721,535	37,636,263
Due from reinsurers		-	2,825,949	2,825,949	1,886,889
Current account with Life Operations		(302,472)	302,472	-	-
		334,325,140	62,713,159	397,038,299	327,553,610
<b>CURRENT LIABILITIES</b>					
Outstanding claims	1(c),5	138,273,018	883,748	139,156,766	117,189,856
Profit tax payable	8	4,739,803	632,679	5,372,482	8,145,915
Due to reinsurers	10	31,605,994	2,627,966	34,233,960	37,371,233
Other creditors, accruals & provisions	9	41,965,983	945,901	42,911,884	44,902,987
		216,584,798	5,090,294	221,675,092	207,609,991
<b>NET CURRENT ASSETS</b>		117,740,342	57,622,865	175,363,207	119,943,619
<b>NON-CURRENT ASSETS</b>					
Investments	1(j),11	80,983,516	28,907,904	109,891,420	96,811,829
Leasehold land	12	3,889,346	-	3,889,346	4,082,482
Statutory deposit	13	33,760,677	3,000,000	36,760,677	35,115,542
Investment property	14	77,643,025	16,916,667	94,559,692	100,545,742
Property and equipment	1(d),15	261,009,823	15,390,441	276,400,264	219,062,320
		457,286,387	64,215,012	521,501,399	455,617,915
<b>NET TOTAL ASSETS</b>		575,026,729	121,837,877	696,864,606	575,561,534
<b>FINANCED BY</b>					
<b>NON-CURRENT LIABILITIES</b>					
Loan from Bank	17	73,873,291	-	73,873,291	-
Land lease payable	16	1,702,785	-	1,702,785	1,897,902
		75,576,076	-	75,576,076	1,897,902
<b>TECHNICAL PROVISIONS</b>					
Unearned premiums	1(b),7	159,644,299	-	159,644,299	130,322,300
Other Technical Provisions	20	-	-	-	4,600,716
Incurred but not reported (IBNR ) claims	1(c),4	26,887,300	-	26,887,300	24,093,314
		186,531,599	-	186,531,599	159,016,330
<b>SHAREHOLDERS' FUNDS</b>					
Paid-up share capital	18	225,071,177	20,000,000	245,071,177	234,133,287
Share Premium		1,637,050		1,637,050	6,834,737
Life Fund	1(e),24	-	87,713,079	87,713,079	79,673,476
Profitability bonus for Life Policy holders		-	27,186	27,186	34,247
Legal reserve	19	41,477,106	3,870,585	45,347,691	39,240,941
Profit & loss account		44,733,721	10,227,027	54,960,748	54,730,614
		312,919,054	121,837,877	434,756,931	414,647,302
<b>TOTAL NON CURRENT LIABILITIES, TECHNICAL PROVISIONS &amp; SHAREHOLDERS' FUNDS</b>		575,026,729	121,837,877	696,864,606	575,561,534

Girma Wake  
 Chairman, Board of Directors



Meseret Bezabih  
 General Manager/CEO



**THE UNITED INSURANCE COMPANY SC  
PROFIT OR LOSS AND STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2017**

	<b>Notes</b>	<b>30.06.16</b>
<b>INCOME</b>		
Underwriting Profit/(loss)	76,001,389	70,832,073
Income from Investment :		
Interest Income	25 22,084,466	17,539,161
Dividend Income	25 9,849,424	9,435,800
Rent Income	25 7,100,560	7,906,976
Total Investment Income	39,034,450	34,881,937
Other non investment	26 1,346,320	2,212,324
Gain on sale of Fixed Assets	26 312,259	669,730
Total Income	116,694,418	108,596,064
<b>EXPENSES</b>		
Employees' Salaries & benefits	21,072,071	17,350,166
Directors' Fixed Emoluments	328,652	187,600
Depreciation & Amortization	9,821,954	10,206,007
Office Rent	11,999,698	10,796,684
Ordinary General meeting expense	263,909	212,312
Provision for Doubtful Debts	30,000	-
Audit fee	77,677	77,180
Financial expense	822,611	492,587
General & Administration expense	23 14,537,046	13,771,662
Total Expenses	58,953,618	53,094,198
	<b>57,740,800</b>	<b>55,501,866</b>
Add: Profit from Life insurance	24 12,378,000	16,844,000
Profit Before Tax	<b>70,118,800</b>	<b>72,345,866</b>
Provision for profit Tax	8 (9,051,302)	(11,534,073)
Net profit after Tax	61,067,498	60,811,793
Legal Reserve	19 (6,106,750)	(6,081,179)
<b>Net profit after legal reserve</b>	<b>54,960,748</b>	<b>54,730,614</b>
Earnings per share of Birr 1000	<b>253.94</b>	<b>312.63</b>







THE UNITED INSURANCE COMPANY SC  
GENERAL INSURANCE BUSINESS  
REVENUE ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	30.06.16
<b>TECHNICAL INCOME</b>		
Gross Writtem Premium	1(a),6 387,214,707	314,828,292
Less : Premium ceded	6 89,019,708	56,146,773
Net written premium	298,194,999	258,681,519
Change in unearned premium	7 29,321,999	17,741,910
Net earned premium	268,873,000	240,939,609
Add : Ceding commission	25,601,989	18,422,378
profit commission	6,765,857	3,379,320
Other u/w Technical Income	3,187,986	-
Total Technical Income	304,428,832	262,741,307
<b>TECHNICAL OUT GO</b>		
Gross Claims Paid	175,513,673	132,751,924
Claims Ceded	10,197,823	5,938,179
Net claims Paid	165,315,850	126,813,745
Change in O/S claims	5 21,488,098	29,357,125
Change in IBNR	4 2,793,986	3,262,699
Net claims incurred	189,597,934	159,433,569
Add : Sales Commission	22,015,441	17,642,262
Other Technical Provision	(4,600,716)	(2,873,304)
Other Technical expenses	342,713	356,541
Total Technical Outgo	207,355,372	174,559,068
Management expense	21,072,071	17,350,166
<b>Underwritng Profit/(Loss)</b>	<b>76,001,389</b>	<b>70,832,073</b>





