XYZ PLC
CREDIT RATING REPORT

ICRA Rating Agency Limited
Registered Office & Corporate Office: Plot No.20848, Corporate Park, Alick Nkhata Road, Mass Media, Lusaka, Zambia.
www.icrallc.com
www.icraratingzm.com
Info@icrallc.com
+260 97 9843525

CREDIT RATING REPORT

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Prepared for	:	XYZ PLC
Corporate Address	:	No.7, Namambozi Rd, Lusaka 10101, Zambia
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Report prepared and published by	:	ICRA Rating Agency Limited **Zambia Office:** Plot no 20848, Corporate Park, Alick Nkhata Road, Mass Media, Lusaka, Zambia www.icrallc.com www.icraratingzm.com
Analysts	:	**Ernest Chisongo** ernest@icrallc.com *Senior Credit Risk Analyst* **Ravini Bandara** ravini@icrallc.com *Credit Risk Manager*
Currency used in this report	:	This report is presented in the Zambian Kwacha (ZMW) unless otherwise noted.

Table 1

ICRA Assigned Rating

AAA	AA	A	BBB	BB	B	CCC	CC	C	D

Based on ICRA National Scale for Credit Ratings
Table 2

RATING RATIONALE

ICRA assigned a **“BBB”** rating with a “**Stable**” outlook to **“XYZ PLC”** on **28th February 2025**, assuming no material adverse events affecting the business activities occur during the validity period. The assigned rating reflects a balanced assessment of the company's business model, competitive advantages, market conditions and overall financial stability which contribute to the overall credit worthiness of the company based on ICRA credit rating methodology for insurance entities.

Below are the key points including credit strengths as well as credit challenges reflected in assigned the rating.

<u>**Rating strengths**</u>

Stable business profile and established brand name in the local market : As the XXX Zambian-owned reinsurance company and a pioneer in the industry, XYZ has built a solid reputation for reliability and comprehensive reinsurance solutions since its inception in XXX and has been operational for close to X decades, to be specific XXX years. Its listing on the Lusaka Stock Exchange further underscores its credibility and commitment to transparency.

Sustainable and improving underwriting performance: XYZ continues to enhance its underwriting surplus or profits over the past five years at a CAGR of 17% from FY19 to FY23. The company has successfully maintained this momentum post-IFRS 17 adoptions, achieving underwriting margins of 21% in FY22 and 27% in FY23. These robust margins provide the company with the flexibility to adjust pricing in highly competitive market conditions without compromising overall performance. This is particularly significant given the volatile market conditions in the economy. The sustained strong underwriting margins underscore XYZ's ability to navigate market challenges effectively, positioning it as a resilient and adaptive player in the reinsurance industry.

Consistently strong capitalisation with a high capital buffer to absorb any underwriting pressures: The company has demonstrated impressive solvency margins of 157% and 213% for FY22 and FY23, respectively, far surpassing the 10% regulatory requirement. This substantial capital buffer, approximately 150 percentage points in FY22 and 200 percentage points in FY23, fortifies the company against underwriting pressures from both systematic and unsystematic risk factors. Over the past five years, XYZ has consistently maintained strong capitalisation, showcasing a high capital buffer and robust financial resilience. Sustaining strong capitalisation is crucial for an insurance company to navigate performance fluctuations and unforeseen underwriting volatilities effectively.

Investment portfolio with lower high-risk exposures: XYZ PLC maintains a quality investment portfolio with low high-risk exposure, consistently below 15% over the past five years. This conservative investment strategy has led to sustained investment yields in the 10-15% range, contributing significantly to total revenues. Importantly, the company has no exposure to extremely high-risk investments or junk bonds, ensuring financial stability and resilience. This prudent approach to investments enhances XYZ's ability to navigate market fluctuations while consistently.

Rating challenges

Comparatively small player in the regional context and exposed to high regional competition: The company could face long-term challenges if more international or regional players enter the Zambian market. This could intensify competitive pressures, impacting XYZ's market position and stability. Increased competition may lead to pricing pressures, reduced market share, and heightened operational challenges, necessitating strategic initiatives to enhance its competitive edge and resilience in the evolving market landscape.

Deteriorated overall performance in 1H24: Deteriorated profitability in 1H24 is a significant concern for XYZ PLC. While the company has experienced an improvement in its top line, the bottom line has declined due to high operational and reinsurance expenses. This trend reflects potential issues in the company's cost structure or cost optimisation processes, breaking the strong performance trend observed from FY19 to FY23. However, in order to draw definitive conclusions on the latest FY24 results, it is crucial to closely review the full-year results of FY24 based on audited financials.

In conclusion, XYZ PLC, despite facing challenges such as high regional competition and deteriorated profitability in 1H24, demonstrates a strong and improving credit profile. The company's solid business foundation, characterized by its established brand name and market presence, underpins its reliability and credibility in the local market. Its consistent underwriting performance, with significant margins and adaptability in competitive conditions, further highlights its operational strength. The company's robust capitalisation, with substantial solvency margins well above regulatory requirements, fortifies its financial stability and resilience against underwriting pressures. Additionally, XYZ's prudent investment strategy, marked by a high-quality portfolio with minimal high-risk exposure, contributes to its sustained revenue and financial health. Although the company must navigate increased competition and address cost optimisation issues, its strategic initiatives and continuous monitoring efforts position it well for future growth and stability. These factors collectively support the "Stable" outlook assigned by ICRA, reflecting XYZ's overall financial strength and creditworthiness.

FACTORS THAT COULD, INDIVIDUALLY OR COLLECTIVELY, LEAD TO AN UPGRADE

An upgrade to the assigned rating can be reviewed based on the following factors:

- **Increased Market Share**: Significant growth in market share through expanded footprints in both the domestic and regional markets.
- **Diversified Product Portfolio**: Further diversification of the product portfolio with enhanced margins and performance, contributing to overall business stability and profitability.
- **Strategic Partnerships and Alliances**: Formation of strategic partnerships and alliances with strong international or regional players, enhancing synergies, market presence, and competitive positioning.
- **Improved Liquidity and Profitability**: Achieving a more stable and improved liquidity position, coupled with consistently improving profitability over an extended period, while maintaining strong capitalisation.
- **Stable Economic and Industry Outlook**: A stable outlook for the insurance industry and the economic environment in the country, providing a favourable backdrop for sustainable growth and stability.

FACTORS THAT COULD, INDIVIDUALLY OR COLLECTIVELY, LEAD TO A DOWNGRADE

The assigned rating could further be downgraded if:

- **Significant Deterioration in Market Share**: A notable decline in market share due to competitive pressures or other external factors.
- **Weakening Capitalisation**: Rapid decline in capitalisation headroom within a short period or falling solvency below regulatory requirements.
- **Deterioration in Underwriting Performance**: Material decline in underwriting performance and margins, coupled with continuous adverse reserve development.
- **Volatile Liquidity and Profitability**: Highly volatile liquidity and profitability, resulting from inaccurate underwriting assumptions, impacting the company's stability.
- **Unstable Economic Conditions**: Unstable or highly volatile economic conditions or an unfavourable industry outlook due to economic, social, natural disasters, or political factors.

CONTENTS

ICRA RATING APPROACH

SCOPE OF THE REPORT

ICRA provides an assessment of the overall business and evaluates the financial performance before assigning the final rating to the issuer. The report's objective is to offer a thorough assessment of the issuer's creditworthiness, utilizing a range of financial and non-financial elements as well as qualitative and quantitative credit analysis tools and techniques.

SOURCES OF THE INFORMATION

The credit analysis conducted by ICRA was based on publicly available information. ICRA has not been in direct contact with the entity regarding the rating actions. Publicly accessible data has been gathered from reputable online domains, research reports, news articles, and third-party databases. The main categories of information sources are as follows:

- Annual audited financial reports from publicly available sources such as the company website, stock exchange libraries, etc.
- Industry research articles
- News articles
- Company/Government press releases
- Third-party data providers (both paid and unpaid)

METHODOLOGY

The credit analysis is carried out based on the *'ICRA methodology for insurance entities* which was designed by the in-house ICRA credit risk department inspired by RAMELS framework. We continuously review the methodology for improvements in line with industry peers and the latest developments in the rating world.

Components	Weightage
Business Model/Profile Review	**25.00%**
Market Share/Size of the business	*10.00%*
Product and Geographic Diversification	*7.50%*
Distribution Channels	*7.50%*
Management Quality & Ownership	**7.50%**
Leadership Team Board of directors and Governance	*5.00%*
Ownership	*2.50%*
Country and Industry Risk	**7.50%**
Economic Conditions, Natural Disasters, Political and Social Stability	*3.75%*
Industry Risk (Incl. Subsector Risks)	*3.75%*
Financial Statements Analysis (Standalone Basis)	**25.00%**
Performance	*10.00%*
Financial Position	*10.00%*
Cash Flows	*5.00%*
Ratio Analysis (Regulatory requirements, Peers and Industry Average)	**35.00%**
Profitability/Earnings quality	*10.00%*
Solvency/Capital Adequacy	*10.00%*
Asset Quality	*7.50%*
Liquidity	*7.50%*

Table 3

ICRA CREDIT RATING SCALE

CATEGORY	SCALE	DEFINITION
Extremely Low Credit Risk	**AAA**	The entity is in an exceptionally stable and strong position to fulfil its financial commitments. There is a zero or minimal risk of being adversely affected by foreseeable events.
Very Low Credit Risk	**AA**	The entity is in a highly stable and strong position to fulfil its financial commitments. There is a low risk of being adversely affected by foreseeable events.
Low Credit Risk	**A**	The entity is in a stable and strong position to fulfil its financial commitments. There is a marginal risk of being adversely affected by foreseeable events.
Moderate Credit Risk	**BBB**	The entity has a controllable risk level to fulfil its financial commitments. There is a moderate risk of being adversely affected by foreseeable events.
Elevated Credit Risk	**BB**	The entity has a considerable risk level to fulfil its financial commitments. There is a considerable risk of being adversely affected by foreseeable events.
Substantial Credit Risk	**B**	The entity has a high-risk level of fulfilling its financial commitments. There is a high risk of being adversely affected by foreseeable events.
Very High Credit Risk	**CCC**	The entity is in a doubtful position to fulfil its financial commitments. There is a significantly high risk of being adversely affected by foreseeable events.
Extremely High Credit Risk	**CC**	The entity is in a highly unlikely position to fulfil its financial commitments. The entity has a high vulnerability to being adversely affected by foreseeable events.
On the Verge of Default	**C**	The entity is incapable of fulfilling its financial commitments and is on the verge of default. The continuity of the business is highly doubtful.
Default Entity	**D**	The entity is already defaulted on or in the process of bankruptcy filing, liquidation, or winding up procedures.
No Rating Assigned	**NRA**	A rating has not been assigned due to insufficient information, legal or regulatory requirements, a lack of reliability of information, or a new or unique entity structure.

Based on ICRA National Scale for Credit Ratings

Outlook: *(+) Positive - Entity's creditworthiness is expected to improve in the near future, potentially leading to rating upgrade.*
( ) Stable - Entity's creditworthiness is expected to remain stable in the near future, with no significant changes anticipated.
(-) Negative - Entity's creditworthiness is expected to deteriorate, potentially leading to rating downgrade.

Table 4

BUSINESS PROFILE

XYZ PLC

Company Details	
Registered Name	: XYZ PLC (formerly Prima Reinsurance Plc)
Address	: Lusaka, Zambia
Industry Classification	: Reinsurance carriers, accident and health
Incorporation Date	: XXX
Regulatory Authority	: Pensions and Insurance Authority (PIA)
Listed Exchange	: Lusaka Stock Exchange on XXX
Website	: XXX

Table 5

SHAREHOLDING PATTERN	
Type of Shareholders	**Shareholding**
Pension Funds	xx%
Corporate Investors	xy%
Individual Investors	xyz%
Total	**100%**

Table 6

COMPANY BACKGROUND

XYZ PLC is a leading Zambian-owned reinsurance company, established to provide reliable and comprehensive reinsurance solutions to its partners. The company was incorporated on XXX and commenced operations on XXX. XYZ holds the distinction of being the first Zambian reinsurance company and was listed on the Lusaka Stock Exchange on XXX, In a significant milestone, the company rebranded from Prima XXX PLC to XYZ PLC on XXX, with the change officially registered with the Patents and Companies Registration Agency (PACRA) on XXX and taking effect on the Lusaka Stock Exchange (LuSE) on XXX.

Vision: XYZ PLC aspires to be internationally recognized as a leading reinsurer. This vision underscores the company's commitment to excellence and its aim to set high standards in the reinsurance industry, not only in Zambia but also on a global scale.

Mission: The mission of XYZ PLC is to provide world-class security and reliable reinsurance solutions to its partners. The company is dedicated to delivering top-tier reinsurance services that meet the diverse needs of its clients. The company's mission emphasizes its role as a dependable partner in the insurance sector, committed to enhancing the stability and resilience of the industry.

