

**TAC ASSOCIATES**

(Centre for Quality Professional Services)



**ZANZIBAR INSURANCE CORPORATION**  
**AUDITED FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31<sup>ST</sup> DECEMBER, 2019**

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**OCTOBER, 2020**

# ZANZIBAR INSURANCE CORPORATION

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## ZANZIBAR INSURANCE CORPORATION

### ABBREVIATIONS LIST

ZIC	Zanzibar Insurance Corporation
CAGZ	Controller and Auditor General Zanzibar
IAS	International Accounting Standards
ISA	International Standards on Auditing
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
PPE	Property, Plant and Equipment
TIRA	Tanzania Insurance Regulatory Authority
TRA	Tanzania Revenue Authority
PTARE	Preferential Trade Area Reinsurance Company
TANRE	Tanzania National Reinsurance Corporation Ltd
VAT	Value Added Tax
TZS	Tanzania Shilling
USD	United States Dollar
PPA	Public Procurement Act No.11 of Zanzibar of 2016
PAA	Public Audit Act
FDR	Fixed Deposit Receipt
PDMU	Procurement and Disposal Management Unit
AIO	African Insurance Organization
OESAI	Organization of Eastern and Southern African Insurers
FAIR	Federation of African and Asian Insurers and Re insurers
ATI	Association Of Tanzania Insurers
IIT	Institute of Insurance Tanzania

# ZANZIBAR INSURANCE CORPORATION

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER, 2019

### 1.0 INTRODUCTION

The Board of Directors hereby submit their report together with the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of the Corporation.

### 2.0 BACKGROUND

Zanzibar Insurance Corporation was established in 1969 under the Zanzibar Public Enterprises Decree of 1966 (Legal Notice No. 11 of 1969). Following subsequent changes it is now operating under the Public Investment Act No. 4 of 2002. The Corporation is a parastatal organization owned by the Revolutionary Government of Zanzibar through the Ministry of Finance and Economic Affairs.

### 3.0 MAIN OBJECTIVES

The main objective of the Corporation is to transact in all forms of non life insurance business as provided for under the Insurance Act (No. 10) of 2009. The Corporation operates its business through its Head Office in Zanzibar and its branches in Dar es Salaam, Mwanza, Arusha, Mbeya and Dodoma, its sales office in Chake Chake Pemba, Kijitonyama and Mtwara. The Corporation is an active member of various international bodies involved in the insurance business in the region; these include the African Insurance Organization (AIO), Organization of Eastern and Southern African Insurers (OESAI) and the Federation of African and Asian Insurers and Re-insurers (FAIR), Association of Tanzania Insurers (ATI) and the Institute of Insurance Tanzania (IIT).

### 4.0 STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

As required under the provisions of the Insurance Act (No.10) of 2009, the Directors are responsible for the preparation of financial statements that give a true and fair view of the state of affairs of the Corporation as at the end of the financial year and of the profit or loss of the Corporation for that year.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonably and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31st December, 2019. The Directors also confirm that applicable accounting standards, the International Financial Reporting Standards, have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Corporation. They are also responsible for safeguarding the assets of the Corporation and hence for taking reasonable steps for the prevention and detection of fraud, errors and other irregularities. The Directors are also responsible for the maintenance of an adequate system of internal controls.

### 5.0 PRINCIPAL ACTIVITIES

The Company underwrites all classes of non-life insurance risks as mandated under Insurance Act (No. 10) of 2009

## ZANZIBAR INSURANCE CORPORATION

The business is divided into the following business classes:

Motor  
Fire  
Marine  
Miscellaneous

### 6.0 RESULTS AND DIVIDEND FOR THE YEAR

The profit for the year of TZS 2,112,943,313 (2018: 1,193,345,000.) has been transferred to General reserves. The Directors recommended the payment of a dividend of TZS 154,168,000 which has already been paid in the year ended 31st December 2019. Shown in the table below is the list of the Directors of the Board of Zanzibar Insurance Corporation for the year under review. The Directors who served the Corporation during the year under review are as follows:-

Name	Position	Nationality	Qualification	Age
Mr. Jumbe Said Ibrahim	Chairperson	Tanzanian	Advanced Diploma in International Relations	72
Mrs. Salama Kombo Ahmed	Vice Chairperson	Tanzanian	Certificate in Law	75
Mr. Saleh Sadiq Osman	Director	Tanzanian	Msc. Fisheries Policy and Planning	69
Mrs. Fatma Mohamed Omar	Director	Tanzanian	Bsc - Agriculture	61
Mr. Khalid Mohamed Mrisho	Director	Tanzanian	Degree in Islamic law	53
Mr. Abdulnasir A. Abdulrahman	Director	Tanzanian	Master in Insurance	58
Mrs. Kidawa Hamid Saleh	Director	Tanzanian	Master Degree in Economics and Planning of National Economy	60
Mr. Simai Aboud Simai	Director	Tanzanian	Masters of Business Administration	47

Mrs. Safia Hija Abrass is the Secretary to the Board.

#### Board Meetings

The Board of Directors held 11 meetings during the year under review

### 7.0 COMPOSITION OF THE BOARD OF DIRECTORS

The Chairman of the Board is appointed by the President of the Revolutionary Government of Zanzibar. The appointment of the rest of the Board members is done by the Minister for Finance and Economic Affairs as per Public Investment Act (No.4) of 2002. The tenure of office for the Board is normally three years following the appointment date.

## ZANZIBAR INSURANCE CORPORATION

### 8.0 DIRECTORS' INTERESTS

The Directors do not hold any interest in the issued and paid up share capital of the Corporation.

### 9.0 EMPLOYEES WELFARE

The Corporation had a staff compliment of 106 employees as at 31st December, 2019. They include professionals in various fields related to the Corporation's business.

The Corporation offers benefits that are competitive by comparison with the rest in the insurance market. The prevailing management working system encourages an atmosphere of freedom of expression and openness.

The Corporation provides training, transport facilities and loans to its staff. Members of staff are also covered against accident full time a day.

Management and staff relationships have been cordial and there are no unresolved complaints.

### 10.0 CORPORATE GOVERNANCE

The Board of Directors consists of seven Directors other than the Executive Director. No other Director holds executive position in the Corporation. The Board of Directors takes overall responsibility for the Corporation, including responsibility of identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters and reviewing the performance of the management business plan and the budget.

The Board is also responsible for ensuring that comprehensive system of internal control policies and procedure is operative and for compliance with sound corporate governance principles.

The Board of Directors is required to meet at least four times a year. The Board delegates the day to day management of the Board to the Managing Director assisted by Senior Management. Senior Management is invited to attend Board meetings and facilitates the effective control of all the Board's operational activities, acting as a medium of communication and coordination between various business units.

The Board of Directors is committed to the principles of effective corporate governance. The Board of Directors also recognizes the importance of integrity, transparency and accountability.

During the year the Board of Zanzibar Insurance Corporation had the following Board sub-committees to ensure a high standard of corporate governance.