THE UNITED INSURANCE COMPANY SC  
LONG TERM INSURANCE BUSINESS  
REVENUE ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2017

	<u>Notes</u>		<u>30.06.16</u>
<b>INCOME</b>			
Life assurance fund at 30 June 2016		79,673,476	73,187,309
Outstanding claims at 30 June 2016		404,937	40,000
Gross premium		29,818,321	27,046,000
Less reinsurance cession		8,541,275	9,821,186
Net premium income		21,277,046	17,224,814
Commissions income		3,910,512	3,538,197
		<u>105,265,971</u>	<u>93,990,320</u>
<b>LESS:</b>			
Life assurance fund at 30 June 2017		87,713,079	79,673,476
Outstanding claims at 30 June 2017		883,748	404,937
Net claims incurred		8,508,564	1,441,492
Commission expense		1,776,985	1,110,441
Policy holders' dividend	24	2,099	5,117
		<u>98,884,475</u>	<u>82,635,463</u>
Gross operating Income		6,381,496	11,354,857
Other income:			
Interest and others		10,360,803	9,595,908
		<u>16,742,299</u>	<u>20,950,765</u>
<b>EXPENSES</b>			
Employees' salaries and benefits	21	1,374,998	1,220,874
Directors' fixed emoluments	22	52,974	32,400
Depreciation and amortization		1,099,947	1,125,712
Office rent		271,429	257,190
Ordinary general meeting expense		49,834	156,040
Audit fee		13,123	13,620
Actuaries' fee		237,106	126,500
Financial expenses		40,937	77,715
General and administrative expenses	23	1,223,951	1,096,714
		<u>4,364,299</u>	<u>4,106,765</u>
<b>Profit appropriated</b>		<u><b>12,378,000</b></u>	<u><b>16,844,000</b></u>

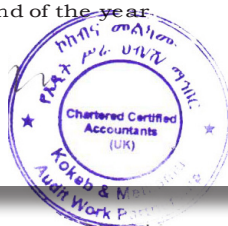




THE UNITED INSURANCE COMPANY SC  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2017

**Currency: Birr**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>30.06.16</b>
Net profit before taxation	70,118,800	72,345,866
Dividend income	(13,047,945)	(12,500,000)
Interest income	(28,056,236)	(22,270,957)
Rent income	(8,246,921)	(9,676,771)
Gain on disposal of fixed asset	(312,259)	(669,730)
Depreciation	4,788,957	5,586,540
Amortization	6,179,186	5,892,336
	<b>31,423,582</b>	<b>38,707,284</b>
<b>CHANGE IN WORKING CAPITAL ACTIVITIES</b>		
( Increase)/Decrease in debtors	(49,773,555)	5,431,220
Increase/(Decrease) in amount due to re-insurers	(3,137,273)	(2,461,249)
(Increase)/Decrease in due from reinsurers	(939,059)	(1,886,890)
Increase in outstanding claims and IBNR	24,760,896	32,984,760
(Decrease) Increase in unearned premium	29,321,999	17,741,910
(Decrease) Increase in other technical provision	3,431,826	3,556,990
Increase in other creditors ,accruals and provisions	1,648,710	5,130,428
	<b>5,313,544</b>	<b>60,497,169</b>
<b>CASH GENERATED FROM OPERATION</b>		
Interest paid	-	-
Profit tax paid and withholding deducted	(11,824,735)	(12,723,731)
	<b>(11,824,735)</b>	<b>(12,723,731)</b>
<b>Net cash inflow from operating activities</b>	<b>24,912,391</b>	<b>86,480,722</b>
<b>INVESTING ACTIVITIES</b>		
Investment in equity	(13,009,919)	(22,168,458)
Purchase /construction of fixed assets	(62,217,024)	(64,242,003)
Proceeds/adjustment from the sale of fixed assets	402,381	983,249
Loan to/collection from Life policy holders	(69,672)	(180,673)
Lease settlement	(195,117)	(322,765)
Increase in statutory deposit	(1,645,135)	(8,865,542)
Investment income received	46,868,086	43,370,575
<b>Net cash used in investing activities</b>	<b>(29,866,400)</b>	<b>(51,425,617)</b>
<b>FINANCING ACTIVITIES</b>		
Dividend paid	(56,824,999)	(2,221,549)
Directors' remuneration	(1,557,786)	(1,613,873)
Premium refund/received-net	1,637,050	6,834,737
Loan settled/obtained net	73,873,291	-
Additional cash received for shares issued	4,286,810	15,628,179
<b>Net cash outflows from financing activities</b>	<b>21,414,366</b>	<b>18,627,494</b>
Increase/(Decrease) in cash and bank balances	16,460,357	53,682,599
Cash and bank balances at the beginning of the year	288,030,458	234,347,859
Cash and bank balances at the end of the year	<b>304,490,815</b>	<b>288,030,458</b>





THE UNITED INSURANCE COMPANY SC  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017

	Currency : Birr			
	<u>Paid up Capital</u>	<u>Share premium</u>	<u>Legal Reserve</u>	<u>Retained Earnings</u>
<b>Balance as as 1 July 2015</b>	175,000,000	181,400	33,159,762	50,721,581
Premium availed for distribution		(181,400)	-	181,400
Amount reinvested from profit	43,541,837	-	-	(43,541,834)
Proceeds from sales of shares	15,591,453	6,834,737	-	-
Dividend and remuneration paid	-	-	-	(7,361,147)
Net profit for the year	-	-	-	60,811,793
Transfer to legal reserve	-	-	6,081,179	(6,081,179)
	59,133,290	6,653,337	6,081,179	4,009,033
<b>Balance as at 30 June 2016</b>	<b>234,133,287</b>	<b>6,834,737</b>	<b>39,240,941</b>	<b>54,730,614</b>
<b>Changes for 2016/2017</b>				
Premium availed for distribution		(6,834,737)		6,834,737
Amount reinvested from profit	6,651,080	-		(6,651,080)
Proceeds from sales of shares	4,286,810	1,637,050		
Dividend and remuneration paid	-	-		(54,914,271)
Net profit for the year	-	-	-	61,067,498
Transfer to legal reserve	-	-	6,106,750	(6,106,750)
	10,937,890	(5,197,687)	6,106,750	230,134
<b>Balance as at 30 June 2017</b>	<b>245,071,177</b>	<b>1,637,050</b>	<b>45,347,691</b>	<b>54,960,748</b>