Core Values:

- *Professionalism and Quality of Service:* Maintaining the highest standards of conduct and ensuring that clients receive the best possible service and solutions tailored to their specific needs.
- *Client Satisfaction and Staff Motivation:* Placing client needs and satisfaction at the forefront of all business activities, while fostering a positive and motivating work environment that encourages employees to excel.
- *Ethical Conduct, Integrity, and Confidentiality:* Adhering to ethical principles and practices in all business dealings, building trust through honesty, transparency, and protecting the privacy and confidentiality of client information.
- *Innovation and Commitment:* Embracing and driving innovation to stay ahead in the reinsurance industry, while demonstrating dedication to achieving the company's goals and fulfilling promises made to clients and stakeholders.

BUSINESS MODEL/BUSINESS PROFILE REVIEW

XYZ operates as a reinsurance company which provides insurance to insurance companies rather than directly to individuals or businesses. The company primarily issues non-life, life and retrocession contracts covering motor, fire, engineering, accident and marine, as well as life.

Revenue Model:

The revenue model of XYZ can be explained as follows.

- Reinsurance Premiums: Revenue comes from premiums collected via treaty (long-term coverage agreements) and facultative reinsurance (case-by-case high-risk policy coverage).
- Profit from Underwriting: Profits arise when claims paid are lower than premiums collected, supported by effective risk assessment and claims management.
- Investment Income: Premium income is invested in financial instruments (bonds, equities) to generate additional revenue through returns.
- Risk Diversification: Risks are spread across various insurance segments (life, health, property, motor, liability) and through retrocession (passing some risks to larger reinsurers).

Competitive Position:

According to the Insurer Association of Zambia, there are six reinsurance players, consisting of both international and domestic companies, operating in the Zambian reinsurance market. While the market share details are not readily available to quantify the size of these players, XYZ is considered a significant entity within the industry, though it has less dominance compared to others. Despite its relatively small size in the overall insurance and reinsurance landscape, XYZ plays a crucial role in the Zambian insurance industry, contributing to its growth and stability. The company provides essential reinsurance services, helping to manage risk and ensure financial security for local insurers. This makes XYZ an important player, fostering the development of the national insurance market.

Below is a high-level comparison about other Zambian Reinsurance players. Notably XYZ holds the first Zambian owned reinsurance company in the country.

Distribution Channels:

XYZ operates through multiple distribution channels as follows:

- Direct Sales: XYZ engages directly with insurers in Zambia and the Southern African region.
- Brokerage Network: They work with a network of local and regional brokers to reach a wider client base.
- Digital Platforms: Leveraging digital transformation to offer efficient and flexible reinsurance solutions.

Geographical Spread

- Primary Operations: Based in Lusaka, Zambia, with their main office at XXX.
- Regional Presence: XYZ. serves clients in neighbouring countries within the Southern African region, enhancing their market reach.

Products Diversification

XYZ Plc offers a wide range of reinsurance solutions to cater to various insurance needs. Their product portfolio includes:

- Treaty Reinsurance: Long-term agreements providing automatic coverage for a portion of insurers' policies.
- Facultative Reinsurance: Customized coverage for specific high-risk policies on a case-by-case basis.
- Retrocession: Passing some of their risks to larger global reinsurers to manage exposure.
- Specialized Reinsurance Products: Solutions tailored for different insurance segments such as life, health, property, motor, and liability insurance.

MANAGEMENT & GOVERNANCE

MANAGEMENT TEAM & BOARD OF DIRECTORS

MANAGEMENT TEAM

The senior management team of XYZ PLC comprises three pivotal positions: the Managing Director (MD), Chief Operating Officer (COO), and Chief Financial Officer (CFO). This team plays a critical role in driving the company's strategic objectives and operational success. The reporting structure is designed to ensure effective oversight and streamlined decision-making processes, with both the CFO and COO reporting directly to the MD.

This review aims to provide a comprehensive analysis of the individual members of the senior management team. It will detail their educational and professional backgrounds, highlighting their key contributions to the growth and development of XYZ PLC. By examining the leadership qualities and achievements of these key personnel, we can gain valuable insights into the company's management effectiveness and strategic direction.

As per the latest publicly available information, only two individuals are actively serving in XYZ PLC's management team: the Managing Director (MD) and the Chief Financial Officer (CFO). The Chief Operating Officer (COO) position remains vacant following the promotion of the previous COO to MD.

Managing Director - ABC

ABC was appointed as the Managing Director of XYZ PLC in October 2024, succeeding former MD BCD, who served the company for 18 years. ABC joined XYZ (formerly known as XXY) in 2006 as an Underwriting Manager. He was promoted to the position of Chief Operating Officer (COO) in 2018 and now assumes his duties as the Managing Director.

During his tenure as COO, ABC played a pivotal role in the successful rebranding of the company from XXY to XaYZ in 2021. Under his operational leadership, the company experienced favourable growth, demonstrating his effectiveness and strategic insight.

He is an Associate of the Chartered Insurance Institute, UK (ACII), and holds a Bachelor of Arts degree from the University of Zambia. He further enhanced his qualifications with a Master of Business Administration (MBA) from the University of East London and attended a Business Management Programme at the University of Stellenbosch.

ABC track record within the company, coupled with his extensive educational and professional background, indicates his capacity and suitability to lead XYZ PLC as Managing Director. Although it is early to assess his capabilities in this new role, his historical performance and background position him as a highly suitable candidate for the role.

Chief Financial Officer – XXX

XXX is a distinguished finance professional with over 19 years of experience in the financial sector. He assumed his duties as Chief Financial Officer (CFO) of XYZ PLC in June 2024. Humphrey is a Chartered Accountant, demonstrating his extensive expertise and commitment to financial excellence.

Before joining XYZ, Humphrey held senior positions in several reputable entities, including African Grey Insurance Limited, Nico Insurance Company, Zaritas Zambia, and the XYZ revenue Authority. Most recently, he served as the Executive Head of Finance at African Grey Insurance Limited, where he led the financial strategy and reporting efforts of the company.

Similar to the appointment of the Managing Director, it is too early to fully assess Humphrey's impact on XYZ at this stage. However, his impressive educational and professional background, along with his extensive experience, strongly indicate his capacity and suitability for the CFO position at XYZ PLC.

ICRA View on the Management Team

The active senior leadership of XYZ PLC comprises well-qualified and experienced professionals, appointed to their respective positions based on their expertise and track records. However, there is uncertainty regarding the COO position following Brian Mateyo's promotion to Managing Director. If the company has not yet filled this role, it could be considered a material risk in the management team and raise concerns about succession planning. Additionally, it is important to note that both the Managing Director and Chief Financial Officer are relatively new in their positions. This underscores the critical need for a fully operational management team to ensure seamless execution of the company's strategic objectives. Considering these factors, it is assessed that XYZ PLC has a moderate level of management risk, primarily due to the current gaps in the leadership team and the early stage of the newly appointed positions.

BOARD OF DIRECTORS

The Board of Directors of XYZ PLC is comprised of seven members, including the Chairperson and six Non-Executive Board Members. This board represents a well-balanced team with both male and female representatives, ensuring diverse perspectives in the decision-making process. The composition includes four male directors and three female directors, one of whom is the Chairperson.

The Board's structure reflects a commitment to gender diversity and inclusivity, aligning with contemporary governance practices. Importantly, there is a clear separation between the roles of the Chairperson and the Managing Director, ensuring no individual or group dominates the decision-making process. The board is well-equipped to provide strategic oversight and guidance, ensuring the company's sustained growth and adherence to best practices in corporate governance.

During the fiscal year 2023, all board members reported 100% participation, demonstrating their commitment and active engagement. Given the qualifications and experience of its members, we do not expect any material risks to pertain to the Board of Directors at XYZ PLC.

XXX – Chairperson

XXX has over 35 years of experience in accounting and corporate secretarial services, having worked at Zambia Industrial and Mining Corporation Ltd (ZIMCO) and Zambia National Oil Company Ltd (ZNOC). She is a Chartered Secretary, qualified under the Institute of Chartered Secretaries and Administrators (ICSA) from Anglia Polytechnic University, UK. XXX also holds a Diploma of Higher Education in Corporate Administration, a Certificate in Company Director Course from the Commonwealth Association for Corporate Governance and is a member of the Association of Accounting Technicians (AAT). Additionally, she is a Fellow of the Institute of Directors of Zambia and a Corporate Governance trainer.

CORPORATE GOVERNANCE

XYZ PLC adheres to the Lusaka Securities Exchange (LuSE) Corporate Governance Code and the Pension and Insurance Authority (PIA) Corporate Governance Guidelines. The company has established key committees to ensure robust oversight and governance.

The Audit and Risk Committee, comprised of three members and chaired by XXX, plays a crucial role in monitoring the company's enterprise risk management strategy. XXX does not have any personal interests or conflicts with other committees or teams. The 2023 records indicate a 100% attendance rate for the Audit and Risk Committee meetings.

Additionally, the company has a Remuneration Committee and an Investment Committee, each with three members. Both committees also reported a 100% attendance rate in 2023. XYZ PLC actively pursues measures to combat money laundering and counter financial terrorism, in line with okay and PIA guidelines.

Given these factors, ICRA does not expect any material concerns or risks related to the corporate governance of the company.

SHAREHOLDING/OWNERSHIP STRUCUTRE

XYZ PLC has a diversified shareholding structure, distributed among public and private institutional investors, as well as individual shareholders. In 2013, the company listed on the Lusaka Securities Exchange (LuSE), which enhanced its market visibility. This exceptional performance was recognized in 2018 when XYZ received the Zambia Chamber of Commerce and Industry (ZACCI) Award for Best Performing Listed Stock. In 2020, a special resolution at the Annual General Meeting facilitated the recapitalisation of the company, enabling XYZ to reposition itself and embrace a national identity. This strategic move strengthened the company's financial base and competitive edge in the reinsurance market. The diversified ownership and proactive governance measures underpin XYZ's resilience and growth potential. ICRA does not expect any material concerns or risks related to the ownership structure of XYZ PLC.

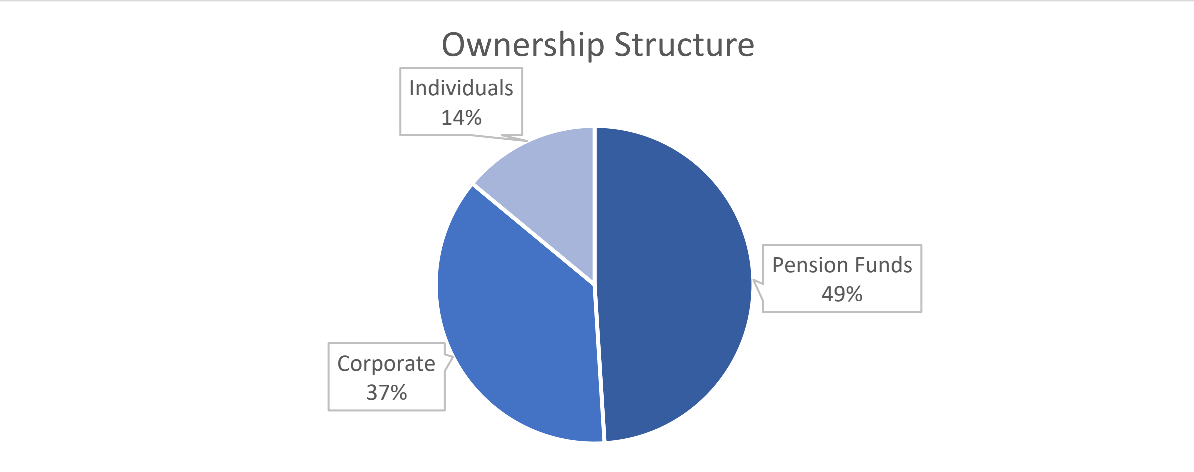

Exhibit 1

<u>Shareholders more than 5% ownership as of FY23.</u>

Name of the Shareholder	Ownership
XXXX	28.17%
XXXX	14.27%
XXXX	6.53%
XXXX	5.52%

Table 7

MACRO ENVIRONMENTAL ANALYSIS

COUNTRY RISK REVIEW

POLITICAL LANDSCAPE

Zambia gained independence from British colonial rule in 1964 and has since maintained a stable democratic government with three arms: the executive, legislature, and judiciary. The country has a multi-party system and a liberalized economy. The President serves as both head of state and government, elected by direct vote for a five-year term, with a maximum of two terms. The current President, Hakainde Hichilema, was elected in August 2021.

Zambia is a landlocked, resource-rich sparsely populated country in Southern Africa. It shares its border with eight countries namely Angola, Botswana, Democratic Republic of Congo, Malawi, Mozambique, Namibia, Tanzania, and Zimbabwe. It is a member of the Africa regional groupings namely SADC and COMESA. The official local currency is the Zambian Kwacha (ZMW), and the capital city is Lusaka.

LEGAL ENVIRONMENT

The constitution is the supreme law of the country from which all other laws and regulations are derived. Generally, there is observance of the rule of law in Zambia. Notable however is that court cases sometimes can take a long time to conclude and there are reported cases of politically exposed people (PEPS) acting without regard for the law. Judicial reforms have been initiated to address such concerns including the establishment of the financial crimes court in 2022 and enhancing law enforcement.

