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**AUDIT SERVICES  
CORPORATION**

ETHIOPIAN INSURANCE CORPORATION

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2024

Ethiopian Insurance Corporation

Financial Statements

For the year ended 30 June 2024

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Office of the Federal Auditor General  
Audit Service Corporation



**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN INSURANCE CORPORATION**

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of Ethiopian Insurance Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 30 June 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN INSURANCE CORPORATION (continued)**

*Key Audit Matters (continued)*

**Insurance premium and claims**

In the first instance, insurance premium from services and claims are always regarded as a significant risk. Accounting principles for revenue recognition and settlements may be subject to different interpretations. There may be a risk in under-calculating premium in respect to rates, total sum insured, average number of claims per contract, new business volume. In our response to these risks we made a selection of contract agreements and reviewed the premium, the sum insured the rate and the claim ratio. We reviewed the statement of account of each customer, transaction list, debtor's list and premium collection. We checked the claims from the claims registration with the relevant supporting documents in line with the class of business. In case of accident, we reviewed the cause and if it is valued and the event has happened within the insured premium period of cover and if the documents are proper. Our testing did not identify major weaknesses in the design and operation of controls that would have required us to expand the nature or scope of our planned detailed test work. Overall, we found no concerns in respect to the completion of formalities or the recording of revenues at appropriate values.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.





**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN INSURANCE CORPORATION (continued)**

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN INSURANCE CORPORATION (continued)**

*Auditors' Responsibilities for the Audit of the Financial Statements (continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Woizero Alganesh Araya.



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**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN INSURANCE CORPORATION (continued)**

**Other Information**

*Information Other than the Financial Statements and Auditor's Report Thereon*

Management is responsible for the other information. The other information comprises the Management board and executive management, the Report of the Board Management and the Statement of Board's Management Responsibilities, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Audit Services Corporation*  
4 November 2024



**Ethiopian Insurance Corporation**  
**Statement of Financial Position – Combined Business**  
 As at 30 June 2024  
 (In Ethiopian Birr)

Assets	Note	30 June 2024	30 June 2023
Property and equipment	12	696,128,171	639,163,537
Intangible assets	13	28,405,100	12,525,753
Right of use assets	14	127,221,514	83,177,783
Investment in securities	15	1,517,015,084	1,327,764,590
Investment in associates	16	612,249,996	393,458,692
Loans	17	20,849,899	143,994,473
Statutory deposits	19	88,786,680	88,786,680
Office supplies		20,838,721	23,397,893
Receivables	18a	995,545,406	808,986,223
Prepayments	18b	189,818,531	18,765,645
Reinsurance contract assets	23	6,995,998,022	3,663,118,700
Fixed time deposits	20	5,306,395,129	5,051,643,574
Deferred tax asset		10,952,911	
Cash and cash equivalents	21	1,156,561,808	805,589,601
<b>Total assets</b>		<b>17,766,766,975</b>	<b>13,060,373,144</b>
<b>Liabilities</b>			
Deferred tax liability	22		81,955,706
Lease liabilities	14	62,863,582	48,100,904
Employee benefits	26	487,534,812	196,546,411
Insurance contract liabilities	23	11,425,557,414	7,734,126,423
Provisions	24	123,126,823	110,442,245
Payables	25	243,759,307	134,296,936
Creditors arising out of reinsurance arrangements		362,455,671	361,208,531
Creditors arising from ceding arrangements-Inward		-	
Dividend payable	29	941,014,668	1,040,092,160
Current tax liability		325,796,188	175,709,275
<b>Total Liabilities</b>		<b>13,971,108,465</b>	<b>9,882,478,892</b>
<b>Equity</b>			
Capital	27	592,000,000	592,000,000
Legal reserve	28	592,000,000	592,000,000
Retained earnings	28	1,901,180,863	1,328,881,626
Defined benefit reserve	28	(14,534,453)	7,138,645
Fair value reserve	28	725,012,100	657,873,980
<b>Total equity</b>		<b>3,795,658,509</b>	<b>3,177,894,251</b>
<b>Total liabilities and equity</b>		<b>17,766,766,975</b>	<b>13,060,373,144</b>



The accompanying notes on pages 15 to 131 are an integral part of these financial statements.



**Ethiopian Insurance Corporation**  
**Statement of Financial Position – Non-life Business**  
As at 30 June 2024  
(In Ethiopian Birr)

Assets	Note	30 June 2024	30 June 2023
Property and equipment	12	691,282,628	635,778,453
Intangible assets	13	28,405,100	12,525,753
Right of use assets	14	113,697,830	83,177,783
Investment in securities	15	1,417,015,084	1,227,764,590
Investment in associates	16	612,249,996	393,458,692
Loans	17	405,811	123,513,919
Statutory deposits	19	88,786,680	88,786,680
Office supplies		20,838,721	23,397,893
Receivables	18a	973,544,948	797,172,533
Prepayments	18b	189,818,531	18,763,925
Current account with life branch		810,914,706	744,885,562
Reinsurance contract assets	23	6,982,499,767	3,654,485,954
Deferred tax asset		10,952,911	
Fixed time deposits	20	4,140,614,809	4,013,572,669
Cash and cash equivalents	21	1,100,998,010	765,423,979
<b>Total assets</b>		<b>17,182,025,533</b>	<b>12,582,708,385</b>
<b>Liabilities</b>			
Deferred tax Liability	22		81,955,706
Lease liabilities	14	57,143,754	48,100,904
Employee benefits	26	457,107,478	182,645,240
Insurance contract liabilities	23	10,995,848,924	7,375,285,965
Provisions	24	115,754,229	103,450,214
Payables	25	218,969,256	118,145,581
Creditors arising out of reinsurance arrangements		354,013,155	358,709,416
Creditors arising from ceding arrangements- Inward			
Dividend payable		941,014,668	1,040,092,460
Current tax liability		325,796,188	175,709,275
<b>Total Liabilities</b>		<b>13,465,647,652</b>	<b>9,484,094,761</b>
<b>Equity</b>			
Capital	27	512,719,372	512,719,372
Legal reserve	28	592,000,000	592,000,000
Retained earnings		1,901,180,863	1,328,881,626
Defined benefit reserve	28	(14,534,453)	7,138,645
Fair value reserve	28	725,012,100	657,873,980
<b>Total equity</b>		<b>3,716,377,881</b>	<b>3,098,613,623</b>
<b>Total liabilities and equity</b>		<b>17,182,025,533</b>	<b>12,582,708,385</b>

The accompanying notes on pages 15 to 13 are an integral part of these financial statements.



**Ethiopian Insurance Corporation**  
**Statement of Financial Position - Life Business**  
**As at 30 June 2024**  
**(In Ethiopian Birr)**

Assets	Note	30 June 2024	30 June 2023
Property and equipment	12	4,845,544	3,385,084
Right of use Asset	14	13,523,684	
Investment in securities	15	100,000,000	100,000,000
Loans	17	20,444,088	20,480,555
Receivables	18a	22,000,458	11,813,690
Prepayments	18b		1,720
Reinsurance contract assets	23	13,498,256	8,632,746
Fixed time deposits	20	1,165,780,320	1,038,070,904
Cash and cash equivalents	21	55,563,798	40,165,622
<b>Total assets</b>		<b><u>1,395,656,148</u></b>	<b><u>1,222,550,321</u></b>
<b>Liabilities</b>			
Lease Liability		5,719,829	
Employee benefits	26	30,427,334	13,901,172
Insurance contract liabilities	23	429,708,490	358,840,458
Provisions	24	6,372,594	6,992,031
Payables	25	24,790,051	16,151,355
Current account with non-life branches		810,914,706	744,885,562
Creditors arising out of reinsurance arrangements		8,442,515	2,099,115
<b>Total Liabilities</b>		<b><u>1,316,375,519</u></b>	<b><u>1,143,269,692</u></b>
<b>Equity</b>			
Capital	27	79,280,628	79,280,628
Defined benefit reserve			
<b>Total equity</b>		<b><u>79,280,628</u></b>	<b><u>79,280,628</u></b>
<b>Total liabilities and equity</b>		<b><u>1,395,656,148</u></b>	<b><u>1,222,550,321</u></b>

The accompanying notes on pages 15 to 131 are an integral part of these financial statements.



**Ethiopian Insurance Corporation**  
**Statement of Profit or Loss and Other Comprehensive Income – Combined Business**  
**For the year ended 30 June 2024**  
**(In Ethiopian Birr)**

	Note	30 June 2024	30 June 2023
Insurance revenue	5	7,773,184,713	6,962,160,344
Insurance service expenses	23	(6,119,370,687)	(2,460,496,294)
Net expenses from reinsurance contracts	23	1,200,452,909	(2,454,161,943)
<b>Insurance service result</b>		<b>2,854,266,935</b>	<b>2,047,502,107</b>
Finance income	7	600,732,564	463,962,721
Investment income	8	69,020,282	84,141,504
<b>Investment return</b>		<b>669,752,846</b>	<b>548,104,224</b>
Net finance expenses from insurance contracts	6	(120,720,475)	(161,584,883)
Net finance income from reinsurance contracts	6	26,675,188	58,944,299
<b>Net investment return</b>		<b>575,707,558</b>	<b>445,463,640</b>
Other income	9	78,093,026	55,491,397
Finance expense	7ii	(2,862,024)	(3,125,753)
Other operating expenses	10	(1,909,444,143)	(1,170,347,267)
Share of profit (loss) of equity accounted investees	16	74,831,521	69,784,048
<b>Profit before tax</b>		<b>1,670,592,873</b>	<b>1,444,768,172</b>
Income tax		(326,286,204)	(289,109,884)
<b>Profit for the year</b>		<b>1,344,306,669</b>	<b>1,155,658,288</b>
<b>Other comprehensive income:</b> <i>Items that will not be reclassified to profit or loss:</i>			
Fair value gains/(losses) on financial assets	15	95,911,600	(64,123,611)
Re-measurement of defined benefit liability	26	(30,961,569)	(28,519,383)
Related tax		(19,485,009)	27,792,898
<b>Other comprehensive income, net of tax</b>		<b>45,465,022</b>	<b>(64,850,095)</b>
<b>Total comprehensive income</b>		<b>1,389,771,690</b>	<b>1,090,808,192</b>

The accompanying notes on pages 15 to 13 are an integral part of these financial statements.



**Ethiopian Insurance Corporation**  
**Statement of Profit or Loss and Other Comprehensive Income – Non-life business**  
**For the year ended 30 June 2024**  
**(In Ethiopian Birr)**

	Note	30 June 2024	30 June 2023
Insurance revenue	5	7,508,361,249	6,769,580,512
Insurance service expenses	23	(5,863,089,029)	(2,334,102,993)
Net expenses from reinsurance contracts	23	1,205,580,089	(2,450,891,678)
<b>Insurance service result</b>		<b>2,850,852,309</b>	<b>1,984,585,841</b>
Finance income	7	505,158,446	373,973,592
Investment income	8	69,020,282	84,141,504
<b>Investment return</b>		<b>574,178,729</b>	<b>458,115,096</b>
Net finance expenses from insurance contracts	6	(98,651,045)	(151,328,369)
Net finance income from reinsurance contracts	6	26,661,551	58,930,859
<b>Net investment return</b>		<b>502,189,235</b>	<b>365,717,586</b>
Other income	9	77,984,601	55,341,130
Finance expense	7ii	(2,862,024)	(3,125,753)
Other operating expenses	10	(1,909,444,142)	(1,170,347,266)
Share of profit (loss) of equity accounted investees	16	74,831,521	69,784,048
<b>Profit before tax</b>		<b>1,593,551,500</b>	<b>1,301,955,586</b>
Income tax		(326,286,204)	(289,109,884)
<b>Profit for the year</b>		<b>1,267,265,296</b>	<b>1,012,845,702</b>
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value gains/(losses) on financial assets	15	95,911,600	(64,123,611)
Re-measurement of defined benefit liability	26	(29,623,244)	(26,362,798)
Related tax		(19,886,507)	27,145,923
<b>Other comprehensive income, net of tax</b>		<b>46,401,849</b>	<b>(63,340,486)</b>
<b>Total comprehensive income</b>		<b>1,313,667,145</b>	<b>949,505,215</b>

The accompanying notes on pages 15 to 131 are an integral part of these financial statements.



**Ethiopian Insurance Corporation**  
Statement of Profit or Loss and Other Comprehensive Income - Life Business  
For the year ended 30 June 2024  
(In Ethiopian Birr)

	Note	30 June 2024	30 June 2023
Insurance revenue	5	264,823,464	192,579,832
Insurance service expenses	23	(256,281,657)	(126,393,301)
Net expenses from reinsurance contracts	23	(5,127,181)	(3,270,265)
<b>Insurance service result</b>		<b>3,414,626</b>	<b>62,916,266</b>
Finance income	7	95,574,117	89,989,129
<b>Investment return</b>		<b>95,574,117</b>	<b>89,989,129</b>
Net finance expenses from insurance contracts	6	(22,069,431)	(10,256,514)
Net finance income from reinsurance contracts	6	13,637	13,440
<b>Net investment return</b>		<b>73,518,323</b>	<b>79,746,055</b>
Other income	9	108,425	150,266
<b>Profit before tax</b>		<b>77,041,374</b>	<b>142,812,587</b>
Income tax			
<b>Profit for the year</b>		<b>77,041,374</b>	<b>142,812,587</b>
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit or loss:			
Re measurement of defined benefit liability	26	(1,338,325)	(2,156,584)
Related tax			
<b>Other comprehensive income, net of tax</b>		<b>(1,338,325)</b>	<b>(2,156,584)</b>
<b>Total comprehensive income</b>		<b>75,703,049</b>	<b>140,656,003</b>

The accompanying notes on pages 15 to 131 are an integral part of these financial statements.





**Ethiopian Insurance Corporation**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2024**  
**(In Ethiopian Birr)**

	Capital	Legal reserve	General reserve	Retained earnings (as restated)	Defined Benefit reserve	Fair Value Reserve	Total Equity
<b>Balance as of 1 July 2022</b>	592,000,000	587,435,461	-	845,133,740	27,102,211	702,760,508	2,754,431,923
Total comprehensive income							
Profit for the year				1,155,658,288			1,155,658,288
Other comprehensive income					(19,963,568)	(4,886,528)	(64,850,095)
Transfer to Legal Reserve		4,564,538		(4,564,538)			
Transfer to retained earnings				372,716,595			372,716,595
Dividends				(1,040,092,460)			(1,040,092,460)
<b>Balance as of 30 June 2023</b>	<b>592,000,000</b>	<b>592,000,000</b>		<b>1,328,881,626</b>	<b>7,138,645</b>	<b>657,873,980</b>	<b>3,177,894,251</b>
Prior year equity adjustment							
Total comprehensive income							
Profit for the year				1,344,306,669			1,344,306,669
Other comprehensive income					(21,673,098)	67,138,120	45,465,022
Transfer to Legal Reserve				169,007,226			169,007,226
Transfer to retained earnings				(941,014,668)			(941,014,668)
Dividends				(941,014,668)			(941,014,668)
<b>Balance as of 30 June 2024</b>	<b>592,000,000</b>	<b>592,000,000</b>		<b>1,901,180,863</b>	<b>(14,534,453)</b>	<b>725,012,100</b>	<b>3,795,658,509</b>



The accompanying notes on pages 15 to 13 are an integral part of these financial statements



**Ethiopian Insurance Corporation**  
**Statement of Cash Flows**  
**For the year ended 30 June 2024**  
**(In Ethiopian Birr)**

	Note	For the year ended 30 June 2024	30 June 2023
<b>Cash flows from operating activities:</b>			
Profit before tax		1,670,592,873	1,444,768,122
Impairment of financial assets	15,20	79,036,117	2,922,389
Depreciation and amortization	12,13,14	92,303,856	77,257,739
Share of profit from investment in associates	16		
Adjustments for property, plant and equipment & Int. Asset		10,675,933	3,670,490
Loss/ (Gain) on disposal of property, plant and equipment	9		
<b>Subtotal</b>		<b>1,852,608,778</b>	<b>1,528,618,789</b>
<b>Changes in working capital</b>			
Increase / (Decrease) in inventory		2,559,171	(11,526,533)
Increase / (Decrease) in receivables	18	(260,530,026)	700,956,524
Increase/(Decrease) in interest receivables		(63,138,004)	(31,264,048)
Prepayments		(171,052,886)	7,780,878
Changes in reinsurance contract assets	23	(3,332,879,323)	1,636,218,049
Changes in finance lease obligations	14	14,762,679	9,300,057
Increase/ (Decrease) in statutory deposits			
Increase/ (Decrease) in provisions	24	11,684,577	(16,198,651)
Increase/ (Decrease) in payables	25	109,462,371	8,088,854
Creditors arising out of reinsurance arrangements		1,247,140	(897,564,329)
Creditors arising from ceding arrangements			(29,969,531)
Changes in insurance contract liabilities	23	3,691,430,992	(1,066,790,094)
Changes in employee benefits	26	260,026,832	8,715,769
Movements in restricted cash balances			
Income taxes paid		(288,592,917)	(361,540,236)
Tax provision due to IFRS adjustment			
<b>Net cash provided by operating activities</b>		<b>1,827,589,382</b>	<b>1,484,625,497</b>
<b>Cash flows from investing activities:</b>			
Acquisition of investment securities	15	(185,132,946)	(354,111,749)
Additional investment in associate	16	(218,791,305)	(69,784,048)
Purchase of intangible assets		(17,150,987)	(12,647,664)
Payment for fixed time deposits	20	(194,987,811)	(395,883,807)
Acquisition of property, plant and equipment	14	(119,310,882)	(51,897,713)
Proceeds from sale of property, plant and equipment	14	1,111,979	390,000
Collection of loans	17	219,218,901	228,733,963
New loans granted	17	(3,971,289)	(56,639,004)
Purchase of leases	14	(84,517,611)	(42,149,298)
<b>Net cash used from investing activities</b>		<b>(605,531,952)</b>	<b>(753,989,320)</b>
<b>Cash flows used in financing activities:</b>			
Dividends paid		(871,085,234)	(559,119,892)
<b>Net cash used in financing activities</b>		<b>(871,085,234)</b>	<b>(559,119,892)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>350,972,196</b>	<b>171,516,285</b>
<b>Cash and cash equivalents:</b>			
At beginning of period	21	634,073,317	805,589,602
At end of period	21	985,045,513	977,105,887

The accompanying notes on pages 15 to 13 are an integral part of these financial statements



**Ethiopian Insurance Corporation**  
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**(1) Reporting entity**

Ethiopian Insurance Corporation (here in referred to as “the Corporation”) was established as a state owned enterprise in 1976 by proclamation No. 68/1975, by taking over all the assets and liabilities of thirteen nationalized private insurance companies. In 1994, the Corporation was re-established with the objectives of engaging in the business of rendering insurance services, and any other related activities conducive to the attainment of its purposes.

The Corporation carries out life and non-life insurance business with more than 100 distribution outlets in Ethiopia and has its headquarters located along Ras Mekonnen Street in Addis Ababa.

**(2) Basis of accounting**

**(a) Statement of compliance**

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

On November 4, 2024 the Chief Executive Officer authorized the issuance of the accompanying Financial Statements.

**(b) Basis of measurement**

These financial statements have been prepared on historical cost basis, except for the following significant items:

1. Measurement of defined benefits obligations; key actuarial assumptions;
2. Measurement of equity instruments; fair value measurement; and
3. Insurance and re-insurance contracts Liabilities: fulfillment cash flows, contractual service margin (CSM), IBNR and Risk Adjustment.

**(c) Functional and presentation currency**

These financial statements are presented in Ethiopian Birr (“ETB”), which is the Corporation's functional and presentation currency. Except when otherwise stated, all amounts have been rounded to the nearest unit.





**Ethiopian Insurance Corporation**  
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**(2) Basis of accounting (Continued)**

**(d) Use of judgments and estimates**

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Corporation's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively in the financial statements.

**Judgments**

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

Note 3(g) – leases: whether a contract contains a lease.

Note 23 and 3(b) - classification of insurance, reinsurance and investment contracts: assessing whether the contract transfers significant insurance risk

Note 23 and 3(h) - level of aggregation of insurance and reinsurance contracts: identifying Portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently;

Note 23 and 3(b) - measurement of insurance and reinsurance contracts: determining the techniques for estimating risk adjustments for non-financial risk and the quantity of benefits provided under a contract;

Note 3 (c) (ii) – classification of financial assets: assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding; and

Note 3 (e) (viii) – impairment of financial assets: assessing whether credit risk on the financial asset has increased significantly since initial recognition.

**Assumptions and estimation uncertainties**

Information on assumptions and uncertainty of estimates posing a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the year ending 30 June 2024 is included in the following notes:

Note 23 and 3(b) – measurement of insurance liabilities: Key actuarial assumptions;

Note 26 and 3(k) – measurement of employee benefits liability: Key actuarial assumptions;

Note 3(c) – classification and measurement of impairment for financial instruments;

Note 12 and 3 (f) – useful lives and salvage value of tangible assets;

Note 3(i) – impairment of non-financial assets;

Note 24 and 3(j) – recognition and measurement of provisions and contingencies;

Note 22 and 3(n) – recognition of deferred taxes: availability of future profits against which tax losses carried forward can be used.

Information about assumptions made in measuring insurance and reinsurance contracts is included in Note 23. Changes in the following key assumptions could change the fulfillment cash flows materially: However, these changes adjust the carrying amounts of the contracts, unless they arise from one of the contracts or contracts that relate to future services:





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- Life contracts: assumptions about future cash flows relating to mortality and policyholder behavior;
- Non-life contracts: assumptions about claims development; and
- All contracts: assumptions about discount rates.

