



**LIBERTY**

*In it with you*

## Liberty Kenya Holdings Plc

Incorporating Heritage Insurance  
and Liberty Life Assurance

# Integrated Report 2021.

# Insurance

## **Insurance is a process of safeguarding the interest of people from loss and uncertainty.**

It provides safety and security against unforeseen events resulting in sudden losses. In case of life insurance, financial assistance is provided to the family of the insured on their death. General insurance provides security against loss as a result of fire, marine, accidents, etc.

## **The basic principle of insurance is to spread risk among a large number of people.**

A large number of persons receive insurance policies and pay premiums to the insurer. Whenever a loss occurs, it is compensated from the funds held by the insurer.

## **Insurers mitigate risk.**

Insurers sponsor and promote knowledge and activities that save and extend lives and protect and preserve property.

## **Life insurance encourages saving through enabling systematic savings by the payment of regular premiums.**

Life insurance provides a mode of investment and develops a habit of saving money. The insured receives a lump sum amount at the maturity of the contract.

## **Insurance contributes to economic growth by providing stability.**

The insurance industry aggregates funds by collecting premiums. These funds are invested in government securities, shares and real estate and are employed in the industrial development of a country. Insurance enables the mitigation of losses, financial stability and promotes trade and commerce activities that result in economic growth and development.

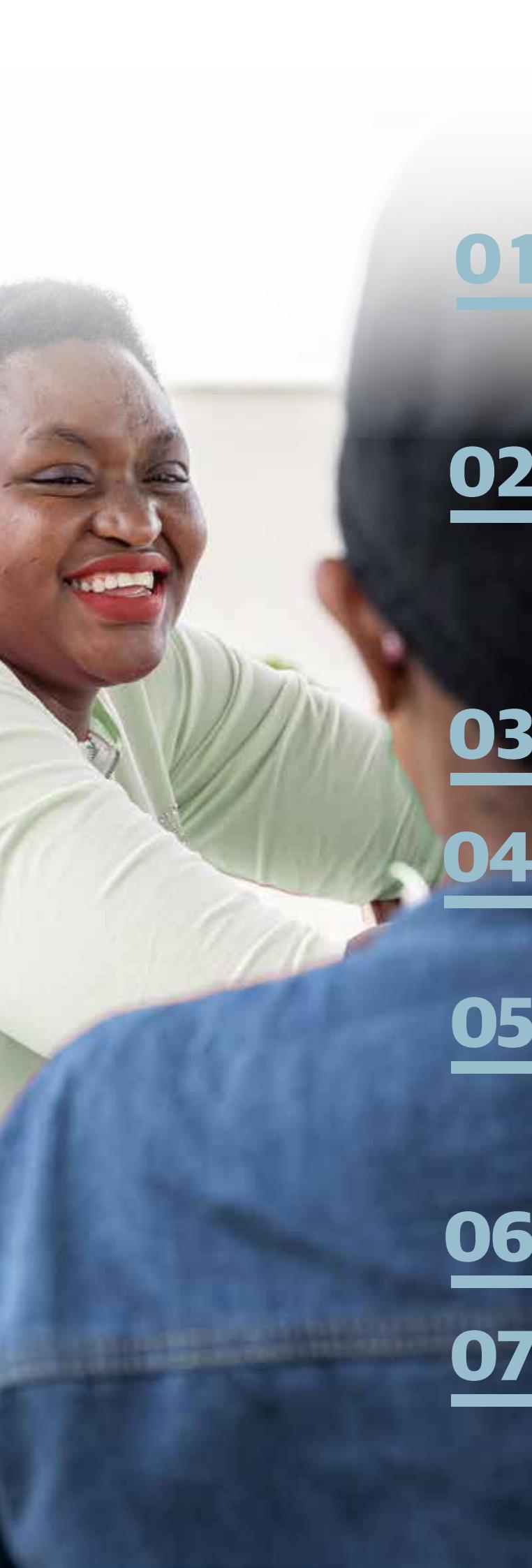
## **Insurance is an instrument of social policy.**

By providing significant social benefits, such as compensation for injuries at work and rebuilding property after catastrophes, insurance contributes to the rebuilding of people's livelihoods, as well as to the economy as a whole.

## **Insurance is critical to the borrowing process.**

With insurance, lenders are more likely to provide funding for large purchases, consumer durables and to businesses, and may charge lower interest rates for these loans.





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# Key indicators

For the year ended 31 December 2021



## Investors

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RETURN  
ON EQUITY

EARNINGS  
PER SHARE

VALUE OF NEW  
BUSINESS MARGIN

SHARE PRICE  
(at 31 December)

**0.9%**

**KShs 0.15**

**2.3%**

**KShs 7.00**



## Clients and partners

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GENERAL INSURANCE CLAIMS PAID\*

DEATH AND DISABILITY CLAIMS PAID\*

PENSIONS AND ANNUITIES PAID\*

**KShs 4,141m**

**KShs 879m**

**KShs 1,872m**

\* net of reinsurance



## Employees

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EMPLOYEE RETENTION RATE

DIVERSITY - FEMALE EMPLOYEES

EMPLOYEE NET PROMOTER SCORE (eNPS)

**94%**

**46%**

**30%**



## Regulators

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SOLVENCY - GENERAL INSURANCE (KENYA)  
(Capital adequacy ratio)

SOLVENCY - LIFE INSURANCE  
(Capital adequacy ratio)

SOLVENCY - GENERAL INSURANCE (TANZANIA)  
(Capital adequacy ratio)

**353%**

**210%**

**126%**



## Society

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GROUP CORPORATE SOCIAL  
INVESTMENT SPEND

GROUP TAXES  
COLLECTED AND PAID

**KShs 7.1m**

**KShs 1,142m**



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## Introduction

# Our purpose, vision, brand promise and leadership principles



## Improving people's lives by making their financial freedom possible - for individuals and businesses

We nurture our relationships and skilfully navigate risks to deliver products that help our clients mitigate life's unplanned and traumatic events, and to increase their wealth. We are focused on creating shared value and having positive impacts on the lives of our clients, partners, employees and the greater society.

## To be the trusted provider of client experiences through own and partner solutions to enable the financial freedom of our clients and employees

We remain resolute in developing competitive value propositions for our clients, driving efficiency through simplification and managing risk appropriately while deploying capital efficiently and effectively.

## In it with you

Being there to support our clients, their families, dependants and employees during periods of vulnerability lies at the heart of our purpose.

 **Imagine it's possible.**  **Act with humanity.**  **Do what matters.**

Liberty Kenya strives for a culture where each employee takes accountability and responsibility for ensuring that we do the right business the right way and that our resources are managed responsibly. This is influenced by setting the tone at the top and having values, ethics and practices to support the achievement of our purpose and vision.

# Our strategy

The Liberty of the future is to be the insurer of choice in our chosen customer segments by augmenting the power of the human-to-human engagement between our partners and clients with the power of a scalable digital engagement platform. Developing services and products that meet emerging needs and providing simple and intuitive tools and solutions grounded on the best advice.

Liberty Kenya's medium-term strategy is to achieve a more dominant position in the Kenyan and Tanzanian insurance markets through focused initiatives which build on the strategy of the Liberty group, modified to accommodate both the internal and external contexts of Liberty Kenya. We will achieve this by enhancing and developing new customer solutions for employee benefits and individual needs. Our short-, medium- and long-term strategies are to create value for all our stakeholders while exceeding our clients' expectations relating to value-adding products and world-class service levels.

| FOCUS AREA  | GOALS   |
|---|---|
|    | <b>Winning aspiration</b><br>To be the insurer of choice in our chosen client segments.   |
|  | <b>Positioning Liberty</b><br>Successfully target well-defined market segments where we can benefit our clients and ourselves.  |
|  | <b>Distribution and sales</b><br>Become the partner of choice for brokers, agents, bancassurance and affinity partners. Develop and enhance direct distribution channels. |
|  | <b>Products and pricing</b><br>Meet clients' needs with easy to understand and cost-effective products.   |
|  | <b>Client centricity</b><br>Provide world-class client and partner experiences at all points of engagement.   |
|  | <b>Capabilities</b><br>An enabled and motivated workforce utilising technology for the benefit of clients, partners and ourselves.  |

# About this report

This integrated report illustrates how Liberty Kenya creates, delivers and safeguards value for all our stakeholders, and how we deliver on our purpose of improving people's lives by making their financial freedom possible.

## Frameworks and other reports

This report has been prepared in accordance with the International <IR> Framework (January 2021) of the Value Reporting Foundation and the Capital Market Authority's Code of Corporate Governance. The accompanying annual financial statements conform to the International Financial Reporting Standards (IFRS) and the Kenya Companies Act, 2015.

## Reporting period and forward-looking statements

Our report covers the period from 1 January 2021 to 31 December 2021 and covers the performance of Liberty Kenya and its subsidiaries which operate in Kenya and Tanzania. Any notable or material events after this date and up until the approval of our integrated report are also included. Statements relating to future operations and performance of the group are not guarantees of future operating, financial or other results. They involve uncertainty, as they rely on future circumstances – some of which are beyond our control. Therefore, ultimate results and outcomes may differ.

## Target audience

This integrated report is our primary report to our investors. It also contains information relevant to other key stakeholders. The criteria in which these stakeholders have been identified and the material issues defined for the reporting period are described on page 8 of this report.

## Financial and non-financial reporting

This report contains information regarding highlights, stakeholder relationships, material matters, risks and opportunities and contains forward-looking statements. Through the use of our value-driver model, we attempt to articulate the linkages between both financial and non-financial indicators.

## Assurance

We employ a combined assurance model to assess and assure various aspects of the business operations, including elements of external reporting. Our combined assurance model is overseen by the group audit and risk committee. Assurances are provided by management and the board through rigorous internal reporting and external sources.

The scope of services performed by our external assurance providers refers to the Kenya Holdings Plc annual financial statements (AFS). PwC issued an unmodified audit opinion on the group's AFS as well as the AFS of the three operating subsidiaries, Liberty Life Assurance Kenya Limited, the Heritage Insurance Company Kenya Limited and The Heritage Insurance Company Tanzania Limited.

## Our integrated reporting process

The board ensures the integrity of the integrated report through our integrated reporting process. Our 2021 integrated report has been prepared from board discussions, minutes, decisions and approvals (reflecting the group's integrated thinking) as well as internal and external reporting information. A structure, proposed content and material matters are agreed with executive management and presented to the board for consideration and approval. Draft copy is prepared and quantitative indicators reviewed by the Board of Directors for relevance. Draft sections are reviewed by operational and executive management. A provisional report is provided to the board for approval. At this stage, board members contribute and correct the content of the integrated report.

### Directors' approval

The board acknowledges its responsibility to ensure that reports issued by Liberty Kenya enable stakeholders to make informed assessments of its performance and its short, medium and long-term prospects.

It also acknowledges its responsibility to ensure the integrity of Liberty Kenya's external reports, including the 2021 integrated report. The board believes it has fulfilled these responsibilities. The board has applied its collective mind to the preparation and presentation of the integrated report.

The board further believes that the integrated report is presented in compliance with the International <IR> Framework (2021). The directors have applied their judgement to the disclosure of Liberty Kenya's strategic plans and ensured that these disclosures do not place Liberty Kenya at a competitive disadvantage.

The board unanimously approved this report and authorised its release on 17 June 2022.

# Our value-driver model

To guide us in setting our strategy and to measure our progress, we adopted the strategic value-driver model. We use these drivers as the foundation for our strategy as well as to monitor our progress in addressing our material matters. Our six value drivers and the relevant stakeholders are summarised below:

| VALUE DRIVER   | STAKEHOLDER                                     |
|--|---|
|  ENHANCE THE CLIENT EXPERIENCE          | Clients, brokers, agents and affinity partners  |
|  BE THE PARTNER OF CHOICE               | Brokers, agents and affinity partners           |
|  PEOPLE WANT TO WORK FOR LIBERTY        | Employees                                       |
|  HAVE A RISK-CONSCIOUS CULTURE         | Employees, clients, shareholders and regulators |
|  DELIVER INVESTOR EXPECTATIONS        | Shareholders and lenders                        |
|  WE ARE PART OF THE FABRIC OF SOCIETY | Civil society                                   |

## The six capitals

Liberty Kenya's ability to create sustainable value is reflected in increases, decreases or transformations of the capitals caused by our business activities and outputs. Value can be considered as that created for Liberty Kenya itself and for stakeholders and society in general.

Our relevance and ability to create long-term value, now and in the future, are interrelated and fundamentally dependent on the forms of capital available to us. This includes how we use these forms of capital to realise positive returns to the business. It also includes the value that they deliver to business growth and sustainability as well as to society as a whole.



### FINANCIAL CAPITAL

Our shareholders' equity and funding from investors and clients, which are used to support our business and operational activities.



### MANUFACTURED CAPITAL

Our business structure and operational processes, including our physical and digital infrastructure, that provide the framework and mechanics of how we do business and create value.



### HUMAN CAPITAL

Our culture and our people, investing in their development and our collective knowledge, skills and experience to enable delivery of innovative and competitive solutions for our clients.



### SOCIAL AND RELATIONSHIP CAPITAL

Our citizenship and stakeholder relationships, including relationships with the communities in which we operate, recognise the role that insurance plays in building a resilient society.



### INTELLECTUAL CAPITAL

Our brands, strategic partnerships, innovation capacity and the products we offer clients.



### NATURAL CAPITAL

Our impact on natural resources through our operations and business activities.

# Materiality

We apply the principle of materiality in assessing what information should be included in our integrated report. This report focuses particularly on those issues, opportunities and challenges that impact materially on our six capitals and the group's ability to be a sustainable business that consistently creates, protects and minimises the erosion of value for all stakeholders.

Identifying our material matters is a groupwide responsibility and requires input from all business units, an assessment of the risks and opportunities in our operating environment and input and feedback from all our stakeholders. Our material matters influence our group's strategy, inform the evolution of our business model and our short, medium and long-term targets. Identifying issues and their potential impact is a collaborative effort.

## Our material matters



A close-up portrait of a young woman with dark skin and curly hair, smiling broadly. She is wearing a blue and white horizontally striped short-sleeved top and large, colorful beaded hoop earrings. She is holding a white plate with a serving of rice and vegetables. The background is blurred, showing what appears to be a market or a crowded outdoor area.

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## Liberty Kenya in brief

# History and ownership

Nairobi Stock Exchange (NSE)-listed Liberty Kenya Holdings Plc (Liberty Kenya) is the holding company for The Heritage Insurance Company Kenya Limited and Liberty Life Assurance Kenya Limited. Liberty Kenya is a subsidiary of Liberty Holdings and Standard Bank Group, both South African based financial services groups offering extensive, market-leading banking, investment, insurance and health offerings to individuals and businesses.

Liberty Holdings regards Kenya as its strategic growth market that will help Liberty Holdings fulfil its vision to be a leading insurance organisation in, for and across sub-Saharan Africa, delivering exceptional experience and superior value to Liberty's clients. During the year Liberty Holdings increased its strategic stake in Liberty Kenya to 73.5% (2020: 53.7%) reaffirming its commitment to Liberty Kenya and its economy. In July 2021, Liberty Holdings and Standard Bank Group (SBG) announced SBG's firm intention to acquire all of the issued Liberty Holdings shares it did not currently own. This resulted in Liberty Holdings becoming a wholly-owned unlisted subsidiary of SBG on 1 March 2022.

 Refer to page 60 for a full analysis of the company's shareholding.

## Liberty Kenya Key Statistics

### TOTAL ASSETS



**KShs 40.5bn**

(2020: KShs 39.3 billion)

### INSURANCE PREMIUMS



**KShs 11.4bn**

(2020: KShs 11.2 billion)

### CLAIMS AND POLICYHOLDER BENEFITS



**KShs 8.2bn**

(2020: KShs 6.8 billion)

**>60,000**

individual clients

Liberty offers objective savings, investment and protection/risk advice and products to clients through various channels

**>5,000**

corporate clients

**359**

employees

Liberty Kenya meets client needs in Kenya and Tanzania

**1,666**

brokers and financial advisers



**Liberty Life Assurance Kenya Limited (LLK)** has provided insurance services in Kenya since 1964 and continues to offer a range of attractive investment, retirement, life and education solutions to individuals and businesses. LLK is among the top ten Life insurance underwriters by premium volume in Kenya. It operates throughout Kenya with 288 financial advisers and 130 employees. Our diverse and flexible products include life insurance, investment solutions, education and retirement savings plans.



**The Heritage Insurance Company Kenya Limited (HIK)** has provided a range of insurance services for over 50 years. The company's origins trace back to 1976 with the merger of Norwich Union Fire Insurance Society and The Legal and General Insurance Company. HIK holds 60% of Heritage Insurance Tanzania. HIK is among the top 10 short-term insurance underwriters in the industry by premium volumes and ranks among the best in service delivery. It has 170 employees and more than 1,284 agents and brokers.

# How Liberty is different

| PEOPLE   | GOVERNANCE   | FINANCE  | RELATIONSHIPS   | PRODUCT  |
|--|--|--|---|--|
| We have excellent people. We strategically recruit for key positions and then invest in both employees and intermediaries to ensure they develop a successful career with Liberty Kenya. We empower our employees and intermediaries with technology to best serve our clients with empathy. | We have a strong governance framework and implement a robust risk management system that benefits all our stakeholders. We are committed to doing the right business the right way – we have high ethical standards – and comply with all laws and regulations. We have a strong reputation for paying claims, backed by capital strength. | We are well capitalised and consistently surpass the capital adequacy ratio requirements. We operate within a risk appetite that protects both our clients and shareholders. | We have strong partnerships, reflected in trusted brands recognised for their integrity, service, stability and technical competence. We pride ourselves in our relationships with agents and brokers. Relationships with Liberty SA and Stanbic Bank affords access to group skills and innovation, and a broader distribution base. | We offer a wide range of products that meet the needs of a broad range of clients in both the retail and corporate markets. We lead the market when applying technology to products as demonstrated with the use of telematics for the Auto Correct product. |

## The Liberty values

**Involvement** – our humanity and empathy

**Innovation** – our ingenuity and curiosity to do things better

**Integrity** – our fairness and honouring our word

**Insight** – our knowledge and understanding

**Action** – we roll up our sleeves and always find a way to make things happen

**Heritage**  
Insurance Company

A member of  **LIBERTY**

 **LIBERTY**

# Our operating environment

The ongoing Covid-19 pandemic continued to cause immense disruption across the global economy. Many businesses faced the challenge of managing the cost of running core functions while remaining resilient.

The coronavirus pandemic and the virus' ability to repeatedly mutate have exposed the vulnerability of our globally interconnected economies. The resulting uncertainty and unpredictability of an outbreak anywhere causes significant disruption and challenges to economies, businesses, communities and people worldwide.

Despite the continued resurgence of the pandemic, the global economy is projected to have grown by 5.9% in 2021, following a contraction of 3.5% in 2020 according to the IMF. Prior to the war in Ukraine, the IMF had projected a global economic growth rate of 4.4% in 2022 driven by commodity prices and a relaxation of Covid-19 containment measures – almost a return to normal. This is now uncertain because of the conflict and ongoing supply chain challenges.

Economic activity in Kenya continued to adapt to the pandemic and associated restrictions. A mix of containment measures, such as a night curfew, were in effect throughout most of 2021, while more economically disruptive measures such as lockdowns and travel restrictions were phased out, reducing their impact on economic activities.

The vaccine rollout, which had a slow start due to supply constraints, picked up with an increase in supply and the government's focused campaign in support of vaccinations.

Supported by robust growth in the education, tourism and transport sectors, Kenya's economy is projected to have grown by 8.1% in 2021 from negative 0.3% in 2020. The IMF projects Kenya's economy to grow by 6.0% in 2022. Kenya's inflation rate closed the year at 5.7% and is forecast at 6.1% in 2022 on account of an increase in the food index. Headline inflation has remained below the Central Bank's upper target of 7.5% for more than four years. In the near term, we expect stable inflation with an upward bias. Insufficient rainfall in January 2022 may result in higher prices of electricity and food items. In addition, any increase in global oil prices will exert upward pressure on inflation.

The shilling depreciated against the US dollar owing to stronger importer dollar demand. However, diaspora remittances remain robust. The 12-month cumulative remittances grew by 20% to a record high of USD3.7 billion. The Central Bank continues to hold sufficient foreign reserves to cushion the shilling from unforeseen volatility.

Bond yields rose during 2021 as the FTSE NSE Kenya Bond and S&P Kenya Sovereign Bond indices declined by 2.0% and 2.4%, respectively. The Central Bank's target of stable rates averted any spikes in interest rates. We expect bond rates to rise gradually in 2022 owing to USD-KES weakness and domestic borrowing pressures. Therefore, investors are likely to continue bidding aggressively for T-bonds.

