

# Wapic Insurance Plc.

## Q3 2015 - Nine Months Financial Results Presentation to Investors & Analysts

November 2015

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# Presentation Team



**Bode Ojeniyi**

- ▲ Executive Director
- ▲ Divisional Head, Institutional Clients
- ▲ BSc, MSc, MBA
- ▲ Over 23 years Banking experience



**Femi Obaleke**

- ▲ Executive Director
- ▲ Divisional Head, Retail Clients
- ▲ B.Ed., MBA
- ▲ Over 23 years banking experience



**Oluseyi Taiwo**

- ▲ Group Head, Financial Control
- ▲ BSc. ACA
- ▲ Over 12 years experience spanning Auditing and Financial Control
- ▲ Ex. Access Bank



**Zina Y. Giwa-Amu**

- ▲ Strategy & Investor Relations; IT and Channels
- ▲ LL.B., LL.M
- ▲ Over 20 years experience in Strategy, IT and Consulting

# Outline

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**Wapic Insurance Plc. at a glance**

**2**

**Market and Industry Trends**

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# Overview of Wapic Insurance

## Our Vision

- ▲ To transform and illuminate the insurance industry for the benefit of our customers and other stakeholders

## Our Mission

- ▲ To lead in all that is worthy

## Our Values

- ▲ Excellence
- ▲ Professionalism
- ▲ Innovation
- ▲ Sustainability
- ▲ Teamwork
- ▲ Leadership
- ▲ Empathy

## Rating

Financial Strength Rating: B-  
Issuer Credit Rating: bb-  
(AM Best)

## Financial

### Total Assets

N23.9bn (Sept ytd, 2015)

### Total Equity

13.4b ordinary shares of 50 kobo each in issue

### Listing

Nigeria Stock Exchange  
(since 1978)

### Subsidiaries

- ▲ Wapic Life Assurance Limited
- ▲ Wapic Insurance Ghana Limited

### National Locations

- ▲ Abuja
- ▲ Benin
- ▲ Enugu
- ▲ Ibadan
- ▲ Kano
- ▲ Port Harcourt

### Re-Insurers & Technical Partners

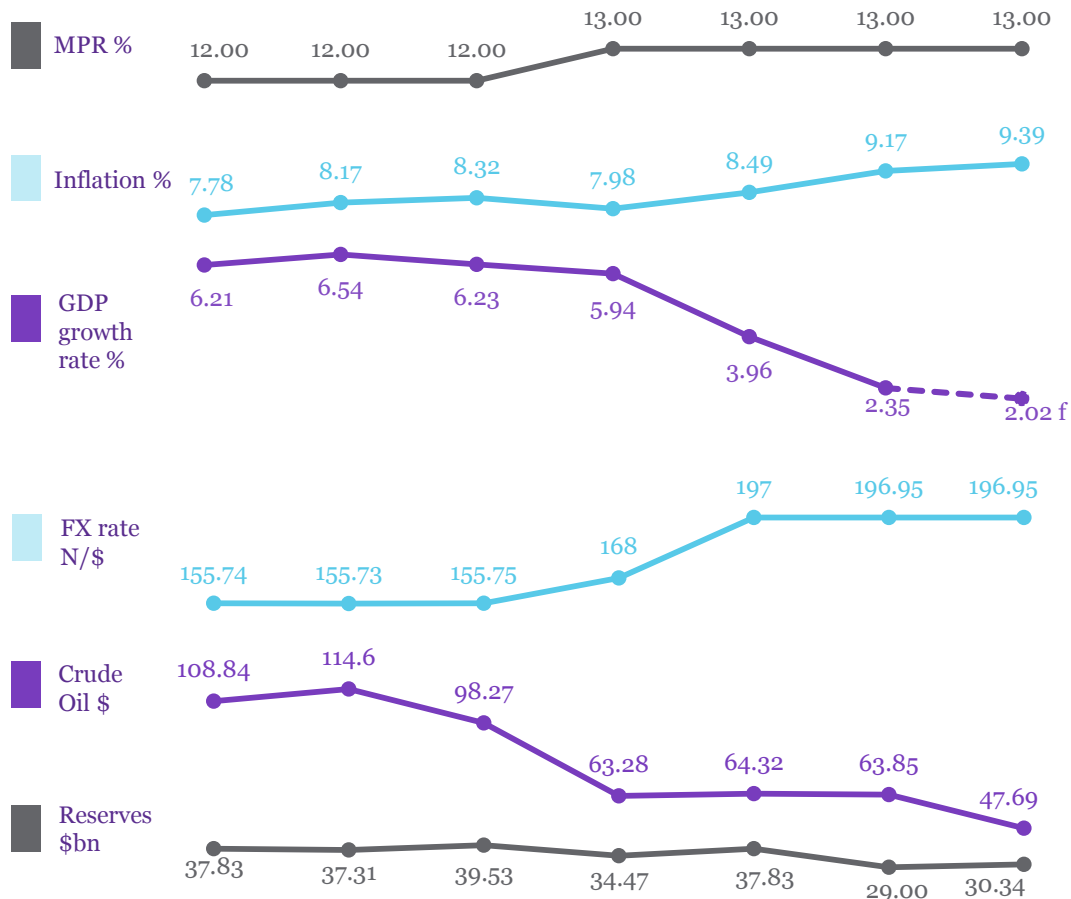
- ▲ Munich Re
- ▲ Africa Re
- ▲ Alexander Forbes
- ▲ Merchantcantos
- ▲ Interbrand



# Market and Industry Trends



Mar'14 Jun'14 Sep'14 Dec'14 Mar'15 Jun'15 Sep'15



## The Nigerian Economy

- ▲ The monetary policy rate (MPR) was retained at 13%, cash reserve ratio (CRR) was reduced to 25% from 31%.
- ▲ Headline inflation rose to 9.39% YOY from 9.17% at the end of Q2. The rise is largely attributable to marginal increases in the core and food components of inflation.
- ▲ GDP growth rate fell to 2.35% in Q2 2015 compared with 3.96% in the preceding quarter and 6.23% in the corresponding quarter of 2014. GDP growth rate has steadily declined since Q2 2014 and has been forecasted to decline to 2.02% for Q3 2015.
- ▲ Interbank exchange rate was N196.95/\$ in September 2015, unchanged from the previous quarter. On the parallel market, the Naira appreciated by N18 from Q2 2015.
- ▲ Oil price (Brent Crude) down to \$47.69 per barrel in Q3 2015 from \$63.85 in Q2 and \$98.27 in the corresponding quarter 2014. Oil prices have been on a downward trend since Q2 2014
- ▲ External reserves increased marginally at the end of Q3 to \$30.34bn from \$29bn at the end of Q2.