**(3) Significant accounting policies**

The accounting policies set out below have been applied consistently to the period presented in these Financial Statements.

**(a) Foreign currency**

*Foreign currency transactions*

Transactions in foreign currencies are translated into the respective functional currency of the Corporation at the exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. Groups of insurance and reinsurance contracts that generate cash flows in a foreign currency, including the contractual service Margin (CSM), are treated as monetary items.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

**(b) Insurance and reinsurance contracts**

*(i) Classification*

Contracts under which the Corporation accepts significant insurance risk are classified as insurance contracts. Contracts held by the Corporation under which it transfers significant insurance risk related to insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Corporation to financial risk.

The Corporation accepts re-insurance risk from local insurance companies on facultative basis from other insurers.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Corporation, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts initiated or acquired by the Corporation, unless otherwise stated.





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**(3) Significant accounting policies (Continued)**

**(b) Insurance and reinsurance contracts (Continued)**

Long Term Insurance contracts are classified as direct participating contracts or contracts without direct Participation features. EIC has two life insurance products that do have participative features namely anticipated endowment and education endowment products. However, currently there is no clearly identified pool of underlying items for those insurance contracts.

All other insurance contracts and all reinsurance contracts are classified as contracts without direct participation features. Some of these contracts are measured under the Premium Allocation Approach (PAA).

**(ii) Level of aggregation**

The Corporation identifies portfolios of insurance contracts. Each portfolio comprises contracts that are subject to similar risks and managed together, and is divided into three groups:

- Any contracts that are onerous on initial recognition;
- Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- Any remaining contracts in the portfolio.

Each group of insurance contracts is further divided by year of issue. The resulting groups represent the level at which the recognition and measurement accounting policies are applied. The groups are established on initial recognition and their composition is not reassessed subsequently. Each group of reinsurance contracts comprises a single contract.

**(iii) Recognition and measurement**

The Corporation recognizes a group of insurance contracts issued from the earliest of the following:

- The beginning of the coverage period of the group of contracts. The coverage period is the period during which the Corporation provides coverage for insured events in respect of all premiums within the boundary of an insurance contract.
- The date when the first payment from a policyholder in the group becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder.
- The date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

The Corporation recognizes a group of reinsurance contracts initiated that provide proportionate coverage at the later of the beginning of the coverage period of the group





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**(3) Significant accounting policies (Continued)**

**(b) Insurance and reinsurance contracts (continued)**

of reinsurance contracts and the initial recognition of any underlying contract, and recognizes all other groups of reinsurance contracts from the beginning of the coverage period of the group of reinsurance contracts. The coverage period is the period during which the Corporation receives coverage for claims arising from the reinsured portions of the underlying insurance contracts.

Subsequently, new contracts are added to the group when they are issued or initiated, provided that all contracts in the group are issued or initiated in the same year. The Corporation recognizes a group of contracts acquired at the date of acquisition.

**(iv) Contract boundaries**

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Corporation can compel the policyholder to pay premiums or has a substantive obligation to provide services.

A substantive obligation to provide services ends when:

- The Corporation has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- The Corporation has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The contract boundary is reassessed at each reporting date and, therefore, may change over time. Contract boundary includes cash flows that result from a substantive obligation of the entity to deliver cash at present or future date.

In the non-life business as well as a portion of the life business, the Corporation generally uses the PAA to simplify the measurement of groups of contracts on the following bases:

- Insurance and reinsurance contracts: the coverage period of each contract in the group of contracts is one year or less; and
- Insurance and reinsurance contracts: for contracts with coverage periods greater than one year the Corporation reasonably expects that the resulting measurement would not differ materially from the result of applying the General Measurement Model.





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**(3) Significant accounting policies (Continued)**

**(b) Insurance and reinsurance contracts (continued)**

*(v) Measurement – Contracts measured under the PAA*

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. Insurance acquisition cash flows are recognized as expenses when they are incurred.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Corporation recognizes a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfillment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the liability for remaining coverage. The fulfillment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates). The liability for incurred claims is also adjusted for the time value of money and the effect of financial risk.

The Corporation recognizes the liability for incurred claims of a group of insurance contracts at the amount of the fulfillment cash flows relating to incurred claims. The fulfillment cash flows are discounted (at current rates) unless the cash flows are expected to be paid in one year or less from the date the claims are incurred.

*(vi) Reinsurance contracts*

The Corporation applies the same accounting policies to measure a group of reinsurance contracts as it does on its insurance contracts measured under the PAA, adapted where necessary to reflect features that differ from those of insurance contracts.

On initial recognition, the Corporation measures a group of insurance contracts as the total of: (a) the fulfillment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM.

The measurement of the fulfillment cash flows of a group of insurance contracts does not reflect non-performance risk.

Insurance acquisition cash flows that the Corporation pays before the related group of contracts is recognized are presented as an insurance contract asset. When the group of contracts is recognized, these cash flows are included in the measurement of the group and the previously recognized asset is derecognized.

*(vii) Measurement – Contracts not measured under the PAA*

The risk adjustment for non-financial risk for a group of insurance contracts is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of insurance contracts represents the unearned profit that the Corporation will recognize as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of the fulfillment cash flows



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**(3) Significant accounting policies (Continued)**

**(b) Insurance and reinsurance contracts (continued)**

Any derecognized assets for insurance acquisition cash flows and any cash flows arising at that date is a net inflow, and then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

For groups of contracts acquired, the consideration received for the contracts is included in the fulfillment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

*(viii) Subsequent measurement*

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfillment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims comprises the fulfillment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

*(iii) Subsequent measurement*

The fulfillment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

*(iv) Derecognition and contract modification*

The Corporation derecognizes a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Corporation also derecognizes a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed; in which case a new contract based on the modified terms is recognized. If a contract modification does not result in derecognition, then the Corporation treats the changes in cash flows caused by the modification as changes in estimates of fulfillment cash flows.



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**(3) Significant accounting policies (Continued)**

**(b) Insurance and reinsurance contracts (continued)**

*(v) Presentation*

Groups of insurance contracts that are assets and that are liabilities, and groups of reinsurance contracts that are assets and that are liabilities, are presented separately in the statement of financial position.

The Corporation disaggregates amounts recognized in the statement of profit or loss and OCI into (a) and insurance service results, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Incomes and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

The Corporation does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue excludes any investment components and is measured as follows:

**Insurance revenue- contracts not measured under PAA**

The Corporation recognises insurance revenue as it satisfies its performance obligations- i.e. as it provided coverage or other services under groups of insurance contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each period represents the total of the changes in the liabilities for remaining coverage that relate to services for which the Corporation expects to receive consideration.

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each annual period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the period (before any allocation) equally to each coverage unit provided in the period and expected to be provided in future periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the period. The number of coverage units is the quantity of coverage provided by the contract in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage duration.





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**(3) Significant accounting policies (Continued)**

**(b) Insurance and reinsurance contracts (continued)**

**Insurance revenue- Contracts measured under the PAA**

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing coverage in the period.

For contracts not measured under the PAA, the Corporation establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amount of fulfilment cash flows that are subsequently excluded from insurance revenue when they occur.

When the fulfilment cash flows occur, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash flows plus the risk adjustment for non-financial risk at the beginning of each period (or on initial recognition if a group of contracts is initially recognised in the period.)

Changes in estimates of cash flows relating to future services and changes in the Corporation's share of fair value of any underlying items are allocated solely to the loss component.

If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

**Net expenses from reinsurance contracts**

A net expense from reinsurance contracts comprises reinsurance service expenses less amounts recovered from reinsurers.

The Corporation recognises reinsurance service expenses as it receives coverage or other services under groups of reinsurance contracts.

For contracts measured under the PAA, reinsurance service expenses for each period are the amount of expected premium payments for receiving coverage in the period.

**Insurance finance income and expense**

Insurance finance income and expenses compromise changes in the carrying amounts of groups of insurance and reinsurance contract arising from the effects of the time value of money, financial risk and changes therein.





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**(c) Financial instrument**

**(i) Recognition and initial measurement**

The Corporation recognizes deposits with financial institutions, trade receivables and loans on the date on which they are originated. All other financial assets and financial liabilities are initially recognized when the Corporation becomes a party to the contractual provisions of the instrument (trade date).

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognized in profit or loss.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**(ii) Classification and subsequent measurement**

**Financial assets**

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Corporation may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income. This election is made on an investment-by-investment basis.





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**(3) Significant accounting policies (Continued)**

**(c) Financial instruments (continued)**

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Corporation may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Financial assets – Business model assessment:*

The Corporation makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

*(ii) Classification and subsequent measurement*

- How the performance of the portfolio is evaluated and reported to the Corporation's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. Whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Corporation's continuing recognition of the assets.

Financial assets that are managed and whose performance is evaluated on a fair value basis and financial assets that are held for trading are measured at FVTPL, because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

*Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:*

For the purposes of this assessment, 'principal' is defined as the fair value of the



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**(3) Significant accounting policies (Continued)**

**(c) Financial instruments (continued)**

financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Corporation considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Corporation considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limits the corporation's claim to cash flows from specified assets (e.g. Non-recourse features).
- Features that modify consideration of the time value of money – e.g. Periodic reset of interest rates.

**(ii) Classification and subsequent measurement**

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

*Financial assets – Subsequent measurement and gains and losses:*

**Financial assets at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income and exchange gains and losses are recognized in profit or loss when they arise from derivative designated as hedging instruments





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**(3) Significant accounting policies (Continued)**

**(c) Financial instruments (continued)**

**Debt investments at amortized cost**

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

**Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

**Equity investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

**Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

**(iii) Derecognition**

*Financial assets*

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Corporation enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

*Financial liabilities*

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire





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**(3) Significant accounting policies (Continued)**

**(c) Financial instruments (continued)**

The Corporation also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

**(iv) Modifications of financial assets and financial liabilities**

**Financial assets**

If the terms of a financial asset are modified, the Corporation evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognized, then impairment of the asset was measured using the pre-modification interest rate.

**Financial liabilities**

The Corporation derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

**(v) Offsetting**

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Corporation's trading activity.

**(vi) Amortized cost measurement**

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, net of principal repayments,





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**(3) Significant accounting policies (Continued)**

**(c) Financial instruments (continued)**

plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

**(vii) Fair value measurement**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which The Corporation has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Corporation measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Corporation uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

There is no active market or observable prices to measure the Corporation's financial assets or financial liabilities at fair value. Fair value of financial assets and financial liabilities is determined at each reporting date for disclosure in the financial statement purposes only.

**(viii) Impairment of financial assets**

The Corporation recognizes loss allowances for Expected Credit Losses (ECLs) on:

— Financial assets measured at amortized cost;

The Corporation measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and other financial assets are always measured at an amount equal to lifetime ECLs.





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**(3) Significant accounting policies (Continued)**

**(c) Financial instruments (continued)**

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment and including forward-looking information.

The Corporation considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days past due.

The Corporation considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime expected credit losses are the losses that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

In all cases, the maximum period considered when estimating expected credit loss is the maximum contractual period over which the Corporation is exposed to credit risk.

**(viii) Impairment of financial assets**

**Measurement of expected credit losses**

Expected credit losses are a probability-weighted estimate of credit losses and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls- i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Corporation expects to receive; and
- Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

**Credit-impaired financial assets**

At each reporting date, the Corporation assesses whether financial assets measured at amortized cost and debt investments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental effect on the estimated future cash flows of the financial asset have occurred.



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**(3) Significant accounting policies (Continued)**

**(c) Financial instruments (continued)**

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past-due date;
- The restructuring of an amount due to the Corporation on terms that the Corporation would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In assessing whether an investment in sovereign debt is credit-impaired, the Corporation considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of creditworthiness;
- The country's ability to access the capital markets for new debt insurance;
- The probability of debt being restricted, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms, including an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.





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**(viii) Impairment of financial assets- continued**

**Impairment of Insurance receivables**

The Corporation always recognizes lifetime ECL for trade receivables and premium receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

**Presentation of loss allowances in the statement of financial position**

Loss allowances for expected credit losses are presented as follows:

- Financial assets measured at amortized cost: the loss allowance is deducted from the gross carrying amount of the assets; and
- Debt investments measured at FVOCI: the loss allowance is recognized in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position.

**Write-off**

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Corporation determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Corporation's procedure for recovery of amounts due.

**(d) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash at banks in current and deposit accounts and short term, highly liquid investments with maturity periods of three months or less.

According to IAS 1 – *Presentation of Financial Statements*, cash funds that for some reason are restricted and may not be exchanged or used to settle a liability for a period of at least twelve months, these cash funds are excluded from the balance of cash and cash equivalents.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

**(e) Revenues**

Revenues comprise:

- Insurance revenue (3b)
- Investment revenue which comprises interest revenue on financial assets not measured at FVTPL and other investment revenue(3c); and
- Rental revenue.



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**(3) Significant accounting policies (Continued)**

**(f) Property, plant and equipment**

*(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and cumulative impairment losses.

Property and equipment also includes buildings that have dual usage that did not meet the Corporation's threshold to present as investment property. The Corporation uses these buildings for own administrative purpose as well as to earn rental income. The Corporation uses 5% as a threshold to determine the level of significance for the portion held for its own use.

If significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within operating and administrative expenses in profit or loss.

*(ii) Subsequent costs*

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Corporation. Ongoing repairs and maintenance are expensed as incurred.

*(iii) Depreciation*

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.





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**(3) Significant accounting policies (Continued)**

**(f) Property, plant and equipment (Continued)**

The estimated useful lives of significant items of property, plant and equipment are as follows:

Asset class	Depreciation rates (%)	Residual values(% on cost)
Buildings	2	5
Computer equipment	20	0
Office equipment	10	1
Office Furniture	10	1
Motor vehicles	10	10

Exceptionally, the useful life for the Motor vehicle items revalued at the time of IFRS conversion is based on the rate stated on the revaluation report.

**(iv) Depreciation**

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Minor repairs and maintenance costs are expensed as incurred.

**(g) Leases**

At inception of contract, the Corporation assesses whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of identified asset, the Corporation assesses whether:

- The contract involves the use of an identified asset this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier had a substantive substitution right, then the asset is not included.
- The Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Corporation has the right to direct the use of the asset if either:
  - The Corporation has the right to operate the asset; or
  - The Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.





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**(3) Significant accounting policies (Continued)**

**(g) Leases (Continued)**

*As a Lessee*

The Corporation recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Subsequently, the right-of-use is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the corporation is reasonably certain to exercise
- Lease payments in an optional renewal period if the corporation is reasonably certain to exercise an extension option, and;
- Penalties for early termination of a lease unless the corporation is reasonably certain not to terminate early.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. It is re-measured when there is a change in future lease payments arising from a change in an index or rate. If there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee or if the Corporation changes its assessment of whether it will exercise a purchase extension or termination option,





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**(3) Significant accounting policies (Continued)**

**(g) Leases (Continued)**

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation presents right-of-use assets and lease liabilities as separate line items in the statement of financial position.

*Short-term lease and leases of low-value assets*

The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, below ETB 150,000 thresholds. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

*As a Lessor*

Where the Corporation is the lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease.

To classify each lease, the Corporation makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Corporation considers certain indicators such as; whether the lease is for the major part of the economic life of the asset, the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, and the lessee has the option to purchase the underlying asset.

When the Corporation is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head is a short-term lease to which the Corporation applies the exemption described above, then it classifies the sublease as an operating lease. If an arrangement contains lease and non-lease components, the Corporation applies IFRS 15 to allocate the consideration in the contract. The Corporation recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

**(h) Intangible assets**

Software acquired by the Corporation is measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Other expenditure is expensed as incurred.





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**(3) Significant accounting policies (Continued)**

**(i) Intangible assets (Continued)**

Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software currently in use is equivalent to the license period.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(j) Impairment of non-financial assets**

At each reporting date, the Corporation reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or Cash Generating Units (CGU's).

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Corporation's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(k) Provisions**

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.





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**(3) Significant accounting policies (Continued)**

**(I) Employee benefits**

**(i) Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation accounts not only for its legal obligation but also for any constructive obligation that arise from the Corporation's customary practices. A customary practice in place gives rise to a constructive obligation where the Corporation has no realistic alternatives but to pay employee benefits.

The Corporation's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs and the fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on governmental bonds that have maturity dates approximating the terms of the Corporation's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Corporation recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income in the period in which they arise.

**(i) Defined contribution plans**

Obligations for contributions to defined contribution plans are expensed. Prepaid contributions are regarded as an asset to the extent that a cash refund or a reduction in future payments is available.

**(ii) Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided, considering current wages.

Liability is recognized for the amount expected to be paid under short-term cash and include mainly wages and salaries, bonuses, leave benefits and other allowances to pay this amount as a result of past services provided by employees and the obligation can be estimated reliably.





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**(4) Significant accounting policies (Continued)**

**(l) Employee benefits (Continued)**

**(iii) Other long-term benefits**

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

The Corporation's net obligation in terms of long term benefits employee benefits is the amount of future benefits that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognized in the profit or loss in the period in which they arise.

**(iv) Termination benefits**

Termination benefits are expensed at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

**(m) Legal reserve**

According to the Insurance Business Proclamation No. 746/2012 issued in August 2012, an insurer shall, at the end of the financial year, transfer to its legal reserve an amount not less than 10% of its net profit until such reserves equals its paid up capital. The Corporation's policy is to transfer 10% of its net profit to the legal reserve.

**(n) Statutory deposit**

A statutory deposit, prescribed by insurance business proclamation No. 746/2012, must be maintained with the National Bank of Ethiopia in respect of each main class of insurance business. This deposit or part thereof may not be withdrawn or may not be assigned or used for the discharge of any liability of the insurer other than outstanding liabilities arising out of insurance policies issued by the insurer. This deposit may also not be liable to attachment in the execution of any court decree except a decree obtained by a policyholder on the insurer in respect of a debt due upon a policy.

The National Bank of Ethiopia allows an insurer to maintain statutory deposits either in cash or in the form of government securities (Article 21 of Insurance Business Proclamation 746/2012). EIC currently meets this requirement in the form of bonds.

Ethiopian Insurance Corporation has classified the statutory deposit as a financial asset at amortized cost.





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(o) **Income tax**

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in OCI.

(3) **Significant accounting policies (Continued)**

(o) **Income Tax (Continued)**

(i) **Current tax**

The current income tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of tax amount expected to be paid or received that reflects the uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantially enacted at the reporting date.

(ii) **Deferred tax**

Deferred tax is measured under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between such values. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to temporary differences when recovered or settled.

No deferred taxes are recognized for the initial recognition of an asset or a liability in a transaction that is not a business combination and that affects neither accounting nor taxable income. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority and to the same fiscal entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will provision be available against which such can be reversed. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realized.

(p) **Contingencies**

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, disclosure is provided in the notes to the financial statements. Contingent revenues, earnings or assets are not recognized until realized.



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## (3) Significant accounting policies (Continued)

### (q) Finance income and finance costs

The Corporation's financial income and finance cost include interest income, interest expense, dividend income, foreign exchange gain or loss on financial assets and liabilities and impairment losses on investments. Interest income or expenses are recognized using the effective interest rate method. Dividend income is recognized in the profit or loss on the date on which the Corporation's right to receive payment is established.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability.

### (r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Capitalization of borrowing costs ceases when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other costs are expensed when incurred. The Corporation did not have any borrowings as at 30 June 2024.

### (s) Inventory (Office supplies)

Inventory is initially measured at the lower of cost and net realizable value, however where such inventory is not for sale, the Corporation recognises the inventory at cost. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred where applicable in bringing the inventories to their present location and condition. Net realisable value is the price at which the inventory can be realised in the normal course of business after allowing for costs of realisation. Cost is determined on a First in First out (FIFO) basis.

### (t) New Standards, amendments and interpretations

#### (i) *New and amended standards and interpretations not effective but adopted during the period ended 30 June 2024*

A number of new standards and amendments to standards are not effective for financial period ending 30 June 2024; The Corporation has not early adopted these standards and has not applied them in preparing these financial statements.





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**(3) Significant accounting policies (Continued)**

*(u) New standards, amendments, and Interpretation (continued)*

*(ii) New and amended standards and interpretations in issue but not yet effective during the period ended 30 June 2024*

A number of new standards, amendments to standard and interpretations are not yet effective for the period ended 30 June 2024, and have not been applied in preparing these financial statements. These are summarized as follows:

New standards or amendments		Date issued by IASB	Effective for annual periods beginning on or after
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules -	December 2023	1 January 2024
Amendments to IAS 8	Definition of Accounting Estimates	February 2021	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants -	February 2021	1 January 2024
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules - 2023 Amendments to IAS 12	May 2023	1 January 2023
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	September 2022	1 January 2024
Amendments to IAS 7 and IFRS 7	Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS 7	May 2023	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	March 2014	1 January 2024
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	May 2021	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants -	October 2022	1 January 2024





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**(3) Significant accounting policies (Continued)**

**(u) New Standards, amendments and interpretations (continued)**

**International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12**

In May 2023, the Board issued amendments to IAS 12, which introduces a mandatory exception in IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The amendments require an entity to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

An entity is required to separately disclose its current tax expense (income) related to Pillar Two income taxes, in the periods when the legislation is effective.

The amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon issue of the amendments.

The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon issue of the amendments.

The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023 and for any interim period ending on or before 31 December 2023.



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**(3) Significant accounting policies (Continued)**

**(u) New Standards, amendments and interpretations (continued)**

**Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1**

In January 2020 and October 2022, the Board issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer settlement must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

The Board added paragraphs 76A and 76B to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity.

Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception.

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current.

Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'.