**Investment Committee:** This committee is responsible for the definition and implementation of investment policy and authorization of the placement of investment funds. The following were members of the Committee during the year under review:-

## ZANZIBAR INSURANCE CORPORATION

<b>Name</b>	<b>Position</b>
Mrs. Salama Kombo Ahmed	- Chairperson
Mrs. Fatma Mohamed Omar	- Member
Mr.Khalid Mohamed Mrisho	- Member
Mrs. Imam Ali Makame	- Member
Mrs. Safia Hija Abrass	- Secretary

**The Audit Committee:** This committee is responsible for all matters relating to policy implementations, internal controls, internal and external audit processes. The following were members of the committee during the year under review:-

<b>Name</b>	<b>Position</b>
Mr . Saleh Sadiq Osman	Chairperson
Mrs. Kidawa Hamid Saleh	Member
Mr. Simai Aboud Simai	Member
Mrs. Salma Y. Mwinyi	Member
Mrs. Safia Hija Abrass	Secretary

### 11.0 MANAGEMENT OF ZANZIBAR INSURANCE CORPORATION

The management of ZIC is under the Managing Director and is organized in the following directorates and units.

#### 1. Directorates

- (i) Directorate of Insurance
- (ii) Directorate of Marketing and Research
- (iii) Directorate of Finance and Administration
- (iv) Directorate of Zones

#### 2. Units

- (i) Internal Audit Unit
- (ii) Information and Communication Technology Unit
- (iii) Legal Unit
- (iv) Procurement Unit
- (v) Investment unit
- (vi) Monitoring and Evaluation

### 12.0 PERSONS WITH DISABILITIES

The Corporation does not discriminate persons with disabilities Persons with disabilities are recruited for those vacancies that they are able to fill. All necessary assistance is availed to them.

### 13.0 RELATED PARTY TRANSCCTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial decisions. The Corporation is controlled by the Revolutionary Government of Zanzibar, which owns

## ZANZIBAR INSURANCE CORPORATION

100% of ordinary shares. All transactions with the Government ministries and Government owned institutions are considered to be transactions with related parties. These are as disclosed below:-

### Compensation of Members of the Board of Directors

The remuneration of Members of the Board during the year was as follows:	2019 TZS	2018 TZS
Board members remuneration	183,901,354	244,938,000
Compensation of key management personnel		
The remuneration of directors and other members of key management during the year was as follows:		
Management remuneration	991,450,620	979,628,000
Loans to related parties:-		
Loans to Board Members	4,000,000.	3,000,000
Loans to Agents	<u>250,920,000</u>	<u>273,000,000</u>
<b>Total</b>	<b><u>254,920,000</u></b>	<b><u>276,000,000</u></b>

The Corporation holds 130,215 shares in the Preferential Trade Area Company (PTARE) and 269,936 Shares in the Tanzania National Reinsurance Company. All business transactions with these companies are conducted at arm's length in line with the provisions of the Insurance Act (No. 10) 2009.

### 14.0 FUTURE DEVELOPMENT PLANS - ZIC FOCUS FOR YEAR 2020

The activities for year 2020 will among others focus to achieve the following targets:

- i. Strengthen Institutional Capacity
- ii. Enhance Image and Visibility
- iii. Improve the quality of services and customer satisfaction
- iv. Increase Customer base and Market coverage
- v. Maintain and enhance organizational sustainability
- vi. Strengthen Internal Control systems
- vii. Support National Agenda

### 15.0 RISK MANAGEMENT AND INTERNAL FINANCIAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Corporation. It is the task of Management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding to:-

- (i) The effectiveness and efficiency of operations;
- (ii) The safeguarding of the Corporation's assets;
- (iii) Compliance with applicable laws and regulations;
- (iv) The reliability of accounting records;

## ZANZIBAR INSURANCE CORPORATION

- (v) Business sustainability under normal as well as adverse conditions;
- (vi) Responsible behaviors towards all stakeholders.

Members of the Board of Directors are responsible for the Corporation's system of internal financial controls. Whilst no system of internal control can provide absolute assurance against material misstatement or loss, the Corporation's system is designed to provide the Board of Directors with reasonable assurance that the procedures in place are operating effectively. The key elements of the system of internal control are:

- **Delegation**  
The overall financial objectives of the Corporation are agreed by the Board of Directors, which delegates the day to day operations to the management for execution. There is a clear organizational structure, detailing different lines of authority.
- **Budgets**  
Detailed annual budgets are prepared by management for review by Audit Committee of the Board of Directors and for approval by the Board. The annual budgets are derived from the Board's approved corporate plan.
- **Competence**  
Staff skills are maintained both by formal recruitment process and a performance appraisal system, which identifies training needs. Training, both in house and outside helps to consolidate existing staff and competence.

### 16.0 INDEPENDENT AUDITORS

The Controller and Auditor General (Zanzibar) is the Statutory Auditor of Zanzibar Insurance Corporation by virtue of Section 29 of the Public Investment Act, 2002 and Article 112(3) of the Constitution of Zanzibar as amplified under section 26 of the Public Finance Act of 2005. However, the Acts empowers the Controller and Auditor General to authorise an independent qualified auditor to audit on her behalf. The audit of Zanzibar Insurance Corporation for the year ended 31<sup>st</sup> December, 2019 was carried out jointly by the Controller and Auditor General and M/s TAC ASSOCIATES Certified Public Accountants of 10 Maliki Road Upanga, a firm of independent auditors.

.....  
**Mrs. Salama Kombo Ahmed**  
**Chairperson**

.....  
**Mr. Abdulnasir A.Abdulrahman**  
**Director**

**Date.....**

**ZANZIBAR INSURANCE CORPORATION**

**DECLARATION OF THE HEAD OF FINANCE/ACCOUNTING OF ZANZIBAR INSURANCE CORPORATION (ZIC)**

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Management on behalf of the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under the Board of Director's Responsibility statement above.

I **Salma Y. Mwinyi** being the Head of Finance/Accounting of Zanzibar Insurance Corporation hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31<sup>st</sup> December, 2019 have been prepared in compliance with applicable accounting standards and statutory requirements. I thus confirm that the financial statements give a true and fair view position of the ZIC as on that date and that they have been prepared based on properly maintained financial records.

**Signed by:** .....

**Position:** Director of Finance and Administration

**NBAA Membership No.**.....

**Date:** .....

# ZANZIBAR INSURANCE CORPORATION

## INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

Chairperson of the Board of Directors,  
Zanzibar Insurance Corporation,  
P. O. Box 432,  
ZANZIBAR

### Unqualified Opinion

We have audited the accompanying financial statements of Zanzibar Insurance Corporation, which comprise the statement of financial position as at 31<sup>st</sup> December, 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31<sup>st</sup> December, 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent auditors of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities that are relevant to our audit of the financial statements in accordance with the IESBA Code.

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

### Key Audit Matters

There are no key audit matters to be communicated in our report.

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

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

## ZANZIBAR INSURANCE CORPORATION

### **Auditors' Responsibility for the Audit of the Financial Statements**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making the risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

### **Report on Other Legal and Regulatory Requirements**

In view of our responsibility on the procurement legislation, and taking into consideration the procurement transactions and processes we reviewed as part of this audit, we state that the Zanzibar Insurance Corporation has generally complied with the Public Procurement Act No. 11 of 2016 and Regulations of 2005.