Source: Central Bank of Nigeria (CBN), Nigerian Bureau of Statistics (NBS), Financial Derivatives, Trading Economics, Bloomberg



- ▲ Alhaji Mohammed Kari succeeds Mr. Fola Daniel as the Commissioner for Insurance and CEO of the National Insurance Commission (NAICOM). Prior to his appointment, Alhaji Kari was Deputy Commissioner (Technical) at NAICOM. A continued enforcement of regulatory guidelines is expected, with an expected outcome of increased public trust and awareness.
- ▲ NAICOM signed an MoU with peer insurance regulators to strengthen cross border insurance supervision in West African countries. The collaborating entities are the National Insurance Commission, Ghana; Central Bank of Liberia, Sierra-Leone Insurance Commission, the Central Bank of Gambia and NAICOM.
- ▲ NAICOM establishes claims payment guidelines; the Commission established September 30, 2015 as the deadline for insurance companies to clear all outstanding claims. Over N2B in industry claims have so far been settled through NAICOM's intervention.
- ▲ NAICOM released the “Market Conduct and Business Practice Guidelines” for all Nigerian insurance institutions. The guidelines documents a framework for fair policies and procedures, effective claims management, trade practices and fair treatment of customers. It also contains guidelines on operations, pricing, commissions and associated returns as well as foreign facultative reinsurance placements for reinsurance brokers.
- ▲ NAICOM also issued prudential guidelines for insurers and reinsurers setting minimum standards for underwriting reinsurance, investments, reserving, and outsourcing with a frame work for the establishment of policies and procedures for internal controls.
- ▲ The Securities and Exchange Commission (SEC) approved the lowering of the price floor of listed securities from 50kobo to 1kobo. However, the rule is yet to be implemented. This rule is expected to increase interest in insurance shares and create consolidation opportunities in the industry.
- ▲ NAICOM commenced the implementation of a Risk-Based Supervision (RBS) model in the insurance industry. The RBS approach considers the risks companies face and identifies those that are most critical to the financial viability of the company through a structured process.
- ▲ CBN banned foreign currency cash deposits, excluded 41 items from the foreign exchange window and placed restrictions on foreign currency outflows from Nigeria, effectively crippling several sectors, including manufacturing. This, Economists say, sends a signal that the country is experiencing a cash flow problem.



# Sept'15 ytd Financial Review

# Group financial highlights

1

## Profitability

	Sept'15	Sept'14	%Δ
Gross Written Premium (N'm)	5,673	4,660	↑ 22%
Net Underwriting Income(N'm)	3,268	2,387	↑ 37%
Total Underwriting Expenses (N'm)	1,953	1,306	↑ 50%
Underwriting profit (N'm)	1,315	1,082	↑ 22%
Net Inv.& Other Income (N'm)	1,488	1,157	↑ 29%
Expenses & Provisions (N'm)	2,695	2,069	↑ 30%
Profit before Tax (N'm)	108	170	↓ 36%
OPEX Ratio	48%	44%	↑ 7%
Net Claims Ratio	34%	22%	↑ 56%

2

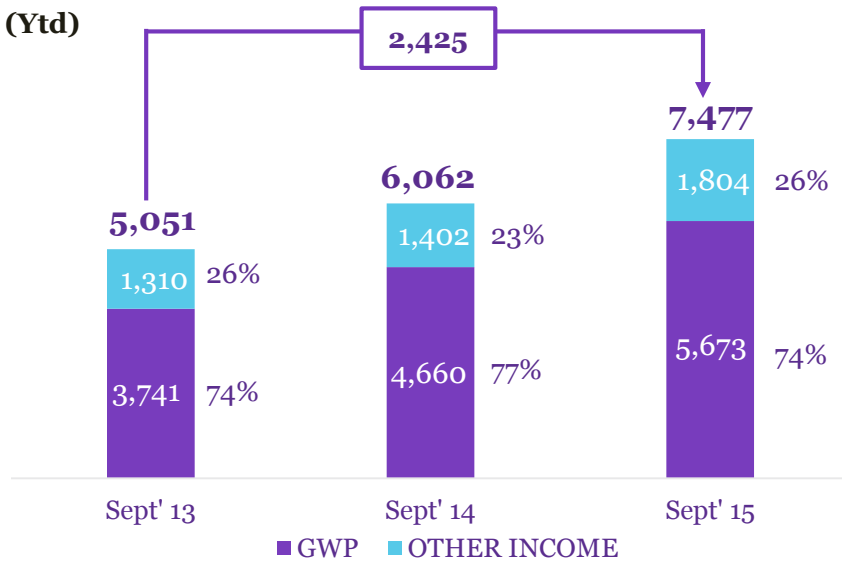
## Balance Sheet

	Sept'15	Dec'14	%Δ
Financial Assets (N'm)	15,018	8,786	↑ 71%
Reinsurance Assets (N'm)	1,200	668	↑ 80%
Total Assets (N'm)	23,916	22,058	↑ 8%
Total Liabilities (N'm)	8,976	7,858	↑ 14%
Shareholders' Funds	14,940	14,200	↑ 5%
Solvency Ratio	147%	171%	↓ 14%
ROA	0.5%	1.1%	↓ 58%
ROE	0.2%	0.4%	↓ 45%