The NSE20 index, which tracks the performance of the 20 best performing companies listed on the Nairobi Securities Exchange, reflected an increase in the third quarter of the year as the pandemic *ease*. However, by the end of the year, a resurgence



## Operating environment (continued)

in the pandemic saw the index return to its January 2021 levels as foreign investors continued to exit the local market. The telecommunications and banking sectors reported a recovery in earnings during the fourth quarter. The likelihood of reduced investor participation in the event of heightened political tension remains a risk to equities performance. However, a recovery in full-year earnings and the resumption of dividend payments may provide a reprieve.

The year saw the resolution of the constitutional petition brought by the Association of Insurance Brokers of Kenya to the 2019 amendment to the Insurance Act, which introduced the direct payments of premiums to insurance companies. The matter was finalised in July, and brokers will continue to receive premiums from clients of insurance companies. This adds to the administration and credit risk carried by insurance companies.

Also, this year saw the Insurance Act introduce a revised definition of reinsurance brokers to include foreign brokers not resident in Kenya. This will allow the Insurance Regulatory Authority (IRA) to regulate foreign reinsurance brokers. Where possible, reinsurance is negotiated directly with the reinsurer.

In terms of an amendment to the Retirement Benefits Act, corporate trustees of retirement funds were recognised, allowing them to be more tightly regulated.

Towards the end of the year, Kenya's High Court held that the 2020 tax laws amendment that required insurance agencies, insurance brokerage and securities brokerage services to change from VAT exempt status to taxable status at 16% was unlawful and unconstitutional.

With effect from 1 January 2021, the Income Tax Act extended insurance relief to include National Health Insurance Fund (NHIF) contributions. While this change will encourage employees to take up health insurance, private medical insurance costs may increase as underwriters of some treatments will no longer be able to recover costs from the NHIF.

In Tanzania, the Tanzania Insurance Regulatory Authority now requires insurers to engage external actuarial services, and issued a communication prohibiting the payment of extra commission by underwriters in any form, including administration fees.

Political activity in Kenya picked up ahead of the general elections to be held in August 2022. While political tensions increase in the run up to the election, the focus of most investors will be economic recovery from Covid-19.



# Insurance in the time of Covid-19



The Coronavirus pandemic, which began at the end of 2019, was again the defining factor for the global insurance industry in 2021. As with other sectors of the economy, insurance companies felt the impact of the pandemic and initiatives to contain the spread of the virus.

Lower levels of economic activity, remote working to safeguard employee health and the loss of lives among clients, employees and families negatively impacted the ability of all enterprises to achieve their ambitions. Over and above these challenges, life insurers were required to process and settle increased death, disability and health-related risk claims. General insurers experienced increased medical claims but a lower level of claims in other risk classes as economies slowed.

Notwithstanding the first vaccine being administered in December 2020, the uneven rate of vaccinations, the hoarding of vaccines by several countries and the virus itself all combined to make 2021 a more challenging year than 2020. For life and health insurers, slow vaccination rates, mainly attributable to vaccine hesitancy, together with the more transmissible and deadly delta variant saw higher claims in 2021.

Despite these challenges, insurers responded quickly to the disruption in 2020 and continued through 2021, including remote working and financial relief for clients. More importantly the pandemic resulted in a greater focus on innovation and strengthening the connection with corporate purpose. In 2021, innovation in the form of increased digital capacity was accelerated to meet client engagement expectations and facilitate new hybrid ways of working.

The pandemic not only increased the world's focus on preparing for the next infectious disease, but also stimulated greater awareness of climate change, diversity and other societal returns. It is now widely

accepted that long-term stakeholder value must be aligned with societal returns through companies fulfilling their purposes. This will require a commitment to inclusivity and collaboration with a broad range of stakeholders.

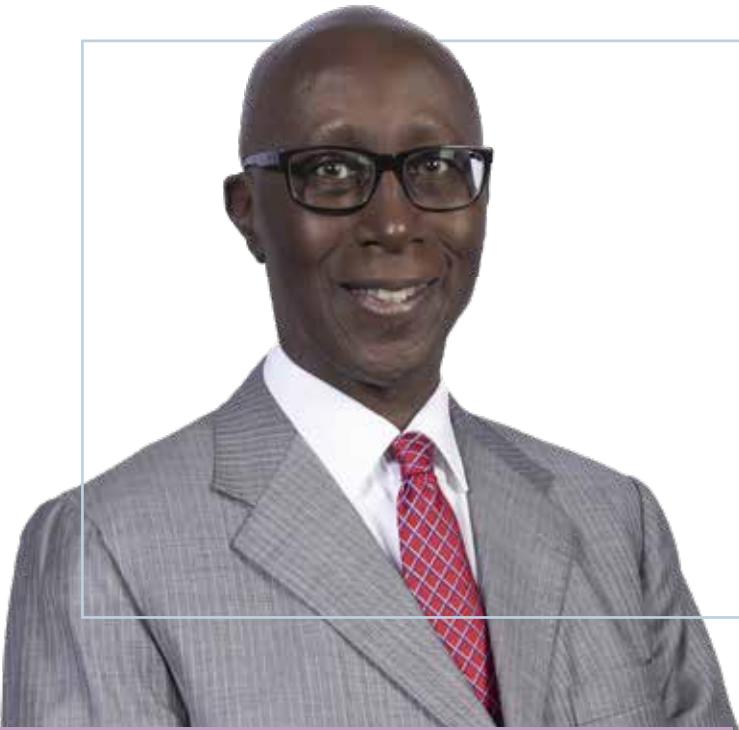
As third and fourth waves struck, life insurers recorded an increased number of claims in 2021 compared to 2020. These increased claims resulted in lower capital adequacy ratios and solvency. As vaccination programmes intensified and clinical treatments improved, lockdowns and restrictions became untenable resulting in economies rebounding. Increased economic activity, higher consumer spending power and consumer confidence saw new business volumes rebound for life insurers as individuals and families reassessed their insurance needs in light of the pandemic.

The impact on general insurers was less definitive and dependent on the underwriter's product mix. Most renewal business was the subject of review as insured parties revisited their cover in an effort to cut costs.

A notable impact of Covid-19 has been the need for insurers to improve their claims handling processes to accommodate the increase in claim numbers while often dealing with the bereaved. The indirect impact of this scenario is the deterioration in the mental, and sometimes physical, wellbeing of employees. Keeping employees motivated in this environment has seen greater engagement with employees in areas such as "living the purpose", providing digital and technological training, and addressing issues such as climate change and diversity.

The virus' indirect impact on clients, employees, employers and the economy has been broad and will continue to impact the insurance industry for years to come. Some of these impacts have resulted in positive outcomes such as the rapid adoption of technology allowing employees to work remotely, often improving their work-life balance, and enabling greater direct engagement with clients through the digitisation of processes. Depending on individual insurers, negative impacts such as reputational damage and inadequate capitalisation pre-pandemic could jeopardise their sustainability.

# A letter from our chairman



Despite the year's lower profitability, the group reported positive growth in gross earned premiums, demonstrating solid business fundamentals. Its subsidiaries maintained their strong capital base and liquidity necessary to meet their obligations.

PHILIP ODERA

## The year in review

Operationally, 2021 proved to be a difficult year for Liberty Kenya. A near doubling in death claims in our life business and higher medical claims in our general insurance business due to the continuing Covid-19 pandemic had a material impact on the group's financial results. Our general insurance businesses in Kenya and Tanzania also experienced increased claims costs in the private motor vehicle class. Maintaining the pandemic reserve, created in 2020 to meet estimated future short-term impacts of Covid-19, also negatively impacted our results.

Despite the year's lower profitability, the group reported positive growth in gross earned premiums, demonstrating solid business fundamentals. Its subsidiaries maintained their strong capital base and liquidity necessary to meet their obligations.

While the Covid-19 pandemic remained with us and continued to adversely impact the group's business operations, signs of recovery became visible in 2021, pandemic-related restrictions were eased, consumer demand increased, and economic activity expanded. Equity markets rallied and the global economy grew by 5.9% while the Kenyan economy grew by 5.0%.

Insurers exist to meet the challenges faced by clients during difficult times in their lives' journeys. The board is extremely proud of our management team, employees and partners who have performed admirably for nearly two years under ever-increasing stress and unending challenges brought about by the pandemic. Our client-facing employees have been confronted by the effects of the pandemic every day, dealing with beneficiaries and families that have lost loved ones. We have fulfilled our purpose and our promise to clients to make their financial freedom possible in the most trying circumstances imaginable.

The impact of the virus will change the insurance landscape permanently and redefine how business operates across the globe. The effects of Covid-19 on insurance spans across different business facets and calls for insurers' deliberate strategies along workforce transformation, enterprise risk management, technology uptake and operational agility. The last two years have induced changes and behaviours that would not have been a priority before the onset of the pandemic.

Following extensive market research, the board approved a new strategy. This strategy identified initiatives that will drive the group forward through the provision of solutions demanded by the marketplace in an agile manner. Technology and robust management of data will be at the core of providing our clients with such solutions in a speedy and seamless manner. In the next three years, we plan to clarify and consolidate our brand to enable our clients to understand us better. We look forward to implementing solutions and initiatives aimed at making the group more responsive to changes in the business environment. The adoption of agile ways of working will form the bedrock of executing the new strategy.

The group managing director's review, together with other elements of this report, provide further details of progress made with strategic execution during 2021 and the financial results for the year.

While the group faced operational and profitability challenges during the year, share transactions in both South Africa and Kenya represented a vote of confidence in the business and its strategy. Towards the end of June, Liberty Holdings Limited (Liberty SA) began the process of acquiring a further 15.7% of the shares in the company, increasing its total shareholding to 73.5%. Effecting the acquisition was part of Liberty SA's commitment to, and focus on, growing the business across the African continent and is a demonstration of long-term confidence in Liberty Kenya and in the Kenyan and the wider East African insurance markets and economies generally.

## A letter from our chairman (continued)

Liberty SA is typically a long-term strategic investor in the selected jurisdictions into which it invests. Liberty SA believes that it is critical for each of its subsidiaries to engage and enhance their corporate citizenship in these countries through activities such as financial education, improving access to responsible value-generating investment and risk products, and partnering with policymakers to support best practice and growth in the financial services industry. Promotion and provision of access to the wider Liberty group's products allows for enhanced financial outcomes for clients in Kenya and the wider East African region.

In July 2021, Standard Bank announced its intention to acquire the remaining shares in Liberty SA and to delist Liberty SA from the Johannesburg Stock Exchange (JSE). The transaction was finalised in February 2022 and Liberty SA was delisted from the JSE on 1 March 2022. This transaction represented the natural progression of the long-standing strategic relationship between Liberty SA and Standard Bank. The transaction created the largest financial services provider on the continent, best positioned to provide insurance, asset management and banking products in a more competitive and efficient manner. This transaction created significant opportunities for capital efficiencies and to grow the united group by providing a fully integrated set of client offerings throughout the group's operations across Africa.

### Governance

There were no changes to the board of the company or its operating subsidiaries during the year.

After nearly 14 years at the helm, the incumbent managing director, Mr Mike du Toit will be retiring from employment and will assume a non-executive director role on the board of Liberty Kenya Holdings plc and its operating subsidiaries.

Mr Kieran Godden will assume the role of managing director of Liberty Kenya Holdings, as soon as the regulatory process and approvals have been concluded. Kieran has many years of experience both in the insurance industry and in different African countries and will no doubt be a valuable addition to the team.

I would like to thank Mike for his contribution to the group and wish both Mike and Kieran all the best in their new roles.

The board of the holding company reviewed several policies in the year and recommended them to subsidiary boards for adoption. These additional policies continue to demonstrate growing maturity of our business. All three boards were subject to a board self-evaluation process conducted with the assistance of Liberty SA. In general, the performance of the Liberty Kenya Holdings board was excellent, scoring very well in the overall evaluation; 81% of the responses to the survey rated the board as exceeding expectations consistently. No ratings of "failed to meet expectations consistently" were submitted by the participants. The subsidiary boards performed similarly in their evaluations.

### Looking ahead

We have confidence that 2022 will be a transformative year for the business as the economy continues to recover from the impact of the Covid-19 pandemic. It is the year we look forward to welcoming all our staff back to the office after two years working remotely.

We are excited by our new strategy and how it will impact on all our stakeholders, especially our clients and partners. We are confident that our employees are more than capable of delivering significantly in 2022 while supported by their colleagues from Liberty SA.

Overall, 2021 was a year in which we made substantial strategic and operational progress. We have a sound strategic plan, deep in execution, and we have people focused on the right things to make the most of the coming year.

### Appreciation

Our commitment remains the delivery of relevant and innovative solutions that confer financial freedom to our clients, thus contributing towards national development. To the board and staff, I pledge to continue working with regulators and our other stakeholders to make this a reality.

My gratitude goes to our clients for their patronage, our staff for their unwavering efforts to deliver on our purpose, our shareholders, and the rest of our stakeholders. I also take this opportunity to appreciate my fellow board members for all their input in steering this group.

**Philip Odera**  
*Chairman*

# Group managing director's review



The Covid-19 pandemic reflects the reason we exist. Responding in these times is a fulfilment of our purpose. We acknowledge our claims teams, advisers, partners and operational staff as they experienced the trauma of the pandemic, managing the engagement with clients, or sadly personal loss within their families during the year.

MIKE DU TOIT

## Introduction

We had hoped that 2021 would prove to be a better year than 2020, but it began in a very difficult place for everyone around the world. There was a tremendous tragedy unfolding around us. Stories of clients, staff members, colleagues, family members and friends passing away emerged regularly. In terms of fulfilling our purpose, Liberty Kenya's reaction to the pandemic remained committed and responsible. Despite the impact on our people, we stood up to the task of honouring our promises and fulfilling our purpose in a time of need, while holding our nerve and preserving the strength of our financial standing.

The group experienced increased claims mostly due to the delayed impact of Covid-19. Liberty Life experienced a significant rise in group life claims while Heritage Insurance had a notable surge in medical benefit payments. What has not changed, however, is the vital role we play in the lives of our clients, encapsulated in our commitment to be in it with them. Our reason to exist has never felt more relevant and important as our clients navigate the challenges currently facing our world. Living our purpose of "improving people's lives by enabling their financial freedom" is both humbling and satisfying as we support clients and their families at their most vulnerable moments, by assuming the financial burden when loved ones need support.

### Death and disability claims paid during 2021

**KShs 879m**

an 82% increase on 2020

### Pensions and annuities payments in 2021

**KShs 1,872m**

a decrease of 2% over 2020

### General insurance claims paid during 2021

**KShs 4,141m**

a 12% increase on 2020

## A synopsis of 2021

Economic activity in Kenya continued to adapt to the pandemic and associated restrictions. A mix of containment measures, such as a nightly curfew, were in effect throughout most of 2021, while more economically disruptive measures such as lockdowns and travel restrictions were phased out thereby slowly reducing the impact on economic activities. The vaccine rollout, which had a slow start due to supply constraints, picked up with an increase in vaccine supply and the government's commendable campaign for citizens to take up vaccinations. Kenya's economy is projected to have grown by 5.6% in 2021 from negative 0.3% in 2020. The IMF projects Kenya's economy will grow by 6.0% in 2022.

Political activity in Kenya escalated ahead of the general elections scheduled for August 2022. While political tensions are likely to increase in the run up to the election, the focus of most investors

## Group managing director's review (continued)

will be economic recovery from the pandemic that has impacted the growth unlike any previous elections in Kenya.

2021 saw Kenya's inflation rate close the year at 5.7%, which is forecasted at 6.1% in 2022 on account of increases in the food index. At the time of writing, the prospect for heightened inflation, exacerbated by the ongoing war in Ukraine, is likely to have a further negative impact on both consumers and economic growth prospects.

In response to the Covid-19 challenges, we implemented several strategic initiatives that resulted in the enablement of remote working by staff, enhancement of cybersecurity capability, automation of manual processes and commencement of a process to adopt agile ways of working. We look forward to implementing solutions and initiatives aimed at making us more responsive to changes in the business environment.

As a client-centric organisation we aspire to consistently deliver dependable, accessible, and personalised service to our clients. During the year we focused on consolidating our earlier efforts to revamp our distribution structure involving agency and brokers. Agency remains a key sales and distribution channel for the group. We intend to deepen our strategic partnership with these distribution channels to ensure that we continue to deliver value to the business in a mutually satisfactory manner.

We appreciate that clients' buying patterns are constantly evolving. As a group we have continued to design and deliver innovative financial solutions to cater for a wide spectrum of needs. In 2021 we launched Soma Savings Plan, a very flexible and innovative education policy which addresses the needs of the clients as identified by our research. We also launched a new distribution channel in partnership with Stanbic insurance agency - "Stansure". Stansure is a digital capability that enables consumers to purchase motor insurance from a mobile application. In partnership with MFS (Mobile Finance Solutions), we successfully rolled out "InsureMe" - a motor insurance sales channel with the added benefit of a premium financing option. We are further looking at other partnerships that are in various stages of development.

At the core of client experience is the continuous refinement of our internal processes to make them responsive to client needs, aligned with global best practices and cost efficiency. We continued to invest in automation to create a leaner and a more efficient organisation. Turnaround times have improved with further improvements and benefits expected in 2022.

Prior to 2021, the main delivery mode of policy documents to clients was through registered mail. The change in registration rules, allowing electronic policy documents (e-policy) was a significant enabler to the implementation of our strategy. In addition to introducing efficiency in the delivery process, the administrative challenge of lost documents has been eliminated.

We ensured faster turnaround times in our operations with the implementation of such initiatives as straight-through processing, a paperless client onboarding solution allowing us to onboard new clients during the Covid-19 pandemic. We continued to invest in

digital technology affording our clients the opportunity to transact and engage with us digitally in respect of premium payments, statements generation and policy loans processing.

At Liberty, we believe that all our operating activities should be geared towards client value proposition. This is reflected in our continuous investment in research to understand and better appreciate their needs and designing solutions that address gaps identified.

At the core of all this is provision of a great place to work for each of our 360 members of staff. A conducive work environment is one that is merit based and discrimination-free, and that supports efforts by staff to deliver on our client value proposition. During the year, in response to Covid-19 restrictions and lockdowns, we continued to successfully enable our staff to seamlessly work remotely, mostly from home, thus ensuring safety of their health and providing them with peace of mind.

At Liberty, we believe that all our operating activities should be geared towards client value proposition. This is reflected in our continuous investment in research to understand and better appreciate their needs and designing solutions that address gaps identified.

At the beginning of 2021, the business conducted training needs assessments aligned to the business objectives and performance planning. The focus was on enhancing staff skills in line with the employee value proposition which seeks to develop well-rounded individuals. All employees attended some form of training geared towards professional development, soft skills enhancement, leadership skills and regulatory compliance. We continued to support employees' development through various leadership programmes, as well as professional and technical courses.

Our sustainability agenda focused on investing in the communities we operate in. During the year, we continued with our corporate social investment (CSI) initiatives anchored on the pillars of Education and Health. We will continue to integrate sustainability in the delivery of our CSI initiatives.

In the year, the court determined in favour of the association of Kenya insurers concerning the Tax Laws (Amendment) Act, 2020 that introduced VAT on insurance brokerage commission. In addition, the court ruled in favour of the Association of Insurance Brokers regarding insurance amendments that were to prohibit brokers from receiving premiums. The NHIF (Amendment) Act 2022 was assented to on 10 January 2022. As a result, medical insurance premiums are expected to rise as certain costs will no longer be recoverable from the national health insurer.

## Group managing director's review (continued)

In Tanzania, the Zanzibar Ministry of Trade and Industrial Development issued a Public Notice amending the Zanzibar Companies Act No 5 of 2013. The effect of this amendment is significant as it requires companies incorporated in mainland Tanzania that operate as a branch in Zanzibar to register a separate legal entity in the form of a subsidiary in Zanzibar. We are awaiting further guidance from the Tanzania Insurance Regulatory Authority regarding the implementation of this amendment.

During the year we embarked on the implementation journey of our 2021 – 2025 strategic plan whose key focus is creating financial freedom for our clients and employees by leveraging on technology, innovation and strategic partnerships as pillars for delivering value to clients.

### Resilient performance

The impact of Covid-19 resulted in significantly higher claims in 2021, and reduced economic activity and business confidence, negatively impacting the group's financial results. Despite these challenges, the group's operating subsidiaries remained resilient, maintaining strong capital positions that exceed the regulatory requirements.

Net insurance premium growth was limited to 0.6%, but a 12.6% growth in investment income, driven by increasing interest rates and firmer equity markets, saw the group report a 10.7% growth in total income for the year. Despite this growth in total income, it fell well short of the 45.5% increase in claims and benefits, driven in the main by higher death and medical claims. To align with Heritage Kenya, the operating subsidiary in Tanzania adopted the actuarial basis of reserving. The actuarial basis requires significantly higher reserves than the regulatory basis, resulting in a one-off adjustment. This further negatively impacted theirs and the group's results.