**TAC ASSOCIATES** (*Certified Public Accountants*)

**S. F. SAYORE – FCPA  
MANAGING PARTNER**

**M. KAVALO – ACPA  
ENGAGEMENT PARTNER**

**DAR ES SALAAM**

**DATE.....**

**ZANZIBAR INSURANCE CORPORATION**

**STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> DECEMBER, 2019**

	NOTE	31/12/2019 TZS'000	31/12/2018 TZS'000
<b>ASSETS</b>			
<b>Non –Current Assets</b>			
Property and Equipment	6	1,200,301	1,146,190
Land	7	3,062,515	3,062,515
Computer Software		1,157,404	28,876
Investment		476,462	476,462
Investment in Properties	8	6,651,374	6,483,307
Work in Progress	9	115,016	79,013
Available for Sale-Unquoted Equity Investments	10	568,935	568,935
<b>Total Non – Current Assets</b>		<b><u>13,232,007</u></b>	<b><u>11,845,298</u></b>
<b>Current Assets</b>			
Held to Maturity Government Securities	11	6,179,025	3,168,960
Loans and Receivables	12	4,701,803	3,172,111
Due from Agents and Brokers	13	1,306,675	1,086,033
Inventories		192,516	255,991
Reinsurers' Share of Insurance Liabilities	14	2,597,906	2,015,126
Prepayments		276,072	272,657
Bank Fixed Deposits Held to Maturity	15	4,972,490	4,796,026
Cash and Cash Equivalents	16	3,330,511	6,243,547
<b>Total Current Assets</b>		<b><u>23,556,998</u></b>	<b><u>21,010,451</u></b>
<b>TOTAL ASSETS</b>		<b><u>36,789,005</u></b>	<b><u>32,855,749</u></b>
<b>EQUITY, FUNDS AND LIABILITIES</b>			
<b>LIABILITIES</b>			
Unearned Premium Reserve	17	12,110,844	10,896,359
Outstanding Claims and Provisions	18	1,391,053	2,688,203
Due to Reinsurers	19	3,587,339	1,236,768
Payables and Accruals	20	5,133,769	2,953,902
<b>TOTAL LIABILITIES</b>		<b><u>22,223,005</u></b>	<b><u>17,775,232</u></b>
<b>EQUITY AND FUNDS</b>			
Share Capital	21	3,750,000	3,750,000
Capital Reserve		78,401	78,401
Revaluation Reserve	22	3,775,079	3,750,936
General Reserve/Accumulated Profit	23	385,078	1,619,296
Advance Towards Share Capital		946,710	946,710
Contingency Reserve	24	5,630,732	4,935,174
<b>TOTAL EQUITY AND FUNDS</b>		<b><u>14,566,000</u></b>	<b><u>15,080,517</u></b>
<b>TOTAL EQUITY, FUNDS AND LIABILITIES</b>		<b><u>36,789,005</u></b>	<b><u>32,855,749</u></b>

**NOTES ON PAGE 14 TO 34 FORM PART OF THESE FINANCIAL STATEMENTS.**

**AUDITORS REPORT ON PAGE 8 TO 9.**

.....  
**Mrs. Salama Kombo Ahmed**  
**Chairperson**

.....  
**Mr. Abdulnasir A.Abdulrahman**  
**Director**

**Date.....**

**Date.....**

**ZANZIBAR INSURANCE CORPORATION**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2019**

	NOTE	2019 TZS'000	2018 TZS'000
Gross Written Premium	25	23,185,279	21,187,222
Reinsurance Premium Inward		136,233	0
Outward Reinsurance	25	<u>(4,729,487)</u>	<u>(3,548,530)</u>
Net Written Premium		18,592,025	17,638,692
Change in Gross Unearned Premium Reserve (UPR)	25	(1,214,485)	(183,303)
Reinsurers' Share of UPR	25	<u>712,496</u>	<u>(271,948)</u>
Net Earned Premium		18,090,036	17,183,441
Other Income	26	1,316,426	1,372,132
Foreign Exchange Gain/(Loss)		(8,824)	57,695
Commissions Earned		<u>455,844</u>	<u>607,663</u>
<b>Net Income</b>		<u><b>19,853,482</b></u>	<u><b>19,220,931</b></u>
 <b>CLAIMS AND OTHER OPERATING EXPENSES</b>			
Claims Incurred		6,683,702	6,117,494
Commission Incurred		2,285,514	3,680,879
Staff Costs	27	2,615,075	2,317,651
Directors' Remuneration		183,901	244,939
Depreciation and Amortization		281,404	374,431
Auditors' Remuneration		60,000	60,000
Premium Tax and License		265,538	231,324
Provision for Impairment Losses		0	4,360
Operating and Other Expenses	28	<u>4,539,335</u>	<u>4,077,924</u>
<b>TOTAL EXPENSES</b>		<u><b>16,914,469</b></u>	<u><b>17,109,002</b></u>
<b>Pretax Profit</b>		<u><b>2,939,013</b></u>	<u><b>2,111,929</b></u>
Tax Expense		<u>(420,000)</u>	<u>(570,248)</u>
<b>Profit For the Year</b>		<u><b>2,519,013</b></u>	<u><b>1,541,681</b></u>
<b>Proposed/Paid Dividend</b>		<u><b>(406,069)</b></u>	<u><b>(348,336)</b></u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u><b>2,112,944</b></u>	<u><b>1,193,345</b></u>

**NOTES ON PAGE 14 TO 34 FORM PART OF THESE FINANCIAL STATEMENTS.  
AUDITORS REPORT ON PAGE 8 TO 9.**

.....  
**Mrs. Salama Kombo Ahmed**  
**Chairperson**

.....  
**Mr. Abdulnasir A. Abdulrahman**  
**Director**

**Date.....**

**Date.....**

**ZANZIBAR INSURANCE CORPORATION**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2019**

	2019 TZS.'000	2018 TZS.'000
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
<b>Net Profit Before Taxation</b>	<b>2,939,013</b>	2,111,929
<b>Adjustment for:</b>		
Depreciation / Amortization	281,404	374,431
(Gain)/Loss on Disposal of PPE (Note 26)	<u>0</u>	<u>0</u>
<b>Operating Profit/(Loss) Before Working Capital Changes</b>	<b>3,220,417</b>	2,486,360
(Increase)/Decrease in Loans and Advances	<b>(1,529,692)</b>	680,754
(Increase)/Decrease in Prepayments	<b>(3,415)</b>	(32,624)
(Increase)/Decrease in Work in Progress	<b>0</b>	0
( Increase ) / Decrease in Inventories	<b>63,475</b>	(45,144)
(Increase)/Decrease in Dues from Agents and Brokers	<b>(220,642)</b>	99,915
Increase/(Decrease) in Provision for Outstanding Claims	<b>(1,297,150)</b>	624,806
Increase/(Decrease) in Unearned Premium Reserve	<b>1,214,485</b>	183,302
Increase /(Decrease) in Reinsurers' Share of Insurance Liabilities	<b>(582,780)</b>	209,467
Increase/(Decrease) in Payables and Accruals	<b>2,179,867</b>	(451,242)
Increase/(Decrease) in Due to / from Re-Insurers	<b><u>2,350,571</u></b>	<u>(86,842)</u>
	<b>5,395,136</b>	3,668,752
Tax Paid	<b>(420,000)</b>	(570,248)
Prior Period Payments	<b><u>(2,651,604)</u></b>	<u>(1,965)</u>
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES ( A )</b>	<b><u>2,323,532</u></b>	<u>3,096,539</u>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
(Increase) / Decrease in Treasury Bills	<b>(3,010,065)</b>	1,835,506
(Increase)/Decrease in Investment	<b>(0)</b>	(278,794)
Acquisition of Property & Equipment (Note 6)	<b>(311,372)</b>	(209,366)
(Increase)/ Decrease in Investment in PTA	<b>(0)</b>	(7,151)
(Increase)/ Decrease Work in Progress	<b>(36,003)</b>	0
Increase in Investment Properties	<b>(168,067)</b>	(273,750)
Acquisition of Intangible Assets	<b>(1,128,528)</b>	(28,875)
Revaluation Adjustment	<b><u>(24,143)</u></b>	<u>(580,099)</u>
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES (B)</b>	<b><u>(4,678,178)</u></b>	<u>457,471</u>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		
Increase/(Decrease) in Long Term Finance	<b>0</b>	0
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES (C)</b>	<b>0</b>	
Dividend Paid	<b>(406,069)</b>	(348,336)
Revaluation Reserve	<b><u>24,143</u></b>	<u>0</u>
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES (C)</b>	<b><u>(381,926)</u></b>	<u>(348,336)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(2,736,572)</b>	3,205,674
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>11,039,573</u></b>	<u>7,833,899</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 15 &amp; 16)</b>	<b><u>8,303,001</u></b>	<u>11,039,573</u>

