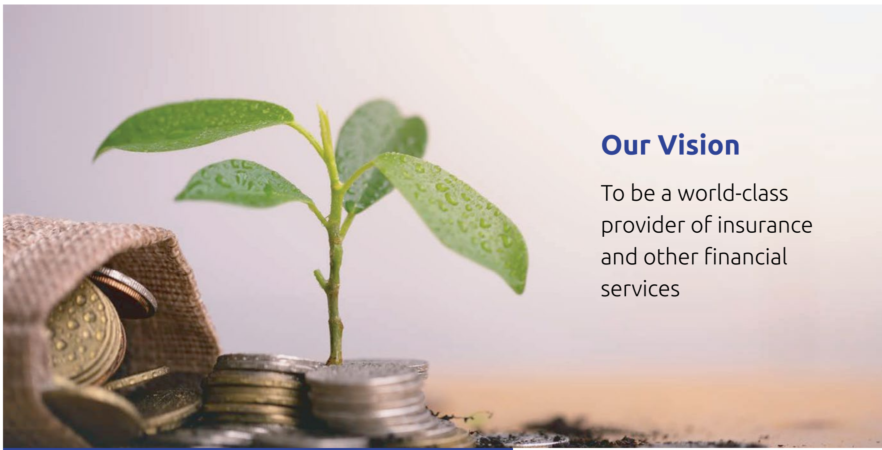
2023 Annual Report & Financial Statements

CIC General Insurance Limited.

OUR PHILOSOPHIES AND VALUES



Our Vision

To be a world-class provider of insurance and other financial services

Our Purpose (Mission)

Enable people achieve financial security

Our Values

Integrity
Be fair and transparent

Dynamism
Be passionate and Innovative

Performance Be efficient and results-driven

Cooperation
Live the cooperative spirit

CIC Tagline/ Slogan

"We keep our word"

We recognize that for our business to grow, we have a role to play in reversing the mistrust partly contributed by our industry players through various malpractices such as mis-selling or failure to honor claims thus GMQOELKMKMW!PIO! growth we desire. We shall honor our promises to all our stakeholders.

Value Proposition

"To offer simple, flexible insurance and financial services built around our customers' needs."
Our approach to business growth shall be research-driven. We shall seek to understand our customers and their needs, and innovatively develop appropriate products that address their needs, wants and desires.

Table of Content 2023

CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2023

DIRECTORS	**Rose K. Mambo:** Chairman **Edwin Otieno** **Patrick Nyaga** **Peter Nyigei** **Joseph Gatuni** **Jackson Mbui** **Fredrick Ruoro**
COMPANY SECRETARY	**Mary Wanga** Certified Public Secretary (Kenya) P. O. Box 59485 - 00200 Nairobi, Kenya
REGISTERED OFFICE	**CIC Plaza** Upper Hill, Mara Road P. O. Box 59485 - 00200 Nairobi, Kenya
SENIOR MANAGEMENT	**Fredrick Ruoro:** Managing Director **Mary Wanga:** Company Secretary **McDonald Kange:** General Manager-Medical Division **Michael Mugo:** General Manager – Branch Distribution **Tabitha Kihanya:** General Manager – Alternative Channels **Susan Robi:** Group Risk and Compliance Manager **Peter Itumbiri:** Ag. Director People and Culture **Edward Thagichu:** Senior Manager-Finance **Scovier Juma:** Senior Manager-Claims **Faith Muriungi:** Senior Manager- Underwriting **Salome Wambui:** Group Actuary
AUDITOR	**PricewaterhouseCoopers LLP** Certified Public Accountants (Kenya) PwC Towers, Waiyaki Way / Chiromo Road Westlands P. O. Box 43963 - 00100 Nairobi, Kenya
PRINCIPAL BANKER	**The Co-operative Bank of Kenya Limited** P. O. Box 67881 - 00100 Nairobi, Kenya
CONSULTING ACTUARY	**QED Actuaries and Consultants (Kenya) Limited** Capita Registrars, Royal Office, 1st Floor No. 17 Mogotio Road, Off Chiromo Lane P.O. Box 101795 - 00101 Westlands, Nairobi, Kenya

ANNUAL GENERAL MEETING
FOR THE YEAR ENDED 31 DECEMBER 2023

NOTICE IS HEREBY GIVEN THAT THE 12TH ANNUAL GENERAL MEETING OF CIC GENERAL INSURANCE LIMITED WILL BE CONDUCTED VIRTUALLY VIA ELECTRONIC COMMUNICATION ON TUESDAY 28TH DAY OF MAY, 2024 AT 11:00 AM TO TRANSACT THE FOLLOWING BUSINESS AS SET OUT BELOW:

AGENDA

Constitution of the Meeting
1. To read the notice convening the meeting, table the proxies and determine the presence of a quorum .

Ordinary Business:
2. To confirm the Minutes of the 11th Annual General Meeting held on 4th May, 2023.

3. Annual Report and Financial Statements for the year ended 31 December 2023.
To receive, consider, and if thought fit, adopt the Company's Annual Report and Audited Financial Statements for the Year ended 31st December 2023 together with the Chairman's, Directors' and Auditors' Reports thereon.

4. Dividend.
To approve a first and final dividend pay-out of Kshs 170M for the financial Year ended 31st December 2023, to be paid on or before 18th June 2024 to the shareholder appearing on the Register of Members.

5. Re-Appointment and Remuneration of PricewaterhouseCoopers.
To consider, and if thought fit, reappoint PricewaterhouseCoopers, Certified Public Accountants, as the Auditors of the Company for the Year 2024, having expressed their willingness to continue in office in accordance with section 719 (2) of the Companies Act No.17 of 2015, and to authorize the Directors to fix their remuneration for the ensuing year

6. Election and Retirement of Directors:

a. Mr. Joseph Gatuni, a Non-Executive Director appointed to the Board on 23rd September 2020 and, having completed one term of three years, retires by rotation in accordance with Articles 106, 107 and 108 of the Company's Articles of Association, and being eligible, offers himself up for re-election.

b. To note the retirement of Mr. Peter Nyigei, a Non-Executive Director, having served his full tenure in accordance with Article 105 of the Company's Articles of Association.

7. Remuneration of Directors.
To authorize the Board to fix the Directors Remuneration for the Year ending 31st December 2024.

8. Any Other Business.
To transact any other business of the Annual General Meeting for which due notice has been received by the Company Secretary forty-eight (48) hours prior.

Dated at Nairobi this 18th day of March 2024.
By Order of the Board

Mary Wanga
Company secretary

NOTES:

I. In accordance with section 298(1) of the Companies Act, 2015 (Laws of Kenya) every member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his behalf and the proxy need not be a member of the company.

II. A proxy form is provided with this notice. The instrument appointing the proxy must be delivered to the Secretary not less than forty-eight (48) hours before the meeting.

III. A proxy form must be signed by the appointing shareholder, or their attorney duly authorized in writing. If the appointer is a body corporate, proxy appointment should be given under its common seal or under the hand of a duly authorized officer or attorney of such body corporate.

IV. In accordance with section 283 (2) of the Companies Act, a copy of the entire Annual Report and Financial Statements of the Company, a copy of this Notice and the Proxy Form may be viewed at our Company's website www.cic.co.ke

CIC Motor Insurance

MESSAGE FROM OUR LEADERSHIP

CHAIRMAN'S STATEMENT

Dear Shareholders,
On behalf of the Board of CIC General Insurance Ltd, I am pleased to present the annual report and financial statements for the year ended December 2023.

Economic Overview

The Kenyan economy registered growth of 5.6% in the year 2023 largely attributed to the services sector, tourism receipts and a strong recovery in agriculture following a relatively favorable rainy season.
The Monetary Policy Committee in fourth quarter raised the CBR to 12.50% on the back of increased exchange rate pressures and anchoring of inflationary expectations. Domestically, investor inclination was towards short-term instruments, resulting in a continuous rise in yields as investor's aggression increased, further exacerbating the inversion of the yield curve.

The average inflation in 2023 edged up to 7.7% compared to 7.64% in 2022. The inflation rate closed the year at 6.6% which was within the upper bound of CBK's target 7.50%. The disinflation was largely due to a slower growth in the food & non-alcoholic beverages following improved supply from improved weather conditions. Fuel inflation remained elevated, reflecting the impact of depreciation in the shilling exchange rate.

In 2023, the Kenyan shilling recorded a 26.8% y/y depreciation against the dollar, compared to the 9% depreciation recorded in 2022. The depreciation was mostly attributable to increased dollar demand amid low inflows. The decline was additionally attributable to drawdowns intended to service foreign currency debt or to make import payments.

The Equity market continued to be largely affected by foreign investor outflows due to global risk aversion, Kenya shilling depreciation, combined with sustained high interest rates from the advance economies during the period under review.

Insurance Industry Performance

According to IRA statistics released in Q4 2023, general insurance premiums amounted to Ksh153.7 billion with Motor and Medical classes maintaining a leading position in terms of contribution in general insurance business premiums at 35.2% and 27.8% respectively. The general Insurance business underwriters incurred claims amounted to Kes. 65.1 billion representing an increase of 14.9% from 56.9B reported in the third quarter of the previous year. The claims incurred loss ratio was 68.6% in the quarter under review compared to 68.4% in Q3 2022. CIC General Insurance Limited in the third quarter 2023 under review was at 4th position with a 8.3% market share.

Company Performance

In the year 2023 the company implemented the new international financial reporting standard (IFRS 17) which introduced significant changes to the accounting and reporting requirements for insurance contracts.

The financial year saw the company deliver strong results with robust growth in insurance revenue and profit before tax in line with the Board of Director's continuous focus on innovation, improving capital efficiency and digitization of key business processes to build a resilient business offering a competitive customer value proposition while providing the required return to the shareholders.

Insurance revenue was reported at 15.5 B being 21% growth from prior year restated at 12.8B while Profit before tax reported a 55% growth to close at Kshs. 1.4B from the restated Kshs. 892M reported in the year 2023. The company further reported a 24% Return on Equity growing from 10% ROE reported in the prior.

Future Outlook

In to the future, our business remains in good shape, and we are confident on our strategy and our commitment to delivering sustainable growth. We remain deeply committed to governance practices that align with our values to deliver long term sustainable value for all our stakeholders.

Acknowledgement

I am deeply grateful to the Board of Directors for their counsel, support and dedication throughout the year and for delivering a strong corporate governance environment.

I would also wish to thank the Management and all our staff for their continued agility and resilience having demonstrated deep commitment to the business, creativity and innovation that have enabled the business to deliver an outstanding performance during the year and remain a key player in the insurance industry.

Rose K. Mambo
Chairman

BOARD OF DIRECTORS

Ms. Rose Karanja Mambo: Board Chairman

Rose Karanja, aged 55, Joined the Board in 2022 as an Independent Non-Executive Director. She has over twenty-five years' C-Suite experience in capital markets, governance, business and company law, and administration both in Government and in the private sector. She is experienced in corporate governance and board service and has served on and chaired audit, risk and compliance, nominations and governance, resource mobilization, credit, ICT, disciplinary and membership services committees.

Rose is the Chair of Women Corporate Directors (Kenya) Chapter; Chair of the board of Acorn Investment Management Limited, (AIML); Chair of the Board of Airtel Money Kenya Ltd; Chair of the Board of Digital Opportunity Trust Kenya; and Vice Chair of Kenya Community Development Foundation. Rose also serves on the Boards of Development Bank of Kenya, St Bakhita Schools and Karen Country Club.

Rose holds a Master of Laws degree from the American University in Washington DC specializing in international business law, an MBA from Strathmore University and a Bachelor of Laws degree from the University of Nairobi. She is an Advocate of the High Court of Kenya and a Fellow of the Institute of Certified Secretaries, Kenya. Rose has worked as a State Counsel at the Attorney General's Chambers in the Public Trustee and Bankruptcy Sections. She also served on the Review of Companies Law Task Force, and later served as the Head of the Copyright Office.

Rose is the immediate past CEO of the Central Depository & Settlement Corporation Ltd (CDSC), providing custody and settlement services for securities traded at the Nairobi Securities Exchange. She served in this position for 12 years, until October 2019. Prior to that Rose was the Head of Legal and Compliance, and Company Secretary at the Nairobi Securities Exchange.

Mr. Edwin Otieno - OGW: Director

Mr. Edwin Otieno Joseph aged 65, Joined the Board in 2012.
He is a Non-Executive Director.

Mr. Peter Nyigei: Director

Mr. Peter Kipkirui Nyigei aged 71, joined the Board in 2012. He is a Non-Executive Director representing CIC Insurance Group Plc, a major shareholder. He is currently the secretary of Sinendet Tea Multipurpose Society and a director of Imarisha SACCO. Mr.Kipkirui is a retired teacher and was also a principal. He served as a Programme Officer and a trainer in Early Childhood Education in Bomet, Nakuru, Baringo and Kericho Counties. The Director has undertaken General Insurance Business and several Corporate Governance trainings and is a member of the Institute of Directors of Kenya.

Mr. Patrick Nyaga: Group Chief Executive Officer

Mr. Patrick Nyaga, aged 56 is the Group Chief Executive Officer. He holds a master of Business Administration from Strathmore Business School and a Bachelor of Commerce Degree in Accounting. He is a Certified Public Accountant (K) and a member of ICPAK. Mr. Nyaga has over 30 years working experience mainly financial services and auditing. He has worked in various senior positions in banking. Prior to joining CIC Group Ltd he was the Group Finance and Strategy Director- at Co-operative Bank of Kenya Limited. He previously worked at Barclays Bank now (ABSA) as the Regional Head of Assurance and at KPMG (EA), with the main focus being audit of financial institutions in Kenya and the region. He is a member of the Institute of Directors of Kenya and has undertaken training in various disciplines among them Corporate Governance courses, Insurance, Banking, and Strategy among others.

BOARD OF DIRECTORS *(Continued)*

Mr. Joseph Gatuni: Director

Mr. Joseph Gatuni aged 52, Joined the Board in the year 2020 as an Non-Executive Director representing Co-operative bank of Kenya. Mr. Gatuni is certified public accountant with over 25 years of professional experience in all fields of External and Internal Audit, Consultancy, financial planning, and analysis, business process improvement, Risk Management and compliance. He is the current Group Chief Internal Auditor for Co-operative bank of Kenya. He holds a Bachelor of Commerce degree (Accounting option), Certified Public Account (CPA (K), Certified Public Secretary (CPS K), Certified Internal Auditor (CIA) and is also a Certified Quality Assessor by the Institute of Internal Auditors (IIA). He has attended various audit and risk management trainings both locally and internationally. The Director is a member of Institute of Public Accountants of Kenya (ICPAK), the Institute of Internal Auditors and Institute of Directors of Kenya.

Mr. Jackson Mbui: Director

Director, Eng Jackson Muchira Mbui, aged 65 joined the board in 2022, as an Independent Director. He holds an MBA in Strategic Management and Bsc and Mechanical Engineering from the University of Nairobi. The Director has undergone trainings in Management Development, Effective Director Programme from Strathmore University, Strategy & Development, Business Risk Management, Project Management and Company Directors Course from Commonwealth Association for Corporate Governance. Mr Mbui has also undergone the Corporate Governance training by Centre for Corporate Governance and is a member of the Institute of Directors of Kenya. He was the founder Chairman of the courier industry association of Kenya. Eng Mbui served as the Managing Director of Tata Chemicals Magadi Ltd, a subsidiary of Tata Chemicals, Mumbai- India. He also served as an Advisor within the group. Prior to joining Tata, he was a long serving Deputy Managing Director for G4S Kenya Ltd. He honed his commercial and business skills while serving as General manager for Car and General and serving as the production manager for the "Coca Cola Company". Jackson Muchira commenced his career working for "Services Techniques Schlumberger" in Paris –France.

Mr. Frederick Ruoro: Managing Director

Mr. Fred aged 44, is the Managing Director CIC General Insurance Ltd. He holds a bachelor's degree in Mathematics & Physics from The University of Nairobi. In addition, he is a senior Certified Insurance Professional from the Australian & New Zealand Institute of Insurance and Finance and is a Fellow of the Life Management Institute. Fred holds Advanced Diploma in Management Accounting from the Chartered Institute of Management Accountants (CIMA). Prior to joining CIC, he was the Managing Director of First Assurance Company Ltd. He is a member of good standing of the Insurance Institute of Kenya (IIK).

Ms. Mary Wanga: Company Secretary

Ms. Mary Wanga aged 56, is the Company Secretary and an Advocate of the High Court of Kenya with over 26 years' experience in various capacities and industries as a practicing and corporate lawyer ranging from legal, insurance, finance and Micro, Small and Medium Enterprises (MSMEs). She joined CIC Group Plc in 2008. Ms. Wanga is a Certified Public Secretary CPS (K) and holds a Bachelor of Law Degree (LLB), Bachelor of Social Legislation and Post Graduate Diploma from the Kenya School of Law and Diploma in Insurance (AIIK) from the College of Insurance. She is a member of the Institute of Directors-Kenya, an Associate Member of Insurance Institute of Kenya (IIK), Law Society of Kenya, The Chartered Institute of Arbitrators (Kenya branch) (ACIArb) and Institute of Certified Secretaries-ICS(K)

MANAGING DIRECTOR'S STATEMENT

Dear Shareholders
On behalf of the Management team of CIC General Insurance Ltd, it is my pleasure to present the Annual Report and Financial Statements for the year ended 31st December 2023.

Overview

Kenya's economy expanded by 5.9% in Q4 2023 attributed to a rebound in agriculture and continued growth of the services sector. It is worth noting that the economy continues to face several challenges including increased fiscal and external vulnerabilities evidenced by the high public debt. In addition to this, elevated cost of living, exchange rate pressures and the current global economic slowdown poses a challenge in sustaining Kenya's growth momentum.

In the Equities Market, NSE-20 and NASI indices declined by 10.4% and 27.5% respectively influenced by anticipated foreign investor outflows amid global risks and the commitment of central banks in advanced economies to maintain high interest rates.

Inflation rates registered a slight improvement in Q4 2023, dropping to 6.6% and within the CBK target of 2.5%-7.5%. This was driven by easing of food prices due to improved weather conditions and government measures to lower the cost of agriculture inputs, including fertilizer subsidies. That notwithstanding, inflationary pressures persist, mainly from shilling depreciation, higher energy costs due to rise in electricity tariffs and international oil prices, as well as the implementation of a 16% VAT on petroleum products.

Short-term interest rates continued on the upward trend in Q4'23 with the 91,182 and 364-day papers closing at 15.88%,15.97% and 15.90% respectively. There's a continuing trend of investor preference for short-term instruments, leading to increased yields and an inversion of the yield curve.

The Kenya Shilling has steadily depreciated in Q4 2023, declining by 26.8% y/y against the dollar. In Q1 -2024, we noted a marked improvement, but the effect has not yet translated to a decrease in our cost of production.

Industry Performance

General insurance business underwriting results declined from a loss of KES 2.26 billion in Q3 2022 to a loss of KES 4.09 billion in Q3 2023. Non-life segment continues to dominate the industry with a contribution of 57.1%(Ksh.153.72B) of the total premium written by insurers during the period under review. Medical and motor insurance classes maintained a leading position in terms of contribution in General insurance business premiums at 35.2% and 27.8% respectively.

The Loss ratio under General Insurance for the period under review was 68.6% (2022: 68.4%). Claims incurred by general insurers were Ksh.65.31B as at end of Q3 2023.

The insurance industry asset base grew significantly by 6.9% to Ksh. 162.42 B as at the end of Quarter 3 2023 from the Ksh. 151.98B held as at the end of Quarter 3 2022. Investible assets classes with the highest proportions were; government securities (59.2%), investment property (15.6%) and term deposits (15.5%).

Company Performance

CIC General delivered a commendable all-round performance in FY 2023. Our profitability improved from a restated profit before tax of Ksh.892M in December 2022 to a profit before tax of Kshs. 1.4B in December 2023, representing a 55% growth.

This performance is attributed to a 21% growth on Insurance revenue and 30% growth in Net investment income during the year.

The company continues to intensify the cost containment measures to ensure profitable growth across all business products.

Future Outlook

Our focus in 2024 will be to drive profitable growth and operational excellence by focusing on transformational initiatives including digitization, improved customer experience, innovation and product development, sales and cost optimization and prudent debt management.

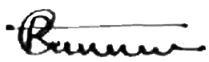
Management will also work on improving the control environment and creating a high-performance culture.

Acknowledgement

I want to express my gratitude to the Board of Directors for their stewardship, expert oversight and support to our strategic plan. I appreciate our Customers for their invaluable support, loyalty and trust in our brand.

I commend the Leadership team and Staff for their diligence and commitment to our strategic objectives. Finally, I would like to thank our shareholders and stakeholders for their contribution to our resilient performance in 2023. We remain committed to being a world-class provider of insurance and other financial services.

God bless you all.



Fredrick Ruoro
Managing Director

SENIOR MANAGEMENT

Mr. Frederick Ruoro: Managing Director

Mr. Fred aged 44, is the Managing Director CIC General Insurance Ltd. He holds a bachelor's degree in Mathematics & Physics from The University of Nairobi. In addition, he is a senior Certified Insurance Professional from the Australian & New Zealand Institute of Insurance and Finance and is a Fellow of the Life Management Institute. Fred holds Advanced Diploma in Management Accounting from the Chartered Institute of Management Accountants (CIMA). Prior to joining CIC, he was the Managing Director of First Assurance Company Ltd. He is a member of good standing of the Insurance Institute of Kenya (IIK).

Ms. Mary Wanga: Company Secretary

Ms. Mary Wanga aged 56, is the Company Secretary and an Advocate of the High Court of Kenya with over 26 years' experience in various capacities and industries as a practicing and corporate lawyer ranging from legal, insurance, finance and Micro, Small and Medium Enterprises (MSMEs). She joined CIC Group Plc in 2008. Ms. Wanga is a Certified Public Secretary CPS (K) and holds a Bachelor of Law Degree (LLB), Bachelor of Social Legislation and Post Graduate Diploma from the Kenya School of Law and Diploma in Insurance (AIIK) from the College of Insurance. She is a member of the Institute of Directors-Kenya, an Associate Member of Insurance Institute of Kenya (IIK), Law Society of Kenya, The Chartered Institute of Arbitrators (Kenya branch) (ACIArb) and Institute of Certified Secretaries-ICS(K)

Michael Mugo

Michael aged 53, is the General Manager, Branch and Distribution. He joined the Group in 2003 as an Agency Manager in Ordinary life. He has a total of 27 years' experience in the Insurance industry.

He has served the organization in various senior capacities including Sales Management, Corporate Affairs and Communication, Marketing and Strategy. He has undergone extensive training in the areas of leadership, Governance and strategic management. He is the immediate former MD, CIC Africa (South Sudan) and played a prime role in the establishment of the subsidiary in South Sudan.

Michael is a graduate of the Advanced Management Program (AMP) from Strathmore Business School, Lagos Business School and IESE, Barcelona. He is an Associate, Life Management Institute (ALMI). He holds an MBA degree from JKUAT with special focus on Strategy and Marketing. He is a Bed (Econ & Geog) graduate of Moi University. He has extensive training and experience in corporate leadership and management in the insurance sector. He is also a Certified Trainer with the Centre for Corporate Governance – Kenya, and is an ardent advocate for the application of best practice in Corporate Governance within our institutions and business enterprises.

He is a member of the Institute Of Directors of Kenya (IOD), Insurance Institute of Kenya (IIK), Marketing Society of Kenya(MSK) and LOMA

Kang'e N. McDonald

Kang'e N. McDonald aged 41, is the General Manager - Medical. He holds a Master's Degree (Msc) in Finance and Investments, a Bachelor's Degree in Finance and Accounting, a post graduate Diploma from the Kenya Institute of Management and various professional qualifications including Certified Credit Professional (CCP) and Certified Secretary (CS) and a Certified Public Accountant (CPA). He is a member of the Institute of Certified Public Accountants (ICPAK). He is also a graduate of the Management Advancement Program from the University of Witwatersrand (SA) and is a researcher on transient advantages and dynamic capabilities in relation to business performance. Kang'e has a wealth of experience in various sectors including insurance and healthcare delivery, NGO management as well as in the consulting services.

Edward Thagichu

Edward aged 40, is the Senior Manager - Finance. He holds a Bachelor of Commerce degree (Finance Option) from Catholic University of Eastern Africa. He is also a Certified Public Accountant of Kenya (CPA-K) and a registered member of ICPAK. He has over 10 years' experience in Finance in the Insurance Industry and joined CIC in September 2016.

SENIOR MANAGEMENT

Scovier Juma

Scovier aged 36, is the Senior Manager-Claims. She holds a Master's Degree in Business Administration (MBA-Finance) and a Bachelor's of Science Degree in International Business Administration (Finance and Management Options); both from United States International University-Africa (USIU-A).

She also holds a Diploma in Insurance from College of Insurance (AIIK) and a Certification in Dispute Resolution from DCRI. She is member of Insurance Institute of Kenya (IIK).

Scovier has 13 years' cumulative experience in the insurance industry and joined CIC in August 2016. She has served in various capacities culminating to the current role.

Faith Muriungi

Faith aged 55, is the Senior Manager – Underwriting. She holds a Bachelor of Commerce degree (Insurance Option). She also has a Diploma in Insurance (ACII). Ms. Muriungi has over 20 years' experience in the insurance industry. She joined CIC in 2015.

Mwenda P. Itumbiri

Mwenda aged 49, is the Ag. Director People and Culture. He holds a Bachelor of Science Degree (Biochemistry) from Egerton University, a Master of Business Administration, MBA (Human Resource Management) from the University of Nairobi, a Higher Diploma in Human Resource Management from the Kenya Institute of Management, KIM and Diploma in Insurance from the College of Insurance. Mr. Mwenda is also a Certified Quality Management Systems Lead Auditor with over 22 years Leadership and Management experience, 18 of which have been in Strategic HR Leadership. He is a full member of the Institute of Human Resource Management, MIHRM, the Kenya Institute of Management, MKIM, Insurance Institute of Kenya, AIIK and the Institute of Directors, Kenya, IOD. Mr. Mwenda has been in the insurance industry for the last 11 years. He joined CIC Insurance Group in 2012.

Susan Robi

Susan aged 45, is the General Manager Risk and Compliance. She is an Advocate of the High Court of Kenya holding a Bachelor of Laws ("LLB") Degree from the Makerere University and a Masters in Law and Finance from Goethe University (Institute of law and Finance) in Frankfurt Germany. Professionally Ms. Robi holds a Post Graduate Diploma from the Kenya School of Law and has over 10 years of experience in various capacities and industries ranging from both Local and International Law Practice, Insurance, Finance, Pensions and Risk Management. Ms. Robi joined CIC in 2011.