IAS 1.76ZA has been added to require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities as well as any facts and circumstances that indicate the entity may have difficulty complying with the covenants.



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**(3) Significant accounting policies (Continued)**

**(u) New Standards, amendments and interpretations (continued)**

The amendments must be applied retrospectively. Early application is permitted and must be disclosed. However, an entity that applies the 2020 amendments early is also required to apply the 2022 amendments, and vice versa.

The combined impact of the 2020 amendments and the 2022 amendments will have implications for practice. Entities will, therefore, need to carefully consider the impact of the amendments on existing and planned loan agreements. In this context, it is important to highlight that the amendments must be applied retrospectively. This amendment is Effective for annual periods beginning on or after 1 January 2024.

**Lease Liability in a Sale and Leaseback – Amendments to IFRS 16**  
**Key requirements**

In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy in accordance with IAS 8 that results in information that is relevant and reliable.

A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed.

A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application (i.e., the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application). The date of initial application is the beginning of the annual reporting period in which an entity first applied IFRS 16. This is effective for annual periods beginning on or after 1 January 2024.



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**(3) Significant accounting policies (Continued)**

**(u) New Standards, amendments and interpretations (continued)**

**Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7**

In May 2023, the Board issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures.

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity's suppliers.

The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements. The information on those arrangements is required to be aggregated unless the individual arrangements have dissimilar or unique terms and conditions. In the context of quantitative liquidity risk disclosures required by IFRS 7, supplier finance arrangements are included as an example of other factors that might be relevant to disclose.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments provide some transition reliefs regarding comparative and quantitative information as at the beginning of the annual reporting period and interim disclosures. This amendment is effective for annual periods beginning on or after 1 January 2024.

**Lack of exchangeability – Amendments to IAS 21**

In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21).

The amendment to IAS 21 specifies how an entity determines whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.



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**(3) Significant accounting policies (Continued)**

**(u) New Standards, amendments and interpretations (continued)**

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

**Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7**

In May 2024, the Board issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), which:

- Clarifies that a financial liability is derecognised on the settlement date, i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.



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**(3) Significant accounting policies (Continued)**

**u) New Standards, amendments and interpretations (continued)**

- Clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features
- Clarifies the treatment of non-recourse assets and contractually linked instruments
- Requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income

The publication of the amendments concludes the classification and measurement phase of the LASB's post implementation review (PIR) of IFRS 9.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Entities can early adopt the amendments that relate to the classification of financial assets plus the related disclosures and apply the other amendments later.

The new requirements will be applied retrospectively with an adjustment to opening retained earnings. Prior periods are not required to be restated and can only be restated without using hindsight. An entity is required to disclose information about financial assets that change their measurement category due to the amendments.

**IFRS 18 – Presentation and Disclosure in Financial Statements**

In April 2024, the Board issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation in Financial Statements. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information.

**Statement of profit or loss**

An entity will be required to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. In addition, IFRS 18 requires an entity to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'.





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**(3) Significant accounting policies (Continued)**

**(a) New Standards, amendments and interpretations (continued)**

**Main business activities**

For the purposes of classifying its income and expenses into the categories required by IFRS 18, an entity will need to assess whether it has a 'main business activity' of investing in assets or providing financing to customers, as specific classification requirements will apply to such entities. Determining whether an entity has such a specified main business activity is a matter of fact and circumstances which requires judgment. An entity may have more than one main business activity.

**Management-defined performance measures**

IFRS 18 introduces the concept of a management-defined performance measure (MPM) which it defines as a subtotal of income and expenses that an entity uses in public communications outside financial statements, to communicate management's view of an aspect of the financial performance of the entity as a whole to users. IFRS 18 requires disclosure of information about all of an entity's MPMs within a single note to the financial statements and requires several disclosures to be made about each MPM, including how the measure is calculated and a reconciliation to the most comparable subtotal specified by IFRS 18 or another IFRS accounting standard.

**Location of information, aggregation and disaggregation**

IFRS 18 differentiates between 'presenting' information in the primary financial statements and 'disclosing' it in the notes, and introduces a principle for determining the location of information based on identified 'roles' of the primary financial statements and the notes. IFRS 18 requires aggregation and disaggregation of information to be performed with reference to similar and dissimilar characteristics. Guidance is also provided for determining meaningful descriptions, or labels, for items that are aggregated in the financial statements.

**Consequential amendments to other accounting standards**

Narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method from 'profit or loss' to 'operating profit or loss'. The optionality around classification of cash flows from dividends and interest in the statement of cash flows has also largely been removed.

IAS 33 Earnings per Share is amended to include additional requirements that permit entities to disclose additional amounts per share, only if the numerator used in the calculation meets specified criteria. The numerator must be: an amount attributable to the equity holders of the parent entity; and a total or subtotal identified by IFRS 18.



## Ethiopian Insurance Corporation

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### (3) Significant accounting policies (Continued)

#### (u) New Standards, amendments and interpretations (continued)

In developing the disclosure requirements in IFRS 19 the Board considered the disclosure requirements in other IFRS accounting standards as at 28 February 2021.

Disclosure requirements in IFRS accounting standards that have been added or amended subsequent to this date have been included in IFRS 19 unchanged. Consequently, the Board indicated it will publish an exposure draft setting out whether and how to reduce the disclosure requirements of any amendments and additions made to other IFRS accounting standards post 28 February 2021, for the purpose of updating IFRS 19.

IFRS 19 is effective for reporting periods beginning on or after 1 January 2027 and earlier adoption is permitted.

If an eligible entity chooses to apply the standard earlier, it is required to disclose that fact. An entity is required, during the first period (annual and interim) in which it applies the standard, to align the disclosures in the comparative period with the disclosures included in the current period under IFRS 19, unless IFRS 19 or another IFRS accounting standard permits or requires otherwise.

#### Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments must be applied prospectively. Early application is permitted and must be disclosed.





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**(3) Significant accounting policies (Continued)**

**(u) New Standards, amendments and interpretations (continued)**

Some requirements previously included within IAS 1 have been moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which has been renamed IAS 8 Basis of Preparation of Financial Statements. IAS 34 Interim Financial Reporting has been amended to require disclosure of MPMs.

IFRS 18, and the amendments to the other accounting standards, is effective for reporting periods beginning on or after 1 January 2027 and will apply retrospectively. Early adoption is permitted and must be disclosed.

**IFRS 19 - Subsidiaries without Public Accountability: Disclosures**

In May 2024, the Board issued IFRS 19 Subsidiaries without Public Accountability: Disclosures (IFRS 19), which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards.

IFRS 19 to make an explicit and unreserved statement of such compliance Eligible entities

An entity may elect to apply IFRS 19 if at the end of the reporting period:

- It is a subsidiary as defined in IFRS 10 Consolidated Financial Statements;
- It does not have public accountability; and
- It has a parent (either ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards

An entity has public accountability if:

- Its debt or equity instruments are traded in a public market, or it is in the process of issuing such instruments for trading in a public market; or

It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (i.e., not for reasons incidental to its primary business).

The disclosure requirements in IFRS 19 are organised into subheadings per IFRS accounting standards and where disclosure requirements in other IFRS Accounting Standards remain applicable, these are specified under the subheading of each IFRS accounting standard.

IFRS 19 disclosures exclude IFRS 8 Operating Segments, IFRS 17 Insurance Contracts and IAS 33 Earnings per Share. Therefore, if an entity that applies IFRS 19 is required to apply IFRS 17 or elects to apply IFRS 8 and/or IAS 33, that entity would be required to apply all the relevant disclosure requirements in those standards.



## Ethiopian Insurance Corporation

Notes to Financial Statements

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### (4) Management of insurance and financial risk

The Corporation's activities expose it to a variety of risks, underwriting risk, financial risk, liquidity risk, credit risk, and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Corporation's overall risk management program focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place which help manage liquidity, and seek to maximize return within an acceptable level of interest rate risk.

This note presents information about the Corporation's risk exposure, and the Corporation's objectives, policies and processes for measuring and managing risks.

#### Risk management framework

The Corporation's Board of Management has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The internal audit department is responsible for assuring adherence to these guidelines through periodic review of activities of the Corporation's risk management policies and reports regularly to the board of Management on its activities.

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, set appropriate risk limits and controls, and monitor adherence to risk limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Corporation's activities. The Corporation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### (a) Key risks arising from contracts

The Corporation issues insurance contracts. The nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts and the risks arising from financial assets held to fund the settlement of the liabilities. The extent to which profit or loss and equity in any period are sensitive to financial risks depends on the extent to which they are economically hedged or borne by contract holders and the extent of any mismatches inherent in the accounting policies adopted by the Corporation.



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**(3) Management of insurance and financial risk (Continued)**

**(a) Key risks arising from contracts (continued)**

*(i) Life risk and life savings contracts*

Product	Key risks	Risk mitigation
<b>Life risks</b>		
<b>Term assurance</b>	<ul style="list-style-type: none"> <li>— Mortality risk: death of policyholder earlier than expected</li> <li>— Reinsurance credit risk</li> </ul>	<ul style="list-style-type: none"> <li>— Reinsurance with financially strong reinsurers</li> </ul>
<b>Endowment</b>	<ul style="list-style-type: none"> <li>— Interest rate risk: insufficient return on assets to cover guaranteed minimum crediting rates</li> <li>— Policyholder behaviour risk</li> <li>— Death of the insured person</li> <li>— Surviving policy duration</li> </ul>	<ul style="list-style-type: none"> <li>— Surrender penalties</li> <li>— Investment in competitive markets</li> </ul>
<b>Whole life</b>	<ul style="list-style-type: none"> <li>— Mortality risk</li> <li>— Interest rate risk: differences in duration and yield of assets and liabilities</li> </ul>	<ul style="list-style-type: none"> <li>— Matching of asset and liability cash flows</li> <li>— Investing in investment-grade assets</li> </ul>

All life contracts expose the Corporation to interest rate risk. Interest rate risk arises from the extent to which the actual return on financial assets held to fund the settlement of liabilities differs from the expected return when the contracts were issued. This risk is most significant for endowment contracts because these contracts typically have long durations, it is not always possible to obtain matching assets with similar durations, and the Corporation does not have discretion to change the amounts of premiums or future payments to policyholders.

Term and ordinary life contracts provide policyholders with a fixed lump sum payable on death. Term assurance contracts provide coverage over a fixed term. The premiums for individual term and ordinary life contracts are level throughout the duration of the contracts. Term contracts provide policyholders with a lump sum benefit payable on death within the term of the contract. Ordinary life contracts provide policyholders with an agreed lump sum benefit payable on death over the life of contract.





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**(4) Management of insurance and financial risk (Continued)**

**(a) Key risks arising from contracts (continued)**

*(ii) Non-life contracts*

Product	Key risks	Risk mitigation
Property and casualty	<ul style="list-style-type: none"> <li>— Physical damage risk to property caused by accidents and other covered perils</li> <li>— Liability risk exposures such as product and public liability</li> <li>— Man-made destructive risks such as political risks</li> <li>— Extreme weather events</li> <li>— Natural catastrophes</li> <li>— Concentration risk</li> <li>— Legislative changes giving rise to increased claims</li> <li>— Failure to hold necessary collateral</li> </ul>	<ul style="list-style-type: none"> <li>— Reinsurance with financially strong reinsurers, including catastrophe cover</li> <li>— Co-insurance</li> <li>— Loss prevention advice to customers</li> <li>— Diversification of types of risk, industries and geographic locations in which risks are written</li> <li>— Having necessary collateral</li> <li>— Screening the legal environment for possible changes</li> </ul>

For property and liability, the frequency and severity of motor insurance claims for example is affected by inexperienced drivers, the availability of huge number of aged and deteriorated vehicles prone to accidents, the existence of congested roads and other factors. Technological factors are also risks causing and aggravating the materialization of losses in the case of aviation insurance and other policies.

**(b) Underwriting risk**

Underwriting risk comprises insurance risk, policyholder behavior risk and expense risk.

1. **Insurance risk**- This is the risk transferred from the policyholder to the Corporation, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount or timing of claims.
2. **Policyholder behaviour risk**- This is the risk that a policyholder will cancel a contract (i.e. lapse or persistency risk), increase or reduce premiums, withdraw deposits, or annuitize a contract earlier or later than expected.
3. **Expense risk**- This is the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events).

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Corporation faces under its insurance contracts is that the actual claims and benefit payments exceed the amount of the insurance liabilities.



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**(4) Management of insurance and financial risk (Continued)**

**(b) Underwriting risk (continued)**

This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

**(i) Management of underwriting risk**

The management sets the Corporation's strategy for accepting and managing underwriting risk. Specific underwriting objectives – e.g. aggregation limits, reinsurance protection thresholds and line of business diversification parameters – are prepared and reviewed by the Corporation's management. The management continuously reviews its underwriting strategy in light of evolving market pricing and loss conditions and as opportunities present themselves.

*Life contracts*

A key aspect of the underwriting process for life products is pricing contracts with regard to the insurance risks assumed. Prices charged for the cost of insurance risk are set through a process of financial analysis, including comparisons of the Corporation's experience with industry experience and benchmarking of prices against other product providers in the same market.

Mortality and longevity risks are mitigated by the use of reinsurance.

Policyholder behavior risk is considered when designing products for example by means of additional charges on the early surrender of contracts in order to recover acquisition cash flows. Persistency is monitored and experience is benchmarked against local market information. From time to time, management may implement specific initiatives to improve retention.

Expense risk is managed at branch and company level through the annual budgeting process and regular expense analyses.

*Non-life contracts*

A key component of the management of underwriting risk for the Corporation's non-life products is a disciplined underwriting strategy that is focused on writing quality business. Product pricing is intended to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the Corporation's total exposure to specific risks. The aim is to ensure that a diversified book is maintained, with no over-exposure to any one industry.

The Corporation uses reinsurance to mitigate the risk of incurring significant losses linked to single events, including excess of loss and stop loss. Where an individual exposure is deemed surplus to local or the Corporation's risk appetite, additional facultative reinsurance is also purchased.

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





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**(4) Management of insurance and financial risk (Continued)**  
**(b) Underwriting risk (continued)**

**(i) Management of underwriting risk (continued)**

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

Concentrations of risk may arise in certain classes of business such as aviation and fire – where the Corporation provides accident and liability protection to companies that are also owned by the same shareholder as the Corporation (The Ethiopian Government)

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The priority is to ensure adherence to criteria for risk selection by maintaining high levels of experience and expertise among the underwriting staff.

An independent internal audit department ensures adherence to these guidelines through periodic review of the activities of operations. The reports of the review are submitted to management and audit sub-committee of the Board.

**(ii) Concentration of underwriting risk**

The following tables disclose the concentration of insurance risks by the class of business in which the contract holder operates and by the maximum insured loss limit included in the terms of the policy. The amounts are the maximum insured loss limit of the insurance liabilities (gross and net of reinsurance) arising from insurance contracts analyzed below.

2024	General Insurance	Amounts Presented in ETB				Total
		ETB 0m - 15m	15m -250m	250m to 1b	Greater than 1b	
	Gross	153,646,660,590	5,837,925,135	-	-	159,484,585,726
Motor	Ceded sum insured	30,000,000	254,035,840	-	-	284,035,840
	Net	153,616,660,590	5,583,889,296	-	-	159,200,549,886
	Gross	12,276,362,372	32,378,902,009	32,302,381,065	153,532,177,463	274,489,822,910
Marine	Ceded sum insured	-	25,359,058,800	38,038,588,200	64,097,972,550	127,495,619,550
	Net	12,276,362,372	27,019,843,209	14,263,792,865	93,434,204,913	146,994,203,360
	Gross	42,139,867,061	99,676,267,528	83,189,726,506	322,394,277,660	547,400,139,155
Fire	Ceded sum insured	-	33,535,578,900	39,124,842,050	190,541,745,280	263,202,166,230
	Net	42,139,867,061	66,140,688,628	44,064,884,456	132,052,532,380	284,397,972,925
	Gross	43,572,733,505	50,151,290,175	51,569,349,685	6,120,233,658,863	6,265,527,032,228
Other classes	Ceded sum insured	18,541,271,600	27,811,907,400	37,082,505,200	349,713,528,950	433,149,251,160
	Net	25,031,461,905	22,339,382,775	14,486,806,485	5,770,520,129,903	5,832,377,781,068
	Gross	251,633,623,528	208,044,344,848	87,061,457,656	6,600,160,113,986	7,246,901,580,018
	Ceded sum insured	18,571,271,500	86,960,580,940	-	604,153,246,790	825,931,072,780
	Net	233,064,351,928	121,083,803,908	72,815,484,206	5,996,006,867,196	6,423,970,507,238





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2023		Amounts Presented in ETB					
		General Insurance	ETB 0m - 15m	15m -250m	250m to 1b	Greater than 1b	Total
Motor	Gross	118,111,629,654	2,514,577,546		0	0	120,626,207,200
	Ceded sum insured	30,000,000	288,512,152				318,512,152
	Net	118,081,629,654	2,226,065,394				120,307,695,048
Marine	Gross	9,832,138,376	46,330,098,241			166,593,885,025	222,756,121,642
	Ceded sum insured					79,074,876,113	79,074,876,113
	Net	9,832,138,376	46,330,098,241			87,519,008,912	143,681,245,529
Fire	Gross	35,318,072,664	70,786,387,920			342,664,051,474	448,768,512,057
	Ceded sum insured		2,232,445,986			100,882,587,702	103,115,033,688
	Net	35,318,072,664	68,553,941,934			241,781,463,772	345,653,478,370
Other classes	Gross	36,681,516,583	45,506,230,749			2,830,739,978,709	2,912,927,726,041
	Ceded sum insured	1,150,038,554	9,076,122,204			636,399,737,708	646,625,898,466
	Net	35,531,478,029	36,430,108,545			2,194,340,241,001	2,266,301,827,575
Total	Gross	199,943,357,276	165,137,294,456			3,339,997,915,208	3,705,078,566,940
	Ceded sum insured	1,180,038,554	11,597,080,342			816,357,201,523	829,134,320,419
	Net	198,763,318,723	153,540,214,114			2,523,640,713,685	2,875,944,246,522

2024		Amounts Presented in ETB				
		Long term Insurance	ETB 0m - 15m	ETB 15m - 250m	Greater than 250m	Total
Endowment	Gross		86,651,023		0	86,651,023
	Ceded sum insured		3,389,314			3,389,314
	Net		83,261,710		0	83,261,710
Term	Gross		305,799,697	2,156,679,831	3,781,169,216	6,243,648,744
	Ceded sum insured		725,989,948	107,833,992	189,058,461	1,022,882,401
	Net		(420,190,251)	2,048,845,839	3,592,110,755	5,220,766,343
Whole life	Gross					
	Ceded sum insured					
	Net					
Medical	Gross		106,815,325	311,460,000	0	418,275,325
	Ceded sum insured		5,340,766	15,573,000		20,913,766
	Net		101,474,559	295,887,000	0	397,361,559
Total	Gross		499,266,045	2,468,139,831	3,781,169,216	6,748,575,092
	Ceded sum insured		734,720,028	123,406,992	189,058,461	1,047,185,481
	Net		(235,453,983)	2,344,732,839	3,592,110,755	5,701,389,612



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(4) Management of insurance and financial risk (Continued)

(b) Underwriting risk (continued)

(ii) Concentration of underwriting risk (continued)

2023 Long term insurance		Amounts Presented in ETB			Total
		ETB 0m - 15m	ETB15m -250m	Greater than 250m	
Endowment	Gross	113,148,352			113,148,352
	Ceded sum insured	3,401,026			949,579
	Net	109,747,326			109,747,326
Term	Gross	347,630,617	2,050,570,025	2,989,412,267	5,387,612,970
	Ceded sum insured	34,315,556	234,724,414	149,470,613	297,060,493
	Net	313,315,121	1,815,845,611	2,839,941,654	4,969,102,386
Whole life	Gross				
	Ceded sum insured				
	Net				
Medical	Gross	80,541,551	204,981,000		285,522,551
	Ceded sum insured	4,027,078	10,209,050		11,570,200
	Net	76,514,473	194,731,950		271,246,423
Total	Gross	541,320,580	2,255,551,025	2,989,412,267	5,786,283,872
	Ceded sum insured	32829778	150,308,503	126,442,091	309,580,372
	Net	499,576,920	2,010,577,561	2,839,941,654	5,350,096,135

(ii) Sensitivity analysis

For purposes of sensitivity analyses, we selected the following key assumptions used for modeling purposes:

- Risk adjustment (1% increase)
- Risk adjustment (1% decrease)
- Discount rate (1% increase)
- Discount rate (1% decrease)
- Mortality (10%) increase
- Mortality (10%) decrease

These assumptions were selected because the CSM and loss components were deemed to be more sensitive to changes in these assumptions.

Volatility in the discount rates and risk adjustment was used as the selection criteria. They are pegged on market performance thus any changes in the Ethiopian market environment would have a material impact on the fulfillment cash flows.