DEMOGRAPHIC LANDSCAPE

Zambia is one of the world's youngest countries by median age. Its population, much of it rural with rapid urbanization, is estimated at about 19. 6m with a growth rate of 2.7% per year. Life expectancy is short, estimated at 64.96 years. (World Bank, 2025). The literacy rate stands at 88% of the adult population at end of 2020. The IMF noted that there is low labour productivity on account of low skills and capacity.

NATURAL AND OPERATING ENVIRONMENT

The country has enjoyed a stable tropical savannah environment for decades. Lately, however, there have been natural calamities such as droughts, floods, army worm invasions and break outs of diseases (both for humans and animals) that have brought devastating impacts on both the environment and the economy.

Zambia is also a member of various international organizations including the UN system, World bank, IMF, AU among others. It has also signed important international agreements such as relating to combating money laundering, financing terrorism, combating proliferation, human trafficking and climate change. Zambia adheres religiously to these protocols.

MACROECONOMIC DEVELOPMENTS AND OUTLOOK

Currently, macroeconomic conditions in Zambia have deteriorated due to the impact of a drought in 2024. The drought has led to increased hours of power blackouts and in turn adversely impacted economic activity.

GDP GROWTH

Owing to the drought, annual GDP growth for 2024 has been revised downwards to 1.2% from the earlier 2.3 % reflecting contractions in the agriculture and energy sectors, and subdued performance in administrative and support services, despite some gains in mining.

Growth prospects for the 2025-2027 period however remain optimistic. GDP growth is projected at 6.6% in 2025, 5.9% in 2026 and 5.6% in 2027, (BoZ, National Symposium on the 2025 National Budget, 2025). This optimistic outlook assumes increased mining production, effective implementation of reforms, restoration of debt sustainability, and normalization of rainfall patterns.

INFLATION OUTTURN

The Bank of Zambia (BoZ) annual inflation target is between 6% and 8%. In 2024, annual inflation stood at 16.7% well above the target range and is projected at 13.9% in 2025 and 10.8% by end June 2026 (Bank of Zambia, 2025). The major factors attributed to the high inflation were higher maize and fuel prices, increase in electricity tariffs and the exchange rate depreciation.

EXCHANGE RATE DEPRECIATION AND VOLATILITY

The Zambian currency (ZMW), the Kwacha is subject to wild swings against major convertible currencies namely, the USD, the Swiss Franc, The South African Rand and the Euro. The ZMW depreciated by about 7.74% in 2024 and by about 42.4% in 2023 against the USD. The ZMW depreciated by 6.0% in Q3/24 compared to 4.9% in Q2/24 against a basket of currencies of the major trading partners, (BoZ, National Symposium on the 2025 National Budget, 2025). Currency depreciation is a major source of inflation in Zambia as the country is import dependent.

TRADE PERFORMANCE

After a trade deficit in 2023, the current account recovered into surplus in Q2/24 thanks to increased grants from cooperating partners, remittances, and reduction in imports. The current account surplus expanded to USD 0.19 bn (2.7% of GDP) by end Q3/24 from USD 0.04 bn (0.6 % of GDP) in Q2/24, (BoZ,2025). The projection for 2025 and 2026 is more optimistic at USD 1.5bn (5.6% of GDP) and USD 2.3 bn (8.4% of GDP), respectively. This is based on the projected faster growth in exports relative to imports.

FISCAL PERFORMANCE

The Zambian National budget has run fiscal deficits for decades on account of low revenue performance. The budget deficit for 2024 stands at 2.7% of GDP and is projected at 3.1 % of GDP for 2025, (MoFNP, 2025). Risks to the medium-term fiscal outlook remain tilted to the upside based on lower copper prices associated with weaker global demand, adverse effects of geopolitical tensions on energy and food prices, depreciation of the exchange rate, and constrained production and hydropower generation.

INTERNATIONAL RESERVES

Gross official international reserves were sufficient at USD 4.15bn by the end of September 2024, covering more than 4.6 months of projected imports (USD3.91bn at the end of June 2024) (MoFNP,2025), largely because of project disbursements from the World Bank and revenues from mining taxes. Additionally, the central bank's gold purchases/holdings totalled USD 217.2m as at Q3/24 since it began purchasing gold locally in December 2020 (BoZ, 2024).

INTEREST RATES

Interest rates remain high in Zambia with commercial banks' average nominal lending rate on locally denominated loans at 28.4% at the end of September 2024. This makes credit expensive for businesses and consumers negatively impacting economic activity and GDP growth. In the medium term, lending rates are expected to remain elevated premised on the anticipated tight monetary policy stance to curb rising inflationary pressures in the country.

ZAMBIA'S DEBT POSITION

Zambia's public debt remains high at over 127% of GDP in 2023 and at USD 26.67bn as at the date of this report, (MoFNP, 2025). Zambia became the first African country to default on its foreign debt in November 2020. In June 2023, the Ministry of Finance and National Planning reached preliminary agreements with its official creditors, including China to restructure its debt. As of 22nd January 2025, Zambia had agreed to restructure 90% of its debt stock with its creditors. Zambia's public debt is sustainable, but the country remains at high risk of overall and external debt distress.

IMF ECF PROGRAMME

Zambia is currently on an IMF Extended Credit Facility (ECF) programme. In December 2024, the IMF disbursed SDR 139.88 m (about USD 184m), bringing total disbursement to SDR 992.86m (about USD 1.3bn). The program seeks to entrench macroeconomic stability, attain debt and fiscal sustainability, enhance public governance, and foster inclusive growth. The IMF assessed the Zambian Government performance under the programme as satisfactory, (IMF, 2024).

FINANCIAL SECTOR PERFORMANCE AND STABILITY

Zambia's banking sector has adequate liquidity, profitability, and capitalisation. Primary and total regulatory capital adequacy ratios were above the minimum regulatory requirements of 5% and 10%, respectively (BoZ, 2024). Asset quality was also satisfactory. Risks to financial system stability are on an upward trend on account of reduced economic activities due to drought, low financial intermediation, sovereign-bank nexus, concentration of banks' loans and deposits, dollarization of loans, as well as maturity mismatches. Further, inflation, higher geopolitical tensions, and higher exchange rate volatility represented other sources of financial instability. Despite the elevated risks, the banking sector remained resilient. Noteworthy is that the financial system in XYZ remains underdeveloped when measured using the Financial Development Index (FDI) compiled by the World Bank, (World bank, 2025).

CONCLUSION

Zambia's political landscape is generally stable. Economic risks have risen lately, driven by a high debt burden, fiscal deficits, a decline in copper prices and adverse effects of the drought. Social risks are also a concern, with elevated levels of poverty, inequality, and unemployment. The country's healthcare and education systems are underdeveloped with limited access to basic services.

ICRA is of the view that Zambia poses a moderate risk. The government has shown commitment to economic recovery and in dealing with shocks, which is further evidenced by the IMF ECF programme currently in place.

INDUSTRY ANALYSIS

INSURANCE INDUSTRY

The insurance industry stands as a vital pillar within the global financial system, offering indispensable risk management and financial protection services to both individuals and businesses. This sector plays a crucial role in fostering economic stability and growth by mitigating uncertainties and providing a safety net against unforeseen events. The industry can be broadly categorized into several key subsectors, each with its unique focus and functions.

- **Life Insurance**: Addresses risks associated with the life and health of individuals. Policies typically offer financial support to beneficiaries in the event of the policyholder's death, and may also provide living benefits, such as funds for critical illnesses or retirement income.
- **Non-Life Insurance**: Also known as general insurance and has a wide range of products that protect against property damage, liability, and other non-life-related risks. This includes coverage for homes, vehicles, businesses, and natural disasters, ensuring that policyholders are financially safeguarded from various contingencies.
- **Health Insurance**: Focused on covering medical expenses and health-related risks, health insurance policies ensure access to necessary medical care without the burden of exorbitant costs including a variety of plans, from basic coverage to comprehensive packages that cover a wide range of medical services.
- **Reinsurance**: Involves providing insurance for insurers themselves, helping them manage risk and stabilize their operations. Reinsurance allows primary insurers to spread risk across a larger pool, protecting them from significant financial losses due to large claims or catastrophic events.

GLOBAL CONTEXT

The global insurance industry, valued at approximately USD 8tn in 2024, stands as a vital component of the global financial system. This sector has experienced remarkable growth, with a 7.5% increase in 2023, marking the fastest expansion since 2006, according to the Allianz Global Insurance Report. The industry's resilience and adaptability are evident as it continues to provide essential financial protection and risk management solutions amid an evolving global landscape. In 2023, the OECD reported that the industry's gross written premiums (GWP) reached approximately USD 5.5tn, reflecting a modest growth rate of around 3% compared to the previous year. This growth is driven by increased demand in emerging markets and a rebound in life insurance products. Emerging markets in Latin America and

Africa have shown significant potential due to rising middle-class populations and increased awareness of insurance benefits. McKinsey's Global Insurance Report 2024 states that life insurance premiums reached EUR 2.62tn in 2023. Life insurance remains a cornerstone of the industry, offering financial security to individuals and families, particularly in times of uncertainty.

Non-life insurance is the dominant sector globally, accounting for the largest portion of premiums written. The OECD's Global Insurance Market Trends 2024 report highlights that this sector includes mandatory motor vehicle insurance and coverage for natural catastrophes, both of which contribute significantly to its growth. The increasing frequency of natural disasters, driven by climate change, has heightened the demand for non-life insurance products. Property and casualty insurance saw substantial growth as businesses and individuals sought coverage against a broadening array of risks, including cyber threats and global supply chain disruptions.

Health insurance premiums totalled EUR 1.43tn in 2023, underscoring the growing emphasis on health and well-being globally. The health insurance sector has been propelled by rising healthcare costs, demographic shifts such as aging populations, and the lingering effects of the global pandemic. Insurers are innovating with personalized health plans, telemedicine services, and wellness programs, leveraging technology to enhance accessibility and customer engagement. Collaborations between insurers and healthcare providers are also improving patient outcomes and cost efficiencies.

Reinsurance plays a critical role in maintaining industry stability, with the value of global reinsurance capital reaching significant levels in 2024. Reinsurers enable primary insurers to underwrite more policies by mitigating potential large-scale losses. The increased frequency and severity of catastrophic events, such as natural disasters and global health crises, have highlighted the necessity of robust reinsurance mechanisms. This has led to innovative risk transfer solutions and the use of alternative capital sources in the reinsurance market.

REGIONAL CONTEXT

The insurance industry in South Central Africa is characterized by resilience and growth potential despite economic challenges. The region's insurance penetration rate remains relatively low compared to global averages, but it is gradually increasing. In East Africa, for example, the insurance penetration rate was 1.39% in 2022, with Kenya leading at 2.14%. This indicates significant growth potential, as more individuals and businesses recognize the importance of insurance in managing risks. The region faces several challenges, including high interest rates, inflation, and regulatory changes, which can impact the profitability and stability of insurance companies. However, digital transformation and innovation are driving growth in the industry. Insurers are increasingly adopting digital technologies to enhance customer engagement, streamline operations, and offer more accessible and affordable insurance products. This shift towards digitalization is crucial for the industry's future growth and sustainability.

In 2023, the South African insurance industry saw a strong recovery, with non-life insurers, life insurers, and reinsurers collectively contributing to a sound outcome for policyholders. The industry's resilience was tested by the ongoing energy crisis, adverse weather conditions, and geopolitical events such as the Russia-Ukraine war. Despite these challenges, insurers continued to innovate and adapt to the changing environment. Microinsurance is also playing a significant role in increasing insurance penetration in the region. Tailored products designed for low-income individuals are helping to close the gap in insurance coverage. Telecommunication companies partnering with insurers are offering affordable premiums and coverage for events like health emergencies, funerals, and crop failures. This not only improves financial inclusion but also opens new revenue streams for insurers looking to penetrate the vast uninsured markets in countries like Kenya, Nigeria, and South Africa.

Regulatory frameworks across African nations are evolving to accommodate the changing insurance landscape. Governments are introducing new regulations aimed at increasing market transparency, protecting consumer rights, and ensuring the solvency of insurers. These regulations are also pushing insurers to adopt more sustainable and ethical business practices. For example, the introduction of risk-based capital (RBC) requirements across various African markets is ensuring that insurers maintain adequate capital based on the risks they underwrite, promoting financial stability.

DOMESTIC CONTEXT

The Zambian insurance industry has demonstrated positive growth and resilience in recent years. Key players in the market include Madison General Insurance, ZSIC General Insurance, and Professional Insurance Corporation Zambia. In 2022, the industry recorded gross written premiums of ZMW 6.033bn, a 13% increase from 2021. In 2023, the Zambian insurance market saw further growth, with gross written premiums reaching ZMW 7.8bn (USD 385.9m). The market is projected to achieve a compound annual growth rate (CAGR) of over 15% from 2024 to 2028. This positive trend highlights the industry's potential and the increasing demand for insurance products in the region.

Despite this growth, the Zambian insurance industry faces unique challenges. Economic instability, low insurance penetration, and regulatory compliance are significant hurdles. The industry also struggles with a lack of skilled resources, which can impact the quality of service and innovation. However, the industry is focusing on digitalization and customer-centric products to address these challenges. Insurers are leveraging technology to improve customer experience, expand coverage, and offer more tailored insurance solutions. Microinsurance is playing a significant role in increasing insurance penetration in the region. Telecommunication companies partnering with insurers are offering affordable premiums and coverage for events like health emergencies, funerals, and crop failures. This improves financial inclusion and opens new revenue streams for insurers looking to penetrate the vast uninsured markets in Zambia.

