CIC GROUP

2023

CIC LIFE ASSURANCE LIMITED
Annual Report & Financial Statements

True love is....

Getting a **CIC Academia** for your child....

TABLE OF CONTENTS

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 undermining the 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.

CORPORATE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2023

DIRECTORS	Gordon Owuor - Chairman Patrick Nyaga Michael Wambia Anthony Munyao Anthony Chege Fridaclare Katusya Meshack Miyogo
COMPANY SECRETARY	Mary Wanga Certified Public Secretary (Kenya) P. O. Box 59485 - 00200 Nairobi
REGISTERED OFFICE	CIC Plaza 7th Floor Upper Hill, Mara Road P. O. Box 59485 - 00200 Nairobi
SENIOR MANAGEMENT	Meshack Miyogo - Managing Director Tyrus Kanja - Head of Life Operations Mary Wanga - Company Secretary Susan Robi - Group Risk and Compliance Manager Muyesu Luvai - Group Chief Internal Auditor Richard Nyakenogo - General Manager - Cooperatives Michael Mugo - General Manager – Branch Distribution Salome Wambui - Group Actuary Moses Chweya - ICT Manager Ben Kiprotich - Finance Manager Maureen K Magoma - Human Resources Business Partner Caroline Adhiambo - Head - Life Claims Gerald Cheruiyot - Head - Retail Sales James Wamae - Head - Life Underwriting Vincent Ochoi - Head - Retirement Benefits and Corporate Fred Guchua - Policy Administration & Servicing Manager Grace Gichuru - BDM Alternative Channels
AUDITOR	PricewaterhouseCoopers LLP Certified Public Accountants 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
CONSULTING ACTUARY	QED Actuaries & Consultants (Kenya) Limited Capital Registrars Royal Offices 1st Floor, No. 17 Mogotio Rd off Chiromo Lane, P.O. Box 101795-00101, Westlands, Nairobi Kenya

ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 12TH ANNUAL GENERAL MEETING OF CIC LIFE ASSURANCE LIMITED WILL BE CONDUCTED VIRTUALLY VIA ELECTRONIC COMMUNICATION ON TUESDAY 28TH DAY OF MAY, 2024 AT NOON 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 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 note that the Directors' do not recommend the payment of a dividend for the year ended 31st December 2023.
5. **Re-Appointment and Remuneration of PriceWaterhouseCoopers.**
   To consider, and if thought fit, re-appoint 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 of Directors.**
   Mr. Gordon Owuor, being a shareholder representative, retires by rotation in accordance with Article 106 of the Company's Articles of Association, and being eligible, offers himself for re-election as a Non-Executive Director.
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 28th Day of March, 2024.
BY Order of the Board