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**(4) Management of insurance and financial risk (Continued)**

**(b) Underwriting risk (continued)**

**(iii) Sensitivity Analysis continued)**

**i. Premium Allocation Approach-PAA**

30 June 2024-In Birr	CSM	Profit or loss	Equity
	Gross	Gross	Gross
<b>Life</b>			
Ultimate claims (5% increase)	-	(1,029,482)	990,569
Ultimate claims (5% decrease)	-	1,029,482	(990,569)
<b>Non-life</b>			
Ultimate claims (5% increase)	-	(305,598,583)	88,276,702
Ultimate claims (5% decrease)	-	305,598,583	79,091,244

30 June 2023-In Birr	CSM	Profit or loss	Equity
	Gross	Gross	Gross
<b>Life</b>			
Ultimate claims (5% increase)	-	(3,388,583)	12,809,216
Ultimate claims (5% decrease)	-	3,388,583	10,374,886
<b>Non-life</b>			
Ultimate claims (5% increase)	-	(106,407,436)	(946,091,838)
Ultimate claims (5% decrease)	-	106,407,436	(1,267,156,282)

**b) General measurement model**

30 June 2024-In Birr	CSM	Profit or loss	Equity
	Gross	Gross	Gross
<b>Life-GMM</b>	13,169,174	109,710,403	3,797,952,462
Risk adjustment (1% increase)	13,284,255	109,710,403	3,796,262,996
Risk adjustment (1% decrease)	13,054,094	109,710,403	3,799,641,929
Discount rate (1% increase)	13,392,002	106,455,992	3,806,519,092
Discount rate (1% decrease)	12,927,625	113,205,904	3,788,583,573
Mortality(10%) increase	11,011,156	108,743,797	3,790,291,277
Mortality(10%) decrease	15,392,127	110,702,427	3,805,765,444

30 June 2023-In Birr	CSM	Profit or loss	Equity
	Gross	Gross	Gross
<b>Life-GMM (base)</b>	13,349,873	137,234,551	140,882,456
Risk adjustment (1% increase)	13,344,932	137,234,551	140,882,456
Risk adjustment (1% decrease)	13,354,814	137,234,551	140,882,456
Discount rate (1% increase)	13,352,319	134,846,234	103,764,389
Discount rate (1% decrease)	13,347,070	140,121,871	140,882,456
Mortality(10%) increase	12,303,638	141,111,111	140,882,456
Mortality(10%) decrease	14,394,787	141,111,111	140,882,456





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**(4) Management of insurance and financial risk (continued)**

**(c) Financial risk**

The Corporation is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and reinsurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important types of risk are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency risk, interest rate risk and equity price risk.

These risks arise from open positions in interest rates, currency exchange rates and equity securities prices, all of which are exposed to general and specific market movements. The risks that the Corporation primarily faces due to the nature of its investments and liabilities are liquidity risk, interest rate risk and equity price risk.

The Corporation manages exposure to these risks through policies developed by the management. These policies have been developed to achieve long-term investment returns in excess of the Corporation's obligations under insurance and investment contracts. The Corporation is currently managing its financial risks by monitoring and coming up with action points on quarterly and annual financial risk assessment reports which rely on different risk indicator ratios given by the Regulator.

**(d) Market risk**

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the fulfillment cash flows of insurance and reinsurance contracts as well as the fair value or future cash flows of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

**(i) Foreign exchange risk**

The Corporation has some transactions particularly with foreign re-insurers denominated in foreign currency and maintains foreign currency denominated current accounts with local banks. This risk is not significant and is mitigated through the use of dollar-denominated accounts.

The summary quantitative information about the Corporation's exposure to currency risk arising from reinsurance at the reporting dates is as follows:

		2024	2023
<b>Assets</b>	Due from Reinsurers and ceding companies	32	25,136,510
<b>Liabilities</b>	Due to Reinsurers and ceding companies	54	358,709,416





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**(4) Management of insurance and financial risk (continued)**

**(d) Market risk (Continued)**

A reasonably possible strengthening or weakening of the US Dollar against the Ethiopian Birr at the reporting date would have affected the measurement of reinsurance contracts and financial instruments and affected the profit or loss and equity by the amounts shown below:

*(i) Foreign Exchange Risk*

The analysis assumes that all other variables remain constant.  
The following exchange rates have been applied.

Currency	2024	2023
USD	58.4730	54.5943
KSH	0.4453	0.3882
CFAF	0.012	0.012
GBP	70.5895	69.1109

2024	Effect on Profit/Loss		Effect on Equity	
	10% Strengthening	10% Weakening	10% Strengthening	10% Weakening
Assets	821,333	-821,333	821,333	-821,333
Liabilities	35,401,316	-35,401,316	35,401,316	-35,401,316

2023	Effect on Profit/Loss		Effect on Equity	
	10% Strengthening	10% Weakening	10% Strengthening	10% Weakening
Assets	2,513,651	-2,513,651	2,513,651	-2,513,651
Liabilities	35,870,947	-35,870,947	35,870,947	-35,870,947

*(ii) Cash flow and fair value interest rate risk*

Fixed interest rate financial instruments expose the Corporation to fair value interest rate risk. Variable interest rate financial instruments expose the Corporation to cash flow interest rate risk.

The Corporation's fixed interest rate financial instruments are government securities (Treasury bills and government bonds) and fixed time deposits. Changes in interest rate will have an immediate impact on the Corporation's net income and consequently the equity. The following are the Corporation's fixed deposits:



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**(4) Management of insurance and financial risk (continued)**

**(d) Market risk (Continued)**

*(iii) Cash flow and fair value interest rate risk – (continued)*

Bank	2024	2023
	Amount in ETB	Amount in ETB
Commercial Bank Of Ethiopia	2,432,067,644	3,150,311,869
Addis credit and saving institution s.c	39,498,780	35,456,715
Addis international bank S.C	463,117,953	463,117,953
Oromia International bank	412,326,688	243,575,059
Nib	177,112,557	148,890,361
Awash	687,683,976	329,300,000
Bunna Bank	80,189,202	66,499,962
UNITED	101,451,893	84,982,125
COOP BANK OF OROMIA	310,225,228	217,780,580
DASHEN	292,399,062	170,365,750
ZEMEN BANK	56,664,000	50,000,000
Bank of Abyssinia	102,551,201	
<b>Total</b>	<b>5,155,268,185</b>	<b>4,960,280,374</b>

Other fixed interest financial instruments are the government securities below:

	2024	2023
	Amount in ETB	Amount in ETB
Treasury bills		90,000,000
Grand Renaissance Dam Bond	150,000,000	150,000,000
Government Bond DBE	328,660,000	155,310,000

Below is an analysis of the Corporation's sensitivity to a 0.5% parallel increase or decrease in market interest rates at the reporting date, assuming all other variables remain constant:

Financial Instrument 2024	Effect on Profit/Loss		Effect on Equity	
	0.5% Increase	0.5% Decrease	0.5% Increase	0.5% Decrease
Fixed time deposits	(25,776,341)	25,776,341	(25,776,341)	25,776,341
Treasury bills	-	-	-	-
Grand Renaissance Dam Bond	(2,393,300.00)	2,393,300.00	(2,393,300.00)	2,393,300.00

Financial Instrument 2023	Effect on Profit/Loss		Effect on Equity	
	0.5% Increase	0.5% Decrease	0.5% Increase	0.5% Decrease
Fixed time deposits	(24,801,402)	24,801,402	(24,801,402)	24,801,402
Treasury bills	(450,000)	450,000	(450,000)	450,000
Grand Renaissance Dam Bond	(1,526,550)	1,526,550	(1,526,550)	1,526,550



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**(4) Management of insurance and financial risk (continued)**

**(e) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Key areas where the Corporation is exposed to credit risk are:

- Receivables arising out of direct insurance arrangements;
- Receivables arising out of reinsurance arrangements;
- Other receivables;
- Reinsurers' share of insurance liabilities;
- Mortgage loans; and
- Deposits and government securities.

***Management of credit risk***

The Corporation has no significant concentrations of credit risk. The Corporation structures the levels of credit risk it accepts by placing limits counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Corporation's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Corporation remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on a frequent basis by reviewing their financial strength prior to finalization of any contract.

Management information reported to the Corporation includes details of provisions for impairment on loans and receivables and subsequent write-offs. Management of the Corporation makes regular reviews to assess the degree of compliance with the Corporation procedures on credit. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring by the management.

***Credit quality analysis***

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counterparty default rates.



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**(4) Management of insurance and financial risk (continued)**

**(v) Credit risk (Continued)**

*Credit quality analysis*

**Maximum exposure to credit risk before collateral held**

	2024 ETB	2023 ETB
Receivables	995,545,407	808,986,224
Government securities at amortized cost		90,000,000
Grand Renaissance Dam and DBE Bond	478,660,000	305,310,000
Mortgage loans receivable	16,987,845	140,235,457
Deposits with financial institutions	5,155,268,185	4,960,280,374
Cash at bank	1,157,299,547	774,354,947
<b>Total</b>	<b>7,803,760,984</b>	<b>7,079,167,002</b>

No collateral is held for any of the above assets except for mortgage loans and policy loans. The mortgage loans given to staff members through Commercial bank of Ethiopia has been arranged to transfer the risk to the bank which take the property as collateral. Policy loans are secured against the cash surrender value of the insurance policy. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated. Collateral usually is not held against investment in securities.

None of the above assets are past due or impaired and thus are graded as Stage 1 (12 month ECL) except for the following amounts in;

- Receivables arising out of direct insurance arrangements which are due on inception of insurance cover.
- Receivables arising out of reinsurance arrangements.

For these receivables, balances that are over 90 days past due (arrears) are defined as having a significant increase in credit risk and graded Stage 2 (Lifetime ECL). Balances that are over 180 days past due (arrears) are defined as being in default and graded Stage 3 (Lifetime ECL).

Receivables arising out of direct insurance and reinsurance arrangements are summarized as follows:





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**(4) Management of insurance and financial risk (Continued)**

**(e) Credit risk (continued)**

**Credit quality analysis – continued**

	<b>2024</b>	<b>2023</b>
	<b>ETB</b>	<b>ETB</b>
Past due but not impaired (Stage 1 and 2)	376,855,105.30	298,095,690.81
Impaired (Stage 3)	607,808,095.76	609,664,090.00
<b>Gross</b>	<b>984,663,201.06</b>	<b>907,759,781</b>
Less: allowance for impairment	(460,083,973)	(386,813,796)
<b>Net</b>	<b>524,579,228</b>	<b>520,945,985</b>
<b>Allowance for impairment</b>		
At start of year	386,813,796	366,789,103
Impairment allowance for the period	73,270,176	20,024,694
<b>At end of year</b>	<b>460,083,973</b>	<b>386,813,796</b>

**Amount arising from ECL**

For inputs, assumptions and techniques used for estimating impairment, see accounting note 3(b) (viii). The following amounts were subject to ECL as they were classified at unmetized cost:

	<b>2024</b>	<b>2023</b>
Staff loans	378,861,393.37	205,317,773.75
Cash at bank	1,158,189,144	774,354,947.09
Time deposits	5,155,268,185	4,960,280,374.2
Mortgage and policy loans receivable	16,987,845.31	140,235,456.6
Grand Renaissance Dam Bond	150,000,000	150,000,000
Government Bond(DBF)	328,660,000	155,310,000

**Significant increase in credit risk**

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both the qualitative and quantitative information and analysis based on the Corporation's experience, expert credit assessment and forward looking information.

The Corporation primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:





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### (4) Management of insurance and financial risk (Continued)

#### (e) Credit risk (continued)

- The remaining lifetime probability of default (PD) as at the reporting date;
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure. Whenever available the Corporation monitors changes in credit risk by tracking published external credit ratings. Where external credit ratings are not available, the Corporation allocates each exposure to a credit risk graded based on data that is determined to be predictive of the risk of default including but not limited to audited financial statements, management account and cash flow projections and available regulatory and press information about borrowers

The Corporation has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date.

#### Definition of default

The Corporation considers a financial asset to be in default when:

- The counterparty is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realizing security (if any is held); or
  - The counterparty is past due more than 90 days (except for insurance contracts) on any material credit obligation to the Corporation.
- In assessing whether a counterparty is in default, the Corporation considers indicators that are:
- Qualitative – e.g. Breaches of covenant;
  - Quantitative – e.g. Overdue status and non-payment on another obligation of the same issuer to the Corporation; and
  - Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

#### Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived using rating tools and other historical data.





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**(4) Management of insurance and financial risk (Continued)**

**(e) Credit risk (continued)**

PD estimates are estimates at a certain date, which are calculated, based on statistical models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for loans and advances to banks and investment securities.

LGD is the magnitude of the likely loss if there is a default. The Corporation estimates LGD parameters based mainly on the counterparties' collateral and also on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Corporation derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any counterparty's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Corporation considers a longer period. The maximum contractual period extends to the date at which the Corporation has the right to require repayment of an advance or terminate a loan commitment or guarantee.

The Corporation estimated a 12 month ECL on its time deposit and cash at bank balances. This was based on the following factors and circumstances:

- The Corporation considers a financial asset to be in default when a financial asset is more than 90 days past dues, all its time deposits were paid on the date of maturity.
- In assessing whether a borrower is in default, the Corporation considers indicators such as breaches of covenant and other indicators of financial distress, and the existence of another obligation of the same issuer and none of these conditions were met.
- Based on enquiries made with other external sources there was no history of default on time deposits with the financial institutions invested with.



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The Statutory deposit and investments in government securities were considered to be low risk (Stage 1) and a 12 month ECL was estimated by the Corporation.

**(4) Management of insurance and financial risk (Continued)**

**(e) Credit risk (continued)**

Staff loans were considered fully recoverable as the amounts are deducted from salaries and if employees are to leave before settling their dues, their amounts are deducted from their severance pay. The amounts can also be recovered from the guarantor if the severance pay is not enough to cover the loan.

**Incorporation of forward-looking information**

The Corporation considers forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Due to the nature of the Corporation's financial assets, the Corporation has estimated that the impact of any forward looking information may not be significant as at 30 June 2024.

**Loss allowance**

The following tables show reconciliations from the opening balance to the closing balance of the loss allowance by class of financial instrument.

Name of Security /Asset	June 24			June 23		
	Opening Balance	Net re-measurement of Loss allowance	Ending balance as at June 30,2023	Opening Balance	Net re-measurement of Loss allowance	Ending balance as at June 30,2023
Treasury bills(Stage 1)	2,849,244	(2,849,244)	0	7,342,481	(4,493,237)	2,849,244
Government bond(Stage 1)	6,885,409	7,654,520	14,539,929	2,316,720	4,568,689	6,885,409
Cash at bank(Stage 1)	18,277,753	20,470,136	38,747,889	18,360,640	(82,887)	18,277,753
Fixed deposits(Stage 1)	114,028,686	254,044	114,282,729	131,573,289	(17,544,603)	114,028,686
Statutory deposit(Stage 1)	13,320	-	13,320	13,320	-	13,320
Trade and other debtors	386,813,796	73,270,176	460,083,973	366,789,103	20,024,694	386,813,796

**Write-off**

The gross carrying amount of financial assets written off as at 30 June 2024 is nil but 30 June 2023 was 54,727,591.77.





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**(4) Management of insurance and financial risk (Continued)**

**(f) Liquidity risk**

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its insurance and reinsurance contracts and financial liabilities that are settled in cash or other financial assets.

The Corporation is exposed to daily calls on its available cash resources for claims settlement and other administration expenses. The Corporation does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Management sets limits on the minimum level of cash balances.

The table below analyses the Corporation's key financial and insurance assets and liabilities into relevant maturity groupings based on the remaining period at 30<sup>th</sup> June 2024 to the earlier of the re-pricing or contractual maturity date.

As at 30 June 2024	1 year or less ETB	1 – 2 years ETB	2-3 years ETB	3– 4 years ETB	4-5 years ETB	Over 5 years ETB	Total ETB
<b>I. Assets</b>							
Financial Assets							
Fixed Time Deposits	5,155,268,185						5,155,268,185
Treasury bills							
Government bond		389,860,000					389,860,000
Statutory deposit						88,800,000	88,800,000
Policy loans						16,582,034	16,582,034
Staff loans						405,811	405,811
Cash	1,158,189,144						1,158,189,144
Trade debtors	976,153,208						976,153,208.30
Staff debtors				378,861,393			378,861,393
Dividend receivable	43,480,442						43,480,442
Investments in shares							
<b>Total financial assets</b>	<b>7,333,090,980</b>	<b>389,860,000</b>	<b>0</b>	<b>467,661,393</b>	<b>0</b>	<b>16,987,845</b>	<b>8,207,600,218</b>
<b>II. Liabilities</b>							
Financial Liabilities							
State dividend payable	941,014,668						941,014,668
<b>Total financial liabilities</b>							
<b>Net liquidity gap as at 30 June 2024</b>	<b>8,274,105,648</b>	<b>389,860,000</b>	<b>0</b>	<b>467,661,393</b>	<b>0</b>	<b>16,987,845</b>	<b>9,148,614,886</b>





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**(4) Management of insurance and financial risk (continued)**

**(f) Liquidity risk (continued)**

As at 30 June 2023	1 year or less ETB	1 – 2 years ETB	2-3 years ETB	3– 4 years ETB	4-5 years ETB	Over 5 years ETB	Total ETB
<b>I. Assets</b>							
Financial Assets							
Fixed Time Deposits	4,960,280,374.20	-	-	-	-	-	4,960,280,374.20
Treasury bills	90,000,000	-	-	-	-	-	90,000,000.00
Government bond	-	-	155,310,000	150,000,000	-	-	150,000,000.00
Statutory deposit	-	-	-	88,800,000	-	-	88,800,000.00
Policy loans	-	-	-	-	-	16,721,538	16,721,538.00
Staff loans	-	-	-	-	-	123,513,918.83	123,513,918.83
Cash	805,589,601	-	-	-	-	-	805,589,601.00
Trade debtors	893,147,434.79	-	-	-	-	-	893,147,434.79
Staff debtors	205,317,774	-	-	-	-	-	205,317,774.00
Dividend receivable	-	-	-	-	-	-	0.00
Investments in shares	-	-	-	-	-	-	0.00
<b>Total financial assets</b>	<b>6,954,335,184</b>	<b>0</b>	<b>0</b>	<b>238,800,000</b>	<b>0</b>	<b>140,235,457</b>	<b>7,333,370,641</b>
<b>II. Liabilities</b>							
Financial Liabilities							
State dividend payable	-1,040,038,021	-	-	-	-	-	-1,040,038,021
<b>Total financial liabilities</b>	<b>-1,040,038,021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,040,038,021</b>
<b>Net liquidity gap as at 30 June 2023</b>	<b>5,914,297,163</b>	<b>0</b>	<b>0</b>	<b>238,800,000</b>	<b>0</b>	<b>140,235,457</b>	<b>6,293,332,620</b>

**Management of liquidity risk**

The Board of Management sets the Corporation's strategy for managing liquidity risk. The Corporation's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions. The key elements of the Corporation's liquidity strategy are as follows:

- Maintaining a diversified funding base and appropriate contingency facilities.
- Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.
- Matching, to the maximum extent possible, the cash flows of the Corporation's financial assets with the cash flows of insurance and investment contracts and other financial





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**(4) Management of insurance and financial risk (continued)**

**(f) Liquidity risk (continued)**

- liabilities.
- Monitoring liquidity ratios and carrying out stress-testing of the Corporation's liquidity position

The Corporation treasury maintains a pool of short-term liquid assets that is intended to provide sufficient liquidity in the Corporation as a whole to cover short-term fluctuations in the liquidity requirements of any business units. Longer-term funding is used to manage structural liquidity requirements.

***Management of liquidity risk***

Capital requirements are set and regulated by the National Bank of Ethiopia (NBE) as provided in the Insurance Business Proclamation No. 746/2012. These requirements are put in place to ensure solvency margins are maintained in the insurance industry. Further, objectives are set by the Corporation to maintain a strong credit rating and healthy capital ratios in order to support its business objectives. National Bank may prescribe different capital and reserve requirements to be maintained by different insurers depending on their risk profile.

***Regulatory Capital***

The Corporation currently has Birr 592 million paid up capital which is above the minimum statutory requirement of Birr 75 million set by the NBE.

**(g) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Corporation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as the risks of mis-selling of products, modeling errors and non-compliance with legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Corporation's operations.

***Management of operational risk***

The Corporation's objective in managing operational risk is to balance the avoidance of financial losses and damage to the Corporation's reputation with overall cost-effectiveness and innovation. In all cases, Corporation policy requires compliance with all applicable legal and regulatory requirements.

This is supported by the development of Overall Corporation's standards for the management of operational risk in the following areas:

- Training and professional development;
- Replace policies and Procedures manuals and distribution of the same to ensure compliance



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**(4) Management of insurance and financial risk (continued)**

**(g) Operational risk (continued)**

*Management of operational risk (Continued)*

- Segregation of duties and responsibilities
- Assurance works by Internal Audit
- Proper recruitment processes.
- SWOT Analysis before business plan preparation to ensure control over factors in the internal and external environment
- Feasibility Analysis in the case of outlet opening
- Product feasibility analysis
- Risk management and legal service comments on new products
- Improved and aligned compensation systems
- Outsourcing
- Measures to improve data integrity, availability and confidentiality
- IT policies and procedures manual to ensure security of MIS
- Other measures provided under the Risk Management Guideline



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**(5) Insurance revenue**

	2024			2023		
	Life	Non-Life	Combined	Life	Non-Life	Combined
Contracts not measured under the PAA						
Amounts relating to changes in liabilities for remaining coverage						
- CSM recognized for services provided	4,281,521		4,281,521	222,160		222,160
- Change in risk adjustment for non- financial risk for risk expired	11,191,624		11,191,624	1,804,750		1,804,750
- Expected incurred claims and other insurance service expenses	38,678,154		38,678,154	47,533,721		47,533,721
Recovery of insurance acquisition cash flows	31,700		31,700	438,016		438,016
Adjustment to revenue for loss component				(9,055,160)		(9,055,160)
	54,182,997		54,182,997	40,943,487		40,943,487
<b>Premiums</b>						
	234,252,041	8,275,516,110	8,509,768,151	179,216,490	6,678,451,728	6,857,668,218
Self-insurance		(47,919,111)	(47,919,111)		(37,100,989)	(37,100,989)
Change in Unexpired Risks	(23,611,575)	(719,235,750)	(742,847,325)	(27,580,144)	128,229,773	100,649,629
Contracts measured under the PAA	210,640,466	7,508,361,249	7,719,001,715	151,636,346	6,769,580,512	6,921,216,858
<b>Total insurance revenue</b>	<b>264,823,465</b>	<b>7,508,361,249</b>	<b>7,773,184,714</b>	<b>192,579,833</b>	<b>6,769,580,512</b>	<b>6,962,160,345</b>



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**(6) Net investment result**

The following table analyses the Corporation's net investment result in profit or loss and OCI.