Salome Wambui

Salome aged 36, is the Group Actuary. She holds a BSc (Hons) in Actuarial Science, Masters in Economics (Econometrics) and is a Fellow of the Institute and Faculty of Actuaries (IFoA) in the UK. She is also a member of The Actuarial Society of Kenya (TASK). Salome joined CIC Insurance Group in 2014.

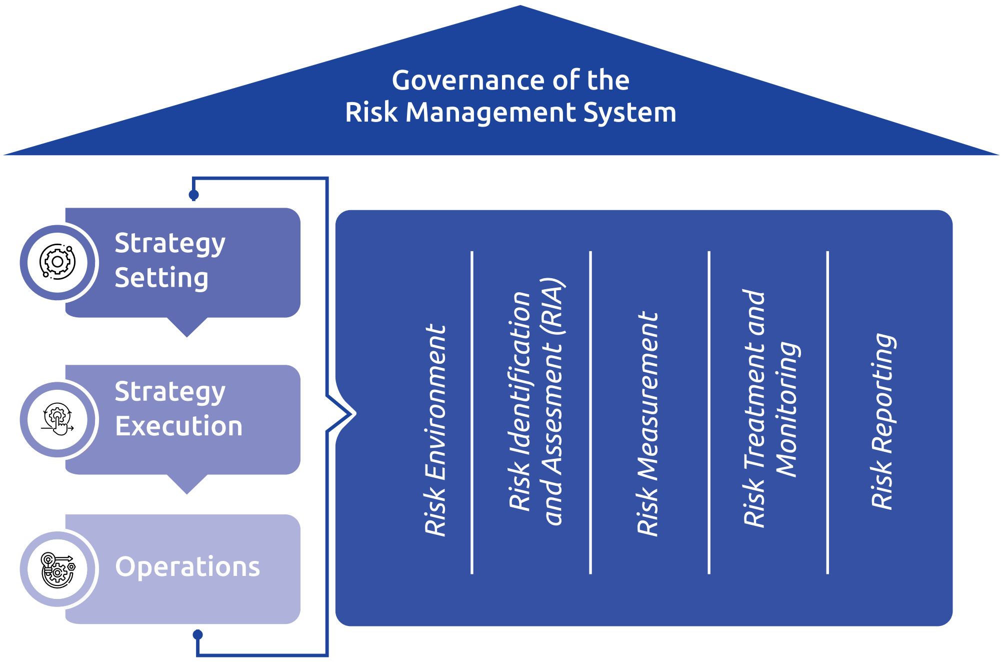
Tabitha Kihanya

Tabitha aged 38, is the General Manager - Alternative Channels at CIC Insurance Group with over 13 years work experience in various capacities within the Banking and Insurance industry. She holds a Bachelor's Degree in Business Management from Moi University, a Diploma in Insurance from College of Insurance – (AIIK) and is pursuing a Master's Degree in Development from Daystar University and an Executive MBA from Liverpool John Moores University. Tabitha is a member of Insurance Institute of Kenya (IIK). She joined CIC Insurance Group in 2015.

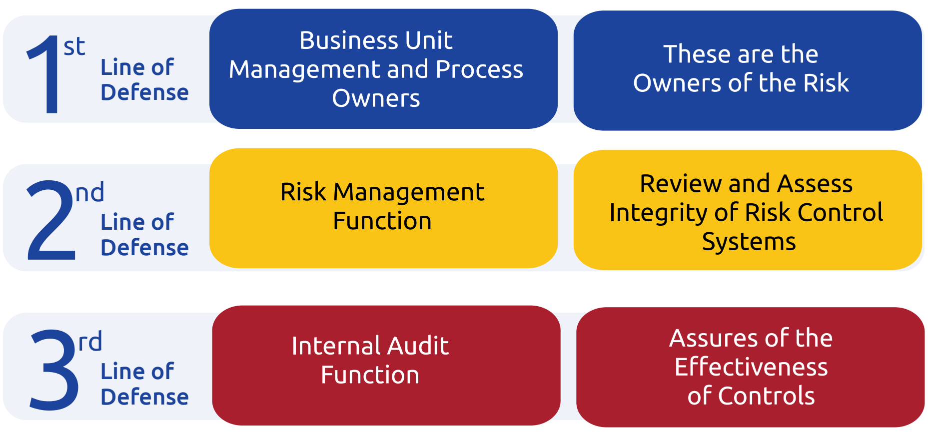
EMBEDDING A RISK MANAGEMENT CULTURE

"Making risk management a reflex as opposed to ticking the box"

CIC General Insurance Ltd has identified risk management as a critical pillar in strategic implementation and success. The Board has laid a foundation to enable management entrench risk management as part of the culture. Strategy setting, execution and operation are all driven by the risk governance ensuring that at all time there is awareness of the risk environment, risks are identified and adequately assessed. This ensures accurate measurement of risk, leading to the right treatment of the risks which are then monitored against well-established risk tolerance limits. There are also well established risk reporting cycles to ensure ownership and accountability at all times



OUR APPROACH TO RISK MANAGEMENT



TOP RISK AND OUR RESPONSE

Key Risk Description	Impact	Mitigation
Insurance Risk: Context: Insurance Risk would be as a result of inappropriate reinsurance, reserving, underwriting, claims management, product design and pricing. Opportunity: This risk gives us insight into market development and gives us the opportunity for product development and pricing adjustment.	This impacts business performance since it results in poor core business outcome which in turn affects strategic objectives.	CIC has a detailed insurance risk policy which guides on the management of this risk. The above policy is framed within the risk tolerance and appetite. Insurance risk is strictly monitored using dynamic the Key Risk Indicators. Strong controls are in place to guide product design, pricing, rating and reinsurance arrangements.
Regulatory Risk Context: Being a regulated entity CIC is Subject to Changing regulatory and reporting requirements. Opportunity: We are keen on 100% compliance and by focusing on regulatory compliance we continue to strengthen our control environment to build a more resilient brand.	Our regulatory environment is complex and in the current year we experienced increased regulatory risk due to change in laws and regulation; the revised Anti Money Laundering and Counter Terrorism Financing (Amendment) Act 2023, The Data Protection Act implementation and International Financial Reporting Standards Changes. All these impact the way we do business.	CIC has built a compliance culture and compliance is monitored through a well-established compliance model. CIC has mapped out compliance requirement to anticipate regulatory deadlines and ensure full implementation and 100% compliance with new requirements.
Credit Risk Context: This is a risk that a counter party will be unable to pay amounts in full when due. These may arise out of insurance/reinsurance contracts, cash at bank, corporate bonds and deposits with financial institutions. Opportunity: Continuous engagement with customers and understanding the customer needs to form a long lasting partnership and retain business. The investment counter party risk has provided us the opportunity diversify the investment portfolio ensuring sustainable investment income.	High amount of Insurance premium receivables or reinsurance claims receivables impact business solvency negatively under the Insurance Risk based Capital Requirements. Any credit resulting in failure of the Investment counterparty has an impact of the Balance sheet.	CIC carries out its business on a "cash and Carry" basis and further has a strict credit risk management framework. CIC also minimizes its investment counter party risk through robust Investment Policy statement, that guides on investment grade assets / counter parties and give allowable ranges for all investment asset mix
Operational Risk Context: This is the risk that failure of Systems, processes and people. Opportunity: Building a resilient company through regular testing of control and hardening on virtual and physical environment.	The risk would leave the company exposed to financial losses, reputational risk and even regulatory penalties.	CIC has built a strong control environment for managing the risks and in addition there is a strong BCP framework for managing black swan events.
Market Risk This is the risk of financial Losses in investment caused by adverse price movements. CIC has a focus to enhance the shareholder value by ensuring investment returns.	This exposes the company to fluctuation in value of its assets and impacts shareholder value while also reducing investment opportunities available in the market.	We manage our market risk by ensuring we have a diversified portfolio. To this end we have embedded a portfolio rebalancing strategy in our Investment policy statement to provide agility in responding to market movement. Our investment strategy in informed by our Asset Liability Matching model that ensures asset allocation correspond to liabilities to minimize our risk exposure

REPORT OF THE INDEPENDENT GOVERNANCE AUDITOR
FOR THE YEAR ENDED 31 DECEMBER 2023

Introduction

We performed a Governance Audit on CIC General Insurance Limited covering the year ended 31st December 2023 which comprised assessment of Governance Practices, Structures and Systems put in place by the Board.

Board responsibility

The Board is responsible for putting in place governance structures and systems that support the practice of good governance in the organisation. The responsibility includes planning, designing and maintaining governance structures through policy formulation necessary for efficient and effective management of the organisation. The Board is responsible for ensuring its proper constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; and sustainability and performance management.

Governance auditor's responsibility

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the organisation within the legal and regulatory framework and in accordance with best governance practices as envisaged under proper Board constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; and sustainability and performance management, based on our audits.

We conducted our audits in accordance with ICPSK Governance Audit Standards and Guidelines which conform to global standards. These standards require that we plan and perform the governance audit to obtain reasonable assurance on the adequacy and effectiveness of the organisations policies, systems, practices and processes. We believe that our governance audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the Board has put in place effective, appropriate and adequate governance structures in the organisation which are in compliance with the legal and regulatory framework and in line with good governance practices in the interest of stakeholders.

CS. Jacqueline Oyuyo Githinji, ICPSK GA. No 00030
For Umsizi LLP

18 March, 2024

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

1. INTRODUCTION

CIC General Insurance Limited ("The Company") was incorporated on 29th July 2009 and issued with a Certificate No. CPR/2009/7930 under Chapter 486 Laws of Kenya (Now repealed by the new Companies Act No.17 of 2015) as a wholly owned subsidiary of CIC Insurance Group Plc, to conduct and carry on short term insurance underwriting business within the Republic of Kenya. The Company's incorporation was informed by Insurance Regulatory Authority (IRA), regulatory requirement to separate short term and long term insurance businesses. The Company was duly registered and licensed as a short term insurer on 27th November 2012.

The Board is keen to see that the ethos of Corporate Governance as set out in various legislations governing the operations of the Company are observed.

This statement sets out the key components of the company's corporate governance framework, which provides guidance and defines the roles, responsibilities and conduct expected of the board, management and employees.

Good corporate governance has been critical in the stability of the Company and has had a positive impact on the relationship between the Company and its stakeholders, including the protection of the policyholders' interests, hence transforming the company into a top-tier insurer in Kenya.

2. OVERVIEW OF GOVERNMENT STATEMENT REGULATIONS AND COMPLIANCE

The governance and internal control systems, which comprise the Memorandum and Articles of Association, Board Charter, Committees terms of references, policies, organizational structure, and any subsequent amendments demonstrate that the Company has adopted the broad concepts and principles underpinning good corporate governance thereby achieving the objectives of Insurance Act, Chapter 487, Insurance Regulatory Authority Corporate Governance Guidelines for Insurance and Reinsurance Companies, 2011 (The "Guidelines"), Insurance Regulatory Authority Guidelines on Risk Management and Internal Controls, 2013, Insurance (Group-Wide Supervision) Regulations, 2019, Companies Act No.17 of2015, Companies(General) (Amendment) No.2 Regulations, 2015, The Companies (Beneficial Ownership Information) Regulations, 2020 and emerging trends and best practices in corporate governance. In addition, the company abides by the tenets of the Constitution of Kenya 2010, and all other laws as a law-abiding corporate citizen.

3. STATEMENT OF COMMITMENT TO GOOD CORPORATE GOVERNANCE

The Board is committed to good corporate governance and appreciates that good governance, achieved through an ethical culture, competitive performance, effective control and legitimacy, can create sustainable value and enhance long-term sustainability.

The Board acknowledges the relationship between good governance, on the one hand and risk management practices, on the other for the achievement of the Company's strategic objectives and performance.

In promoting the success of the Company, the Board must have due regard to the long-term consequences of their decisions, the legitimate interests of employees, the need to foster effective business relationships with suppliers, customers and various stakeholders, the impact of the Company's operations on the community and the environment, and the desire to maintain a reputation for high standards of business conduct.

The Board promotes and supports high standards of corporate governance and is committed to the demonstrable pursuit of excellence in sound corporate governance practices, policies and procedures as evidenced in its internal policies and procedures. With regard to the year under review, the Board believes that the principles of the governance framework are embedded in the corporate culture, internal controls, policies and procedures governing corporate conduct within the Company. The Board is committed to continuous improvement to strengthen the principles and spirit envisioned in the guidelines in its operations, to the extent that the same are applicable and appropriate.

OUR KEY STAKEHOLDERS AND PARTNERS.

The Board of Directors with the support of Management proactively manages the relationship with all stakeholders by embracing a stakeholder- inclusive approach. Engaging with stakeholders is key to understanding their expectations as well as driving continual improvement. We require our stakeholders to adhere to the highest level of integrity and business ethics in their dealings with us. The Board has put in place an effective stakeholder engagement policy which is reviewed from time to time and biannually reviews the policy tracking report.

CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

Table 1

Internal Environment			
Shareholder (Owner)	**Board of Directors**	**Managers**	**Employees**
Contribute capital, undertake risks associated with the launch of insurance activities and the insurer's operations	Represent shareholders' interest, ensure growth and long term sustainability, provide organization and strategic oversight	Contribute knowledge, managerial skills and make decisions. Maintain strong relationships, keep abreast of market developments and get feedback that informs company's strategy, business operations and governance.	Perform the assigned tasks, participate in defined processes and contribute knowledge and skills.
External Environment			
Customers & Policyholders Beneficiaries (Private and Institutional Clients)	**Regulators (IRA)**	**Industry Forums (AKI, AIBK, IIK, The Africa Insure Tech)**	**National & County Government Agencies (KRA, NHIF, NSSF, UFAA etc)**
Develop trust and confidence in quality innovative products, Continuous obligation and daily engagement through frequent marketing of CIC General Insurance products.	To ensure the rights of the policyholders are protected. To ensure compliance with the regulatory legislative framework and provide input into the legislative development process.	Participate in consultative industry and sector forums to influence and or promote common agendas.	Continuous participation in, and be a partner to the transformation of the Kenyan economy and the insurance sector. Participation in consultative industry and sector forums.
Insurance Intermediaries (Independent insurance agents, brokers and executive agents)	**Market Competitors**	**Reinsurers**	**Service Providers & Suppliers**
Acquire new customers, Preparing, Concluding and managing insurance contracts; Handling claims and organizing and supervise agency services.	Strategic alliances through risk sharing mechanisms such as consortiums: i.e Co-insurance contracts. Participation in Industry Reports and benchmarks. Insuretech partnerships with other companies i.e Insure Africa Travel Package. Participate in industry sector debates and awards.	Entities receiving portion of the insurance risk. Reinsurance Treaties. Co-Reinsurance Treaties. • Product development and innovation. • Strategic Partnerships • Solvency and Capital relief	Our service providers and suppliers are essential participants in the value chain and contribute to the value we give to them Shareholder. i.e Outsourcing companies- Consulting companies, Bankers & Financial Institutions (MFI's), Landlords, External Auditors, Statutory Actuary, Global Credit Rating Firm, Marketing Firms etc.

CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

Table 1 *(Continued)*

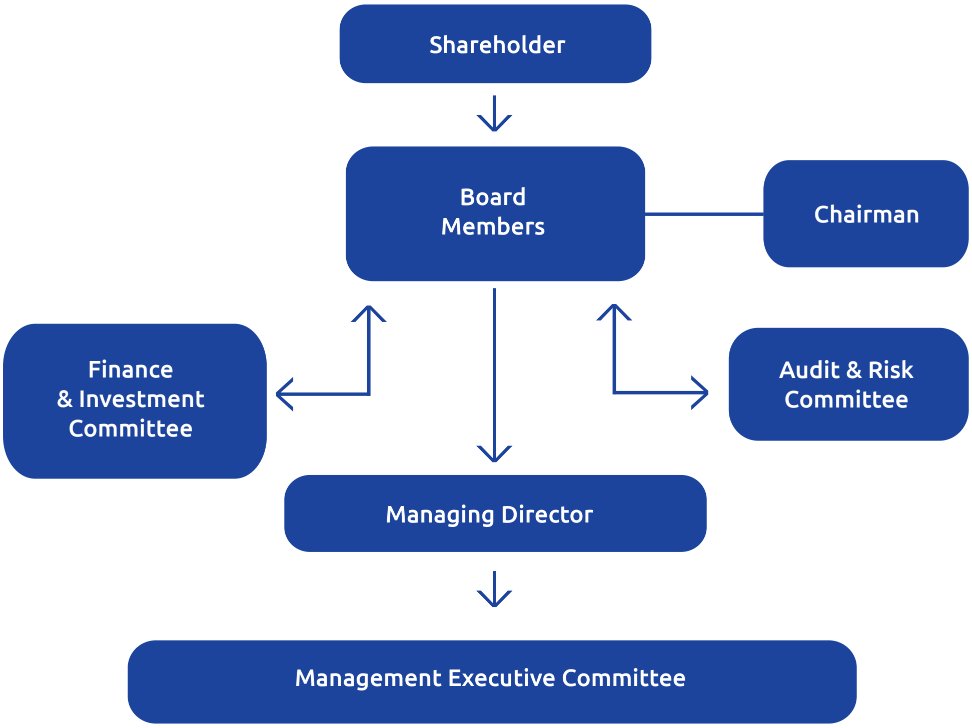
External Environment			
Strategic Alliances & Partnerships	**Media**	**Community and Public at Large**	**Law Enforcement Agencies. i.e Judiciary, Police etc**
Close engagement with various partners through MOUs and SLAs. Cooperative Movement-CAK, ICA, ICMIF. Reinsurance Partners, AA of Kenya. Medical Service Providers. Garages and Valuers. Association of Kenya Insurers. Professional Bodies-IOD,ICS, ICPAK, LSK etc. Collaborations-KESSHA, KATTI, KEPSHA, KPSA etc. Banks & MFIs- CooperativeBank of Kenya.	Proactively engage media on dissemination of important company information. To communicate with relevant stakeholders and the broader public with a view to having a positive influence on behaviour that will lead todesired business results.	Create partnerships that serve to facilitate CIC General Insurance Ltd integrated sustainability activities. CIC Foundation partnering with communities to educate bright but needy children from needy back grounds. Public participation in projects and initiatives that give back to the society such as:- tree planting, Ushirika Day. Public participation on road safety trainings.	• Fraud detection and prevention. • Information sharing. • Regulatory compliance. • Public safety and crime reduction. • Disaster response. • Training and Education. • Data Analytics and Technology. • Claims prossesing support.

OVERVIEW OF THE COMPANY'S CORPORATE STRUCTURE

FOR THE YEAR ENDED 31 DECEMBER 2023

4. GOVERNANCE STRUCTURE

Through the corporate governance framework, the Board sets out the strategic direction of the company while entrusting the day-to-day running of the organization to the executive management led by the Managing Director, whose performance against set objectives and policies is closely monitored. The Board has implemented an internal governance structure with defined roles and responsibilities. The Company's shareholder appoints the Board of Directors, who in turn oversees and govern the Company by offering effective strategic oversight administration in its stewardship task to greater prosperity while ensuring accountability and disclosure, in line with IRA (Corporate Governance) Regulations, 2011. The Chairman provides overall direction and guidance to the Board. The Board Charter, which has been approved and is regularly reviewed by the Board, provides for a clear definition of the roles and responsibilities of the Chairman, Directors, the Managing Director and the Company Secretary.



CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

5. THE BOARD CHARTER

The Board Charter is critical to the company's governance framework, and offers guidance on matters including but not limited to the following:

The separation of the roles, functions, responsibilities and powers of the Board and its members;

Powers delegated to the Board Committees;

Matters reserved for final decision-making and approval by the Board;

Policies and practices of the Board on matters of corporate governance, directors' declarations of conflict of interest, conduct of board and board committee meetings; and;

Nomination, appointment, induction, ongoing training and performance evaluation of the board and its committees.

The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

The Board Charter is not a substitute or a replacement for any laws and regulations that govern the running of the company. The Board Charter is reviewed from time to time whenever necessitated due to amendments in legislation so as to align with the dynamic best practice and in any event not more than two (2) years since the last review in March, 2021.

6. BOARD COMPOSITION, SIZE AND APPOINTMENTS

The constitution of the Company's Board of Directors is stipulated by the Company's Memorandum and Articles of Association that sets out a minimum of five (5) and a maximum of nine (9) directors including the Managing Director and the Group Chief Executive Officer. It comprises seven (7) directors constituted as follows:

I. Three (3) non-executive directors
II. Two (2) executive directors
III. Two (2) independent and non-executive directors.

The Board of Directors are appointed in line with the requirements of section 27A of the Insurance Act and Guideline 3 of IRA Corporate Governance Guidelines 2011 which provide: - the Insurer is expected to appoint at least five (5) members of the Board. A third of the board members shall be independent directors who shall not hold office for more than two terms of three years each. The Principal Officer shall be an ex-officio member of the Board with no right to vote at the Board Meetings. For the financial period under review, the Board composition complied with this statutory requirement.

The composition of the Board in the financial year under review was targeted towards ensuring fair representation of the major shareholder structure, as well as, optimization of the appropriate skill, experience, diversity and geographical mix to facilitate the effective execution of its mandate.

The following are the guiding principles in determining the board composition:

i. The Company's shareholding structure;
ii. Maintenance of the requisite independence on the board;
iii. The sufficiency of the size of the Board as is necessary to attain the objectives of the company;
iv. Effective succession planning to ensure smooth transition on the board;
v. Board diversity to ensure that there is the desired mix of skills, knowledge, expertise and experience to enable the board to discharge its duties effectively.

These should be progressively reflected on the Board of Directors, given the increasingly dynamic operating environment.

7. THE BOARD

The primary role of the Board remains provision of effective leadership to the Company towards:

- Sustainable long-term success through the exercise of objective and informed judgement in determining the strategy of the Company.
- Having the right team in place to execute the strategy through effective succession planning.
- Setting up appropriate governance structures for management of the business operations.
- Monitoring business performance and maintaining an effective framework of controls to mitigate risks facing the business.
- Ensuring ethical behavior and compliance with the laws and regulations.
- The Board is solely responsible for its agenda. It is, however, the responsibility of the Chairman and the Company Secretary, working closely with the Managing Director, to come up with the annual Board work plan and the agenda for the Board meetings.

8. THE BOARD'S FUNCTION AND RESPONSIBILITIES

The Board of Directors is responsible for the management of the Company. This includes setting goals and strategies necessary to operate the Company and monitoring implementation by Management.

CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

The responsibilities of the Board are outlined in the Charter of the Board of Directors. The Board has delegated certain responsibilities to its Committees that operate within the mandate as entrusted by the Board of Directors.

The Board's responsibilities as set out in the Board Charter include inter alia:

a. Informing and setting the strategic direction of the company and ensuring that strategy, risk, performance and sustainability considerations are effectively integrated and appropriately balanced
b. Provide effective leadership in collaboration with the senior management team
c. Approve the Company's mission and vision in line with its business strategy.
d. Approving the Company's business strategy and ensure the necessary financial and human resources are in place to meet agreed objectives
e. Approve the Company's budgets as proposed by the management team
f. Establish and agrees on an appropriate governance framework
g. Review the sufficiency, effectiveness and integrity of the risk management and internal control systems
h. Review periodic financial and governance reports
i. Approve the Annual Report and Company results
j. Declaring an interim/recommending a final dividend
k. Reviewing succession planning for the management team and makes senior executive appointments, organizational changes and high- level remuneration issues.
l. Providing oversight and reporting to the shareholder on the direction, governance and performance of the Company as well as other processes that require reporting and disclosure.

9. THE BOARD OF DIRECTORS DUTY OF TRUST

Each member of the Board of Directors owes a duty of due diligence, care and trust to the Company and adherence to responsibilities as defined in the Board Charter. This also includes the principles of clear information, transparency, good faith, care, trust, and efficiency, needed to achieve the Company's interest and that of the stakeholders.

10. DIRECTOR INDEPENDENCE

The Board has put in place policies and procedures to ensure independence of its members and annually determines the status of independence of board members. The Board recognizes that independent board members bring independent and objective judgement to the Board and this mitigates risks arising from conflict of interest or undue influence from interested parties.

In determining the independence or otherwise of a director, the Board, not only relies on the codified principles but also has an objective regard to the relationship between a director and the Company or between a director and third parties that may compromise the director's independence.

11. SEPARATION OF ROLES AND RESPONSIBILITIES

The Board Charter stipulates a clear separation of the role and responsibilities of the Chairman and the Managing Director. Care is taken to ensure that no single director has unfettered powers in the decision- making process.

12. DUTIES OF THE CHAIRMAN OF THE BOARD

"Corporate Governance and chairmanship are inextricably linked, because corporate governance is concerned with the system by which companies are directed and controlled, which is clearly the responsibility of their boards of directors. Equally clearly, it is the chairmen who are responsible for the working of boards. Thus, the way in which corporate governance principles are put into practice is primarily a matter for board chairmen". Sir Adrain Cadbury.

The Chairman is an independent non-executive Director and is responsible for the proper functioning of the Board. Her primary role is to direct the Board's business and act as its facilitator and guide, ensuring the Board is effective in its task of setting and implementing the Company's direction and strategy. The Chairman of the Board and the Managing Director are separate functions held by different individuals.

The roles of the chair are as follows;

- The Chairman creates the conditions for overall board and individual director effectiveness,
- Lead the Board, sets each meeting agenda and ensures the Board receives accurate, timely and clear information in order to monitor, challenge, guide and make sound decisions,
- Regularly meets with the Managing Director to stay informed,
- Ensure effective communication with the shareholders and other stakeholders
- Promote high standards of corporate governance;
- Promote and safeguard the interests and reputation of the Company

13. DUTIES OF THE MANAGING DIRECTOR

The Managing Director is responsible for the day-to- day leadership of the Company's business affairs and ensures the execution of strategy as set out by the Board. His responsibilities include:

i. Driving the implementation of the strategy and business as approved by the Board.

CORPORATE GOVERNANCE REPORT *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

13. DUTIES OF THE MANAGING DIRECTOR *(Continued)*

ii. Managing all matters affecting the operations and performance of the company within the authority delegated to him by the Board.
iii. Providing timely and accurate information about the Company and material developments to the Board.
iv. Communicating to internal and external stakeholders on matters affecting the Company.
v. Leading and motivating the Senior Management team by ensuring they set annual performance objectives that stretch their capabilities and monitoring the delivery of the same.
vi. Maintaining and ensuring the effectiveness of the system of governance adopted across the company

The Managing Director's performance is reviewed regularly against objectives and measures set by the Board in his annual performance appraisal. It is on this basis that the Managing Director's performance appraisal was evaluated during the reporting period.