# Income statement

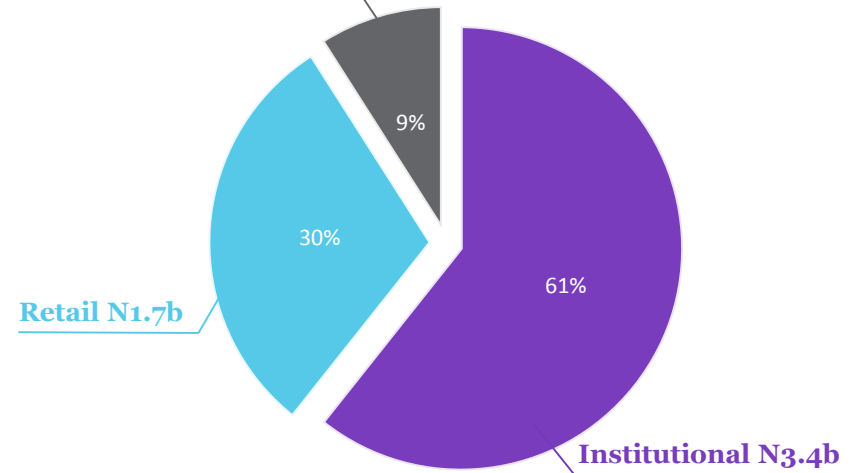
Underlying in N'M	Sept'15	Sept'14	Y/Y%Δ	Comments
<b>Gross Written Premium</b>	<b>5,673</b>	<b>4,660</b>	<b>22</b>	▲ Gross Written Premium increased y/y by 22% to N5.6bn at the end of Sept. 2015.
Reinsurance Expenses	1,429	1,383	3	▲ Due to increased retention capacity from the restructuring of the reinsurance plan, reinsurance expenses y/y growth was at only 3%.
Net Claims Expenses	994	464	114	▲ The sharp increase recorded in Claims expense is attributed to a significant increase in IBNR from prior period.
Underwriting Expenses	959	842	14	▲ Underwriting profit is at a 22% growth y/y, evident in an increase in GWP and an improved underwriting expense management.
<b>Underwriting Profit</b>	<b>1,315</b>	<b>1,082</b>	<b>22</b>	▲ Operating expenses grew by 30% largely due to the Company's focus on customer experience, people development, operational alignment and restructuring to reposition itself in the industry as a market leader.
Investment Income	1,220	1,194	2	
Other Operating Income	251	2	10830	▲ Other operating income enjoyed a massive increase of 10830% compared to the same period last year. This is primarily due to foreign exchange gains.
Operating Expenses	2,695	2,069	30	
<b>Profit Before Tax</b>	<b>108</b>	<b>170</b>	<b>-36</b>	▲ Profit before tax dipped by 36% y/y largely due to increased investment in the company's operational strategy.

**Total Income N'm (Ytd)**

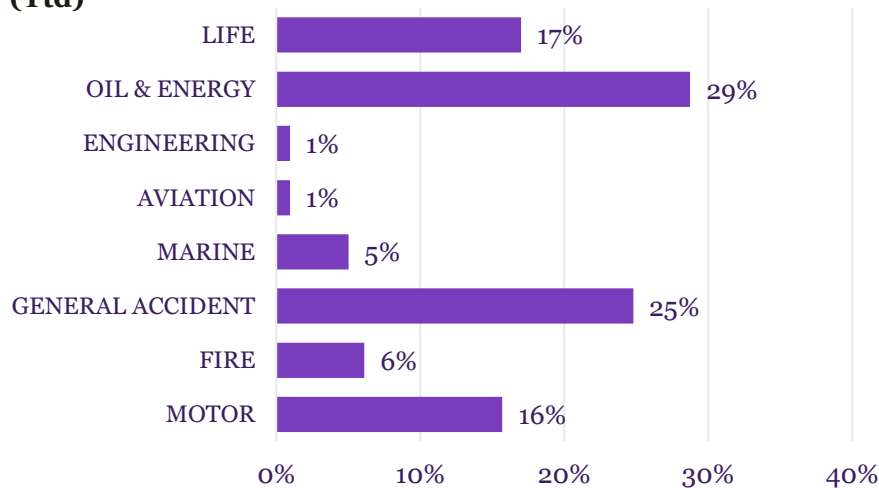


**Ghana No.5b**

**GWP by Business Division (Ytd)**



**GWP by Product Class (Ytd)**

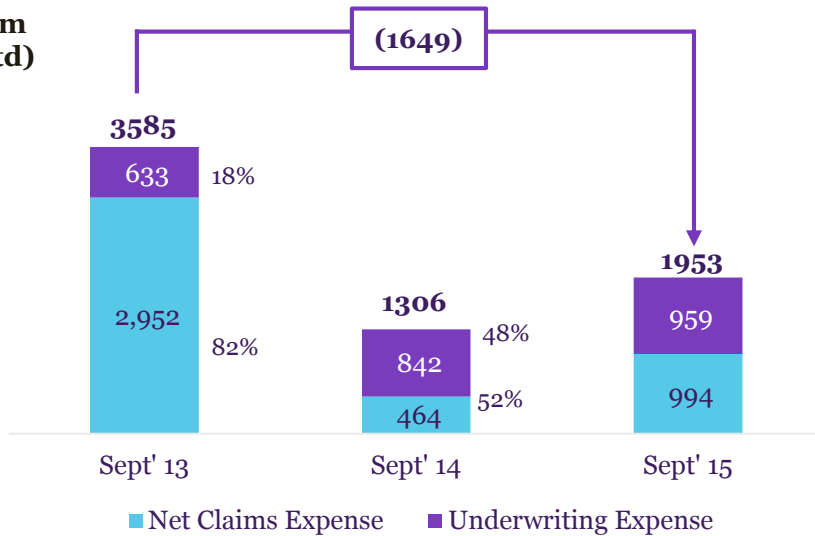


## Highlights

- ▲ Total Income grew by 23% y/y to N7.4b in Sept' 15 (Sept' 14: N6b) Largely driven by a sizeable increase in GWP.
- ▲ GWP grew by 22% y/y from Sept '14 to N5.6bn in Sept '15.
- ▲ Institutional Clients Division is still the largest contributor to the Group's GWP closing with N3.4b for Sept '15 ytd.
- ▲ GWP from Oil & Gas, General Accident & Life were 29%, 25% and 17% respectively, representing the top three products for the period.
- ▲ Wapic Ghana's GWP grew by 36% y/y in real terms nonetheless, continual FX headwinds adversely impacted its overall contribution to the group figures.