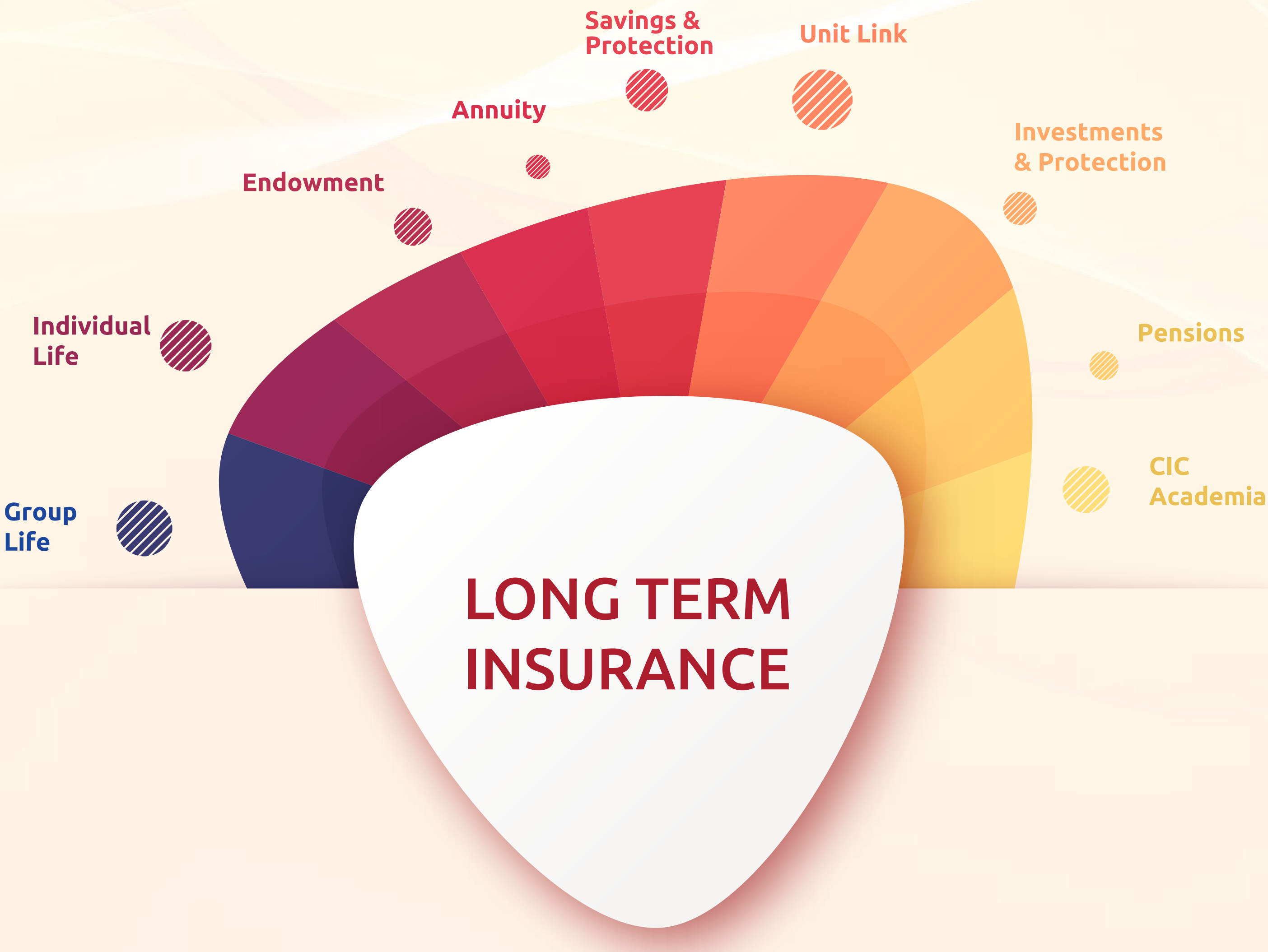
MARY WANGA
COMPANY SECRETARY

NOTES:

1. 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.
2. 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.
3. 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.
4. 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*

OUR PRODUCTS

We offer a wide range of long term insurance products to cater for the various insurance needs of different market segments. They include;



MESSAGE FROM OUR LEADERSHIP

CHAIRMAN'S STATEMENT

Economic and business environment

As the Chair of the Board, I take this opportunity to present to you, the CIC Life Assurance Company Ltd Annual report and Financial Statements for the year ended 31st December 2023.

During the year under review the Kenyan economy grew by an average of 5.5 % becoming the 29th fastest growing economy in the world according to the World Bank. The growth is driven by services sector, and strong recovery in agricultural sector following a favorable rainy season. However, the economy faces challenges to maintain its growth momentum due to high public debts, high cost of living, exchange rate pressures, global economic uncertainties, tight global financial conditions and geopolitical conflicts in Ukraine & Palestine.

The Central Bank of Kenya (CBK) monetary policy committee increased Central Bank Rate (CBR) in Q4 2023 to 12.5% to ease pressure on exchange rates and tame the inflation. The inflation rate closed the year at 6.6% which was within the CBK's target of 7.5%. The Kenyan shilling depreciated at a rate of 26.8% against the Dollar to close the year at KShs 157.01. The Equity market performance declined by 10.4% as per NSE 20 index largely because of foreign investors outflows due to global risk aversion and depreciation of the Kenyan shilling.