THE UNITED INSURANCE COMPANY SC  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

## 1. SIGNIFICANT ACCOUNTING POLICIES

The Company had adopted the following major accounting policies for its financial statements, which are prepared under the historical cost convention and are consistently applied in preparing the present accounts. As the Company commenced to transact life assurance business since 1st September 1997, separate accounts are also prepared for this line of business.

### (a) Revenue Account

The revenue account surplus is net of reinsurance, provision for unearned premiums, claim paid, outstanding claims and other technical provisions [see (b), (c) and (d) below.]

### (b) Unearned Premiums

The provision for unearned premiums represents premiums relating to periods beyond the balance sheet date, and is calculated on a time basis using the 24th method of the gross premium of all annual policies, short term policies and long term policies on the prorated premium, with regard to cession our reinsurance treaty does not provide such kind of special agreement and hence we have applied same method used above in line with Directive No. SIB/38/2014 issued by the National Bank of Ethiopia.

### (c) Outstanding Claims

This represents provision for the cost of incidents notified on or before the balance sheet date, estimated on the basis of currently available information as well as provisions for claims incurred but not reported (IBNR) up to the balance sheet date. IBNR is applied only to non-life insurance. Differences arising from subsequent settlements of outstanding claims and any recoveries made from previous payments are shown in the revenue accounts of the period in which the settlements and recoveries are made except recoveries from bonds. This class of account also includes provisions held for 100% of claims under litigation or in dispute.

### (d) Property and Equipment

Property and Equipment is stated at cost less accumulated depreciation. Pooled Depreciable assets which have a positive balance in a depreciation pool at the commencement of the new proclamation is continue to depreciate the balance of the pool in accordance with income tax proclamation No. 286/2002. For all additional depreciable assets acquired on or after the commencement of the new proclamation No. 979/2016 is depreciated on a straight-line method using the following depreciation rates per annum as follows:

- |      |   |     |
|------|---|-----|
| (i)  | Computers, Software, and data storage equipment | 20% |
| (ii) | Any other depreciable assets                    | 15% |





THE UNITED INSURANCE COMPANY SC  
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**(e) Life Fund**

The actuarial valuation of the Life Insurance Fund is required to be undertaken annually during the first five years after commencement of such business and at least once every three years thereafter. Until this is done, the profit or loss on this business for a given financial year is transferred to the Life Insurance Fund. Transfers of any profits from the Life Insurance Fund to Profit and Loss Account are made on the recommendation of the actuaries following actuarial valuation.

**(f) Land Leasehold**

The Company amortizes the cost of land lease over the lease period.

**(g) Investments**

The Company's investments are stated at cost of acquisition.

**(h) Provision for doubtful debts**

In compliance with the Insurance Business Proclamation 746/2012, the Company ceased to give insurance on credit basis, except for governmental organizations, since August 22, 2012. Per the directive of the National Bank of Ethiopia, 100% provision is maintained for trade receivables not collected until December 31, 2014.

**(i) Investment income**

Investment income is stated net of relevant taxes. Interest income is recognized in the period in which it is earned. Dividend is recognized in the period in which it is received.



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## 1. CASH AND BANK BALANCE

For the purposes of the statement of cash flows, cash and cash equivalents  
Comprises the following:

	GENERAL	LONG TERM		
	INSURANCE	INSURANCE	TOTAL	30.06.16
Cash in Hand	2,758,848	8,893	2,767,741	11,341,228
Cash at Bank	17,856,720	1,077,308	18,934,028	13,992,704
	<u>20,615,568</u>	<u>1,086,201</u>	<u>21,701,769</u>	<u>25,333,932</u>

## 2. DEPOSITS WITH FINANCIAL INSTITUTIONS

	GENERAL	LONG TERM		
	INSURANCE	INSURANCE	TOTAL	30.06.16
United Bank SC	128,775,758	26,112,475	154,888,233	136,736,900
NIB Bank SC	6,971,919		6,971,919	30,065,551
Awash Bank SC	28,566,833	9,009,415	37,576,248	24,653,980
Bank of Abyssinia SC	24,281,571	17,044,467	41,326,038	38,687,659
Addis International Bank SC	10,997,500	-	10,997,500	10,000,000
Enat Bank SC	10,938,650		10,938,650	11,400,000
Berhan International Bank SC	15,000,000	-	15,000,000	-
Commercial Bank Of Ethiopia	90,458		90,458	-
Oromia International Bank SC	-	5,000,000	5,000,000	11,152,436
	<u>225,622,689</u>	<u>57,166,357</u>	<u>282,789,046</u>	<u>262,696,526</u>

Out of the above total deposits in Financial Institution Birr 73,873,291 is pledged to United Bank to secure the loan.