	2024			
	Life (GMM)	Life (PAA)	Non-life	Total
<b>Net finance expenses from insurance contracts</b>				
Interest accreted	(21,815,514)	(253,917)	(98,651,045)	(120,720,476)
<b>Total net finance expenses from insurance contracts</b>	<b>(21,815,514)</b>	<b>(253,917)</b>	<b>(98,651,045)</b>	<b>(120,720,476)</b>
<b>Net finance income from reinsurance contracts</b>				
Interest accreted				
Net finance income from reinsurance contracts		13,637	26,661,551	26,675,188
<b>Total net finance income from reinsurance contracts in the statement of profit or loss</b>		<b>13,637</b>	<b>26,661,551</b>	<b>26,675,188</b>
	(21,815,514)	240,281	71,989,493	50,414,260
<b>Represented by:</b>				-
Amounts recognized in profit or loss	21,815,514	240,281	71,989,493	94,045,288
	<b>21,815,514</b>	<b>240,281</b>	<b>71,989,493</b>	<b>94,045,288</b>
<b>A. Insurance finance income and expenses</b>				-
Net finance income/(expenses) from insurance contracts				-
Recognized in profit or loss	(21,815,514)	(253,917)	(98,651,045)	(120,720,476)
	<b>(21,815,514)</b>	<b>(253,917)</b>	<b>(98,651,045)</b>	<b>(120,720,476)</b>
Net finance income from reinsurance contracts				-
Recognized in profit or loss		13,637	26,661,551	26,675,188



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**(6) Net investment result (Continued)**

	<b>2023</b>			
	Life (GMM)	Life (PAA)	Non-life	Total
Net finance expenses from insurance contracts				
Interest accreted	(10,009,151)	(247,363)	(151,328,369)	(161,584,883)
<b>Total net finance expenses from insurance contracts</b>	<b>(10,009,151)</b>	<b>(247,363)</b>	<b>(151,328,369)</b>	<b>(161,584,883)</b>
Net finance income from reinsurance contracts				
Interest accreted		13,440	58,930,859	58,944,299
<b>Total net finance income from reinsurance contracts in the statement of profit or loss</b>		<b>13,440</b>	<b>58,930,859</b>	<b>58,944,299</b>
	(10,009,151)	233,923	92,397,510	82,622,282
Represented by:				
Amounts recognized in profit or loss	10,009,151	233,923	92,397,510	102,640,584
	<b>10,009,151</b>	<b>233,923</b>	<b>92,397,510</b>	<b>102,640,584</b>
A. Insurance finance income and expenses				
Net finance income/(expenses) from insurance contracts				
Recognized in profit or loss	(10,009,151)	(247,363)	(151,328,369)	(161,584,883)
	<b>(10,009,151)</b>	<b>(247,363)</b>	<b>(151,328,369)</b>	<b>(161,584,883)</b>
Net finance income from reinsurance contracts				
Recognized in profit or loss		13,440	58,930,859	58,944,299



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# Ethiopian Insurance Corporation

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### (7) Finance Income and expenses

#### i) Finance income

Combined business	30 June 2024	30 June 2023
Interest on fixed deposits	554,607,155	425,187,232
Interest on loans	31,104,259	28,821,125
Interest on treasury bills	4,547,945	9,552,729
Other interest income	10,473,205	401,635
<b>Total</b>	<b>600,732,564</b>	<b>463,962,721</b>

  

Non-life business	30 June 2024	30 June 2023
Interest on fixed deposits	459,509,998.46	335,866,559
Interest on loans	30,627,298.02	28,152,669
Interest on treasury bills	4,547,945.21	9,552,729
Other interest income	10,473,204.75	401,635
<b>Total</b>	<b>505,158,446</b>	<b>373,973,592</b>

  

Life business	30 June 2024	30 June 2023
Interest on fixed deposits	95,097,156	89,320,674
Interest on loans	476,961	668,455
Interest on treasury bills		
<b>Total</b>	<b>95,574,117</b>	<b>89,989,129</b>



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(7) **Finance Income and expenses (Continued)**

ii) **Finance expense**

Combined business	30 June 2024	30 June 2023
Bank charges	2,862,024	
Interest expense on lease Liability-Building& Land		3,125,753
Interest on Reinsurance Funds		
Revenue stamp		
<b>Total</b>	<b>2,862,024</b>	<b>3,125,753</b>
Non-life business	30 June 2024	30 June 2023
Bank charges	2,862,024	
Interest expense on lease Liability-Building & Land		3,125,753
Interest on Reinsurance Funds		
Revenue stamp		
<b>Total</b>	<b>2,862,024</b>	<b>3,125,753</b>
Life business	30 June 2024	30 June 2023
Bank charges		
Interest expense on lease Liability-Building& Land		
Interest on Reinsurance Funds		
Revenue stamp		
<b>Total</b>		



(8) **Investment Income**

Investment income is made up of dividend income from equity investments. The breakdown for dividend income is shown below:

Non-life business	30-Jun-24	30-Jun-23
Local dividends	24,804,375	25,992,500
Foreign dividends	44,215,907	58,149,004
<b>Total</b>	<b>69,020,282</b>	<b>84,141,504</b>

Details of investments from which dividend income is earned

Acquisition Date	Dividend	Investments	Amount	No. of shares
19-Jan-1959	Local dividend	MOENCO	24,804,375	625
01-Sep-1995	Foreign dividend	Commercial Bank	19,852,030	296
31-Jan-1977	Foreign dividend	Commercial Bank	24,363,877	41,806

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(9) Other income

Combined business	30-Jun-24	30-Jun-23
Gain on sale of fixed assets	3,277,521	9,412,668
Gain/ Loss on foreign currency transactions	1,743,148	(22,174,274)
Gain/Loss on Termination of Lease Contract	(21,259)	339,673
Rental income	43,410,742	34,565,695
Other	29,682,873	33,347,634
<b>Total</b>	<b>78,093,026</b>	<b>55,491,397</b>
Non-life business	30-Jun-24	30-Jun-23
Gain on sale of fixed assets	3,277,520.97	9,412,668
Gain/ Loss on foreign currency transactions	1,758,453.32	(22,169,204)
Gain/Loss on Termination of Lease Contract	(21,258.55)	339,673
Rental income	43,410,742.13	34,565,695
Other	29,559,143.09	33,192,298
<b>Total</b>	<b>77,984,601</b>	<b>55,341,130</b>
Life business	30-Jun-24	30-Jun-23
Gain/ Loss on foreign currency transactions and balances	(15,305)	(5069.44)
Gain/Loss on Termination of Lease Contract		
Other	123,729.96	155,336
<b>Total</b>	<b>108,425</b>	<b>150,266</b>





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**(10) Other operating expenses**

Combined business	30-Jun-24	30 June 2023
Salaries and related benefits	1,276,712,670	596,661,200
Car running and maintenance	50,748,959	42,161,959
Advertising	40,153,078	101,158,299
Printing and stationery	3,971,658	2,587,983
Light and water	4,362,741	4,203,621
Traveling	17,564,618	18,089,411
Office cleaning and supplies	8,345,452	2,775,055
Communications	5,488,743	4,458,451
Entertainment	11,052,474	6,017,237
Municipal tax	7,359,536	668,306
Legal and professional fees	13,012,562	1,696,092
Rent expenses	909,760	1,089,207
Amortization ROUA	11,146,100	7,564,175
Education and training	4,623,744	8,871,456
Uniforms	12,160,770	9,985,356
Medical	26,636,448	19,866,876
Sports	143,455,318	123,470,002
Repair and maintenance	56,317,379	30,417,647
Subscriptions and Membership fee	4,176,788	905,863
Miscellaneous	72,438,115	133,466,064
Depreciation	37,025,249	35,286,182
Amortization	1,271,640	157,441
Expected credit losses	90,177,676	10,879,928
Bank Service Charge	1,740,174	
Board fees	460,000	1,376,500
Audit fee and expenses	979,800	858,585
Actuarial fee	7,152,690	5,674,368
<b>Total Combined Other operating expenses</b>	<b>1,909,444,142</b>	<b>1,170,347,266</b>

**Part of expenses allocated to Insurance service expense and Finance Expense**

Combined business	30-Jun-24	30 June 2023
Salaries and Wages	259,963,943	216,891,212
Stationery and printing	15,870,758	10,341,588
Rent Expense	26,255,767	18,479,355
Telex Expense	3,897,642	2,659,143
Depreciation of Furniture and Equipment	3,780,696	3,613,350
Depreciation of Office Building	12,074,066	11,782,256
Depreciation of Computer	7,496,062	5,721,099
Bank Service Charge	3,431,037	22,616,699
Interest expense on lease Liability		3,125,753
<b>Total allocated to insurance &amp; Finance Exp</b>		<b>295,230,455.00</b>





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**(11) Related parties**

**(a) Parent and ultimate controlling party**

Ethiopian Insurance Corporation (here in referred to as "the Corporation") was established as a state owned enterprise in 1976 by proclamation No. 68/1975, by taking over all the assets and liabilities of thirteen nationalized private insurance companies. In 1994, the Corporation was re-established with the objectives of engaging in the business of rendering insurance services, and any other related activities conducive to the attainment of its purposes.

**(b) Transactions with key management personnel**

*(i) Compensation to key management personnel*

The Corporation's key management personnel comprise of the chief executive officer and deputy chief executive officers (DCEOs) for, Finance and Investment office, General Insurance office, Long term Insurance office, Resource Management Office and Business Development and Risk Management office, and Directors reporting directly to the Chief Executive Officer namely Director of Information Technology Services Management Directorate, Legal Services Directorate and Internal Audit Directorate.

Key management personnel also comprises of board of management to the Corporation. EIC has eight members in the board of management, comprising of one chairperson, six members and one board secretary.

Key management personnel compensation comprised the following:

	30 June 2024	30 June 2023
Short term employee benefits	29,513,034	16,796,624
Post-employment benefits	19,509,719	4,988,489
Other long term benefits	3,830	
	<u>49,026,583</u>	<u>21,785,113</u>

Short-term employee benefits comprises of basic salary, allowances and bonus. The Corporation offers post-employment benefits in the form of government pension scheme, severance pay, recognition pay, funeral and post-employment medical benefit. Key management personnel also receive an insurance benefit where 60% of their insurance premium for staff insurance policy is covered by EIC.

*(ii) Transactions with Key Management*

	30 June 2024	30 June 2023
Premiums Paid by key management	589,777	510,360
Claims paid to key management	14,500	

The loans advanced to key management personnel are presented by the Corporation. Loans outstanding at the end of each period are included in the receivables.



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(11) **Related parties (Continued)**

(b) **Transactions with key management personnel (continued)**

(ii) *Transactions with Key Management*

Loans to key management	30 June 2024		30 June 2023	
	Principal	Balance	Principal	Balance
Interest free loans	8,751,366	7,521,947	2,227,713	2,648,571
Other Loan	5,260,047	4,385,673	1,006,389	767,436
<b>Total</b>	<b>14,011,413</b>	<b>11,907,620</b>	<b>3,234,102</b>	<b>3,416,007</b>

(c) **Transactions with other related parties**

(i) *Ethiopian Reinsurance*

The Corporation has a 20.07% investment in Ethiopian Reinsurance (Ethio-re), made in 2015. Below are the transaction amounts for both insurance and re-insurance business between the Corporation and Ethio-re for the years 2024 and 2023.

Reinsurance transactions	30 June 2024	30 June 2023
Premium	537,775,275	517,717,836
Claims	163,457,589	89,039,940

  

Insurance transactions	30 June 2024	30 June 2023
Premium	58,389	190,142



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**(12) Property and equipment- 2024**

The movement schedule for property and equipment is as follows:

Combined Business	Balance at 30 June 2023	Additions	Disposals/Adjustments	Transfers	Balance at 30 June 2024
<b>Buildings</b>	485,556,585	10,894,983	-	-	496,451,568
<b>Motor vehicles</b>	280,905,457	60,615,248	(2,474,832)	100,000	339,145,873
<b>Furniture</b>	79,769,189	10,837,268	-	3,356,013	93,962,469
<b>Computers</b>	106,332,189	21,866,785	-	2,657,592	130,856,566
<b>Construction work in progress</b>	35,434,308	2,254,693	-	-	37,689,001
<b>Fixed assets stock</b>	9,177,929	12,841,905	-	(6,113,605)	15,906,229
<b>Total</b>	997,175,656	119,310,882	(2,474,832)	-	1,114,011,706
<b>Depreciation</b>					
<b>Buildings</b>	115,765,424	18,024,599	-	-	133,790,024
<b>Motor vehicles</b>	113,117,137	25,410,247	(1,362,853)	90,000	137,254,531
<b>Furniture</b>	50,087,992	5,679,243	-	296,976	56,064,212
<b>Computers</b>	77,802,693	11,251,275	-	280,781	89,424,749
<b>Construction work in progress</b>	-	-	-	-	-
<b>Fixed assets stock</b>	1,148,872	868,905	-	(667,757)	1,350,019
<b>Total</b>	358,012,119	61,234,269	(1,362,853)	-	417,883,535
<b>Net Book Value</b>	639,163,537				696,128,171



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(12) Property and equipment-2024 (Continued)

Non-life Business	Balance at 30 June 2023	Additions	Disposals/Adjustments	Transfers	Balance at 30 June 2024
Buildings	485,556,585	10,894,983	-	-	496,451,569
Motor vehicles	277,174,945	60,615,248	(2,474,832)	650,000	335,965,361
Furniture	76,758,617	10,837,268	-	2,442,150	90,038,035
Computers	101,904,052	21,866,785	-	1,110,698	124,881,534
Construction work in progress	35,434,308	2,254,693	-	-	37,689,001
Fixed assets stock	9,177,929	12,841,905	-	(6,113,605)	15,906,229
<b>Total</b>	<b>986,006,436</b>	<b>119,310,882</b>	<b>(2,474,832)</b>	<b>(1,910,758)</b>	<b>1,100,931,728</b>
<b>Depreciation</b>					
	Balance at 30 June 2023	Additions	Disposals/Adjustment	Transfers	Balance at 30 June 2024
Buildings	115,765,424	18,024,599	-	-	133,790,024
Motor vehicles	111,158,366	25,097,451	(1,362,853)	523,125	135,416,089
Furniture	48,239,468	5,431,669	-	271,750	53,942,887
Computers	73,915,853	10,953,448	-	280,781	85,150,082
Construction work in progress	-	-	-	-	-
Fixed assets stock	1,148,872	868,905	-	(667,757)	1,350,019
<b>Total</b>	<b>350,227,983</b>	<b>60,376,073</b>	<b>(1,362,853)</b>	<b>407,898</b>	<b>409,649,101</b>
<b>Net Book Value</b>	<b>635,778,453</b>				<b>691,282,627</b>

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Life Business	Balance at 30 June 2023	Additions	Disposals/Adjustments	Transfers	Balance at 30 June 2024
Buildings	-	-	-	-	-
Motor vehicle	3,730,512	-	-	(550,000)	3,180,512
Furniture	3,010,571	-	-	913,863	3,924,434
Computers	4,428,137	-	-	1,546,895	5,975,032
Construction work in progress	-	-	-	-	-
Fixed assets stock	-	-	-	-	-
<b>Total</b>	<b>11,169,220</b>	<b>-</b>	<b>-</b>	<b>1,910,758</b>	<b>13,079,978</b>



Depreciation	Balance at 30 June 2023	Additions	Disposals/Adjustments	Transfers	Balance at 30 June 2024
Buildings	-	-	-	(433,125)	1,838,442
Motor vehicles	1,958,771	312,796	-	25,227	2,121,325
Furniture	1,848,525	247,573	-	-	4,274,667
Computers	3,976,840	297,827	-	-	-
Construction work in progress	-	-	-	-	-
Fixed assets stock	-	-	-	-	-
<b>Total</b>	<b>7,784,136</b>	<b>858,197</b>	<b>-</b>	<b>(407,898)</b>	<b>8,234,434</b>
<b>Net Book Value</b>	<b>3,385,084</b>				<b>4,845,544</b>



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(12) **Property and equipment- 2023**

The movement schedule for property and equipment is as follows:

Combined Business	Balance at 30 June 2022	Additions	Disposals/Adjustments	Transfers	Balance at 30 June 2023
Buildings	482,984,794	2,580,490	(8,699)	-	485,556,585
Motor vehicles	266,305,586	16,609,872	(2,010,000)	-	280,905,457
Furniture	74,319,835	5,461,401	(224,687)	212,640	79,769,189
Computers	85,336,190	21,311,446	(315,447)	-	106,332,189
Construction work in progress	35,434,308	-	-	-	35,434,308
Fixed assets stock	3,456,064	5,934,504	-	(212,640)	9,177,929
<b>Total</b>	<b>947,836,776</b>	<b>51,897,713</b>	<b>(2,558,833)</b>	<b>-</b>	<b>997,175,656</b>
<b>Depreciation</b>					
Buildings	98,176,450	17,588,974	-	-	115,765,424
Motor vehicles	90,127,629	24,609,507	(1,620,000)	-	113,117,137
Furniture	44,881,011	5,317,056	(110,059)	-	50,088,009
Computers	69,722,845	8,441,101	(271,255)	-	77,892,691
Construction work in progress	-	-	-	-	-
Fixed assets stock	-	1,148,872	-	-	1,148,872
<b>Total</b>	<b>302,907,936</b>	<b>57,105,510</b>	<b>(2,001,314)</b>	<b>-</b>	<b>358,012,133</b>
<b>Net Book Value</b>	<b>644,928,840</b>				<b>639,163,537</b>





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Non-life Business	Balance at 30 June 2022	Additions	Disposals/Adjustments	Transfers	Balance at 30 June 2023
Buildings	482,984,794	2,580,490	(8,699)	-	485,556,585
Motor vehicles	262,575,073	16,609,872	(2,010,000)	-	277,174,945
Furniture	71,473,474	5,461,401	(176,257)	-	76,758,617
Computers	80,867,189	21,311,446	(274,583)	-	101,904,052
Construction work in progress	35,434,308	-	-	-	35,434,308
Fixed assets stock	3,456,064	5,934,504	-	(212,640)	9,177,929
<b>Total</b>	<b>936,790,902</b>	<b>51,897,713</b>	<b>(2,469,539)</b>	<b>(212,640)</b>	<b>986,006,436</b>

**Depreciation**

	Balance at 30 June 2022	Additions	Disposals/Adjustments	Transfers	Balance at 30 June 2023
Buildings	98,176,450	17,588,974	-	-	115,765,424
Motor vehicles	88,543,530	24,234,836	(1,620,000)	-	111,158,366
Furniture	43,220,106	5,123,073	(94,090)	(9,608)	48,239,482
Computers	65,965,994	8,199,325	(230,390)	(19,076)	73,915,852
Construction work in progress	-	-	-	-	-
Fixed assets stock	-	1,148,872	-	-	1,148,872
<b>Total</b>	<b>295,906,080</b>	<b>56,295,080</b>	<b>(1,944,481)</b>	<b>(28,684)</b>	<b>350,227,996</b>
<b>Net Book Value</b>	<b>640,884,822</b>				<b>635,778,440</b>

**Ethiopian Insurance Corporation**

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Life Business	Balance at 30 June 2022	Additions	Disposals/Adjustments	Transfers	Balance at 30 June 2023
Buildings	-	-	-	-	-
Motor vehicles	3,730,512	-	-	-	3,730,512
Furniture	2,846,361	-	(48,430)	212,640	3,010,571
Computers	4,469,001	-	(40,864)	-	4,428,137
Construction work in progress	-	-	-	-	-
Fixed assets stock	-	-	-	-	-
<b>Total</b>	<b>11,045,874</b>		<b>(89,294)</b>	<b>212,640</b>	<b>11,169,220</b>
<b>Depreciation</b>	<b>Balance at 30 June 2022</b>	<b>Additions</b>	<b>Disposals/Adjustments</b>	<b>Transfers</b>	<b>Balance at 30 June 2023</b>
Buildings	-	-	-	-	-
Motor vehicle	1,584,100	374,671	-	-	1,958,771
Furniture	1,660,905	193,983	(15,969)	9,608	1,848,527
Computers	3,756,851	241,776	(40,864)	19,076	3,976,839
Construction work in progress	-	-	-	-	-
Fixed assets stock	-	-	-	-	-
<b>Total</b>	<b>7,001,856</b>	<b>810,430</b>	<b>(56,833)</b>	<b>28,684</b>	<b>7,784,137</b>
<b>Net Book Value</b>	<b>4,044,018</b>				<b>3,385,083</b>



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**(12) Property and equipment-2024 (Continued)**

- In the current period repair and maintenance of Western Addis District's building was completed with a total cost of 18,024,599 in November 2023 and it is considered as an addition in the period.
- No impairment loss is considered during the year for any of PPE account.