# Underwriting Expenses & Operating Expenses

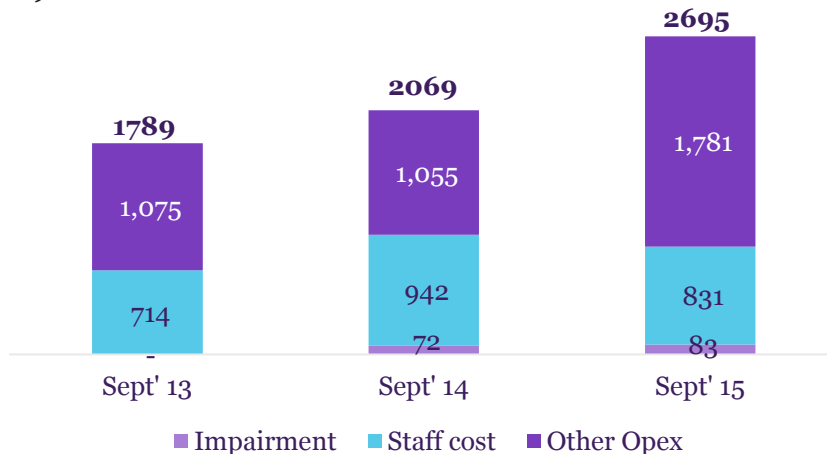
N'm  
(Ytd)



## Highlights

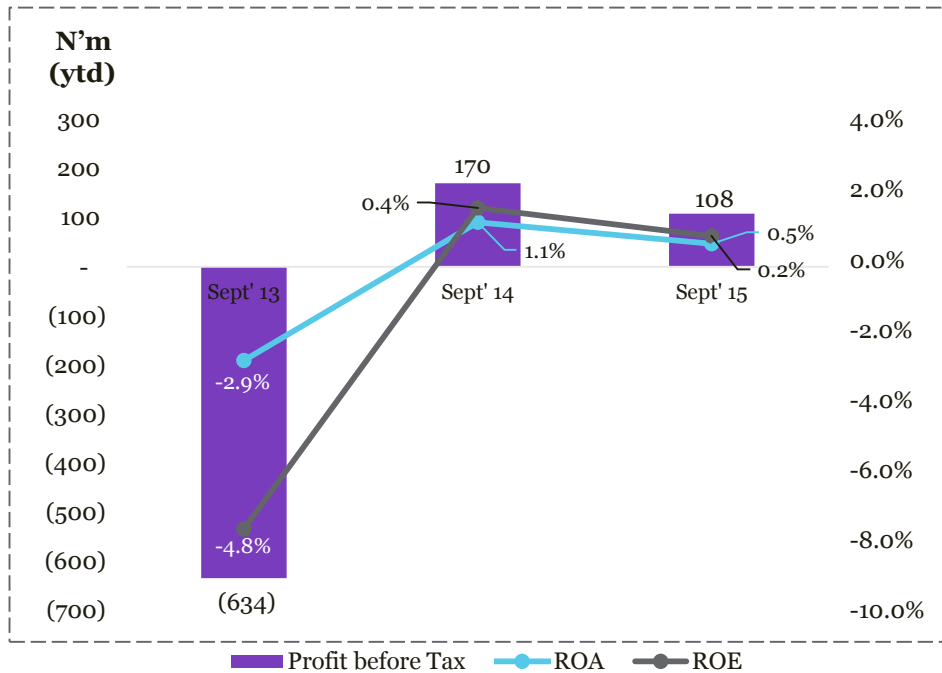
- ▲ Net Claims expense grew by 114% y/y to N994m in Sept., 2015 ytd. This is largely attributable to prior period IBNR that is currently included in claims expense.
- ▲ Underwriting expenses grew by 14% y/y compared to the previous period. This is attributed to the growth in Gross premium Income in Q3, 2015.
- ▲ Total underwriting expenses grew at 50% y/y which is as a result of the significant growth in claims expenses.

N'm  
(Ytd)

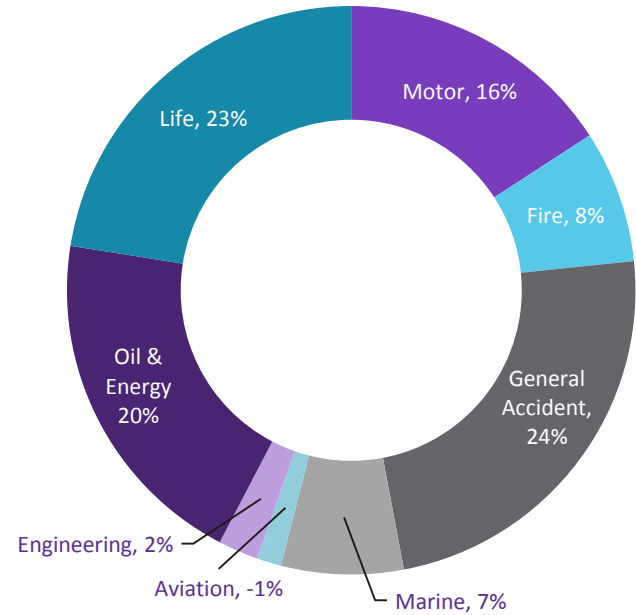


## Highlights

- ▲ Other Operating Expenses in Sept., 2015 increased by 69% y/y from prior period 2014. As we further execute our sales strategy, we expect this growth to result in revenue increase.
- ▲ The benefits of these foundational investments are expected in Q4 2015 through 2016. This increase in operating expenses is aligned with our focus on growth in our GWP in the short to medium term.
- ▲ Overall, total operating expenses increased by 30% y/y compared to the corresponding period in 2014.



Underwriting Profit by Product Class



## Comments

- ▲ PBT reduced y/y by 36% to N109m as at Sept'15 (Sept'14: N170m). This is primarily attributable to the increase in operating expense for the period. However, the collective impact of this strategic expenditure is an expected growth in GWP in the short to medium term.
- ▲ ROA and ROE are at positive positions of 0.50% and 0.20% respectively
- ▲ General accident was the group's most profitable product for Sept'15 ytd, contributing 24% to the Group's underwriting profits. This is followed closely by Life and Oil and Energy which contributed 23% and 20% respectively.

# Statement of Financial Position



Underlying in N'm	Sept'15	Dec'14	YTD%Δ	Comments
Cash and Cash Equivalents	1,833	5,173	(65)	▲ The 65% reduction in cash & cash equivalents was largely due to the realignment of our portfolio to tilt towards financial assets in the current period.
Financial Assets	15,018	8,786	71	▲ Financial Assets grew by 71% to N15b as at the period ended September, 2015.
Reinsurance Assets	1,200	667	80	▲ Reinsurance Assets increased by 80% as a result of an increase in prepaid reinsurance, driven by an attendant increase in gross premium written for the period.
Investment Properties	696	4,056	(83)	▲ The movement in Investment properties was caused by the company's divestment in Investment properties.
Fixed Assets & Intangibles	1,962	1,619	21	
Receivables	1,559	316	393	▲ Receivables grew by a significant amount compared to the FY'14 position, with Other receivables and prepayment accounting for a larger chunk of the growth.
Other Assets	1,647	1,435	15	
<b>Total Assets</b>	<b>23,916</b>	<b>22,058</b>	<b>8</b>	
Trade Payables	378	417	(9)	
Provisions & Other Payables	2,468	2,893	(15)	
Current Income Tax Liabilities	198	300	(34)	
Insurance Contract Liabilities	4,763	3,070	55	▲ Insurance contract liabilities increased by 55%. This is largely driven by the growth in GWP resulting in an increase in unearned premium, outstanding claims reserve and IBNR.
Investment Contract Liabilities	1,169	1,176	(1)	
<b>Total Liabilities</b>	<b>8,976</b>	<b>7,858</b>	<b>14</b>	
<b>Equity</b>	<b>14,940</b>	<b>14,200</b>	<b>5</b>	
<b>Total Equity &amp; Liabilities</b>	<b>23,916</b>	<b>22,058</b>	<b>8</b>	