**NOTES ON PAGE 14 TO 34 FORM PART OF THESE FINANCIAL STATEMENTS.  
AUDITORS REPORT ON PAGE 8 TO 9.**

.....  
**Mrs. Salama Kombo Ahmed**  
**Chairperson**

.....  
**Mr. Abdulnasir A.Abdulrahman**  
**Director**

**Date.....**

**Date.....**

**ZANZIBAR INSURANCE CORPORATION**

**STATEMENT OF CHANGES IN EQUITY**

<b>PARTICULARS</b>	<b>SHARE CAPITAL</b>	<b>CAPITAL RESERVE</b>	<b>REVA- LUATION RESERVE</b>	<b>GENERAL RESERVE</b>	<b>ADVANCE TOWARDS SHARE CAPITAL</b>	<b>CONTI- NGENCY RESERVE</b>	<b>TOTAL</b>
Balance as at 01.01.2018	2,500,000	78,401	2,549,520	1,063,532	2,196,710	4,299,557	12,687,720
Profit for the Year	0	0	0	1,193,345	0	0	1,193,345
Transfer from Advance Towards Share Capital	1,250,000	0	0	0	(1,250,000)	0	0
Adjustments for the Year	0	0	1,201,416	(1,964)	0	0	1,199,452
Appropriation of Profits	0	0	0	(635,617)	0	0	0
<b>Balance as at 31.12.2018</b>	<b><u>3,750,000</u></b>	<b><u>78,401</u></b>	<b><u>3,750,936</u></b>	<b><u>1,619,296</u></b>	<b><u>946,710</u></b>	<b><u>4,935,174</u></b>	<b><u>15,080,517</u></b>
Balance as at 01.01.2019	<b>3,750,000</b>	<b>78,401</b>	<b>3,750,936</b>	<b>1,619,296</b>	<b>946,710</b>	<b>4,935,174</b>	<b>15,080,517</b>
Profit for the Year	0	0	0	2,112,944	0	0	2,112,944
Transfer to General Reserve	0	0	24,143	0	0	0	24,143
Adjustments for the Year	0	0	0	(2,651,604)	0	0	(2,651,604)
Appropriation of Profits	0	0	0	(695,558)	0	0	0
<b>Balance as at 31.12.2019</b>	<b><u>3,750,000</u></b>	<b><u>78,401</u></b>	<b><u>3,775,079</u></b>	<b><u>385,078</u></b>	<b><u>946,710</u></b>	<b><u>5,630,732</u></b>	<b><u>14,566,000</u></b>

**NOTES ON PAGE 14 TO 34 FORM PART OF THESE FINANCIAL STATEMENTS. AUDITORS REPORT ON PAGE 8 TO 9.**

.....  
**Mrs. Salama Kombo Ahmed**  
**Chairperson**

**Date.....**

.....  
**Mr . Abdulnasir A. Abdulrahman**  
**Managing Director**

**Date.....**

# ZANZIBAR INSURANCE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

### 1.0 GENERAL INFORMATION

The Zanzibar Insurance Corporation was established vide Legal Notice Number 11 of 1969 on 20<sup>th</sup> June, 1969 under the Public Enterprises Decree of 1966. However, following subsequent changes the Corporation is now operating under the Public Investment Act (No. 4) of 2002. The Corporation underwrites non-life insurance risks, such as those associated with death, disability, health, property and liability. The Corporation does business in Zanzibar and Tanzania Mainland. The address of its registered office is Post Office Box 432, Zanzibar. It has branches in Zanzibar, Dar es Salaam, Mwanza, Arusha, Mbeya and Dodoma and its sales offices in Chake Chake Pemba, Mtwara and Kijitonyama.

### 2.0 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, the Insurance Act, 2009 and Insurance Regulations, 2009.

They have been prepared under the historical cost convention as modified by the revaluation of land and buildings, investment properties and equipment.

### 3.0 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with the requirements of International Financial Reporting Standards requires management to make judgments / estimates and associated assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgments / estimates and associated assumptions are based on historical experience, current trend and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Corporation's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) Classification of insurance contracts (note 4.1);
- (b) Provision for premium due but unpaid (note 4.4)
- (c) Provision for outstanding claims (including IBNR) (note 4.5);
- (d) Provision for Legal Claims (Note 4.23)

## ZANZIBAR INSURANCE CORPORATION

- (e) Accounting for staff retirement benefits (note 4.19);
- (f) Classification of investments (note 4.13);
- (g) Determining the residual values and useful lives of PPE and investment properties (note 4.17 and 4.18);
- (h) Allocation of management expenses (note 4.27);
- (i) Recognition of taxation and deferred tax (note 4.20);
- (j) Segment reporting (note 4.28);
- (k) Impairment (note 4.14); and
- (l) Provision for pension obligations (note 4.19).
- (m) Estimates of salvage value (note 4.24)

### 4.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year:

#### 4.1 Insurance contracts

Insurance contracts are those contracts under which the Corporation as insurer has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are classified into following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed.

- Fire and property
- Marine, aviation
- Motor
- Miscellaneous

These contracts are normally of one year insurance. These contracts are provided to all types of customers based on assessment of insurance risk by the Corporation. Normally personal insurance contracts e.g. vehicle, travel, personal accident, etc. are provided to individual customers, whereas, insurance contracts of fire and property, marine, aviation and transport, accident and health and other commercial line products are provided to commercial organizations.

Fire and property insurance contracts mainly compensate the Corporation's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

## ZANZIBAR INSURANCE CORPORATION

Marine Insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.

Other various types of insurance are classified in miscellaneous category which includes mainly engineering, personal accident, worker compensation, etc.

The Corporation also accepts insurance risk pertaining to insurance contracts of other insurer as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the Corporation as insurer. All reinsurance inward contracts are facultative (specific risk) acceptance contracts.

### **4.2 Reinsurance contracts held**

These are contracts entered into by the Corporation with reinsurers for compensation of losses suffered on insurance contracts issued. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Corporation recognizes the entitled benefits under the contracts as various reinsurance assets.

### **4.3 Provision for unearned premium**

The provision for unearned portion of premiums is calculated by applying twenty fourths' method as prescribed by Regulation 22(2) (a) of the Insurance Regulations, 2009. The unearned portion of premium income is recognized as liability.

The deferred portion of reinsurance premium is recognized as a prepayment. The deferred portion of reinsurance premium ceded is calculated by using twenty fourths' method.