14. BOARD TENURE OF OFFICE

In accordance with the Company's Memorandum and Articles of Association, one third of the directors are eligible to retire by rotation at every Annual General Meeting and if eligible, may offer themselves for re- election by the shareholder. Directors who have been in office longest, as calculated from the last re-election or appointment date are required to stand for re-election and/or re-appointment in the case of Independent Directors. The company has complied with this provision as set out in the table below. The tenure of office of an Independent Non-Executive Director is capped at two terms of three years each.

Table 1 – Director Appointment

Director	Date of Appointment to the Board	Date Last Re-Appointed
Rose K. Mambo	06.10.2022	04.05.2023
Edwin Otieno	28.03.2012	12.05.2022
Peter Nyigei	28.03.2012	04.05.2023
Eng. Jackson Mbui	05.09.2022	04.05.2023
Joseph Gatuni	01.12.2020	-
Patrick Nyaga	05.08.2020	-
Fredrick Ruoro**	04.01.2021	-

Note: ** Mr. Fredrick Ruoro is ipso facto an Executive Director by virtue of his office.

15. DIRECTOR APPOINTMENT AND DUE DILIGENCE

Board members receive formal letters of appointment setting out the main terms and conditions relative to their appointment. In addition, the Company also takes out appropriate Director professional indemnity insurance for each Director to enable them to discharge their roles efficiently and effectively.

The Governance and Nomination Committee defines the functions and core competencies for each vacant directorship role. It also develops suitable selection criteria for potential candidates, screens and interviews them.

All directors, on appointment, undergo the fit and proper due diligence assessment conducted by the regulator (Insurance Regulatory Authority) to assess their fitness and propriety as Board Members and on their re-appointment have completed annual declaration forms stating that the information provided during the fit and proper assessment has not undergone any significant change. All Directors are in good standing and have a current certificate of good conduct from the Criminal Investigation Directorate and Credit Reference Bureau.

CORPORATE GOVERNANCE REPORT *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

16. DIRECTOR INDUCTION

Newly appointed Directors receive appropriate formal induction and training, specifically tailored to the company's business and operation needs. The induction is aimed at enabling the new directors to fully take up their roles and execute their responsibilities. The Board has put in place a Board Induction Policy for new Directors and ensures that all Directors regularly update their skills and knowledge.

17. CAPACITY BUILDING FOR THE BOARD

All Directors are expected to continuously upskill in order to operate effectively.

In relation to the governance guidelines on twelve (12) hours' annual board training, the Board has undertaken various trainings facilitated by management and industry professional bodies.

During the year under review, the board underwent comprehensive training by various specialists ranging from Corporate Governance and Board Effectiveness, Board maturity assessment, Environmental, Social, and Governance (ESG) New Insurance Industry trends, Digitization and Cyber Security threats. The Finance and Investment Committee members underwent specialized training on finance for non-finance managers programme. Audit and Compliance committees also underwent special training. The chairman of the board was also trained on leadership and governance by Strathmore Business School.

18. CONFLICT OF INTEREST

All Directors of the Company must avoid any situation that might give rise to a conflict between their personal interest and that of the Company. The Directors are individually responsible for notifying the Chairman and the Company Secretary of any actual or potential conflict of interest situations as soon as they arise.

The Board has formal procedures for managing conflicts of interest in accordance with the Companies Act 2015. Directors are required to declare a conflict of interest or a material personal interest in any matter concerning the Company immediately for the Board to review. Declaration of conflicts of interest is also a standard agenda item that is addressed at the onset of each Board and Committee meeting. Any Director with a material personal interest in any matter being considered during the Board or committee meeting will not vote on the matter or be present when the matter is being discussed and considered.

We confirm that there were no business transactions with Directors or their related parties in the year ended 2023.

19. CODE OF ETHICS AND CONDUCT

The company's Code of Ethics and Conduct continues to be in place and is geared towards inculcating a culture of professionalism and integrity, in line with our Vision and Mission Statements.

The Board has implemented a Code of Ethics and Conduct which binds both Directors and Employees and is subscribed to by all members of the Company. Initiatives to ensure its application include training, monitoring, mechanisms for whistle blowing, taking disciplinary action, etc. The Code has been integrated into the Company's operations through the development of various policies and reporting mechanisms. Company directors and employees are expected to act with honesty, integrity and fairness in all their dealings with one another and with stakeholders. When joining the company, every employee is provided with a copy of the Code and must commit to abide by its requirements as part of the employment contract with the Company.

20. BOARD MEETINGS

The Board meetings are aligned as per the approved Board Calendar. On the minimum, the Board meets quarterly for scheduled meetings to, amongst other things, agree on the company's objectives and strategies, review performance against agreed targets, consider and approve the annual and interim financial statements and on other occasions to deal with specific matters that require attention between scheduled meetings. The Board in fulfilling its mandate, is guided by the Board Charter and approved Annual Board Work Plan.

CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

21. BOARD AND COMMITTEE MEETINGS HELD DURING THE YEAR

A summary of the attendance record of Board and committee meetings is provided below. A record of attendance is kept with the Company Secretary and also noted in the minutes of the meeting.

Table 2 – Board Attendance

Directors	Board Meeting		Audit and Risk Committee Meeting		Finance and Investment Committee Meeting		AGM 04.5.22
	(a)	(b)	(a)	(b)	(a)	(b)	
Rose Karanja – Chairman	5	5	*	*	4	4	✓
Edwin Otieno	5	5	*	*	4	4	✓
Peter Nyigei	5	5	*	*	4	4	✓
Joseph Gatuni	5	5	5	5	*	*	✓
Eng. Jackson Mbui	5	5	5	5	*	*	✓
Rosemary Sakaja**	*	*	5	5	*	*	-
Abel Amuyunzu	*	*	5	2	*	*	-
Patrick Nyaga	5	5	5	5	4	4	✓
Fredrick Ruoro	5	5	5	5	4	4	✓

Notes:
(a). Number of meetings convened during year when the director was a member.
(b). Number of Meetings attended by the Director during the year.
(c).* Not a Member.

** Audit and Risk Committee members drawn from affiliated companies.

22. SECRETARY TO THE BOARD

The primary functions if a company secretary include;

i. Provides a central source of guidance and advice to the Board, and the company, on matters of statutory and regulatory compliance and good governance.
ii. Provides guidance to the board and the Directors individually on how their responsibilities should be discharged in the best interest of the company including disclosure of corporate governance matters as required by law.
iii. Facilitate the induction training of new directors and assisting with the directors' professional development as required.
iv. Maintains all minutes of Board meetings and the reports submitted and presented to the Board. In consultation with the Managing Director and the Chairman, ensures effective flow of information within the board and its committees and between senior management. This includes timely compilation and distribution of board papers and minutes, as well as communication of resolutions from board meetings. Keeping formal records of board discussions and following up on timely execution of agreed actions.

23. BOARD COMMITTEES

The Board has established two permanent standing committees to assist in the discharge of its duties and responsibilities, with specific responsibilities, which are defined in their Terms of Reference . The ultimate responsibility resides at all times with the Board and as such, it does not abdicate this responsibility to the committees. A decision of a committee shall not bind unless the decision has been presented to the Board for consideration and ratification

As a general principle there is full disclosure, transparency and reporting of these committees to the Board. Each committee comprises a majority of non- executive Directors and an independent non-executive Director who play an important role. The Committees mandates are reviewed annually. The Committees have mandate to invite third parties including consultants and executive management to provide opinions and expert or technical advice.

CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

The Committees meet at least quarterly or at such other times as the respective chairman of the committees may require. The respective committee members are all satisfied that they have fulfilled their responsibilities as set out in their respective Terms of Reference.

The main functions performed by the respective committees are briefly stated hereinafter in this section.

24. AUDIT AND RISK COMMITTEE

The purpose of the committee is mainly to provide a structured, and systematic oversight of the institution's governance, risk management, and internal control practices. The committee assists the Board and management by providing advice and guidance on the adequacy of the institution's initiatives around values and ethics, governance structure, Risk management, internal control framework, oversight of the internal audit activity, external auditors, and other providers of assurance, financial statements and accountability reporting as per the Terms of Reference. The Audit Committee oversees the external audit function. This includes reviewing and approving the external audit plan and engagement, and assessing the performance of the external auditor. The Committee is chaired by an independent non- executive director. The Group Chief Executive Officer, Managing Director, Chief Internal Auditor, Risk and Compliance Manager, Finance Manager, Chief Finance Officer, Actuarial Manager and External Auditors are standing invitees to committee meetings. The Chief Internal Auditor is the secretary to this committee.

During the period under review the Members of the Committee were:

Audit and Risk Committee Members	
1.	Mr. Joseph Gatuni - Chairman
2.	Mr. Jackson Mbui
3.	Ms. Rosemary Sakaja

25. FINANCE AND INVESTMENT COMMITTEE

The Committee supervises the financial and investment business of the Company, and in doing so, has laid down an overall investment policy statement and operational framework for the investment operations of the insurer. The policy focuses on a prudential asset liability management supported by robust internal control systems. The other duties include receiving and considering the company's annual budget and revision of the same.

The Committee assists the Board in fulfilling its responsibilities with respect to oversight of the Company's financial management and resources. The Committee evaluates specific financial strategic initiatives as requested by the Board. Members of the committee are conversant with requirements on investments as provided by the Insurance Act and any relevant regulations on investment of insurance funds.

During the period under review the Members of the Committee were;

Finance & Investment Committee	
1.	Mr. Peter Nyigei - Chairman
2.	Mr. Edwin Otieno
3.	Ms. Rose Karanja

26. BOARD EVALUATION

The Board understands the importance of board performance and effectiveness in achieving the overall objectives and goals of the Company.

The Board therefore reviews its performance and that of the Board committees and individual Directors, the Chairman, the Managing Director and the Company Secretary every year.

The detailed questionnaire examines the balance of the skills of the Directors, the operation of the Board in practice, including governance issues, and the content of the Board meetings. Feedback from the process is used to identify opportunities to improve the performance of the Board and the Directors. The questionnaire also included a series of questions for each Director to assess their own performance and the performance of each other individual Director to identify development opportunities.

The feedback is also used to explain why a re- appointment may or may not be appropriate while providing a forum through which Directors can consider the ways in which the Board contributes to the overall goals and strategy of the Company.

An extensive board evaluation was undertaken, for the year 2023, by an independent consultant – Wyne & Associates. The recommendations therein are in the process of being implemented in the course of 2024.

The assessments demonstrated that the Board and its Committees have a high effective rate in achieving business objectives and exercising oversight leadership role all within a robust support system.

Board Maturity Self-Assessment revealed that a large majority of Board Members believe that the Board behavior reflects the highest maturity level. Great progress has been made to address areas of concern highlighted in the 2023 board evaluation.

CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

27. BOARD REMUNERATION

The Governance and Nomination Committee of the Board is responsible for setting and administering the non-executive Directors remuneration policy.

The remuneration policy of the Company is an integral part of the governance and incentive structure overseen by the Board. It is the Company's policy to fairly remunerate Directors for the role and responsibilities that they undertake for the Company. The remuneration is determined by the holding company based on parameters such as performance targets, the company's profitability, and return on equity as well as reference to market average rate.

The Board of Directors, however, is not eligible for pension scheme and do not participate in any of the company remuneration and compensation schemes.

Details of the fees for the Directors paid in the financial year under review are set out in the financial statements, part of the annual report.

28. RISK MANAGEMENT FRAMEWORK

The risk Management function supports the Board in formulating the risk appetite, strategies, policies, and limits. It provides review, oversight and support functions throughout the Company on risk related items. The risk management framework is designed to assess, control, and monitor risks from all sources, with the aim of increasing short and long-term value to the stakeholders. The risk management framework involves determining, evaluating, and managing the risks faced by the Company as below:

28.1 INSURANCE RISK

The Company manages its insurance risk through the careful formulation and implementation of its underwriting strategy and guidelines, together with ensuring that adequate reinsurance arrangements are in place and that claims handling is proactively carried out.

The concentration of the Company's insurance risk exposure is mitigated by the Company's underwriting strategy, which attempts to ensure that the risks are prudently underwritten by considering the type of risk, level of insured benefits, amount of risk, and industry.

The Company, in the normal course of business and to minimize its financial exposure arising from large claims, enters into reinsurance contracts. These reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the Company's underwriting is reinsured under treaty and facultative reinsurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the terms of the reinsurance contracts.

28.2 OPERATIONAL RISK

When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company does not expect to eliminate all operational risks, but by implementing a rigorous control framework and by monitoring and responding to potential risks, the Company seeks to manage its operational risk.

The Company has policies, systems and procedures manuals designed to achieve effective segregation of duties, access controls, authorization and reconciliation procedures, staff training and assessment processes. These procedures are backed up by the risk management framework and internal audit framework.

28.3 CREDIT RISK

The Company has established a range of credit risk limits to manage its exposure within the defined Company credit risk appetite. These limits are monitored periodically. The Company's exposure to credit risk principally arises from its insurance and reinsurance receivables, its cash and cash equivalents held in bank accounts, its reinsurance contract assets, and its portfolio of available for sale fixed income securities.

28.4 INVESTMENT RISK

The Company manages investment risk by quantifying the risks associated with each investment and only investing in accordance with the Company's investment strategy and risk profile. Any proposed investment that is outside established limits must be approved by the Finance & Investment Committee.

The Company seeks to limit investment risk by maintaining a diversified portfolio of investments and by continuously monitoring developments in international and local equity and bond markets. In addition, the Company actively monitors the key macro and micro economic factors that might have a significant impact on its investments.

29. INTERNAL CONTROL FUNCTIONS.

The Board is collectively responsible for establishment and management of appropriate systems of internal control and for reviewing their effectiveness. The system of internal control in place has defined procedures with operations and financial controls to ensure that assets are safeguarded,

CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

29. INTERNAL CONTROL FUNCTIONS. *(Continued)*

transactions authorized and recorded properly, and that material errors and irregularities are either prevented or detected within a reasonable period of time.

The Board's Audit and Risk Committee is charged with the mandate of monitoring and evaluating the efficacy of the internal control functions. The internal control function in the company are as follows:

30. RISK & COMPLIANCE FUNCTION

The Company's Risk & Compliance function is responsible for risk management and exposure monitoring for the Company. In liaison with the different business areas, the function performs a qualitative and quantitative assessment of exposures against the defined tolerances and reports to the Audit & Risk Committee of the Board.

The function is responsible for reviewing risk and compliance issues to ensure all material risks inherent in the activities of the Company are identified and managed in accordance with the risk appetite.

Additionally, stress and scenario testing is used in setting strategy and in business planning to quantify the implications of possible events and future changes in economic conditions that could have unfavorable effects on the business plan and financial standing of the Company. This analysis is used to support the development of management and mitigation strategies.

The function also monitors the Company's compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies in doing business. The function facilitates the managemen compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

The monitoring of regulatory requirements includes due diligence procedures and the reporting to relevant agencies with an aim to combat money laundering and the financing of terrorism. In addition, the function undertakes screening checks against applicable sanctions watch lists.

31. INTERNAL AUDIT FUNCTION

This function performs an independent review of the internal control and governance systems within the Company. It reports on the existence, effectiveness and or weaknesses of such systems covering risk management, the system for maintaining and safeguarding assets and the accuracy of the financial statements of the Company. It also reviews the effectiveness of the risk & compliance function as an internal control tool of Management by providing assurance to the Board of the existence of sound internal control systems in the Company commensurate with size and nature of its business.

32. THE ACTUARIAL FUNCTION

The company has set up a robust actuarial function that is well positioned, resourced and properly authorized and staffed for proper operation, and supports the Company across all areas where actuarial support is typically sought including financial risks, solvency position, valuation of assets, reinsurance arrangements and premium adequacy and to coordinate the development of best practices within the Company.

The areas requiring actuarial support consist of two main functions:

i. the reserving function, which ensures the Company is adequately reserved to face its future liabilities;
ii. the pricing function, which helps assess and drive the profitability of the business in a strategic manner.

Both the actuarial function and the appointed actuary have access to and periodically report to the Board.

The company has newly appointed QED Actuaries & Consultants as its statutory actuary following expiry of the term of Actuarial Services Company (Actserve) Limited in April 2023, to annually produce and table before the Board, a Financial Condition Report (FCR) in accordance with the guidelines on actuarial function for insurance and reinsurance companies, 2013 and generally accepted actuarial principles.

33. EXTERNAL AUDITOR

In the financial year under review, the Board engaged the firm of PriceWaterhouseCoopers (PWC), a qualified, independent external auditor for the accurate reporting of the Insurer's financial statements. The shareholders at the Annual General Meeting of the Company held on 4th May 2023 approved the re-appointment of PriceWaterhouseCoopers (PWC) as the external auditors for the year 2023, on the recommendation of the Board of Directors

34. DISCLOSURE

The Company is fully committed to all disclosure requirements as required by regulatory authorities and has complied with the requirements set forth in this regard.

The Board of Directors, ensures that all the disclosures that the Company makes are accurate and the financial reports of the Company conform to applicable accounting standards and guidelines.

CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

34. DISCLOSURE *(Continued)*

Open lines of communication are maintained to ensure transparency and optimal disclosure, and stakeholders are encouraged to make their views known to the Company. The Managing Director is the designated spokesperson for the Company to ensure appropriate communication channels are maintained.

During 2023, the Company was not subject to any material regulatory penalties for non-compliances with regulatory provisions.

35. SHAREHOLDER RELATIONS

We believe that good corporate governance is critical, not only at the corporate level but also at the national level. We require our partners to adhere to the highest level of integrity and business ethics in their dealings with us or with others. In the financial year under review, we continued to achieve high levels of corporate governance by focusing on the following areas:

a. Strong internationally recognized accounting principles
b. Focus on clearly defined Board and management duties and responsibilities
c. Focusing on compliance with relevant laws and upholding the highest levels of integrity in the Company's culture and practice
d. Continuing to implement our strategy for the long-term prosperity of the business
e. Timely and relevant disclosures and financial reporting to our shareholders and other stakeholders for a clear understanding of our business operations and performance
f. Ensuring execution of strong audit procedures and audit independence.

36. WHISTLE BLOWING

The Company does not tolerate fraud, corrupt conduct, bribery, unethical behaviour, legal or regulatory non- compliance or questionable accounting or auditing by employees, Directors, customers and contractors. The Company is committed to a culture that encourages all people to speak up about issues or conduct that concerns them. The Company's whistle-blower policy encourages the reporting of any wrongdoing in a way that protects and supports whistleblowers. The policy provides confidential and anonymous communication channels to raise concerns. The confidential and anonymous communication channels are supported and monitored independently and the contacts are on our website, together with the whistle blowing policy.

37. GOVERNANCE AUDIT

In line with modern good corporate governance practices and regulatory requirements, the Board appointed Umsinzi LLP to conduct the Company's governance audit for the year 2023 , who issued an unqualified report. The audit confirmed that the Board has put in place a sound governance framework, which is in compliance with the legal and regulatory framework and in line with global best governance practices for the interest of all stakeholders.

38. LEGAL AND COMPLIANCE AUDIT

An internal legal and compliance audit was carried out covering the year under review by TripleOKLaw LLP with the objective of ascertaining the level of adherence to applicable laws, regulations and standards. The findings from the audit confirmed that the Company was generally in compliance with applicable laws and regulations. Implementation of the recommendations from the external legal and compliance audit conducted are ongoing.

39. ESG AND BOARD OF DIRECTORS RESPONSIBILITIES.

Global trends in assessment of corporate performance indicate a shift in focus from a one-dimensional view focusing on just financial performance to a more wholistic view on both financial and non-financial performance. The modern investors in the capital markets and other stakeholders are more discerning and increasingly looking for more comprehensive information from companies – and not just around financial performance, but also on governance and societal issue in Environmental, Social and Governance ("ESG") matters, global environmental and social crises, the transition to renewed focus on human rights has intensified the need and drive for ESG integration by corporates stakeholders. To this end, an ESG Committee and ESG Framework has been approved at the Group level and instituted to look into the operationalization and implementation of the ESG related objectives.

40. GOING CONCERN

The Board confirms that the Financial Statements are prepared on a going concern basis and is satisfied that the company has adequate resources to continue in business for the foreseeable future. In making this assessment, the Directors consider a wide range of information relating to the present and anticipated future conditions including future projections of profitability, cash flows, capital and others.

CORPORATE GOVERNANCE REPORT *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

41. SHARE-HOLDING STRUCTURE

The authorized share capital of CIC General Insurance Ltd is currently Kenya Shillings Two Billion (Kshs2, 000,000,000). This is divided into 100,000,000 ordinary shares of Kshs. 20/= each.

The issued capital is currently Kshs One Billion Seven Hundred Million divided into 85,000,000 shares of Kshs 20/= each.

The shareholding structure of the company is as follows:

Shareholder	No. of shares	%
CIC Insurance Group Plc	85,000,000	100

42. LOOKING FORWARD

The Board continues to support good governance and believes that the application of sound corporate governance principles based on ethical leadership ensures the business success and its sustainability.

Signed by Chairman
on Behalf of CIC General Insurance Limited
18 March, 2024

REPORT OF THE DIRECTORS

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023

The directors submit their report together with the audited financial statements of CIC General Insurance Limited "the Company" for the year ended 31 December 2023, which discloses the status of affairs of the company.

1. Incorporation

The Company is domiciled in Kenya where it is incorporated as a private company limited by shares under the Companies Act, 2015. The address of the registered office is set out on page 4.

2. Directorate

The directors who held office during the year and to the date of this report are set out on page 4.

3. Principal activity

The principal activity of the company is the transaction of general insurance business.

4. Company results

The table below highlights some of the key performance indicators

	2023	2022
		Restated
	KShs '000	KShs '000
Insurance revenue	15,452,025	12,791,786
Profit before income tax	1,385,964	891,888
Total comprehensive income for the year	630,024	203,865
Total assets	14,433,442	13,776,586
Total equity	4,098,028	3,618,004

5. Dividends

A final dividend of Kshs 150 million in respect of the year ended 31 December 2022 was paid during the year.
The directors recommend the payment of a first and final dividend of Kshs. 2 per share amounting to Kshs. 170 Million in respect of the year ended 31 December 2023 (2022: Kshs. 150M).

6. Business review

Economic And Business Environment In 2023

The Kenyan economy registered growth of 5.9% in GDP in the third quarter of 2023 largely attributed to tourism receipts and a rebound in the agricultural sector. In Q4 2023, the private sector business environment remained in the contraction zone with the Stanbic PMI dropping slightly to an average of 46.9, from 48 in 3Q23 and dropping 10% from an average of 52.3, in 3Q22. Economic growth is expected to remain resilient and expand by 5.5% in 2023. This growth will be driven by the services sector, strong recovery in agriculture following a relatively favourable rainy season.

The Monetary Policy Committee met once in 4Q23 and raised the CBR to 12.50% on the back of increased exchange rate pressures and anchoring of inflationary expectations. The short-term papers closed 2023 at 15.88%, 15.97% and 15.90% for the 91, 182 and 364-day papers. Domestically, investor inclination was towards short-term instruments, resulting in a continuous rise in yields as investor's aggression increases, further exacerbating the inversion of the yield curve.

The average inflation rate in 2023 edged up to 7.7% compared to 7.64% in 2022. The inflation rate closed the year at 6.6% which was within the upper bound of CBK's target 7.50%. The disinflation was largely due to a slower growth in the food & non-

REPORT OF THE DIRECTORS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

alcoholic beverages following improved supply from improved weather conditions. Fuel inflation remains elevated, reflecting the impact of depreciation in the Shilling exchange rate.

In 2023, the Kenyan shilling recorded a 26.8% y/y depreciation against the dollar, compared to the 9% depreciation recorded in 2022. The depreciation is mostly attributable to increased dollar demand amid low inflows. The official forex reserves ended the year at USD 6.61Bn (3.54 months of import cover), an 11.1% decline from USD 7.44Bn at the end of 2022. The decline was primarily attributable to drawdowns intended to service foreign currency debt or to make import payments.

The Equity Market performance declined further in 2023 with all market indices dipping year-on-year; NASI shed 27.5%, NSE 25 shed 24.0%, NSE 20 shed 10.4% and the new N10 index launched on 1st September 2023 to track the top-ten most liquid counters lost 92.49 points or 9.2%. The market continues to be largely affected by foreign investor outflows due to global risk aversion, KES depreciation combined with central banks' stance to sustain high rates in advanced economies.

The Company's performance for the year ended 31st December 2023

In the period under review, CIC General Insurance reported KShs15.5B insurance revenue being 21% growth from prior year. This was as a result of new business acquisitions during the year which resulted to notable growth on the medical, workmen's compensation and motor classes. The profit before income tax was KShs 1.4B being 55% growth from prior year's KShs 892M. This was largely attributed to growth in insurance revenue and improved investment income during the year driven by high income reported under the fixed income securities because of high interest rates in the year and growth in medical administration fees as a result of major medical schemes booked during the year. The insurance service expenses closed at KShs 13.2B being 20% growth from prior year's KShs 10.9B driven by restructuring costs incurred during the year. Total assets increased by 5% from prior year largely due to growth in our investment portfolio during the year.

7. Directors

The directors of the Company who served in office during the year and to the date of this report are set out on page 4 of this report.

8. Statement as to disclosure to the Company's Auditor

The directors confirm that with respect to each director at the time of approval of this report:

a. there is, so far as each director is aware, no relevant audit information of which the company's auditor is unaware; and
b. each director has taken all the steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

9. Terms of appointment of the Auditor

PricewaterhouseCoopers LLP continues in office with the accordance with the company' s Articles of Association and section 719 (2) of the companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and associated fees on the behalf of the shareholders.

By Order of the Board

Secretary
18 March, 2024
Nairobi

REPORT OF THE CONSULTING ACTUARY
FOR THE YEAR ENDED 31 DECEMBER 2023

I have conducted an actuarial valuation of CIC General Insurance Limited as at 31 December 2023.