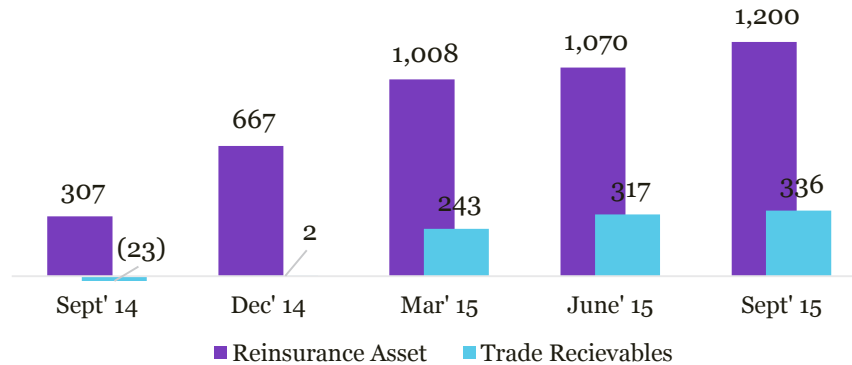
## Notes

Receivables= Trade receivables+ Other receivables & prepayment  
 Other Assets= Deferred acquisition cost+ Deferred Tax asset + Statutory Deposits  
 Fixed Assets & intangibles= Property, plant & equipment + Intangible Assets



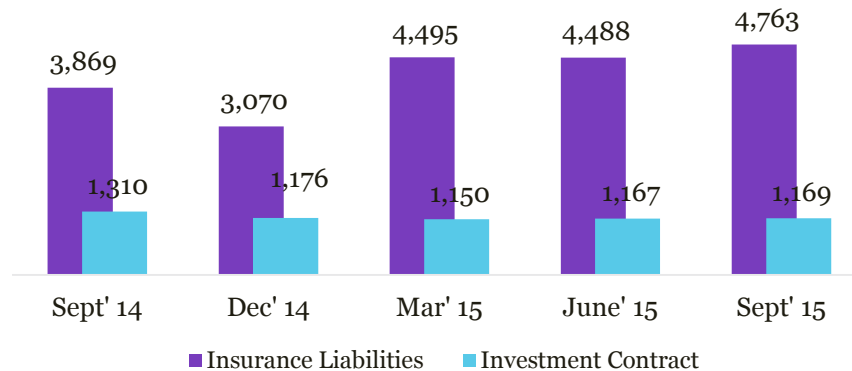
# Highlights of Financial Position

## Trade Receivables & Reinsurance Assets (N'm) (Ytd)



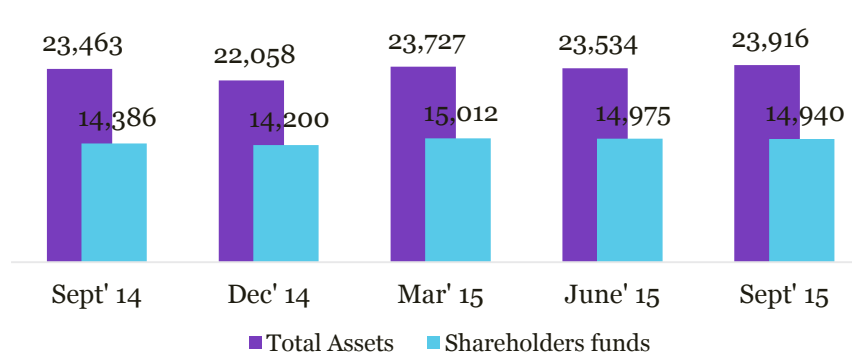
- ▲ There has been a significant increase in trade receivables in Sept'15 ytd compared to FY'14 driven by an increased level of transactions written for the period.
- ▲ In line with the "no premium no cover" policy, the recognition of trade receivables from intermediaries must be supported by credit notes to the extent that they are recoverable within 30 days.
- ▲ Reinsurance assets growth of 80% from FY 2014 is driven by an increase in prepaid reinsurance for the period.

## Insurance Liabilities & Investment Contract (N'm) (Ytd)



- ▲ Insurance Contract Liabilities increased by 55%, driven by the components of unearned premium, claims and IBNR.
- ▲ Investment Contract Liabilities dipped by 1% as at Sept'15 ytd, compared to the prior year end.

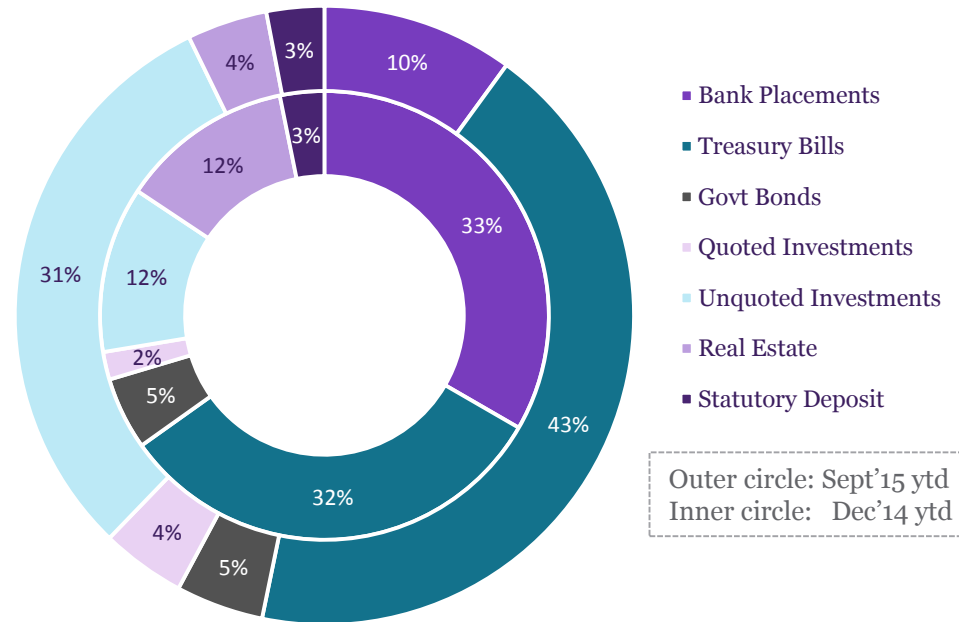
## Shareholders' Funds & Total Assets (N'm) (Ytd)