Efficiencies gain through automation and a keen focus on expenses resulted in management reducing operating expenses and commissions by 2.7% in a year of increasing inflation. The higher investment income and lower expenses saw the group's cost to income ratio improve to 41% from 47% in 2020.

As a result of the above, group profit before tax declined by 70.2%. The nominal tax rate rose to 30% (2020: 25%) following the withdrawal of the Covid-19 relief introduced last year. In addition, the loss made by Liberty Life, disallowable expenses in the holding company and premium debtor write-offs in Heritage Kenya saw the effective tax rate increase for the year.

The board, working with management, continued to implement measures to return the company to profitability through better risk management, increased business acquisition and retention. The economy is gradually opening following the lockdowns of previous years and this is enabling individuals and businesses to assume new or to reinstate lapsed insurance covers.

More details regarding the performance of the operating companies are provided in the financial review section of this report.

### Appreciation

Firstly, I must thank our clients for their continued confidence in Liberty Kenya during the challenges of the last two years. I am grateful to and thank our employees, intermediaries and the leadership across the Liberty subsidiaries for their exceptional efforts to unfailingly show compassion for and serve our clients in these uncertain times. I wish to express my sincere appreciation for their unwavering support and hard work in 2021, often in the face of many personal challenges.

Finally, on behalf of the management teams, allow me to express enormous thanks to all the directors and the Liberty group for the consistent commitment, guidance and support.

### In conclusion

My time as group managing director came to an end on 31 March 2022 after 12 years. I will continue to serve Liberty Kenya as a non-executive director on the board of Liberty Kenya Holdings Plc and its operating subsidiaries. I wish my successor and the entire management and staff at Liberty Kenya all the best in their future endeavours. I look forward to continuing my contribution to the group.

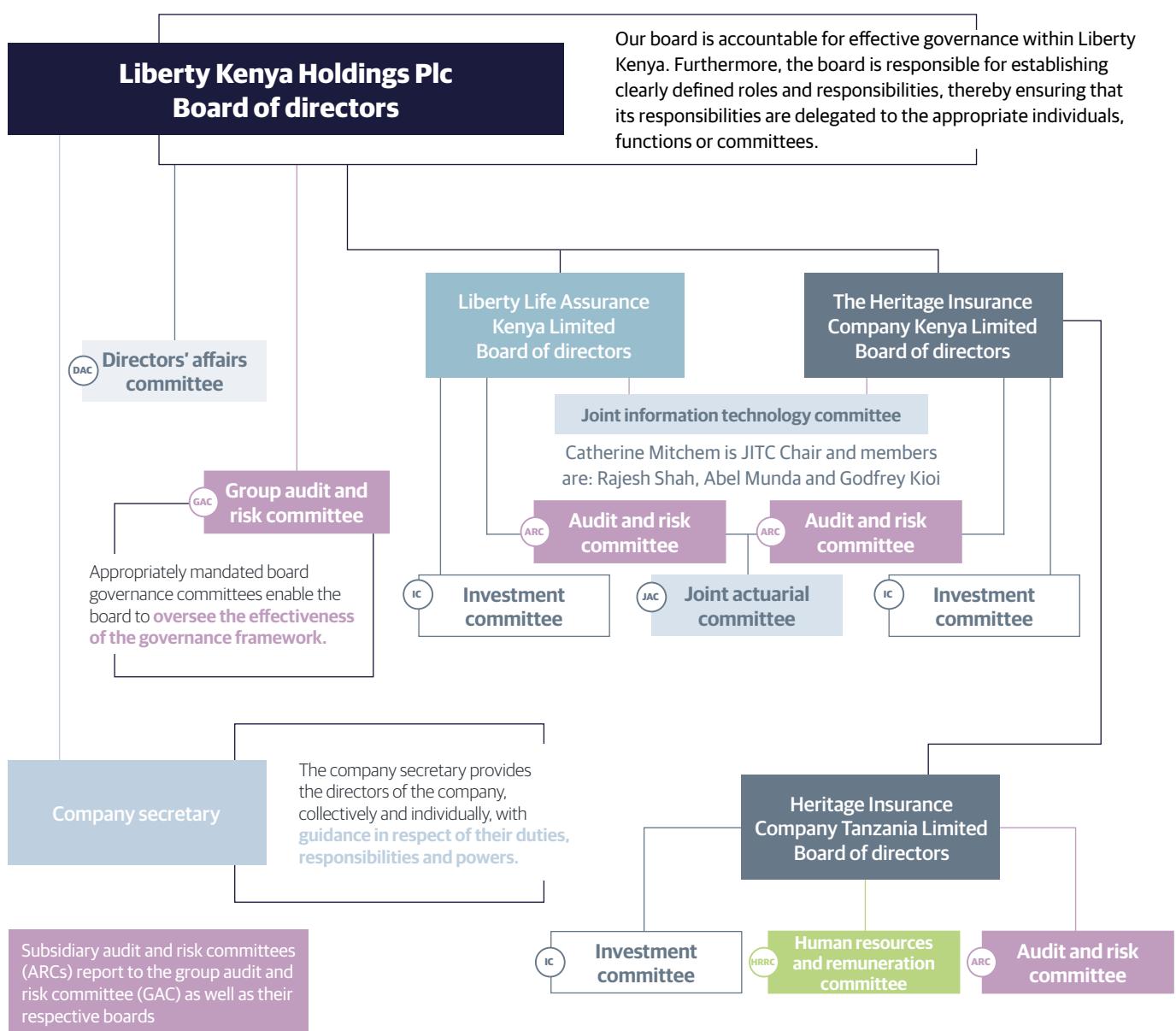
### Mike du Toit

Group managing director (retired)

# Governing and operating structures

Liberty Kenya conducts a variety of complex business operations in a highly regulated environment. Liberty Kenya is committed to a transparent governance process that provides stakeholders with a high degree of confidence that the group is being managed ethically, within prudent risk parameters and in compliance with international best practice. The board considers sound corporate governance as pivotal to delivering on our purpose.

## Governance and operating structures



The group's operating structures reflect its governance structures with executive managing directors appointed for the operating subsidiaries. In Kenya, the operating subsidiaries are served by joint human resource, IT, risk and compliance, and marketing shared services.

# Our leadership as of 31 December 2021

## Liberty Kenya Holdings board of directors



**Philip Odera** (63)

GROUP CHAIRMAN

Appointed: September 2016

5



**Mike du Toit** (59)

GROUP MANAGING DIRECTOR

Appointed: December 2008

13



**Peter Gethi** (56)

NON-EXECUTIVE DIRECTOR

Appointed: December 2009

12



**Rachel Mbai** (56)

INDEPENDENT NON-  
EXECUTIVE DIRECTOR

Appointed: August 2020

2



**Rajesh Shah** (64)

INDEPENDENT NON-  
EXECUTIVE DIRECTOR

Appointed: May 2020

2

DAC

Mr Philip Odera has 29 years of experience in the banking and financial services industry. He rose from the position of commodities analyst in Boston (USA) at Kramer Brokerage Company, and was until his recent retirement the chief executive, Stanbic Bank Kenya Limited.

Mr Mike du Toit is a career banker, with extensive experience in the financial services field across sub-Saharan Africa, having worked and lived in, amongst others, Botswana, Mozambique, South Africa and Uganda.

*Non-executive director of Liberty Life Assurance Kenya Limited and The Heritage Insurance Company Kenya Limited and Heritage Insurance Company Tanzania Limited. He is chairman of the subsidiaries' investment committees.*

Mr Peter Gethi is the non-executive chairman of The Heritage Insurance Company Kenya Limited and Liberty Life Assurance Kenya Limited. He is a non-executive director of Heritage Insurance Company Tanzania Limited, and a director of Stanbic Holdings Plc Kenya and Stanbic Bank Kenya Limited. With a non-executive director of Heritage Insurance Company Tanzania Limited, non-executive chairman of SBG Securities Limited, and a director of Stanbic Holdings Plc Kenya and Stanbic Bank Kenya Limited.

Mrs Rachel Mbai is a Kenya Advocate, Commissioner of Oaths and Notary Public. After admission as an advocate of the High Court of Kenya, she joined Kaplan and Stratton in 1991. Her work encompasses property acquisition/disposal and development, property laws, property finance and loan securities.

*Non-executive director of Liberty Life Assurance Kenya Limited and The Heritage Insurance Company Kenya Limited. He is chairman of the group audit and risk committee and of the subsidiaries' audit and risk committees.*

Mr Rajesh Shah is a Fellow, Institute of Certified Public Accountants of Kenya (ICPAK). He has over 40 years of experience providing professional services, of which nearly 33 years were with PwC where he was a partner for more than 25 years. He worked in all lines of service of PwC and is known for leading complex advisory and tax assignments in various sectors across the region.



**Gladys Ogallo** (55)

INDEPENDENT NON-  
EXECUTIVE DIRECTOR

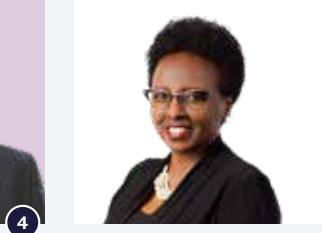
Appointed: June 2019



**Jeffrey Hubbard** (57)

NON-EXECUTIVE DIRECTOR

Appointed: June 2017



**Caroline Kioni**

COMPANY SECRETARY

DAC

Mrs Gladys Ogallo is an experienced and accomplished board member, serving on both African and international boards. She has sector experience in telecommunications, banking, insurance, investment and education, with special reference to managing human capital.

Mr Jeffrey Hubbard is currently the Liberty group business development executive, which includes responsibility for Liberty's businesses outside of South Africa as well as components of the South African insurance operations.

Ms Caroline Kioni is an experienced advocate of the High Court of Kenya, a certified public secretary and governance expert with an exceptional range of skills acquired over her career.

*Ms Kioni is also the company secretary for the Kenyan subsidiary companies.*

**GAC** Group audit and risk committee

**DAC** Directors' affairs committee

**Committee chairman**

Completed years of service on  
respective board

(\*) Denotes age as at 31 December 2021

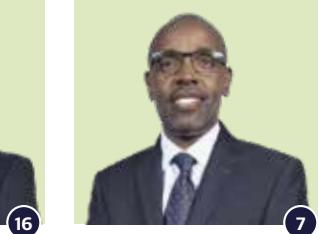
## Subsidiary companies additional directors

With the exception of the executive directors, the membership of the boards of the Kenyan subsidiaries are identical.



**Abel Munda** (59)

MANAGING DIRECTOR  
Liberty Life  
Assurance Kenya  
Appointed: 2005



**Godfrey Kioi** (57)

MANAGING DIRECTOR  
The Heritage  
Insurance Company  
Appointed: 2014



**Andrew Lonmon-Davis** (56)

NON-EXECUTIVE DIRECTOR  
Appointed: 2019



**Catherine Mitchem** (50)

INDEPENDENT NON-  
EXECUTIVE DIRECTOR  
Appointed: 2017



**Stuart Wenman** (51)

NON-EXECUTIVE DIRECTOR  
Appointed: 2009

As noted above, Mr Mike du Toit, Mrs Rachel Mbai and Mr Rajesh Shah are non-executive directors of Liberty Life Assurance Kenya Limited and Heritage Insurance Kenya Limited. Mr Peter Gethi is the non-executive chairman of both these operating subsidiaries.

## Heritage Insurance Company Tanzania board of directors

**Yogesh Manek** (66)

NON-EXECUTIVE DIRECTOR  
Appointed: 1998

**Juma Mwapachu** (79)

NON-EXECUTIVE DIRECTOR  
Appointed: 1998

**Geetha Sivakumar** (44)

INDEPENDENT NON-  
EXECUTIVE DIRECTOR  
MAC GROUP LIMITED REPRESENTATIVE  
Appointed: 2018

**Ravi Singh** (45)

NON-EXECUTIVE DIRECTOR  
Appointed: 2016

23

23

3

5

Mr Mike du Toit and Mr Peter Gethi are non-executive directors of Heritage Insurance Tanzania Limited. Mr Godfrey Kioi is also a non-executive director of this operating subsidiary.



# 03

## Our strategy for the future

# Strengths, weaknesses, opportunities and threats



LLK and HIK both have extensive experience and strong market share positions in the long term and general insurance markets respectively.

As a subsidiary of the Standard Bank Group and Liberty Holdings, Liberty Kenya has access to knowledge, skills and capacity not readily available to other market participants.

The bancassurance agreement with Standard Bank Group makes a positive contribution to new business volumes and earnings.

LLK and HIK have maintained sustainable and less volatile profitability relative to the market by focusing on appropriate pricing and sound underwriting principles.

The acknowledgement of the importance of intermediaries in our success.

Capitalising and strengthening on our brand recognition is a central element of our strategy.

Liberty Kenya is able to quickly incorporate successful strategies and processes tried and tested in other African markets in which the group operates.

This relationship provides Liberty Kenya with a larger potential footprint and access to bank clients.

This sustainable pricing policy will leverage any market rebasing of premium growth.

We will enhance our client and partner experiences by bolstering these human interactions with digital technologies.



LLK's growth has been slower than the market growth between 2017 and 2020 and is currently 7th in terms of market share.

HIK's growth lagged behind the market growth between 2017 and 2020 and is currently 8th in terms of market share.

Uptake of life insurance is highest among the 35 to 45 year old age group but Liberty is more popular in the segments of individuals aged 46 and above.

There is some confusion between the Liberty and Heritage brands calling for a clear branding effort.

Liberty and Heritage are not well known in the informal and micro business segments.

The 2020 – 2025 average market growth is projected to be 7.9%.

The 2020 – 2025 average market growth is projected to be 4.3%. We anticipate that the market will need to adapt to more sustainable pricing in both life and general insurance.

Improved data analytics will aid our ability to gain deeper client insights and thereby deliver personalised client and partner experiences to this younger segment.

A clearer branding strategy has been formulated as we look to cross-sell between LLK and HIK.

Appropriate marketing and brand differentiation exercise will generate results.

## Strengths, weaknesses, opportunities and threats (continued)

### Opportunities

The Kenyan life insurance market has reported lacklustre gross premium growth below that of nominal GDP.

Demand for insurance is expected to grow with enhanced regulation, economic growth, changes to distribution models and better consumer understanding.

The Kenyan insurance market is geared towards the upper and middle income segments, corresponding to corporate entities and the upper middle income and high net worth individuals.

The underserved MSME and lower middle income segments, where general income levels are increasing, provide growth opportunities.

The market is highly competitive and focused on traditional products.

Innovative products and best-in-class service levels will be differentiators for the industry. Digitisation and process automation to improve efficiency and client experience.

Global and Kenyan economic growth is set to rebound in 2022. Economic growth encourages insurance penetration.

Ongoing impacts of Covid-19 and the upcoming 2022 elections pose some risk to overall growth in the short-term. Long-term prospects remain positive.

Industry-wide regulatory compliance.

The implementation of minimum premium rates at the appropriate sustainable level should help address price undercutting.

Increased capital adequacy requirements will improve trust in the industry and improved margins.

### Threats

The Kenya general insurance market has reported high loss ratios for traditional products such as medical and private motor vehicle insurance.

A highly competitive, price-driven market has led to high reported loss ratios for traditional medical and private motor vehicle insurance. This results in poor returns for insurers and unsatisfactory experiences for customers. New entrants may have more effective business models and better client value propositions.

The Covid-19 pandemic continues to negatively affect the economy.

Although new variants may pose a risk to economic curtailment, the ongoing rollout of vaccines and treatments offers hope for a return to normal in 2022 and beyond.

Poor enforcement of regulations.

Inconsistent treatment of market participants and the failure to enforce published regulations undermines trust in the industry and threatens the sustainability of compliant underwriters.

Uncertain legislative developments

Proposed VAT, income tax and national health legislation all threaten the profitability of the industry and the value it generates for clients and the broader economy.

The agency model, in particular the commission structures, are not sustainable in a client-oriented and digital world.

LLK and HIK need to compete more effectively for intermediary business given the behaviour of selected market participants in continuing to pay administration and other fees.

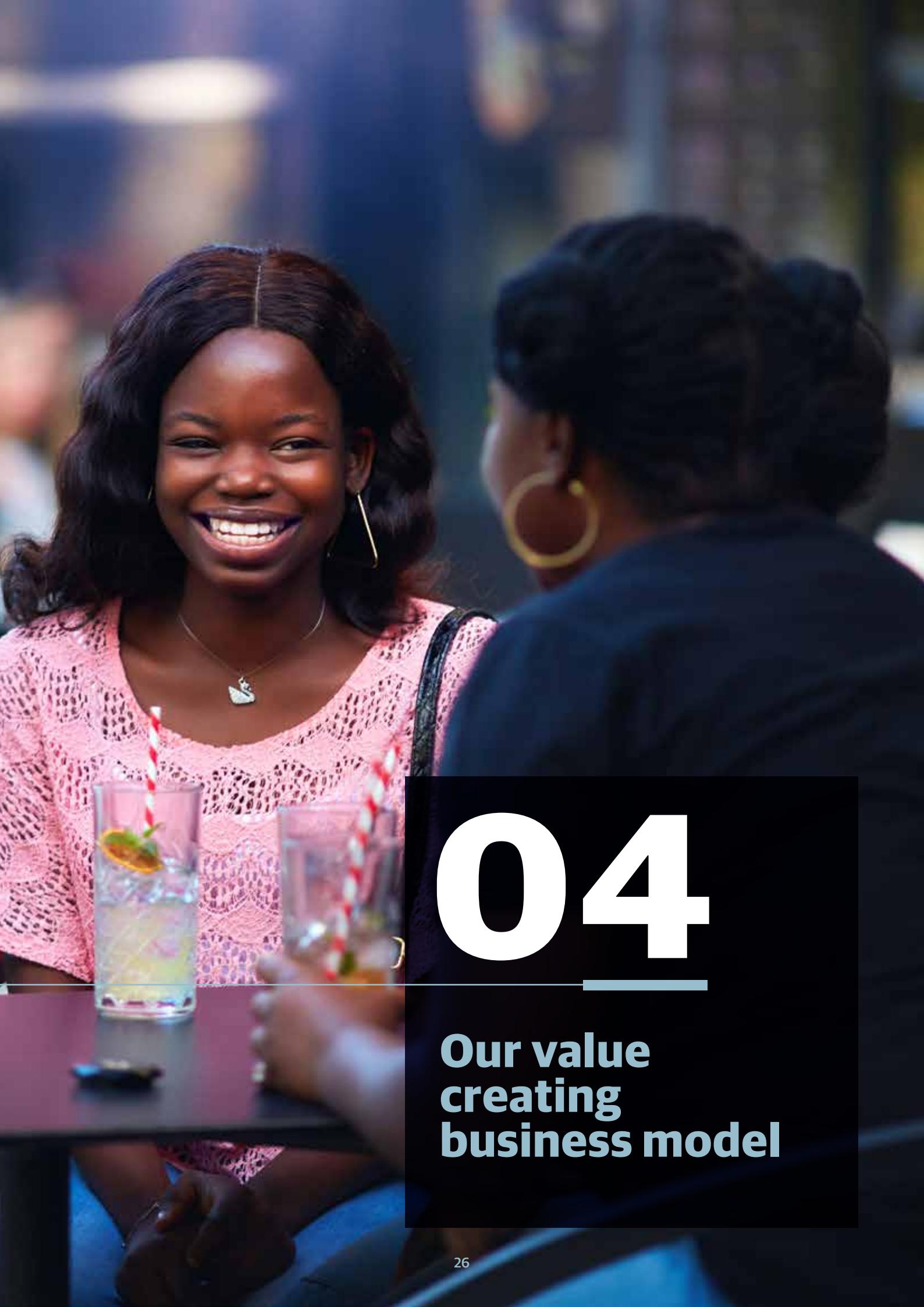
# Our vision for the future

The Liberty of the future is to be the insurer of choice in our chosen customer segments by augmenting the power of the human-to-human engagement between our partners and clients with the power of a scalable digital engagement platform. Developing services and products that meet emerging needs and providing simple and intuitive tools and solutions grounded in the best advice.

Liberty Kenya's medium-term strategy is to achieve a more dominant position in the Kenyan insurance market through focused initiatives which build on the strategy of the Liberty group, modified to accommodate both the internal and external contexts of Liberty Kenya. Our short, medium and long-term strategies are to create value for all our stakeholders while exceeding our clients' expectations relating to value adding products and world-class service levels.