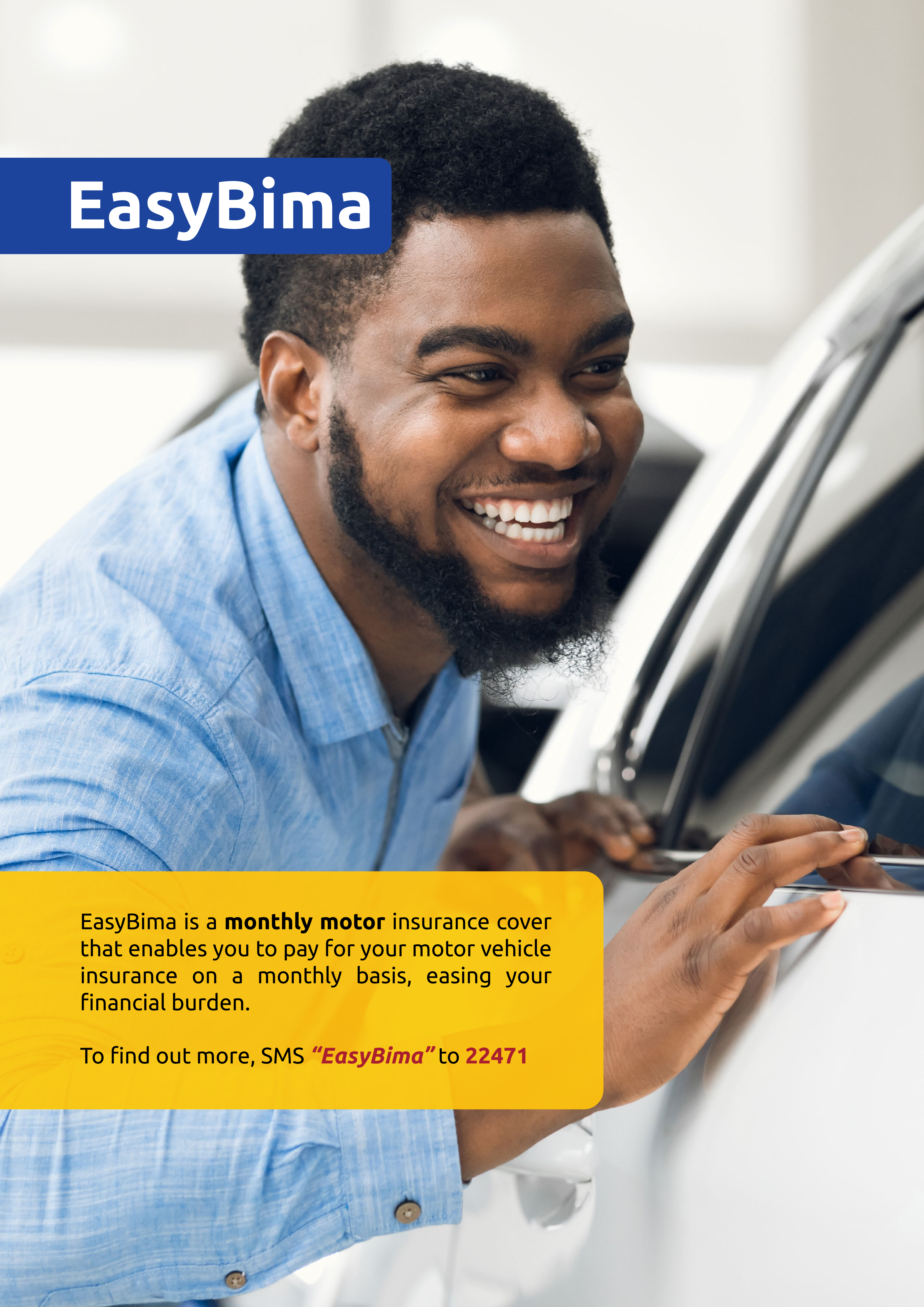
The valuation was conducted in accordance with IFRS 17, generally accepted actuarial principles and in accordance with the requirements of the Insurance Act, Cap. 487 of the Laws of Kenya.

In completing the actuarial valuation, I have relied upon the audited financial statements of the Company.

In my opinion, CIC General Insurance Limited insurance liabilities were adequate as at 31 December 2023.

Name of Actuary: QED Actuaries and Consultants Kenya Ltd

18 March, 2024


EasyBima
EasyBima is a **monthly motor** insurance cover that enables you to pay for your motor vehicle insurance on a monthly basis, easing your financial burden.
To find out more, SMS ***"EasyBima"*** to **22471**

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

The Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Company keeps proper accounting records that: (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2015.

They also accept responsibility for:

- Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- selecting suitable accounting policies and then applying them consistently; and
- Making judgements and accounting estimates that are reasonable in the circumstances.

Having assessed the Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the board of directors on 18th March 2024 and signed on its behalf by:

Rose K. Mambo - **Chairman**

Fredrick Ruoro - **Principal officer**

Joseph Gatuni - **Director**

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIC GENERAL INSURANCE LIMITED

Report On The Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of CIC General Insurance Limited (the Company) set out on pages 41 to 124 which comprise the statement of financial position at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended and the notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of CIC General Insurance Limited at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2015.

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 company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key audit matters

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.

Key Audit Matter	How our Audit addressed the Key Audit Matter
Determination of insurance contract liabilities Insurance contract liabilities disclosed in notes 26 and 27 of the financial statements, comprises liability for remaining coverage and liability for incurred claims. We considered insurance contract liabilities as a significant area of focus because: • IFRS 17 became effective for periods beginning on or after 1 January 2023, replacing IFRS 4. As a result, the Company has adopted IFRS 17 in these financial statements. The transition to IFRS 17 has introduced new financial statement line items and disclosures, requiring significant changes to the recognition and measurement of transactions and balances in the financial statements, including new areas of judgement and estimation as disclosed in note 2(b). • International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors' ("IAS 8") requires that when the impact of adopting a new accounting standard would be material to the financial statement comparatives, these comparatives should be restated. As a result, the 2022 opening balance sheet and the 2022 comparatives have been restated. This restatement could be prone to errors.	• Evaluated and tested controls around claims handling, settling, and reserving. • Tested a sample of claim payments and reserves to confirm the amounts recorded in the claims systems agree to the source data. • Tested the appropriateness of the methodology and assumptions used by the external actuary and management in estimation of reserves as at 31 December 2023 and performed reprojections for a sample of reserves to validate estimates.

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu B Ngunjiri R Njoroge S O Norbert's B Okundi K Saiti

Key Audit Matter	How our Audit addressed the Key Audit Matter
• The estimation of the liability for incurred claims involves significant judgement given the inherent uncertainty in estimating expected future outflows in relation to claims incurred. In addition, the liabilities are adjusted for the time value of money based on historical settlement patterns. Judgement is applied in estimating this future settlement pattern and in determination of the discount rate. Determination of liability for incurred claims requires calculation of risk adjustment for non-financial risk which represents the compensation for bearing the uncertainty about the timing and amount of the risk insured. This calculation involves significant judgement in determining the confidence level and assumption that future development of claims will follow past patterns. • For onerous contracts, calculation of loss component involves judgment in estimating fulfilment cashflows relating to the remaining coverage period of insurance contracts. • The valuation of these liabilities relies on the accuracy of claims data and the assumption that future claims development will follow a similar pattern to past claims development experience and involve engagement of internal and external actuarial experts.	• Tested the methodology and assumptions used by management in estimating the risk adjustment. • Reconciled the claims data used by management to calculate reserves to the audited claims data. • Tested restatement of previously reported information at 1 January 2022 and 31 December 2022; and • Assessed the adequacy of disclosures in the financial statements. • Tested management's calculation of the discount rate used to compute the present value of liability for incurred claims.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, 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 identified above 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 on the other information, 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.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2015 and for such internal control as the directors determine 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, the directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIC GENERAL INSURANCE LIMITED *(Continued)*

As part of an audit in accordance with ISAs, we exercise professional judgement 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 Company'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 Company 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.

We communicate with the directors 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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Company's 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.

Report on other matters prescribed by the Companies Act, 2015

In our opinion the information given in the report of the directors on pages 32 to 33 is consistent with the financial statements.

Bernice Kimacia

CPA Bernice Kimacia, Practicing Certificate Number 1457
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

30 March 2024

FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023	2022
			*Restated
		KShs '000	KShs '000
Insurance revenue	3 (a)	15,452,025	12,791,785
Insurance service expenses	3 (b)	(13,150,988)	(10,933,834)
Net expense from reinsurance contracts held	3 (c)	(1,763,137)	(1,517,225)
Insurance service result		537,900	340,726
Interest revenue calculated using the effective interest method	4(a)	1,071,522	774,949
Other investment income	4(b)	159,931	171,747
Other net gains	5	111,413	77,762
Investment return		1,342,866	1,024,458
Net finance expenses for insurance contracts issued	6	(300,239)	(289,867)
Net finance income for reinsurance contracts held	6	109,082	86,730
Net investment result		1,151,709	821,321
Other operating expenses	7 (a)	(303,645)	(270,159)
Profit before income tax		1,385,964	891,888
Income tax expense	8 (a)	(474,864)	(532,322)
Profit for the year		911,100	359,566
Other comprehensive income/(loss)			
Other comprehensive income that may be reclassified to profit or loss in subsequent years			
Fair value loss on debt instruments at fair value through other comprehensive income	16	(400,167)	(221,822)
Deferred tax on the fair value loss	12	120,050	66,547
Other comprehensive income that will not be reclassified to profit or loss in subsequent years net of tax			
Fair value gain on equity instruments designated at fair value through other comprehensive income, net of tax	17	(959)	(426)
Other comprehensive loss for the year		(281,076)	(155,701)
Total comprehensive income for the year		630,024	203,865

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023	2022	2021
			*Restated	*Restated
		KShs '000	KShs '000	KShs '000
Property and equipment	9 (a)	315,910	305,164	306,964
Right of use assets	9 (b)	82,666	106,674	53,835
Investment properties	10	1,602,000	1,602,000	1,602,000
Intangible assets	11	66,566	85,012	110,832
Deferred tax asset	12	660,049	431,549	507,618
Financial assets at amortised cost- Corporate bonds	13	5,705	6,319	-
Financial assets at amortised cost- Government securities	14	905,406	1,307,699	755,048
Financial assets at amortised cost-Loans receivable	15	24,472	24,766	29,814
Financial assets at fair value through other comprehensive income- Government securities	16	5,737,231	4,780,268	3,216,981
Financial assets at fair value through other comprehensive income- Unquoted equity investment	17	14,378	15,337	15,763
Financial assets at fair value through profit or loss- Quoted equity instruments	18	202,171	314,618	373,273
Investments in collective investment schemes at fair value through profit or loss	19	345,561	241,027	687,101
Reinsurance contract assets	26	1,187,017	2,381,355	2,714,432
Other receivables	20	197,734	53,318	49,876
Due from related parties	21 (b)	170,372	135,387	29,337
Deposits with financial institutions	22	2,816,917	1,808,625	2,046,258
Cash and cash equivalents	30 (b)	99,287	177,468	96,701
Total Assets		14,433,442	13,776,586	12,595,833
EQUITY AND LIABILITES				
Equity				
Share capital	24	1,700,000	1,700,000	1,700,000
Fair value reserve		(608,607)	(327,531)	(171,830)
Retained earnings		3,006,635	2,245,535	2,055,969
Total equity		4,098,028	3,618,004	3,584,139
Liabilities				
Insurance contracts liabilities	26	9,082,540	9,288,633	8,313,278
Other payables	29	879,025	661,904	496,237
Lease liabilities	9 (b)	104,515	125,514	66,131
Due to related party	21 (b)	64,939	36,623	26,836
Current income tax	8 (c)	204,395	45,908	109,212
Total liabilities		10,335,414	10,158,582	9,011,694
Total equity and liabilities		14,433,442	13,776,586	12,595,833

The financial statements on pages 41 to 124 were approved by the Board of Directors on 18th March 2024 and signed on its behalf by:

Rose K. Mambo	Joseph Gatuni	Fredrick Ruoro
Chairman	**Director**	**Principal officer**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share Capital	Fair Value Reserve	Retained Earnings	Total
	KShs '000	KShs '000	KShs '000	KShs '000
	(Note 29)	(Note 30 (a))	(Note 30 (b))	
At 1 January 2022 (previously reported)				
Impact of adoption of IFRS 17	1,700,000	(171,830)	2,151,785	3,679,955
	-	-	(95,816)	(95,816)
At 1 January 2022 - restated	1,700,000	(171,830)	2,055,969	3,584,139
Profit for the year	-	-	359,566	359,566
Other comprehensive income for the year	-	(155,701)	-	(155,701)
Dividends paid	-	-	(170,000)	(170,000)
At 31 December 2022 - restated	1,700,000	(327,531)	2,245,535	3,618,004
At 1 January 2023 - restated	1,700,000	(327,531)	2,245,535	3,618,004
Profit for the year	-	-	911,100	911,100
Other comprehensive loss for the year	-	(281,076)	-	(281,076)
Dividends paid	-	-	(150,000)	(150,000)
At 31 December 2023	1,700,000	(608,607)	3,006,635	4,098,028

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023	2022
			*Restated
CASH FLOWS FROM OPERATING ACTIVITIES		KShs '000	KShs '000
Cash from operations	30 (a)	1,472,140	1,509,528
Tax paid	8 (c)	(424,826)	(453,010)
Interest received on government securities at amortised cost		140,448	131,534
Interest received on bank deposits		242,220	153,102
Interest received on staff loan receivables		2,349	2,429
Interest received on government securities at fair value through OCI		684,549	488,321
Dividend received		23,694	27,782
Proceeds from maturity of corporate bonds		595	-
Purchase of corporate bonds		-	(6,100)
Purchase of government securities at fair value through OCI	16	(2,410,000)	(1,783,500)
Proceeds of maturity of government securities at fair value through OCI	16	1,050,000	-
Proceeds of maturity of government securities at amortised cost	14	625,000	220,000
Purchase of government securities held at maturity	14	(195,181)	(735,586)
Proceeds from disposal of quoted equity investments at fair value through profit or loss		66,792	24,485
Purchase of quoted equity investments at fair value through profit or loss	18	(8,962)	-
Cash (outflow) / inflow from investment in fixed deposits	22	(732,997)	365,168
Additions to investment in collective investment schemes	19	(335,807)	(883,060)
Maturities on investment in collective investment schemes	19	230,000	1,382,000
Payment of interest portion of the lease liability	9 (b)	(14,517)	(13,808)
Net cash generated from operating activities		415,497	429,285
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	9 (a)	(33,626)	(20,248)
Purchase of intangible assets	11	(11,370)	(3,434)
Net cash from investing activities		(44,996)	(23,682)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	31	(150,000)	(170,000)
Payment of principal portion of lease liability	9 (b)	(23,387)	(27,301)
Increase in net intercompany loan receivable		-	-
Net cash from financing activities		(173,387)	(197,301)
INCREASE IN CASH AND CASH EQUIVALENTS		197,114	208,302
CASH AND CASH EQUIVALENTS AT 1 JANUARY	30 (b)	907,694	699,392
CASH AND CASH EQUIVALENT AT 31 DECEMBER	30 (b)	1,104,808	907,694

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

The financial statements have been prepared in compliance with IFRS Accounting Standards, interpretations issued by the IFRS Interpretations Committee (IFRIC) Interpretations applicable to companies reporting under IFRS and in compliance with the Companies Act, 2015. The financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

(a) Basis of preparation

The measurement basis used is the historical cost basis, as modified by the carrying of certain property and equipment, investment property and certain investments at fair value, and actuarially determined liabilities at their present value. The financial statements are presented in Kenya Shillings (KShs), rounded to the nearest thousand, which is also the functional currency.

The financial statements comprise the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the profit or loss as required or permitted by IFRS Accounting Standards. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the previous periods. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

The Company presents its statement of financial position in the general order of liquidity.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

(b) New Standards, New Interpretations and Amendments to Standards adopted in the current period

The section below provides a summary of (i) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2023 (i.e years ending 31 December 2023), and ii) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2024.

(i) New standards and amendments – applicable 1 January 2023

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2023:

International Financial Reporting Standards and amendments effective for the first time for December 2023 year-ends		
Number	**Effective date**	**Executive summary**
IFRS 17 Insurance Contracts	Annual periods beginning on or after 1 January 2023 (Published May 2017)	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) New standards, new interpretations and amendments to standards *(Continued)*

(i) New standards and amendments – applicable 1 January 2023 *(continued)*

International Financial Reporting Standards and amendments effective for the first time for December 2023 year-ends		
Number	**Effective date**	**Executive summary**
IFRS 17 Insurance Contracts	Annual periods beginning on or after 1 January 2023 (Published May 2017)	The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract. The Company applied the new standard effective 1 January 2023. The impact has been discussed below.
IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard.
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) New standards, new interpretations and amendments to standards *(Continued)*

(i) New standards and amendments – applicable 1 January 2023 *(continued)*

International Financial Reporting Standards and amendments effective for the first time for December 2023 year-ends		
Number	**Effective date**	**Executive summary**
Amendments to IAS 12 International Tax Reform—Pillar Two Model Rules	The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. (Published May 2023)	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies

Other than IFRS 17, the above standards and amendments did not have a significant impact on the Company's financial statements.

Implementation of IFRS 17 Insurance Contracts

The Company has applied IFRS 17 Insurance Contracts, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements. The nature and effects of the key changes in the Company's accounting policies as a result of adopting IFRS 17 are summarised below.

Summary

IFRS 17 Insurance Contracts (IFRS 17) is a comprehensive new accounting standard for insurance contracts that governs recognition, measurement, presentation and disclosure.

Whereas IFRS 4 allowed insurers to use existing local practice for the measurement of policyholder liabilities, IFRS 17 provides for a comprehensive and consistent approach to insurance contracts. The new standard affected the financial statements and key performance indicators of all entities that issue insurance contracts as well as investment contracts with discretionary participation features.

IFRS 17 introduces a measurement model for insurance contracts based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for nonfinancial risk (together these represent the fulfilment cash flows) and a contractual service margin (CSM).

Implementation of IFRS 17 Insurance Contracts (IFRS 17)

The default model is the general measurement model (GMM), which is mainly used for measuring life risk (including reinsurance) and annuity contracts. The GMM is supplemented by a specific modification called the variable fee approach (VFA) for measurement of contracts where policyholders participate in underlying items (life savings contracts and other with- profits contracts). IFRS 17 also makes provision for a simplified approach, the premium allocation approach (PAA), mainly for short-duration contracts. The majority of these are within the general insurance business.

Regardless of the measurement model used, the basic revenue recognition principle of IFRS 17 is that profit is recognised over the lifetime of a group of insurance contracts, as services are provided, but losses are recognized immediately if the group of insurance contracts is onerous. No profit is recognised on initial recognition.

Under IFRS 17, the discount rate used to reflect the time value of money in the fulfilment cash flows is based on the characteristics of the liability.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) New standards, new interpretations and amendments to standards *(Continued)*

(i) New standards and amendments – applicable 1 January 2023 *(continued)*

Impact of the adoption of IFRS 17

The impact of initial application of IFRS 17 on the Company's financial statements was a decrease of KShs 96 million to the Company's total equity at 1 January 2022.

The various portfolios of business in the Company are impacted in different ways by the transition to IFRS 17. As noted above, the Company has provided the restated comparative information for 2022 in these financial statements.

Included below is the reconciliation of the company statement of financial position from IFRS 4 to IFRS 17 at transition:

	Notes	31 Dec 2021 as reported	Transitional adjustments	Reclassification adjustments	1 Jan 2022 *Restated
		KShs '000	KShs '000	KShs '000	KShs '000
ASSETS					
Reinsurance contract assets	28	2,406,085	519,702	(211,355)	2,714,432
Insurance contract assets *(previously deferred acquisition cost and receivables arising from insurance contracts)*		1,482,161	-	(1,482,161)	-
All other assets		9,881,401	-	-	9,881,401
Total Assets		13,769,647	519,702	(1,693,516)	12,595,833
LIABILITIES					
Insurance contract liabilities		9,179,921	615,518	(1,482,161)	8,313,278
Reinsurance contract liabilities *(previously reinsurance payables)*		211,355	-	(211,355)	-
All other liabilities		698,416	-	-	698,416
Total Liabilities		10,089,692	615,518	(1,693,516)	9,011,694
EQUITY					
Share capital		1,700,000	-	-	1,700,000
Fair value reserve		(171,830)	-	-	(171,830)
Retained earnings		2,151,785	(95,816)	-	2,055,969
Total Equity		3,679,955	(95,816)	-	3,584,139
Total Liabilities and Equity		13,769,647	519,702	(1,693,516)	12,595,833

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) New standards, new interpretations and amendments to standards *(Continued)*

(i) New standards and amendments – applicable 1 January 2023 *(continued)*

Implementation of IFRS 17 *Insurance Contracts* (IFRS 17)

Transition to IFRS 17

Transition adjustments

The measurement adjustments (transitional adjustments) relate to the following:

	KShs '000
Equity as previously reported	3,679,955
Impact of:	
Discounting of liability for incurred claims	194,826
Risk adjustment for non-financial risk	(38,106)
Loss component	(105,237)
Reinsurance acquisition cash flows	(147,299)
	(95,816)
Equity – restated	3,584,139

The adjustments relate to:

- Discounting, which include present value of liability for incurred claims, representing the time value of money for claims expected to be settled in periods longer than one year;
- the recognition of a risk adjustment for non-financial risk, a new concept required by IFRS 17, compared to the prudent margins required by IFRS 4;
- compared to the level at which the liability adequacy test was performed under IFRS 4, the level of aggregation of the contracts under IFRS 17 is more granular and resulted in more contracts being identified as onerous and losses on onerous contracts being recognized in profit or loss sooner. A loss component has been recognised to account for these onerous contracts;
- Under IFRS 4, the company did not defer its reinsurance component of acquisition cash flows (previously deferred commission income). The reinsurance acquisition cash flows have been deferred and recognized under IFRS 17.

Impact on statement of comprehensive income

The statement of profit or loss and other comprehensive income has been re-presented for the year ended 31 December 2022 to reflect the changes in the opening balance sheet at 1 January 2022. The transitional requirements of IFRS 17 do not require a reconciliation between the previous format of profit or loss and the new format of profit or loss.

Reclassification adjustments

Insurance and reinsurance related receivables and payables are no longer presented separately from insurance liabilities and reinsurance assets, leading to a reduction of total assets and liabilities as follows:

- Receivables arising out of direct insurance arrangements amounting to KShs 985 million and deferred acquisition costs amounting to KShs 497 million have been reclassified from assets and netted off against insurance contract liabilities;
- Payables arising out of reinsurance arrangements (KShs 211 million) have been reclassified from liabilities and netted off against reinsurance contract assets.

Portfolios of contracts that have asset balances and those that have liability balances are presented separately on each side of the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) New standards, new interpretations and amendments to standards *(Continued)*

(i) New standards and amendments – applicable 1 January 2023 *(continued)*

Implementation of IFRS 17 *Insurance Contracts* (IFRS 17) *(Continued)*

Transition to IFRS 17 *(Continued)*

Selection of transition approach

The Company has adopted IFRS 17 by applying the full retrospective approach for groups of contracts in force as at 1 January 2022, as required by IFRS 17. Under the full retrospective approach, the Company identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied. The full retrospective approach was used for all groups of insurance contracts issued and reinsurance contracts held by the company.

Application of IFRS 17 at 1 January 2022, required the Company to:

- Identify, recognise and measure group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- Identify, recognise and measure any asset for insurance acquisition cashflows as if IFRS 17 had always been applied except the recoverability assessment not applied before 1 January 2022;
- De-recognise any existing balances that would not exist had IFRS 17 been applied and recognise the IFRS 17 balances that replace these;and
- Recognise any resulting net difference in equity

The Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the Premium Allocation Approach (PAA). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17. Refer to the disclosure in note 1(c) for the measurement approach adopted.

(ii) Forthcoming requirements

As at 31 December 2023, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2023.

International Financial Reporting Standards, Interpretations and amendments Issued but not effective		
Number	**Effective date**	**Executive summary**
Amendments to IAS 1 - Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendment to IFRS 16 – Leases on sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) New standards, new interpretations and amendments to standards *(Continued)*

(ii) Forthcoming requirements *(continued)*

International financial reporting standards, interpretations and amendments Issued but not effective		
Number	**Effective date**	**Executive summary**
Amendments to Supplier Finance Arrangements (IAS 7 and IFRS 7)	Annual periods beginning on or after 1 January 2024 (Published May, 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.
Amendments to IAS 21 Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or after 1 January 2025 (Published August 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

The above standards are not expected to have a material impact on the Company's financial statements.

(c) Insurance contracts

Summary of measurement approaches

The Company uses the following measurement approaches depending on the type of contract:

	Product classification	Measurement model
Contracts issued General business contracts	Insurance contracts	Premium Allocation Approach (PAA)
Reinsurance contracts held General business contracts	Reinsurance contract held	Premium Allocation Approach (PAA)

(i) Classification of contracts

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

In the normal course of business, the company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Insurance Contracts *(Continued)*

(ii) Separation of components of insurance contracts

Before the company accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- Cash flows relating to embedded derivatives that are required to be separated;
- Cash flows relating to distinct investment components; and
- Promises to transfer distinct goods or distinct non-insurance services

The company applies IFRS 17 to all remaining components of the contract.

(iii) Level of aggregation of insurance contracts

The company manages insurance contracts issued by product lines within an operating segment. Insurance contracts within a product line that are subject to similar risks and are managed together are aggregated into a portfolio of contracts.

Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are;

i. contracts that are onerous at initial recognition;
ii. contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
iii. a group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

(iv) Recognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- The beginning of the coverage period;
- The date when the first payment from the policyholder is due or actually received, if there is no due date; and
- When the company determines that a group of contracts becomes onerous

Insurance contracts acquired in a business combination or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

The company recognises a group of proportionate reinsurance contracts held (quota share reinsurance) from the later of:

- The beginning of the coverage period of the group of reinsurance contracts held; and
- The date of initial recognition of any underlying contract

If the company recognises an onerous group of underlying contracts before the beginning of the coverage period of the group of reinsurance contracts held, then the group of proportionate reinsurance contracts held is recognised at the same time as the onerous group of underlying contracts.

The company recognises a group of non-proportionate reinsurance contracts held (such as group-wide catastrophe stop-loss reinsurance) from the beginning of the coverage period of the group of reinsurance contracts; this is typically the first period in which premiums are paid or reinsurance recoveries are received.