- ▲ Shareholders' Funds and Total Assets grew by 5% and 8% as at Sept'15 ytd respectively compared with FY 2014

# Assets Under Management

Asset Type	Dec' 14 N'm	Sept' 15 N'm
Bank Placements	5,227	1,661
Treasury Bills	4,988	7,168
Govt Bonds	820	760
Quoted Investments	313	731
Unquoted Investments	1,875	5,069
Real Estate	1,954	696
Statutory Deposit	500	500



## Highlights

- ▲ The reduction in Bank Placements is a reflection of the shift from Term deposit to Treasury bills to take advantage of better returns available on Treasury bills instruments.
- ▲ Unquoted Investments growth of 63% is attributed to an increase in the company's strategic equity holdings and the fair value gains on existing holdings.
- ▲ Real estate continues to decline as a result of the company's strategic divestment in Investment properties. A further reduction in this balance is expected at year end.

# Q4 2015 Outlook

## FINANCIAL

- ▲ We expect a revenue growth of about 30% YoY, well above the average market growth rate of 12%, as we continue to drive revenue growth..
- ▲ Based on our projections we expect an improved PBT margin for FY 2015, in line with our sustainable growth strategy.

## OPERATIONAL

- ▲ We will conduct in-depth refresher training of the entire technical functions on all Existing Regulatory guidelines to ensure sound understanding and strict compliance in all technical operations.
- ▲ Enhanced collaboration amongst the Business Divisions to drive sustainability throughout the entire value chain
- ▲ We expect significant investments and upgrade of technology as an enabler of our corporate strategy and focus on improved customer experience

## SALES

- ▲ Launch innovative loyalty schemes to support increased customer awareness and activities across the company's channels
- ▲ Deploy flexible and affordable infrastructure to enhance channel integration initiatives
- ▲ Renewed optimization of our strategy in the B2B2C space, specifically Bancassurance, due to the enormous potential for partnership and seamless execution

## PEOPLE

- ▲ We are currently undergoing an HR and Organizational optimization programme that will deliver a detailed, role-based capability development plan and a clear framework for employee training and individual career development
- ▲ In order to ensure that our new Executive Trainees are motivated and properly guided, a Mentorship Program has commenced with mentors who have been chosen for their proven ability and skills as well as their willingness to pass on their knowledge to the next generation of Wapic Gladiators.

## RISK & ENVIRONMENT

- ▲ We will execute 2015 Process Risk Assessment Group-wide, to support risk-informed decision making and allocation of resources with a view to help steer the business toward measurable, increase profitability in an ever-changing business environment.
- ▲ We will execute a Mock Test of the Business Continuity Strategy for critical activities Group-wide to enhance business resilience.

# Thank You

For further enquires:

*Wapic will transform the insurance market in Nigeria and beyond.  
A new paradigm.  
A unique proposition.*



**Wapic Insurance Plc.**

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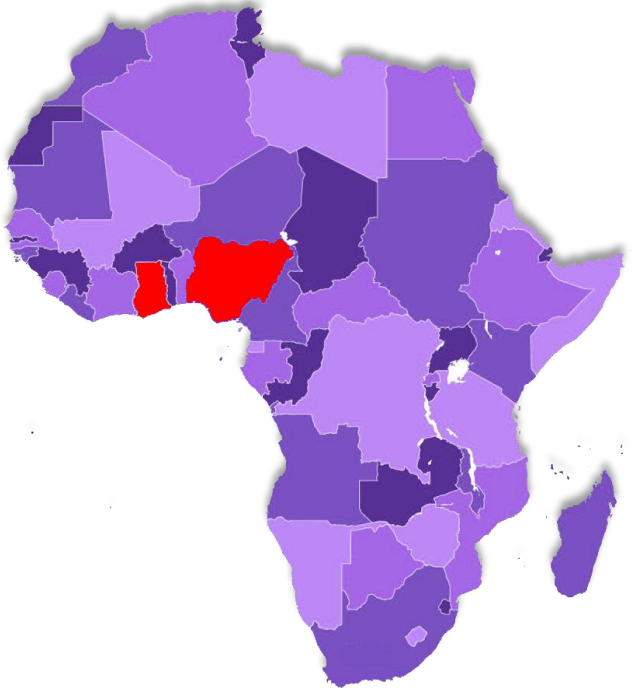
Phone: 012774500 /4566 /4555