THE UNITED INSURANCE COMPANY SC  
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**3. DEBTORS, DEPOSITS AND PREPAYMENTS**

	<b>GENERAL</b>	<b>LONG TERM</b>		
	<b>INSURANCE</b>	<b>INSURANCE</b>	<b>TOTAL</b>	<b>30.06.16</b>
Trade Debtors	20,565,875	-	20,565,875	20,770,172
Less: Provision	20,084,771		20,084,771	20,585,237
	481,104		481,104	184,935
Coinsurers	1,000,525		1,000,525	462,558
Staff Debtors	73,432	-	73,432	101,485
Deposit and Prepayment	70,767,947	-	70,767,947	21,772,879
Accrued Interest & rent rec.	8,382,077	1,330,759	9,712,836	7,401,119
Sundry Debtors	7,684,270	1,421	7,685,691	7,713,287
	<u>88,389,355</u>	<u>1,332,180</u>	<u>89,721,535</u>	<u>37,636,263</u>

3.1 Deposits and Prepayments represent the following advances made to Contractors, land lords, Insurances and other miscellaneous payments.

	<b>GENERAL</b>	<b>LONG TERM</b>		
	<b>INSURANCE</b>	<b>INSURANCE</b>	<b>TOTAL</b>	<b>30.06.16</b>
Tracon Trading PLC	22,055,538	-	22,055,538	10,427,340
National Mining Corp. PLC	2,971,867	-	2,971,867	2,971,867
Woder building Contractor	-	-	-	2,443,939
Sintec Ethiopia PLC	2,780,987	-	2,780,987	1,066,186
Zamera Construction PLC	33,815,987	-	-	-
Techtra Engineering PLC	2,951,661	-	2,951,661	-
Prepaid office rent & advance payment	5,708,275	-	5,708,275	4,379,915
Prepaid Deposits	483,632	-	483,632	483,632
	<u>70,767,947</u>	<u>-</u>	<u>70,767,947</u>	<u>21,772,879</u>

3.2 Sundry debtors' balance comprises Br4, 979,598 recoverable from a contractor in connection with advance and performance guarantees issued to a third party following defaults.





THE UNITED INSURANCE COMPANY SC  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
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#### 4. IBNR PROVISION

##### General Insurance

<b>CLASS OF BUSINESS</b>	<b>GROSS</b>	<b>REINSURANCE</b>	<b>NET</b>	<b>30.06.16</b>
Accidents	823,960	41,075	782,885	652,390
Medical expense	379,606	124,874	254,732	171,900
Burglary & house breaking	102,643	31,547	71,096	44,242
Motor	21,200,628	852,839	20,347,789	18,261,694
Marine	825,424	238,774	586,650	548,889
Goods in transit	206,777	39,712	167,065	71,116
Fire	2,066,523	1,287,197	779,326	515,873
Engineering	3,301,900	2,927,442	374,458	505,615
Liability	2,115,173	139,675	1,975,498	1,978,196
Pecuniary	2,352,488	1,562,918	789,570	774,465
Employer's Liability	757,541	25,476	732,065	565,213
Others	106,333	80,167	26,166	3,721
	<b>34,238,996</b>	<b>7,351,696</b>	<b>26,887,300</b>	<b>24,093,314</b>

Change in IBNR provision

2,793,986

#### 5. OUTSTANDING CLAIMS

##### General Insurance

<b>CLASS OF BUSINESS</b>	<b>GROSS</b>	<b>REINSURANCE</b>	<b>NET</b>	<b>30.06.16</b>
Accidents	7,568	99	7,469	138,300
Medical expense	581,036	115,126	465,910	220,442
Burglary & house breaking				15,000
Motor	135,333,833	8,906,098	126,427,735	102,369,548
Marine	1,018,168	207,473	810,695	687,449
Goods in transit	10,000	500	9,500	76,748
Fire	701,860	310,739	391,121	372,842
Engineering	14,313,022	12,833,316	1,479,706	3,688,898
Liability	3,664,000	164,300	3,499,700	3,081,100
Pecuniary	98,083,024	93,357,142	4,725,882	4,590,302
Employer's Liability	462,950	7,650	455,300	1,544,290
	<b>254,175,461</b>	<b>115,902,443</b>	<b>138,273,018</b>	<b>116,784,919</b>

Change in outstanding claims

21,488,099

Net outstanding claim

138,273,018 116,784,919

Net IBNR claims

26,887,300 24,093,314

165,160,318 140,878,233

Out of the total outstanding claims of Br138,273,018 for general insurance, Br 8,790,886 relates to provisions for claims under litigation or dispute.





THE UNITED INSURANCE COMPANY SC  
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Long term Insurance

<b>CLASS OF BUSINESS</b>	<b>GROSS</b>	<b>REINSURANCE</b>	<b>NET</b>	<b>30.06.16</b>
Individual Life	10,000	-	10,000	60,000
Group Life	873,748	-	873,748	344,937
	<u>883,748</u>	<u>-</u>	<u>883,748</u>	<u>404,937</u>

**6. INSURANCE PREMIUM**

General Insurance

<b>CLASS OF BUSINESS</b>	<b>GROSS</b>	<b>REINSURANCE</b>	<b>NET</b>	<b>30.06.16</b>
Accidents	8,814,031	653,212	8,160,819	6,634,301
Medical expense	4,096,434	1,305,094	2,791,340	2,655,850
Burglary & house breaking	1,039,245	364,715	674,530	262,486
Motor	234,096,793	14,363,178	219,733,615	190,492,082
Marine	9,671,174	2,882,310	6,788,864	5,913,513
Goods in transit	3,017,094	670,185	2,346,909	998,537
Fire	23,401,773	14,165,979	9,235,794	6,267,091
Engineering	41,603,272	31,565,594	10,037,678	8,312,352
Liability	21,895,120	1,888,621	20,006,499	21,339,562
Pecuniary	26,810,688	17,547,850	9,262,838	9,106,715
Employer's Liability	8,617,569	469,738	8,147,831	6,644,372
Others	4,151,514	3,143,232	1,008,282	54,658
	<u>387,214,707</u>	<u>89,019,708</u>	<u>298,194,999</u>	<u>258,681,519</u>