Reinsurance contracts are to be recognised in full for all underlying insurance contracts expected to be issued that fall within the boundary of the reinsurance contracts held. An insurance contract is derecognised when it is:

- Extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- The contract is modified and certain additional criteria are met.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

(c) Insurance Contracts *(continued)*

(v) Modification

When an insurance contract is modified by the company as a result of an agreement with the counterparties or due to a change in regulations, the company treats changes in cash flows caused by the modification as changes in estimates of the fulfilment cash flows (FCF), unless the conditions for the derecognition of the original contract are met. The Company derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

a. if the modified terms had been included at contract inception and the company would have concluded that the modified contract:
    i. is not in scope of IFRS 17;
    ii. results in different separable components;
    iii. results in a different contract boundary; or
    iv. belongs to a different group of contracts;
b. the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
c. the original contract was accounted for under the premium allocation approach (PAA), but the modification means that the contract no longer meets the eligibility criteria for that approach.

(vi) Derecognition

When an insurance contract accounted for under the PAA is derecognised, adjustments to the FCF to remove related rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

a. if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;
b. if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party;
c. if the original contract is modified resulting in its derecognition, any net difference between the derecognized part of the LRC and the hypothetical premium the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

(vii) Measurement

Fulfilment cash flows (FCF)

The fulfilment cash flows (FCF) are the current estimates of the future cash flows within the contract boundary of a group of contracts that the company expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

a. are based on a probability weighted mean of the full range of possible outcomes;
b. are determined from the perspective of the Company, provided the estimates are consistent with observable market prices for market variables; and
c. reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the liability for incurred claims (LIC).

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*
(c) Insurance Contracts *(continued)*

(vii) Measurement *(Continued)*

Fulfilment cash flows (FCF) *(continued)*
cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer. The company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts. The company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting 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;
- Recurring commissions payable on instalment premiums receivable within the contract boundary; and
- Income tax and other costs specifically chargeable to the policyholders under the terms of the contracts.

Contract boundary

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance coverage or other services.

A substantive obligation ends when:
a. the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
b. both of the following criteria are satisfied:

    i. the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
    ii. the pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks, such as expense risk, are not included.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts, form part of a single insurance contract with all the cash flows within its boundary.

Cash flows outside the insurance contract's boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive services from the reinsurer.

The excess of loss reinsurance contracts held provides coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts may include mandatory or voluntary reinstatement reinsurance premiums, which are guaranteed per the contractual arrangements and are thus within the respective reinsurance contracts' boundaries.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*
(c) Insurance Contracts *(continued)*

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

Initial and subsequent measurement – groups of contracts measured under the PAA

The Company uses the PAA for measuring contracts with a coverage period of one year or less, or where it reasonably expects that such a simplification would produce a measurement of the liability for remaining coverage that would not differ materially from the one that would be produced by applying the General Measurement Model (GMM). This is the case for the engineering portfolio whose LRC determined using GMM does not differ materiality from that measured under PAA. The Company uses PAA for measuring reinsurance contracts held with a coverage period of one year or less. The reinsurance contracts held by the Company have coverage periods of one year or less, hence the Company uses PAA for measuring such reinsurance contracts held.

On initial recognition of insurance contracts issued, the company measures the LRC at the amount of premiums received, less any acquisition cash flows allocated to the group of contracts adjusted for any amounts arising from the derecognition of any prepaid acquisition cash flows asset.

On initial recognition of reinsurance contracts held, the company measures the remaining coverage at the amount of ceding premiums paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:
(a) the LRC; and
(b) the LIC, comprising the FCF related to past service allocated to the group of contracts at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:
(a) the remaining coverage; and
(b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:
(a) increased for premiums received in the period;
(b) decreased for insurance acquisition cash flows paid in the period;
(c) decreased for the amounts of expected premiums received recognised as insurance revenue for the services provided in the period; and
(d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses (if applicable).

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:
(a) increased for ceding premiums paid in the period; and
(b) decreased for the amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money where, at initial recognition, the entity expects the time between any premium becoming due and providing the related insurance contact services is one year or less.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

(c) Insurance Contracts *(continued)*

(viii) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are included in the carrying amount of the related portfolios of contracts.

The company disaggregates amounts recognised in the statement of profit or loss and other comprehensive income (OCI) into

a. an insurance service result, 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. Income 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.

Insurance revenue and expenses

Insurance revenue and insurance service expenses exclude any investment components and are recognised as follows:

Measurement and presentation

Insurance revenue

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The company allocates expected premiums equally to each period of related insurance contract services, unless the expected pattern of the release of risk during the coverage period differs significantly from an even basis. In the latter case, expected premium receipts are allocated to the period based on the expected timing of incurred claims and other incurred insurance service expenses.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items.

- Incurred claims and other benefits;
- Other incurred directly attributable expenses;
- Amortisation of insurance acquisition cash flows: The company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts;
- Losses on onerous contracts and reversals of such losses;
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein;
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers. The company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. The allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued))*

(c) Insurance Contracts *(continued)*

Measurement and presentation

Net expenses from reinsurance contracts *(continued)*

For a group of reinsurance contracts covering onerous underlying contracts, the company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- On recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognized
- For changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the company expects to recover from the reinsurance contracts.

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

The company has chosen not to disaggregate insurance finance income and expenses between profit or loss and OCI. All insurance finance income and expenses for the period is presented in profit or loss.

The Company has chosen not to disaggregate the change in risk adjustment for non-financial risk between the insurance service result and the insurance finance result. The entire change is recognised in the insurance service result.

(d) Income

(i) Investment income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate (EIR) method. Interest income is recognised using EIR method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at fair value through OCI is also recorded using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or when appropriate, a shorter period, to the gross carrying amount of the financial asset.
The EIR (and therefore the amortised cost of the financial asset) is calculated taking into account transaction costs and any discount or premium on acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Company recognises interest income using the EIR method.

The company calculates interest income on financial assets, other than those considered credit impaired, by applying the EIR to the gross carrying amount of the asset.

Investment income also includes dividend income which is recognised when the right to receive the payment is established.

(ii) Rental income

Rental income is recognised on a straight-line basis over the lease term. The excess of rental income on a straight-line over cash received is recognised as an operating lease liability/asset. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

(d) Income *(continued)*

(iii) Dividend income

Dividend income is recognised on the date when the Company's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes which is included as part of investment income.

(iv) Realised / unrealised gains and losses

Realised / unrealised gains and losses recorded in the statement of profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transactions. More details on the on how the gains have been arrived has been discussed in the specific policies relating to the assets.

(e) Operating and other expenses

Expenses are recognised in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and is independent from transactions with equity participants. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

i. When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in the statement of profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognising the equipment associated with the using up of assets such as property and equipment. In such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.
ii. An expense is recognised immediately in profit or loss when expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Operating and other expenses that are directly attributable to acquisition of insurance business are recognised in insurance service expenses as per note 1(viii) above. Other expenses not meeting the categories in note 1(viii) are included in other operating expenses in the statement of profit or loss.

(f) Taxation

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act. Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Current income tax assets or liabilities are based on the amount of tax expected to be paid or recovered in respect of the taxation authorities in the future. Tax is recognised in the profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date. The prevailing tax rate and the amount expected to be paid are highlighted in note 8 of these financial statements.

The net amount of current income tax recoverable from, or payable to, the taxation authority is included on a separate line in the statement of financial position of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Deferred income tax

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The deferred tax liability shall be recognised except when it arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax is determined using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the reporting date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The accounting of deferred tax movements is driven by the accounting treatment of the underlying transaction that lead to the temporary differences. Deferred tax relating to items recorded in profit or loss is recognised in profit or loss, while deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in other comprehensive income or equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales taxes and premium taxes

Revenues, expenses, assets and liabilities are recognised net of the amount of sales taxes and premium taxes except:

- when the sales or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable, or
- receivables and payables that are measured with the amount of sales or premium tax included.

Outstanding net amounts of sales or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(g) Property and equipment

Property and equipment, except buildings are stated at cost less accumulated depreciation and accumulated impairment losses. Buildings are stated at fair value in accordance with the revaluation model. Increases in the carrying amount of buildings arising on revaluation are dealt with through other comprehensive income and accumulated under a separate heading of revaluation reserve in the statement of changes in equity. However, if an asset’s carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss, decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. The nvestment properties are stated at fair value, which has been determined based on valuations performed by Crystal Valuers Limited as at 31 December 2023.

Depreciation is calculated on the straight-line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

Buildings	40 years
Motor vehicles	4 years
Computers	4 years
Furniture, fittings and equipment	8 years

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

(g) Property & Equipment *(continued)*

Buildings are measured according to the revaluation model stated at fair value, which reflects market conditions at the reporting date. Property and equipment are reviewed for impairment whenever there are any indications of impairment identified.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Gains and losses on de recognition of property and equipment are determined by reference to the difference of the carrying amounts and disposal proceeds. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings. The date of disposal of an item of property, and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied

The residual value, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end are adjusted prospectively, if appropriate.

(h) Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is initially recognised at cost including the transaction costs. The investment properties are carried at fair value representing the open market value at the reporting date determined by annual valuations carried out by independent valuers i.e. Crystal Valuers Limited. Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Investment properties are de recognised when either they have been disposed of (i.e., at the date the recipient obtains control) or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to profit or loss. The date of disposal of an item of investment property is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the company accounts for such property in accordance with the policy stated under plant and equipment to the date of change in use.

(i) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the company are recognised as intangible assets. The useful lives of intangible assets are assessed as either finite or indefinite. The company does not have assets with indefinite life and hence the amortisation is calculated using the straight-line method to write down the cost of each licence or item of software over its estimated useful life (four years).

Amortisation begins when the asset is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, even when idle. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*
(i) Intangible assets *(continued)*

as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from de recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised. The date of disposal of an item of intangible asset is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied. The amount of consideration to be included in the gain or loss arising from the de recognition of intangible is determined in accordance with the requirements for determining the transaction price in IFRS 15.

(j) Accounting for leases

The Company 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 in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

Company acting as a lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Company recognises a right-of-use asset and a lease liability.
The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used. The incremental borrowing rate is the internal cost of debt determined as the risk-free borrowing rate adjusted for country premium.

For leases that contain non-lease components, the Company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to re-measurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Company at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognized in profit or loss on a straight-line basis over the lease period.

Leases where the Company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease payment is allocated between the liability and finance cost using the interest rate implicit in the lease. The finance cost is charged to the profit and loss account in the year in which it is incurred. Property and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

The changes in leases which do not fall under the scope of COVID 19 related concessions are treated as lease modifications. Right of use assets are re-measured and gains or losses thereof recognised in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Employee benefits

Defined contributions provident fund

The Company operates a defined contribution post-employment provident fund for eligible employees. The fund is funded by contributions from the employees and the company. The assets of the fund are held and administered independently of the company's assets.

Statutory pension scheme

The Company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). The Company's contributions to the defined contribution schemes are charged to profit or loss as they fall due.

Leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the reporting date.

(l) Provisions

General provisions

Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceeds the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

(m) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are 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. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation, however, in the event of excesses over the reserve the same is recognized through Profit and Loss Statement.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

(m) Impairment of non-financial assets *(continued)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss to the amount of an impairment already taken to profit or loss while the remainder will be a revaluation amount through other comprehensive income.

(n) Other financial liabilities

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the profit or loss. Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities at fair value through profit or loss which are carried at fair value.

Trade and other liabilities are classified as financial liabilities and are carried at amortised cost.

Gains and loss on financial liabilities at fair value through profit or loss are recognised in the profit or loss.

(o) Fair value measurement

The company measures financial instruments classified as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss including investment properties at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	Quoted market prices in active markets for identical assets or liabilities
Level 2	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(o) Fair value measurement *(Continued)*

For assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. External valuers are involved for valuation of significant assets, such as investment properties.

Involvement of external valuers is decided upon annually by the senior finance and investment manager who discusses the basis and assumptions with the valuers. This is then approved by the group Chief Finance Officer. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above Fair value related disclosures have been made in note 35.

(p) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition

Financial assets and liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of other receivables and amount due from related parties, which do not contain significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. For financial assets at fair value through profit and loss, transaction costs are recognised directly in the statement of profit or loss.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:
- Financial assets at amortized cost;
- Financial assets at fair value through OCI; and
- Financial assets at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

(p) Financial instruments *(Continued)*

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include, Cash and cash equivalents, Other assets, Fixed deposit, Deposits and commercial paper, Government securities, staff loans and Corporate bonds.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange gains and losses and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company's financial assets classified as debt instruments at fair value through OCI, include Government securities.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company's financial assets designated at fair value through OCI (equity instruments) is the unquoted equity investments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

(p) Financial instruments *(continued)*

Financial assets at fair value through profit or loss (continued)

classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Financial assets at fair value through profit or loss comprise investment in collective investment scheme i.e. CIC Unit Trust quoted equity investments and Government Securities.

De-recognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired or:
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

De recognition due to substantial modification of terms and conditions

The company derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as de recognition gain or loss. When assessing whether or not to derecognise an instrument, amongst others, the Company considers the following factors: introduction of an equity feature, change in counterparty and if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result into cash flows that are substantially different, the modification does not result in de recognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss.

Impairment of financial assets

Overview of ECL principles

IFRS 9 requires the recognition of a forward-looking expected credit loss (ECL) for all financial assets at amortised cost and at fair value through OCI other than equity investments.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (LTECL)). unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

(p) Financial instruments *(continued)*

Overview of ECL principles *(Continued)*

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its financial assets into Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired (POCI) as described below.

Stage 1	When financial assets are purchased or originated, the Company recognises an allowance based on 12mECLs. For financial assets, interest income is calculated on the gross carrying amount.
Stage2	When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for LTECLs. The calculation of interest income is on the gross carrying amount of the financial asset.
Stage 3	where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Company will continue to recognise lifetime ECL, but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.
POCI	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The calculation of ECLs

The Company calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The Company does not have financial guarantees, loan commitments, letters of credit and financial assets which are purchased or originated credit impaired (POCI).

When estimating the ECLs, the Company considers three scenarios (a base case, optimistic (upside) and pessimistic (downside). Each of these is associated with different PDs, EADs and LGDs.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

(p) Financial instruments *(continued)*

The calculation of ECLs *(Continued)*

When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the staff loans and mortgages will cure and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial asset at amortised cost unless the Company has the legal right to call it earlier.

Forward looking information

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. The Company did not provide detailed information on how the forecast economic conditions have been incorporated in the determination of ECL because the impact is not significant.

Collateral valuation

To mitigate its credit risk on financial assets, the Company seeks to use collateral, where possible. The collateral is in form of real estate or motor vehicles. Collateral, unless repossessed, is not recorded on the Company's statement of financial position. However, the fair value of collateral affects the calculations of ECLs for staff loans. It is generally assessed, at a minimum, at inception and reassessed on annual basis. Collaterals such as real estate, are valued based on data provided by third parties such as real estate valuers.

Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for internal operations are transferred to their relevant asset category at the lower of the repossessed value or the carrying amount of the original secured asset. Assets for which selling is determined to be the better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Company's policy.

In its normal course of business, the Company does not physically repossess properties or motor vehicles but engages its procurement department to auction the asset to settle the outstanding debt. Any surplus funds are returned to the obligors. As a result of this practice, the real estate properties and motor vehicles under legal repossession processes are not recorded in the balance sheet.

Write offs

Financial assets are written off either partially or in entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount Any subsequent recoveries are credited to credit loss expense. There were no write offs over the period reported in these financial statements.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

(p) Financial instruments *(continued)*

Financial liabilities *(Continued)*

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include other payables and amounts due to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has no liabilities in this category and has not designated any.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.
This category generally applies to other payables and amount due to related parties.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. Income and expenses will not be offset in the profit or loss unless required

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(q) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investment comprising of fixed deposits with financial institutions with original maturities of three months or less and are subject to an insignificant risk of changes in value.

(r) Dividends

Dividends on ordinary shares are charged directly to equity in the period in which they are declared and approved. Dividends for the year that are approved after the reporting date are not recognised as a liability at the reporting date.(s)Events after the reporting date.

If the Company receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Company will assess if the information affects the amounts that it recognises in the Company's financial statements. The Company will adjust the amounts recognised in its financial statements to reflect any adjusting events even after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Company will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable. The entity's owners have no power to amend the financial statement after issue.

(s) Events after the reporting date.

If the Company receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Company will assess if the information affects the amounts that it recognises in the Company's financial statements. The Company will adjust the amounts recognised in its financial statements to reflect any adjusting events even after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Company will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable. The entity's owners have no power to amend the financial statement after issue.

(t) Share capital

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

(u) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes of presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the assets and liabilities of the Company. Management applies judgement in determining the best estimate of future experience. Judgements are based on historical experience and management's best estimate expectations of future events, taking into account changes experienced historically. Estimates and assumptions are regularly updated to reflect actual experience. Actual experience in future financial years can be materially different from the current assumptions and judgements and could require adjustments to the carrying values of the affected assets and liabilities.

The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the company. Such changes are reflected in the assumptions when they occur.

A. Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that will have the most significant effect on the amounts recognised in financial statements:

(a) Assessment of significance of insurance risk

The Company applies its judgement in assessing whether a contract transfers to the issuer significant insurance risk. A contract transfers significant insurance risk only if an insured event could cause the company to pay additional amounts that are significant in any single scenario and only if there is a scenario that has commercial substance in which the issuer has a possibility of a loss on a present value basis upon an occurrence of the insured event, regardless of whether the insured event is extremely unlikely. The assessment of whether additional amounts payable on the occurrence of an insured event are significant and whether there is any scenario with commercial substance in which the issuer has a possibility of a loss on a present value basis involves significant judgement and is performed at initial recognition on a contract-by-contract basis. The type of contracts where this judgement is required are those that transfer financial and insurance risk and result in the latter being the smaller benefit provided. All contracts issued by the company accept significant insurance risk and the reinsurance contracts held transfer significant insurance risk and therefore no judgement was involved.

(b) Combination of insurance contracts

Determining whether it is necessary to treat a set or series of insurance contracts as a single contract involves significant judgement and careful consideration. In assessing whether a set or series of insurance contracts achieve, or are designed to achieve, an overall commercial effect, the company determines whether the rights and obligations are different when looked at together compared to when looked at individually and whether the company is unable to measure one contract without considering the other. No respective judgement is applicable to the company.

(c) Separation of insurance components of an insurance contract

The company issues some insurance contracts that combine protection for the policyholder against different types of insurance risks in a single contract. IFRS 17 does not require or permit separating insurance components of an insurance contract unless the legal form of a single contract does not reflect the substance of its contractual rights and obligations. In such cases, separate insurance elements must be recognised. Overriding the 'single contract' unit of account presumption involves significant judgement and is not an accounting policy choice. When determining whether a legal contract reflects its substance or not, the company considers the interdependency between different risks covered, the ability of all components to lapse independently, and the ability to price and sell the components separately. No respective judgement is applicable to the company.

(d) Determination of the contract boundary

The measurement of a group of insurance contracts includes all the future cash flows arising within the contract boundary. In determining which cash flows fall within a contract boundary, the company considers its substantive rights and obligations arising from the terms of the contract, from applicable law, regulation and customary business practices. Cash flows are

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(d) Determination of the contract boundary (continued)

considered to be outside of the contract boundary if the company has the practical ability to reprice existing contracts to reflect their reassessed risks, and if the contract's pricing for coverage up to the date of reassessment only considers the risks until the next reassessment date.
The company applies its judgement in assessing whether it has the practical ability to set a price that fully reflects all the risks in the contract or portfolio.

For CIC General business, the date of initial recognition will be the start of the coverage period for the group of insurance and reinsurance contracts. For every contract, the company has the practical ability to reprice upon renewal. This repricing is limited to after the contractual term has expired and coverage for the period has ended. The renewal date is therefore the contract end date.

(e) Identification of portfolios

The company defines a portfolio as insurance contracts subject to similar risks and managed together. Contracts within the same product line are expected to be in the same portfolio as they have similar risks and are managed together. The assessment of which risks are similar and how contracts are managed requires the exercise of judgement. Despite the oversight provided by management at the group level, the company determines that these contracts are managed at the issuing entity level. This is not an area of significant judgement for the company since the company is a multi-line insurer where each product line is monitored and managed on its own.

The company applies the same assessment for the group of reinsurance contracts held.

(f) Level of aggregation

The company applies judgement when determining the contract sets within portfolios and whether the company has reasonable and supportable information to conclude that all contracts within a set would fall into the same group.

(g) Assessment of loss component

Aggregation of insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous and groups of other contracts. Similar grouping assessment for reinsurance contracts held is done. For contracts measured under the PAA, management has applied judgement to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is applied to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required. The Company uses loss ratios to identify onerous contracts.

(h) Assessment of directly attributable cash flows

The company uses judgement in assessing whether cash flows are directly attributable to a specific portfolio of insurance contracts. Insurance acquisition cash flows are included in the measurement of a group of insurance contracts only if they are directly attributable to the individual contracts in a group, or to the group itself, or the portfolio of insurance contracts to which the group belongs. The company performs regular expenses analysis and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts.

(i) Assessment of eligibility for PAA

For short term (re)insurance contracts with a coverage period extending beyond one year, the company elects to apply the PAA if at the inception of the group, the company reasonably expects that it will provide a liability for remaining coverage that would not differ materially from the General Model. The company exercises judgement in determining whether the PAA eligibility criteria are met at initial recognition. The company carried out PAA eligibility assessment for the engineering portfolio whose LRC determined using GMM does not differ materiality from that measured under PAA and concluded that they qualify to be measured under PAA.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(j) Impairment of financial assets

The company recognizes an allowance for expected credit losses (ECLs) across relevant financial assets through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Therefore, the Company tracks changes in credit risk and recognizes a loss allowance based on lifetime ECLs at each reporting date. See note 34 or financial assets that are subject to impairment assessment.

(k) Income taxes

The Company is subject to income taxes in Kenya. Significant judgement is required in determining the Company's provision for income taxes and to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies. The Company uses judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision is based on which approach provides better predictions of the resolution of the uncertainty. The Company assumes that the taxation authority will examine amounts reported to it and will have full knowledge of all relevant information when doing so. Where the Company concludes that it is probable that a particular tax treatment will be accepted, it determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Company concludes that it is not probable that a particular tax treatment will be accepted, it uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

Particularly, the Company has applied judgement in concluding that on initial adoption of IFRS 17, the transition adjustments do not attract income tax charge/credit. In addition, the existing income tax laws are based on IFRS 4 and therefore, judgment has been applied in calculating the current income tax charge for the year based on IFRS 17 numbers. To the best of the directors' knowledge, the calculated tax obligations are reflective of the tax liability at 31 December 2023.

(l) IFRS 16 'Leases'

Estimates are made in determining the carrying values of the right of use asset and lease liability.

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay'. The Company estimates the IBR using observable inputs (such as market interest rates).

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(l) IFRS 16 'Leases' (continued)

the commencement date, the Company reassesses the lease term (see note 10(b)) if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

(m) Valuation of investment property

Estimates are made in determining valuation of investments properties. The management uses experts in determination of the values to adopt. In performing the valuation, the valuers use discounted cash flows projections which incorporates assumptions around the continued demand of the rental space, sustainability of growth in rent rates as well as makes reference to the recent sales made of similar sizes and within the similar locality. The independent valuers also use the highest and best in use principle in determining the values of the investment properties. The changes in these assumptions could result in significant change in the carrying value of the investment property.

Management monitors the investment property market and economic conditions that may lead to significant change in values and conducts formal an independent property valuation every year and adjusts the recorded fair values accordingly for any significant change.

B. Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(a) Insurance contract assets and liabilities and reinsurance contract assets and liabilities

By applying IFRS 17 to measurement of insurance contracts issued and reinsurance contracts held, the company has made estimations in the following key areas. They form part of the overall balances of insurance contract assets and liabilities and reinsurance contract assets and liabilities:

- Future cash flows, including Liability for Incurred claims
- Discount rates
- Allocation rate for insurance finance income or expenses
- Risk adjustment for non-financial risk
- Allocation of asset for insurance acquisition cash flows to current and future groups of contracts

Every area, including the company's estimation methods and assumptions used and other sources of estimation uncertainty are discussed below. At 31 December 2023, the Company's total carrying amount of:

- Insurance contracts issued that are liabilities was KShs 9.08 billion (2022: KShs 9.29 billion)
- Reinsurance contracts issued that are assets was KShs 1.19 billion (2022: KShs 2.38 billion)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

B. Key sources of estimation uncertainty *(continued)*

Sensitivity analysis to underwriting risk variables

The following tables present information on how reasonably possible changes in assumptions made by the company with regard to underwriting risk variables impact insurance liabilities and profit or loss and equity before and after risk mitigation by reinsurance contracts held. These contracts are measured under the PAA, and thus, only the Liability for incurred claims (LIC) component of insurance liabilities is sensitive to possible changes in underwriting risk variables.

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. No changes were made by the company in the methods and assumptions used in preparing the below analysis.

	Liability for Incurred Claims (LIC)	Impact on LIC	Impact on Profit Before Income Tax	Impact On Equity	Liability For Incurred Claims (LIC)	Impact On LIC	Impact on Profit before Income Tax	Impact on Equity
		KShs '000	KShs '000	KShs '000	KShs '000			
Insurance contract liabilities	5,604,445				6,270,363			
Reinsurance contract assets	(1,712,342)				(2,060,477)			
Net insurance contract liabilities	3,892,103				4,209,886			
Average claim cost - 10% increase								
Insurance contract liabilities		307,817	307,817	(215,472)		313,050	313,050	(219,135)
Reinsurance contract assets		(87,993)	(87,993)	61,595		(100,942)	(100,942)	70,659
Net insurance contract liabilities		219,824	219,824	(153,877)		212,108	212,108	(148,476)
Discount rate - 1% increase								
Insurance contract liabilities		(92,022)	(92,022)	64,416		(63,331)	(63,331)	44,332
Reinsurance contract assets		25,498	25,498	(17,848)		20,431	20,431	(14,302)
Net insurance contract liabilities		(66,524)	(66,524)	46,568		(42,900)	(42,900)	30,030

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

(b) Technique for estimation of future cash flows

In estimating fulfilment cash flows included in the contract boundary, the company considers the range of all possible outcomes in an unbiased way specifying the amount of cash flows, timing and probability of each scenario reflecting conditions existing at the measurement date, using a probability-weighted average expectation. The probability weighted average represents the probability-weighted mean of all possible scenarios. In determining possible scenarios, the company uses all the reasonable and supportable information available to them without undue cost and effort, which includes information about past events, current conditions and future forecasts.

Cash flow estimates include both market variables directly observed in the market or derived directly from markets and non-market variables such as morbidity rates, accident rates, average claim costs, probabilities of severe claims. The company maximises the use of observable inputs for market variables and utilises internally generated company-specific data.