## How we'll achieve our vision

| FOCUS AREA  | INITIATIVES  |
|---|--|
|  <b>Winning aspiration</b>     | <ul style="list-style-type: none"> <li>Scale our business to meet market share targets and have a greater impact on Kenyan businesses and households</li> <li>Be the trusted partner to clients by offering relevant, simple and dependable solutions and service that enable financial freedom</li> </ul>   |
|  <b>Positioning Liberty</b>    | <ul style="list-style-type: none"> <li>Retain and grow our multinational, corporate and SME clients</li> <li>Continue to target upper, upper-middle, middle and working class individuals across all age groups</li> </ul>   |
|  <b>Distribution and sales</b> | <ul style="list-style-type: none"> <li>Use our extensive corporate book and bancassurance relationships to access the retail market</li> <li>Be the partner of choice for brokers, agents, bancassurance and affinity partners</li> <li>Build our agency model</li> <li>Invest in digital channels to enable greater efficiencies, convenience and experiences for our clients and partners</li> <li>Prioritise the growth of our retail footprint by focusing on products and partners</li> </ul> |
|  <b>Products and pricing</b>   | <ul style="list-style-type: none"> <li>Simplify our products, revamp our product portfolio and enhance our retirement solutions, including annuities</li> </ul>  |
|  <b>Client centricity</b>      | <ul style="list-style-type: none"> <li>Oriентate our operations, structures, service delivery and financial solutions around the client</li> <li>Seek to be a life partner to clients by offering personalised solutions and services appropriate to their needs over time</li> </ul>  |
|  <b>Capabilities</b>           | <ul style="list-style-type: none"> <li>Implement agile ways of working and simplify and digitise our systems to improve efficiency and the client experience</li> <li>Develop a culture that attracts and retains the right people</li> <li>Enhance data analytics capabilities</li> </ul>   |

A photograph of a woman with dark hair, smiling broadly. She is wearing a pink patterned top and a necklace with a small pendant. She is holding a clear glass with a red and white striped straw, containing a light-colored drink with a small garnish. In the background, another person's head and shoulders are visible, wearing large gold hoop earrings. The setting appears to be a social gathering or a bar.

# 04

**Our value  
creating  
business model**

# Unpacking our capitals



## Social and relationship capital

This capital includes relationships with key stakeholders and the trust between the organisation and its stakeholders, including its brand reputation. Common values and behaviours underpinning stakeholder relationships.

Liberty Life and Heritage Insurance are recognised brands in the Kenya and East African insurance markets. We have quality relationships with clients, agents, brokers, financial advisers, employees, regulators, investors and society in general. Liberty Kenya is committed to understanding and responding to the interests and expectations of all stakeholders and partnering with them in finding lasting solutions to life's challenges.

Our stakeholder management mandate is aligned with the vision of building a superior image and reputation for Liberty Life and Heritage Insurance in delivering financial freedom. Our vision is supported by the trust of our clients and partners. Our legitimacy depends on demonstrating social relevance through creating and sharing value with all our stakeholders. This is achieved through a proactive approach to engaging with stakeholders.



## Financial capital

Financial capital is the funds available to the company and used to conduct its business. These funds can be generated externally, such as equity and debt, or internally through operations and investments with robustness to withstand market risks and ensure, at a minimum, regulatory capital adequacy compliance.

**Liberty Kenya's financial capital includes:**

### EQUITY

**KShs 8.8bn**

### INSURANCE PREMIUMS

**KShs 11.4bn**



## Human capital

This capital is represented by the quantitative and qualitative resources provided by an enterprise's workforce. Absolute numbers, discrete skills and the experience of employees all play a role in delivering on an organisation's purpose by identifying and meeting the needs of clients. Leadership, motivation and a common sense of purpose underpin human capital.

**Liberty Kenya's human capital includes:**

### EMPLOYEES

**359**

### BROKERS AND FINANCIAL ADVISERS

**1,572**

### NUMBER OF EMPLOYEES TRAINED DURING THE YEAR

**302**

### TRAINING AND DEVELOPMENT SPEND

**KShs 13.3m**



## Intellectual capital

Intellectual capital can include intangible assets purchased or developed by an organisation, such as patents, copyrights, software and licences. An organisation's ingrained knowledge, systems, processes and procedures are also considered as intellectual capital.

Liberty Kenya's intellectual capital includes our ability to manage insurance and other types of risk. Our skill in asset and liability matching underpins our ability to fulfil promises made to our clients including whole life insurance benefits and embedded investment guarantees.



## Natural capital

Natural resources include air, water, land, minerals and forests. All organisations consume and impact a variety of natural resources to a greater or lesser extent. Although Liberty Kenya's direct environmental impact is not significant, we remain committed to responsible resource stewardship.



## Manufactured capital

Manufactured capital is represented by physical assets such as buildings, physical and digital equipment, and operational processes. The group's owner-occupied Liberty House in Nairobi serves as the primary offices for its employees and a call centre for clients and partners. The area leased to other tenants is considered an investment property.

# Managing value creation

We manage the value creation process through our governance and management structures. Governance structures are designed to ensure that Liberty Kenya, through its employees and partners, meets clients' expectations, acts ethically, is effectively controlled, delivers sustainable financial performance, and grows its brands and legitimacy. Management structures focus on our strategic value drivers and responding to identified material matters.

Liberty Kenya's approach to remuneration is to promote the achievement of its client centric strategy, while considering the management of risk, capital and liquidity of the group. It also encourages individual performance through the setting and administration of a group policy that articulates and gives effect to fair, responsible and transparent remuneration. Liberty Kenya's remuneration policy ensures as far as possible that employee and shareholder interests are aligned.

## Value-creating activities

### Applying our social and relationship capital



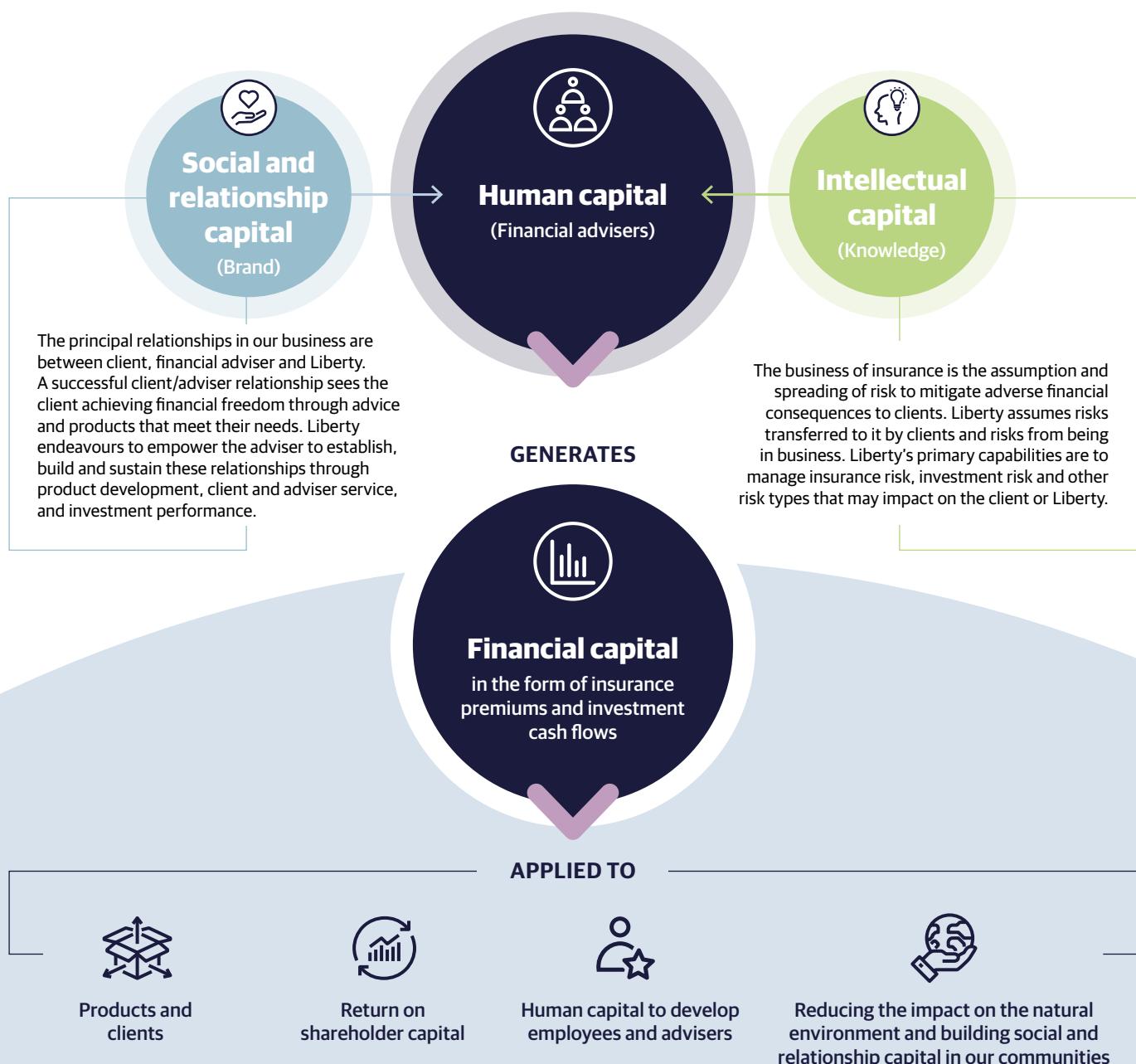
The principal relationships in our business are between clients, partners, Liberty Life and Heritage Insurance. A successful client/partner relationship sees the client achieving financial freedom through advice and products that meet their needs. Liberty Kenya endeavours to empower its partners to establish, build and sustain these relationships through product development, client and partner service, and investment performance.

### Applying our intellectual capital



The business of insurance is the assumption and spreading of risk to mitigate adverse financial consequences to clients. Liberty Kenya assumes risks transferred to it by clients and risks from being in business. Liberty Kenya's primary capability is to manage insurance risk and other risk types that may impact on the clients or the group using tools such as investment of assets and asset/liability management.

# Capital transformation and outcomes



## Outcomes

01

Enhanced Liberty brand by delivering on our promises

02

Enhanced financial capital to be applied to growth initiatives or returned to shareholders

03

Enhanced social and relationship and intellectual capitals by attracting and retaining the best employees

04

Reduced operating costs

05

A positive social and environmental impact

# Our main products



## Individuals and families

|   |  |
|---|--|
| <b>Hekima Plan</b>                            | Provides peace of mind knowing that your beneficiaries' financial needs are taken care of when you can no longer do so in the case of critical illness, disability or death.     |
| <b>Legacy Plan</b>                            | A comprehensive funeral plan that protects your legacy, by providing you and your family with financial support for the most urgent expenses at a difficult time.                |
| <b>Lifevest Plan</b>                          | A unique and flexible investment and insurance solution that provides both choice and cover.   |
| <b>Boresha Maisha Individual Pension Plan</b> | Enables clients to save securely.  |
| <b>Boresha Ustaafu Income Draw Down</b>       | An income drawdown product suited to balancing the need to achieve controlled growth of our income and to ensure we have sufficient funds to support us during our golden years. |
| <b>Income Builder</b>                         | A comprehensive protection plan that secures your family's future by providing for your changing needs.  |
| <b>Triple Diamond Plan</b>                    | A flexible insurance plan which guarantees you three payouts during the policy term.   |
| <b>Soma Savings Plan</b>                      | Provides guaranteed interest rates over a fixed-term investment.   |
| <b>Scholar Plan</b>                           | Insures the life of your child from the age of three months for 15 years or more.  |
| <b>Educator Plan</b>                          | Designed as a savings and protection plan to provide for the future education needs of your child.   |

## Businesses

|  |   |
|--|---|
| <b>Group life cover</b>                      | An employee benefit offered by an employer or an organised group.   |
| <b>Group funeral cover</b>                   | A group life policy which pays claims upon the death of an employee.  |
| <b>Group credit life/mortgage protection</b> | Pays off a member's outstanding loan debt in the event that they pass away, become disabled, suffer an illness or retrenchment. |
| <b>Family protector plan</b>                 | Provides peace of mind during the difficult times that result from the death of a loved one.                                    |

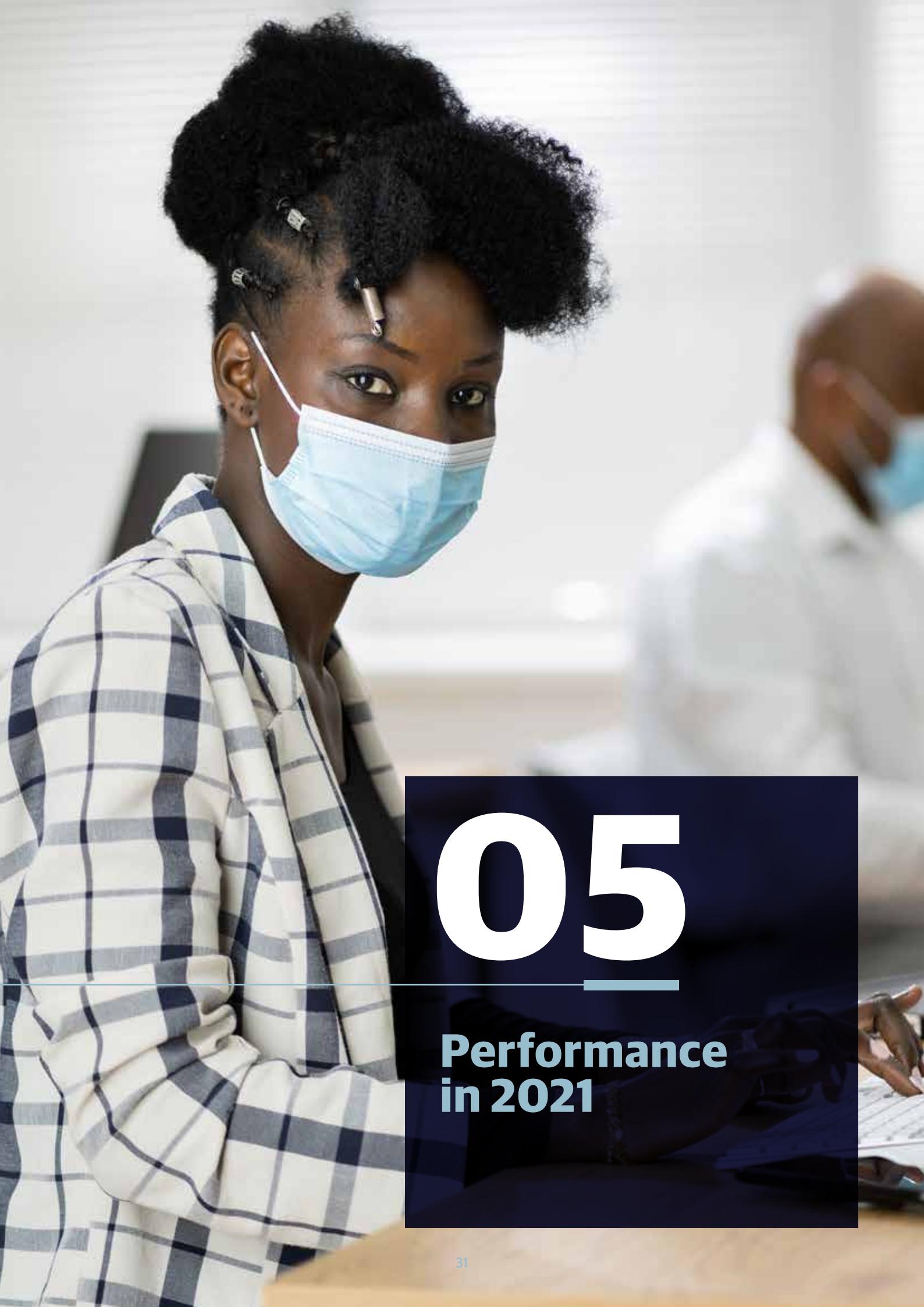


## Individuals and families

|                                |  |
|--------------------------------|--|
| <b>Motor insurance</b>         | Available for a broad range of vehicles. Cover can be limited to third party, third party fire and theft or comprehensive cover.   |
| <b>Auto Correct</b>            | Builds on our motor insurance product by using telematic monitoring to reduce pricing through encouraging better driving habits. It also allows for greater client engagement, notification of accidents and a points-based loyalty program. |
| <b>Domestic package</b>        | Provides insurance cover designed especially for your residence, including the structure and contents. Cover includes fire, theft and accidental damage. The policy extends to include personal liability.                                   |
| <b>Personal accident cover</b> | Provides compensation for physical and visible body injury caused in an accident.  |
| <b>Travel insurance</b>        | Provides 24-hour emergency and medical assistance anywhere in the world.   |

## Businesses

|  |   |
|--|---|
| <b>Medical insurance health cover</b>      | A suite of health insurance products offering a comprehensive set of health benefits to employer groups in Kenya.   |
| <b>Medical insurance Heritage flexi</b>    | Provides clients with the flexibility to design their medical scheme benefits to suit their needs.  |
| <b>Group personal accident (GPA) cover</b> | Provides compensation for physical and visible body injury caused in an accident.   |
| <b>Professional liability insurance</b>    | Protects against financial loss as a result of malpractice, errors, and negligence.   |
| <b>Combined solution</b>                   | An insurance package that combines all of the typical coverage options into one bundle. They simplify the insurance buying process and can save you money.                      |
| <b>General liability insurance</b>         | Protects against financial loss as the result of bodily injury, property damage, medical expenses, libel, slander, defending lawsuits, and settlement bonds or judgments.       |
| <b>Product liability insurance</b>         | Protects manufacturers, wholesalers, distributors, and retailers of a product against financial loss as a result of a defective product that causes injury or bodily harm.      |
| <b>Commercial property insurance</b>       | Protects your business against loss and damage of company property due to a wide variety of events such as fire, smoke, wind and hail storms, civil disobedience and vandalism. |



05

Performance  
in 2021

# Performance summary



**Enhance the client experience**

| Entity         | Metric  | 2021  | 2020  | Change |
|----------------|---|-------|-------|--------|
| Heritage group | General insurance claims paid (KShs million)    | 4,141 | 3,702 | +12%   |
| LLK            | Death and disability claims paid (KShs million) | 879   | 483   | 82%    |
| LLK            | Pensions and annuities paid (KShs million)      | 1,872 | 1,915 | -2%    |
| HIK            | Client net promoter score (NPS)                 | 46    | 49    | ✗      |
| LLK            | Client net promoter score (NPS)                 | 47    | 47    | -      |
| HIK            | Client satisfaction index (CSI)                 | 76    | 77    | ✗      |
| LLK            | Client satisfaction index (CSI)                 | 75    | 73    | ✗      |
| HIK            | Complaints (number)                             | 165   | 208   | ✗      |
| LLK            | Complaints (number)                             | 281   | 524   | ✗      |
| HIK            | Renewal rate (%)                                | 84    | 86    | ✗      |
| LLK            | Persistency (%)                                 | 65    | 72    | ✗      |
| HIK            | Existing/new business split (%)                 | 84/16 | 80/20 |        |
| LLK            | Existing/new business split (%)                 | 65/35 | 89/11 |        |



**Be the employer people want to work for**

| Entity | Metric                                  | 2021 | 2020 | Change |
|--------|---|------|------|--------|
| Group  | Employee retention rate (%)             | 94   | 94   | -      |
| Group  | Talent turnover rate (%)                | 10.0 | 4.2  | ✗      |
| Group  | Diversity - female employees (%)        | 46   | 46   | -      |
| Group  | Employee net promoter score (eNPS)      | 30   | 23   | ✗      |
| Group  | Employees trained (number)              | 302  | 311  | ✗      |
| Group  | Skills development spend (KShs million) | 13   | 9    | ✗      |



**Having a risk-conscious culture**

| Entity | Metric                              | 2021 | 2020 | Change |
|--------|-------------------------------------|------|------|--------|
| HIK    | Solvency (capital adequacy ratio)   | 3.53 | 3.54 | ✗      |
| HIT    | Solvency (capital adequacy ratio)   | 1.35 | 1.46 | ✗      |
| LLK    | Solvency (capital adequacy ratio)   | 2.10 | 2.15 | ✗      |
| Group  | Manage within risk appetite         | Yes  | Yes  | -      |
| Group  | Fines and penalties paid (KShs 000) | -    | -    | -      |



**Deliver investor expectations**

| Entity | Metric   | 2021 | 2020 | Change |
|--------|--|------|------|--------|
| Group  | Return on equity (%)                                 | 0.9  | 8.6  | ✗      |
| Group  | Earnings per share (KShs/share)                      | 0.15 | 1.23 | ✗      |
| Group  | Dividends paid to ordinary shareholders (KShs/share) | -    | -    | -      |
| Group  | Share price (at 31 December) (KShs million)          | 7.00 | 7.70 | ✗      |



**We are part of the fabric of society**

| Entity | Metric                                  | 2021  | 2020 | Change |
|--------|---|-------|------|--------|
| Group  | CSI spend (KShs million)                | 7     | 9    | ✗      |
| Group  | Taxes collected and paid (KShs million) | 1,142 | 941  | ✗      |

Liberty Kenya Holdings Plc Integrated report for the year ended 31 December 2021

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# Financial review



## Deliver investor expectations

Liberty Kenya has two main lines of business that generate value, namely long-term insurance (risk and investment products) and general insurance (short-term risk and medical expense risk).