Long term Insurance

<b>CLASS OF BUSINESS</b>	<b>GROSS</b>	<b>REINSURANCE</b>	<b>NET</b>	<b>30.06.16</b>
Individual Life	11,483,184	2,655,470	8,827,714	8,447,512
Group Life	15,683,876	5,753,242	9,930,634	7,672,009
Medical	2,624,705	131,235	2,493,470	1,096,759
Funeral	26,556	1,328	25,228	8,535
	<u>29,818,321</u>	<u>8,541,275</u>	<u>21,277,046</u>	<u>17,224,815</u>





THE UNITED INSURANCE COMPANY SC  
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7. UNEARNED PREMIUM PROVISION

General Insurance

CLASS OF BUSINESS	GROSS	REINSURANCE	NET	30.06.16
Accidents	3,810,690	251,094	3,559,596	3,227,621
Medical expense	1,759,979	579,110	1,180,869	936,850
Burglary & house breaking	310,135	102,445	207,690	244,115
Motor	115,814,790	6,153,203	109,661,587	93,405,862
Marine	5,164,622	1,334,719	3,829,903	2,907,544
Goods in transit	1,677,162	273,062	1,404,100	727,838
Fire	10,042,609	5,879,513	4,163,096	2,720,563
Engineering	26,749,462	13,636,745	13,112,717	6,819,628
Liability	11,861,565	867,398	10,994,167	10,742,646
Pecuniary	15,537,604	8,960,526	6,577,078	5,209,945
Employer's Liability	4,404,500	214,976	4,189,524	3,362,338
Others	3,146,941	2,382,969	763,972	17,350
	<u>200,280,059</u>	<u>40,635,760</u>	<u>159,644,299</u>	<u>130,322,300</u>

Change in unearned premium

29,321,999

8. PROFIT TAX PAYABLE

		30.06.16
Profit before tax	70,118,800	72,345,866
Add: Disallowable expenses	10,872,557	11,598,247
Depreciation expense	9,821,954	10,206,007
Staff/Customers entertainment	463,642	460,085
Giveaway items	210,218	434,218
Staff award expense	63,000	69,129
Fines and penalties	-	10,455
Shareholders' meeting expenses	313,743	368,353
Gifts and donations	-	50,000
	<u>10,872,557</u>	<u>83,944,113</u>
	80,991,357	
<b>Less: Income taxed at source</b>		
Depreciation expense (as per tax law )	9,769,818	(10,087,610)
Gain on disposal of property	-	(669,730)
Dividend income (Life and Non-life)	13,047,945	(12,500,000)
Interest on bank deposits (Life and Non-life)	28,002,589	(22,239,863)
<b>Taxable profit</b>	<u>30,171,005</u>	<u>38,446,910</u>
Provision for tax (30%)	9,051,302	11,534,073
Prepaid Profit tax (Life Br381,957, Non Life Br3,296,863)	(3,678,820)	(3,388,158)
<b>Profit tax payable</b>	<u>5,372,482</u>	<u>8,145,915</u>

Taxation assessments have been made by the Ethiopian Revenue and Customs Authority (ERCA) in respect of profit, VAT, withholding taxes up to 30 June 2007.







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**9. OTHER CREDITORS, ACCRUALS AND PROVISIONS**

	<b>GENERAL</b>	<b>LONG TERM</b>		
	<b>INSURANCE</b>	<b>INSURANCE</b>	<b>TOTAL</b>	<b>30.06.16</b>
Sundry creditors	3,268,655	657,333	3,925,988	3,037,638
Deferred income	7,856,979	-	7,856,979	8,491,846
Rent advance	2,732,741		2,732,741	2,904,040
Debtors with credit balance	1,225,851		1,225,851	3,333,040
Uncollected checks	1,967,966		1,967,966	2,683,956
Claims payable	1,584,302		1,584,302	349,863
Retention	8,694,537		8,694,537	7,012,733
Commission payable	3,573,683	-	3,573,683	2,624,478
Dividend payable	4,362,489		4,362,489	7,831,003
Provisions	6,698,780	288,568	6,987,348	6,634,390
	<u>41,965,983</u>	<u>945,901</u>	<u>42,911,884</u>	<u>44,902,987</u>

- 5.1 Retention fees payable include Br124,214 for BahirDar building, Br2,364,422 for Akaki Kaliti building project and Br6,205,901 for Head office building at Tewodros Square.
- 5.2 Provisions include Br2,494,923 for staff leave pay, Br3,285,447 for staff bonus pay and Br300,000 for possible expenses in connection with the Annual General Meeting of Shareholders.
- 5.3 Sundry Creditors include Br519,504 payroll tax pay, Br688,737 WHT pay, Br1,105,927 Insurance fund pay, Br260,605 staff pension fund pay and Br578,123 VAT payable.

**10. DUE TO/FROM REINSURERS**

	<b>GENERAL</b>	<b>LONG TERM</b>		
	<b>INSURANCE</b>	<b>INSURANCE</b>	<b>TOTAL</b>	<b>30.06.16</b>
Due to reinsurers	31,605,994	2,627,966	34,233,960	37,371,233
Due from reinsurers	-	2,825,949	2,825,949	1,886,889
	<u>31,605,994</u>	<u>(197,983)</u>	<u>31,408,011</u>	<u>35,484,344</u>





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### 11. INVESTMENTS

	GENERAL INSURANCE	LONG TERM INSURANCE	TOTAL	30.06.16
<b>Equity Investment</b>				
United Bank SC	57,028,424	18,519,521	75,547,945	62,500,000
Share premium at United Bank SC	1,049,660	344,090	1,393,750	1,393,750
Raya Beer SC	7,000,000	5,000,000	12,000,000	12,000,000
Share premium at Raya Beer SC	350,000	250,000	600,000	600,000
Raaz Transport SC		1,500,000	1,500,000	1,500,000
Share premium at RAAZ Transport SC		96,500	96,500	96,500
Ethiopian Reinsurance SC	10,250,000	2,500,000	12,750,000	12,750,000
Habesha Cement SC	5,000,000	-	5,000,000	5,000,000
Share premium at Habesha Cement SC	300,000	-	300,000	300,000
<b>Government bond</b>	5,432		5,432	43,458
<b>Loans to life policy holders</b>	-	697,793	697,793	628,121
	<u>80,983,516</u>	<u>28,907,904</u>	<u>109,891,420</u>	<u>96,811,829</u>

### 12. LEASEHOLD LAND

Leasehold periods for the land acquired at Bahir Dar and Kality, Bole Medhanealem are 60, 50 and 12 years respectively.