### **4.4 Receivables and payables related to insurance contracts**

- (i) Receivables and payables relating to insurance contracts are recognized when due. These include premiums due but unpaid, premium received in advance, premiums due and claims payable to insurance contract holders. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.
- (ii) If there is an objective evidence that any premium due but unpaid is impaired, the Corporation reduces the carrying amount of that insurance receivable and recognizes the loss in profit and loss account.
- (iii) Provision for impairment in premium receivables is estimated on a systematic basis after analyzing the receivables as per their ageing.

## ZANZIBAR INSURANCE CORPORATION

### **4.5 Provision for outstanding claims including Incurred but Not Reported (IBNR)**

A liability for outstanding claims is recognized in respect of all claims incurred as at the reporting date which represents the estimates of the claims intimated or assessed before the end of the accounting year and measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

In conformity with Insurance Regulation Part VI Section 27(2) the provision for outstanding claims is equal to the total of estimated amount of all outstanding claims with a further amount representing 20% of the estimated amount of outstanding claims to cover for claims incurred but not reported (IBNR) at the end of the year.

Reinsurance recoveries against outstanding claims and salvage recoveries are recognized as an asset and measured at the amount expected to be received.

### **4.6 Foreign Currency Translations**

#### **Functional and Presentation Currency**

Items included in the financial statements are measured in Tanzania shillings, which is the Corporation's functional and presentation currency.

#### **Transactions and Balances**

Foreign currency transactions are translated into Tanzania Shilling, the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss and other comprehensive income. Translation differences on non-monetary items, such as equities classified as available for-sale financial assets, are included in the fair value reserve in equity. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss

### **4.7 Premium income**

Premiums including administrative surcharge under a policy are recognized as revenue at the time of issuance of insurance policy.

Revenue from premiums is determined after taking into account the unearned portion of premiums. The unearned portion of premium income is recognized as a liability.

Reinsurance premium is recognized as expense after taking into account the proportion of deferred premium expense which is calculated using twenty fourths method. The deferred portion of premium expense is recognized as a prepayment.

## ZANZIBAR INSURANCE CORPORATION

### 4.8 Commission

Commission expense incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of premium revenue.

Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognized as liability and recognized in the statement of profit or loss and other comprehensive income as revenue in accordance with the pattern of recognition of the reinsurance premiums.

### 4.9 Rental income

Rental income from investment properties is recognized on accrual basis.

### 4.10 Investment income

Income from held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortized and taken to the statement of profit or loss and other comprehensive income over the term of the investment.

- Dividend income is recognized when the Corporation's right to receive the payment is established.
- Gain / loss on sale of available-for-sale investments are included in income.
- Return on fixed income securities classified as available-for-sale is recognized on a time proportion basis taking into account the effective yield on the investments.
- Return on bank deposits is recognized on a time proportion basis taking into account the effective yield.

### 4.11 Capital Grants

Capital grants received in form of PPE are deferred to capital grants account and released to income over the expected useful lives of relevant assets.

### 4.12 Stationery and Supplies

Stocks of stationery and supplies are stated at the lower of acquisition cost and net realizable value. Cost is determined using the First-in, First-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 4.13 Investment Securities

#### • Short Term Investments

Held-to-maturity investments are basically investments in Treasury Bills with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. Where the Corporation decides to sell

## ZANZIBAR INSURANCE CORPORATION

other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale. Treasury bills are carried at amortized cost using the effective interest method less impairment loss. Interest calculated using the effective interest method is recognized in the statement of profit or loss and other comprehensive income.

- **Available-for-sale**

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

**Quoted**

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value

**Unquoted**

Unquoted investments are recorded at cost less accumulated impairment losses, if any.

### 4.14 Impairment of Assets

#### **Impairment of Financial Assets Carried at Amortized Cost**

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event(s) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated

#### **Impairment of Financial Assets Carried at Fair Value**

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the statement of profit or loss and other comprehensive income. Impairment losses recognized in the statement of profit or loss and other comprehensive income on equity instruments are not reversed through this statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through this statement.

## ZANZIBAR INSURANCE CORPORATION

### **Impairment of Other Non-Financial Assets**

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's fair value exceeds its recoverable amount. The recoverable is the higher of assets fair value less costs to sell and value in use.

### **4.15 Offsetting of Financial Instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### **4.16 Intangible Assets**

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using a straight-line method over the expected useful life of five years. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

### **4.17 Property, Plant and Equipment (PPE)**

Property, plant and equipment are stated at historical cost/professional valuation less subsequent accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

<b>Assets Particulars</b>	<b>Estimated Useful Life</b>
Buildings	40 Years
Furniture, Fittings and Equipment	5 Years
Motor Vehicles	4 Years
Computers	3 Years
Bicycles	2 Years

## ZANZIBAR INSURANCE CORPORATION

The asset's residual values and useful lives are, reviewed, and adjusted if appropriate, at the date of each statement of financial position. In practice, the residual values of assets are insignificant and therefore immaterial in the calculation of the depreciable amount.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

### **4.18 Investment Properties**

Property held for long-term rental yield that is not occupied by either the Corporation or the Government is classified as investment property.

Investment property comprises of freehold land and buildings. It is carried at fair value. Fair value is based on active market prices, adjusted, if necessary for any differences in the nature, location or condition of the specific asset. If this information is not available the Corporation uses the alternative valuation methods such as discounted cash flow projections or recent prices on less active markets. These valuations are reviewed annually by an independent valuation expert. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Changes in fair value are recorded in the statement of profit or loss and other comprehensive income.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

### **4.19 Employees Benefits**

#### **Retirement Benefit Obligation**

Staff of the Corporation are members of the Zanzibar Social Security Fund (ZSSF) and National Social Security Fund (NSSF). All these funds are state owned pension schemes. ZSSF was set up in 1998 and the Fund will bear all pension obligations for a period after July, 1998. Following amendments made to ZSSF Act of 1998 for enactment of new Act No.10 of 2016 staff members contributing to this Fund contribute seven (7) percent of their monthly salary. The Corporation contributes thirteen (13) percent of the salary for each staff to the scheme and the amount is charged to statement of profit or loss and other comprehensive income when due. The Corporation has no legal or constructive obligations to pay further contributions if the Funds have no sufficient assets to pay all employees the benefits relevant to employees' service in the current and prior periods.

## ZANZIBAR INSURANCE CORPORATION

Employees who have been with the Corporation for more than 10 years are entitled to terminal benefits and pension based on a formula prescribed in the Government regulations for granting of pensions, gratuities and other allowances to officers. According to management the obligations prior to July, 1998 will be borne by the Corporation and it has in practice been paying terminal benefits to retiring employees. Provision for terminal benefits and pension obligations has been made in the financial statements for the period prior to July, 1998.

### **Other Long Term Employees Benefits**

Entitlements to annual leave are recognized when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued on reporting date. Liability on long term employees benefits, such as endowment scheme benefits, long service awards and gratuity, is provided in the financial statements based on past service cost on a straight line basis over the average period until the benefit becomes payable.

### **Termination Benefits**

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognizes these termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

### **4.20 Deferred Income Tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit or loss it is not accounted for. Deferred income tax is determined using tax rates that have been enacted and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized.

### **4.21 Cash and Cash Equivalents**

For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdraft.

## ZANZIBAR INSURANCE CORPORATION

### 4.22 Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the relevant year end.

### 4.23 Provisions

Provisions for legal claims are recognized when: the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Currently, the provision is estimated at a rate of 20% of the total legal claims lodged with courts of law.