(c) Method of estimating discount rates

In determining discount rates for different products, the company uses the bottom-up approach for cash flows of nonparticipating contracts that do not depend on underlying items. Applying this approach, the discount rate is determined as the risk-free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an illiquidity premium).

To derive the risk-free yield curve, the company uses the published Nairobi Securities Exchange (NSE) yield curve. This yield curve is published monthly and is based on the current yields of government securities issued by the Central Bank of Kenya.

The Company will apply an illiquidity premium of zero to its risk-free yield curve. This is due to lack of sufficiently deep corporate bond market for which to derive the illiquidity premium. In addition, the groups of contracts are short-term, liquid and cancellable by providing a specified notice period.

Discount rates applied for discounting of future cash flows are listed below:

Period	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
31 December 2023	16.10%	17.92%	17.96%	17.87%	17.45%	16.79%	16.32%	15.97%	15.73%	15.70%
31 December 2022	10.31%	12.17%	12.69%	13.11%	13.53%	13.62%	13.66%	13.70%	13.73%	13.77%

(d) Method of determining risk adjustment

Liability for incurred claims (LIC)

The Company uses stochastic methods known as quantile techniques to estimate risk adjustment for incurred claims for short-term contracts. Under this approach, the frequency and severity assumptions used in the computation of the liability of incurred claims, is fitted onto various statistical distributions. The data used is the ultimate average cost of claims and ultimate number of claims as determined through the reserving triangles. In addition, a smoothing is applied to the losses to ensure that accident periods that have unusually large or small average claims are not considered. This is done to ensure that that other drivers of claims do not skew the distributions, such as unusual growth in exposure. The smoothing is applied by standardising claims with mean and standard deviation and removing all claims outside the 95% of the normal distribution.

Liability for Remaining Coverage (LRC)

A risk adjustment would need to be applied on the LRC for onerous short-term contracts to allow for the compensation required for carrying the uncertainty of unknown amounts and timing arising from contracts where premiums are determined to be insufficient. A risk adjusted and discounted ultimate loss ratio shall be applied on the Unearned Premium Reserve to determine the expected claims.

The Company will produce results at various confidence intervals and select the most appropriate risk margin for its own experience. Currently the confidence level for general insurance business is set at 75% to ensure consistency with regulatory requirements and general market practice.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

3. INSURANCE SERVICE RESULT

Insurance revenue	2023 KShs '000	2022 *Restated KShs '000
Engineering	179,848	308,620
Fire*	1,062,002	978,109
Liability	109,845	97,657
Marine	92,722	95,387
Motor*	4,541,055	3,891,418
Accident	220,389	201,909
Theft	527,962	565,863
Workmen compensation	1,309,615	1,148,441
Miscellaneous*	219,443	174,904
Medical	7,189,144	5,329,477
Total insurance revenue	15,452,025	12,791,785

(b) Insurance service expenses

The breakdown of insurance service expenses by major product lines is presented below:

2023

	Incurred Claims Expenses	Other Directly Attributable Expenses	Changes In Risk Adjustments on Liability for Incurred Claims	Changes in Loss Component	Insurance Acquisition Cash Flows Amortisation	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Engineering	(79,095)	9,379	(1,654)	17,966	36,607	(16,797)
Fire*	227,927	67,935	(385)	-	255,400	550,877
Liability	(17,839)	22,628	312	1,480	20,905	27,486
Marine	22,561	7,494	(379)	(5,324)	21,838	46,190
Motor*	2,725,137	795,505	21,254	(30,441)	446,010	3,957,465
Accident	57,603	307,334	183	-	44,927	410,047
Theft	92,334	47,652	2,197	-	96,138	238,321
Workmen compensation	97,029	22,390	8,591	-	286,354	414,364
Miscellaneous*	83,597	41,255	(954)	(1,115)	17,250	140,033
Medical	5,550,949	1,127,153	18	-	704,882	7,383,002
Total	8,760,203	2,448,725	29,183	(17,434)	1,930,311	13,150,988

*Fire comprises of Fire Industrial and Domestic Package portfolios
*Motor comprises of Motor Commercial and Motor Private portfolios
*Miscellaneous comprises of Miscellaneous and Biashara Salama portfolios

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

3. INSURANCE SERVICE RESULT *(continued)*

(b) Insurance service expenses (continued)

	Incurred Claims Expenses	Other Directly Attributable Expenses	2022 * Restated Changes in Risk Adjustments on Liability for Incurred Claims	Changes in Loss Component	Insurance Acquisition Cash Flows Amortisation	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Engineering	322,950	13,044	4,528	(7,868)	59,652	392,306
Fire	367,190	76,873	2,075	-	234,661	680,799
Liability	(155,522)	15,098	(2,535)	-	18,470	(124,489)
Marine	41,387	9,511	348	3,178	20,645	75,069
Motor	2,625,043	633,891	(6,326)	16,058	375,742	3,644,408
Accident	46,097	201,898	578	-	39,359	287,932
Theft	(33,020)	49,790	(1,706)	-	97,790	112,854
Workmen compensation	126,931	48,137	(236)	-	228,744	403,576
Miscellaneous	64,493	30,445	914	1,118	16,716	113,686
Medical	3,913,119	982,171	(129)	(68,913)	521,445	5,347,693
Total	7,318,668	2,060,858	(2,489)	(56,427)	1,613,224	10,933,834

(c) Net expenses / (income) from reinsurance contracts held

The analysis of net income / (expense) from reinsurance contracts by major product lines is presented below:

	Reinsurance Expenses	Insurance Acquisition Cash Flows Amortisation	2023 Changes in Risk Adjustments on Liability for Incurred Claims	Changes in Loss Component	Incurred Claims Recovery	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Engineering	141,784	(1,407)	370	105	24,713	165,565
Fire	620,374	(180,461)	(729)	631	(36,233)	403,582
Liability	51,850	(12,102)	(33)	47	(1,081)	38,681
Marine	52,202	(16,265)	(56)	(18)	(618)	35,245
Motor	139,776	(1,042)	(1,653)	2,781	(37,745)	102,117
Accident	127,139	(30,991)	(121)	58	(785)	95,300
Theft	125,294	(25,427)	(139)	249	2,843	102,820
Workmen compensation	887,189	(254,409)	(80)	(431)	(143)	632,126
Miscellaneous	291,226	(186,008)	(419)	91	(22,017)	82,873
Medical	339,060	-	(99)	-	(234,133)	104,828
Total	2,775,894	(708,112)	(2,959)	3,513	(305,199)	1,763,137

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

3. INSURANCE SERVICE RESULT *(continued)*

(c) Net expenses / (income) from reinsurance contracts held (continued)

The analysis of net income / (expense) from reinsurance contracts by major product lines is presented below:

2022 *Restated	Reinsurance Expenses	Insurance Acquisition Cash Flows Amortisation	Changes in risk Adjustments on Liability for Incurred Claims	Changes in Loss Component	Incurred Claims Recovery	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Engineering	135,948	(37,456)	(558)	(41)	(119,279)	(21,386)
Fire	757,164	(254,300)	(843)	(231)	(167,506)	334,284
Liability	24,238	(5,523)	209	(36)	49,165	68,053
Marine	50,311	(18,942)	(29)	38	753	32,131
Motor	178,592	(21,568)	(1,337)	(1,771)	(138,165)	15,751
Accident	92,029	(23,025)	(74)	(22)	128	69,036
Theft	284,040	(67,968)	(3)	42	28,178	244,289
Workmen compensation	828,108	(225,073)	(111)	369	(12,779)	590,514
Miscellaneous	160,060	(85,664)	(195)	(140)	(34,414)	39,647
Medical	191,391	-	15	762	(47,262)	144,906
Total	2,701,881	(739,519)	(2,926)	(1,030)	(441,181)	1,517,225

4. INVESTMENT INCOME

	2023	2022
	KShs '000	KShs '000
(a) Interest revenue calculated using the effective interest method		
Interest on financial assets at amortised cost – Government securities	124,675	101,510
Interest on financial assets at amortised cost - corporate bonds	651	251
Interest on bank deposits	242,220	153,102
Interest on financial assets at fair value through other comprehensive income – Government securities	684,549	488,321
Interest on staff loan receivables	2,349	2,429
Interest on treasury bills	17,078	29,336
	1,071,522	774,949
(b) Other investment income		
Rental income from investment properties	136,237	143,965
Dividend income	23,694	27,782
	159,931	171,747
Total investment income	1,231,453	946,696

5. OTHER GAINS AND LOSSES

Fair value loss on quoted equity investments at fair value through profit or loss (note 18)	(54,617)	(34,170)
Fair value (loss)/gain on investments in collective investment schemes (note 19)	(1,273)	52,866
Medical administration fees	132,991	10,084
Miscellaneous income*	34,312	48,982
Other net gains/(losses)	111,413	77,762

*Miscellaneous income includes gain on disposal of property and equipment, sale of scraps, and sale of tenders.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

6. NET INSURANCE FINANCE EXPENSES

2023

	Finance expenses from insurance contracts issued				Finance income from reinsurance contracts held				
	Interest accreted	Changes in interest Rates on present value to incurred claims	Changes in interest Rates on risk Adjustment to incurred claims	Finance expenses from insurance Contracts issued	Interest accreted	Changes in interest Rates on present value to incurred claims	Changes in interest Rates on risk Adjustment To incurred claims	Finance Income from Reinsurance Contracts held	Net insurance Finance expenses
		KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Engineering	32,050	(3,544)	(68)	28,438	16,170	(2,052)	(29)	14,089	42,527
Fire	36,423	(3,396)	(41)	32,986	(31,921)	4,052	58	(27,811)	5,175
Liability	20,515	(4,905)	(48)	15,562	(1,456)	185	3	(1,268)	14,294
Marine	4,628	(625)	(13)	3,990	(2,465)	313	4	(2,148)	1,842
Motor	180,256	(28,663)	(339)	151,254	(72,317)	9,179	131	(63,007)	88,247
Accident	8,562	(1,824)	(60)	6,678	(5,275)	670	10	(4,595)	2,083
Theft	19,128	(1,675)	(39)	17,414	(6,064)	770	11	(5,283)	12,131
Workmen compensation	43,891	(3,665)	(113)	40,113	(3,514)	446	6	(3,062)	37,051
Miscellaneous	4,134	(322)	(8)	3,804	(18,360)	2,330	33	(15,997)	(12,193
Medical	-	-	-	-	-	-	-	-	-
Total	349,587	(48,619)	(729)	300,239	(125,202)	15,893	227	(109,082)	191,157

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

6. NET INSURANCE FINANCE EXPENSES *(continued)*

2022 *Restated

	Finance expenses from insurance contracts issued				Finance income from reinsurance contracts held				
	Interest Accreted	Changes in Interest Rates on Present Value to Incurred Claims	Changes in Interest Rates on Risk Adjustment to Incurred Claims	Finance Expenses from Insurance Contracts Issued	Interest Accreted	Changes in Interest Rates on Present Value to Incurred Claims	Changes in Interest Rates on Risk Adjustment to Incurred Claims	Finance Income from Reinsurance Contracts Held	Net Insurance Finance Expenses
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Engineering	18,515	221	2	18,738	(16,552)	96	3	(16,453)	2,285
Fire	17,241	-	-	17,241	(25,012)	145	5	(24,862)	(7,621)
Liability	25,415	(149)	(3)	25,263	6,199	(36)	(1)	6,162	31,425
Marine	2,794	(7)	-	2,787	(854)	5	-	(849)	1,938
Motor	164,276	(1,634)	(6)	162,636	(39,664)	230	7	(39,427)	123,209
Accident	7,596	(151)	(5)	7,440	(2,206)	13	-	(2,193)	5,247
Theft	21,996	(13)	-	21,983	(86)	-	-	(86)	21,897
Workmen compensation	32,077	(643)	(19)	31,415	(3,304)	19	1	(3,284)	28,131
Miscellaneous	2,364			2,364	(5,772)	33	1	(5,738)	(3,374)
Medical		-	-		-	-	-	-	-
Total	292,274	(2,376)	(31)	289,867	(87,251)	505	16	(86,730)	203,137

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

7. (a) OPERATING AND OTHER EXPENSES

	2023	2022
	KShs '000	KShs '000
Staff costs (note 7 (b))	1,368,558	1,167,588
Auditor's remuneration	10,046	7,046
Directors' fees (Note 21 (e))	25,919	24,346
Directors' emoluments	23,379	25,308
Depreciation of property and equipment (note 9 (a))	28,730	22,048
Amortisation on the right of use (note 9 (b))	26,397	33,845
Amortisation of intangible assets (note 11)	29,816	29,254
Premium tax	147,924	138,711
Staff welfare	222,009	181,301
Utilities	155,922	148,631
Printing and stationery	38,030	35,484
Sales promotion	21,744	14,628
Business advertising and promotion	377,390	249,694
Professional fees	191,021	179,574
Statutory returns	38,521	34,653
Allowance for expected credit losses (note 7(c))	10,797	1,823
Interest on lease liabilities	14,517	13,808
Other expenses*	21,650	23,275
Total	2,752,370	2,331,017
Represented by:		
Insurance service expenses	2,448,725	2,060,858
Other operating expenses	303,645	270,159
Total	2,752,370	2,331,017

*Other expenses relate to tender costs, postage, donations, entertainment, purchase of newspapers and journals, and other general expenses.

7 (b) STAFF COSTS

	2023	2022
	KShs '000	KShs '000
Staff costs include the following:		
- Salaries	1,093,662	1,048,612
- Restructuring costs*	149,726	-
- Pension costs	62,990	60,142
- Bonus Pay	47,689	45,268
- Leave pay	14,491	13,566
	1,368,558	1,167,588

*Restructuring costs relate to severance pay for employees who opted to retire/exit under the voluntary early retirement/exit programme in the year.

The average number of employees during the year was 329 (2022: 338)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

7 (c) Allowance for expected credit losses:

	2023	2022
	KShs '000	KShs '000
- Corporate bonds – note 34 (b)	(3)	32
- Deposit and commercial papers – note 34 (b)	-	(2)
- Deposit with financial institutions – note 34 (b)	4,699	(1,682)
- Due from related party – note 34 (b)	140	426
- Loan receivables – note 34 (b)	525	4,624
- Other receivables – note 34 (b)	2,927	(43)
- Government securities at amortised cost- treasury bonds- note 34 (b)	(201)	276
- Government securities at FVOCI – note 34 (b)	2,870	(1,609)
- Cash and bank – note 34(b)	(160)	(199)
	10,797	1,823

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

8. INCOME TAX EXPENSE

(a) Income tax expense

	2023 KShs '000	2022 KShs '000
Current income tax	583,313	389,706
Deferred income tax (note 12)	(108,449)	142,616
	474,864	532,322

(b) Reconciliation of income tax expense to tax on accounting profit

	2023 KShs '000	2022 KShs '000
Profit before income tax	1,385,964	891,888
Tax calculated at a tax rate of 30% (2022: 30%)	415,789	267,566
Tax effect of expenses not deductible for tax*	72,532	264,777
Tax effect of income not subject to tax**	(13,457)	(21)
Taxation charge for the year	474,864	532,322

*Expenses not deductible for tax purposes mainly relate to bad debts written off, loss on valuation of shares, fringe benefit tax and excess pension contributions.
** Income not subject to tax mainly relates to dividend income and fair value gain on shares and unit trusts.

The effective income tax rate is 34% (2022: 60%).

The applicable tax rate during the year was 30% (2022: 30%).

(c) Current income tax

	2023 KShs '000	2022 KShs '000
At start of year	45,908	109,212
Current income tax	583,313	389,706
Paid during the year	(424,826)	(453,010)
At end of year	204,395	45,908

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

9. (a) PROPERTY AND EQUIPMENT

	CIC Plaza II Building	Motor Vehicles	Computers	Furniture, fittings equipment	Total
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**
COST OR VALUATION					
At 1 January 2023	234,000	7,475	111,815	509,618	862,908
Additions	-	-	13,154	20,472	33,626
At 31 DECEMBER 2023	234,000	7,475	124,969	530,090	896,534
ACCUMULATED DEPRECIATION					
At 1 January 2023	-	3,022	99,199	455,523	557,744
Charge for the year	5,850	1,307	6,710	14,863	28,730
Elimination on revaluation	(5,850)	-	-	-	(5,850)
At 31 DECEMBER 2023	-	4,329	105,909	470,386	580,624
CARRYING AMOUNT					
At 31 DECEMBER 2023	234,000	3,146	19,060	59,704	315,910
COST OR VALUATION					
At 1 January 2022	234,000	2,268	108,219	498,173	842,660
Additions	-	5,207	3,596	11,445	20,248
At 31 December 2022	234,000	7,475	111,815	509,618	862,908
ACCUMULATED DEPRECIATION					
At 1 January 2022	-	2,198	93,116	93,116	93,116
Charge for the year	-	824	6,083	6,083	6,083
At 31 December 2022	-		99,199	99,199	99,199
		3,022			
CARRYING AMOUNT					
At 31 December 2022	234,000	4,453	12,616	54,095	305,164

The valuation of building was conducted by an independent valuer Crystal Valuers Limited for the period ended 31st December 2023. The Company occupies 20% of CIC Plaza II building. This portion qualifies as owner occupied property which has been included in property and equipment.

The carrying amount of the building before and after the valuation was Kshs. 234M.

No property and equipment were pledged as security or held under lien.

The fair value disclosures for the measurement of the building has been disclosed in note 35.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

9. (b) LEASES

The Company's leases include Office space. Lease payments have an escalating clause to reflect market rentals. Information about leases for which the Company is a lessee is presented below.

	2023	2022
	KShs '000	KShs '000
Right of use asset		
At start of the year	106,674	53,835
Additions	2,389	92,745
Expired leases	1,294	70,764
Lease remeasurement	-	(6,061)
Amortisation charge	(26,397)	(33,845)
Disposals – expired leases	(1,294)	(70,764)
At end of year	82,666	106,674
Lease liability		
At start of the year	125,514	66,131
Additions	2,388	92,745
Accretion of interest	14,517	13,808
Payment of interest	(14,517)	(13,808)
Payment of principal portion of lease liabilities	(23,387)	(27,301)
Lease remeasurement	-	(6,061)
At end of year	104,515	125,514

Amounts recognised in profit or loss

	KShs '000	KShs '000
Interest on lease liabilities	14,517	13,808
Amortisation of right of use assets	26,397	33,845
Amounts recognised in cash flows:		
Payment of principal portion of lease liabilities	23,387	27,301
Payment of interest on lease liability	14,517	13,808
Total cash outflow for leases	37,904	41,109

Lease liability maturity analysis – undiscounted basis

	Due on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
2023	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	Total
Lease liabilities	-	9,678	27,513	94,893	-	132,084
2022						
Lease liabilities	-	9,273	28,441	128,860	-	166,574

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

10. INVESTMENT PROPERTIES

	CIC Plaza II	Kajiado Land	Total
	KShs'000	KShs'000	KShs'000
2022 At 1 January and 31 December	936,000	666,000	1,602,000
2023 At 1 January and 31 December	936,000	666,000	1,602,000

There are no contractual commitments in respect of the investment properties.

Net rental income on CIC Plaza 2 arising from operating lease arrangements has been disclosed in note 5 of the financial statements.

CIC Plaza II was revalued on 31 December 2023 by registered valuers, Crystal Valuers Limited, on the basis of open market value. Crystal Valuers Limited are industry specialists in valuing these types of investment properties. In arriving at the value of the investment properties, the valuers used capitalization of the rental income using the year purchase method. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Generally, a change in the assumption made for the estimated rental value is accompanied by:

I. a directionally similar change in the rent growth per annum and discount rate (and exit yield)
II. an opposite change in the long-term vacancy rate

Description of valuation techniques used and key inputs to valuation on investment properties:

		2023	2022
		KShs'000	KShs'000
Valuation technique	Significant unobservable Inputs	Average	Average
Capitalized rent income (year purchase) method	Net annual rent	136,237	143,965
	Annual rent growth rate	-3%	3%
	Discounting rate	13%	13%

Considering the physical economic parameters in the country and the trends in property markets, management is of the opinion that there will be no significant changes in the inputs to the valuation method during the year. Valuations are performed on an annual basis. The fair valuation basis takes into account the existing use and the tenancies and also considers the normal lease structure for similar buildings.

On the other hand, Kajiado plots are based on market value that is price at which an interest in a property might reasonably be expected to be sold by a private treaty at the date of valuation assuming:

a. a willing buyer, willing seller;
b. a reasonable period within which to negotiate the sale by taking into account the nature of the property;
c. values will remain static throughout the period;
d. the property will be freely exposed to the market within reasonable publicity;

The fair value disclosures have been set out in note 35.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

11. INTANGIBLE ASSETS

2023	Computer Software	Work in Progress	Total
	KShs '000	KShs '000	KShs '000
COST			
At 1 January	228,939	-	228,939
Additions	4,110	7,260	11,370
At 31 December	233,049	7,260	240,309
ACCUMULATED AMORTISATION			
At January	143,927	-	143,927
Charge for the year	29,816	-	29,816
At 31 December	173,743	-	173,743
CARRYING AMOUNT			
At 31 December	59,306	7,260	66,566

2022	Computer Software	Work in Progress	Total
	KShs '000	KShs '000	KShs '000
COST			
At 1 January	121,571	103,934	225,505
Additions	3,434	-	3,434
Transfers	(103,934)	(103,934)	-
At 31 December	228,939	-	228,939
ACCUMULATED AMORTISATION			
At January	114,673	-	114,673
Charge for the year	29,254	-	29,254
At 31 December	143,927	-	143,927
CARRYING AMOUNT			
At 31 December	85,012	-	85,012

The intangible assets relate to costs incurred in the acquisition of software in use by the company.
The cost is amortised on a straight-line basis over the estimated useful lives of four years.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

12. DEFERRED INCOME TAX

	2023 KShs '000	2022 KShs '000
Accelerated capital allowance on motor vehicles and equipment	49,865	52,979
Expected credit loss on premium and reinsurance receivables	373,485	258,415
Allowance for expected credit losses on other financial assets	9,790	28,417
Accrued leave provision	9,425	7,491
Gratuity provision	8,750	9,020
Deferred tax on fair value losses through OCI	236,160	102,700
Deferred tax on valuation investment property	(27,426)	(27,473)
Net deferred tax asset	660,049	431,549
The movement in the deferred tax account is as follows:		
At 1 January	431,549	507,618
Deferred tax recognised through profit or loss (note 8 (a))	108,449	(142,616)
Recognised through other comprehensive income	120,051	66,547
At 31 December	660,049	431,549

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2022: 30%).

13. FINANCIAL ASSETS AT AMORTISED COST - CORPORATE BONDS

The credit quality of each corporate bond is assessed and is acceptable within the parameters used to measure and monitor credit risk.

	2023 KShs '000	2022 KShs '000
KMRC Fixed Rate Note	5,734	6,351
Allowance for expected credit loss	(29)	(32)
Carrying amount	5,705	6,319

Maturity analysis of the corporate bond has been disclosed in Note 34 (b) of the financial statements

14. FINANCIAL ASSETS AT AMORTISED COST – GOVERNMENT SECURITIES

	2023 KShs '000	2022 KShs '000
At 1 January	1,307,699	755,048
Additions	195,181	735,586
Maturities	(625,000)	(220,000)
Amortisation	1,303	(688)
Accrued interest	26,676	38,029
Allowance for expected credit loss	(453)	(276)
At 31 December	905,406	1,307,699

Government securities at amortised cost of KShs 905 Million (2022 - KShs 1.3 Billion) includes treasury bonds held by the Central Bank of Kenya under lien to the Commissioner of Insurance in accordance with the Kenyan Insurance Act.

Maturity analysis of the government securities held at amortized cost has been disclosed in Note 34 (b) of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

15. FINANCIAL ASSETS AT AMORTISED -LOANS RECEIVABLE

The loans refer to loans given to staff and are secured by colTlateral. On staff resignation, the credit quality of each loan is reassessed and is acceptable within the parameters used to measure and monitor credit risk.

	2023	2022
	KShs '000	KShs '000
Loans receivable:		
At 1 January	24,766	29,814
Interest accrued during the year	2,226	1,677
Repayments in the year	(1,995)	(2,101)
Allowance for expected credit loss	(525)	(4,624)
At 31 December	24,472	24,766

An analysis of changes in the gross carrying amount and corresponding ECL allowances debt instruments at fair value through OCI and at amortised cost has been disclosed in note 34 (b).

Maturity analysis of the loans receivable has been disclosed in Note 34 (b) of the financial statements.

The following table shows the maximum exposure to credit risk of staff loans, the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk:

	Maximum exposure to Credit risk	Total collateral	Net exposure	ECLS
31 December 2023 in KShs				
Loans receivable	31,802	24,472	7,330	7,330
31 December 2022 in KShs				
Loans receivable	31,571	24,766	6,805	6,805

The property is charged on the company and it's able to sell the property in case of default. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In its normal course of business, the company does not physically repossess properties or other assets in its portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – GOVERNMENT SECURITIES

	2023	2022
	KShs '000	KShs '000
At 1 January	4,780,268	3,216,981
Additions	2,410,000	1,783,500
Maturities	(1,050,000)	-
Fair value loss	(400,167)	(221,822)
Expected credit losses	(2,870)	1,609
At 31 December	5,737,231	4,780,268

Maturity analysis of the government securities held at FVOCI has been disclosed in Note 34 (b) of the financial statements.