	GENERAL INSURANCE	LONG TERM INSURANCE	TOTAL	30.06.16
<b>Cost or valuation</b>				
Bahir Dar	707,400	-	707,400	707,400
Kality	3,264,729		3,264,729	3,264,729
Bole Medhanealem	1,448,829	-	1,448,829	1,448,829
	<u>5,420,958</u>	<u>-</u>	<u>5,420,958</u>	<u>5,420,958</u>
<b>Accumulated Amortization</b>				
Bahir Dar	217,350	-	217,350	205,560
Kality	952,055	-	952,055	891,444
Bole Medhanealem	362,207	-	362,207	241,472
	<u>1,531,612</u>	<u>-</u>	<u>1,531,612</u>	<u>1,338,476</u>
<b>NET BOOK VALUE</b>	<u>3,889,346</u>	<u>-</u>	<u>3,889,346</u>	<u>4,082,482</u>



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**13. STATUTORY DEPOSIT**

This is an amount deposited in Government securities with the National Bank of Ethiopia in satisfaction of Article 20 of the Licensing and Supervision of Insurance Business Proclamation No. 746/2012sg18 which stipulates that “every insurer shall, in respect of each main class of insurance business he carries on in Ethiopia, deposit and keep deposited with the Bank, an amount equal to fifteen percent (15%) of his paid up capital, in cash or Government Securities” as part of security arrangements for the benefit of policy holders as a body.

The Statutory deposit has been sanctioned for the acquisition of the Great Renaissance Dam Bond.

	<b>GENERAL INSURANCE</b>	<b>LONG TERM INSURANCE</b>	<b>TOTAL</b>	<b>30.06.16</b>
Opening balance	32,865,542	2,250,000	35,115,542	26,250,000
Addition	895,135	750,000	1,645,135	8,865,542
	<u>33,760,677</u>	<u>3,000,000</u>	<u>36,760,677</u>	<u>35,115,542</u>

**14. INVESTMENT PROPERTY**

	<b>GENERAL INSURANCE</b>	<b>LONG TERM INSURANCE</b>	<b>TOTAL</b>	<b>30.06.16</b>
Building cost	93,983,998	20,000,000	113,983,998	113,983,998
Building cost Bahirdar	5,737,019	-	5,737,019	5,737,019
	<u>99,721,017</u>	<u>20,000,000</u>	<u>119,721,017</u>	<u>119,721,017</u>
Accumulated Depreciation				
Bole Medhanialelem	19,209,483	3,083,333	22,292,816	16,593,616
Bahir dar	2,868,509	-	2,868,509	2,581,659
	<u>22,077,992</u>	<u>3,083,333</u>	<u>25,161,325</u>	<u>19,175,275</u>
	<u>77,643,025</u>	<u>16,916,667</u>	<u>94,559,692</u>	<u>100,545,742</u>

The Company acquired a multi-purpose building in Addis Ababa Bole Sub city for Birr 108,100,000 in an open tender during a foreclosure by the United Bank. Birr 5,883,998 was additionally paid in connection with title transfer fees.

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**15. PROPERTY AND EQUIPMENT**

COST	1/7/2016	Additions	Disposal/TTI	30/6/2017	1/7/2016	Additions	Transfer	30/6/2017
Property at Kality Area	78,886,518	22,536,229	-	101,422,747	-	-	-	-
Property at Tewodrose Sq.	122,162,117	33,724,000	(15,000,000)	140,886,117	-	-	15,000,000	15,000,000
Office furniture & equipment	8,743,109	539,681	(142,840)	9,139,950	153,662	-	-	153,662
Computers and related	11,630,968	880,157	(426,560)	12,084,565	106,735	-	-	106,735
Motor vehicles	25,921,996	4,536,957	(912,610)	29,546,343	967,628	-	-	967,628
<b>Sub total</b>	<b>247,344,708</b>	<b>62,217,024</b>	<b>(16,482,010)</b>	<b>293,079,722</b>	<b>1,228,025</b>	<b>-</b>	<b>15,000,000</b>	<b>16,228,025</b>
<b>ACCUMULATED DEPRECIATION</b>								
Constructions in use	1,002,253	129,332	-	1,131,585	-	-	-	-
Office furniture & equipment	5,248,953	739,717	(134,399)	5,854,271	96,996	11,334	-	108,330
Computers and related	8,365,716	949,272	(402,792)	8,912,196	69,353	9,346	-	78,699
Motor vehicles	14,155,854	2,870,689	(854,696)	16,171,847	571,288	79,267	-	650,555
<b>Sub total</b>	<b>28,772,776</b>	<b>4,689,010</b>	<b>(1,391,887)</b>	<b>32,069,899</b>	<b>737,637</b>	<b>99,947</b>	<b>-</b>	<b>837,584</b>
<b>NET BOOK VALUE</b>	<b>218,571,932</b>			<b>261,009,823</b>	<b>490,388</b>			<b>15,390,441</b>

Computers and accessories include Birr7, 552,879 being cost of software, hardware, servers, installation, implementation, networking and other related costs in connection with an integrated insurance management information system implementation project.





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**16. LAND LEASE PAYABLE**

	GENERAL INSURANCE	LONG TERM INSURANCE	TOTAL	30.06.16
Land lease payables	1,702,785	-	1,702,785	1,897,902

The balance is due to the Addis Ababa City Administration in connection with Kality and Bole Medhanealem leaseholds.