Through the operations of its subsidiaries, Liberty Kenya earns income from these activities in the form of underwriting profits, fees and commissions. Additional value is created by the efficient management and investment of available capital, being the financial capital held for regulatory requirements.

The information provided here has been extracted from the audited annual financial statements of Liberty Kenya and its operating subsidiaries.

### Group financial performance

Liberty Kenya's primary basis of value measurement for investors is return on equity. Earnings per share, share price growth and dividends paid are the tangible gauges of value created for shareholders.

#### RETURN ON EQUITY

**0.9%**  
(2020: 8.6%)

#### EARNINGS PER SHARE

**KShs 0.15**  
(2020: KShs 1.23)

#### SHARE PRICE (AT 31 DECEMBER)

**KShs 7.00**  
(2020: KShs 7.70)

#### DIVIDENDS PAID TO ORDINARY SHAREHOLDERS

**KShs nil**  
(2020: KShs nil)

The impact of Covid-19 resulted in significantly higher risk claims in 2021 negatively impacting the group financial results.

Per the company's dividend policy, the declaration of dividends is subject to the company having a satisfactory capital adequacy position and the following additional factors:

- Conditions regarding dividend payments as stated in any loan agreements or debentures of the company and its subsidiaries
- The company's and operating subsidiaries' performance, liquidity, current cash flow and financial position
- Future business plans, investment and anticipated capital requirements
- Prudent business practice as directed by the board from time to time
- Consideration of the company's risk appetite

Considering the above policy, the group results and uncertain outlook in the Covid-19 environment, the board did not recommend the payment of a dividend in respect of the year ended 31 December 2021.

The following table reflects the discount that the company's shares traded at relative to its net asset value at 31 December:

| KShs million          | 2021  | 2020  |
|-----------------------|-------|-------|
| Market capitalisation | 3,750 | 4,125 |
| Equity                | 8,814 | 8,705 |
| Discount              | 57%   | 53%   |

#### Earnings by business unit

| KShs million                            | 2021       | 2020       | % change   |
|---|------------|------------|------------|
| Heritage Insurance Kenya                | 424        | 655        | -35        |
| Heritage Insurance Tanzania             | 4          | 41         | -90        |
| <b>Heritage group</b>                   | <b>428</b> | <b>696</b> | <b>-39</b> |
| Liberty Life Kenya                      | (157)      | 174        | >-100      |
| <b>Results from operating companies</b> | <b>271</b> | <b>870</b> | <b>-69</b> |
| Liberty Kenya Holdings                  | (190)      | (205)      | +7         |
| Elimination of right-of-use assets      | 1          | 11         | -91        |
| <b>Group profit after tax</b>           | <b>82</b>  | <b>676</b> | <b>-88</b> |

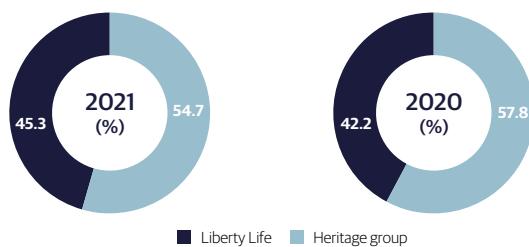
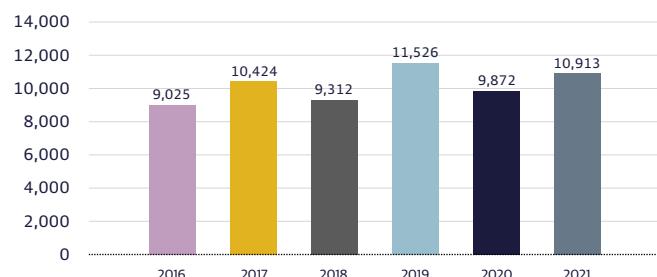
## Financial review (continued)

Total earnings for the year ended 31 December 2021, attributable to ordinary shareholders, amounted to KShs 80.2 million (2020: KShs 659.3 million). Claims costs rose sharply in the year due to the delayed impact of the Covid-19 pandemic which was felt more significantly in our long-term business (underwritten by Liberty Life Kenya). Short-term business also recorded claims deterioration especially in the retail book both in Kenya and Tanzania.

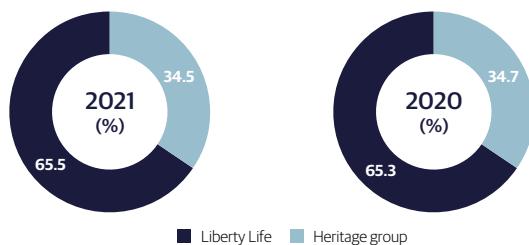
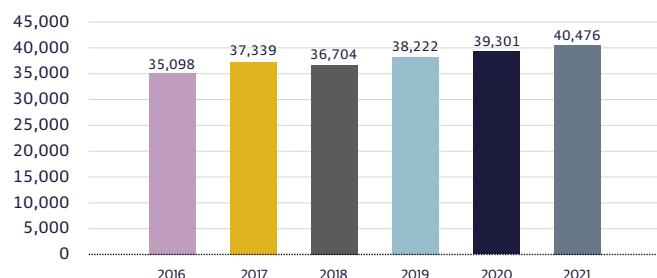
However, the company and its subsidiaries maintained a strong capital base, sufficient liquidity and the ability to meet their obligations in these unprecedented times.

Liberty Kenya Holdings relies on dividends declared from its operating subsidiaries and recoveries for directors' fees to fund its expenses. During 2021, HIK declared and paid an interim dividend of KShs 200 million. Total expenses for the year were 7% lower than 2020.

### Total income (KShs million)



### Total assets (KShs million)



## Heritage Insurance

### Results by territory – Heritage Insurance group

| KShs million               | Actual 2021  | Actual 2020  | % change        |
|----------------------------|--------------|--------------|-----------------|
| <b>Premium income</b>      | <b>9,169</b> | <b>8,424</b> | <b>+9</b>       |
| Kenya                      | 6,331        | 5,765        | +10             |
| Tanzania                   | 2,838        | 2,659        | +7              |
| <b>Underwriting profit</b> | <b>(24)</b>  | <b>291</b>   | <b>&gt;-100</b> |
| Kenya                      | 110          | 339          | -68             |
| Tanzania                   | (133)        | (48)         | -177            |
| <b>Profit before tax</b>   | <b>699</b>   | <b>967</b>   | <b>-28</b>      |
| Kenya                      | 692          | 891          | -22             |
| Tanzania                   | 7            | 76           | -91             |
| <b>Profit after tax</b>    | <b>428</b>   | <b>697</b>   | <b>-39</b>      |
| Kenya                      | 424          | 655          | -35             |
| Tanzania                   | 4            | 41           | -90             |
| <hr/>                      |              |              |                 |
| <b>Percentage</b>          |              |              |                 |
| <b>Loss ratio</b>          |              |              |                 |
| Kenya                      | 53           | 46           | +7              |
| Tanzania                   | 65           | 37           | +28             |
| <b>Expense ratio</b>       |              |              |                 |
| Kenya                      | 39           | 40           | -1              |
| Tanzania                   | 42           | 62           | -20             |

## Financial review (continued)

### Heritage Insurance Kenya

#### Financial results - key figures

| KShs million                     | 2021  | 2020  | % change |
|----------------------------------|-------|-------|----------|
| Gross earned premiums            | 6,083 | 5,846 | +4       |
| Net earned premiums              | 3,598 | 3,470 | +4       |
| Commissions earned               | 563   | 549   | +3       |
| Total investment income          | 582   | 552   | +5       |
| Claims and policyholder benefits | 2,810 | 3,378 | -17      |
| Acquisition costs                | 737   | 691   | +7       |
| Operating and other expenses     | 1,403 | 1,377 | +2       |
| Profit before tax                | 692   | 891   | -22      |

#### Operating results - key metrics

|  | 2021   | 2020   | % change |
|--|--------|--------|----------|
| Return on equity (%)                                 | 10     | 17     | -39      |
| Net claims ratio (%)                                 | 53     | 46     | +14      |
| Solvency (%)   | 353    | 354    | -0.3     |
| Expense ratio (%)                                    | 39     | 40     | -2       |
| Total assets (KShs million)                          | 10,771 | 10,982 | -2       |
| Liabilities under insurance contracts (KShs million) | 3,207  | 3,687  | -13      |
| Net client cash flows (KShs million)                 | 3,273  | 2,468  | +32      |

Heritage Kenya reported top line growth of 10% in 2021, with gross written premium exceeding KShs 6 billion for the first time. This growth was driven by a 10% increase in intermediated business, which in turn resulted in higher commission expenses. The slow growth in net earnings demonstrate continued reliance on the corporate book with large risks that fall above the group company's risk appetite and are therefore transferred to reinsurers.

The company's overall loss ratio (before the impact of outstanding claims reserve (OCR) movement) deteriorated marginally to 53% from 52% in the prior year. The year-on-year impact of OCR movement was KShs 238 million. Claims related to the pandemic almost doubled from KShs 30 million to KShs 57 million. The surge in claims costs was notable in the private motor vehicle class where the loss ratio rose from 59% to 75%, and in our medical business where the loss ratio increased from 57% to 66%. The increase in motor claims is attributed to increased mobility due to the easing of Covid-19 containment measures whereas in medical we noted an increase in hospital visits for other conditions in 2021.

Investment income was 5% higher than the prior year. Interest rates began to increase during the year and the company's share of the Kenya Motor pool income from the consortium amounted to KShs 16 million.

While competitors appear to continue to pay administration fees, the company's risk management demands that it remains fully compliant with the legislation in the countries in which it operates. As such, both Heritage Kenya and its Tanzania subsidiary refuse to pay administration fees. To retain intermediated business, a profitsharing plan was introduced in Kenya. The market has responded positively with full impact expected in 2022 after a full year review.

While travel and entertainment expenditure was curtailed by the pandemic restrictions, management expenses, excluding the bad debt provision, were 2% higher than 2020 as savings arising from the pandemic restrictions ended and more people returned to the office.

Headline earnings for the year of KShs 424 million (2020: KShs 891 million) were 52% lower.

At 353% (2020: 354%), the company's solvency and liquidity remained well above the legislated requirement of 200%. The premium collection rate remained high in the period.

#### Business lines performance

Non-motor and non-medical business lines accounted for 43% of the total business. Production for this category increased by 13% and the renewal rate of 84% was also an improvement on 2020. The pandemic continued to impact the level of new business with it falling below expectations. The overall loss ratio for these lines remained constant between 23% and 24%.

The highly volatile motor business class represents 25% of the company's product mix. This contribution is consistent with 2020 and importantly below the industry average of 31%. In 2021 this class reported an overall improvement in production of 9%.

New business for the commercial motor class increased by 8% year on year. Motor commercial claims loss ratio was 65% compared to 63% in the prior year.

The Auto Correct product reported strong growth of 54%. However, claims costs were high resulting in negative cash flow for the period. Take up of this unique and industry-leading digital product is a concern and management is considering opportunities to improve the uptake of the product.

The cumulative loss ratio for the traditional private motor class, including adjustments for OCR movements, was 75% (2020: 59%).

The company's medical business class surpassed the KShs 2 billion premium milestone in 2021. Overall, production for this class increased by 6% over 2020. Renewal rate for the year amounted to 97% (2020: 94%) although new business generation performed poorly. The medical class of business reported an overall loss ratio of 66% (2020: 57%) driven by increased hospital visits. However, the industry average loss ratio for this class as at the end of September 2021 was 74% and expected to be higher when full-year results are published by the IRA.



## Financial review (continued)

### Heritage Insurance Tanzania

#### Financial results - key figures

| KShs million                     | 2021  | 2020  | % change |
|----------------------------------|-------|-------|----------|
| Gross earned premiums            | 2,668 | 2,623 | +2       |
| Net earned premiums              | 813   | 750   | +8       |
| Commissions earned               | 279   | 307   | -9       |
| Total investment income          | 141   | 121   | +16      |
| Claims and policyholder benefits | 1,331 | 710   | +88      |
| Acquisition costs                | 353   | 367   | -4       |
| Operating and other expenses     | 736   | 436   | +69      |
| Profit before tax                | 7     | 76    | -90      |

#### Operating results - key metrics

|  | 2021  | 2020  | % change |
|--|-------|-------|----------|
| Return on equity (%)                                 | 1     | 8     | -84      |
| Net claims ratio (%)                                 | 65    | 35    | +87      |
| Solvency (%)   | 128   | 219   | -42      |
| Expense ratio (%)                                    | 91    | 58    | +56      |
| Total assets (KShs million)                          | 3,230 | 2,664 | +21      |
| Liabilities under insurance contracts (KShs million) | 1,071 | 490   | +119     |
| Net client cash flows (KShs million)                 | 1,337 | 1,913 | -30      |

The results of the Tanzanian subsidiary were impacted by a 98% increase in claim costs. This increase was driven by high motor and accident claims, the recording of an additional unexpired risk reserve (AURR) of KShs 64 million and increases to the incurred but not reported (IBNR) reserve to align with the group's methods of determining actuarial reserves. This was the first year such alignment was implemented.

Management took decisive action on pricing and there has been a marked improvement in the first months of 2022.

The claims loss ratio deteriorated to 65% of net earned premium (2020: 37%). The increases in the IBNR and AURR contributed to the increased loss ratio. Excluding the impact of actuarial reserves, the loss ratio would have been 55%.



## Financial review (continued)

### Liberty Life Kenya

#### Financial results – key figures

| KShs million                     | 2021  | 2020  | %<br>change |
|----------------------------------|-------|-------|-------------|
| Gross written premiums           | 5,248 | 5,068 | 4           |
| Net earned premiums              | 4,779 | 4,869 | -2          |
| Commissions earned               | 101   | 103   | -3          |
| Total investment income          | 4,649 | 2,347 | +98         |
| Claims and policyholder benefits | 3,950 | 2,339 | +69         |
| Acquisition costs                | 737   | 611   | +21         |
| Operating and other expenses     | 1,012 | 966   | +5          |
| Profit before tax                | (199) | 273   | -173        |

#### Operating results – key metrics

|  | 2021    | 2020   | %<br>change |
|--|---------|--------|-------------|
| Return on equity (%)   | (6)     | 6      | -196        |
| Net claims ratio (%)   | 156     | 97     | +61         |
| Solvency (%)   | 210     | 215    | -2          |
| Expense ratio (%)  | 43      | 39     | -11         |
| Total assets (KShs million)  | 25,299  | 24,463 | +3          |
| Liabilities under insurance and<br>investment contracts (KShs million) | 20,375  | 19,558 | +4          |
| Net client cash flows (KShs million)                                   | (1,251) | 368    | >-100       |

Despite the challenges, Liberty Life Assurance Kenya Limited remained resilient in 2021, delivering a robust top line. The company's gross premiums reflect a 4% growth, attributable to an increased contribution from new business. This demonstrates solid business fundamentals regarding the future of the business.

Despite the premium growth, earnings were negatively impacted by high group risk claims attributable to the Covid-19 pandemic and expense strain under the Boresha Maisha unitised product. Consequently, the company reported a loss of KShs 157 million (2020: profit of KShs 174 million). Both the retail life and pension lines reported good growth in profitability compared to 2020. Investment returns recorded impressive growth resulting from positive equity market recovery during the year.

Identifiable Covid-19 claims increased nearly sixfold, from KShs 27 million in 2020 to KShs 150 million in 2021. However, it is not possible to fully identify all Covid-19 specific claims.

Operating expenses, essentially administration costs, reflect a 6% year-on-year increase as a result of a higher provision for doubtful debts, increased management support for the implementation of IFRS 17 and new ways of working.

Acquisition costs consist of intermediary remuneration (commissions and profit share fees) and agency office management costs (non-commission costs). Intermediary costs were 5% below the prior year on account of the discontinuation of the payment of administration fees. Non-commission acquisition costs were



2% above the prior year as a result of an increase in insurance taxes following the inclusion of the group life business line in the computation of insurance taxes by the regulator.

The value of new business (VoNB) is a measure of the economic value of profits likely to emerge from new business in the future. It is also an indication of the quality of underwriting practice, from product development, pricing, distribution, servicing of the book and other client experience measures and as profitability to shareholders. In the period under review, the value of new business amounted to KShs 160 million (2020: KShs 92 million). Group Risk and Retail classes generated a positive VoNB while the VoNB of the company's retirement benefits class was negative.

The company's solvency declined slightly to 210% (2020: 215%). This remains within the prescribed statutory limit of 200% set by the regulator. Solvency is the ratio of the capital available against required capital and is an indicator of the company's ability to meet its obligations to policyholders.

Management continued to implement measures to return the company to profitability through better risk management, increased business acquisition and retention. As the economy gradually re-opens following the lockdowns of previous years, we expect to see increased levels of insurance penetration and density. It is hoped that clients will reinstate life policies that lapsed due to the economic difficulties prevalent in 2020 and 2021.



# A focus on our clients and partners



## Enhance the client experience and be the partner of choice

Value created for clients includes the objective advice of financial advisers and brokers, risk solutions that provide peace of mind for families and companies, and investment and retirement products that allow individuals, families and employees to achieve their long-term savings goals.

### Liberty Life

#### DEATH AND DISABILITY CLAIMS PAID

**KShs 879m**

(2020: KShs 483m)

#### MATURITY AND SURRENDERS

**KShs 2,311m**

(2020: KShs 2,233m)

#### PENSION PAYMENTS

**KShs 1,872m**

(2020: KShs 1,915m)

### Heritage Insurance

#### PROPERTY CLAIMS PAID

**KShs 2,746m**

(2020: KShs 2,446m)

#### MEDICAL AND PERSONAL ACCIDENT CLAIMS PAID

**KShs 1,395m**

(2020: KShs 1,256m)

### Consumer research

Both Liberty Life and Heritage conducted market research to identify consumers' characteristics, perceptions and needs, to collect insights and identify market opportunities. The research indicated that clients value dependability, accessibility and personalised service. These findings and insights were used as input into the strategy refresh process and actions to meet these expectations agreed, documented, and in some areas implemented, including:

- Automation, digitisation and simplification of processes
- Offering solutions that clients value—guaranteed annuity, pensions and personal medical cover
- Migration to the cloud
- Web portals, enhancement of the USSD facility and the development of apps
- Being a data centric organisation – this will enable a single view of the client, a key requirement for the company to afford quality service to the client of the future
- Relationships enabled by the 'Agent of the future' and "Retailising the corporate book"
- Partnering with clients for life
- Rewarding and recognising clients

### Reaching our clients

During the year we focused on consolidating our efforts to revamp our distribution structure involving agents and brokers. Agents remain a key sales and distribution channel. We intend to deepen our strategic partnership with these distribution channels to ensure that we continue to deliver value to the business in a mutually beneficial manner. All our qualifying agents are equipped with tablet computers to make their interactions with clients and prospective clients an exceptional experience. They can service clients from anywhere and at any time. It is part of our quest to make the client journey a fulfilling and rewarding experience.

### Serving our clients

We ensured faster turnaround times in our operations through the implementation of such initiatives as straight-through processing, and a paperless client onboarding solution that was helpful during the Covid-19 pandemic as we could seamlessly onboard clients from the comfort of their homes/offices. We also continued to invest in digital technology, affording clients the opportunity to transact and engage with us digitally in respect of premium payments, statements generation and policy loans processing.

As death claims increased significantly compared to prior year due to the pandemic, it gave us great satisfaction to be living

## A focus on our clients and partners (continued)

our purpose which is to improve people's lives by enabling their financial freedom. We touched many lives at their most vulnerable moment when they had lost a loved one, often very abruptly. Families who were our clients did not have to endure the stress of figuring out how to settle mortgage balances or other financial obligations because of the cover their principal breadwinner had with Liberty Life.

### Innovation for our clients

Over the years, we have developed various innovative products that respond to the needs and wants of our clients. In 2021 we launched another exciting product, the Soma Savings Plan, a very flexible and innovative education policy which addresses the needs of our clients as identified by our research. A digital marketing campaign across a variety of social media channels supported the launch of this savings product and continued throughout the year to increase the Liberty Life brand visibility. At the same time, Boresha Maisha, our flagship retirement solution continued to do well. During the year we also reviewed our Legacy funeral product to improve its value to our clients given the feedback that we received from the market. This revamp included an increase in the maximum cover to KShs 3 million as demanded by the market.