# Appendices

**6** Regional official (Abuja, Benin, Enugu, Ibadan, Kano, Port Harcourt)

**194** Professional Staff

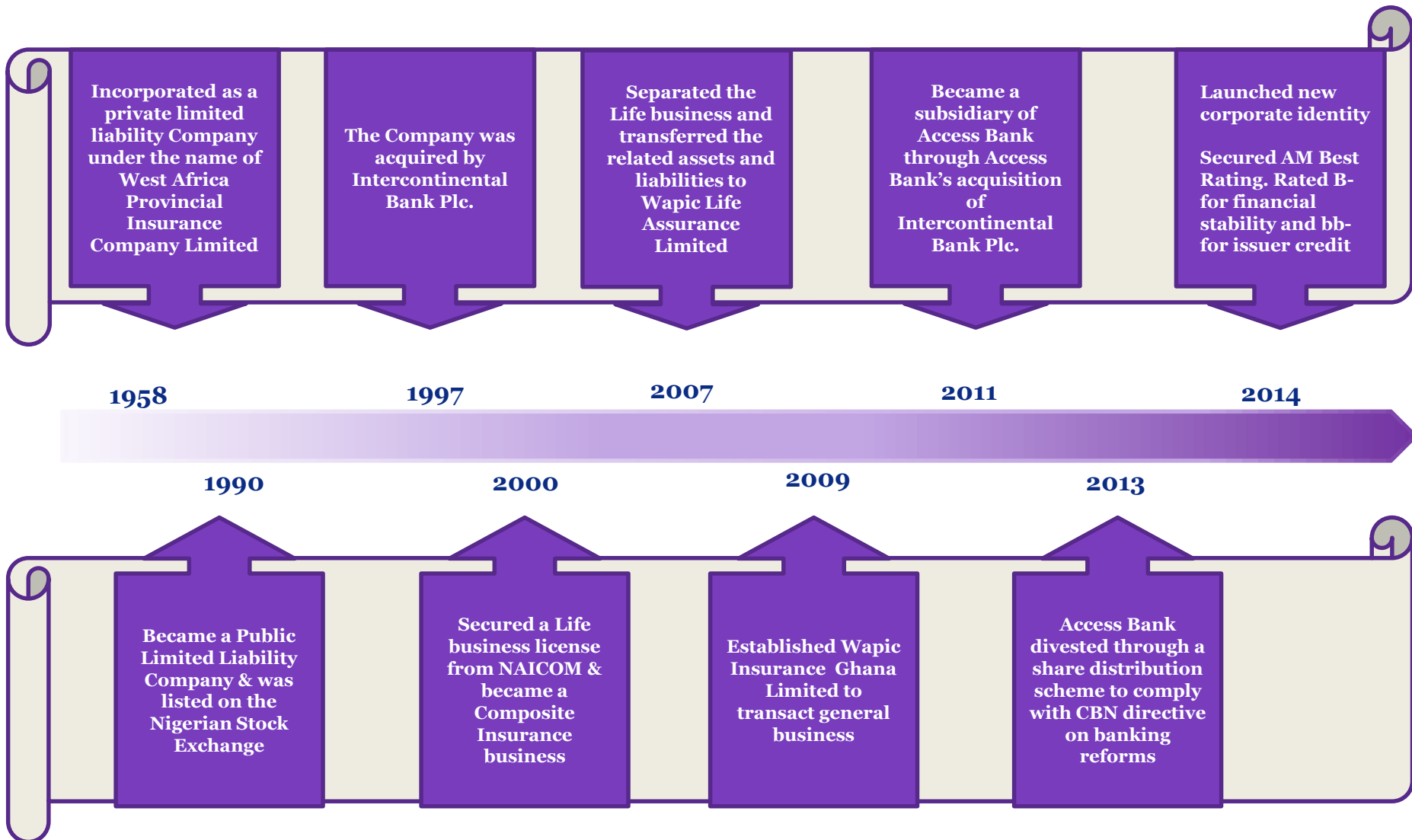
**13.4** Billion Ordinary shares of 50 kobo each in issue



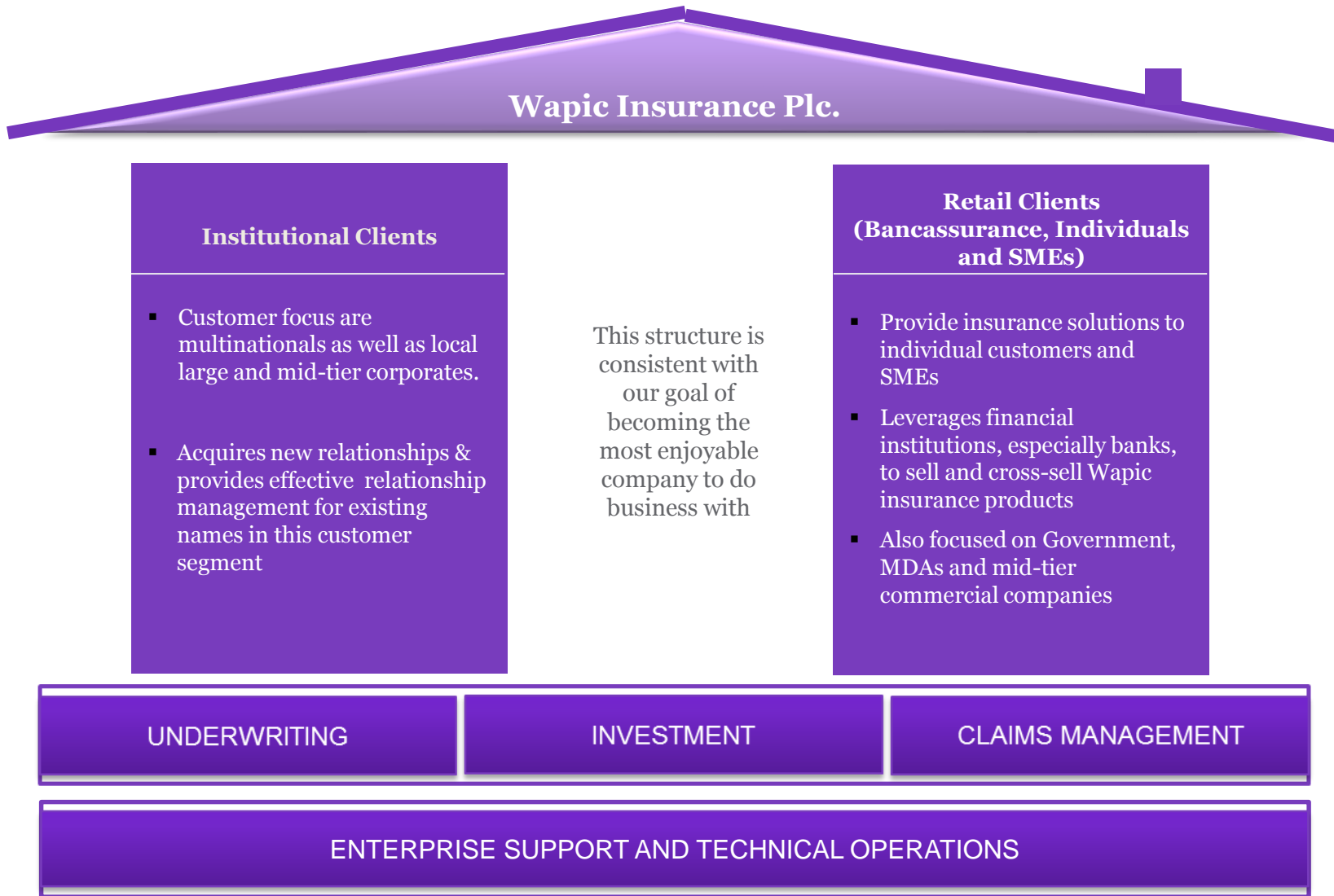
<b>Company</b>	<ul style="list-style-type: none"> <li>• Wapic Insurance Plc is licensed by the National Insurance Commission (NAICOM) to write general insurance business.</li> <li>• The Company underwrites life insurance business through its wholly owned Nigerian subsidiary, Wapic Life Assurance Limited. It also operates a general business in Ghana under the name Wapic Insurance (Ghana) Limited.</li> </ul>
<b>Presence</b>	<ul style="list-style-type: none"> <li>• Nigeria and Ghana</li> </ul>
<b>Listings</b>	<ul style="list-style-type: none"> <li>• Nigerian Stock Exchange</li> </ul>
<b>Rating (AM Best)</b>	<ul style="list-style-type: none"> <li>• B- (Financial Strength Rating/Stable Outlook)</li> <li>• bb- (Issuer Credit Rating/Stable Outlook)</li> </ul>
<b>Actuaries</b>	<ul style="list-style-type: none"> <li>• HR Nigeria Limited</li> <li>• Alexander Forbes Consulting Actuaries Nigeria Limited</li> </ul>
<b>Re-insurers</b>	<ul style="list-style-type: none"> <li>• African Reinsurance Corporation</li> <li>• Continental Reinsurance Plc</li> <li>• Munich Reinsurance Company Limited</li> <li>• Nigerian Reinsurance Corporation</li> <li>• Ghana Reinsurance Company Limited</li> <li>• Waica Reinsurance Corporation</li> </ul>
<b>Auditors</b>	<ul style="list-style-type: none"> <li>• PwC</li> </ul>