### 4.24 Salvage Disbursement

Insurance contracts permit the Corporation to sell salvage property acquired in settling a claim. Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

### 4.25 Dividend Distribution

Dividend distribution to the Corporation's shareholders is recognized as a liability in the Corporation's financial statements in the period in which the dividends are approved by the Corporation's shareholders. If dividends are declared after the date of the statement of financial position but before the financial statements are authorized for issue the dividends are not recognized as a liability at the date of the financial position instead they are disclosed in the notes.

### 4.26 Insurer's Reserves

The Corporation is required by Section 27(1) of the Insurance Act, 2009 to establish and maintain in respect of each class of insurance business the following reserves:

- a) Reserve for unexpired risks
- b) Reserves for outstanding claims; and
- c) Capital Reserve known as Contingency Reserve to cover fluctuations in securities and variation in statistical estimates.

Furthermore, the Corporation is required by Section 27(2) of the Insurance Act, 2009 to maintain with respect to non-life insurance business the following reserves:

## ZANZIBAR INSURANCE CORPORATION

- a. In case of reserves for outstanding claims, the reserves shall be equal to the total estimated amount of all outstanding claims together with a further amount representing 20% of the estimated amount of outstanding claims in respect of claims incurred but not reported at the end of the last preceding year; and
- b. In case of contingency reserves, reserves which shall not be less than 3% of the total premium or 20% of the net profits whichever is greater and that amount shall accumulate until it reaches the minimum paid up capital or 50% of the net premium whichever is greater.

Section 27(3) requires the Corporation to maintain with respect to long term insurance, the following reserves:

- a. general reserves fund which shall be credited with an amount equal to the net liabilities on policies in force at the time of the actuarial valuation; and
- b. Contingency reserves, which shall be credited with an amount equal to 1% of the premiums.

### **4.27 Expenses of Management**

Expenses of management have been allocated to various classes of business as deemed equitable by management. Normally, they are allocated to various classes of insurance proportionate to gross premium.

Expenses not allocable to the underwriting business are charged under general and administration expenses.

### **4.28 Segment Reporting**

Based on its classification of insurance contracts issued, the Corporation has four primary business segments for reporting purposes namely fire, marine, motor, and miscellaneous. Classification of this Insurance are detailed more in Note 4.1.

### **5.0 Management of Insurance and Financial Risks**

The Corporation issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Corporation manages them.

#### **5.1 Insurance Risk**

This risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore, unpredictable. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the established estimate.

Experience has shown that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio.

## ZANZIBAR INSURANCE CORPORATION

The Corporation has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within which each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

### 5.2 Casualty Insurance Risk

#### Frequency and Severity of Claims

The frequency and severity of claims can be affected by several factors. The Corporation manages this risk through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Corporation has the right not to renew individual policies; it can impose deductibles and has the right to reject payment of fraudulent claims.

### 5.3 Financial Risk

The Corporation is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance contracts. The most important components of the financial risk are interest rate risk, equity price risk, currency risk and credit risk.

#### a. Interest Rate Risk

The Corporation is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market interest rates on its financial position cash flows.

#### b. Currency Risk

The Corporation takes on exposure to effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows.

#### c. Credit Risk

The Corporation takes on exposure to credit risk, which is the risk that the counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Corporation's portfolio, could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk.

Exposure to credit risk is managed through regular analysis of the ability of brokers and agents and potential borrowers to meet repayment obligations. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees

**ZANZIBAR INSURANCE CORPORATION**

**NOTE: 6 PROPERTY, PLANT AND EQUIPMENT**

	<b>MOTOR VEHICLES</b>	<b>COMPUTER EQUIPMENT</b>	<b>FURNITURE AND EQUIPMENT</b>	<b>GENERATOR</b>	<b>TOTAL AS AT 31/12/2019</b>	<b>TOTAL AS AT 31/12/2018</b>
	<b>TZS ,000</b>	<b>TZS,000</b>	<b>TZS,000</b>	<b>TZS ,000</b>	<b>TZS ,000</b>	<b>TZS ,000</b>
<b>COST/Valuation AS AT 01-01-2019</b>	<b>557,267</b>	<b>102,946</b>	<b>438,326</b>	<b>47,651</b>	<b>1,146,190</b>	<b>1,597,152</b>
Additions	0	244,806	63,675	2,891	311,372	209,366
Adjustment /Disposals	0	20,633	(20,633)	0	0	(62,000)
Revaluation Adjustment	0	0	0	24,143	24,143	(598,328)
<b>COST AS AT 31-12- 2019</b>	<b>557,267</b>	<b>368,385</b>	<b>481,368</b>	<b>74,685</b>	<b>1481,705</b>	<b>1,146,190</b>
Accumulated Depreciation AS AT 01-01-2019	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>771,882</b>
Depreciation Charge for the Year	111,676	99,895	60,835	8,998	281,404	484,948
Revaluation Adjustment	0	0	0	0	0	(1,256,830)
<b>Accumulated Depreciation AS AT 31-12-2019</b>	<b>111,676</b>	<b>99,895</b>	<b>60,835</b>	<b>8,998</b>	<b>281,404</b>	<b>0</b>
<b>NET BOOK VALUE AS AT 31/12/2019</b>	<b>445,591</b>	<b>268,490</b>	<b>420,533</b>	<b>65,687</b>	<b>1,200,301</b>	<b>1,146,190</b>
NET BOOK VALUE AS AT 31/12/2018	557,267	102,946	438,326	47,651	1,146,190	0

**Note:** Land has been reclassified and reported separately under Note 7.

## ZANZIBAR INSURANCE CORPORATION

<b>NOTE:7 LAND</b>	<b>31.12.2019</b>	31.12.2018
	<b>TZS'000</b>	TZS'000
<b>Cost/Valuation</b>		
As at 01-01-2019	<b>3,062,515</b>	2,169,990
Adjustment	<u>0</u>	<u>892,525</u>
<b>AS AT 31-12-2019</b>	<b><u>3,062,515</u></b>	<b><u>3,062,515</u></b>

### NOTE:8 INVESTMENT PROPERTY

Investment Properties are valued using the valuation model. The investment properties were revalued (along with other property and equipment) in December, 2019 giving rise to fair value gains.

	<b>As at</b>	As at
	<b>31.12.2019</b>	31.12.2018
	<b>TZS'000</b>	TZS'000
Opening Net Book Amount	6,483,307	6,406,305
Fair Value Gains /( Loss )	0	(196,749)
Additions	<u>168,067</u>	<u>273,751</u>
<b>CLOSING NET BOOK AMOUNT</b>	<b><u>6,651,374</u></b>	<b><u>6,483,307</u></b>

Rental income amounting to TZS. 446,779,792 from investment properties have been recognized in the statement of profit or Loss and other comprehensive income (TZS. 470,262,000 in 2018).

### NOTE: 9 CAPITAL WORK IN PROGRESS

	<b>As at</b>	As at
	<b>31.12.2019</b>	31.12.2018
	<b>TZS'000</b>	TZS'000
Cost /Valuation	<b>79,013</b>	79,013
Additions During the Year	<u><b>36,003</b></u>	<u>0</u>
<b>TOTAL</b>	<b><u>115,016</u></b>	<b><u>79,013</u></b>

Capital Work In Progress is in respect of ZIC Pemba Office which is under construction.