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**(13) Intangible assets**

The movement schedule for Intangible assets is as follows:

2024	Non-life Business	Life Business	Combined business
<b>Cost</b>			
<b>Intangible Assets</b>			
Balance as at 30 June 2023	35,495,502	7,944,508	43,440,010
Additions	-	-	-
Balance as at 30 June 2024	<u>35,495,502</u>	<u>7,944,508</u>	<u>43,440,010</u>
<b>Amortization</b>			
<b>Intangible Assets</b>			
Balance as at 1 July 2023	(22,969,749)	(7,944,508)	(30,914,257)
Amortization for the year	(1,271,640)	-	(1,271,640)
Balance as at 30 June 2024	<u>(24,241,389)</u>	<u>(7,944,508)</u>	<u>(32,185,897)</u>
<b>Net carrying value</b>	<u>11,254,113</u>	<u>0</u>	<u>11,254,113</u>
<b>Software under development</b>			
Balance as at 30 June 2023	-	-	-
Additions	17,150,987	-	17,150,987
Balance as at 30 June 2024	<u>17,150,987</u>	<u>-</u>	<u>17,150,987</u>
<b>Software under development</b>			
Balance as at 1 July 2023	-	-	-
Amortization for the year	-	-	-
Balance as at 30 June 2024	<u>-</u>	<u>-</u>	<u>-</u>
Total Addition	17,150,987	-	17,150,987
<b>Net carrying value</b>	<u>28,405,100</u>	<u>-</u>	<u>28,405,100</u>
<b>2023</b>			
<b>Cost</b>			
Balance as at 30 June 2022	22,847,838	7,944,508	30,792,346
Additions	12,647,664	-	12,647,664
Balance as at 30 June 2023	<u>35,495,502</u>	<u>7,944,508</u>	<u>43,440,010</u>
<b>Amortization</b>			
Balance as at 1 July 2022	(22,812,307)	(7,944,508)	(30,756,815)
Amortization for the year	(157,442)	-	(157,442)
Balance as at 30 June 2023	<u>(22,969,749)</u>	<u>(7,944,508)</u>	<u>(30,914,257)</u>
<b>Net carrying value</b>	<u>12,525,753</u>	<u>0</u>	<u>12,525,753</u>

Intangible assets comprise of software such as Agresso reporting software, INSIS system, Software for Video Surveillance system, Oracle Database Enterprise Edition and other software for EIC operations. In the period birr 17,150,987 was paid for software development (trading) program, for INSIS 6,390,073 and ERP 10,760,915.

After the completion of the software, the balance will be transferred to intangible asset





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**(14) Leases**

EIC leases land and buildings. Information about the leases for which EIC is a lessee is presented below.

**(a) Right-of-use assets**

*(i) Combined*

<b>2024-Combined Business</b>	<b>Building</b>	<b>Land</b>	<b>Total</b>
<i>Cost</i>			
Balance at 1 July, 2023	155,919,209	23,090,496	179,009,705
Additions	84,517,611	-	84,517,611
Termination & Adjustment	(9,239,076)	(1,436,857)	(10,675,933)
Balance at 30 June, 2024	<b>231,197,744</b>	<b>21,653,639</b>	<b>252,851,383</b>
<b>Depreciation</b>			
Balance at 1 July, 2023	94,180,989	1,650,932	95,831,921
Additions	39,085,609	413,041	39,498,650
Termination & Adjustment	(9,604,912)	(95,790)	(9,700,703)
Balance at 30 June, 2024	123,661,685	1,968,182	125,629,867
<b>Net carrying value</b>	<b>107,536,059</b>	<b>19,685,457</b>	<b>127,221,516</b>
<b>2023-Combined Business</b>	<b>Building</b>	<b>Land</b>	<b>Total</b>
<i>Cost</i>			
Balance at 1 July, 2022	117,272,880	23,090,496	140,363,376
Additions	42,149,298	-	42,149,298
Termination & Adjustment	(3,502,968)	-	(3,502,968)
Balance at 30 June, 2023	<b>155,919,210</b>	<b>23,090,496</b>	<b>179,009,706</b>
<b>Depreciation</b>			
Balance at 1 July, 2022	74,599,242	1,237,891	75,837,133
Additions	23,084,715	413,041	23,497,756
Termination & Adjustment	(3,502,968)	-	(3,502,968)
Balance at 30 June, 2023	94,180,989	1,650,932	95,831,921
<b>Net carrying value</b>	<b>61,738,221</b>	<b>21,439,564</b>	<b>83,177,785</b>



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(14) Leases (Continued)

(a) Right-of-use assets (Continued)

(ii) Non-Life

2024	Building	Land	Total
<b>Cost</b>			
Balance at 1 July, 2023	155,616,339	23,090,496	178,706,836
Additions	68,101,592	-	68,101,592
Termination & Adjustment	(9,239,076)	(1,436,857)	(10,675,933)
Balance at 30 June, 2024	214,478,856	21,653,639	236,132,496
<b>Depreciation</b>			
Balance at 1 July, 2023	93,878,119	1,650,932	95,529,052
Additions	36,193,275	413,041	36,606,315
Termination & Adjustment	(9,604,912)	(95,790)	(9,700,703)
Balance at 30 June, 2024	120,466,481	1,968,182	122,434,665
<b>Net carrying value</b>	94,012,375	19,685,457	113,697,831
<b>2023</b>	<b>Building</b>	<b>Land</b>	<b>Total</b>
<b>Cost</b>			
Balance at 1 July, 2022	116,970,010	23,090,496	140,060,507
Additions	42,149,298	-	42,149,298
Termination & Adjustment	(3,502,968)	-	(3,502,968)
Balance at 30 June, 2023	155,616,339	23,090,496	178,706,836
<b>Depreciation</b>			
Balance at 1 July, 2022	74,296,372	1,237,891	75,534,264
Additions	23,084,715	413,041	23,497,756
Termination & Adjustment	(3,502,968)	-	(3,502,968)
Balance at 30 June, 2023	93,878,119	1,650,932	95,529,052
<b>Net carrying value</b>	61,738,220	21,439,564	83,177,784



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(14) Leases (Continued)

(a) Right-of-use assets (Continued)

(iii) Life

2024

Cost

Balance at 1 July, 2023

Additions

Balance at 30 June, 2024

Depreciation

Balance at 1 July, 2023

Charge for the year

Balance at 30 June, 2024

Net carrying value

2023

Cost

Balance at 1 July, 2022

Additions

Balance at 30 June, 2023

Depreciation

Balance at 1 July, 2022

Additions

Balance at 30 June, 2023

Net carrying value

Building

302,870

16,416,018

16,718,888

302,870

2,892,334

3,195,204

13,523,684

Buildings

302,870

302,870

302,870

302,870



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(14) Leases (Continued)

(b) Lease liabilities

(i) Combined business

2024-Lease liability	Buildings	Land	Total
Balance at July 1, 2023	17,506,407	14,611,581	32,117,988
Payment made in the year	7,706,150	738,473	8,444,623
Additions for the year	21,849,774	-	21,849,774
Termination & Adjustment	365,837	(1,436,857)	(1,071,020)
Balance at June 30, 2024	<u>32,015,867</u>	<u>12,436,251</u>	<u>44,452,118</u>
<b>Interest Expense</b>			
Balance at July 1, 2023	8,868,729	7,114,186	15,982,915
Charge for the year	4,138,336	2,215,770	6,354,105
Termination & Adjustment	(3,370,638)	(554,920)	(3,925,559)
Balance at June 30, 2024	<u>9,636,427</u>	<u>8,775,036</u>	<u>18,411,463</u>
<b>Net carrying value</b>	<u>41,652,294</u>	<u>21,211,287</u>	<u>62,863,581</u>
<b>2023-Lease liability</b>	<b>Buildings</b>	<b>Land</b>	<b>Total</b>
Balance at July 1, 2022	11,320,588	14,824,167	26,144,755
Payment made in the year	5,498,364	212,585	5,710,949
Additions for the year	11,654,839	-	11,654,839
Termination & Adjustment	-	-	-
Balance at June 30, 2023	<u>17,477,063</u>	<u>14,611,582</u>	<u>32,088,645</u>
<b>Interest Expense</b>			
Balance at July 1, 2022	8,000,712	4,855,381	12,856,092
Charge for the year	2,626,049	2,258,805	4,884,853
Termination & Adjustment	1,728,686	-	1,728,686
Balance at June 30, 2023	<u>8,898,075</u>	<u>7,114,186</u>	<u>16,012,259</u>
<b>Net carrying value</b>	<u>26,375,138</u>	<u>21,725,768</u>	<u>48,100,904</u>





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**(14) Leases (Continued)**

**(b) Lease liabilities (continued)**

*(ii) Non-Life*

2024-Lease liability	Buildings	Land	Total
Balance at July 1, 2023	17,506,407	14,611,581	32,117,988
Payment made in the year	7,706,150	738,473	8,444,623
Additions for the year	16,671,440		16,671,440
Termination & Adjustment	365,837	(1,436,857)	(1,071,020)
Balance at June 30, 2024	<u>26,837,534</u>	<u>12,436,251</u>	<u>39,273,785</u>
<b>Interest Expense</b>			
Balance at July 1, 2023	8,868,729	7,114,186	15,982,916
Charge for the year	3,596,840	2,215,770	5,812,610
Termination & Adjustment	(3,370,638)	(554,920)	(3,925,559)
Balance at June 30, 2024	<u>9,094,931</u>	<u>8,775,036</u>	<u>17,869,967</u>
Net carrying value	<u>35,932,465</u>	<u>21,211,287</u>	<u>57,143,752</u>
<b>2023-Lease liability</b>	<b>Buildings</b>	<b>Land</b>	<b>Total</b>
Balance at July 1, 2022	11,349,932	14,824,166	26,174,098
Payment made in the year	5,498,364	212,585	5,710,949
Additions for the year	11,654,839		11,654,839
Termination & Adjustment			
Balance at June 30, 2023	<u>17,506,407</u>	<u>14,611,581</u>	<u>32,117,988</u>
<b>Interest Expense</b>			
Balance at July 1, 2022	7,971,366	4,855,381	12,826,748
Charge for the year	2,626,049	2,258,805	4,884,853
Termination & Adjustment	1,728,686		1,728,686
Balance at June 30, 2023	<u>8,868,729</u>	<u>7,114,186</u>	<u>15,982,916</u>
Net carrying value	<u>26,375,136</u>	<u>21,725,767</u>	<u>48,100,904</u>

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**14) Leases (Continued)**

**(b) Lease liabilities (continued)**

*(iii) Life*

2024-Lease liability	Buildings	Land	Combined
Balance at July 1, 2023	-		-
Payment made in the year	-		-
Additions for the year	5,178,333		5,178,333
Balance at June 30, 2024	5,178,333		5,178,333

**Interest Expense**

Balance at July 1, 2023			
Charge for the year	541,496		541,496
Balance at June 30, 2024			541,496

Net carrying value	5,719,829		5,719,829
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2023-Lease liability	Buildings	Land	Combined
Balance at July 1, 2022			
Payment made in the year			
Additions for the year			
Balance at June 30, 2023			

**Interest Expense**

Balance at July 1, 2022			
Charge for the year			
Balance at June 30, 2023			

Net carrying value			
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**(14) Leases (Continued)**

**As a lessee**

EIC recognized a lease liability at the present value of the lease payments that are not paid at that date. The discounting rate applied for previous periods was an incremental borrowing rate of 11.5%. But starting from 2022 the rate has changed to 12% because; Commercial Bank of Ethiopia revised its lending rates by classifying the rates by sector and payback period. Since EIC does not have borrowings we take this rate by considering government owned enterprise borrowing rate which has repaying period of 1 to 5 years because EIC's most lease contracts have a term of 1 to 5 years.

Out of the total balance of lease liability, which is 62,863,581 Birr 8,877,712 is current portion which is going to be settled in the next fiscal period.

EIC leases buildings for its office space and branches. The building leases typically run for a period of between 2 years and 10 years with majority of the contracts running for a period of 1-5 years. Some lease contracts include an option to renew the lease for an additional period at the end of the contract term. However, management does not take these into consideration in determining the lease term because there is no reasonable certainty that they will be exercised.

EIC also leases land from the government. The land leases typically run for a period of between 40 years and 99 years. Currently, there are only three land leases, whose lease terms are 50 years and 60 years. EIC received services in kind for undetermined period to use Land owned by the Federal Democratic Republic of Ethiopia. These in-kind contribution represents non-monetary grant from Federal Democratic Republic of Ethiopia and constitutes right for EIC to use the assets. The right-to-use these assets is measure at a nominal value of nil.

**As a lessee – short-term and low-value leases**

EIC elected to apply the practical expedient with regards to short term leases and low value leases. The Corporation thus chose not to recognize right of use assets and lease liabilities for short term leases of buildings that have a lease term of 12 months or less and those of a low value buildings with a contract amount of less than ETB 150,000.

The lease payments associated with short term and low-value leases are recognized as an expense on a straight-line basis over their lease term, and prepayments and accruals recognized in the statement of financial positions as prepaid or accrued rent. The rent expense for short-term leases recognized in 2024 is 2,755,729 (2023: 3,299,288) and for Low value leases are nil.

**As a lessor**

EIC leases out a number of buildings to external parties in exchange for rental income. The Corporation has determined that all their leases are operating leases. EIC recognizes the lease payments received as income on a straight line basis over the lease term as part of other incomes. Prepayments or accruals as at each year end are recognized as a prepaid asset or liability in the statement of financial position.

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The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Lease Liability maturity analysis	30 June 2024	30 June 2023
Less than one year	9,492,016	8,130,697
One to five years	32,698,729	19,058,282
More than five years	777,600	777,600
<b>Total</b>	<b>42,968,344</b>	<b>27,966,579</b>

**Terminated Lease contracts in the year 2024**

Lease contract	Reason of Termination	Amount
Bole Branch	For a better office space	164,938
Jigiiga Branch	Change of ownership of the building	(143,679)
<b>Total</b>		<b>21,259</b>

**Terminated Lease contracts in the year 2023**

Lease contract	Reason of Termination	Amount
Butajira Branch	Increase in rent price	240,367
Chiro Branch	Increase in rent price	177,414
Bonga Branch	For a better office space	5,479
Halaba Kulito Satellite Office	For a better office space	(112,945)
Werabe Satellite Office	For a better office location	17,840
Shoa Robit Branch	For a better office space	11,518
<b>Total</b>		<b>339,673</b>



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**(15) Investment in securities**

<b>( a ) Combined business</b>	<b>30 June 2024</b>	<b>30 June 2023</b>
<b>Investment securities</b>		
At amortized cost	375,320,071	296,775,347
At fair value through profit or loss		
At fair value through OCI	1,119,074,768	1,011,380,222
	<u>1,494,394,839</u>	<u>1,308,155,569</u>
Interest receivable	22,620,246	19,609,021
<b>Total</b>	<u>1,517,015,085</u>	<u>1,327,764,591</u>
<b>( b ) Non-life business</b>	<b>30 June 2024</b>	<b>30 June 2023</b>
<b>Investment securities</b>		
At amortized cost	375,320,071	296,775,347
At fair value through profit or loss		
At fair value through OCI	1,019,074,768	911,380,222
	<u>1,394,394,839</u>	<u>1,208,155,569</u>
Interest receivable	22,620,246	19,609,021
<b>Total</b>	<u>1,417,015,085</u>	<u>1,227,764,591</u>
<b>At amortized cost</b>	<b>June 2024</b>	<b>30 June 2023</b>
Treasury bills		90,000,000
ECL allowance - Treasury bills		(2,849,244)
Government bond	389,860,000	216,510,000
ECL allowance - Government bond	(14,539,929)	(6,885,409)
	<u>375,320,071</u>	<u>296,775,347</u>
<b>At fair value through OCI</b>		
Equity securities	1,019,074,768	911,380,222
<b>Total</b>	<u>1,019,074,768</u>	<u>911,380,222</u>



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**(15) Investment in securities (Continued)**

**(c) Life business**

	<u>30 June 2024</u>	<u>30 June 2023</u>
<b>Investment securities</b>		
At amortized cost		
At fair value through profit or loss		
At fair value through OCI	100,000,000	100,000,000
	<u>100,000,000</u>	<u>100,000,000</u>
<b>Interest receivable</b>		
<b>Total</b>		<u>100,000,000</u>
	<u>June 2024</u>	<u>30 June 2023</u>
<b>At fair value through OCI</b>		
Equity securities	100,000,000	100,000,000
<b>Total</b>	<u>100,000,000</u>	<u>100,000,000</u>

The government bonds for GERD bear interest at the rate of 8% per annum and the Development Bank of Ethiopia bond bear interest of 9%. They first bond matures in December 2027 and July 2028.

	<u>30 June 2024</u>	<u>30 June 2023</u>
<b>Other investments</b>		
African Reinsurance Corporation	415,836,000	356,609,968
African Export Import Bank	425,968,000	326,801,480
Non-nationalized companies(MOENCO)	177,195,768	227,968,775
Investment in Addis Africa	100,000,000	100,000,000
Ethiopian Securities Exchange SC	75,000	
	<u>1,119,074,768</u>	<u>911,380,222</u>
<b>Interest receivable</b>		
Government bond	22,620,246	14,156,966
Equity securities		
Treasury bills		5,452,055
	<u>22,620,246</u>	<u>19,609,021</u>





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**(15) Investment in securities (Continued)**

**Fair value Hierarchy**

A number of the Corporation's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

**(i) Valuation models**

The Corporation measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- *Level 1:* Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- *Level 2:* Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- *Level 3:* Inputs that are unobservable. This category includes all instruments for which the valuation technique includes unobservable inputs that have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Corporation recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change occurs. During the reporting periods covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

Valuation techniques include net present value and Comparison with similar instruments for which observable market prices exist.

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The fair value of a liability reflects the effect of non-performance risk.

The following sets out the Corporation's basis of establishing fair values of financial instruments:

Investment securities with observable market prices including equity securities are fair valued using that information. Investment securities that do not have observable market data are fair valued using discounted cash flow method or quoted market prices for securities with similar yield characteristics.

Loans and advances to policyholders and staff are net of allowance for impairment. The estimated fair value of the loans represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value hence their fair values approximates their carrying amounts.

Estimated fair value of fixed interest bearing deposits treasury bills and notes with quoted market prices is based on discounting cash flows using the prevailing market rates for assets with similar maturities and interest rates, hence their fair value approximates their carrying amounts.



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**(15) Investment in securities (Continued)**

**(ii) Fair value hierarchy**

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for cash and cash equivalents, receivables and payables, whose carrying amounts are a reasonable approximation of fair value, or for lease liabilities.

30 June 2024	Level 1	Level 2	Level 3	Total
<b>Financial Assets: Equity securities</b>				
African Reinsurance Corporation	-	415,836,000	-	415,836,000
African Export Import Bank	-	425,968,000	-	425,968,000
Non-nationalized companies(MOENCO)	-	177,195,768	-	177,195,768
<b>Total financial assets</b>	-	<b>1,018,999,768</b>	-	<b>1,018,999,768</b>
<hr/>				
30 June 2023	Level 1	Level 2	Level 3	Total
<b>Financial Assets: Equity securities</b>				
African Reinsurance Corporation	-	356,609,968	-	356,609,968
African Export Import Bank	-	326,801,480	-	326,801,480
Non-nationalized companies(MOENCO)	-	227,968,775	-	227,968,775
<b>Total financial assets</b>	-	<b>911,380,222</b>	-	<b>911,380,222</b>





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**(16) Investment in associates**

EIC accounts for its investments in associates using the equity method. The corporation assessed the existence of significant influence by EIC on the mentioned investments in associates which is usually evidenced in one or more of the following ways;

- Representation on the board of directors or equivalent governing body of the investee,
- Participation in policy-making processes
- Material transactions between the entity and its investee,
- Interchange of managerial personnel and
- Provision of essential technical information

The conclusion was that the corporation has significant influence in its investment in associates. The report shows share of investment of Ethio re for June 30, 2023 and 2024 and liquidation of Universal Investors SC. Investments in associates as of 30 June, 2024 and 2023 are as follows:

	<u>30 June 2024</u>	<u>30 June 2023</u>
Ethiopian Reinsurance	612,249,996	392,401,350
Universal Investors		1,057,342
<b>Total</b>	<b>612,249,996</b>	<b>393,458,692</b>

<b>a) Ethiopian re-insurance</b>	<u>30 June 2024</u>	<u>30 June 2023</u>
Percentage of ownership	20.07%	20.05%
<b>Investment at cost</b>	<b>501,810,000</b>	<b>315,776,954</b>
Opening carrying amount	392,401,350	322,617,302
Dividend declared	(41,015,921)	(40,324,453.73)
Dividend reinvested	41,015,921	40,324,453.73
Additional cash paid	145,017,126	
Adjustment to prior year share of profit	(12,649,107)	8,143,851
Total Comprehensive Income (100%)	435,877,571	307,432,404
<b>EIC's share of total comprehensive income (20.07%)</b>	<b>87,480,628</b>	<b>61,640,197</b>
<b>Carrying amount of Investment in Ethiopian-reinsurance</b>	<b>612,249,996</b>	<b>392,401,350</b>

The following table summarises the financial information of Ethio-re:

	<u>30 June 2024</u>	<u>30 June 2023</u>
Total assets	5,049,441,427	3,921,402,048
Total liabilities	2,470,117,297	1,883,191,950
<b>Net assets (100%)</b>	<b>2,579,324,130</b>	<b>2,038,210,098</b>
Revenue (100%)	1,892,197,220	1,335,453,513





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(16) Investment in associates (Continued)

(b) Universal Investors

	30 June 2024	30 June 2023
Percentage of ownership	32.22%	32.22%
<b>Investment at cost-paid up share capital</b>	<b>1,500,000</b>	<b>1,500,000</b>
Opening carrying amount	1,057,342	1,057,342
Amount Collected upon Liquidation	(1,057,342)	
Retained earnings apportioned to share capital		
Total comprehensive income (100%)		
<b>EIC's share of total comprehensive income (32.22%)</b>		
<b>Carrying amount of investment in Universal Investors</b>	<b>0</b>	<b>1,057,342</b>

The following table summarises the financial information of Universal Investors:

	30 June 2024	30 June 2023
Total assets		
Total liabilities		
Net assets (100%)		
Revenue (100%)		

(17) Loans

	30 June 2024	30 June 2023
<b>Non-life business</b>		
Loans to Tigray Disabled Veterans Association		
Loans to policy holders		
Staff Mortgage, car and personnel loan receivable	405,811	123,513,919
Interest receivable on loan		
	<b>405,811</b>	<b>123,513,919</b>
<b>Life business</b>	<b>30 June 2024</b>	<b>30 June 2023</b>
Loans to Tigray Disabled Veterans Association		
Loans to policy holders	16,582,034	16,721,538
Interest receivable on loan	3,862,054	3,759,017
	<b>20,444,088</b>	<b>20,480,555</b>
<b>Combined business</b>	<b>20,849,899</b>	<b>143,994,473</b>





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(18) Other receivables  
a) Receivables

	30 June 2024	30 June 2023
<b>Non-life business</b>		
Trade debtors	976,153,208	893,147,435
Sundry Debtors	1,516,015	1,153,540
Staff Debtors	358,129,390	194,812,880
Deposits	44,712,140	40,888,903
Receivables arising out of reinsurance arrangements	8,213,332	23,240,581
Interest and rent receivable	48,023,735	33,162,258
	<u>1,436,747,820</u>	<u>1,186,405,598</u>
Expected credit loss allowance	(463,302,872)	(389,233,065)
<b>Closing Balance</b>	<u>973,544,948</u>	<u>797,172,533</u>

	30 June 2024	30 June 2023
<b>Life business</b>		
Trade debtors	-	-
Sundry debtors	5,379	5,877
Staff debtors	20,732,004	10,504,893
Receivables arising out of reinsurance arrangements	478,016	743,262
Interest and rent receivable	793,549	567,111
	<u>22,008,948</u>	<u>11,821,144</u>
Expected credit loss allowance	(8,489)	(7,453)
<b>Closing Balance</b>	<u>22,000,458.54</u>	<u>11,813,691</u>

<b>Combined business</b>	<u>995,545,407</u>	<u>808,986,224</u>
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b) Prepayments

	30 June 2024	30 June 2023
<b>Non-life business</b>		
Prepayments	158,877,937	18,693,217
Prepaid Rent	540,000	30,000
Advance profit tax	3,334	40,708
Prepaid Advertisement	30,397,260	-
<b>Closing Balance</b>	<u>189,818,531</u>	<u>18,763,925</u>
<b>Life business</b>		
Advance profit tax	-	1,720
<b>Closing Balance</b>	-	<u>1,720</u>
<b>Combined business</b>	<u>189,818,531</u>	<u>18,765,645</u>



The deposit balance includes an amount of 39,411,097.97(2023:39,411,097.97) that is held in a blocked bank account. These cash funds may not be exchanged or used to settle a liability for a period of coming 12 months.