During the year, the group adopted agile ways of working to enhance efficiencies in the way we implement strategic initiatives. The improved speed with which we implement our strategic initiatives means the clients can realise the benefits much faster, whether it is product development, system implementation or just improving our operations.



### Telematics insurance

With a telematics insurance policy, clients receive a customised dashboard that helps them trace their journey and receive feedback on their driving style. The device can capture data that is useful to both the insurance company and the driver.



### Auto-Correct Reward Program

This is a points-based loyalty program that rewards the insured for good and safe driving. The points awarded are based on how the insured drives and are redeemable for a choice of reward options guided by your preferences.

Launched in 2019, Auto Correct is a comprehensive motor insurance policy from Heritage Insurance in partnership with experts in the telematics field.

While the sales and active number of units remained below target, the product continues to be popular among existing users with better-than-expected renewal rates. We believe that these renewal rates reflect our delivery of the product promise for:

- Reduced cost of insurance for safe/good drivers
- Personalised and meaningful client engagements
- Fast and hassle-free claims processing
- Reward/loyalty programme with points that are conveniently redeemable

#### Auto Correct statistics

| GWP                       | Cashback                          | Loyalty points                                |
|---------------------------|-----------------------------------|---|
| 2019:<br><b>KShs 36m</b>  | Total earned:<br><b>KShs 3.5m</b> | Total points accumulated:<br><b>KShs 3.2m</b> |
| 2020:<br><b>KShs 143m</b> | Policies:<br><b>471</b>           | Redeemed:<br><b>KShs 2.5m</b>                 |
| 2021:<br><b>KShs 225m</b> |                                   | Redemption rate<br><b>76%</b>                 |

## A focus on our clients and partners (continued)

The product was launched with the intention of improving client engagement and to collect client data, both of which are in line with expectation. A review of the product construct, tools and route to market will help us better understand how we can increase the demand through the product by creating client value which exceeds client concerns regarding the sharing of their data.

- Data collected continues to have a high degree of accuracy and completeness both for current use and other potential uses in the future
- Client engagement around onboarding, fitting, insights offered by the data, claims management and renewals management have all continued to be positive for Auto Correct clients
- Data collected continues to provide a basis for meaningful client experience particularly around maintaining product and brand visibility during the insurance period, redemption of points and rewards through cash back

Given the learnings and insights gained from the data, there are plans to enhance the product further in line with client needs.

Finally, we are excited to be launching another product in 2022. Known as Platinum Life, this product comes with substantial value for the market. It has already been granted provisional approval by the regulator. We expect to launch this exciting product in the second half of 2022.

### Delivering through insurtechs and fintechs

In the area of insurtechs and fintechs, the businesses partnered with:

- Stanbic Insurance Agency to build an integrated motor app for a minimum viable product which launched in October 2021. Additional solutions, both short and long term, are planned for 2022
- Micro Finance Solutions to build a motor insurance platform, complete with premium financing that launched in December 2021. A white-labelled platform is planned for the second quarter of 2022 with capacity to also develop capability to sell other short- and long-term insurance solutions

### Endearing the brands to independent distribution partners

A significant percentage of revenue for both Liberty Life and Heritage Insurance is generated through brokers and agents. During the year, the two businesses contributed to:

- The annual conference for Association of Insurance Brokers of Kenya (AIBK) as a key sponsor. The main purpose was to build the Liberty Life and Heritage brands among new and emerging brokers
- Several golf tournaments for agents across the country which provided opportunities to meet our mutual clients
- Product training and knowledge with different intermediaries aimed to improve the technical capacity of staff in intermediary offices

### Monitoring our performance

In conjunction with Liberty SA, we developed net effort score (NES) and client satisfaction index (CSAT) metrics to assess the client experience and track our progress.

### Supporting our partners

The majority of product sales and client servicing is performed by a variety of distribution partners, be they tied financial advisers, agents, brokers or other intermediaries. Meeting the expectations of these partners is critical to our success.



Using a dedicated trainer, we continued to leverage Liberty's Mind My Money financial education programme to engage with both clients and non-clients alike.

By end of December, we had presented the programme to over 10,000 employees across various worksites in Kenya.



# Working for our employees



## Be the employer people want to work for

We aim to ensure our employees are motivated, empowered and equipped with the necessary skills and expertise to help us achieve our strategic goals. For Liberty, it is imperative that employees immerse themselves in our culture of humanity so we can meet the needs of our stakeholders and communities.

We seek to create value for all our employees. We offer competitive pay and benefits aligned to the market for divergent functions and skills. Other value metrics are qualitative such as meeting our strategic objective to "provide an environment for our people to thrive". Such an environment is represented not only by the physical working conditions but by a collegiate culture underpinned by common ethics. We want our people to be proud to work for Liberty and truly consider their colleagues as family.



**SDG 8: Decent work and economic growth** is about promoting inclusive and sustainable economic growth, along with gainful employment. Liberty's purpose of improving people's lives by making financial freedom possible strongly aligns with these objectives.

## Strategy update

### Our human capital strategy



### Employee experience and leadership principles

#### Living and doing

Integrating our employees' lives at work with their personal working circumstances and preferences, creating true work-life integration.

**Moving in and moving on**  
Enabling a seamless onboarding experience for our people while allowing them to move onto the next phase of their career with dignity, remaining connected to the organisation.

#### Employee experience

#### Growing and evolving

Creating the platform for our people to take control of their career, role and learning evolution, encouraging non-linear and self-driven growth.

**Connecting and belonging**  
Uniting our people across functions, levels and backgrounds to create a cohesive organisation where everyone feels included and valued.

#### Inspiring and innovating

Driving meaningful and inspirational work that aligns with our purpose and values, creating an engaged and motivated organisation.

#### Realising and recognising

Aligning employee performance outcomes and Liberty's business outcomes, shifting the cultures and habits around performance management.

## Working for our employees (continued)

In 2021, we continued to embed our employee experience. We believe that for everyone at Liberty to thrive, we must be doing our best work and living our best lives. Building on the progress we made in 2020, in 2021 we focused on solidifying our holistic employee experience framework.

Socialisation of the employee experience framework continued in 2021 and forms part of our change transformation journey.

Key actions arising out of our employee survey relate to communication, leadership and inclusivity as part of the employee life cycle events.

We want our employees to thrive and, to help them do so, we continue to provide fair performance-related remuneration, comprehensive skills training and education, and career development opportunities while also striving to create an inclusive work environment. We structure remuneration packages according to employees' skills and functions, providing a balance between guaranteed and variable pay.

The Covid-19 pandemic exacerbated the level of change required for businesses globally, resulting in the need to evolve the following elements to create a fundamentally digital workplace:

- Business models
- Workforce models
- Policies and governance
- Infrastructure
- Culture
- Reskilling of employees
- Wellness programmes and the mental wellbeing of employees

Fortunately, at Liberty, we commenced our digital transformation journey before the outbreak of Covid-19. However, the rapid changes we experienced over the past two years required us to rapidly revise our working model, where we considered a hybrid working environment, technology as an enabler for digital and remote work, and the shift in employee behaviour.

Since the pandemic emerged, we have demonstrated our ability to adapt - a key skill that we will continue to foster in the years ahead. In this new age, it is imperative that we find ways to enable both living and doing, integrating home life and work life to ensure true balance is achieved. In addition, we must have tough conversations around vaccinations and the return to office to ensure we can identify our new working model, along with the needed changes to our infrastructure.

### Annual employee check-in survey

- 76% of all employees participated in the survey
- 47% of employees were considered to be promoters of Liberty while 17% recorded themselves as detractors. The balance were neutral
- This resulted in an improvement in the employee NPS to 30 (2020: 23)
- The survey reported an employee experience of 3.79 out of 5.00
- The highest score was reported for the connected and belonging segment of the employee experience

### Leadership principles and behaviours

Our leadership behaviours are ingrained in our DNA and recognise our leadership, culture and brand characteristics, as well as our strategy.

#### IMAGINE IT'S POSSIBLE

- Be a pioneer
- Be brave
- Be human
- I see you
- Listen more, speak less
- Have fun
- Create clarity upfront
- Be better than yesterday

#### ACT WITH HUMANITY

#### DO WHAT MATTERS

Our leadership initiatives are crucial to the culture and character of Liberty, and we invest significantly in developing leaders across all levels of our business. Our Growth Mindset and leadership programmes work on embedding employee experience, leadership principles and a growth mindset.

Our Growth Mindset programme enables each Liberty employee to create behavioural change, while our leadership programme supports our leaders as they navigate significant changes and transformation – helping raise awareness, deepening empathy and understanding, and sharpening their leadership skills.

Growth Mindset sessions to enable a culture shift were held with 82% of our employees. The intention is to reach all employees by the end of the first quarter of 2022. Leadership townhalls were held to socialise employees on the transformation journey.

### Our commitment to excellent leadership, ethics and corporate governance

To ensure effective leadership, Liberty's board of directors takes responsibility for decision-making and ethical actions. This responsibility is cascaded throughout our organisation, and we expect our employees and representatives to reflect our values and cultivate trust in our brand.

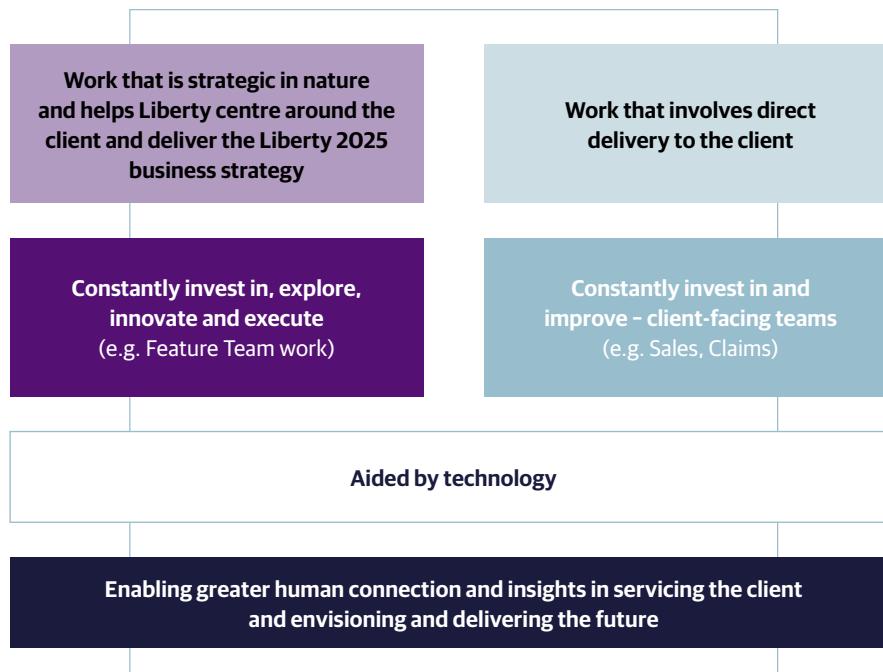
Our approach to business ethics and our obligations to clients, advisers, partners, shareholders, employees, representatives, suppliers, the public and the authorities are enshrined in our formal code of ethics, which is available online:

 [www.libertyholdings.co.za/Documents/code-of-ethics.pdf](http://www.libertyholdings.co.za/Documents/code-of-ethics.pdf)

## Working for our employees (continued)

### New ways of working strategic intent

A business model, not just an execution capability, that delivers the strategic intent through a technology-augmented human experience.



For us to realise our strategic ambitions, we need to redirect the combined talents of all our employees to work that grows this business and serves our clients and partners better. We need to deliver our purpose in a way that is meaningful, relevant and convenient to our clients.

To do this, we need to grow and execute much faster and in a way that has more impact so that we see the benefits more quickly. We need to redesign the way we work totally around our client needs. To do this we are removing what makes it difficult for employees to change and be more focused on delivering value.

In order to do achieve this we have adopted 'agile' as a way of working. Working in an agile way enables us to organise teams, known as Feature Teams, around prioritising and delivering value quickly versus the traditional way of being organised in rigid silos and large functional teams that make it very challenging to quickly respond to client needs.

To be agile, our leaders will move from managing work to designing work. Leaders will be focused on empowering teams by removing roadblocks, mentoring and developing people and thinking more about future ways to serve our clients. This will provide our leaders with growth opportunities and our teams with more experience to get the work done.

In 2021 we adopted a robust and extensive change management programme allowing employees to understand and commit to the

### Targeted outcomes:

- 01 Strategic value drivers and measures aligned to client, partner, employee and investor focus.
- 02 80% standardisation with 20% customisation, creating efficiencies in the operating environment
- 03 Minimum viable product provision through a design and explore capability to build value upfront.
- 04 Differentiation from pure digital businesses through humanness at key moments of vulnerability.
- 05 Remote working enables access to skills, diversity of thought and effective use of human capital.
- 06 Embedded risk management.

shift to new ways of working (NWoW) and work effectively during the change, so we realise value in the shortest possible time.

We also created a change champion and change agent network. A key responsibility of this network will be the escalation of any potential issues, such as implementation or readiness concerns, directly to the relevant executive committee member on a regular basis with suggestions for solutions.

The leadership team will guide and lead teams through the change by engaging with employees and acting as role models while always guided by the Liberty leadership principles. Just as our clients expect humanness in moments of vulnerability, as leaders we are dedicated to demonstrating humanness to our employees as we lead them through this change. Leaders and employees will be engaged via numerous channels such as podcasts, videos, presentations and infographics.

In order to grow our business, we must stop doing work that does not add value to the client. To do this, we must first understand the tasks that consume our employees without adding any value. We must also understand and appreciate our employees' current workload and their individual capacities. We must then enhance and redeploy our employee capacity. It is important that our employees understand that despite this analysis, we are not contemplating redundancies. Increasing employees' skill sets and growing their careers is the natural outcome of this approach.

## Working for our employees (continued)



There are four aspects that we consider when determining the enhancement needs and redeployment of our human capital resources:

- Deployment – identify employees who have no time to be part of a Feature Team because they are already totally committed to delivering great service to our clients
- Alignment – identify work that is not aligned to our 2025 strategy and stop doing it
- Inefficiency – identify business as usual inefficiencies – such as manual processes – and introduce new processes – such as digitalisation and automation
- Duplication – identify work that is duplicated, regarded as “keep the lights on” or as a small enhancement within an agile team

**NWoW is about growing our business, serving our clients better and making Liberty the employer that everyone wants to work for**

In 2021, the Liberty Kenya team members were aligned to the rest of Africa NWoW team, resulting in a more seamless portfolio view across all Liberty Africa Insurance (LAI) operations with four Kenya-specific agile teams created. This leads to greater levels of collaboration, innovation and efficiencies.

Through NWoW, LAI developed a vendor engagement model focused on the alignment of processes and a critical assessment of people capacity to deliver work within an agile framework. This model was piloted with a single vendor in 2021 and will be rolled out to other vendors in early 2022 to deliver incremental solutions to our clients within 10-week periods.

## Future focused development

Empowering and upskilling our people is at the forefront of delivering on our purpose of improving people's lives by making their financial freedom possible. This includes facilitating financial freedom for our employees through investing in a lifetime of growth and development. By creating opportunities for learning and advancement, we help our employees reach their personal financial goals while also securing Liberty's sustainability.

NWoW demands employees to have new digital skills - the skills of the future. Using an historically high training budget, Liberty will train its employees in these digital skills.

In 2021, our focus was on developing individual employee development and training plans for skills not currently available at Liberty. We completed an ICT capability gap analysis and current and future capabilities were identified.

We actualised our learning and development interventions to support functional and individual development needs with a focus on agile training interventions for a successful implementation of NWoW.

Every employee will receive a training programme aligned to the role they will play within Feature Teams. Each of these training programmes are accredited through SAFe and taught by senior coaches. Once the individual has been trained, they are required to write an exam to become accredited within the role they have been assigned.

The training schedule and curriculum for each employee will be developed and aligned with the training and skill sets framework that is currently under review by Human Capital.

Seven managers were enrolled in a management training course, to improve leadership skills. During the year, 40 employees were enrolled on professional programmes (LOMA, IIK Diploma, Actuarial certifications, CPA and ACCA).

E-learning content continued to be accessible to all employees via Percipio.



## Working for our employees (continued)



**SDG 3: Good health and well-being** aims to ensure healthy lives and promote well-being for all at all ages. It is essential to sustainable development. Widening economic and social inequalities, urbanisation, threats to the climate and environment, the continuing burden of HIV and other infectious diseases, and emerging challenges such as non-communicable diseases represent global health priorities that can only be addressed through universal health coverage.



At Liberty, we actively develop programmes that promote the well-being of our employees, be it career, physical, emotional, social or financial. We aim to build resilient individuals and communities, doing so by embracing a holistic view and ensuring our occupational health and safety practices, employee wellness programme, Covid-19 relief efforts and social commitments through our CSI programme create tangible value for our employees.

The correlation between wellbeing and productivity is conclusive. At Liberty, we know that looking after our employees will benefit everyone – from increasing job satisfaction and productivity to decreasing employee absenteeism and stress, we believe that ensuring the wellness of our staff secures the sustainability of our business.

In an environment where the pressure to deliver places increasing demand on individual wellbeing, it is imperative that we assist our employees in their health and wealth development. Furthermore, the Covid-19 pandemic escalated the importance of supporting our employees on their career, physical, emotional, social and financial journeys.

To this end, over the past two years we concentrated on initiatives in the mental health, physical wellbeing (including ergonomics for remote work) and financial wellness space.

Our Independent Counselling and Advisory Services (ICAS) employee assistance programme proved particularly beneficial to all staff during the pandemic, providing support and counselling for both mental and financial health. The programme provided support services to numerous employees and their immediate family

members. The programme is freely accessible and completely confidential.

As a responsible employer, we take the health and safety of our clients, employees and tenants seriously. The Covid-19 pandemic escalated this responsibility, and we prioritised the safety of our employees and financial advisers as we continued to provide uninterrupted service and support to our clients.

During 2020, we focused primarily on developing and implementing procedures to mitigate the spread of Covid-19, also ensuring we complied with relevant regulations. We continued to implement these procedures in 2021, while resuming our regular OHS compliance activities – particularly with regard to health and safety training and compliance audits.

## Performance in 2021

| Metric                                  | 2021 | 2020 | Change |
|---|------|------|--------|
| Employee retention rate (%)             | 93   | 94   | -      |
| Talent turnover rate (%)                | 7.2  | 4.2  | ▼      |
| Diversity – female employees (%)        | 46   | 46   | -      |
| Employee net promoter score (eNPS)      | 30   | 23   | ▲      |
| Employees trained (number)              | 302  | 311  | ▼      |
| Skills development spend (KShs million) | 13   | 9    | ▲      |

# Fulfilling our regulatory obligations



## Have a risk-conscious culture

We continue to navigate the evolving regulatory environment by embracing, anticipating and managing change and leveraging our knowledge of the different laws, regulations and legislation.

Our stakeholders expect us to manage business risk and behave in an ethical manner that ensures compliance with the form and substance of laws, regulations, codes and standards. Through our governance structures and processes we aim to anticipate, meet and exceed the requirements of the increasing regulation of our industry.

Ultimately, our risk and conduct value driver goal is to manage our business in a safe, secure and profitable manner for the benefit of all stakeholders, build trust and enhance our reputation.



Liberty Kenya is regulated by the Capital Markets Authority (CMA), and engages with the Nairobi Stock Exchange and the Central Depository and Settlement Corporation Limited. Its two Kenyan subsidiaries are regulated by the Insurance Regulatory Authority (IRA). Liberty Life Kenya is also regulated by the Retirement Benefits Authority. Heritage Insurance in Tanzania is regulated by the Tanzania Insurance Regulatory Authority.

Liberty believes in constructive and productive relationships with regulators and policymakers of our industry. In Kenya, our primary engagements are with the IRA, the CMA and the Kenya Revenue Authority (KRA). We also participate in or engage with industry associations, notably the Association of Kenya Insurers (AKI), the Association of Kenya Professional Insurance Agents (AKPIA) and the Association of Insurance Brokers of Kenya (AIBK).

The development of regulations is targeted at enhancing trust and integrity in the financial sector, as well as improving client outcomes and benefiting society at large. There are growing expectations of management of non-financial risks including conduct risk and culture. Environmental, social and governance (ESG) and sustainability disclosures and reporting continue to be an area of focus, with a shift towards more standardised reporting expected as reflected in the recently published NSE ESG guidance manual.

## Fulfilling our regulatory obligations (continued)

Financial inclusion in the financial sector is critical for the industry and regulators. The IRA continues to play a role in financial inclusion including consumer protection and consumer education. During the year, the IRA developed a policy to promote insurance cover in the informal sector. The Micronsurveillance Policy targets the 38 million Kenyans who are not covered, and at the same time boosts uptake of insurance across the country. The policy maps out the future path and regulation of microinsurance business in the country and is expected to address the gap in the provision of insurance services in the country since those with small earnings were not adequately catered for by conventional insurance.