An analysis of changes in the gross carrying amount and corresponding ECL allowances debt instruments at fair value through OCI and at amortised cost has been disclosed in note 34 (b). Refer to note 35 for fair value disclosures.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – UNQUOTED EQUITY INVESTMENTS

	2023	2022
	KShs '000	KShs '000
Value of shares held in Co-op Holding Co-operative Society Limited	14,378	15,337
The movement in the investments is as follows:		
At 1 January	15,337	15,763
Fair value loss	(959)	(426)
At 31 December	14,378	15,337

The shares held in Co-op Holding Co-operative Society Limited were acquired before the initial public offer (IPO) in 2009 and are not listed at the Nairobi Securities Exchange Limited (NSE). These shares are not available to the public market; they can only be sold to other members of the Co-operative entity at a specified agreed value. Thus, the agreed price represents the exit price for these shares which are to be valued at the higher of 60% of the average of the month's quoted Co-operative Bank of Kenya Limited shares at the Nairobi Securities Exchange Limited or the value of the shares. In the current year the shares have been valued at KShs 6.75 which approximates the fair value. In 2023, the Company received nil dividends from its FVOCI equities. The company did not dispose of or derecognise any FVOCI equity instruments in 2023

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS- QUOTED EQUITY INSTRUMENTS

	2023	2022
	KShs '000	KShs '000
At 1 January	314,618	373,273
Additions during the year	8,962	-
Disposals	(66,792)	(24,485)
Fair value loss (note 5)	(54,617)	(34,170)
At 31 December	202,171	314,618

At the reporting date, these are valued at the closing price at the Nairobi Securities Exchange on the last day of trading in the year. Refer to note 35 for fair value disclosures.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

19. INVESTMENTS IN COLLECTIVE INVESTMENT SCHEMES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	KShs '000	KShs '000
At 1 January	241,027	687,101
Additions	335,807	883,060
Maturities	(230,000)	(1,382,000)
Fair value (loss)/gain	(1,273)	52,866
At 31 December	345,561	241,027

20. OTHER RECEIVABLES

	2023	2022
	KShs '000	KShs '000
Staff advances	7,612	7,110
Prepayments	-	5,985
Rent receivable	23,395	12,973
Other deposits*	100,265	-
Medical administration fee receivable**	52,258	-
CIC Society Ltd	9,880	10,154
Other receivables	14,253	24,098
Allowance for expected credit loss on other receivables	(9,929)	(7,002)
	197,734	53,318

An analysis of changes in the gross carrying amount and corresponding ECL allowances in other receivables has been disclosed in note 34 (b).

*Other deposits relate to deposits placed with the lead insurers under the NHIF civil servants account and the National Police Service (NPS) account to facilitate prompt payment of claims.
**Medical administration fee receivable relates to the administration income due from the NPS medical scheme as at 31 December 2023.

The carrying amounts of the other receivables approximate their fair values. Other receivables are largely relating to commission advances to intermediaries.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

21. RELATED PARTY BALANCES

The company is a subsidiary of The CIC Insurance Group PLC, incorporated in Kenya, which owns 100% shares of the company. The ultimate parent company is Co-operative Insurance Society Limited. CIC Asset Management Limited, CIC Life Assurance Limited and CIC General Insurance Limited are related through common shareholding. The provisions for expected credit losses made on related party balances during the year was Kshs. 0.7 million (2022: 0.5 million). The amounts due from related parties are non- interest bearing and the balances are not secured. There were no commitments made between the company and any related party.

The following are transactions and outstanding balances with the related parties as at 31 December.

	2023	2022
	KShs '000	KShs '000
(a) Transactions with related parties *		
(i) Receipts from related parties		
The CIC Insurance Group PLC	594,622	416,453
CIC Life assurance Limited	354,915	316,888
CIC Asset Management Limited	385,485	354,284
The Co-operative Bank of Kenya Limited	486,300	451,817
	1,821,322	1,539,442
(ii) Payments to related parties		
The CIC Insurance Group PLC	559,498	309,977
CIC Life Assurance Limited	327,858	256,690
CIC Asset Management Limited	384,226	351,023
The Co-operative Bank of Kenya Limited	172,522	139,299
	1,444,104	1,056,989

* In helping to reduce the administration burden there will be situations where one entity will pay expenses or receive premiums on behalf of its sister entities or subsidiaries. These transactions therefore relate to the receipts to and payments from related parties to reimburse the entity paying on behalf of the others or allocating the premiums received by the entity on behalf of the others.

	2023	2022
	KShs '000	KShs '000
(b) Due from related parties		
The CIC Insurance Group PLC	171,056	135,931
Allowance for expected credit loss	(684)	(544)
	170,372	135,387
Due to related parties		
CIC Life Assurance Limited	(63,565)	(36,508)
CIC Asset Management Limited	(1,374)	(115)
	(64,939)	(36,623)

An analysis of changes in the gross carrying amount and corresponding ECL allowances in due from related parties has been disclosed in note 34 (b). The carrying amounts of the related party balances approximates their fair values.

(c) Loans to directors of the company

The company did not advance loans to its directors in 2023 (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

21. RELATED PARTY BALANCES *(continued)*

(e) Key management remuneration

The remuneration of directors and other members of key management during the year were as follows:

	2023	2022
	KShs '000	KShs '000
Short-term employment benefits:		
Directors fees	25,919	24,346
Directors emoluments	23,379	25,308
Leave allowance	1,704	1,393
Salary	120,969	109,200
National Social Security Fund (NSSF)	107	20
Gratuity	11,980	11,459
Pension contribution	4,437	3,931
	188,495	175,657

* Included in the key management remuneration is the executive director's (Managing Director) expenses of Kshs. 38M (2022 – 35M)

22. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2023	2022
	KShs '000	KShs '000
The Co-operative Bank of Kenya Limited*	1,518,331	387,064
Kenya Women's Micro Finance Bank	46,689	-
Kingdom Bank	31,120	117,661
Equity Bank	7,077	399,433
Credit Bank	40,544	-
NCBA Bank Limited	582,570	250,345
Stanbic Bank	61,068	-
I & M Bank Limited	-	36,606
KCB Bank Kenya Limited*	539,585	622,884
Allowance for expected credit loss	(10,067)	(5,368)
	2,816,917	1,808,625
Maturity analysis:		
Maturing within three months	1,005,521	730,226
Maturing after 3 months	1,821,463	1,083,767
Allowance for expected credit loss on deposits	(10,067)	(5,368)
	2,816,917	1,808,625

* With the exception of deposits with KCB Bank Kenya Limited, which are under lien, and Kshs. 248 million in KCB Bank Kenya and Kshs. 1.1 billion in Co-operative Bank of Kenya which are placed as guarantee for fulfilment of some certain insurance arrangements with insured, all the other deposits are available for use by the Company and have no lien conditions attached to them. The weighted average interest rate earned on the deposits with KCB Bank Kenya Limited under lien during the year was 2.5 % (2022: 2.5%).

The carrying amounts of the fixed deposits approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

23. WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

The table below summarises the weighted average effective interest rates realised during the year on the principal interest-bearing investments:

	2023	2022
	%	%
Government securities	13.03	13.00
Corporate bonds	12.57	12.50
Mortgage loans	6.00	6.00
Deposits with financial institutions, other than the KCB Bank which is disclosed above	13.05	9.40

24. SHARE CAPITAL

	31st December 2023		31st December 2023	
	Number of Shares	Share Capital	Number of Shares	Share Capital
	(in '000)	KShs '000	(in'000)	KShs '000
Authorised ordinary shares of KShs 20 each:				
At 1 January and at 31 December	100,000	2,000,000	100,000	2,000,000
Issued and fully paid up share capital:	85,000	1,700,000	85,000	1,700,000
At 1 January and at 31 December				

25. (a) FAIR VALUE RESERVE

The fair value reserve represents fair value gains/(loss) arising from financial assets at fair value through other comprehensive income and fair value gains or losses on revaluation of building. This reserve is not distributable as dividends.

(b) RETAINED EARNINGS

The retained earnings balance represents the amount available for distribution as dividend to the shareholders.

26. COMPOSITION OF THE BALANCE SHEET - INSURANCE CONTRACTS

An analysis of the amounts presented on the balance sheet for insurance contracts is included in the table below

	Insurance Contract Liabilities	Reinsurance Contract Assets	Insurance Contract Liabilities *Restated	Reinsurance Contract Assets *Restated
	(in '000)	KShs '000	(in'000)	KShs '000
Engineering	337,012	525,859	626,999	645,466
Fire	658,988	(19,141)	646,296	255,124
Liability	444,522	204,980	504,422	198,204
Marine	62,123	(2,701)	71,640	15,117
Motor	4,229,295	870,090	4,051,268	1,112,569
Accident	132,410	(42,018)	135,137	22,462
Theft	322,981	29,084	319,042	37,095
Workmen compensation	174,763	(306,907)	525,618	(34,914)
Miscellaneous	58,546	(71,684)	94,142	114,582
Medical	2,661,900	(545)	2,314,069	15,650
Total as per statement of financial position	9,082,540	1,187,017	9,288,633	2,381,355

Detailed reconciliations of changes in insurance contract balances during the reporting periods are included in the subsequent notes.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

27. INSURANCE CONTRACTS LIABILITIES

Reconciliation of the liability for remaining coverage (LRC) and liability for incurred claims (LIC) – Insurance contracts issued

Non-Medical

	2023						2022					
	LRC excluding loss component		Liability for incurred claims				LRC excluding loss component		Liability for incurred claims			
	Excl. Loss Component	Loss Component	Pv of Future Cash Flows	Risk Adjustment	Assets For Acquisition Cash Flows	Total	Excl. Loss Component	Loss Component	Pv of Future Cash Flows	Risk Adjustment	Assets For Acquisition Cash Flows	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Net insurance contract liabilities / (assets) at 1 Jan	1,898,828	55,835	5,384,710	54,155	(418,964)	6,974,564	1,871,333	43,349	4,968,269	56,547	(373,395)	6,566,103
Insurance revenue	(8,262,881)	-	-	-	-	(8,262,881)	(7,462,308)	-	-	-	-	(7,462,308)
Insurance service expenses	-	(17,434)	4,530,826	29,165	1,225,429	5,767,986	-	12,486	4,484,236	(2,360)	1,091,779	5,586,141
	(8,262,881)	(17,434)	4,530,826	29,165	1,225,429	(2,494,895)	(7,462,308)	12,486	4,484,236	(2,360)	1,091,779	(1,876,167)
Insurance finance expenses	-	-	300,968	(729)	-	300,239	-	-	289,899	(32)	-	289,867
Total changes in the comprehensive income	(8,262,881)	(17,434)	4,831,794	28,436	1,225,429	(2,194,656)	(7,462,308)	12,486	4,774,135	(2,392)	1,091,779	(1,586,300)
Cash flows:												
Premiums received	8,525,081	-	-	-	-	8,525,081	7,489,803	-	-	-	-	7,489,803
Claims and other expenses paid	-	-	(5,640,523)	-	-	(5,640,523)	-	-	(4,357,694)	-	-	(4,357,694)
Insurance acquisition cash flows	-	-	-	-	(1,243,826)	(1,243,826)	-	-	-	-	(1,137,348)	(1,137,348)
Total cash flows	8,525,081	-	(5,640,523)	-	(1,243,826)	1,640,732	7,489,803	-	(4,357,694)	-	(1,137,348)	1,994,761
Net insurance contract liabilities /(assets) at 31 Dec	2,161,028	38,401	4,575,981	82,591	(437,361)	6,420,640	1,898,828	55,835	5,384,710	54,155	(418,964)	6,974,564

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

27. INSURANCE CONTRACTS LIABILITIES

Reconciliation of the liability for remaining coverage (LRC) and liability for incurred claims (LIC) – Insurance contracts issued

Medical

	2023						2022					
	LRC excluding loss component		Liability for incurred claims				LRC excluding loss component		Liability for incurred claims			
	Excl. Loss Component	Loss Component	Pv of Future Cash Flows	Risk Adjustment	Assets for Acquisition Cash Flows	Total	Excl. Loss Component	Loss Component	Pv of Future Cash Flows	Risk Adjustment	Assets for Acquisition Cash Flows	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Net insurance contract liabilities / (assets) at 1 Jan	1,660,823	-	827,338	4,160	(178,252)	2,314,069	1,229,578	68,913	574,802	4,289	(130,407)	1,747,175
Insurance revenue	(7,189,144)	-	-	-	-	(7,189,144)	(5,329,477)	-	-	-	-	(5,329,477)
Insurance service expenses	-	-	6,678,102	18	704,882	7,383,002	-	(68,913)	4,895,290	(129)	521,445	5,347,693
	(7,189,144)	-	6,678,102	18	704,882	193,858	(5,329,477)	(68,913)	4,895,290	(129)	521,445	18,216
Insurance finance expenses	-	-	-	-	-	-	-	-	-	-	-	-
Total changes in the comprehensive income	(7,189,144)	-	6,678,102	18	704,882	193,858	(5,329,477)	(68,913)	4,895,290	(129)	521,445	18,216
Cash flows:												
Premiums received	7,434,077	-	-	-	-	7,434,077	5,760,722	-	-	-	-	5,760,722
Claims and other expenses paid	-	-	(6,563,745)	-	-	(6,563,745)	-	-	(4,642,754)	-	-	(4,642,754)
Insurance acquisition cash flows	-	-	-	-	(716,359)	(716,359)	-	-	-	-	(569,290)	(569,290)
Total cash flows	7,434,077	-	(6,563,745)	-	(716,359)	153,973	5,760,722	-	(4,642,754)	-	(569,290)	548,678
Net insurance contract liabilities / (assets) at 31 Dec	1,905,756	-	941,695	4,178	(189,729)	2,661,900	1,660,823	-	827,338	4,160	(178,252)	2,314,069

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

27. INSURANCE CONTRACTS LIABILITIES

Reconciliation of the liability for remaining coverage (LRC) and liability for incurred claims (LIC) – Insurance contracts issued

Combined

	2023						2022					
	LRC excluding loss component		Liability for incurred claims				LRC excluding loss component		Liability for incurred claims			
	Excl. Loss Component	Loss Component	Pv of Future Cash Flows	Risk Adjustment	Assets for Acquisition Cash Flows	Total	Excl. Loss Component	Loss Component	Pv of Future Cash Flows	Risk Adjustment	Assets for Acquisition Cash Flows	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Net insurance contract liabilities / (assets) at 1 Jan	3,559,651	55,835	6,212,048	58,315	(597,216)	9,288,633	3,100,911	112,262	5,543,071	60,836	(503,802)	8,313,278
Insurance revenue	(15,452,025)	-	-	-	-	(15,452,025)	(12,791,785)	-	-	-	-	(12,791,785)
Insurance service expenses	-	(17,434)	11,208,928	29,183	1,930,311	13,150,988	-	(56,427)	9,379,526	(2,489)	1,613,224	10,933,834
	(15,452,025)	(17,434)	11,208,928	29,183	1,930,311	(2,301,037)	(12,791,785)	(56,427)	9,379,526	(2,489)	1,613,224	(1,857,951)
Insurance finance expenses	-	-	300,968	(729)	-	300,239	-	-	289,899	(32)	-	289,867
Total changes in the comprehensive income	(15,452,025)	(17,434)	11,509,896	28,454	1,930,311	(2,000,798)	(12,791,785)	(56,427)	9,669,425	(2,521)	1,613,224	(1,568,084)
Cash flows:												
Premiums received	15,959,158	-	-	-	-	15,959,158	13,250,525	-	-	-	-	13,250,525
Claims and other expenses paid	-	-	(12,204,268)	-	-	(12,204,268)	-	-	(9,000,448)	-	-	(9,000,448)
Insurance acquisition cash flows	-	-	-	-	(1,960,185)	(1,960,185)	-	-	-	-	(1,706,638)	(1,706,638)
Total cash flows	15,959,158	-	(12,204,268)	-	(1,960,185)	1,794,705	13,250,525	-	(9,000,448)	-	(1,706,638)	2,543,439
Net insurance contract liabilities /(assets) at 31 Dec	4,066,784	38,401	5,517,676	86,769	(627,090)	9,082,540	3,559,651	55,835	6,212,048	58,315	(597,216)	9,288,633

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

27. INSURANCE CONTRACTS LIABILITIES *(continued)*

Gross claims development table

Gross claims reported, claims handling expense liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2023 and 2022 are not material.

The Company uses chain-ladder techniques to estimate the ultimate cost of claims and the incurred but not reported provision. Chain-ladder technique is used as an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development considering when the earliest material claim arose, factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claim cost for each accident year.

2023

Accident Year	2019 & Prior	2020	2021	2022	2023	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Estimated ultimate claims cost						
at end of accident year	19,564,883	3,932,378	4,725,372	5,601,459	10,710,072	44,534,164
One year later	10,116,922	1,370,777	1,410,389	2,322,303	-	15,220,391
Two years later	2,482,536	334,759	613,972	-	-	3,431,267
Three years later	1,742,673	253,444	-	-	-	1,996,117
Four years later	1,189,270	-	-	-	-	1,189,270
Five years later	649,097	-	-	-	-	649,097
Current estimate of cumulative claims	35,745,381	5,891,358	6,749,733	7,923,762	10,710,072	67,020,306
Less: cumulative payments to date	(35,712,961)	(5,725,712)	(6,202,273)	(6,586,497)	(6,424,717)	(60,652,160)
Gross outstanding claims notified provision	11,483	58,671	193,909	473,655	1,654,459	2,392,177
Liability incurred but not reported claims	20,937	106,975	353,551	863,610	2,630,896	3,975,969
Gross undiscounted liabilities for incurred claims	32,420	165,646	547,460	1,337,265	4,285,355	6,368,146
Effect of discounting	(4,083)	(20,859)	(68,939)	(168,394)	(588,195)	(850,470)
Effect of the risk adjustment margin for non-financial risk	416	2,128	7,033	17,181	60,011	86,769
Total gross liabilities for incurred claims	28,753	146,915	485,554	1,186,052	3,757,171	5,604,445

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

27. INSURANCE CONTRACTS LIABILITIES *(continued)*

Gross claims development table *(continued)*

2022

Accident Year	2018 & Prior	2019	2020	2021	2022	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Estimated ultimate claims cost						
at end of accident year	15,746,720	3,884,735	4,145,258	5,324,320	7,983,155	37,084,188
One year later	8,751,545	1,388,259	1,444,985	1,589,158	3,359,384	16,533,331
Two years later	2,083,008	406,365	352,881	691,794	-	3,534,048
Three years later	1,443,791	304,031	267,165	-	-	2,014,987
Four years later	1,019,164	172,978	-	-	-	1,192,142
Five years later	648,909	-	-	-	-	648,909
Current estimate of cumulative claims	29,693,137	6,156,368	6,210,289	7,605,272	11,342,539	61,007,605
Less: cumulative payments to date	(29,674,830)	(6,038,131)	(5,725,712)	(6,202,273)	(6,586,497)	(54,227,443)
Gross outstanding claims notified provision	7,772	50,196	205,719	595,620	2,069,944	2,929,251
Liability incurred but not reported claims	10,535	68,041	278,858	807,379	2,686,098	3,850,911
Gross undiscounted liabilities for incurred claims	18,307	118,237	484,577	1,402,999	4,756,042	6,780,162
Effect of discounting	(1,507)	(9,735)	(39,898)	(115,518)	(401,456)	(568,114)
Effect of the risk adjustment margin for non-financial risk	154	999	4,095	11,858	41,209	58,315
Total gross liabilities for incurred claims	16,954	109,501	448,774	1,299,339	4,395,795	6,270,363

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

27. INSURANCE CONTRACT LIABILITIES *(continued)*

Net claims reported development table

2023

Accident Year	2019 & Prior	2020	2021	2022	2023	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Estimated ultimate claims cost						
at end of accident year	14,001,004	2,814,085	3,381,567	4,008,511	7,554,656	31,759,823
One year later	7,239,863	980,955	1,009,301	1,661,885	-	10,892,004
Two years later	1,776,550	239,560	439,370	-	-	2,455,480
Three years later	1,247,090	181,370	-	-	-	1,428,460
Four years later	851,065	-	-	-	-	851,065
Five years later	464,506	-	-	-	-	464,506
Current estimate of cumulative claims	25,580,078	4,215,970	4,830,238	5,670,396	7,554,656	47,851,338
Less: cumulative payments to date	(25,556,878)	(4,097,429)	(4,438,465)	(4,713,423)	(4,597,651)	(43,403,846)
Gross outstanding claims notified provision	7,433	37,979	125,522	306,608	1,070,970	1,548,512
Liability incurred but not reported claims	15,767	80,562	266,251	650,365	1,886,035	2,898,980
Gross undiscounted liabilities for incurred claims	23,200	118,541	391,773	956,973	2,957,005	4,447,492
Effect of discounting	(2,946)	(15,054)	(49,753)	(121,531)	(424,502)	(613,786)
Effect of the risk adjustment margin for non-financial risk	279	1,432	4,734	11,563	40,389	58,397
Total gross liabilities for incurred claims	20,533	104,919	346,754	847,005	2,572,892	3,892,103

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

27. INSURANCE CONTRACT LIABILITIES *(continued)*

Net claims reported development table *(continued)*

2022

Accident Year	2018 & Prior	2019	2020	2021	2022	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Estimated ultimate claims cost						
at end of accident year	10,671,785	2,632,743	2,809,303	3,608,371	5,371,702	25,093,904
One year later	5,931,051	940,844	979,287	1,076,996	2,276,704	11,204,882
Two years later	1,411,686	275,400	239,153	468,839	-	2,395,078
Three years later	978,479	206,046	181,061	-	-	1,365,586
Four years later	690,702	117,230	-	-	-	807,932
Five years later	439,775	-	-	-	-	439,775
Current estimate of cumulative claims	20,123,478	4,172,263	4,208,804	5,154,206	7,648,406	41,307,157
Less: cumulative payments to date	(20,111,071)	(4,092,131)	(3,880,400)	(4,203,372)	(4,463,766)	(36,750,740)
Gross outstanding claims notified provision	4,703	30,376	124,490	360,439	1,252,625	1,772,633
Liability incurred but not reported claims	7,704	49,756	203,914	590,395	1,932,015	2,783,784
Gross undiscounted liabilities for incurred claims	12,407	80,132	328,404	950,834	3,184,640	4,556,417
Effect of discounting	(1,006)	(6,498)	(26,631)	(77,106)	(267,965)	(379,206)
Effect of the risk adjustment margin for non-financial risk	86	560	2,295	6,644	23,090	32,675
Total gross liabilities for incurred claims	11,487	74,194	304,068	880,372	2,939,765	4,209,886

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

28. REINSURANCE CONTRACTS ASSETS

Reconciliation of the remaining coverage and incurred claims – Reinsurance contracts held

Non-medical

	2023						2022					
	Assets for remaining coverage		Amounts recoverable on incurred claims				Assets for remaining coverage		Amounts recoverable on incurred claims			
	Excl. Loss Recovery Component	Loss Recovery Component	Pv of Future Cash Flows	Risk Adjustment	Liability for Unamortised Premium (Net	Total	Excl. Loss Recovery Component	Loss Recovery Component	Pv Of Future Cash Flows	Risk Adjustment	Liability For Unamortised Premium (Net	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Net reinsurance contract assets/ (liabilities) at 1 Jan	519,673	8,055	2,018,285	25,558	(205,866)	2,365,705	573,120	6,263	1,631,096	22,633	(181,926)	2,051,186
Net income / (expense) from reinsurance contracts held	2,436,834	3,513	(71,066)	(2,860)	(708,112)	1,658,309	2,510,490	(1,792)	(393,919)	(2,941)	(739,519)	1,372,319
Reinsurance finance income	-	-	(109,309)	227	-	(109,082)	-	-	(86,746)	16	-	(86,730)
Total changes in the comprehensive income	2,775,894	3,513	(180,375)	(2,633)	(708,112)	1,549,227	2,510,490	(1,792)	(480,665)	(2,925)	(739,519)	1,285,589
Cash flows:												
Reinsurance premiums paid	(1,610,008)	-	-	-	-	(1,610,008)	(2,457,043)	-	-	-	-	(2,457,043)
Reinsurance receipts	-	-	556,663	-	682,261	1,238,924	-	-	93,476	-	763,459	856,935
Total cash flows	(1,610,008)	-	556,663	-	682,261	(371,084)	(2,457,043)	-	93,476	-	763,459	(1,600,108)
Net reinsurance contract assets/ (liabilities) at 31 Dec	(307,153)	4,542	1,641,997	28,191	(180,015)	1,187,562	519,673	8,055	2,018,285	25,558	(205,866)	2,365,705

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

28. REINSURANCE CONTRACTS ASSETS

Reconciliation of the remaining coverage and incurred claims – Reinsurance contracts held

Medical

	2023						2022					
	Assets for remaining coverage		Amounts recoverable on incurred claims				Assets for remaining coverage		Amounts recoverable on incurred claims			
	Excl. Loss Recovery Component	Loss Recovery Component	Pv Of Future Cash Flows	Risk Adjustment	Liability For Unamortised Premium (Net	Total	Excl. Loss Recovery Component	Loss Recovery Component	Pv Of Future Cash Flows	Risk Adjustment	Liability For Unamortised Premium (Net	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Net reinsurance contract assets/ (liabilities) at 1 Jan	(984)	-	16,552	82	-	15,650	-	762	13,032	97	-	13,891
Net income / (expense) from reinsurance contracts held	339,060	-	(234,133)	(99)	-	104,828	191,391	762	(47,262)	15	-	144,906
Reinsurance finance income	-	-	-	-	-	-	-	-	-	-	-	-
Total changes in the comprehensive income	339,060	-	(234,133)	(99)	-	104,828	191,391	762	(47,262)	15	-	144,906
Cash flows:												
Reinsurance premiums paid	(297,345)	-	-	-	-	(297,345)	(190,407)	-	-	-	-	(190,407)
Reinsurance receipts	-	-	208,712	-	-	208,712	-	-	43,742	-	-	43,742
Total cash flows	(297,345)	-	208,712	-	-	(88,633)	(190,407)	-	43,742	-	-	(146,665)
Net reinsurance contract assets/ (liabilities) at 31 Dec	(42,699)	-	41,973	181	-	(545)	(984)	-	16,552	82	-	15,650

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

28. REINSURANCE CONTRACTS ASSETS

Reconciliation of the remaining coverage and incurred claims – Reinsurance contracts held

Combined

	2023						2022					
	Assets for remaining coverage		Amounts recoverable on incurred claims				Assets for remaining coverage		Amounts recoverable on incurred claims			
	Excl. Loss Recovery Component	Loss Recovery Component	PV of Future Cash Flows	Risk Adjustment	Liability for Unamortised Premium (Net	Total	Excl. Loss Recovery Component	Loss Recovery Component	PV of Future Cash Flows	Risk adjustment	Liability for Unamortised Premium (Net	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Net reinsurance contract assets/ (liabilities) at 1 Jan	518,689	8,055	2,034,837	25,640	(205,866)	2,381,355	573,120	7,025	1,644,128	22,730	(181,926)	2,065,077
Net income / (expense) from reinsurance contracts held	2,775,894	3,513	(305,199)	(2,959)	(708,112)	1,763,137	2,701,881	(1,030)	(441,181)	(2,926)	(739,519)	1,517,225
Reinsurance finance income	-	-	(109,309)	227	-	(109,082)	-	-	(86,746)	16	-	(86,730)
Total changes in the comprehensive income	2,775,894	3,513	(414,508)	(2,732)	(708,112)	1,654,055	2,701,881	(1,030)	(527,927)	(2,910)	(739,519)	1,430,495
Cash flows:												
Reinsurance premiums paid	(1,907,353)	-	-	-	-	(1,907,353)	(2,647,450)	-	-	-	-	(2,647,450)
Reinsurance receipts	-	-	765,375	-	682,261	1,447,636	-	-	137,218	-	763,459	900,677
Total cash flows	(1,907,353)	-	765,375	-	682,261	(459,717)	(2,647,450)	-	137,218	-	763,459	(1,746,773)
Net reinsurance contract assets/ (liabilities) at 31 Dec	(349,852)	4,542	1,683,970	28,372	(180,015)	1,187,017	518,689	8,055	2,034,837	25,640	(205,866)	2,381,355

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

29. OTHER PAYABLES

	2023	2022
	KShs '000	KShs '000
Sundry payables*	491,388	491,838
Restructuring costs payable**	58,872	-
Payroll creditors	78,826	45,273
Premium received in advance	43,019	79,080
Staff annual leave pay provision	31,416	24,971
Other deposits***	175,504	20,742
	879,025	661,904

All amounts are payable within one year.