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**18) Other receivables (Continued)**

Staff debtor is a staff loan given to employees where maturity and the start date is different for every staff with a maturity date of 36 months. The staff is free to update his/her loan any time before the maturity date by settling the outstanding balance. Due to the heterogeneity of the important dates to model and the number of staff who sign up for loans, it is not feasible to measure the financial asset at fair value. However, we are accounting for Expected Credit Loss (ECL) as per the requirement of IFRS 9.

**19) Statutory deposit**

This represents the deposit that must be kept with the National Bank of Ethiopia in line with insurance business proclamation No. 746/2012. According to this proclamation such deposit can be kept either in cash or government securities. However, as per the same proclamation, the deposit or any part thereof shall not be withdrawn except with the written permission of the National Bank of Ethiopia; nor shall such deposit be used as a pledge or security against any loan or overdraft.

A breakdown of statutory deposits is shown below:

<b>Non-life</b>	<b>30 June 2024</b>	<b>30 June 2023</b>
Treasury bills		
Bond	88,800,000	88,800,000
ECL allowance	(13,320)	(13,320)
<b>Closing Balance</b>	<b>88,786,680</b>	<b>88,786,680</b>

The statutory deposits have been recognized as financial assets at amortized cost. The bond relates to the Grand Ethiopian Renaissance Dam bond (GERD) which earns interest currently at 8 % ( 6% before October 2017) per annum. Starting from December, 2020 the statutory deposit is fully covered by the GERD bond.



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**20) Fixed time deposits**

<b>Non-life business</b>	<b>30 June 2024</b>	<b>30 June 2023</b>
Commercial Bank of Ethiopia	1,518,563,135	2,342,122,115
Addis credit and saving institution s.c.	26,332,520	23,637,810
Addis international Bank S.C	425,910,648	425,910,648
Oromia Bank	412,326,688	243,575,059
Nib Bank	177,112,557	148,890,361
Awash Bank	643,661,248	290,941,095
Unite Bank	101,431,893	84,982,125
Dashen Bank	292,399,062	170,365,750
ZEMEN BANK	56,664,000	50,000,000
COOP BANK OF OROMIA	232,142,000	150,000,000
Bunna Bank	3,559,000	
Abyssinia Bank	102,551,201	
Interest receivable	226,703,933	170,197,921
ECL allowance	(78,743,077)	(87,050,216)
	<b>4,140,614,809</b>	<b>4,013,572,669</b>

<b>Life business</b>	<b>30 June 2024</b>	<b>30 June 2023</b>
Commercial Bank of Ethiopia	913,504,509	808,189,754
Addis credit and saving institution s.c	13,166,260	11,818,905
Addis international Bank S.C	37,207,305	37,207,305
Bunna Bank	76,630,202	66,499,962
Awash Bank	44,022,728	38,358,905
Cooperative Oromia Bank	78,083,228	67,780,580
Interest receivable	38,711,695	35,193,964
ECL allowance	(35,545,606)	(26,978,470)
<b>Sub Total</b>	<b>1,165,780,320</b>	<b>1,038,070,904</b>
<b>Total fixed time deposits</b>	<b>5,306,395,129</b>	<b>5,051,643,573</b>

Time deposits have been recognized as financial assets at amortized cost. The effective interest rate on time deposits ranges from 7.2% to 16% per annum. The time deposits have a maturity of one year from the date of investment.



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**(21) Cash and bank balances**

<b>Non-life business</b>	<b>30 June 2024</b>	<b>30 June 2023</b>
Cash on hand	37,046,093	49,297,477
Cash in bank	1,100,724,006	733,188,859
ECL allowance-Cash at bank	(36,772,089)	(17,062,357)
	<b>1,100,998,010</b>	<b>765,423,979</b>
	<b>30 June 2024</b>	<b>30 June 2023</b>
<b>life business</b>		
Cash on hand	105,819	214,930
Cash in bank	57,465,138	41,166,088
ECL allowance-Cash at bank	(2,007,159)	(1,215,396)
	<b>55,563,798</b>	<b>40,165,622</b>
<b>Total Cash and Bank balances</b>	<b>1,156,561,808</b>	<b>805,589,601</b>



At the end of each month there is a standing instruction given to the bank to transfer the balance of each bank account of districts and branches to Head Office or Life Addis District after retaining fixed minimum amount in the accounts.

**(22) Deferred tax liability**

**(a) Income tax expense**

<b>Combined business</b>	<b>30 June 2024</b>	<b>30 June 2023</b>
Current	403,327,809	241,573,979
Deferred	(112,393,626)	16,688,885
Tax on dividends (10%)	7,621,673	9,589,537
Tax on interest on fixed term deposits (5%)	27,730,358	21,257,475
	<b>326,286,204</b>	<b>289,109,876</b>

**(b) Amounts recognized in OCI**

	<b>For the year ended 2024</b>			<b>For the year ended 2023</b>		
	<b>Before taxes</b>	<b>Income tax</b>	<b>Net of tax</b>	<b>Before taxes</b>	<b>Income tax</b>	<b>Net of tax</b>
Revaluation adjustment on marketable securities	95,911,600	28,773,480	67,138,120	(64,123,611)	(19,237,083)	(44,886,528)
Employee Benefits-Actuarial gain/loss	(30,961,569)	(9,288,471)	(21,673,098)	(8,555,815)	(19,963,568)	(28,519,383)
<b>Total</b>	<b>64,950,031</b>	<b>19,485,009</b>	<b>45,465,022</b>	<b>(72,679,426)</b>	<b>(27,792,898)</b>	<b>(64,850,095)</b>



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**(22) Deferred tax liability (Continued)**

**(c) Reconciliation of effective tax rate**

	30 June 2024	30 June 2023
Reconciliation of tax charge		
Accounting profit	1,670,592,873	1,444,768,172
Tax at rate of 30%	501,177,862	433,430,451
Additional taxation/(savings) resulting from non-allowable expenses	11,397,968	10,726,156
Tax effect of non-taxable income	(32,393,308)	(29,848,093)
Effect of tax difference on dividends (30%-10%)	(5,243,345)	(19,179,074)
Effect of tax difference on interest (30%-5%)	(8,651,789)	(106,287,374)
PPE Adjustments	(1,183)	267,817
<b>Effective tax rate</b>	<b>19.53%</b>	<b>20.01%</b>

**(d) Recognized deferred tax assets and liabilities**

	30 June 2023	Recognized in P&L	Recognized in OCI	30 June 2024
Property and equipment	96,123,063	(1,018,920)	-	95,104,142
Investment in securities	234,522,101	(1,441,583)	28,773,480	261,853,998
Statutory deposits	(3,996)	-	-	(3,996)
Receivables	(116,772,155)	(22,191,253)	-	(138,963,408)
Receivables arising out of reinsurance arrangements	(124,778)	0	-	(124,778)
	(34,208,606)	(77,999)	-	(34,286,605)
Fixed time deposits				
Cash and bank balances	(5,483,326)	(6,150,448)	-	(11,633,774)
Provisions	(33,132,674)	(3,505,373)	-	(36,638,047)
Employee benefits	(58,963,923)	(78,008,049)	(9,288,471)	(146,260,444)
	<b>81,955,706</b>	<b>(112,393,626)</b>	<b>19,485,009.00</b>	<b>(10,952,911)</b>
	30 June 2022	Recognized in P&L	Recognized in OCI	30 June 2023
Property and equipment	97,245,095	(1,122,032)	-	96,123,063
Investment in securities	253,781,819	(22,636)	(19,237,083)	234,522,101
Statutory deposits	(3,996)	0	-	(3,996)
Receivables	(127,027,523)	10,255,368	-	(116,772,155)
Receivables arising out of reinsurance arrangements	(169,851)	45,073	-	(124,778)
Fixed time deposits	(39,471,987)	5,263,381	-	(34,208,606)
Cash and bank balance	(5,483,326)	24,866	-	(5,483,326)
Provisions	(33,132,674)	4,859,595	-	(33,132,674)
Employee benefits	(58,963,923)	(2,614,730)	(18,555,815)	(58,963,923)
	<b>81,955,706</b>	<b>16,688,885</b>	<b>(27,792,898)</b>	<b>81,955,706</b>

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(23) Insurance and re-insurance contracts

	30 June 2024		30 June 2023	
	Assets	Liabilities	Assets	Liabilities
<b>Insurance contracts</b>				
Life - GMM	-	164,671,072	-	225,619,347
Life - PAA	-	265,037,418	-	133,221,111
Non-life	-	10,995,848,924	-	7,375,285,965
<b>Total insurance contracts</b>	-	<b>11,425,557,415</b>	-	<b>7,734,126,423</b>
<b>Reinsurance contracts</b>				
Life - GMM	-	-	-	-
Life - PAA	13,498,256	-	8,632,746	-
Non-life	6,982,499,767	-	3,654,485,953	-
<b>Total reinsurance contracts</b>	<b>6,995,998,022</b>	-	<b>3,663,118,699</b>	-

(a) Movements in carrying amounts

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts in each segment changed during the year as a result of cash flows and amounts recognized in the statement of profit or loss.

The table below separately analyse movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss.

A second reconciliation is presented for contracts not measured under the PAA, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

The estimates of the present value of the future cash flows from insurance and reinsurance contract assets represent the Corporation's maximum exposure to credit risk from these assets.



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**(23) Insurance and re-insurance contracts (Continued)**

(a) Movements in carrying amounts (continued)	30 June 2024			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
Insurance contracts				
Analysis by remaining coverage and incurred claims				
Opening liabilities	186,418,139	37,716,317	1,484,889	225,619,345
Net opening balance	186,418,139	37,716,317	1,484,889	225,619,345
Total insurance service revenue	(54,182,997)			(54,182,997)
Insurance service expenses				
Incurred claims and other insurance service expenses		(506,306)	43,944,532	43,438,226
Amortisation of acquisition cash flows	31,700			31,700
Losses on initial recognition of insurance contracts		21,305,875		21,305,875
Changes in estimates of future cash flows and other current period variances (if not offset against the CSM)				
<b>Total Insurance Service Expenses</b>	31,700	20,799,570	43,944,532	64,775,801
<b>Investment Component</b>	<b>(19,172,914)</b>		<b>19,172,914</b>	
<b>Insurance service result</b>	<b>(73,324,212)</b>	<b>20,799,570</b>	<b>63,117,446</b>	<b>10,592,804</b>
Net finance expenses from insurance contracts	21,530,276	285,238		21,815,514
<b>Total changes in the statement of profit or loss</b>	<b>(51,793,936)</b>	<b>21,084,807</b>	<b>63,117,446</b>	<b>32,408,318</b>
<b>Cash flows</b>				
Premiums received	72,215,897			72,215,897
Claims and other insurance service expenses paid			(63,925,807)	(63,925,807)
Insurance acquisition cash flows	(1,280,332)			(1,280,332)
<b>Total cash flows</b>	<b>70,935,565</b>		<b>(63,925,807)</b>	<b>700,757</b>
<b>Additional Items</b>				
Unwinding of Loss Component	37,716,317	(37,716,317)		
<b>Net closing balance</b>	<b>243,276,084</b>	<b>21,084,807</b>	<b>676,528</b>	<b>265,037,419</b>



# Ethiopian Insurance Corporation

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Insurance contracts re-insurance contracts (Continued)  
Movements in carrying amounts (continued)

Movements by remaining coverage and incurred claims	30 June 2023			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
Opening liabilities				
<b>Net opening balance</b>	159,754,421	56,492,972	1,557,784	217,805,176
Changes in the statement of profit or loss	159,754,421	56,492,972	1,557,784	217,805,176
Insurance revenue				
Contracts under the modified retrospective approach	11,575,277			11,575,277
Other contracts	29,368,209			29,368,209
<b>Total insurance service revenue</b>	<b>40,943,487</b>			<b>40,943,486</b>
<b>Insurance service expenses</b>				
Incurred claims and other insurance service expenses	761,284	(6,481,241)	46,163,315	40,446,358
Amortisation of acquisition cash flows	438,016			438,016
Losses on initial recognition of insurance contracts		7,687,690		7,687,690
Changes in estimates of future cash flows and other current period variances (if not offset against the CSM)	(6,474,580)	(21,793,429)		(28,268,009)
<b>Total Insurance Service Expenses</b>	<b>(5,272,280)</b>	<b>(20,586,980)</b>	<b>46,163,315</b>	<b>20,304,055</b>
<b>Insurance service result</b>	<b>46,215,767</b>	<b>20,586,980</b>	<b>(46,163,315)</b>	<b>20,639,431</b>
Net finance expenses from insurance contracts	8,198,826	1,810,325		10,009,151
<b>Total changes in the statement of profit or loss</b>	<b>38,016,941</b>	<b>18,776,655</b>	<b>(46,163,315)</b>	<b>10,630,28</b>
<b>Cash flows</b>				
Premiums received	68,022,667			68,022,667
Claims and other insurance service expenses paid			(46,236,209)	(46,236,209)
Insurance acquisition cash flows	(3,342,008)			(3,342,008)
<b>Total cash flows</b>	<b>64,680,659</b>		<b>(46,236,209)</b>	<b>18,444,450</b>
<b>Net closing balance</b>	<b>186,418,139</b>	<b>37,716,317</b>	<b>1,484,890</b>	<b>225,619,347</b>



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(23) Insurance and re-insurance contracts (Continued)  
(a) Movements in carrying amounts (continued)

Analysis by measurement component – Life PAA	30 June 2024			
	Liabilities for remaining coverage	Liabilities for incurred claims – Contracts under PAA		Total
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening Liabilities	93,469,855	11,592,051	28,159,205	133,221,111
Changes in the statement of profit or loss				
Insurance revenue	(210,640,466)			(210,640,466)
Insurance service expense				
Incurred claims and other insurance service expenses		18,717,857	706,026	19,423,883
Amortisation of insurance acquisition cash flows				
Adjustments to liabilities for incurred claims		172,081,972		172,081,972
<b>Insurance service result</b>	<b>(210,640,466)</b>	<b>190,799,829</b>	<b>706,026</b>	<b>(19,134,611)</b>
Net finance expenses from insurance contracts		247,363	6,554	253,917
Total changes in the statement of profit or loss	(210,640,466)	191,047,192	712,581	(18,880,693)
Cash flows				
Premiums received	234,252,041			234,252,041
Claims and other insurance service expenses paid		(181,126,927)		(181,126,927)
Insurance acquisition cash flows		(2,794,460)		(2,794,460)
<b>Total cash flows</b>	<b>234,252,041</b>	<b>(183,921,386)</b>	<b>-</b>	<b>50,330,655</b>
Closing liabilities	117,081,430	18,717,857	28,871,786	164,671,072

**Ethiopian Insurance Corporation**

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(23) **Insurance and re-insurance contracts (Continued)**

(a) **Movements in carrying amounts (continued)**

Analysis by measurement component – Life PAA

	30 June 2023			Total
	Liabilities for remaining coverage	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening Liabilities	65,889,711	7,551,096	27,754,310	101,195,117
Changes in the statement of profit or loss				
Insurance revenue	(151,636,346)			(151,636,346)
Insurance service expense				
Incurred claims and other insurance service expenses		103,714,722		103,714,722
Amortisation of insurance acquisition cash flows	1,977,629			1,977,629
Adjustments to liabilities for incurred claims		(8,001)	404,895	396,894
<b>Insurance service result</b>	<b>1,977,629</b>	<b>103,706,721</b>	<b>404,895</b>	<b>106,089,245</b>
Net finance expenses from insurance contracts	(149,658,717)			(149,658,717)
Total changes in the statement of profit or loss	(149,658,717)	247,363	404,895	(45,299,738)
Cash flows				
Premiums received	179,216,490			179,216,490
Claims and other insurance service expenses paid		(99,913,129)		(99,913,129)
Insurance acquisition cash flows	(1,977,629)			(1,977,629)
<b>Total cash flows</b>	<b>177,238,861</b>	<b>(99,913,129)</b>		<b>77,325,732</b>
Closing liabilities	93,469,855	11,592,051	28,159,205	133,221,111



**Ethiopian Insurance Corporation**  
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(23) Insurance and re-insurance contracts (Continued)

(a) Movements in carrying amounts (continued)

Reinsurance contracts

Analysis by remaining coverage and incurred claims

Analysis by measurement component – Life PAA	30 June 2024			
	Remaining coverage component	Incurred claims component		Total
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening assets	8,249,261	348,623	34,862	8,632,746
<b>Changes in the statement of profit or loss</b>				
Net expenses from reinsurance contracts	(15,041,634)	9,878,760	35,693	(5,127,181)
Net finance income from reinsurance contracts	0	13,439	197	13,637
<b>Total changes in the statement of profit or loss</b>	<b>(15,041,634)</b>	<b>9,892,200</b>	<b>35,890</b>	<b>(5,113,544)</b>
<b>Cash flows</b>				
Premiums paid	19,512,356			19,512,356
Amounts received		(9,533,302)		(9,533,302)
Total cash flows	19,512,356	(9,533,302)		9,979,054
Closing assets	12,719,983	707,520	70,752	13,498,256



**Ethiopian Insurance Corporation**  
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(23) Insurance and re-insurance contracts (Continued)

(a) Movements in carrying amounts (continued)

Analysis by measurement component – Life PAA	30 June 2023			
	Remaining coverage component	Incurred claims component		Total
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening assets	5,911,687	1,185,116	19,410	7,116,213
<b>Changes in the statement of profit or loss</b>				
Net expenses from reinsurance contracts	(10,392,570)	7,120,293	15,452	(3,256,825)
Net finance income from reinsurance contracts		13,440		13,440
<b>Total changes in the statement of profit or loss</b>	<b>(10,392,570)</b>	<b>7,106,853</b>	<b>15,452</b>	<b>(3,270,265)</b>
<b>Cash flows</b>				
Premiums paid	12,730,144			12,730,144
Amounts received		(7,943,346)		(7,943,346)
Total cash flows	12,730,144	(7,943,346)		4,786,798
Closing assets	8,249,261	348,623	34,862	8,632,746



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(23) Insurance and re-insurance contracts (Continued)