Despite the challenges, the Zambian insurance industry continues to show resilience and growth potential. By embracing digital transformation, innovation, and regulatory changes, the industry is well-positioned to support economic development and provide financial security to individuals and businesses in the region.

The insurance industry in Zambia is considered to have moderate risk, closely tied to the country's economic and financial systems. Despite currently having low penetration rates in the market, it holds significant growth potential. With increasing awareness and demand for insurance products, coupled with advancements in digital technologies, the industry is poised for substantial expansion. This growth potential, despite the current challenges, underscores the importance of the insurance sector in supporting economic stability and development.

ADVISORS AND OTHER RELATIONSHIPS

Banking Relationships

- XXXX
- XXXX
- XXXXX
- XXXX

Internal Auditors

- XXX

External Auditor Details

Auditor Name	Grant Thornton
Address	XXX
Latest Financials	2023 (31-December-2024)
Publication Date	XXX
Audit Opinion	Unqualified

Table 8

Actuaries

- Actuaries Services (E.A) Limited, XXX

FINANCIAL ANALYSIS

The credit rating of XYZ is conducted, utilizing publicly available information from reliable sources. For financial analysis, ICRA typically considers five years of audited annual financial statements along with interim financials up to the latest quarter. Hence, the same approach is followed for XYZ.

Although the financial statements are reviewed over a five-year historical trend, the Zambian reinsurance accounting standards have undergone significant reforms with multiple accounting changes adopted in FY23. These reforms make direct comparisons across the past five years challenging.

The latest financial statements have restated FY22 figures in line with the new accounting standards, enabling a more accurate y/y analysis. However, to ensure conservatism and accuracy, ICRA limits trend analysis using CAGR only to key comparable line items. While it serves as an indicative metric, changes in accounting standards during the review period—along with restated FY22 figures and new FY23 accounting measures—have materially impacted financial figures from FY19 to FY21.Below is a summary of the key accounting changes XYZ adopted from FY23:

- Deferred Tax (IAS 12): Recognition of deferred tax on simultaneous asset and liability transactions.
- Disclosure of Policies (IAS 1 & IFRS 2): Enhanced clarity in financial disclosures.
- Accounting Estimates (IAS 8): Clarified definitions and guidance on changes.
- International Tax Reform (IAS 12): Consistent application of deferred tax for new tax rules.
- IFRS 17 Insurance Contracts: New standard impacting revenue recognition and financial reporting for insurance contracts.

INCOME STATEMENT

Performance Analysis							
ZMW	FY19	FY20	FY21	FY22*	FY23*	1H23	1H24
Reinsurance revenue	na	na	na	92,711,666	90,023,096	50,935,579	48,110,507
Rein. Service Result from Contracts	na	na	na	40,779,560	45,158,401	24,484,999	32,453,661
Net Reinsurance Service Expense	na	na	na	(21,097,773)	(22,804,921)	(11,564,859)	(17,646,227)
Underwriting Results	12,882,089	18,632,391	18,322,422	19,912,868	24,218,461	13,447,801	14,063,130
Total Service and Operating Expenses	(35,217,585)	(45,804,025)	(43,855,470)	(43,241,442)	(46,626,116)	(22,043,527)	(31,500,070)
Profit Before Tax	3,169,005	11,876,726	2,827,668	8,067,237	20,557,168	6,188,963	2,465,843
Profit for the Year	3,611,877	6,734,145	1,307,334	2,540,546	15,514,293	4,931,463	1,417,436

(- Post Adoption of new standards and amendments)*
Table 9

Annual Performance

During FY23, XYZ PLC generated reinsurance revenue of ZMW 90.02m, down from ZMW 92.71m in FY22, a decline of 3% y/y. Reinsurance revenue refers to the income earned from providing reinsurance coverage to other insurers. The company has not provided a specific reason for the decline in FY23. However, given the restated figures in FY22, the decline can potentially be due to the adoption of new revenue recognition practices during the period.

When examining the segmental breakdown, fire remained the largest contributor in both years. However, engineering's contribution declined by 11ppts y/y, with this decrease being absorbed by the fire segment, which saw a 10ppts y/y growth in FY23.

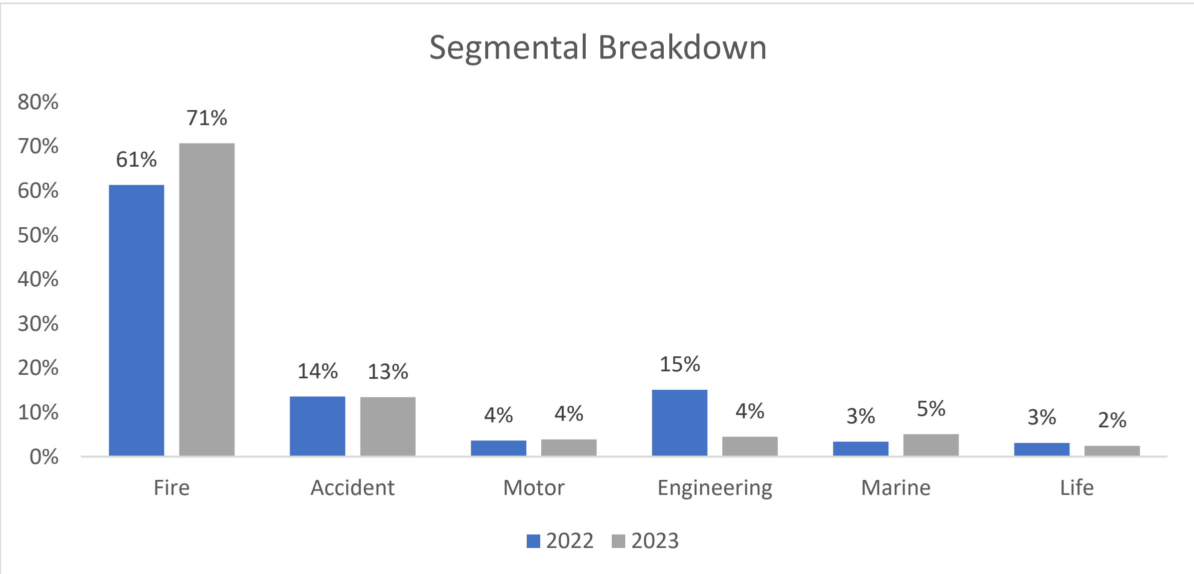

Exhibit 2

Reinsurance service results from contracts grew by 11% y/y to ZMW 45.16m in FY23, supported by a 14% y/y decline in retrocession service expenses to ZMW 44.86m. This indicates a significant reduction in costs associated with transferring risks to other reinsurers, leading to lower reinsurance costs for the company. Despite a topline decline, the company was able to expand its margin through cost efficiencies, reflecting a positive performance trend. Reinsurance service results from contracts refer to the net income earned through reinsurance activities after deducting retrocession service expenses, which are the costs incurred by XYZ when transferring a portion of its risks to another reinsurer.

Underwriting surplus or underwriting profits is a key metric used by insurance companies to assess the profitability of their business through core activities. It represents the profit, an insurance or reinsurance company earns from its underwriting activities after accounting for all claims and operating expenses related to those activities. In FY23, the company generated underwriting profits of ZMW 24.22m, reflecting a 22% y/y growth, supported by (i) improved reinsurance service results from contracts and (ii) significantly enhanced reinsurance finance income, despite increased net reinsurance service expenses and retrocession finance expenses. The company's consistent growth in underwriting profits is further demonstrated by its 17% CAGR during the FY19-23 period. This highlights strong underwriting practices, effective risk assessment, and the ability to generate profits through core operations over time.

Investment income plays a crucial role for insurance companies, serving as a key support for profitability by offsetting underwriting losses from unexpected risks. This ensures financial stability and facilitates competitive pricing for policyholders, especially during periods of intense market competition. For FY23, investment income decreased by 18% y/y to ZMW 7.46m, down from ZMW 9.10m in FY22. This decline was primarily due to a 25% y/y reduction in investments at amortization during the period. Notably, this represents the first decline in XYZ’s investment income in the past five years, with a compound annual growth rate (CAGR) of 39% from FY19 to FY23. As previously highlighted, investment income is a key driver of sustainable profitability. It is, therefore, advisable for the company to closely monitor the behaviour of investment income in future periods to maintain financial stability.

The operating expenses of the company increased by 8% year-over-year (y/y) to ZMW 46.63m in FY23, primarily driven by a significant rise in expected credit losses on premium receivables. The expected losses saw a 368% y/y increase in FY23, reaching ZMW 3.12m, which is a red flag for the company. While the exact cause of this surge remains uncertain, it is not entirely clear whether it is due to deteriorating receivables or a higher provision resulting from changes in accounting standards. Nonetheless, the substantial increase in expected credit losses is a noteworthy concern.

Profit before tax demonstrated an outstanding improvement, with a 155% y/y growth, reaching ZMW 20.56m in FY23. This impressive performance was further accelerated by a 917% y/y increase in other gains during the period, in addition to the previously mentioned factors. XYZ continues to maintain its strong track record of profitability, with PBT growing at a CAGR of 60% from FY19 to FY23, reflecting a robust growth trend over the years. The exceptional gains in FY23 were primarily driven by ZMW 13.98m of net foreign exchange gains, compared to ZMW 884.29k of foreign exchange gains in FY22.

Income tax expense for the period declined by 9% y/y to ZMW 5.04m, despite the significant improvement in PBT in FY23. As a result, net profit grew by an impressive 511% y/y, reaching ZMW 15.51m in FY23, compared to ZMW 2.54m in FY22.

Interim Performance (Semi Annual)

The company is publishing interim financials on a semi-annual basis with limited line items on the key main statements. Unlike annual performance analysis, ICRA would not delve deeply into the performance due to limited information. However, these interim financial figures are used to assess the recent performance of the company to get a reasonable idea about the trend of the company.

Reinsurance revenue in 1H24 has declined by 6% y/y to ZMW 48.11m following the same FY23 trend as a result of higher premiums written but not earned during the period. However, the company was able to reduce its retrocession service expenses by 41% to ZMW 15.66m, sustaining FY23 momentum in 1H24. This marked a reinsurance service result from contracts of ZMW 32.45m, which is a 33% y/y growth. When compared to FY23, it is a 72% achievement during 1H24.

However, underwriting profit growth has slowed down to 5% y/y in 1H24 to ZMW 14.06m, mainly due to higher reinsurance service expenses of ZMW 30.10m (+20%), retrocession finance expenses of ZMW 6.11m, and lower retrocession service income (-8% y/y backed by higher retention of the businesses), partially offsetting the increased reinsurance service results due to outstanding claims as well as paid claims and reinsurance finance income of ZMW 5.36m.

Despite an impressive topline, the latter part of the income statement indicates deteriorated performance as profit before taxes has declined by a significant 60% y/y to ZMW 2.47m, and profit after tax has decreased to ZMW 1.42m, down from ZMW 4.93m in 1H23, which is a 71% y/y decline. This was mainly due to increased operating expenses (+43% y/y) as well as reinsurance expenses (+67% y/y). This indicates that the company will significantly fall short of surpassing FY23 net profits by the end of FY24.

Conclusion

When considering annual performance as well as interim performance, the company's overall performance presents a complex picture.

In FY23, the company showcased notable financial stability and a continuous growth trajectory. Despite a slight decline in reinsurance revenue and an increase in expected credit losses, the company-maintained profitability, reflecting resilience and robust risk management strategies. The diversification of its business lines and revenue streams contributed significantly to its stability, enabling it to mitigate risks and weather market fluctuations effectively. Strong operational standards across historical periods reinforced the company's ability to navigate challenges, laying a solid foundation for future stability and growth. In 1H24, while there were successes such as reducing retrocession service expenses and achieving reinsurance service results, the company faced challenges with increased operating and reinsurance expenses. This led to a significant decline in profitability, with profit before taxes and profit after taxes both showing marked decreases. Overall, while the company demonstrated resilience and strong operational standards in FY23, the first half of FY24 highlights the need to address rising expenses to maintain profitability. The solid foundation from FY23 provides a strong base, but strategic adjustments will be essential to sustain growth and stability in the face of the challenges observed in 1H24.