**17. LONG TERM LOAN**

	GENERAL INSURANCE	LONG TERM INSURANCE	TOTAL	30.06.16
United Bank SC	73,873,291	-	73,873,291	-
	73,873,291	-	73,873,291	-

The Company borrowed Br73,873,291 from United Bank SC to finance the finishing work of Head office Construction project by pledging time deposit to secure the loan. The loan bears 16.15% interest per annum and repayable with quarterly installment of Br6,661,679 starting from 28 February 2018 until early 28 August 2021. However, the borrower may settle the outstanding loan amount before the above stated expiry repayment date.

**18. SHARE CAPITAL (PAR VALUE @ BIRR 1,000 EACH)**

	No. OF SHARES	AMOUNT	30.06.16
Subscribed	250,000	250,000,000	250,000,000
Fully paid	245,071	245,071,000	234,133,000

The amount stated as subscribed capital represents the total outcome of the provisions of Resolution No. UNIC/AGM21/04/2015 of the 10th Extra-Ordinary meeting of shareholders which was held on 22<sup>nd</sup> October 2015 as stipulated under Article 8, 9 and 13 of the Article of Association of the Company.





THE UNITED INSURANCE COMPANY SC  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

## 19. LEGAL RESERVE

This is a reserve constituted in accordance with Article 22 of Proclamation No. 746/201 Licensing and Supervision of Insurance Business, and is built up by the transfer of ten percent (10%) of annual profits after tax until the amount of the reserve equals the amount of the paid up capital.

	GENERAL INSURANCE	LONG TERM INSURANCE	TOTAL	30.06.16
Opening balance	36,506,693	2,734,248	39,240,941	36,506,693
Additions	4,970,413	1,136,337	6,106,750	2,734,248
Closing balance	41,477,106	3,870,585	45,347,691	39,240,941

## 20. INCREASE IN TECHNICAL PROVISION

The provision represents:

(Decrease)/Increase in provision for natural and man made perils	(4,600,716)	(2,873,304)
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## 21. EMPLOYEES' SALARIES AND BENEFIT

Employee's salaries and benefits directly attributable to the Company's Non-Life operations are charged to the Revenue Account as follows:

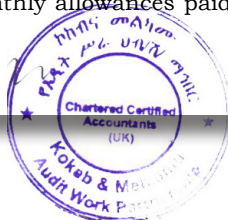
		30.06.16
Total employees salaries and benefits	42,528,179	35,044,842
Less : Apportioned to Life Operations	(384,037)	(344,510)
	42,144,142	34,700,332
Employees salaries and benefits transferred to Revenue Account (50%)	21,072,071	17,350,166
Balance on Profit and Loss Account (50%)	21,072,071	17,350,166

The Company maintains provident fund and pension schemes for employees where it contributes 14% for provident and pension schemes (adjusting the difference with the pension) on the basis of employees' basic salaries. All employees' benefits are in accordance with the Labour Proclamation No. 377/2003 and Labour Proclamation Amendment No. 494/2006.

As of June 30, 2017, the Company has 312 employees: 148 men and 164 women.

## 22. DIRECTORS' REMUNERATION

This represents remuneration to directors and incentive to chief executive officer which was paid in connection with the Company's 7.5% and 2.5% of the net profit respectively. Effective 1<sup>st</sup> day of June 2016, the National Bank of Ethiopia issued Directive No. SIB/43/2016 titled "Limits on Board Remuneration and Number of Employees Who Sit on the Board of an Insurer". Accordingly, annual board compensation to a director shall not exceed Birr 100,000 and the monthly allowances paid to a director shall not exceed Birr 4,000.







THE UNITED INSURANCE COMPANY SC  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**23. GENERAL AND ADMINISTRATIVE EXPENDITURES**

	GENERAL INSURANCE	LONG TERM INSURANCE	TOTAL	30.06.16
Advertising and promotions	3,126,054	521,697	3,647,751	2,695,646
Stationeries, printing & office supplies	2,273,963	263,718	2,537,681	2,509,759
Communication	2,741,177	-	2,741,177	2,344,680
Transport and travel	1,799,737	-	1,799,737	1,824,662
Repairs and maintenance	2,175,123	22,104	2,197,227	2,863,954
Property insurance	613,503	-	613,503	620,157
Gifts and donation	74,956	-	74,956	100,000
Professional services other than audit	203,377	-	203,377	97,122
Other general and admin. expenses	1,529,156	416,432	1,945,588	1,812,396
	<u>14,537,046</u>	<u>1,223,951</u>	<u>15,760,997</u>	<u>14,868,376</u>

**24. ACTUARIAL VALUATIONS**

An actuarial valuation of the Company's Life Business as of 30 June 2017 was carried out by our consulting actuaries, M/S ZAMARA Actuaries, Administrator & consultant Limited. The valuation revealed Br12,378,000) for distribution from surplus to shareholders for the year ended 30 June 2017 and a reversionary bonus of 4% of the basic sum assured (Br2,099) to "with profit" ordinary life policies for each completed policy year over the inter-valuation period.





THE UNITED INSURANCE COMPANY SC  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017



The United Insurance Company S.C.  
Actuarial Valuation as at 30 June 2017  
Actuary's Solvency Certificate

I, James Israel Omanyala Olubayi of Zamara Actuaries, Administrators and Consultants Limited, Landmark Plaza, 10th Floor, Argwings Kodhek Road, P O Box 52439, Nairobi 00200, Kenya, being a fully qualified Actuary and having conducted an actuarial valuation of the Life Fund as at 30 June 2017 using generally acceptable actuarial principles do hereby certify as under: -

- a) that in my opinion the value placed upon the aggregate liabilities relating to the long-term insurance business of The United Insurance Company S.C. in respect of policies of valuation adopted by me has been arrived at using a professionally sound and prudent actuarial basis;
- b) that I am satisfied that the value of assets adopted by me are, on the basis of the auditors' certificate appended to the balance sheet, fully of the value so adopted; and