Liberty supports these regulations and continues to develop strategic responses to new and emerging regulations, and to leverage our capabilities to monitor and assess the implications of regulatory developments and engage with external stakeholders to understand and constructively influence regulation.

Over recent years, we have deliberately strengthened our financial position by maintaining a prudent and disciplined approach to trading across both underwriting and investing activities. Accordingly, while Covid-19 has weighed on our results, we maintained solid surplus operating capital.

### Solvency ratio

|                             | 2021 | 2020 |
|-----------------------------|------|------|
| Liberty Life Kenya          | 210% | 215% |
| Heritage Insurance Kenya    | 353% | 354% |
| Heritage Insurance Tanzania | 126% | 146% |

Both Liberty Life and Heritage Insurance Kenya exceed the minimum regulatory requirement of 200%. Heritage Insurance Tanzania exceeded its minimum regulatory requirement of 100%.

Liberty Life's actuarial department produces a full analysis of surplus on an annual basis. This exercise is verified by an external third-party statutory actuary consultancy. The analysis of surplus provides the board and management with sight of the sources of profits and losses by business class and product.

### Managing regulation

The group operates in a complex and evolving regulatory landscape. The developing regulations in this environment are driven by international trends (arising from the G20, IAIS and the Financial Stability Board), regulatory goals for consumer protection, prudential regulation and tax reform. These regulations must be considered and prepared for while complying with existing legislation.

Considerable effort is invested in anticipating and understanding both emerging and developing regulation. This is necessary to ensure that risks and opportunities, which may impact on the existing operating environment, are identified and adequately

prepared for. The management of regulation occurs through a regulatory programme review and oversight process. This process identifies and prioritises pending requirements and develops the appropriate response after assessing the proximity and potential impacts as well as both positive and negative strategic considerations. Board members are informed quarterly of new and anticipated legislation.

During the year the IRA conducted an onsite risk-based supervision inspection of Liberty Life Kenya. We are addressing the findings of this inspection regarding the independence of the chairman of the operating subsidiaries and ensuring that the board of Liberty Life Kenya meet the requirement that one-third of its directors are independent. In terms of the corporate governance guidelines, a director loses their independence categorisation after serving for six years. We are also ensuring that our existing board committees fulfil all the responsibilities of those committees required in terms of the guidelines.



### Treating clients fairly (TCF)

Liberty places the client at the heart of everything it does and operates in a manner where fair play and ethical behaviour underpin all business activities and relationships. Liberty has no appetite for deliberately or knowingly breaching legislative, regulatory and internal policy requirements.

All risks that may influence the client outcome across the value chain are dealt with as part of business conduct risk, including aspects such as product design, approval of marketing material, policyholder investment performance, client complaints and claims management.

The client fairness committee, supported by the executive committees in each operating subsidiary, assists in achieving fair outcomes for all Liberty's clients.

TCF is the legislative and regulatory embodiment of a fair and more transparent consumer environment and promotes more efficient and equitable financial services. Liberty Kenya seeks to differentiate itself in the market by providing products that clients perceive to have value. It is our responsibility to balance shareholder value and client fairness in the creation of client value. By adopting a client-centric approach, we seek to internalise TCF as part of our culture. By using the TCF outcomes to inform our client service principles, we have embedded TCF across the organisation, elevating it beyond regulatory compliance.

## Fulfilling our regulatory obligations (continued)

### Six core consumer outcomes of TCF

Clients can be confident that they are dealing with firms where the fair **treatment of clients is central to the firm's culture**.

Products and services marketed and sold in the retail market are **designed to meet the needs of identified client groups and are targeted accordingly**.

Clients are given **clear information and kept appropriately informed** before, during and after the time of contracting.

Where clients receive advice, **the advice is suitable and takes account of their circumstances**.

Clients are provided with products that perform as firms have led them to expect and the **associated service is both of an acceptable standard and what they have been led to expect**.

**Clients do not face unreasonable post-sales barriers** to change product, switch provider, submit a claim or make a complaint.

When determining policyholder bonuses, Liberty Life considers all generations of policyholders, neither advantaging nor disadvantaging a particular group. Over-declaring bonuses in one year will be advantageous to policyholders surrendering and disadvantageous to those staying as the additional bonus will have to be recouped from future returns. Meeting this objective is achieved by maintaining a bonus stabilisation reserve between -15% to +5% of assets.

### Client complaints

The group has a client complaints policy, the objective of which is to deliver an urgent, empathetic, consistent, transparent and fair response to all complaints, in line with clients' expectations and regulatory and supervisory requirements.

**Automation** of some of the claims' client journeys to **reduce the number of requests handled manually**.

**An increase in the capacity of the claims team to address complaints** resulting from the impact of the pandemic in 2020.

**Implementing a process of notifying clients regarding check-off arrangements** that are not remitting premiums and giving alternative plans for remitting future premiums.

**The automation** of premium allocation to **reduce the possibility of misallocation**.

During 2021, Liberty Life Kenya reported a 46% reduction (281 vs 524) in complaints compared to the prior period. A total of 14 complaints were received through the regulator and in all cases, Liberty's initial decision regarding the complaint was upheld. Heritage reported a 20% reduction (165 vs 207) in the number of complaints during the year. Various actions have resulted in the reduction in complaints, including:

- Introducing relationship managers to all existing and newly onboarded retail clients
- Training of sales teams, including intermediaries, in product knowledge and claims service, leveraging on technology in disseminating electronic policy documents and staff training in product knowledge and business processes to enhance the client experience
- Implementing real-time validation of over-the-counter bank payments
- Engaging with clients prior to the maturing of their policies
- Introducing clients to the self-service from policy inception and automating communication with clients to ensure consistency and empowerment for self-service using the online portal

For both operating companies, the payment of claims remains the largest root cause of complaints, followed by administration and communication related to onboarding and policy benefits.

### Anti-money laundering

In 2020, we launched a data remediation project that entailed sourcing missing data sets from clients. This required a review of existing client records and engaging with clients to secure missing data. At policy renewal, it is now mandatory to provide all required data sets in compliance with our minimum know your client (KYC) data. We changed proposal forms to require all new clients to comply with KYC requirements before business acceptance.

### Preventing fraud – IMIDS

We commenced the use of the the industry's integrated motor insurance database system (IMIDS). The system, domiciled at the AKI secretariat, helps address increasing cases of fraud by providing a portal where insurers can verify the underwriting and claims history of an insured and at the same time receive fraud indicators.

We utilise the system at underwriting stage to evaluate and price cover and consult the fraud watch reports generated by the system during claims processing.

### IT governance

Enterprise IT governance at Liberty Kenya continues to receive appropriate consideration from the board and executive leadership.

The group's IT governance framework provides a consistent approach, integrated and aligned with the enterprise governance approach. IT-related decisions must be made in line with the group's strategies and objectives to ensure that the desired value is realised.

## Fulfilling our regulatory obligations (continued)

The five IT governance principles are as follows:

- **Strategy:** Organisational goals and IT governance plans must be aligned to allow both to work together as one to benefit the enterprise
- **Value delivery:** Executing value proposition throughout the delivery cycle is important. Organisational goals are unlikely to be realised unless IT delivers the promises against the strategy
- **Performance measurement:** Measuring IT performance is a key concern of business and IT executives as it demonstrates the effectiveness and added business value of IT
- **Risk management:** IT is integral to the achievement of the group's strategic ambition and therefore its related risks and constraints are well governed and controlled
- **Resource management:** Successful IT performance is dependent on the optimal investment, use and allocation of IT resources (people, assets and third parties).

In line with the group's IT infrastructure library practices Liberty Kenya has:

- Documented a support framework guide that defines the services provided by IT and monitored by the six metrics below
- Implemented a service monitoring and alerting capability that monitors our key services and alerts us to service disruptions
- Established an effective problem management process focused on identifying the root cause of recurring incidents with a view of resolving them permanently
- Established an effective change management process
- Established IT steering committees for each of the operating subsidiaries

### We use the following metrics to monitor service delivery and provide a means to track our progress:

- 01 **Operational metrics:** Online application or service availability, system uptime, and production incidents
- 02 **Client satisfaction metrics:** IT request response, closure rate, escalations from key stakeholders and feedback from surveys
- 03 **Information security metrics:** Percentage of devices not up to date, the number of vulnerabilities, audit and risk ratings
- 04 **IT governance:** The processes that ensure the effective and efficient use of IT in enabling the organisation to achieve its goals include how we manage risks
- 05 **Cost management metrics:** Cost of delivering IT services, cost of resources, and budget variance
- 06 **Quality assurance metrics:** The number of bugs or issues per project and incident over time; and how we address root causes for recurring incidents

Over the year there was significant improvement in the mitigation of IT risks. However, a cyber maturity assessment conducted by the group information security office identified some significant gaps that remain. A remediation roadmap has been developed to resolve these issues.

### Payment of additional fees, incentives and commission

Historically, it has been common practice in Kenya for brokers and agents to receive administration fees, marketing fees or override commissions from insurers as added incentives to take out, renew or continue a contract of insurance. The insurance regulator has repeatedly advised the industry that such payments are not permitted and re-emphasised this restriction in a circular issued in January 2019.

Liberty Kenya remains committed to full compliance with the laws of Kenya and is governed in an ethical and sustainable manner. The payment of administration (or similarly structured) fees is against the law and exposes the group to regulatory sanction and potential penalties. As such, neither Liberty Life nor Heritage Insurance Kenya are permitted to pay such fees or additional commission.

Notwithstanding that such stance may result in the loss of business, the directors and management of Liberty Kenya remain steadfast in their commitment to comply with all laws and regulations.

### Taxes collected and paid

During the year the group collected and remitted to the appropriate revenue authorities a total of KShs 1.14 billion (2020: KShs 949 million).

### Statement of compliance

During 2021, Liberty Kenya and its subsidiaries were compliant in all material respects with the requirements of the Companies Act, the Companies Act Regulations, the Insurance Act, the Insurance Act Regulations and Guidelines, the Retirement Benefits Act, the Retirement Benefits Act Regulations and all tax legislation.

No fines or legislative penalties were incurred or paid by any of the group companies.

# Playing a role in our communities



## We are part of the fabric of society

Liberty Kenya, as a member of the Liberty group, has a clear corporate social investment (CSI) policy that spells out our corporate values, the role of the company, our internal assessment vis-à-vis our mission statement and action plan, and the management approach towards the various projects. This policy is executed through a dedicated and passionate CSI team.

Our sustainability agenda, focused on investing in the communities we operate in, remained on course despite the pandemic. During the year, we continued with our CSI initiatives anchored on the pillars of education and health. We will continue to integrate sustainability in the delivery of our CSI initiatives.

Guided by the Liberty Africa CSI guidelines, we are committed to supporting

**70%**

**EDUCATION INITIATIVES**

**20%**

**HEALTH INITIATIVES**

**5%**

**AD HOC REQUESTS**

**5%**

**EMPLOYEE MATCH FUND**



### Education pillar

 Our initiatives are aligned to the United Nation's Sustainable Development Goals (SDGs) with our key pillar focused on **Goal 4 - Quality Education.**

In line with this we provided sponsorship opportunities for needy and bright students across 32 counties. This has been extended through our continued partnership with the Starehe boys and girls centres. The sponsorship covers tuition fees for secondary school and may be extended to cover tertiary education.

In 2021 the scholarship programme helped a total of 146 students. There were 31 new students and 115 returning students. Full secondary school scholarships were awarded to students from economically challenged backgrounds in the Starehe boys and girls centres and Kajiado Township Primary School. In adapting with the times, we expanded our scholarship offering to the beneficiaries at university by providing them with laptops to help them study remotely.

In addition to tuition fees, the students also benefit from the support extended towards their upkeep while in school on a financial needs basis. Additionally, we run an annual mentorship programme focused on equipping students with life skills and providing a safe space for the students to interact with their peers and learn and grow into responsible members of the community.

Since its inception, the programme has sponsored a total of 350 students countrywide. We aim to continue growing this figure and enabling even more beneficiaries to achieve their dreams.

Liberty Life Assurance Kenya Limited partnered with the Kajiado Township Primary School where various projects have been undertaken including a water project to provide the school with safe and clean drinking water, a school feeding programme and a library. In 2018, Liberty Life initiated full sponsorship for high school education to the top performing boy and girl in the school. In 2021, we continued our partnership with the school through sponsorship of the top performing students in the school, covering their secondary education. This highly coveted annual sponsorship prize has led to a significant improvement in the overall students' performance.

## Playing a role in our communities (continued)



### Health pillar

#### Aligning with SDG Goal 3 – Health and Well-Being

We have supported various charitable causes through our partnership with the Faraja Cancer Trust where we have participated in the White-Water Rafting Challenge to raise funds as well as hosted a Cancer Awareness breakfast session in Eldoret which was followed by a free medical camp for the community.

During the onset of the Covid pandemic, we contributed towards the National Covid-19 Response funds drive through the Association of Kenya Insurers (AKI).



### Mind My Money

A Retirement Benefit Authority survey in 2011 showed that in Kenya financial exclusion decreases as the level of education increases. Further, a 2019 FinAccess Household Survey, jointly conducted by the Kenya National Bureau of Statistics, Central Bank of Kenya and Financial Sector Deepening Trust showed that most Kenyans are reliant on their own knowledge rather than expert opinion for financial advice. For a country whose economy is largely driven by small to medium business, investment in financial literacy and education among individuals will lead to increased informed consumer choice, and a positive impact on entrepreneurship. To address the national crisis, Liberty Life and Heritage Insurance created a free-to-public financial literacy programme, dubbed Mind My Money aimed at growing financial literacy.

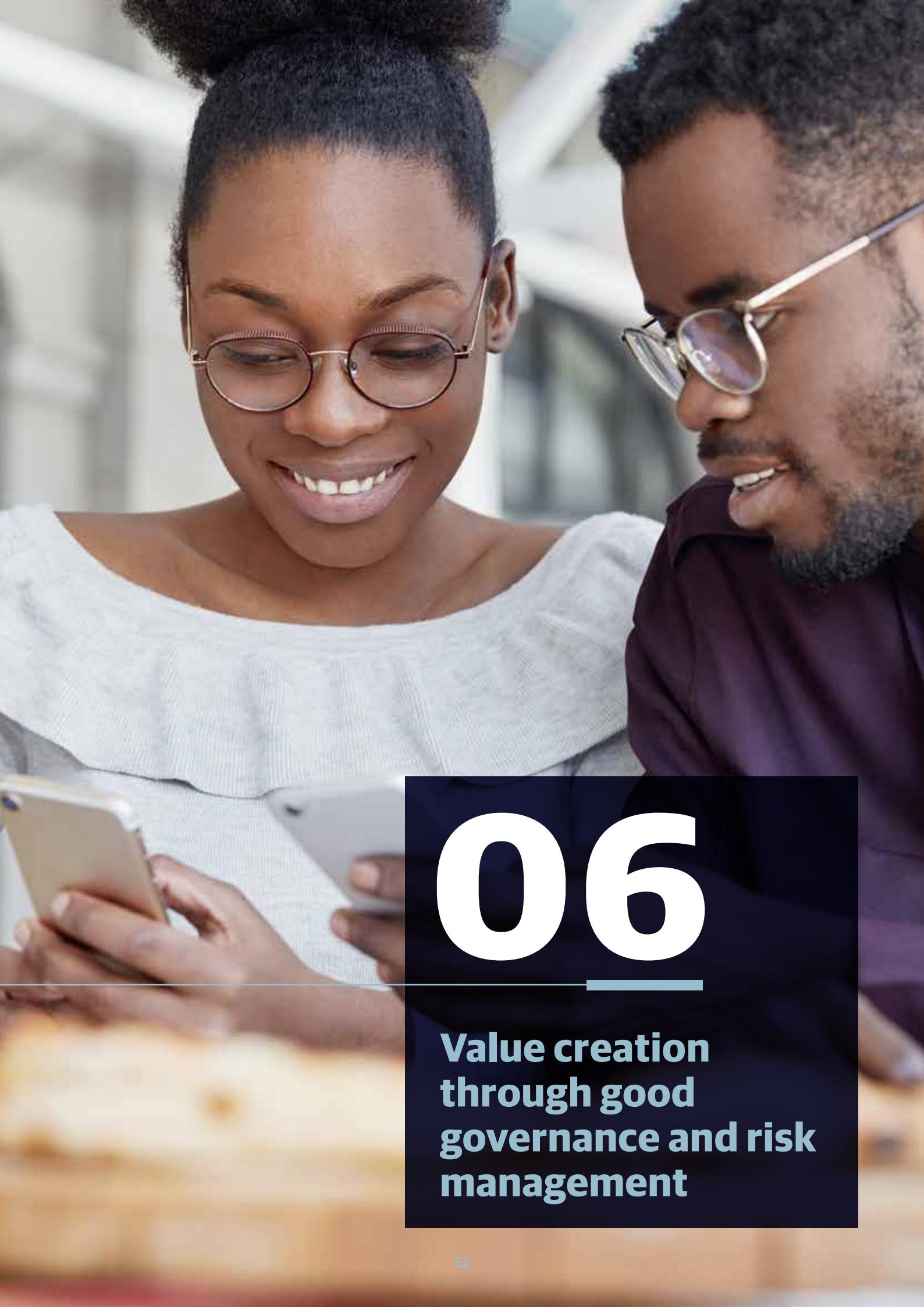
The programme was launched in March 2019 and targeted individuals keen to understand and properly plan for their finances at any stage of their lives. It has used interactive workshops, both physical and virtual, to guide participants on financial planning, savings and investments; managing credit and debt; insurance; and budgeting.

Since its inception the training series has been presented to 39 corporate organisations including Kenya Airways, SBM Bank, Linton's Beauty and Tribe Hotel, and as a result directly reached out to over 10,000 individuals across the country.

Following the emergence of the Covid-19 pandemic crisis in Kenya, Liberty Life and Heritage Insurance Kenya unveiled an expanded version of the programme to help Kenyans manage the Covid-19 pandemic shocks.

The renewed training series offers a six-part financial content series, in person and on virtual platforms, to help Kenyans understand how to protect their financial health as a response to the immediate, near-term and long-term economic changes associated with Covid-19. Specifically, the initiative's curricula focuses on financial planning, savings, investment and insurance, managing credit and debt, and aims to build household and business resilience during this phase.

As a consumer's financial freedom think-tank, we are committed to working with households and businesses to provide expertise and informational touchpoints that can help mitigate the potential impacts of emerging financial hardships moving forward.

A close-up photograph of a young woman and a young man. The woman, on the left, has dark skin, short curly hair in a bun, and is wearing round, thin-framed glasses. She is smiling and looking down at a light-colored smartphone she is holding in her hands. The man, on the right, also has dark skin, a beard, and is wearing round, thin-framed glasses. He is smiling and looking towards the woman. They appear to be in a bright, modern indoor setting.

06

**Value creation  
through good  
governance and risk  
management**

# Corporate governance

The group views the application of good corporate governance practices as key to achieving a healthy and sustainable return on investment for its shareholders, while fulfilling its social mandate to improve the quality of life for all stakeholders. The directors therefore remain committed to maintaining the highest standards of good corporate governance in all jurisdictions that the company operates in for the benefit of all stakeholders.

The company has adopted the Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 ("the Code"). The Code sets out the principles and makes specific recommendations on structures and processes, which companies should implement in making good corporate governance an integral part of their business dealings and culture. In keeping with the Code, the company conducted a corporate governance audit for the financial year ending 31 December 2021 to further assess the level of application of good governance practices in the company.

Based on the overall performance of the company, the governance auditor's opinion for the year ended 31 December 2021 was that the board has established, implemented and overseen an effective governance framework structure, and the control environment is consistent with the legal and regulatory requirements, internal policies, and good governance practices in the interest of all stakeholders.

## Code of ethics

Liberty and all its group and associate companies and subsidiaries are committed to maintaining the highest standards of ethical behaviour, to upholding ethical standards in all its activities, and to complying with all prevailing laws that are applicable to its business and the public and private environments in which it operates. For Liberty to be regarded as ethical, we will strive towards a shared commitment to the same vision and principles and behave according to the same ethical standards.

### The purpose of our code of ethics:

- To define our company's ethical standards and to inform employees and other stakeholders about what this implies and entails
- To provide guidance for employee behaviour in pursuit of maximising the alignment of workplace behaviour with the organisation's values
- To provide all parties contemplating contact with our company with the relevant information about our attitude to conducting business ethically
- To underpin our company's initiatives to manage ethics effectively
- To support the creation of an ethical culture in terms of which ethical conduct is the norm within our company and relative to all stakeholders

### We commit to:

- Ensure that our processes, dealings and activities are compliant with all prevailing laws, common law rules and all relevant regulatory, directive and supervisory requirements. This includes

meeting all regulatory requirements regarding anti-money laundering and counter-terrorist financing and to investigate and report any suspicious activities to the relevant authorities in all jurisdictions in which our company operates. We encourage employees and stakeholders to report non-compliant situations or issues that suggest non-compliance so that these can be rectified

- Abstain from soliciting or offering a bribe or from accepting or giving gifts or favours that could be construed as a bribe
- Comply with all our tax obligations

We respect the political and legal authorities in the territories in which we operate. We strive to maintain the highest levels of compliance, instil ethics in all areas of our business, and prevent fraud and corruption.