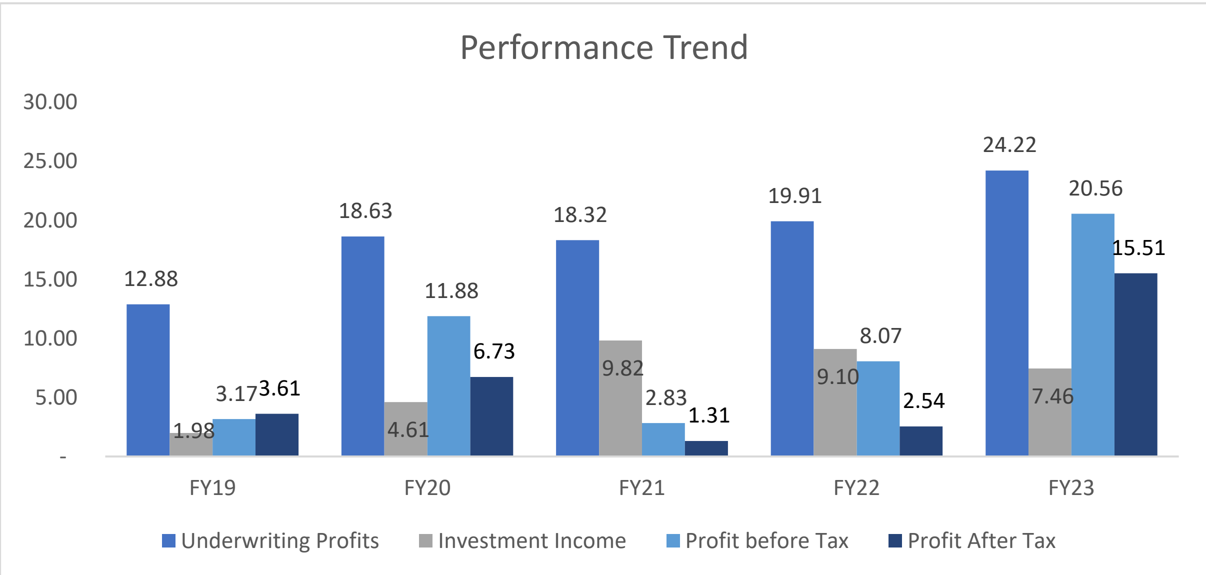

Exhibit 3

BALANCE SHEET

Balance Sheet						
ZMW	FY19	FY20	FY21	FY22*	FY23*	1H24
Investment properties	3,128,316	5,000,000	5,040,000	5,600,000	5,900,000	na
Investments at amortised cost	10,765,835	42,850,141	60,970,266	66,368,478	49,984,884	na
Investments at fair value	1,503,331	3,320,601	4,789,396	6,384,881	9,028,095	na
Reinsurance contract assets/Insurance Receivables	29,291,556	22,906,933	13,494,339	17,635,403	27,436,690	na
Cash and cash equivalents	1,502,302	11,458,615	5,468,115	1,480,489	17,558,618	na
Total Assets	60,978,821	107,746,038	112,964,223	141,019,883	151,652,525	141,037,477
Reinsurance contract liabilities	2,935,572	6,185,991	6,808,115	7,466,452	6,268,512	na
Retrocession contract liabilities	8,043,138	9,251,408	9,105,160	39,492,403	33,453,133	na
Total Liabilities	13,574,582	18,370,034	20,683,566	52,200,194	46,260,068	37,275,100
Total Equity	47,404,239	89,376,004	92,280,657	88,819,689	105,392,457	103,762,377

Table 10

Total Assets

The total asset base of the company increased by 8% y/y to ZMW 151.65m in FY23 from ZMW 141.02m in FY22 (vs. ZMW 141.03m in 1H24). When looking at the historical trend of the asset base, it has continuously grown at a 26% CAGR during the FY17-23 period. In 1H24 interim financials the company has provided only the extracts of main line items of the balance sheet including total assets, liabilities and equity.

When assessing the asset mix of a reinsurance company, the investment portfolio is crucial because it directly impacts the company's profitability and liquidity. Effective investment management ensures the company can meet its obligations to policyholders and maintain financial stability, even during adverse events.

XYZ's investments can be classified into three main categories: (i) investments in properties, (ii) investments at amortized cost, and (iii) investments at fair value.

Investments in properties

XYZ has acquired two residential units to rent out to the general public, aiming to earn rental income for the company. As of FY23, the value of the property investment amounted to ZMW 5.90m, reflecting a 5% y/y growth from FY22, largely due to the appreciation of property value. This investment strategy allows XYZ to benefit in two ways: generating steady rental income and achieving capital gains through property value appreciation, assuming favourable economic conditions. However, it is crucial for the company to maintain a balanced investment approach, as property investments are highly susceptible to liquidity risk, occupancy risk, market risk due to economic fluctuations, and maintenance costs. Additionally, it is important to note that the title deeds of the investments have not yet been transferred to XYZ. Consequently, the company would not have legal ownership of the properties in the event of any legal matters.

Investments at amortized cost

This refers to investments adjusted over time to reflect their true economic value, including interest earned and principal repayments. As of FY23, the company had ZMW 49.98m (-25% y/y) worth of investments at amortized costs, which consist of fixed term deposits (80%) and treasury bills (20%). These are low-risk investments, with fixed term deposits offering stable returns with minimal risks, and treasury bills being backed by the government and secured.

Investments at fair value

Investments at fair value are measured and reported at their current market price, reflecting what they would sell for in an open market. As of FY23 XYZ had investments at fair value worth ZMW 9.03m which improved by 41% y/y from FY22. Usually, equity investments considered as a comparatively risky investments as the value of the investment can fluctuate significantly due to market volatility, potentially impacting the company's financial stability and ability to meet obligations. XYZ invested mainly in 4 equity stocks under investments at fair value as below.

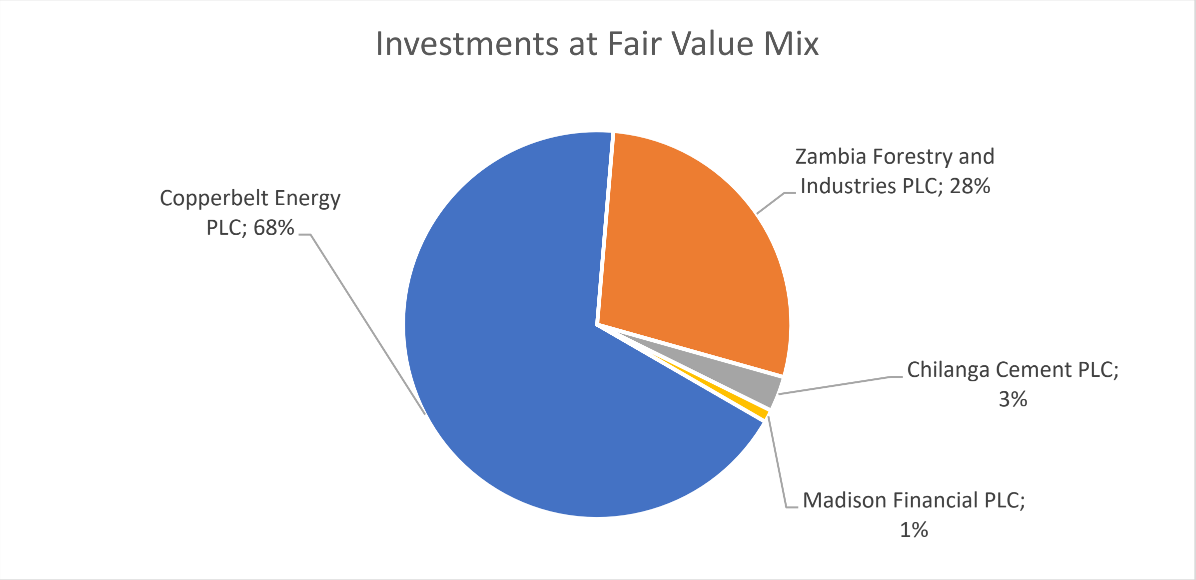

Exhibit 4

When looking at the overall investment portfolio, ICRA has not identified any major concerns on the portfolio. However, on a conservative basis, ICRA considers equity investments to have elevated risk compared to other investments due to their sensitivity to market conditions. Nonetheless, equity investments remained at 14% of the total investment portfolio as of FY23, indicating a quality investment portfolio with a low-risk exposure overall representing 43% of total assets as of FY23. The evolution of total investment portfolio since FY19 is as follows.

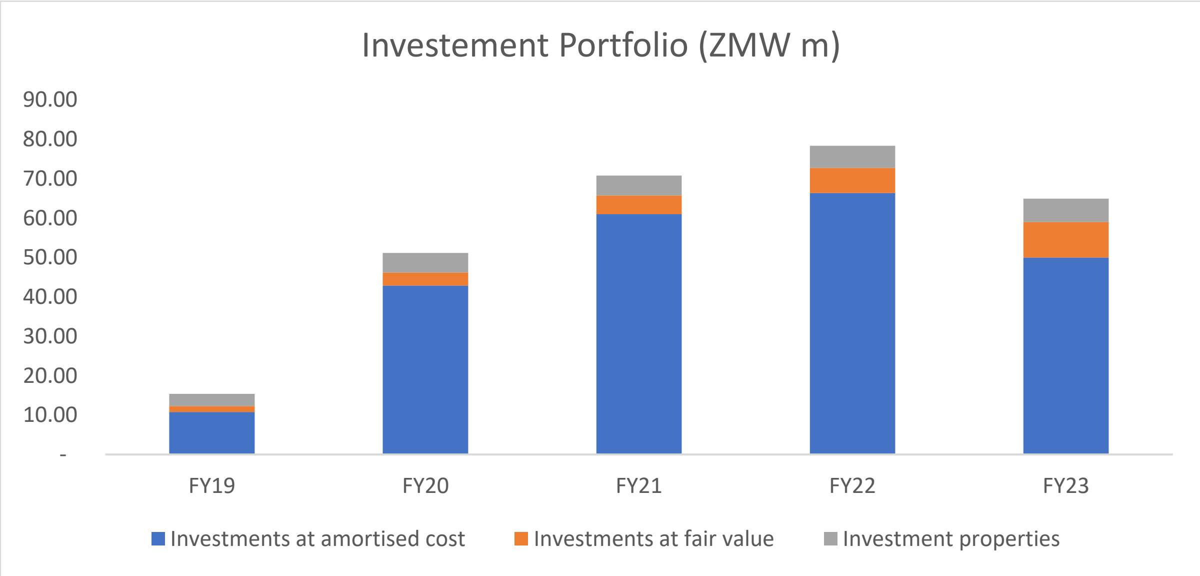

Exhibit 5

Reinsurance contract assets represent the amounts XYZ expects to recover from its reinsurer for claims ceded under a reinsurance agreement. As of FY23, these assets stood at ZMW 27.44 million, reflecting a 56% year-over-year (y/y) increase.

Similarly, retrocession contract assets refer to the amounts XYZ anticipates recovering from its retrocessionaires (other reinsurers) for claims further transferred under a retrocession agreement. These assets were recorded at ZMW 9.17 million in FY23, marking a 45% y/y decline.

Additionally, reinsurance receivables represent amounts the company expects to receive from policyholders or other parties related to premiums, claims, or other financial transactions. As of FY23, reinsurance receivables amounted to ZMW 16.37 million, reflecting a 35% y/y increase. The reinsurance revenue-to-receivables ratio stood at 18% during the period.

The company's PPE increased by 22% in FY23, reaching ZMW 11.97m, up from FY22, driven by the addition of motor vehicles, furniture, and WIP during the period.

Regarding cash and cash equivalents, FY23 saw a significant rise in the cash balance to ZMW 17.56m, compared to ZMW 1.48m in FY22. This increase was primarily due to a higher level of short-term call deposits with financial institutions, which stood at ZMW 15.96m in FY23 vs. ZMW 0.50m in FY22, accounting for 90% of total cash and cash equivalents. The remaining 10% comprised cash on hand, which increased to ZMW 1.59m in FY23, up from ZMW 0.98m in FY22.

ICRA focuses on assessing key line items under assets that have a direct impact on the company's profitability, liquidity, and operations. This involves a thorough examination of the asset mix to identify any potential risks or areas of concern. Based on the existing asset mix, ICRA has not identified any major concerns in the asset composition of the company indicating a balanced and stable asset mix of the company.

Total Liabilities

Total liabilities stood at ZMW 46.26m in FY23 (cf. ZMW 37.28m in 1H24), reflecting an 11% y/y decline from FY22 and marking a CAGR of 36% during the FY19-23 period. The largest portion of liabilities consists of retrocession contract liabilities, which amounted to ZMW 33.45m or 72% of total liabilities. These are provisions for the liabilities of non-life insurance contracts, estimated for the cost of claims incurred but not reported. In other words, these are reserves that the company maintains to pay out any claims for the contracts. As of FY23, this amount declined by 15% y/y to ZMW 33.45m. Additionally, the company has reinsurance contract liabilities of ZMW 6.27m as of FY23, which have declined by 16% y/y. However, there is no breakdown of contract liabilities per business line reported to further assess them.

Based on the information, XYZ operated as a debt-free company, except for ZMW 0.54m of lease liabilities related to the land used for the head office. Of these lease liabilities, only 2% are current, while 98% are non-current. Other financial liabilities of ZMW 3.27m were reported in FY23, representing a 21% y/y decline. These liabilities relate to items such as employee-related liabilities, sundry payables, and statutory obligations.

Overall, XYZ's liability structure appears well-managed and stable. The company's ability to maintain a debt-free status, apart from minimal lease liabilities, highlights prudent financial management. The decline in both retrocession and reinsurance contract liabilities indicates effective risk management and a focus on maintaining reserves for future claims. The substantial proportion of non-current liabilities also suggests long-term stability and a sound financial position.