## ZANZIBAR INSURANCE CORPORATION

### NOTE:10 AVAILABLE FOR SALE UNQUOTED EQUITY INVESTMENTS

	31.12.2019	31.12.2018
	TZS'000	TZS'000
269,936 Ordinary Shares of TANRE (Tanzania National Reinsurance ) of Tzs 1,000/- each	269,936	269,936
130,215 Ordinary Shares of PTARE (Preferential Trade Area Reinsurance Company )of USD 1 each	<u>298,999</u>	<u>298,999</u>
<b>TOTAL</b>	<b><u>568,935</u></b>	<b><u>568,935</u></b>

### NOTE:11 TREASURY BILLS HELD TO MATURITY

Maturing After 36 Days	<u>6,179,025</u>	<u>3,168,960</u>
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The Corporation is required by Regulation 20 of the Insurance Regulations, 2009 to maintain, at the Bank of Tanzania, a security deposit of at least fifty percent of the prescribed minimum paid up capital of the Corporation.

### NOTE:12 LOANS AND RECEIVABLES

	31.12.2019	31.12.2018
	TZS '000'	TZS '000'
Staff Advances and Imprest	537,894	507,930
Interest Receivable	464,242	247,559
Agency Loans	269,440	224,066
Other Loans	0	0
Rent Receivable	409,893	102,136
Deferred Commission Receivable	1,446,726	986,460
Withholding Tax on Interest	86,475	34,892
Other Receivables	<u>1,599,109</u>	<u>1,181,044</u>
	<b>4,813,779</b>	<b>3,284,087</b>
Less: Provision for Impairment Loss	<u>(111,976)</u>	<u>(111,976)</u>
<b>TOTAL</b>	<b><u>4,701,803</u></b>	<b><u>3,172,111</u></b>

### NOTE:13 DUE FROM AGENTS AND BROKERS

Due from Agents and Brokers	1,771,760	1,551,118
Provision for Impairment Loss	<u>(465,085)</u>	<u>(465,085)</u>
<b>TOTAL</b>	<b><u>1,306,675</u></b>	<b><u>1,086,033</u></b>

## ZANZIBAR INSURANCE CORPORATION

### NOTE: 14 REINSURER'S SHARE OF INSURANCE LIABILITIES

	31.12.2019 TZS '000'	31.12.2018 TZS '000'
Claims	139,105	268,820
Share of Unearned Premium Reserve :-		
Fire	676,167	555,384
Miscellaneous	50,267	51,600
Motor	690,338	604,886
Marine	<u>1,042,029</u>	<u>534,436</u>
<b>TOTAL</b>	<b><u>2,597,906</u></b>	<b><u>2,015,126</u></b>

### NOTE:15 BANK FIXED DEPOSITS HELD TO MATURITY

PBZ	3,450,000	3,546,026
ABC	0	450,000
TPB	622,490	0
TIB	800,000	800,000
AZANIA	<u>100,000</u>	<u>0</u>
<b>TOTAL</b>	<b><u>4,972,490</u></b>	<b><u>4,796,026</u></b>

### NOTE:16 CASH AND CASH EQUIVALENTS

PBZ	483,391	3,523,766
CRDB	1,005,594	1,109,303
BARCLAYS	0	1,123,423
FBME	84,681	90,831
BOA	88,502	171,808
NMB	141,279	179,694
NBC	0	44,674
TPB	625,564	0
TIB	800,000	0
AZANIA	100,000	0
CASH IN HAND- MBEYA	<u>1,500</u>	<u>48</u>
<b>TOTAL</b>	<b><u>3,330,511</u></b>	<b><u>6,243,547</u></b>

### NOTE:17 UNEARNED PREMIUM RESERVE(UPR)

Motor	9,593,742	8,507,865
Fire	796,329	848,596
Marine	1,201,059	1,375,059
Miscellaneous	<u>519,714</u>	<u>164,839</u>
<b>TOTAL</b>	<b><u>12,110,844</u></b>	<b><u>10,896,359</u></b>

UPR has been calculated using the twenty fourth method as per Regulation 22 (2) (a) of the Insurance Regulations, 2009.

**ZANZIBAR INSURANCE CORPORATION**

**NOTE:18 OUTSTANDING CLAIMS AND PROVISIONS**

	<b>31.12.2019</b>	31.12.2018
	<b>TZS'000</b>	TZS'000
Motor	<b>468,263</b>	1,774,118
Miscellaneous	<b>0</b>	32,150
Marine	<b>0</b>	0
Fire	<b>0</b>	0
	<b><u>468,263</u></b>	<u>1,806,268</u>
 Add: Incurred But Not Reported (IBNR)	 <b><u>922,790</u></b>	 <u>881,935</u>
<b>TOTAL</b>	<b><u>1,391,053</u></b>	<u>2,688,203</u>

Outstanding claims provisions is in conformity with the Insurance Regulations of 2009 Part VI Section 27 (2) (a).

**NOTE:19 DUES TO REINSURERS**

Treaty Outward Control	2,832,091	1,070,367
Facultative Outward Control	<u>755,248</u>	<u>166,401</u>
<b>TOTAL</b>	<b><u>3,587,339</u></b>	<u>1,236,768</u>

Due to reinsurers are reported at net of claims already paid by the Corporation on contracts that are ceded.

**NOTE:20 PAYABLES AND ACCRUALS**

Audit Fees Payable	60,000	60,000
Dividend Payable	560,238	473,421
Sundry Creditors	3,124,992	1,006,979
Retirement Pension Obligation	174,652	174,652
Withholding Tax Payable	11,902	4,185
Premium Levy Payable	177,891	124,241
VAT Payable	772,343	848,955
Commission Payable	<u>251,751</u>	<u>261,469</u>
<b>TOTAL</b>	<b><u>5,133,769</u></b>	<u>2,953,902</u>

## ZANZIBAR INSURANCE CORPORATION

NOTE:21 SHARE CAPITAL	31.12.2019	31.12.2018
	TZS '000	TZS '000
<b>Authorized</b>		
300,000 Ordinary Shares of TZS 15,000 each	<u>4,500,000</u>	<u>4,500,000</u>
<b>Issued and Paid Up 250,000@15,000</b>	<u>3,750,000</u>	<u>3,750,000</u>

### NOTE:22 REVALUATION RESERVE

The Corporations' PPE were revalued in December, 2018 by Ministry of Finance and Economic Affairs. The valuation method used was market value for buildings and depreciated replacement cost for other assets.

	31.12.2019	31.12.2018
	TZS '000	TZS'000
Balance as at 01.01.2018	3,750,936	2,549,520
Adjustments	<u>24,143</u>	<u>1,201,416</u>
<b>BALANCE AS AT 31.12.18</b>	<u>3,775,079</u>	<u>3,750,936</u>

### NOTE: 23 GENERAL RESERVES

Balance as at 1st January	1,619,296	1,063,532
Profit / (Loss) for the Year	2,112,944	1,193,345
Adjustment	(2,651,604)	(1,965)
Contingency Reserve	<u>(695,558)</u>	<u>(635,616)</u>
<b>BALANCE AS AT 31ST DECEMBER,2019</b>	<u>385,078</u>	<u>1,619,296</u>

### NOTE:24 CONTINGENCY RESERVE

	As At	Provision	As At	As At
	01.01.2019	During the Year	31.12.2019	31.12.2018
	TZS'000	TZS'000	TZS'000	TZS'000
Motor	4,337,021	574,049	4,911,070	4,337,021
Fire	235,233	31,458	266,691	235,233
Marine	156,513	61,500	218,013	156,513
Miscellaneous	<u>206,407</u>	<u>28,551</u>	<u>234,958</u>	<u>206,407</u>
<b>TOTAL</b>	<u>4,935,174</u>	<u>695,558</u>	<u>5,630,732</u>	<u>4,935,174</u>