## Our governance structures

 *The group's governance structures are represented graphically on page 20.*

## Composition of the board

The company is led by an effective board that provides strategic direction and oversees and ensures that management is creating value for all stakeholders. The board currently comprises seven directors, all of whom are non-executive with the exception of the managing director. Five of the seven directors are independent. In determining the independence status of the directors, the company has applied the criteria set out in the Code. The board, through the directors' affairs committee, carries out an annual assessment of each director's independence status to ensure that the board maintains a healthy ratio of independent directors, which at the very least should meet the minimum requirement prescribed by the Code of one-third of directors being independent.

Each director's profile is given on page 21 of this report, recording the director's experience, age, independence status and other key board memberships. Notwithstanding a director's non-executive and/or independence status on the board, all directors recognise that they are collectively responsible to the shareholders and stakeholders for the viable long-term sustainability of the company.

## Changes in board membership

All appointments to and resignations from the board are carried out in accordance with the articles of association and are disclosed to the shareholders and to the public as prescribed by the Capital Markets Authority regulations and the Code. Also, in accordance with the articles of association, at least one-third of the directors retire by rotation at each annual general meeting and are eligible to seek re-election. In determining the directors retiring by rotation,

## Corporate governance (continued)

consideration is given to those who have been in office longest since their last election. There were no changes to the board during the year.

### Induction of new board members

Newly appointed directors undergo a comprehensive, formal and tailor-made induction programme to ensure their effective contribution to the board and committees. The induction, amongst others, covers the nature of the group's business and its organisational structure, board and committee mandates, financial performance review over the previous financial periods as well as the role, duties and responsibilities expected of the directors. The directors receive an induction pack which comprises the memorandum and articles of association, board charter and directors' code of ethics, committees' terms of reference and minutes from previous board meetings. The induction process is coordinated by the chairman, the managing director and the company secretary.

### Board charter

The board has adopted a board charter that defines the governance parameters within which the board exists and sets out specific responsibilities to be discharged by the board and directors collectively as well as certain roles and duties incumbent upon directors as individuals. Each director is called upon to subscribe to the charter and, in doing so, acknowledges the company's values and commits to upholding them.

 The charter is available on the company's website at [www.libertykenya.co.ke/corporate\\_governance.php](http://www.libertykenya.co.ke/corporate_governance.php)

### Role of the board

The board's primary responsibility is that of fostering the long-term business of the company consistent with its fiduciary responsibility to shareholders. The responsibilities of the board are articulated in the board charter while the conduct of board members is governed by the directors' code of ethics and conduct.

### Whistleblowing Policy

The group directors, employees and stakeholders are expected to carry out their duties as required and conduct themselves in a professional manner at all times and in ways that bring credit to themselves and the company. Employees are required to observe high standards of business and personal ethics, honesty and integrity in fulfilling our responsibilities within all applicable laws and regulations. The Whistleblowing Policy, which is available in the company's website, is intended to help all stakeholders who have major concerns over any wrongdoing within the group and its subsidiaries relating to unlawful conduct, financial malpractice or dangers to the public or the environment. The policy provides for confidential and anonymous communication channels to raise concerns. The confidential and anonymous communications channels are supported and monitored independently.

 Both documents are available on the company's website at [www.libertykenya.co.ke/corporate\\_governance.php](http://www.libertykenya.co.ke/corporate_governance.php)

The responsibilities imposed by these documents are in addition to those imposed by legislation and regulations applicable to the company. During the year under review the board met ten (10)

times to monitor business performance against the business plan, budget and preparation for the adoption of IFRS 17 accounting standards. This includes the joint meetings the directors attended for joint strategy sessions and deliberations on the impact and also necessary actions in the prevailing economic environment. These board meetings were held jointly with the boards of Liberty Life and Heritage Insurance Kenya.

Senior management and other officers may be required to attend board meetings by invitation to ensure informed decision-making by the directors. The company secretary attends all meetings of the board to primarily advise on legal, regulatory and governance issues and ensure accurate documentation of board decisions. In addition, the board invites independent professionals to attend meetings and provide advice as necessary.

### Separation of the role of the chairman and managing director

The board charter stipulates a clear separation of the roles and responsibilities of the chairman and the managing director. The chairman is an independent non-executive director and his primary role is to direct the board's business and act as its facilitator and guide, ensuring the board is effective in its task of setting and implementing the company's direction and strategy. The managing director is responsible for the day-to-day leadership of the company's business affairs and ensures the execution of strategy as set by the board. The separation of the roles is to promote accountability and facilitate division of responsibilities as well as to ensure a balance of power and authority such that no one individual has unfettered powers of decision-making.

### Board evaluation

The board reviews its performance and that of the board committees annually. The evaluation is conducted by the Governance Centre at Liberty Holdings Limited electronically and in a confidential manner. The evaluation process was based on some detailed questionnaires which were distributed electronically through the Directors desk portal. The results were collated confidentially and results thereof reviewed and feedback presented to the board.

### Board committees

In order to effectively carry out its governance responsibilities, the board has established standing committees as listed below and delegated specific mandates to them. These committees operate under clearly articulated terms of reference which clarify their responsibilities and scope of authority. The committees have unrestricted access to any information within the company and have unfettered access to the company secretary and independent professionals to enable them to effectively discharge their functions. All committees report to the board at each board meeting, highlighting matters discussed at their respective meetings and recommended actions for board approval in appropriate cases. Notwithstanding the delegated authority to these committees, the board remains fully responsible for the areas overseen by the committees and activities of the committees.

## Corporate governance (continued)

The mandates of the committees and their membership are summarised as follows:

### Group audit and risk committee (GAC)

The mandate of the GAC is to assist the board in the following five areas where the key responsibilities include: financial reporting and compliance with applicable financial reporting standards; oversight of the internal audit function and their review of financial and operational controls; liaising with external auditors including receiving and reviewing their reports and letters; monitoring compliance with legal and regulatory requirements; and reviewing risk management issues within the group. The GAC also oversees the activities of the subsidiary audit and risk committees.

### Directors' affairs committee (DAC)

This committee reviews all new nominees to the board and is mandated to assess the performance, remuneration and effectiveness of directors of the company and its subsidiaries. The DAC also facilitates board evaluations to measure and monitor its performance in corporate governance matters.

 *Membership of the above committees is highlighted on page 21 of the integrated report.*

### Directors' remuneration

The company has a clear remuneration policy for executive and non-executive directors. The policy is deemed to be fair and equitable, and is also benchmarked to the market so as to attract and retain the required skills and experience. The remuneration of the non-executive directors is reviewed by the DAC.

 *The current directors' remuneration report is presented on page 6 of the annual financial statements.*

### Conflicts of interest

The group ensures that the governance framework not only monitors compliance with legislation and regulations, but also monitors the ethical climate within the organisation. Towards this end, all employees, upon joining the company and on an annual basis, are required to sign up to the code of conduct and ethics which aims to encourage honest and ethical business conduct. The board has also adopted a directors' code of ethics and conduct. One of the key principles underlying ethical business conduct is the avoidance and disclosure of conflict of any interest. Directors are under a statutory obligation to avoid a situation in which the director has, or can have, a direct or indirect interest that conflicts or may conflict with the interests of the company. The board maintains a register of annual director declarations of other directorships and also any interests or conflicts of interest declared by directors on items under the agendas for all board and board committee meetings.

### Insider trading policy

The Capital Markets Authority Act has prescribed certain regulations that expressly prohibit the use of unpublished insider information. Insider information is generally information that:

- Relates to the company and the company's securities;
- Has not been made public; and
- If it were made public, is likely to have a material effect on the price of the securities.

The company has also adopted an insider trading policy with the objective of promoting transparency and accountability by directors and employees of the company and its operating subsidiaries. The company's insider trading policy prohibits insiders from trading in the securities of the company at any time they are in possession of insider information.

### Meetings and attendance

|           | Liberty Kenya     |     |     |
|-----------|-------------------|-----|-----|
|           | Board<br>meetings | GAC | DAC |
| P Odera   | 10/10             | -   | 1/1 |
| M duToit  | 10/10             | -   | -   |
| P Gethi   | 10/10             | 6/6 | 1/1 |
| J Hubbard | 9/10              | -   | 1/1 |
| R Mbai    | 10/10             | 6/6 | -   |
| G Ogollo  | 10/10             | -   | -   |
| R Shah    | 10/10             | 6/6 | -   |

### Corporate governance framework for the subsidiaries

The corporate governance framework of Liberty Life Assurance Kenya Limited, The Heritage Insurance Company Kenya Limited and Heritage Insurance Company Tanzania Limited (the operating subsidiaries) comprises the board of directors, committees of the board, management and operations committees, as well as policies, procedures and systems which together govern the management of the businesses.

## Corporate governance (continued)

### Group internal audit services

The services and scope of Liberty Holdings Limited (LHL) group internal audit services (GIAS) are extended to all group companies present within the LHL structure and as authorised from time to time. At Liberty Kenya Holdings Plc (LKH), GIAS is subject to the joint oversight of the LHL group audit and actuarial committee (GAAC) and the LKH board audit and risk committee (GAC) and is free to report on any matter to the committees as is required in the execution of its responsibilities. At the LKH subsidiary level, the LKH head of audit has dual functional reporting to the LHL chief audit executive and the chairman of the LKH GAC, and administratively reports to the Liberty Life Kenya managing director. Both the LKH GAC and LHL GAAC approved the annual plan and agreed the audit scope of work. GIAS reports on a quarterly basis to the two committees (GAC and GAAC) on matters including progress on the annually approved audit plan, status of significant audit findings, overall status of unresolved audit findings and information on GIAS resources. The reported findings and annual assurance statements provided by internal audit were considered by the ARC at subsidiary level, by GAC at the group level and by GAAC at the LHL level, in the overall assessment of the effectiveness of the company's internal financial controls.

### Statutory audit - appointment of auditors

The group's policy on appointment and rotation of statutory auditors provides for rotation of auditors every four years. The appointment process follows the procurement process as approved by the group board with the final approval of auditors by the company's shareholders at the AGM. At every AGM, the shareholders approve the reappointment of auditors.

### Independence of statutory auditors

The group has measures in place to ensure the auditors maintain their independence at all times. This is achieved through oversight by the audit and risk committee whose charter includes:

- Reviewing the independence, objectivity and effectiveness of the external auditor including their quality control procedures
- Reviewing the scope and extent of both audit and non-audit services provided to the company by the external auditors and any associated fees and terms of engagement, including the assessment of the non-impairment of the auditor's judgement and independence
- Ensuring that the external auditor submits a formal written statement delineating all relationships between themselves and the company (confirming their independence).

# Risk management

The business of insurance is the assumption and spreading of risk to mitigate adverse financial consequences for both policyholders and shareholders. Accepting and managing risks within an appropriate risk appetite is the key element of our value creation journey.

**Our risk management system is an integral part of Liberty Kenya's overall governance, management, reporting processes, policies and culture.**

## Liberty's risk preferences

Risks that the group actively seeks as a result of being in the business of underwriting and managing risks - all of which are viewed as value enhancing

## Business risks

Risks that are not actively sought, but arise as a consequence of being in business and which are managed to an acceptable level to protect value

The group's strategic plans are subject to a trade-off between risk and reward, considering the risk appetite and risk targets approved by the board.

**The group's qualitative risk appetite statement provides boundaries on what is acceptable and unacceptable in pursuit of business goals as it relates to reputation and conduct.**

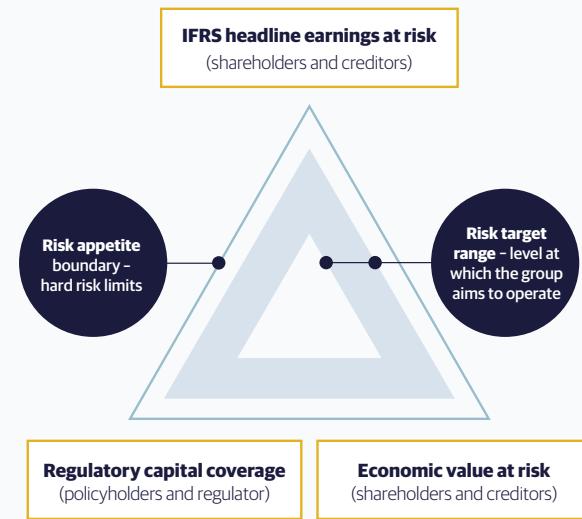
## Reputation

We will not deliberately and knowingly engage in any business, activity or relationship which, in the absence of any mitigating actions, could result in reputational damage to Liberty today and into the future. We proactively protect and uplift the Liberty brand in all our interactions.

## Conduct

We place the client at the heart of everything we do and operate in a manner where fair play and ethical behaviour underpin all our business activities and relationships. We have no appetite for deliberately and knowingly breaching legislative, regulatory and internal policy requirements.

**The group's quantitative risk appetite contains statements, which express the quantitative limits for measurable risks that can be taken by the business as reflected in the graphic below.**



Current and emerging risks that could threaten the business model, strategy and sustainability are identified and assessed through a top-down process. In addition, risks identified through the business unit operational processes provide a bottom-up view.

The business performs regular and robust risk quantifications to measure the risk profile at an aggregate level, per legal entity, per business unit and at a material risk type level to ensure that the business is being managed within risk limits and risk appetite and close to the risk target range.

The group's full audited annual financial statements provide a comprehensive risk report, including a list of the top risks facing the organisation and management's actions taken to mitigate them.

A photograph of a group of people in a meeting. A woman in a polka-dot blouse is on the left, a man in a teal sweater is in the center, and a man in a grey shirt is on the right. A large white number '07' is overlaid on the image, and the text 'Supplementary information' is positioned below it.

07

**Supplementary  
information**

# Five-year financial review (Liberty Kenya Holdings Plc only)

## Five-year consolidated statement of profit and loss

| KShs'000                                    | 2021               | 2020        | 2019*       | 2018        | 2017        |
|---|--------------------|-------------|-------------|-------------|-------------|
| Net insurance premium revenue               | <b>6,728,657</b>   | 6,685,862   | 6,909,152   | 6,309,226   | 6,330,749   |
| Investment and other income                 | <b>4,184,699</b>   | 3,171,862   | 4,616,569   | 3,002,824   | 4,092,743   |
| <b>Total income</b>                         | <b>10,913,356</b>  | 9,857,724   | 11,525,721  | 9,312,050   | 10,423,492  |
| Net insurance benefits and claims           | <b>(6,122,880)</b> | (4,209,101) | (5,724,041) | (4,193,501) | (4,982,709) |
| Operating expenses and commissions          | <b>4,478,930</b>   | (4,604,726) | (4,674,848) | (4,193,593) | (4,336,513) |
| <b>Profit before income tax</b>             | <b>311,546</b>     | 1,043,897   | 1,126,832   | 924,956     | 1,104,270   |
| Income tax expense                          | <b>(229,719)</b>   | (367,951)   | (437,216)   | (375,430)   | (429,697)   |
| <b>Profit for the year</b>                  | <b>81,827</b>      | 675,946     | 689,616     | 549,526     | 674,573     |
| <b>Non-controlling interests</b>            | <b>1,670</b>       | 16,611      | 39,190      | 55,815      | 20,782      |
| Cost to income ratio                        | <b>41%</b>         | 47%         | 41%         | 45%         | 42%         |
| Basic and diluted earnings per share (KShs) | <b>0.15</b>        | 1.23        | 1.21        | 0.92        | 1.26        |

## Five-year consolidated statement of financial position

| KShs'000   | 2021              | 2020       | 2019*      | 2018*      | 2017       |
|--|-------------------|------------|------------|------------|------------|
| <b>Total equity</b>  | <b>8,814,724</b>  | 8,705,185  | 7,982,114  | 7,619,139  | 7,493,565  |
| <b>Assets</b>  |                   |            |            |            |            |
| Property, equipment and intangible assets                      | <b>1,559,785</b>  | 1,367,123  | 1,366,126  | 1,387,189  | 1,401,681  |
| Right-of-use assets  | <b>62,964</b>     | 86,928     | 112,158    | 125,344    | -          |
| Investment property  | <b>625,263</b>    | 832,850    | 886,729    | 885,855    | 876,434    |
| Goodwill   | <b>1,254,995</b>  | 1,254,995  | 1,254,995  | 1,254,995  | 1,254,995  |
| Financial investments  | <b>22,290,725</b> | 23,357,471 | 23,843,193 | 20,639,868 | 23,054,450 |
| Policy and staff loans receivable                              | <b>1,648,024</b>  | 1,712,273  | 1,791,734  | 1,816,935  | 1,928,552  |
| Other assets   | <b>5,178,648</b>  | 4,954,122  | 4,547,841  | 4,461,693  | 5,133,354  |
| Cash and cash equivalents                                      | <b>7,855,904</b>  | 5,735,467  | 4,419,078  | 6,132,504  | 3,689,506  |
| <b>Total assets</b>  | <b>40,476,308</b> | 39,301,229 | 38,221,854 | 36,704,383 | 37,338,972 |
| <b>Liabilities</b>   |                   |            |            |            |            |
| Insurance and investment contract liabilities                  | <b>24,925,409</b> | 22,740,478 | 21,403,260 | 19,074,533 | 18,114,709 |
| Investment contracts with discretionary participation features | <b>3,065,074</b>  | 3,928,866  | 4,889,658  | 5,860,977  | 7,833,598  |
| Other liabilities  | <b>3,671,101</b>  | 3,926,700  | 3,946,822  | 4,149,734  | 3,897,100  |
| <b>Total liabilities</b>                                       | <b>31,661,584</b> | 30,596,044 | 30,239,740 | 29,085,244 | 29,845,407 |
| <b>Net assets</b>  | <b>8,814,724</b>  | 8,705,185  | 7,982,114  | 7,619,139  | 7,493,565  |

<sup>\*</sup>Restated

# Shareholder information

at 31 December 2021

| Top 10 shareholders   | Number of shares held | Shareholding % |
|---|-----------------------|----------------|
| Liberty Holdings Limited  | 393,569,465           | 73.47          |
| African Liaison and Consultant Services Limited                                   | 82,250,289            | 15.35          |
| Genghis Nominee A/C 029   | 27,000,000            | 5.04           |
| The Permanent Secretary to the Treasury of Kenya (On behalf of the Govt of Kenya) | 4,602,008             | 0.86           |
| Co-op Custody Account   | 2,966,597             | 0.55           |
| Peter Kingori Mwangi  | 2,752,008             | 0.51           |
| John Njuguna Ngugi  | 1,468,400             | 0.27           |
| NIC Custodial Services  | 733,800               | 0.14           |
| Kariithi Murage Murimi  | 519,459               | 0.10           |
| Alex Kimani Njogu   | 432,400               | 0.08           |
| <b>Total</b>  | <b>516,294,426</b>    | <b>96.38</b>   |

| Distribution of shareholding | Number of shareholders | Number of shares held | Shareholding % |
|------------------------------|------------------------|-----------------------|----------------|
| 1 - 500                      | 3,025                  | 439,056               | 0.08           |
| 501 - 1,000                  | 622                    | 461,056               | 0.09           |
| 1,001 - 5,000                | 1,048                  | 2,296,819             | 0.43           |
| 5,001 - 10,000               | 416                    | 3,124,493             | 0.58           |
| 10,001 - 50,000              | 281                    | 5,355,440             | 1.00           |
| 50,001 - 100,000             | 53                     | 3,708,453             | 0.69           |
| 100,001 - 500,000            | 28                     | 5,989,956             | 1.12           |
| 500,001 - 1,000,000          | 3                      | 2,065,485             | 0.39           |
| 1,000,001 - 999,999,999,999  | 7                      | 512,266,741           | 95.62          |
| <b>Total</b>                 | <b>5,483</b>           | <b>535,707,499</b>    | <b>100.00</b>  |

## Forward-looking statements

This integrated report contains certain statements about the Liberty Kenya group that are, or may be deemed to be, forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect or incomplete, then actual future performance and achievements may be materially different from those expressed or implied by such statements. Furthermore, care has been taken to avoid providing forward-looking statements which would constitute a specific or general profit forecast or estimate. There is accordingly an inherent limitation in the scope of the forward-looking information provided. The directors therefore advise readers to use caution regarding interpreting any forward-looking statements in this report.