Equity

Total equity of the company stood at ZMW 105.39m (compared to ZMW 103.76m), reflecting a 19% y/y growth from ZMW 88.82m in FY22. This increase is primarily driven by the substantial growth in retained earnings, which amounted to ZMW 24.21m, representing a remarkable 126% y/y growth. The company's share capital remained constant at ZMW 45.00m throughout the review period. Notably, the company operated as a leverage-free entity with zero debt, with the majority of its assets funded by its own equity through the reinvestment of profits. The significant growth in equity and retained earnings highlights the company's strong financial performance and prudent management practices.

XYZ's balance sheet reflects a robust and stable financial position, with significant growth driven by increased retained earnings. The company has successfully maintained a debt-free status, funding most of its assets through the reinvestment of profits. The liability structure is well-managed, with effective risk management practices leading to notable declines in retrocession and reinsurance contract liabilities. This prudent approach ensures that adequate reserves are in place for future claims. Additionally, the balanced asset mix contributes to the company's overall stability, while the substantial proportion of non-current liabilities suggests a focus on long-term financial health. Overall, XYZ's financial management practices indicate a strong commitment to maintaining stability and achieving sustainable growth.

CASH FLOW STATEMENT

In the cash flow statement, ICRA given less weightage compared to the income statement and balance sheet because the business model is balance sheet driven. The financial health, stability, and profitability highly depend on the adequacy of its assets and liabilities, which cash flow statements do not directly evaluate. However, to assess the cash flow position of the company, ICRA conducts a cash flow statement analysis based on the available information. While annual statements provide detailed cash flow statements, interim financials only present key line items from the cash flow statements.

Cash Flow Statement							
ZMW	FY19	FY20	FY21	FY22*	FY23*	1H23	1H24
Net operating Cash Flow	560,966	9,230,236	13,372,460	5,459,411	3,320,179	8,955,400	4,996,702
Net Investing Cash Flow	(472,268)	(35,291,904)	(18,375,142)	(6,770,848)	13,941,829	(4,822,188)	(165,285)
Net Financing Cash Flow	-	35,347,909	-	(2,653,447)	(2,017,745)	(2,017,150)	-
Net Cash Flow	88,698	9,286,241	(5,002,682)	(3,964,884)	15,244,263	2,116,062	4,831,417

Table 11

Net operating cash flow during FY23 has declined by 39% y/y to ZMW 3.32m from ZMW 5.46m, mainly due to factors such as increased reinsurance contract assets, decreased retrocession liabilities, decreased reinsurance contract liabilities, and lower interest income. However, given the nature of the business model, where the company is balance sheet-driven, higher cash outflows in operating activities due to increases in contract assets and declines in contract liabilities are common. Unlike many similar companies that consistently have negative operating cash flows, XYZ was able to maintain positive operating cash flows throughout the review periods. In 1H24, net operating cash flow declined by 44% y/y to ZMW 5.00m from ZMW 8.96m in 1H23 due to the contraction in net profit amidst higher reinsurance and operating expenses.

FY23 net investment cash flow showed a positive inflow of ZMW 13.94m compared to a cash outflow of ZMW 6.77m, driven by ZMW 107.78m proceeds from investments in financial assets. XYZ has not provided a detailed breakdown of investing activities during 1H24; however, net investment cash flow stood at an outflow of ZMW 0.17m compared to an outflow of ZMW 4.82m in 1H23.

When examining financial activities, the company has very limited financial activities, which is mainly the dividend paid to shareholders. During FY23, ZMW 2.02m of dividends was paid to its shareholders. Overall, despite the challenges in operating and investment cash flows, XYZ has managed to maintain positive operating cash flows and limited financial activities. This demonstrates resilience in a balance sheet-driven business model.

RATIO ANALYSIS

EARNINGS QUALITY

Profitability ratios and asset quality ratios are used in insurance company financial analysis to evaluate the insurer's ability to generate consistent income, cover claims and operational costs, and build reserves. Strong profitability indicates financial resilience, supports capital adequacy, and enhances the insurer's capacity to manage risks, ultimately contributing to a higher credit rating by mitigating concerns about financial distress.

Earnings/Profitability Quality							
	FY19	FY20	FY21	FY22*	FY23*	1H23	1H24
Underwriting Margin	30%	37%	23%	21%	27%	26%	29%
Total Expense Ratio	81%	90%	56%	47%	52%	43%	65%
Net Earnings Ratio	8%	13%	2%	3%	17%	10%	3%
ROA	6%	8%	1%	2%	11%	7%	2%
ROE	8%	10%	1%	3%	16%	10%	3%

Table 12

The underwriting profit margin measures the profitability of the insurance company's core insurance operations. It indicates the percentage of premiums earned that remains after paying for claims and underwriting expenses. The company was able to continually increase the underwriting margin post-IFRS 17 adoptions from 21% in FY22 to 29% in 1H24. This is a positive indication that the company is expanding its profit margin through core operations. This is a critical metric for insurance companies, as many face higher competition and claims, leading to lower underwriting profitability. In this context, XYZ is performing well.

The total expense ratio indicates the percentage of total expenses out of reinsurance revenues. The company's expense ratio fluctuated within 45-55% during FY22 and FY23 (post-IFRS 17 adoption) but drastically increased to 65% in 1H24, indicating elevated operating and reinsurance expenses. As highlighted in the above sections, it is highly advisable for the company to take corrective actions to normalize this abnormal surge in total expenses.

As a result, after generating impressive net earnings of 17% in FY23, up from 3% in FY22, the company’s net earnings deteriorated to 3% in 1H24 amidst higher expenses. This indicates that to sustain operations, a company should focus on both topline and middle lines to achieve a better bottom line. Return on assets and return on equity followed a similar trend, increasing to 11% and 16% respectively in FY23, but declining to 2% and 3% respectively in FY22, similar to the net earnings trend.

Overall, the earnings quality of the company showed continuous improvement until FY23, despite a drastic deterioration in 1H24 net earnings. The company must address rising expenses to maintain its financial performance.

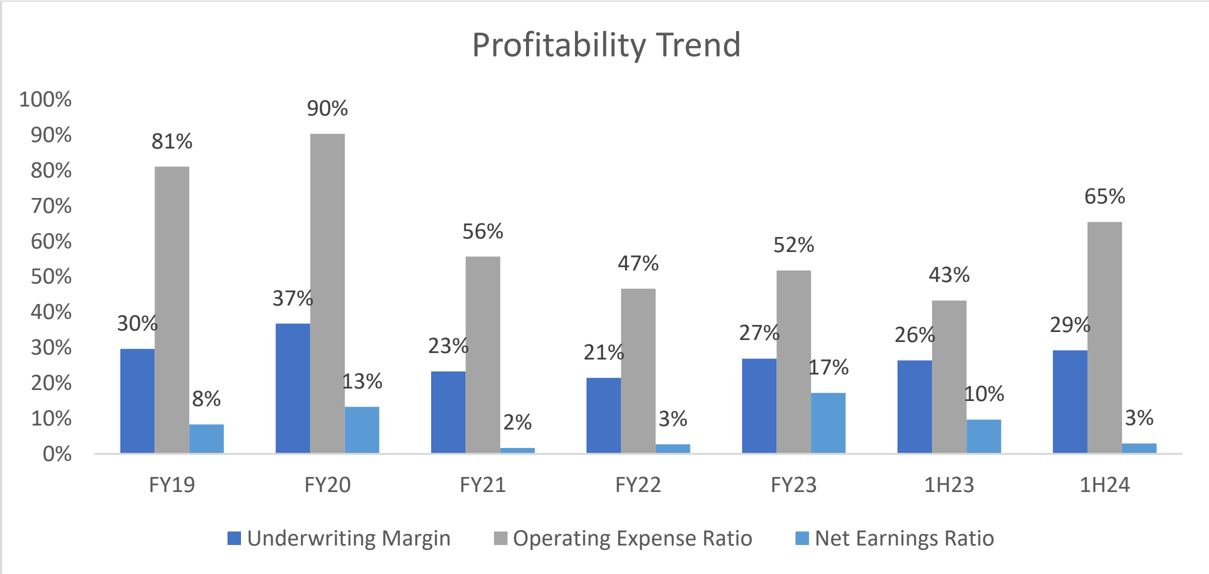

Exhibit 6

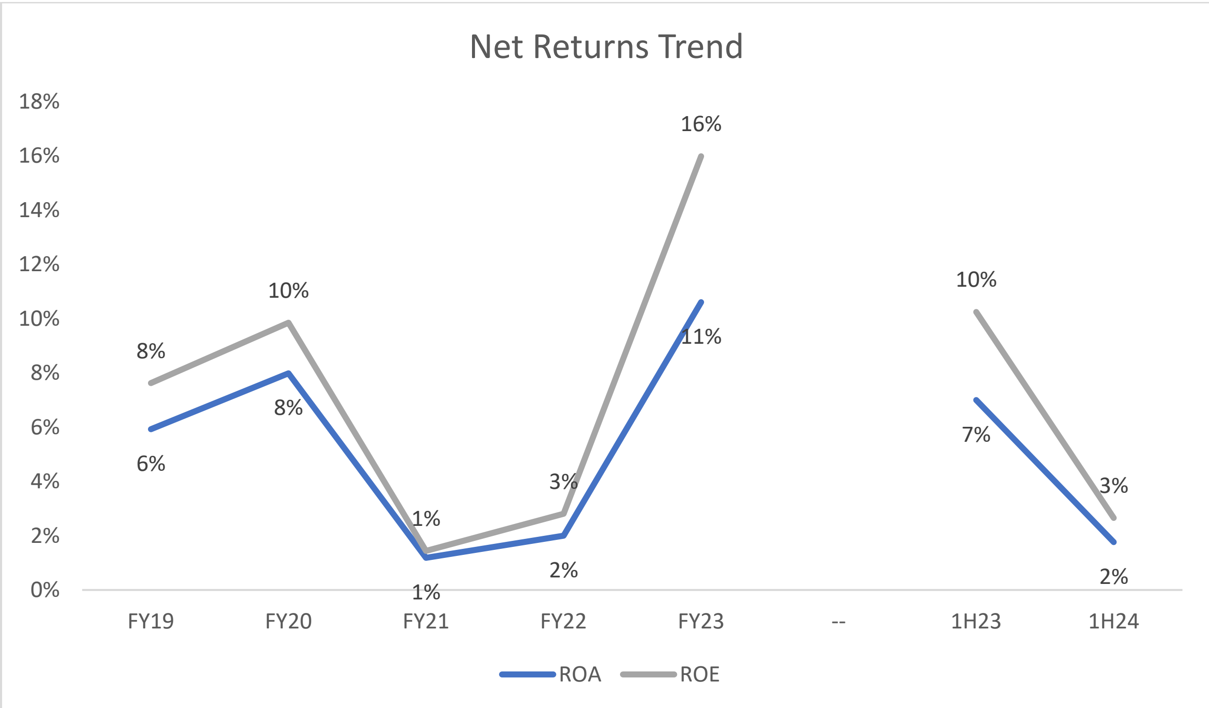

Exhibit 7

ASSET QUALITY

Asset quality for an insurance company refers to the quality and performance of its assets, particularly investments and financial instruments, which are crucial for meeting future claims and ensuring financial stability. Based on the availability of the information ICRA was able to carry out asset quality analysis only based on the annual audit financials.

Asset Quality					
	FY19	FY20	FY21	FY22	FY23
High Risk Assets to Investments	10%	6%	7%	8%	14%
Investment Yield	13%	14%	16%	12%	10%

Table 13

High Risk Assets (HRA) to Investments measures the proportion of high-risk assets within a company's overall investment portfolio. This ratio indicates the level of exposure to potentially volatile or less stable investments. High-risk investments include assets such as common and preferred equity investments, below-investment grade and unrated bonds/loans, alternative investments like private equity, and real estate investments (REITs). Based on the XYZ investment portfolio, the only HRA investment identified was in common stocks. Although the HRA to investment ratio has fluctuated over time, XYZ's HRA ratio is comparatively low at 14%, which is not a material risk at the moment.

The investment yield measures the return on the insurance company's invested assets. It indicates the percentage of net investment income generated from the company's average total investments. A higher investment yield reflects better performance of the company's investment portfolio. The investment yield has declined to 10% in FY23 from 12% in FY22, attributable to fluctuating economic conditions and exchange rates during the year.

When assessing the overall asset quality of the company, it has slightly deteriorated in FY23 from FY22 but remains within an acceptable level, ranging from low to moderate risk. However, it is not considered a credit event for the company. It is advisable for the company to closely monitor asset quality, as further deterioration over an extended period could trigger a credit event.