**ZANZIBAR INSURANCE CORPORATION**

**NOTE: 25 REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2019**

<b>INCOME</b>	<b>MOTOR TZS'000</b>	<b>FIRE TZS'000</b>	<b>MARINE TZS'000</b>	<b>MISCELLA NEOUS TZS'000</b>	<b>TOTAL 2019 TZS'000</b>	<b>TOTAL 2018 TZS'000</b>
Gross Premium	19,134,964	1,048,610	2,050,007	951,698	23,185,279	21,187,222
Reinsurance Premium Inward	0	136,233	0	0	136,233	
Less: Reinsurance Premium Outward	1,491,371	983,086	2,161,348	93,683	4,729,487	3,548,530
<b>Net Premium Written</b>	<b>17,643,593</b>	<b>201,757</b>	<b>(111,341)</b>	<b>858,015</b>	<b>18,592,025</b>	<b>17,638,692</b>
Change in Unearned Premium	(1,085,877)	52,267	174,000	(354,875)	(1,214,485)	(183,303)
Change Reinsurers' Share of UPR	85,452	120,784	507,593	(1,332)	712,496	(271,948)
<b>NET EARNED PREMIUM</b>	<b>16,643,168</b>	<b>374,808</b>	<b>570,252</b>	<b>501,808</b>	<b>18,090,036</b>	<b>17,183,441</b>
Commission on Reinsurance	48,249	191,700	229,328	(13,433)	455,844	607,663
<b>TOTAL NET INCOME</b>	<b>16,691,417</b>	<b>566,508</b>	<b>799,580</b>	<b>488,375</b>	<b>18,445,880</b>	<b>17,791,104</b>
<b>CLAIMS AND EXPENSES</b>						
Paid Claims	8,102,019	0	745,580	19,950	8,867,549	8,277,430
Reinsures' Share of Claims	(768,767)	(8,332)	(95,096)	(14,502)	(886,698)	(2,784,742)
Change in Outstanding Claims	(1,280,331)	(7,086)	(13,801)	4,069	(1,297,149)	624,806
<b>Incurred Claims</b>	<b>6,052,921</b>	<b>(15,419)</b>	<b>(636,683)</b>	<b>9,517</b>	<b>6,683,702</b>	<b>6,117,494</b>
Change in Commission Paid	1,548,520	2,837	25,498	248,393	1,825,249	3,680,879
Operating Expenses	6,557,271	359,343	702,507	326,133	7,945,254	7,310,629
<b>TOTAL CLAIMS AND EXPENSES</b>	<b>14,158,712</b>	<b>346,761</b>	<b>1,364,688</b>	<b>584,042</b>	<b>16,454,205</b>	<b>17,109,002</b>
<b>UNDERWRITING SURPLUS/(DEFICIT)</b>	<b>2,532,705</b>	<b>219,747</b>	<b>(565,108)</b>	<b>(95,667)</b>	<b>2,091,675</b>	<b>682,102</b>

## ZANZIBAR INSURANCE CORPORATION

<b>NOTE:26 OTHER INCOME</b>	<b>2019</b>	<b>2018</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Interest Income	820,226	857,062
House Rent	<u>446,780</u>	<u>470,262</u>
<b>Sub Total</b>	<b><u>1,267,006</u></b>	<b><u>1,327,324</u></b>
Miscellaneous Income	43,350	44,808
Sale of Assets	<u>6,070</u>	<u>0</u>
<b>Sub Total</b>	<b><u>49,420</u></b>	<b><u>44,808</u></b>
<b>GRAND TOTAL</b>	<b><u>1,316,426</u></b>	<b><u>1,372,132</u></b>

<b>NOTE:27 STAFF COSTS</b>		
Salaries and Overtime	2,276,645	2,056,492
Leave Passage	48,569	39,847
Staff Uniforms	36,840	60,757
Staff Rent	67,669	79,240
Social Security Benefits	<u>185,352</u>	<u>81,315</u>
<b>TOTAL</b>	<b><u>2,615,075</u></b>	<b><u>2,317,651</u></b>

<b>NOTE:28 OPERATING AND OTHER EXPENSES</b>		
Travel and Accommodation	1,351,105	985,096
Maintenance of Motor Vehicles	108,366	95,444
Training Expenses	108,977	72,313
Entertainment	80,173	94,624
Rent and Electricity	551,012	517,121
Advertisement	354,300	349,851
Stationery	218,340	241,751
Newspapers and Journals	19,235	13,040
Maintenance of Office Buildings	111,133	113,897
Telephone and Postage	197,931	177,041
Cleaning Material	99,559	76,468
Donations	141,808	153,884
Insurances	99,412	81,524
Consultancy Fees	284,426	120,819
Municipal Levy	13,368	9,001
Bank Charges	34,585	27,332
Licenses	27,934	16,749
Long Service Awards	40,800	24,200
Seminars	109,164	109,870
Bonus	0	123,593
Subscriptions	18,775	43,056
Maintenance of Office Machines	139,000	69,449
Recruitment	1,910	7,800
Acquisition Tender	0	1,490

**NOTE: 28 OPERATING AND OTHER EXPENSES(Cont'd)**

## ZANZIBAR INSURANCE CORPORATION

Valuation Expenses	14,596	51,158
Electricity	88,109	81,408
Underwriting Stationery	46,152	96,804
Security of Office Building	83,264	74,355
Fuel of Motor Vehicles and Generator	189,249	183,001
Maintenance of Maisara Estate	2,650	870
Best Workers Award	4,000	0
SDL (Skill Development Levy)	<u>0</u>	<u>64,915</u>
<b>TOTAL</b>	<b><u>4,539,335</u></b>	<b><u>4,077,924</u></b>

### NOTE: 29 CAPITAL COMMITMENTS

Management certifies that there was a capital commitment amounting to TZS 115,016 million in respect of capital work in progress for the construction of ZIC Pemba Office as at 31.12.2019.

### NOTE: 30 CONTINGENCY LIABILITIES

As at 31<sup>st</sup> December, 2019 the Corporation had 26 un-matured cases of claims which are in the courts of law, hence should claimants win the cases the Corporation will be liable to pay liabilities as per judgment or outside the court agreement.

### NOTE: 31 SOLVENCY MARGIN TEST

Under the Insurance Act No.10 of 2009 where solvency is viewed from the ratios calculated from the statement of admissible assets, the Corporation has the solvency margins of negative figure. The solvency margin test for the Corporation during the year under review is as viewed below-

	2019 TZS'000	2018 TZS'000
<b>Solvency Description</b>		
1. Admitted Assets (from Exhibit B.7)	19,748,685	17,869,081
2. Total Liabilities (from Exhibit B.1)	16,978,373	14,773.643
3. Solvency Margin		
General Companies (an amount prescribed in Regulation 21(1))	<b>3,718,404</b>	3,527,738
4. Total Margin Requirement (Row 2 + Row 3)	20,696,777	18,301,381
5. Excess (Deficient) Admitted Assets (Row 1 – Row 4)	<b>(948,092)</b>	<b>(432,300)</b>

Preparation of Solvency Margin is as per Insurance Regulation 25(1) and Insurance Act 2009 section 20(1).

### NOTE: 32 COMPARATIVE FIGURES

Previous years' figures have been regrouped whenever considered necessary in order to make them comparable with those of the current year.