James I. O. Olubayi  
Fellow of the Institute of Actuaries

Nairobi  
August 2017



**THE UNITED INSURANCE COMPANY SC**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**25. INVESTMENT INCOME**

	<b>GENERAL INSURANCE</b>	<b>LONG TERM INSURANCE</b>	<b>TOTAL</b>	<b>30.06.16</b>
Interest on time deposit	20,060,853	5,715,879	25,776,732	20,395,361
Interest on savings	32,349	50,723	83,072	70,315
Interest on Government Savings bond	1,991,264	151,521	2,142,785	1,774,187
Interest on policy loans	-	53,647	53,647	31,094
Cash dividend	9,849,424	3,198,521	13,047,945	12,500,000
Rent income	7,100,560	1,146,361	8,246,921	9,676,771
	<u>39,034,450</u>	<u>10,316,652</u>	<u>49,351,102</u>	<u>44,447,728</u>

**26. OTHER INCOME**

	<b>GENERAL INSURANCE</b>	<b>LONG TERM INSURANCE</b>	<b>TOTAL</b>	<b>30.06.16</b>
Gain on disposal of investment/fixed asset	312,259	-	312,259	669,730
Others(Restatement of prov,Service charge)	1,346,320	44,151	1,390,471	2,242,441
	<u>1,658,579</u>	<u>44,151</u>	<u>1,702,730</u>	<u>2,912,171</u>

**27. CASH AND CASH EQUIVALENT**

	<b>2017</b>	<b>2016</b>	<b>CHANGE</b>	<b>30.06.16</b>
Cash & bank balances	21,701,769	25,333,932	(3,632,163)	9,503,128
Bank deposits at interest	282,789,046	262,696,526	20,092,520	44,179,471
	<u>304,490,815</u>	<u>288,030,458</u>	<u>16,460,357</u>	<u>53,682,599</u>

Cash & bank balances include Birr 1,044,759 blocked in connection with legal proceedings existing in different courts.

**28. EARNINGS PER SHARE**

Earnings per share is calculated by dividing net profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

**29. CAPITAL COMMITMENT**

The Company has a remaining capital commitment of Br 82,657,404 in connection with Akaki-Kality mixed building project and Head Office building construction at Tewodrose Square site.

**30. CURRENCY**

The financial statements are presented in Ethiopian Birr (ETB).



THE UNITED INSURANCE COMPANY SC  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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**31. EVENTS AFTER REPORTING DATE**

No adjusting or significant or significant non-adjusting events have occurred between the reporting date and the date of authorization.

**32. COMPARATIVE FIGURES**

In order to facilitate comparison, certain figures as at 30.06.16 were rearranged in these accounts.

**33. AUTHORIZATION OF FINANCIAL STATEMENTS**

The financial statements for the year ended 30 June 2017 (including comparatives) were approved by the board of directors on 12th October, 2017





2016/17 BEST PERFORMERS



WOMEN MANAGERS





MMAMAGMENT CONSULTATIVE MEETING  
OCTOBER / 2017



## *Note*



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## THE UNITED INSURANCE COMPANY SC

### Branch Offices

#### City Branches

Branch Name	P.O.Box	Tel.	Cell/Mobile	Fax
Head Office	1156	0114655656	0966216350	0114653258
Arada	25869	0111558787	0966216356	0111558788
Beklobet	17340	0116655225	0911236520	0114655246
Kirkos	42285	0118685721/5502956	0966216347	0115509898
Lion	661/1110	0115515656	0911254889	0115534799
Misrak	10164	0116628121	0966215866	0116623599
T/Haymanot	1156	0112766608	0966215858	0112139107
Addis Ketema	183091	0112762575	0966215848	0112766868
Gotera	1156	0114672211	0911254887	0114671630
Kality	1156	0114423917	0966216359	0114423916
Mesalemia	50118	0112755268	0966215857	0112755271
Lideta	40045	0115545756	0966215860	0115545755
Legihar	1156	0115506052	0935986942	0115516788
Bole M/Alem	1156	0116625799	0966215868	0116625814
Gulele	183091	011559986	0966215854	011579898
Ayertena	1156	0113471798	0966216362	0113471799
Megenagna	1156	0116180223	0966215859	0116180983
Arat-Kilo	1156	0111561162	0966216358	0111564798
Gofa	1156	0114703917	0966215867	0114703821
Bole Road	1156	0116504737	0929319578	0116504485
Gerji	1156	0114713786	0929319579	0116394698
Kazanchis	1156	0115585047	0966216346	0115585038

#### Upcountry Branches

Branch Name	P.O.Box	Tel	Cell/Mobile	Fax
Adama	896	0221113426	0911901091	0221120207
Bahir Dar	1082	0582201777	0918760209	0582201798
Bale Robe		0222440017	0966216354	0222440014
Bishoftu	1357	0114371634	0935986941	0114330925
Dessie	1185	0331111128	0966215861	0331111129
Dire Dawa	2199	0251110280	0966215865	0251114099
Gondar	39	0581114626	0935983424	0581114616
Hawassa	931	0462206610	0966215864	0462203793
Hossaena	419	0465552151	0966215863	0465553091
Jimma	1308	0471119440	0966215862	0471119490
Mekelle	1395	0344403934	0966215847	0344403933

#### Contact Offices

Contact Office	P.O.Box	Tel.	Cell/Mobile	Fax
Addisu Gebeya	1156	0111546158	0929499116	0111547082
Ambo		0112609559	0911894149	0112609434
Genet	1156	0115502956	0910432369	0115509898
Harar		0254663604		0254663350
Jemo	1156	0114713786	0929319580	0114713665
Meskel Flower	1156	0114702028	0910270979	0114701855
Shashemene		0462110819	0929499114	0462110523
Woldia	368	0334310647	0920182568	0334312603

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**THE UNITED INSURANCE COMPANY SC**

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Website: [www.unic-ethiopia.com](http://www.unic-ethiopia.com)