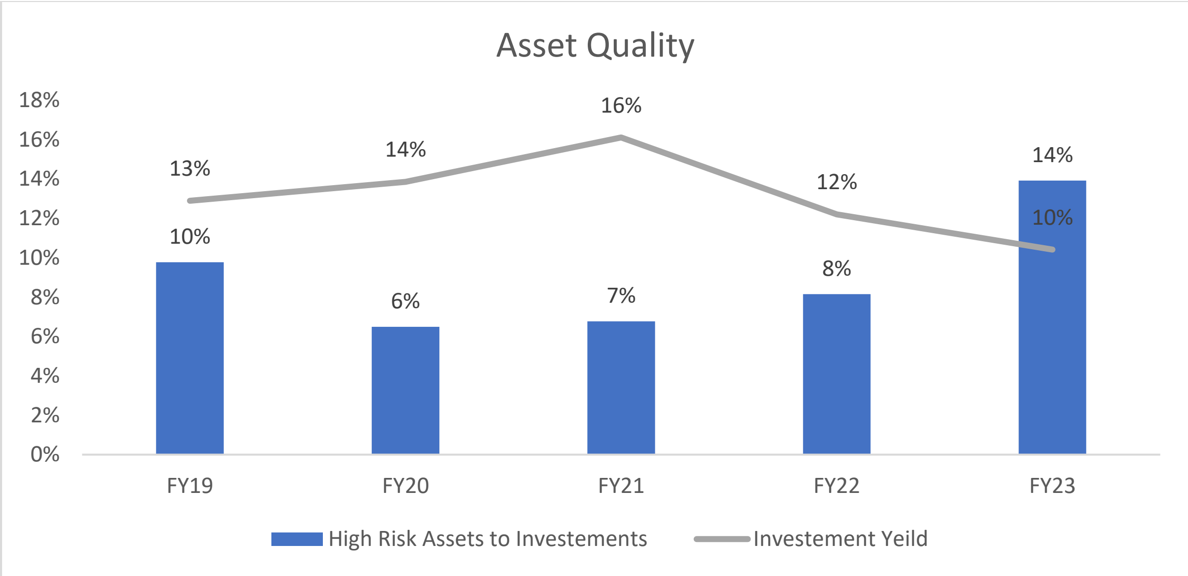
Asset Quality
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
13%
14%
16%
12%
14%
10%
6%
7%
8%
10%
FY19
FY20
FY21
FY22
FY23
High Risk Assets to Investements
Investement Yeild

Exhibit 8

LIQUIDITY

Liquidity analysis assesses the company's strength in repaying policyholders and other obligation without compromising its asset base. Maintaining an optimum level of asset-liability management is crucial. This analysis aids in effective cash flow management, operational stability, and protection against potential liquidity crises. It is essential for regulatory compliance and maintaining stakeholder confidence.

Liquidity					
	FY19	FY20	FY21	FY22	FY23
Cash to Reserves	14%	74%	34%	3%	44%
Cash & Total Investments to Reserves	154%	406%	479%	170%	208%

Table 14

The Cash to Total Reserve Ratio in a reinsurance company measures the proportion of the company's liquid assets (cash) relative to its total reserves. This ratio is an indicator of the company's ability to cover its liabilities and obligations promptly. When looking at the cash to reserve ratio of XYZ, it showed a fluctuating trend during the review period, reaching 44% in FY23, marking the second highest ratio in the last five years. This fluctuation is mainly due to the high variability in both cash and reserves of the company, indicating inconsistent cash flows and volatile claim and reserve development.

Cash and total investments to reserves also followed a similar trend, marking 154% in FY19, reaching the highest at 479% in FY21, and marking 208% in FY23. Asset-liability management is a crucial part of any insurance business as both are interdependent, and the downside of one would result in operational imbalance. Based on the volatile cash and total investments to reserves, the company's inconsistencies in asset-liability management are flagged, and immediate attention is recommended to achieve a sustainable trend going forward. Otherwise, it will be very difficult for the company to optimize its assets and liabilities at a maximum profit-generating level due to unpredictability and volatility.

The overall liquidity of the company is not stable and highly volatile over the review periods. However, on the positive side, both metrics remained at healthy levels despite the fluctuations. Maintaining a fluctuating liquidity profile is risky due to the unpredictability and volatility. It is crucial for the company to focus on achieving consistency in liquidity management to ensure long-term financial stability and operational efficiency.

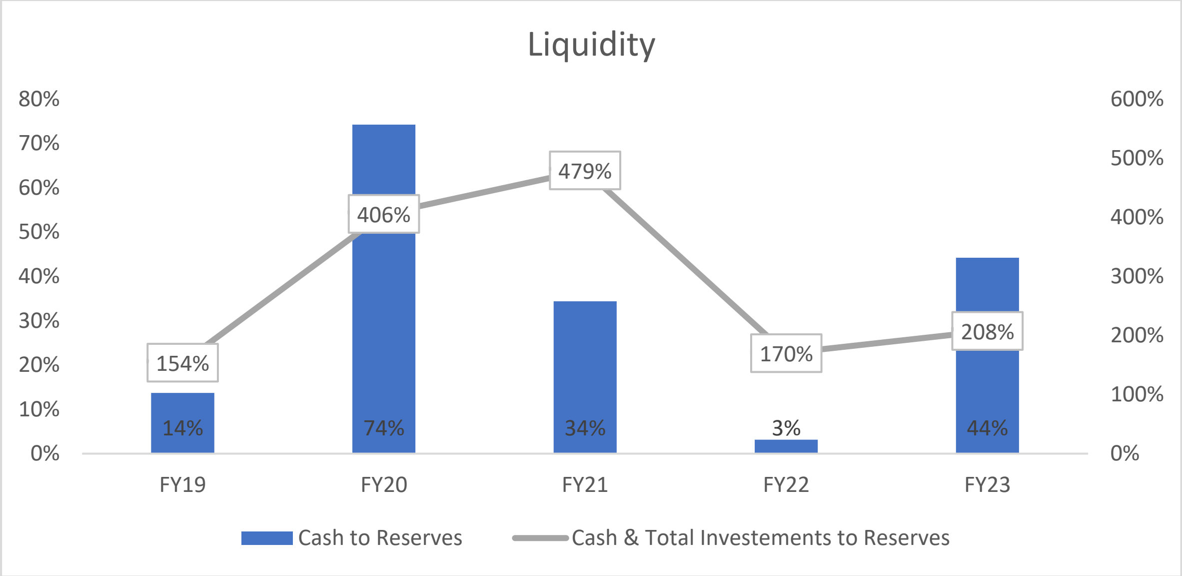
Liquidity
80%
70%
60%
50%
40%
30%
20%
10%
0%
600%
500%
400%
300%
200%
100%
0%
154%
406%
479%
170%
208%
14%
74%
34%
3%
44%
FY19
FY20
FY21
FY22
FY23
Cash to Reserves
Cash & Total Investements to Reserves

Exhibit 9

CAPITAL ADEQUACY (CAPITALISATION)

Capital adequacy and solvency are essential for insurance and reinsurance companies, as they ensure financial stability and the ability to meet obligations to policyholders. Capital adequacy refers to having sufficient capital to absorb potential losses and support business operations, while solvency indicates the company's ability to meet long-term liabilities. Regulators monitor these metrics to protect policyholders, maintain market stability, and prevent financial crises. By enforcing minimum capital and solvency requirements, regulators promote confidence in the insurance sector and safeguard the interests of all stakeholders.

Capitalisation					
	FY19	FY20	FY21	FY22	FY23
Solvency Margin	349%	451%	460%	157%	213%
Statutory Requirement	*10%*	*10%*	*10%*	*10%*	*10%*
Headroom (PPTS)	*339*	*441*	*450*	*147*	*203*

Table 15

According to the Insurance Act, the Zambian regulator mandates that all insurance companies maintain a minimum solvency level of 10% as a regulatory requirement. This means that every insurance company must have at least 10% more admissible assets than admissible liabilities. Prior to the adoption of IFRS 17, the company consistently maintained a solvency margin exceeding 300%. However, following the adoption of IFRS 17, the overall margin declined due to changes in asset and liability recognition. Despite this, the company was able to sustain a solvency margin of 157% in FY22 and 213% in FY23, significantly above the minimum statutory requirement of 10%.

This performance highlights the company's extremely positive and strong capitalisation throughout the review period. The ability to maintain a high solvency margin demonstrates robust financial management and resilience. Maintaining such a strong capitalisation is essential for the company's long-term stability and ability to meet its obligations to policyholders. It underscores the company's commitment to regulatory compliance and effective asset-liability management, ensuring continued confidence among stakeholders.

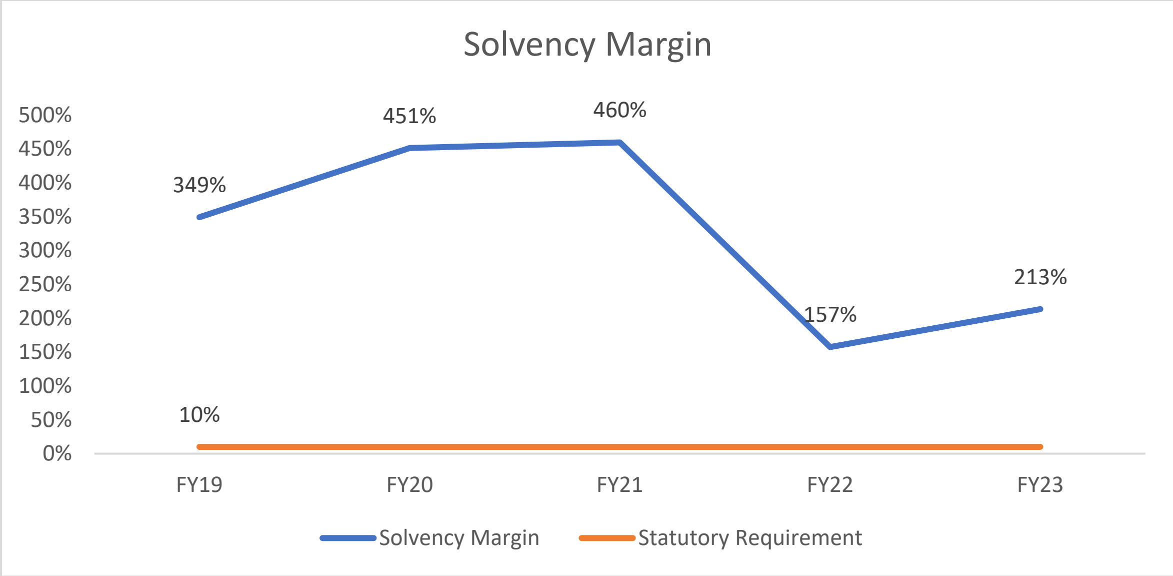
Solvency Margin
500%
450%
400%
350%
300%
250%
200%
150%
100%
50%
0%
349%
451%
460%
157%
213%
10%
FY19
FY20
FY21
FY22
FY23
Solvency Margin
Statutory Requirement

Exhibit 10

ANNEXURES

FINANCIAL STATEMENTS

PROFIT AND LOSS STATEMENT (PRE IFRS 17 ADOPTION)

ZMW	FY19	FY20	FY21	FY22
Premiums written in the year	43,443,076	50,693,422	78,759,253	95,872,079
Premiums ceded to reinsurers	(17,698,003)	(13,695,111)	(47,058,834)	(49,999,985)
Net change in unearned premium reserve	38,813	(668,258)	122,849	(1,609,807)
Net premiums	**25,783,886**	**36,330,053**	**31,823,268**	**44,262,287**
Investment income	1,984,720	4,608,996	9,819,069	9,098,549
Other gains and losses	4,812,015	12,184,557	(8,440,739)	1,432,585
Other income	9,304	3,921	404,060	(2,015)
Reinsurance commissions received	5,796,665	4,553,224	13,077,480	13,915,555
Other operating income	**12,602,704**	**21,350,698**	**14,859,870**	**24,444,674**
Gross claims paid	(10,106,437)	(14,587,001)	(14,202,084)	(12,280,532)
Change in claims outstanding	(1,829,347)	2,548,277	(1,158,090)	(457,830)
Claims ceded to reinsurers	6,251,229	7,214,829	6,046,176	5,577,606
Change in reinsurance claims	1,428,674	(2,157,099)	1,243,235	(1,179,815)
Net change in incurred but not reported reserve	(1,523,112)	(931,191)	(61,745)	(2,035,210)
Net insurance claims	**(5,778,993)**	**(7,912,185)**	**(8,132,508)**	**(10,375,781)**
Commissions paid to brokers and agents	(12,674,473)	(14,916,115)	(16,429,696)	(26,115,404)
Net change in deferred acquisition costs	(244,996)	577,414	(2,016,122)	1,748,465
Employee benefits expenses	(6,818,874)	(7,138,037)	(8,638,503)	(11,105,904)
General administrative expenses	(3,488,897)	(3,779,175)	(5,453,755)	(5,224,300)
Other operating expenses	(5,539,600)	(1,311,699)	(2,142,075)	(4,744,993)
Expected credit losses on premium receivables	-	(10,606,460)	(456,574)	(666,510)
Depreciation expense	(671,752)	(717,768)	(586,237)	(633,043)
Total operating expenses	**(29,438,592)**	**(37,891,840)**	**(35,722,962)**	**(46,741,689)**
Total claims and other expenses	**(35,217,585)**	**(45,804,025)**	**(43,855,470)**	**(57,117,470)**
Profit before tax	**3,169,005**	**11,876,726**	**2,827,668**	**11,589,491**
Income tax expenses	442,872	(5,142,581)	(1,520,334)	(5,526,691)
Profit for the year	**3,611,877**	**6,734,145**	**1,307,334**	**6,062,800**
Gain/Loss on investments	(269,013)	(214,364)	1,468,795	1,595,485
Deferred tax on revaluation of PPE	1,864,098	104,075	128,524	-
Total comprehensive income for the year	**5,206,962**	**6,623,856**	**2,904,653**	**7,658,285**
Basic & Diluted Earnings per Share	0.12	0.15	0.03	0.13