(a) Movements in carrying amounts (continued):

ii) Non-life

30 June 2024

	<i>Liabilities for incurred claims – contracts under PAA</i>			
	Liabilities for remaining coverage	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening liabilities	4,164,641,521	3,024,936,428	185,708,016	7,375,285,965
Changes in the statement of profit or loss				0
Insurance revenue	(7,556,506,686)			(7,556,280,360)
<b>Insurance service expenses</b>				0
Incurrd claims and other insurance service expenses		5,546,102,562		5,546,102,562
Amortisation of insurance acquisition cash flows	93,460,148			93,460,148
Increase in onerous Liability(PAA)	226,327			
Adjustments to liabilities for incurred claims			223,526,319	223,526,319
	93,686,475	5,546,102,562	223,526,319	5,863,089,030
Insurance service result	(7,462,820,211)	5,546,102,562	223,526,319	(1,693,191,331)
Net finance expenses from insurance contracts		86,762,565	11,888,479	98,651,045
<b>Total changes in the statement of profit or loss</b>	(7,462,820,211)	5,632,865,128	235,414,798	(1,594,540,286)
<b>Cash flows</b>				0
Premiums received	8,275,516,110			8,275,516,110
Claims and other insurance expenses paid		(2,966,952,716)		(2,966,952,716)
Insurance acquisition cash flows	(93,460,148)			(93,460,148)
<b>Total cash flow</b>	8,182,055,962	(2,966,952,716)		5,215,103,246
Closing liabilities	4,883,877,271	5,690,848,840.53	421,122,814	10,995,848,925



**Ethiopian Insurance Corporation**  
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(23) **Insurance and re-insurance contracts (Continued)**  
**(a) Movements in carrying amounts (continued)**

30 June 2023	<i>Liabilities for incurred claims – contracts under PAA</i>			
	Liabilities for remaining coverage	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening liabilities	4,292,871,293	4,005,136,046	183,908,884	8,481,916,223
Changes in the statement of profit or loss				
Insurance revenue	(6,806,681,500)			(6,806,681,500)
<b>Insurance service expenses</b>				
Incurred claims and other insurance service expenses		2,267,153,564		2,267,153,564
Amortisation of insurance acquisition cash flows	65,150,298			65,150,298
Adjustments to liabilities for incurred claims			1,799,132	1,799,132
	65,150,298	2,267,153,564	1,799,132	2,334,102,994
Insurance service result	(6,741,531,202)	2,267,153,564	1,799,132	(4,472,578,506)
Net finance expenses from insurance contracts		151,328,369		151,328,369
<b>Total changes in the statement of profit or loss</b>	<b>(6,741,531,202)</b>	<b>2,418,481,933</b>	<b>1,799,132</b>	<b>(4,321,250,137)</b>
<b>Cash flows</b>				
Premiums received	6,678,451,728			6,678,451,728
Claims and other insurance service expenses paid		(3,398,681,551)		(3,398,681,551)
Insurance acquisition cash flows	(65,150,298)			(65,150,298)
<b>Total cash flows</b>	<b>6,613,301,430</b>	<b>(3,398,681,551)</b>		<b>3,214,619,879</b>
<b>Closing liabilities</b>	<b>4,164,641,521</b>	<b>3,024,936,428</b>	<b>185,708,016</b>	<b>7,375,285,965</b>



**Ethiopian Insurance Corporation**  
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(23) Insurance and re-insurance contracts (Continued)

(a) Movements in carrying amounts (continued)

Reinsurance Contracts

*Analysis by remaining coverage and incurred claims*

30 June 2024

	<i>Incurred claims component</i>			Total
	Remaining coverage component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening assets	2,540,112,467	1,079,687,950	34,685,536	3,654,485,953
Changes in the statement of profit or loss				0
Net expenses from reinsurance contracts	(2,993,463,614)	3,244,901,980	241,157,634	492,596,000
Net finance income from reinsurance contracts		25,055,970	1,605,581	26,661,551
<b>Total changes in the statement of profit or loss</b>	<b>(2,993,463,614)</b>	<b>3,269,957,951</b>	<b>242,763,214</b>	<b>519,257,551</b>
Cash flows				0
Premiums paid	3,409,094,723			3,409,094,723
Amounts received		(600,338,461)		(600,338,461)
<b>Total cash flows</b>	<b>3,409,094,723</b>	<b>(600,338,461)</b>		<b>2,808,756,262</b>
Contracts transferred on disposal of subsidiary				0
Closing assets	2,955,743,576	3,749,307,439	277,448,750	6,982,499,767



**Ethiopian Insurance Corporation**

Notes to Financial Statements

For the year ended 30 June 2024

(In Ethiopian Birr)

(23) Insurance and re-insurance contracts (Continued)

(a) Movements in carrying amounts (continued)

30 June 2023	<i>Incurred claims component</i>			<b>Total</b>
	<b>Remaining coverage component</b>	<b>Estimates of present value of future cash flows</b>	<b>Risk adjustment for non-financial risk</b>	
Opening assets	2,944,494,057	2,308,011,953	39,714,524	5,292,220,535
Changes in the statement of profit or loss				
Net expenses from reinsurance contracts	(3,378,342,764)	899,013,423	(5,028,988)	(2,484,358,329)
Net finance income from reinsurance contracts		92,397,510		92,397,510
<b>Total changes in the statement of profit or loss</b>	<b>(3,378,342,764)</b>	<b>991,410,933</b>	<b>(5,028,988)</b>	<b>(2,391,960,819)</b>
Cash flows				
Premiums paid	2,973,961,174			2,973,961,174
Amounts received		(2,219,734,936)		(2,219,734,936)
<b>Total cash flows</b>	<b>2,973,961,174</b>	<b>(2,219,734,936)</b>		<b>754,226,238</b>
Contracts transferred on disposal of subsidiary				
Closing assets	2,540,112,467	1,079,687,950	34,685,536	3,654,485,953



**Ethiopian Insurance Corporation**  
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**(23) Insurance and re-insurance contracts (Continued)**

**(a) Effect of contracts initially recognized in the year**

The following tables summarise the effect on the measurement components of insurance and reinsurance contracts arising from the initial recognition of contracts not measured under the PAA that were initially recognized in the year.

*(i) Life – GMM*

**Insurance contracts**

2024	Profitable contracts	Onerous contracts	Total
Insurance acquisition cash flows	-	(302,022)	(302,022)
Claims and other insurance service expenses payable	-	(20,510,147)	(20,510,147)
Estimates of present value of cash out flows	-	(20,812,168)	(20,812,168)
Estimates of present value of cash in flows	-	14,196,195	14,196,195
Risk adjustment for non-financial risk	-	(1,275,042)	(1,275,042)
CSM	-	-	-
<b>Losses recognised on initial recognition</b>	-	<b>(7,891,015)</b>	<b>(7,891,015)</b>

2023	Profitable contracts	Onerous contracts	Total
Insurance acquisition cash flows	-	(322)	(322)
Claims and other insurance service expenses payable	-	(31,880,736)	(31,880,736)
Estimates of present value of cash outflows	-	(31,881,058)	(31,881,058)
Estimates of present value of cash inflows	-	27,381,442	27,381,442
Risk adjustment for non-financial risk	-	(3,188,074)	(3,188,074)
CSM	-	-	-
<b>Losses recognised on initial recognition</b>	-	<b>(7,687,690)</b>	<b>(7,687,690)</b>



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**(23) Insurance and re-insurance contracts (Continued)**

**(b) Contractual service margin**

The following table illustrates when the Corporation expects to recognise the remaining CSM as revenue for contracts not measured under the PAA. This year there has been a decrease in the CSM compared to prior year due to the change in the modelling.

	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	More than 10 year	Total
<b>30 June 2024</b>								
Life insurance contracts	2,907,384	2,347,213	1,811,495	1,255,070	986,995	2,695,945	1,165,073	13,169,174
<b>30 June 2023</b>								
Life insurance contracts	2,026,362	795,639	2,514,658	2,284,160	1,779,226	2,488,828	1,461,001	13,349,873

**(c) Non-life claims development**

The table below illustrates how estimates of cumulative claims for the Corporation's non-life segment have developed over time on a gross and net of reinsurance basis. Each table shows how the Corporation's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position. Balances have been translated at the exchange rates prevailing at the reporting date.



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(23) Insurance and re-insurance contracts (Continued)

(d) Non-life claims development (continued)

In Birr	2018	2019	2020	2021	2022	2023	2024	Total
<b>Gross of reinsurance</b>								
<b>Estimates of undiscounted</b>								
At end of accident year	668,233,614	1,869,349,780	261,486,741	351,109,318	396,913,515	686,624,508	3,102,781,593	
One year later	1,034,952,276	2,863,207,870	1,167,608,150	1,532,324,332	2,082,833,397	3,668,662,615		
Two years later	1,173,001,281	7,210,324,477	1,251,266,184	2,272,744,756	2,842,982,211			
Three years later	1,556,705,139	2,657,849,504	1,376,725,818	2,579,199,231				
Four years later	1,575,942,673	1,395,468,541	1,367,354,871					
Five years later	1,632,787,664	1,362,965,513						
Six years later	1,622,257,233							
<b>Cumulative gross claims paid</b>	(1,540,626,005)	(1,338,847,707)	(1,293,389,872)	(2,307,400,951)	(1,938,008,492)	(1,783,027,300)	(276,121,302)	
Gross liabilities- accident years from 2013 to 2021	81,631,228	24,117,805	73,964,999	271,798,280	904,973,719	1,885,635,315	2,826,660,291	6,068,781,638
Gross liabilities- accident years before 2013								46,696,341
Effect of discounting								
<b>Reserve</b>								(424,629,138)
<b>Gross liabilities for incurred claims included in the statement of financial position</b>								5,690,848,840



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(23) **Insurance and re-insurance contracts (Continued)**

(d) **Non-life claims development (continued)**

In Birr	2017	2018	2019	2020	2021	2022	2023	Total
<b>Reinsurance</b>	441,526,282	1,308,105,546	132,892,931	192,219,997	200,859,808	375,280,907	1,638,400,470	
<b>Estimates of undiscounted net cumulative claims</b>	355,533,519	1,634,817,672	425,028,720	603,169,043	826,001,745	1,809,378,029		
At end of accident year	359,781,019	4,844,609,341	361,676,898	706,733,754	1,129,352,274			
One year later	630,581,682	1,326,375,251	377,782,321	731,537,399				
Two years later	633,177,200	3,553,763,943	351,022,083					
Three years later	422,906,013	323,443,051						
Four years later								
Five years later	(351,113,470)	(305,127,567)	(294,767,585)	(525,863,871)	(441,678,178)	(406,357,481)	(62,928,906)	
Six years later	441,526,282	1,308,105,546	132,892,931	192,219,997	200,859,808	375,280,907	1,638,400,470	
<b>Cumulative net claims paid</b>	355,533,519	1,634,817,672	425,028,720	603,169,043	826,001,745	1,809,378,029		
Net liabilities-accident years from 2013 to 2021	62,286,723	18,315,483	56,254,499	205,673,528	687,674,096	1,403,020,548	1,575,471,564	4,008,696,441
Net liabilities-accident years before 2013								35,630,507
Effect of discounting Reserve								(294,870,776)
<b>Net liabilities for incurred claims included in the statement of financial position</b>								<b>3,749,456,172</b>



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(23) Insurance and re-insurance contracts (Continued)

**Insurance Service Expense**

	2024			2023		
	Life	Non-Life	Combined	Life	Non-Life	Combined
Claims incurred	(44,752,893)		(44,752,893)	(14,159,235)		(14,159,235)
Expenses incurred	826,626		826,626	(17,231,963)		(17,231,963)
Amortization of acquisition cash flows	(31,700)		(31,700)	(438,016)		(438,016)
Changes in estimates of future cash flows	808,361		808,361	28,268,009		28,268,009
Adjustment for loss component	(320,320)		(320,320)	(9,055,160)		(9,055,160)
Losses on initial recognition of insurance contracts	(21,305,875)		(21,305,875)	(7,687,690)		(7,687,690)
	<b>(64,775,801)</b>		<b>(64,775,801)</b>	<b>(20,304,055)</b>		<b>(20,304,055)</b>
Incurred claims and other insurance service expenses	(187,998,815)	(5,534,214,083)	(5,722,212,898)	(103,706,721)	(2,267,153,564)	(2,370,860,285)
Amortization of insurance acquisition cash flows	(2,794,460)	(93,460,148)	(96,254,608)	(1,977,629)	(65,150,298)	(67,127,927)
Adjustments to liabilities for incurred claims	(712,581)	(235,414,798)	(236,127,379)	(404,895)	(1,799,132)	(2,204,027)
Contracts measured under the PAA	(191,505,856)	(5,863,089,029)	(6,054,594,885)	(106,089,245)	(2,334,102,994)	(2,440,192,239)
Total insurance service expenses	<b>(256,281,657)</b>	<b>(5,863,089,029)</b>	<b>(6,119,370,687)</b>	<b>(126,393,300)</b>	<b>(2,334,102,994)</b>	<b>(2,460,496,294)</b>





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**23) Insurance and re-insurance contracts (Continued)**

**(d) Significant judgements and estimates**

**(i) Fulfilment cash flows**

Fulfilment cash flows comprise:

- Estimates of future cash flows;
- An adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- A risk adjustment for non-financial risk.

The Corporation's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Corporation uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates.

**Estimates of future cash flows**

In estimating future cash flows, the Corporation incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Corporation's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Corporation takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Corporation has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and issuing a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs, and recurring commissions payable on instalment premiums receivable within the contract boundary.





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(23) **Insurance and re-insurance contracts (Continued)**

(e) **Significant judgements and estimates (continued)**

*(i) Fulfilment cash flows - continued*

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. Other costs are recognized in profit or loss as they are incurred.

**Life contracts**

Assumptions about mortality/longevity and policyholder behaviour that are used in estimating future cash flows are developed by product type, reflecting recent experience and the profiles of policyholders within a group of insurance contracts. Mortality/longevity and morbidity assumptions are generally developed using a blend of regional industry trends and the Corporation's recent experience.

Mortality/longevity is a key assumption in the measurement of life products issued in Ethiopia. The Kenya life mortality tables (KE 2003-2007) have been adopted with an adjustment of the difference in the average life expectancy between Ethiopia and Kenya.

Policyholder behaviour is a key assumption in the measurement of life insurance contracts. Each type of policyholder behaviour is estimated by product type, based on trends in recent experience. The lapse rates were benchmarked against the East African market: 15-20% based for endowments products and 10-15% for term products.

**Non-life contracts**

The Corporation estimates the ultimate cost of settling claims incurred but unpaid at the reporting date and the value of salvage and other expected recoveries by reviewing individual claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using a range of loss reserving techniques – e.g. the chain-ladder and Bornhuetter-Ferguson methods.

These techniques assume that the Corporation's own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The ultimate cost of settling claims is estimated separately for each geographic area and line of business, except for large claims, which are assessed separately from other claims. The assumptions used, including loss ratios and future claims inflation, are implicitly derived from the historical claims development data on which the projections are based, although judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.





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(23) **Insurance and re-insurance contracts (Continued)**

(e) **Significant judgements and estimates (continued)**

(i) *Fulfilment cash flows - continued*

**Discount rates**

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Corporation generally determines the risk-free rates as the government bond yields rate.

**Risk adjustments for non-financial risk**

Risk adjustments for non-financial risk have been estimated at between 1% and 10% based on the Value at Risk (VaR) method and it corresponds to the following confidence levels:

	2024	2023
Confidence level	75%	75%

(ii) *Contractual service margin*

The CSM of a group of insurance contracts is recognized as insurance revenue in each period based on the number of coverage units provided in the period which is determined by considering for each contract the quantity of the benefits provided and its expected coverage duration.

(24) **Provisions, contingent liabilities and commitments**

The summary of provision for bonuses is summarized below:

	30-Jun-24	30-Jun-23
<b>Non-life business</b>		
Opening Balances as at 1st July	103,450,214	118,581,324
Accrual for the year	115,754,229	103,450,214
Paid out during the year	(103,450,214)	(118,581,324)
	<b>115,754,229</b>	<b>103,450,214</b>
<b>Life business</b>		
Opening Balances as at 1st July	6,992,031	8,059,572
Accrual for the year	6,372,594	6,992,031
Paid out during the year	(6,992,031)	(8,059,572)
	<b>6,372,594</b>	<b>6,992,031</b>
<b>Total</b>	<b>122,126,823</b>	<b>110,442,245</b>



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**(24) Provisions, contingent liabilities and commitments (Continued)**

Bonus provision represent short-term benefits arising from past services provided by employees and are expected to be paid within the next 12 months.

A bonus liability is recognized for the amount expected to be paid under short-term cash bonus when the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees, and the obligation can be estimated reliably. The bonus is paid at the discretion of the board of management and approved by the Public Enterprises Administration and Holding Agency establishing the amount payable to each individual employee.

**Contingent Liabilities**

The Corporation has contingent liabilities not provided for in these financial statements of Birr 223,331,927 (2023: 381,096,611) in respect of legal actions instituted by third parties which are being contested by the Corporation. It is not possible to assess the outcome of these cases.

**Commitments**

The Corporation has commitments not provided for in these financial statements of 827,189,966 (2023: 362,195,115) in respect of purchase of property plant and equipment.

**(25) Other payables**

**Non-life business**

Creditors

30 June 2024                      30 June 2023

218,969,256                      118,145,581

218,969,256                      118,145,581

**Life business**

Creditors

30 June 2024                      30 June 2023

24,790,051                      16,151,355

24,790,051                      16,151,355

**Combined business**

243,759,307                      134,296,936

**(26) Employee benefits**

**(a) Movement in net defined benefit (asset) liability**

The corporations defined benefit obligation is made up of severance pay, recognition pay, funeral support, post-employment medical benefit and leave liability. The following tables show reconciliation from the opening balances to the closing balances for the net defined benefit (asset) liability and its components.





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(26) **Employee benefits (Continued)**  
(a) **Movement in net defined benefit (asset) liability (continued)**

Reconciliation of Defined Benefit Obligation Combined	30 June 2024	30 June 2023
Opening benefit obligation 1 July	196,546,411	159,311,260
<b>Included in profit or loss:</b>		
Current service cost (employer)	9,611,278	9,792,299
Interest cost	28,107,981	23,418,756
Past service cost	242,590,157	
Benefits paid	(20,282,583)	(24,495,286)
Employer contributions		
<b>Included in OCI:</b>		
Actuarial (gain) / loss - due to experience	41,527,643	28,519,383
Actuarial (gain) / loss - due to change in assumption	(10,566,073)	
<b>Closing benefit obligation</b>	<b>487,534,812</b>	<b>196,546,411</b>
Reconciliation of Defined Benefit Obligation-Non life	30 June 2024	30 June 2023
Opening benefit obligation 1 July	182,645,240	147,787,183
<b>Included in profit or loss:</b>		
Current service cost (employee)	8,933,173	9,186,142
Interest cost	26,174,666	21,724,716
Past service cost	227,836,902	
Benefits paid	(18,105,746)	(22,415,599)
Employer contributions		
<b>Included in OCI:</b>		
Actuarial (gain) / loss - due to experience	39,603,446	26,362,798
Actuarial (gain) / loss - due to change in assumption	(9,980,202)	
<b>Closing benefit obligation</b>	<b>457,107,479</b>	<b>182,645,240</b>
Reconciliation of Defined Benefit Obligation-life	30 June 2024	30 June 2023
Opening benefit obligation 1 July	13,901,172	11,524,077
<b>Included in profit or loss:</b>		
Current service cost (employee)	678,105	606,157
Interest cost	1,933,315	1,694,040
Past service cost	14,753,255	
Benefits paid	(2,176,837)	(2,079,687)
Employer contributions		
<b>Included in OCI:</b>		
Actuarial (gain) / loss - due to experience	1,924,196	2,156,584
Actuarial (gain) / loss - due to change in assumption	(585,871)	
<b>Closing benefit obligation</b>	<b>30,427,334</b>	<b>13,901,172</b>



Out of the total liability balance of employee benefit the annual leave portion of birr 99,060,472 is to be current liability.

This is because employees have the right to use the whole leave they have or to be paid the lump-sum either when they are retired or leave the company in the period.



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(26) Employee benefits (Continued)

(b) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date

	30 June 2024	30 June 2023
Discount rate	14.3%	14.70%
Future salary increases	16.0%	16.75%
Mortality (pre-retirement)	A1949-1952	A1949-1952
Mortality (post-retirement)	A55	A1949-1952
Withdrawals	At rates consistent with similar arrangements	Specimen salaried ultimate table
Ill - Health	No allowance made	No allowance made
Disability		No allowance made
Annual weighted medical costs	ETB 20,000	ETB 8,475
Retirement Age	60 years	60 years

(c) Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

	2020 (In millions)	
	Increase (+1%)	Decrease (-1%)
Discount rate (1.00% variance)	(28.1)	6.4
Mortality rate	0.21	(0.02)
Salary increase rate (1.00% variance)	(9.4)	11.5

It should be noted that the post-retirement medical benefit and the leave liability is not affected by the changes in the salary escalation rate.

(27) Capital

	30 June 2024	30 June 2023
Assigned capital		
Non-life	512,719,372	512,719,372
Life	79,280,628	79,280,628
	<b>592,000,000</b>	<b>592,000,000</b>



The Corporation is wholly owned by the Government of the Federal Democratic Republic of Ethiopia. Assigned capital represents capital allocated to the Corporation and is not repayable to the Government in whole or part thereof, as long as the Corporation continues trading.

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**(28) Reserves**

*(i) Legal reserve*

The legal reserve is a statutory reserve to which not less than 10% of the net profits shall be transferred each year until such reserves equals the capital of the Corporation. At the end of year 2023 the reserve becomes equal to the paid up capital.

*(ii) Fair value reserve*

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at FVOCI.

*(iii) Defined benefit reserve*

The defined benefit reserve comprises severance pay, recognition pay, and funeral support, post-retirement medical benefit, and leave benefit.

**(29) Dividend**

EIC usually pays 70% of its profits to the government as dividends. During the year ended 30 June 2024 the Board of management apportioned dividend of ETB 941,014,668 (2023: ETB 1,040,092,460).

**(30) Going concern**

The Board of Management has assessed the ability of the Company to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is appropriate.