# Evolution Since 1958



# Structured Business Lines



Our business lines are designed to cater for specific market segments while our back office functions provide service-based support to deliver value to the customer

# Statement of Financial Position



	Group		Company	
	30 Sep '15 N'000	31 Dec '14 N'000	30 Sep '15 N'000	31 Dec '14 N'000
Cash and cash equivalent	1,833,076	5,173,243	891,371	3,190,253
Financial assets	15,018,206	8,786,496	10,921,073	6,030,939
Trade receivables	336,241	2,699	180,624	-
Reinsurance assets	1,200,219	667,928	1,090,974	618,021
Deferred acquisition cost	466,802	253,507	378,279	214,140
Other receivables & prepayments	1,222,417	314,627	963,872	203,030
Investment in subsidiaries	-	-	3,231,976	3,231,976
Investment properties	695,909	4,056,313	660,909	4,021,313
Deferred tax asset	663,367	664,759	479,583	479,583
Property, plant and equipment	1,922,680	1,570,977	1,825,992	1,480,073
Intangible assets	39,616	49,814	36,223	45,835
Statutory deposit	517,252	518,508	300,000	300,000
<b>Total assets</b>	<b>23,915,785</b>	<b>22,058,871</b>	<b>20,960,878</b>	<b>19,815,163</b>
Trade Payables	378,214	417,655	309,921	328,885
Other payables	2,467,587	2,893,034	2,033,559	2,731,208
Current Income tax liabilities	198,357	300,498	70,413	162,683
Insurance contract liabilities	4,762,929	3,070,797	3,500,084	2,201,313
Investment Contract Liabilities	1,168,844	1,176,266	-	-
<b>Total liabilities</b>	<b>8,859,898</b>	<b>7,858,250</b>	<b>5,913,977</b>	<b>5,424,089</b>
Share capital	6,691,369	6,691,369	6,691,369	6,691,369
Share premium	6,194,983	6,194,983	6,194,983	6,194,983
Other reserves	1,031,559	325,957	1,186,897	460,605
Contingency reserves	1,587,303	1,436,917	1,357,764	1,232,784
Retained earnings	(565,360)	(448,605)	(384,113)	(188,667)
<b>Share holders' fund</b>	<b>14,939,854</b>	<b>14,200,621</b>	<b>15,046,900</b>	<b>14,391,074</b>
<b>NET ASSETS</b>	<b>14,939,854</b>	<b>14,200,621</b>	<b>15,046,900</b>	<b>14,391,074</b>

# Income Statement



	Group		Company	
	30 Sep '15 N'000	30 Sep '14 N'000	30 Sep '15 N'000	30 Sep '14 N'000
<b>Gross written premium</b>	<b>5,672,885</b>	<b>4,660,240</b>	<b>4,166,013</b>	<b>3,499,923</b>
Movement in Unearned premium	(1,292,293)	(1,135,557)	(913,249)	(976,498)
<b>Gross premium income</b>	<b>4,380,592</b>	<b>3,524,683</b>	<b>3,252,763</b>	<b>2,523,424</b>
Reinsurance expenses	(1,428,660)	(1,382,514)	(1,254,305)	(1,190,992)
<b>Net premium Income</b>	<b>2,951,932</b>	<b>2,142,169</b>	<b>1,998,458</b>	<b>1,332,432</b>
Fees and commission income	316,064	245,062	270,618	206,711
<b>Net underwriting income</b>	<b>3,267,997</b>	<b>2,387,231</b>	<b>2,269,076</b>	<b>1,539,143</b>
Claims Paid	(976,948)	(920,121)	(490,932)	(542,752)
Movement in Outstanding Claims	(486,578)	247,147	(378,902)	252,488
Claims expense recoverable	469,666	209,213	208,122	134,271
<b>Net claims expenses</b>	<b>(993,861)</b>	<b>(463,761)</b>	<b>(661,713)</b>	<b>(155,992)</b>
Underwriting expenses	(959,106)	(841,764)	(700,216)	(617,867)
<b>Total underwriting expenses</b>	<b>(1,952,967)</b>	<b>(1,305,525)</b>	<b>(1,361,929)</b>	<b>(773,859)</b>
<b>Total underwriting profit</b>	<b>1,315,030</b>	<b>1,081,707</b>	<b>907,147</b>	<b>765,284</b>
Transfer to Life Fund	-	-	-	-
Investment income	1,219,517	1,194,043	656,743	710,491
Net FV Gain/Loss on Invest. Property @FVTPL	18,200	-	18,200	-
Net FV Gain/Loss on Financial Asset HFT@FVTPL	(781)	(39,150)	(781)	(39,150)
Other operating income	251,319	2,299	206,360	55,615
<b>Net income</b>	<b>2,803,285</b>	<b>2,238,899</b>	<b>1,787,668</b>	<b>1,492,241</b>
Impairment on trade receivable	(90,592)	(72,397)	(62,076)	(11,231)
Impairment on Other Assets	7,151	-	-	-
Employee benefit expenses	(830,836)	(942,008)	(527,162)	(655,328)
Other operating expenses	(1,780,754)	(1,054,607)	(1,230,166)	(739,947)
<b>Profit before tax</b>	<b>108,255</b>	<b>169,888</b>	<b>(31,736)</b>	<b>85,735</b>