Table 16

PROFIT AND LOSS STATEMENT (POST IFRS 17 ADOPTION)

ZMW	FY22	FY23	1H23	1H24
Reinsurance revenue	92,711,666	90,023,096	50,935,579	48,110,507
Retrocession service expenses	(51,932,106)	(44,864,695)	(26,450,580)	(15,656,846)
Rein. Service Result from Contracts	40,779,560	45,158,401	24,484,999	32,453,661
Reinsurance service expense	(39,799,591)	(42,131,396)	(25,152,593)	(30,104,744)
Retrocession service income	18,701,818	19,326,475	13,587,734	12,458,517
Net Reinsurance Service Expense	(21,097,773)	(22,804,921)	(11,564,859)	(17,646,227)
Reinsurance finance income	296,903	7,145,916	649,485	5,361,938
Retrocession finance expense	(65,822)	(5,280,935)	(121,824)	(6,106,242)
Reinsurance net finance income	231,081	1,864,981	527,661	(744,304)
Underwriting Results	**19,912,868**	**24,218,461**	**13,447,801**	**14,063,130**
Operating Expenses				
Employee benefits expenses	(11,105,904)	(11,291,291)		
General administrative expenses	(5,224,300)	(6,574,934)		
Other operating expenses	(4,744,993)	(3,696,950)		
Expected credit losses on premium receivables	(666,510)	(3,119,167)		
Depreciation and amortisation	(633,043)	(1,003,834)		
Total Operating Expenses	(22,374,750)	(25,686,176)	(11,006,329)	(13,109,539)
Total Service and Operating Expenses	(43,241,442)	(46,626,116)	(22,043,527)	(31,500,070)
			(11,037,198)	(18,390,531)
Investment income	9,098,549	7,456,550		
Other gains and losses	1,432,585	14,571,514		
Other income	(2,015)	(3,181)		
Total Other Operating Income	10,529,119	22,024,883	3,747,491	1,512,252
Profit Before Tax	**8,067,237**	**20,557,168**	**6,188,963**	**2,465,843**
Income tax expense	(5,526,691)	(5,042,875)	(1,257,500)	(1,048,407)
Profit for the Year	**2,540,546**	**15,514,293**	**4,931,463**	**1,417,436**
Gain (Loss) on Investment at Fair Value	1,595,485	3,083,475	1,160,600	1,333,368
Deferred Tax on Revaluation of PPE	-	-		
Total Comprehensive Income	**4,136,031**	**18,597,768**	**6,092,063**	**2,750,804**
Basic & Diluted Earnings per Share	0.13	0.34	0.14	0.06

Table 17

BALANCE SHEET

ZMW	FY19	FY20	FY21	FY22	FY23	1H23	1H24
Assets							
Property and equipment	8,411,173	8,844,019	8,650,034	9,793,627	11,971,288		
Right-of-use assets	-	-	-	549,900	541,308		
Investment properties	3,128,316	5,000,000	5,040,000	5,600,000	5,900,000		
Deferred tax assets	4,242,833	-	3,152,059	-	-		
Current tax asset	-	391,107	-	390,096	-		
Investments at amortised cost	10,765,835	42,850,141	60,970,266	66,368,478	49,984,884		
Investments at fair value	1,503,331	3,320,601	4,789,396	6,384,881	9,028,095		
Reinsurance contract assets	-	-	-	17,635,403	27,436,690		
Retrocession contract assets	-	-	-	16,690,253	9,168,133		
Reinruance Receivables	29,291,556	22,906,933	13,494,339	12,081,020	16,367,259		
Other assets	1,398,043	11,661,776	11,400,014	4,045,736	3,696,250		
Deferred acquisition costs	735,432	1,312,846	-	-	-		
Cash and cash equivalents	1,502,302	11,458,615	5,468,115	1,480,489	17,558,618		
Total Assets	**60,978,821**	**107,746,038**	**112,964,223**	**141,019,883**	**151,652,525**	**141,037,477**	**169,869,407**
Capital And Reserves							
Share capital	30,000,000	45,000,000	45,000,000	45,000,000	45,000,000		
Share premium	2,530,642	24,978,551	24,978,551	24,978,551	24,978,551		
Revaluation reserves	4,256,308	4,046,904	5,545,108	8,115,953	11,199,428		
Retained earnings	10,617,289	15,350,549	16,756,998	10,725,185	24,214,478		
Total Equity	**47,404,239**	**89,376,004**	**92,280,657**	**88,819,689**	**105,392,457**	**103,762,377**	**108,143,261**
Liabilities							
Reinsurance contract liabilities	2,935,572	6,185,991	6,808,115	7,466,452	6,268,512		
Retrocession contract liabilities	8,043,138	9,251,408	9,105,160	39,492,403	33,453,133		
Other financial liabilities	2,470,981	2,860,616	2,786,820	4,128,775	3,268,036		
Lease liabilities	-	-	-	549,900	539,739		
Current tax liability	122,191	-	1,275,305	-	404,634		
Deferred reinsurance commission	-	-	703,276	-	-		
Deferred tax liability	-	67,129	-	556,221	2,312,316		
Dividend payable	2,700	4,890	4,890	6,443	13,698		
Total Liabilities	**13,574,582**	**18,370,034**	**20,683,566**	**52,200,194**	**46,260,068**	**37,275,100**	**61,726,146**
Total Equity & Liabilities	**60,978,821**	**107,746,038**	**112,964,223**	**141,019,883**	**151,652,525**	**141,037,477**	**169,869,407**

Table 18

CASH FLOW STATEMENT

ZMW	FY19	FY20	FY21	FY22	FY23	1H23	1H24
Operating Activities							
Profit before tax	**3,611,877**	**6,734,145**	**1,307,334**	**8,067,237**	**20,557,168**	**6,188,963**	**2,465,843**
Adjusted For Non-Cash Items:							
Depreciation expense	671,752	717,768	586,238	633,043	1,003,834		
Gains on disposal of PPE	29,572	-	(116,736)	(2,300)	(294,209)		
Loss on disposal of investment	-	-	-	-	3,332		
Income tax expense	(442,872)	5,142,581	1,520,334	-	-		
Fair value gain on investment PPE	-	(1,846,334)	(19,500)	(546,000)	(300,000)		
Other gains (losses)	(253,256)	(670,072)	946,818	22,742	(833,866)		
Interest income		-	(8,942,184)	(9,098,549)	(6,768,974)		
Bad debts	(3,701,380)	(10,606,460)	(456,574)	(666,510)	-		
OCF before WC	**(84,307)**	**(528,372)**	**(5,174,270)**	**(1,590,337)**	**13,367,285**		
Increase in reinsurance assets	1,596,174	16,991,083	9,869,168	(3,474,554)	(9,801,287)		
Decrease in other assets	1,908,422	(10,263,733)	261,762	(4,726,742)	(3,936,753)		
Decrease/ (increase) in retrocession contract assets	244,996	(577,414)	2,016,122	(16,690,253)	7,522,120		
(Decrease)/ increase in retrocession contract liabilities	1,884,974	1,208,270	(146,248)	23,746,703	(6,039,270)		
(Decrease)/ increase in reinsurance contract liabilities	407,809	3,250,419	622,124	658,337	(1,197,940)		
(Decrease)/ increase in other financial liabilities	(2,791,526)	391,825	(73,796)	1,341,955	(860,739)		
Decrease in lease liabilities	-	-	-	-	(10,161)		
Cash Used in Operating Activities	**3,166,542**	**10,472,078**	**7,374,862**	**(734,891)**	**(956,745)**		
Interest income	-	-	8,065,299	9,098,549	6,768,974		
Rental income	-	-	419,000	161,606	-		
Dividend income	-	-	457,885	417,959	-		
Income tax paid	(2,605,576)	(1,241,842)	(2,944,586)	(3,483,812)	(2,492,050)		
Net Cash Generated from Operating Activities	**560,966**	**9,230,236**	**13,372,460**	**5,459,411**	**3,320,179**	**8,955,400**	**4,996,702**
Investing Activities							
Additions to investment property	-	(25,350)	20,500	(14,000)	-		
Proceeds on disposal of property and equipment	2,000	-	229,073	2,300	297,314		
Proceeds on disposal of equity investment	-	118,366	-	-	436,929		
Purchase of property and equipment	(60,629)	(1,150,613)	(504,590)	(781,372)	-3,176,008		
Proceeds from investments in financial assets	20,289,845	13,787,206	56,653,579	83,525,993	107,780,442		
Purchase of investments in financial assets	(20,703,484)	(48,021,513)	(74,773,704)	(89,503,769)	-91,396,848		
Net cashflow from Investing Activities	**(472,268)**	**(35,291,904)**	**(18,375,142)**	**(6,770,848)**	**13,941,829**	**(4,822,188)**	
Financing Activities							
Dividend Paid	-	(2,100,000)	-	(2,653,447)	-2,017,745		
Proceeds from share issues	-	15,000,000	-	-	-		
proceeds on share premiums	-	25,500,000	-	-	-		
share issue cost	-	(3,052,091)	-	-	-		
Net cashflow from Financing Activities	**-**	**35,347,909**	**-**	**(2,653,447)**	**(2,017,745)**	**(2,017,150)**	**-**
Net cashflow	**88,698**	**9,286,241**	**(5,002,682)**	**(3,964,884)**	**15,244,263**	**2,116,062**	**4,831,417**
Beginning Net cash	1,160,352	1,502,302	11,458,615	5,468,115	1,480,489	63,878,938	67,543,502
Other adjustments	-	-	(41,000)	-	-	-	-
Forex Impact	253,252	670,072	(946,818)	(22,742)	833,866	-	-
Net cash at the end of the year	1,502,302	11,458,615	5,468,115	1,480,489	17,558,618	65,995,000	72,374,919

Table 19

GLOSSARY

&	:	*And*
1Hxx	:	*First six months of the financial year*
AAT	:	*Association of Accounting Technicians*
ACII	:	*Associate of the Chartered Insurance Institute*
bn	:	*Billions*
BOZ	:	*Bank of Zambia*
c.	:	*Approximately*
CAGR	:	*Cumulative Average Growth Rate*
CEO	:	*Chief Executive Officer*
cf.	:	*Compared to*
CFO	:	*Chief Financial Officer*
COO	:	*Chief Operating Officer*
ECF	:	*Extended Credit Facility*
FYxx	:	*Financial Year ending 31-December-20xx*
GDP	:	*Gross Domestic Production*
IAS	:	*International Accounting Standards*
ICRA	:	*International Credit Rating Agency*
ICSA	:	*Institute of Chartered Secretaries and Administrators*
IDC	:	*Industrial Development Company*
IFRS	:	*International Financial Reporting Standards*
IMF	:	*International Monetary Fund*
k	:	*Thousands*
KYC	:	*Know Your Customers*
LuSE	:	*Lusaka Stock Exchange*
m	:	*Millions*
MBA	:	*Master of Business Administration*
MD	:	*Managing Director*
N/A	:	*Not Applicable*
NAPSA	:	*National Pension Scheme Authority*
OPEX	:	*Operating Expenses*
PACRA	:	*Patents and Companies Registration Agency*
PIA	:	*Pension and Insurance Authority*
PLC	:	*Public Listed Company*
ROCE	:	*Return on Capital Employed*
UAE	:	*United Arab Emirates*

USD	:	*United States Dollar*
vs.	:	*Versus*
x	:	*times*
y/y	:	*Year over Year*
ZACCI	:	*Zambia Chamber of Commerce and Industry*
ZIMCI	:	*Zambia Industrial and Mining Corporation Ltd*
ZNOC	:	*Zambia National Oil Company Ltd*
ZWM	:	*Zambian Kwacha*

LIST OF FORMULAS

The standard ratio formulas as defined by the ICRA insurance rating methodology are presented below. It should be noted that these formulas may be adjusted by ICRA based on the events and the availability of pertinent information.

Underwriting Margin	=	Underwriting Income or loss / Net earned premiums
Combined Ratio	=	Loss ratio + Expense ratio
Loss Ratio	=	Incurred losses / Premiums earned
Expense Ratio	=	Underwriting expenses / Premiums earned
Net earnings ratio	=	Net income / Total Revenue
ROE	=	Net income / Average Equity
ROA	=	Net income / Average Assets
ROC	=	Net income / Average Capital
Total Capital	=	Equity + Interest bearing debt
High Risk Assets to Investments	=	High risk assets / Total investments
Goodwill & Intangibles to Shareholder Equity	=	Goodwill & Intangibles / Total Equity
Investment Yield	=	Net investment income / Average Investments
Liquid Assets to Liquid Liabilities	=	Liquid Assets / Liquid Liabilities
Cash & ST Investments to Reserves	=	Cash & ST Investments / Reserves
Cash & Investments to Reserves	=	Cash & Investments / Reserves
Gross Underwriting Leverage	=	(Gross Written Premiums Written + Reserves) / Equity
Financial Leverage	=	Total Interest-Bearing Debt / Total Capital
Statutory Solvency (Zambia)	=	(Admissible Assets - Admissible Liabilities) / Admissible Liabilities

Table 20

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