*The sundry payables relate to professional fees payable, accrued cost of software payable, audit fees payable, stamp duty accrued, excise duty accrued and withholding taxes accrued and medical funds.

**Restructuring costs payable relates to severance pay for employees who opted to retire/exit under the voluntary early retirement/ exit programme in the year, and their payments are due in the subsequent year.

***Other deposits relate to rent deposits from CIC General Insurance tenants of KShs 18M, deposit on the National Police Service (NPS) Medical scheme to cater for Ex-Gratia claims of Kshs 140M and funds held to facilitate claims payments to service providers on behalf of the NPS capitator of KShs 17M.

The carrying amounts of the other payables approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

30. STATEMENT OF CASH FLOWS

	Notes	2023	2022 *Restated
		KShs '000	KShs '000
a) Reconciliation of profit before tax to cash generated from operations:			491,838
		58,872	-
Profit before taxation		1,385,964	891,888
Interest on lease liability		14,517	13,808
Interest on government securities at amortised cost	4	(141,753)	(130,846)
Interest on bank deposits	4	(242,220)	(153,102)
Interest on staff loan receivables	4	(2,349)	(2,429)
Interest on government securities at fair value through other comprehensive income	4	(684,549)	(488,321)
Dividend income	4	(23,694)	(27,782)
Loss / (gain) on investment on collective investments	5	1,273	(52,866)
Depreciation on property and equipment	9 (a)	28,730	22,048
Elimination of depreciation on revaluation	9 (a)	(5,850)	-
Amortisation of intangible assets	11	29,816	29,254
Amortisation on right of use asset	9 (b)	26,397	33,845
Accrued interest on corporate bonds		22	(251)
Fair value loss on quoted equity investments at FVTPL	18	54,617	34,170
Accrued interest on government securities at amortised cost	14	(26,676)	(38,029)
Write back on corporate bonds		(3)	32
Impairment on government securities at amortised cost		453	276
Impairment on government securities at fair value through OCI		2,870	(1,609)
Working capital changes;			
Decrease in reinsurance contract assets		1,194,338	333,077
(Decrease) / increase in insurance contract liabilities		(206,093)	975,355
Decrease in loan receivables		294	5,048
Increase in other receivables		(144,416)	(3,442)
Increase in related party balances		(6,669)	(96,263)
Increase in other payables		217,121	165,667
Net cash used in operations		1,472,140	1,509,528
b) Cash and cash equivalents*			
Bank and cash balances		99,287	177,468
Deposits with banks maturing within 3 months	22	1,005,521	730,226
		1,104,808	907,694

*The carrying amounts approximate the fair values.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

31. DIVIDENDS

	2023 KShs '000	2022 KShs '000
Declared and paid during the year	150,000	170,000

Dividend on ordinary shares

a. Dividend per share is arrived at by dividing the total dividends by the weighted average number of shares in issue during the year.
b. Payment of dividend is subject to withholding tax at the rate of 5% for resident and 10% for non-resident shareholders respectively.

32. CONTINGENCIES AND COMMITMENTS

a. Legal proceedings and regulations.

   The company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

   The company is also subject to insurance solvency regulations and has complied with all the solvency regulations. There are no contingencies associated with the company's compliance or lack of compliance with such regulations.

b. Capital commitments, operating leases and bank guarantees

	2023 KShs '000	2022 KShs '000
Bank guarantees	1,347,213	235,352

In common practice with the insurance industry in general, the company tenders for business. Such tenders require that a guarantee or performance bond is placed with a bank.

Capital expenditure committed at the end of the reporting period but not recognised in the financial statements is as follows:

	2023 KShs '000	2022 KShs '000
Committed but not contracted for	234,031	78,591

Operating leases

The company has entered commercial property leases on its investment property portfolio, consisting of the company's surplus office buildings. These non–cancellable leases have remaining terms of between two and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions

Future minimum lease rentals receivable under non–cancellable operating leases as at 31 December are as follows:

	2023 KShs '000	2022 KShs '000
Within one year	73,757	47,260
After one year but not more than two years	61,399	79,343
After two years but not more than five years	23,059	39,613
Total operating lease rentals receivable	158,215	166,216

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

33. RISK MANAGEMENT FRAMEWORK

(a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a company policy framework which sets out the risk profiles for the company, risk management, control and business conduct standards for the company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The board of directors approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

(b) Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximize shareholders value

The operations of the Company are also subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy at 100 % to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise. The Company has met all of these requirements throughout the financial year.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the Kenyan Insurance Regulatory Authority (IRA). These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

The company had capital adequacy ratio of 117% as compared to 100% which is the minimum as per IRA requirements. This is based on the size and the risk of profile of the company. The risks considered are insurance risk, market risk, credit risk and operational risk.

The Company's capital management policy for its insurance and non–insurance business is to hold sufficient capital to cover the statutory requirements based on the IRA directives, including any additional amounts required by the regulator.

Approach to capital management

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

33. RISK MANAGEMENT FRAMEWORK *(continued)*

(b) Capital Management Objectives, Policies And Approach *(continued)*

Approach to capital management *(continued)*

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics. An important aspect of the Company's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Company is focused on the creation of value for shareholders.

The primary source of capital used by the Company is total equity. The Company also utilises, where it is efficient to do so, sources of capital such as reinsurance and securitisation, in addition to more traditional sources of funding.

The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

The Company has made no significant changes, from previous years, to its policies and processes for its capital structure.

The constitution of capital managed by the company is as shown below:

	2023	2022
	KShs '000	KShs '000
Share capital	1,700,000	1,700,000
Fair value reserve	(608,607)	(327,531)
Retained earnings	3,006,635	2,245,535
	4,098,028	3,618,004

The company had no external financing at 31 December 2023 and 31 December 2022.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

As at 31 December 2023 the company reported Capital Adequacy Ratio of 117% (2022: 124%) which was higher than the minimum of 100% as per IRA requirements but below the prescribed limit of 200%.

(d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces, due to the nature of its investments and liabilities, is interest rate risk. The Company manages these positions within an ALM framework that has been developed to achieve long–term investment returns in excess of its obligations under insurance. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities as an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK

(a) Insurance Risk

The Company purchases reinsurance as a part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and a non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

The Company principally issues the following types of general insurance contracts: motor, fire, liability, medical/healthcare, engineering, workmen's compensation and accident. Healthcare contracts provide medical expense coverage to policyholders and are not guaranteed as renewable. Risks under non–life insurance policies usually cover twelve months' duration.

For general insurance contracts, the most significant risks arise when there is fire, motor accidents, property losses or medical claims for longer tail claims that take some years to settle, there is also inflation risk. For healthcare contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements. These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Company purchases reinsurance as part of its risk mitigation programme. Amounts recoverable from reinsurers are estimated in a manner consistent with underlying insurance contract liabilities and in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance held, to the extent that any reinsurer is unable to meet its obligations. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

The Company uses commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from a modelled event are greater than those arising from a modelled event.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

(a) Insurance Risk *continued)*

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerance`s based on market conditions and other factors.

The table below sets out the concentration of insurance contract liabilities by type of contract:

	31 December 2023			31 December 2022		
	Insurance Contracts	Reinsurance Held	Net	Insurance Contracts	Reinsurance Held	Net
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Engineering	337,012	(525,859)	(188,847)	626,999	(645,466)	(18,467)
Fire	658,988	19,141	678,129	646,296	(255,124)	391,172
Liability	444,522	(204,980)	239,542	504,422	(198,204)	306,218
Marine	62,123	2,701	64,824	71,640	(15,117)	56,523
Motor	4,229,295	(870,090)	3,359,205	4,051,268	(1,112,569)	2,938,699
Accident	132,410	42,018	174,428	135,137	(22,462)	112,675
Theft	322,981	(29,084)	293,897	319,042	(37,095)	281,947
Workmen compensation	174,763	306,907	481,670	525,618	34,914	560,532
Miscellaneous	58,546	71,684	130,230	94,142	(114,582)	(20,440)
Medical	2,661,900	545	2,662,445	2,314,069	(15,650)	2,298,419
Total	9,082,540	(1,187,017)	7,895,523	9,288,633	(2,381,355)	6,907,278

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The insurance claim liabilities are sensitive to the key assumptions that could result in material adjustment to the carrying amounts of assets and liabilities within the next financial year. The sensitivity analysis is presented on note 2 (B).

(b) Financial Risk

i. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- A Company credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or group of counterparties, and industry segment (i.e., limits are set for investments and cash deposits, and minimum credit ratings for investments that may be held).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

(b) Financial Risk *(continued)*

i. Credit risk *(Continued)*

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The credit risk in respect of customer balances incurred on non–payment of premiums or contributions will only persist during the grace period of 120 days specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2023 and 2022 is the carrying amounts as presented in the statement of financial position.

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

The Company's internal rating process

The Company's investment team prepares internal ratings for financial instruments in which counterparties are rated using internal grades. These are used to determine whether an instrument has had a significant increase in credit risk and to estimate the ECL's.

The company reassess the internal credit rating of the financial instruments at every reporting period and considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due as well as other forward-looking information. This would result in change in the internal credit rating.

The Company's internal credit rating grades is as follows:

Internal Rating Grade	Internal Rating Description
0	High grade
1	High grade
2	Standard grade
3	Sub-standard grade
4	Past due but not impaired
5	Individually impaired

Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument is subject to 12mECL or LTECL that is (Financial assets at amortized cost- Government securities, Financial Assets at amortized cost- Corporate Bonds, Financial Assets at amortized cost-Loan, Financial Assets at amortized cost-Commercial Papers, Due from related party, Deposits with financial institutions, Other receivables and Cash and bank balances , the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Company also considers a variety of instances that may indicate unlikeness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near default
- The counterparty having past due liabilities to public creditors or employees
- The counterparty filing for bankruptcy application
- Counterparty's listed debt or equity suspended at the primary exchange because of rumors or facts of financial difficulties.

The Company considers a financial instrument defaulted and, therefore, credit impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognizes a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Company's policy to consider the financial instrument as "cured" and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

The company actively manages its product mix to ensure there is no significant concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

(b) Financial Risk *(continued)*

i. Credit risk *(continued)*

Debt instruments measured at FVOCI

The table below shows the fair values of the Company's debt instruments at FVOCI by credit risk, based on the Company's internal credit rating system.

Government securities measured at FVOCI

	2023	2022
	KShs '000	KShs '000
Stage 1	5,740,101	4,780,268
Stage 2	-	-
Stage 3	-	-
Gross government securities at FVOCI	5,740,101	4,780,268
Less: Loss allowance (ECL)	(2,870)	-
Net carrying amount	5,737,231	4,780,268

Debt instruments at amortized cost

The tables below show the credit quality and maximum exposure to credit risk based on the Company's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's grading system are explained above.

Corporate bonds at amortized cost

	2023	2022
	KShs '000	KShs '000
Stage 1	5,734	6,351
Stage 2	-	-
Stage 3	-	-
Gross corporate bonds at amortized cost	-	-
Less: Loss allowance (ECL)	(29)	(32)
Net carrying amount	5,705	6,319
Government Securities at amortized cost		
Stage 1	905,859	1,308,353
Stage 2	-	-
Stage 3	-	-
Gross government securities at amortized cost	905,859	1,308,353
Less: Loss allowance (ECL)	(453)	(654)
Net carrying amount	905,406	1,307,699

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

(b) Financial Risk *(continued)*

i. Credit risk *(continued)*

Debt instruments at amortized cost *(continued)*

Loans receivable at amortized cost

	2023 KShs '000	2022 KShs '000
Stage 1	24,997	31,571
Stage 2	-	-
Stage 3	-	-
Gross loan receivables	24,997	31,571
Less: Loss allowance (ECL)	(525)	(6,805)
Net carrying amount	24,472	24,766
Deposits with financial institutions		
Stage 1	2,826,984	1,813,993
Stage 2	-	-
Stage 3	-	-
Gross deposits	2,826,984	1,813,993
Less: Loss allowance (ECL)	(10,067)	(5,368)
Net carrying amount	2,816,917	1,808,625
Due from related parties		
Stage 1	171,056	135,931
Stage 2	-	-
Stage 3	-	-
Gross due from related parties	171,056	135,931
Less: Loss allowance (ECL)	(684)	(544)
Net carrying amount	170,372	135,387

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

(b) Financial Risk *(continued)*

i. Credit risk *(continued)*

Debt instruments at amortized cost *(continued)*

Other receivables

	2023	2022
	KShs '000	KShs '000
Stage 1	207,663	60,320
Stage 2	-	-
Stage 3	-	-
Gross other receivables	207,663	60,320
Less: Loss allowance (ECL)	(9,929)	(7,002)
Net carrying amount	197,734	53,318
Cash and bank balances		
Stage 1	54,929	178,900
Stage 2	-	-
Stage 3	-	-
Gross cash balances	54,929	178,900
Less: Loss allowance (ECL)	(1,272)	(1,432)
Net carrying amount	53,657	177,468

Reconciliation of loss allowance accounts year 2023

	At 31 December 2022	(Increase)/ Decrease in Loss Allowance in the Year	At 31 December 2023
	KShs '000	KShs '000	KShs '000
Government securities at amortized cost - treasury bonds	(654)	201	(453)
Corporate bonds	(32)	3	(29)
Government Securities at FVOCI	-	(2,870)	(2,870)
Loans receivable	(6,805)	(525)	(7,330)
Deposits with financial institutions	(5,368)	(4,699)	(10,067)
Due from related parties	(544)	(140)	(684)
Other receivables	(7,002)	(2,927)	(9,929)
Cash and bank	(1,432)	160	(1,272)
	(21,837)	(10,797)	(32,634)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

(b) Financial Risk *(continued)*

i. Credit risk *(continued)*

Impaired financial assets

Reconciliation of loss allowance accounts year 2022

	At 31 December 2022	(Increase)/ Decrease in Loss Allowance in the Year	At 31 December 2023
	KShs '000	KShs '000	KShs '000
Government securities at amortized cost	(378)	(276)	(654)
Corporate bonds	-	(32)	(32)
Government Securities at fair value through other comprehensive income	(1,609)	1,609	-
Loans receivable	(2,181)	(4,624)	(6,805)
Deposits with financial institutions	(7,050)	1,682	(5,368)
Due from related parties	(118)	(426)	(544)
Other receivables	(7,047)	45	(7,002)
Cash and bank balances	(1,631)	199	(1,432)
	(20,014)	(1,823)	(21,837)

Collateral

No collateral is held in respect of the receivables that are past due but not impaired.

Financial assets neither past due nor impaired

There were no financial assets that are neither impaired nor past due as at 31 December 2023.

ii. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out–flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:
- A Company's liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophe excess–of–loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity profiles

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

(b) Financial Risk *(continued)*

ii. Liquidity risk *(continued)*

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flows. The Company also has committed lines of credit that it can access to meet liquidity needs.

The table below provides a contractual maturity analysis of the company's financial assets and liabilities:

31 December 2023	No stated maturity	6 Months or on demand	Between 6 Months and 1 Year	Between 1 Year And 5 Years	More than 5 Years	Total
		KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Financial assets:						
Government securities at amortised cost	-	-	-	515,912	1,426,390	1,942,302
Government securities at fair value through other comprehensive income	-	-	-	2,728,035	10,939,009	13,667,044
Equity investments:						
- At fair value through profit or loss	202,171	-	-	-	-	202,171
- At fair value through other comprehensive income	14,378	-	-	-	-	14,378
Corporate bonds at amortised cost	-	-	-	-	5,734	5,734
Collective investment schemes	-	-	345,561	-	-	345,561
Other receivables	-	197,734	-	-	-	197,734
Loans receivable	-	-	246	4,224	27,332	31,802
Reinsurance contract assets	-	1,920,654	-	-	-	1,920,654
Deposit with financial Institutions	-	1,951,050	75,473	875,934	-	2,902,457
Due from related party	-	171,056	-	-	-	171,056
Cash and cash equivalents	-	99,287	-	-	-	53,657
Total financial assets	216,549	4,339,781	421,280	4,124,105	12,398,465	21,500,180
Financial liabilities:						
Insurance contract liabilities	-	6,368,146	-	-	-	6,368,146
Other payables	-	879,025	-	-	-	833,279
Lease liabilities	-	9,678	27,513	94,893	-	132,084
Bank guarantees	-	-	-	1,347,213	-	1,347,213
Total financial liabilities	-	7,256,849	27,513	1,442,106	-	8,726,468
Net liquidity gap	216,549	(2,917,068)	393,767	2,681,999	12,398,465	12,773,712

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

(b) Financial Risk *(continued)*

ii. Liquidity risk *(continued)*

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flows. The Company also has committed lines of credit that it can access to meet liquidity needs.

The table below provides a contractual maturity analysis of the company's financial assets and liabilities:

31 December 2022	No Stated Maturity	6 Months or on demand	Between 6 Months and 1 year	Between 1 Year and 5 Years	More than 5 Years	Total
		KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Financial assets:						
Government securities at amortised cost	-	108,248	-	121,335	1,393,754	1,623,337
Government securities at fair value through other comprehensive income	-	-	-	1,159,567	9,833,324	10,992,891
Equity investments:						
- At fair value through profit or loss	314,618	-	-	-	-	314,618
- At fair value through other comprehensive income	15,337	-	-	-	-	15,337
Corporate bonds at amortised cost	-	-	-	-	6,351	6,351
Collective investment schemes	-	-	-	241,027	-	241,027
Other receivables	-	53,318	-	-	-	53,318
Loans receivable	-	-	25	4,749	26,804	31,578
Reinsurance contract assets	-	2,223,745	-	-	-	2,223,745
Deposit with financial Institutions	-	1,074,030	81,036	739,963	-	1,895,029
Due from related party	-	135,931	-	-	-	135,931
Cash and cash equivalents	-	177,468	-	-	-	177,468
Total financial assets	329,955	3,772,740	81,061	2,266,641	11,260,233	17,710,630
Financial liabilities:						
Insurance contract liabilities	-	6,780,162	-	-	-	6,780,162
Other payables	-	661,904	-	-	-	661,904
Lease liabilities	-	9,273	28,441	128,860	-	166,574
Bank guarantees	-	-	-	235,352	-	235,352
Total financial liabilities	-	7,451,339	28,441	364,212	-	7,843,992
Net liquidity gap	329,955	(3,678,599)	52,620	1,902,429	11,260,233	9,866,638

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

c. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The company's market risk policy sets out the assessment and determination of what constitutes market risk for the company. Compliance with the policy is monitored and exposures and breaches are reported to the company's risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.

The company stipulates diversification benchmarks by type of instrument and geographical area, as the company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt currencies are all constant

(i) Currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The company primarily transacts in Kenya shilling and its assets and liabilities are denominated in the same currency. The company is therefore not exposed to significant currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is re–priced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The Financial assets at amortised cost- Deposits and commercial papers and staff loans are not affected by interest rate risk because the rates are agreed at the beginning of the contract financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

The company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement in all yield curves of financial assets and financial liabilities. The Company is exposed to interest rate risk through its investment in the government securities at fair value through other comprehensive income.

Government securities at fair value through other comprehensive income represents 86% of total government securities investments. If the bond market interest rate had increased/ decreased by 1%, with all other variables held constant, and all the other factors held constant, the comprehensive income for the year would increase/decrease by KShs 275,777,000.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

c. Market risk *(continued)*

(iii) Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in equity prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

The company is exposed to equity securities price risk as a result of its holdings in investments, classified as financial assets at fair value through profit or loss as well as financial assets classified as available for sale. Exposure to equity securities in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Equity price risk is as a result of fluctuation of prices at the Nairobi Securities Exchange Limited (NSE).
The company has a defined investment policy which sets limits on the company's exposure to equities both in aggregate terms and by industry. This policy of diversification is used to manage the company's price risk arising from its investments in equity investments.

Investment management meetings are held monthly. At these meetings, senior managers meet to discuss investment return and concentration of the equity investments.

Equity investment through profit or loss represents 93% (2022: 95%) of total equity investments. If equity market indices had increased/ decreased by 5%, with all other variables held constant, and all the company's equity investments moving according to the historical correlation with the index, the profit for the year would increase/decrease by KShs 10,109,000 (2022: KShs 15,731,000).

(iv) Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

35. FAIR VALUE MEASUREMENT

The company specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Securities Exchange Limited.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components, property, equipment and investment property

This hierarchy requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

There were no transfers between Level 1 and level 2 during the year.
The table below shows an analysis of the fair value of assets by level in the fair value hierarchy, however, it does not include instruments whose fair value approximates the carrying amount.

31 December 2023	Level 1	Level 2	Level 3	Total	Carrying Amount
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Recurring fair value measurements:					
Equity investments classified:					
-At fair value through profit or loss	202,171	-	-	202,171	202,171
-At fair value through other comprehensive income	-	14,378	-	14,378	14,378
Investments in collective investment schemes at fair value through profit or loss	-	345,561	-	345,561	345,561
Government securities at fair value through other comprehensive income	5,737,231	-	-	5,737,231	5,737,231
Owner occupied property and equipment*	-	-	234,000	234,000	234,000
Investment properties*	-	-	1,602,000	1,602,000	1,602,000
The fair value of financial assets not held at fair value is as follows:					
Non-recurring fair value measurements:					
Corporate bonds	-	5,705	-	5,705	5,705
Government securities at amortised cost	781,107	-	-	781,107	905,406
Loan receivables	-	-	24,472	24,472	24,472
Total assets at fair value	6,720,509	365,644	1,860,472	8,946,625	9,070,924

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

35. FAIR VALUE MEASUREMENT *(continued)*

31 December 2022	Level 1	Level 2	Level 3	Total	Carrying Amount
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Recurring fair value measurements:					
Equity investments classified:					
-At fair value through profit or loss	314,618	-	-	314,618	314,618
-At fair value through other comprehensive income	-	15,337	-	15,337	15,337
Investments in collective investment schemes at fair value through profit or loss		241,027	-	241,027	241,027
Government securities at fair value through other comprehensive income	-	-	-	4,780,268	4,780,268
Owner occupied property and equipment*		-	234,000	234,000	234,000
Investment properties*	4,780,268	-	1,602,000	1,602,000	1,602,000
The fair value of financial assets not held at fair value is as follows:	-				
Non-recurring fair value measurements:	-				
Corporate bonds		6,319	-	6,319	6,319
Government securities at amortised cost	1,261,786	-	-	1,261,786	1,307,699
Loan receivables	-	-	24,766	24,766	24,766
Total assets at fair value	6,356,672	262,683	1,860,766	8,480,121	8,526,034

**The gains/ (losses) arising from revaluation of investment property and property have been disclosed in the statement of profit or loss. Refer note 10 for further details. The gains or losses on revaluation of buildings are included in the fair value reserve in statement of changes in equity.*

Valuation techniques used in determining carrying value/fair value of financial assets and liabilities

Instrument	Level	Valuation basis	Inputs
Investments in collective investments schemes at fair value through profit or loss	2	Net asset value	Current unit price of underlying unitised assets.
Deposits and commercial paper	2	Discounted cash flow	Implied yield to maturity
Corporate bonds	2	Discounted cash flow	Implied yield to maturity
Mortgages and other loans	2	Discounted cashflow (DCF)	Average market interest rates 13%

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

35. FAIR VALUE MEASUREMENT *(continued)*

The significant unobservable inputs used in the fair value measurements categorised in level 3 of the fair value hierarchy as at 31 December 2023 and 31 December 2022 are as shown below.

Instrument	Level	Valuation basis	Sensitivity of input to the Fair Value
Investment properties*	3	Capitalised rent income method	Increase/(decrease) in discount of 5% would decrease/(increase) fair value by KShs 80.1 Million. Increase/(decrease) in annual rent of 5% would (decrease)/increase the fair value by by Ksh 7.2 Million Increase/(decrease) in annual growth rate of 5% would (decrease)/increase the fair value by Ksh 10.8 million
Owner occupied property and equipment	3	Capitalised rent income method	Increase/(decrease) in discount of 5% would decrease/(increase) fair value by KShs 15.8 million. Increase/(decrease) in annual rent of 5% would (decrease)/increase the fair value by by Ksh 1.9 million Increase/(decrease) in annual growth rate of 5% would (decrease)/increase the fair value by Ksh 2.7 million

*The sensitivities for some of property (Kajiado Land) was not provided since the valuation was on market values of similar properties, the quantitative unobservable inputs were neither reasonably available nor developed by the entity.

Reconciliation of fair value measurement under Level 3 hierarchy

	At 1 January	Contributions/ Additions /Transfer from Level 2	Disposals/ Settlements	Fair Value Gain/(Loss) Recognised in Profit or Loss	At 31 December
2023					
Investment property	1,602,000			-	1,602,000
Owner-occupied property	234,000	-	-	-	234,000
	1,836,000	-	-	-	1,836,000
2022					
Investment property	1,602,000			-	1,602,000
Owner-occupied property	234,000	-	-	-	234,000
	1,836,000	-	-	-	1,836,000

36. ULTIMATE CONTROLLING PARTY

The parent company is CIC Insurance Group PLC which is ultimately owned by Co-operative Insurance Society Limited. Both are incorporated and domiciled in Kenya

37. INCORPORATION

The company is incorporated in Kenya under the Companies Act, 2015 and is domiciled in Kenya.

38. CURRENCY

The financial statements are presented in Kenya shillings thousands (KShs '000'), which is also the company's functional currency.

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CIC GROUP

CIC GENERAL INSURANCE LIMITED

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