Regulatory framework

In the year 2023 the company implemented the new international financial reporting standard (IFRS 17). This standard has brought significant changes to the accounting for insurance and reinsurance contracts.

IFRS 17 introduces a measurement model for insurance and reinsurance 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 non-financial risk (together these represent the fulfilment cash flows) and a contractual service margin (CSM).

As a result, the Company has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

Insurance Industry Performance

According to Insurance Regulatory Authority (IRA) Q4 2023 statistics, the long-term insurers registered a premium of KShs 170 billion, a growth of 21% from previous year. The uptake of Insurance in Kenya has remained significantly low as per Kenya National Bureau of Statistics 2023 & IRA Economic survey at 2.3% which is below global average of 7%.

Overall performance

The Company registered a profit before tax for the period ended 31st December 2023 of KShs 1.26 billion which is an impressive growth from a loss before tax of KShs 377 million in 2022 restated reports. Insurance revenue increased by 22% from KShs 5.48 billion in 2022 to KShs 6.69 billion in 2023. Total assets went up by 22% from KShs 19.9 billion to KShs 24.3 billion, signaling strong investment returns to both policyholders and the shareholders.

Future outlook

The Company's future prospects are promising since the Company has maintained leadership in Group life business in the insurance industry. There are concerted efforts to accelerate growth in acquisition of individual life, pensions and annuity business which are more profitable.

In the year 2024, the Company will continue to enforce and review the strategies employed to drive growth during the year and aggressive team to drive this future growth. We will also continue to review our product offering especially with the implementation of IFRS 17 as well as distribution platforms to deliver our solutions to the market by enhancing our platforms and also partnering with Insurtech & Fintechs. Technology will continue to play a key role in our business by improving operational efficiency and achieve desired customer experience.

Traditional and alternative distribution channels will be enhanced by mass recruitment of Financial Advisors to ensure footprints across the country in order to mine retail business from our partners. The Company has invested in a new Life core system that will be operational in the year 2024 to improve efficiency in all areas of operations which will help to deliver value to all our stakeholders. The Company will also develop digital, self-service and tailor-made products that will maximize policyholders' value.

Appreciation

I register my gratitude to the entire Board, management and staff for their tireless efforts to grow the business and offer the best services to our clients. To our clients and all stakeholders including the regulators, I appreciate your support and guidance. The Company will always endeavor to enable people achieve financial security through cooperative spirit

Gordon Ondiek Owuor
Chairman

BOARD OF DIRECTORS

Gordon Owuor: Chairman

Mr. Gordon Ondiek Owuor, aged 67, is a Non-Executive Director and the Chairman of the Board and represents the shareholder in the Board. He is the Chairman of Jumuika (formerly Chemelil) Sacco, a member of the Nyanza Provincial Co-operative Development Team and a Member of the Institute of Directors, Kenya. He previously worked with the East African Fresh Water Fisheries Research Organization and currently and the chairman of Loyalty Refined Limited. He holds an executive Diploma in Financial Management. The Director has undertaken training in specialized Life Assurance Business Management conducted by LIMRA and several corporate governance training courses from Centre for Corporate Governance and Leadership Group.

Patrick Nyaga: Director

Mr. Patrick Nyaga, aged 57 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.

Michael Wambia: Director

Mr. Michael Ondinya Wambia, aged 55, is a Non-Executive Director representing CIC Insurance Group Plc. The Director also holds a diploma in Education Management from KEMI (Kenya Educational Management Institute) and is a Member of the Institute of Directors Kenya. He is the Chairman of Maanisha Xane Growers Co-operative Society. Director Wambia has undertaken training in specialized Life Assurance Business Management conducted by LIMRA. He has also undergone extensive training on Corporate Governance by International Finance Corporation (IFC), Centre for Corporate Governance and Leadership Group.

Anthony Munyao: Director

Mr. Anthony Munyao, aged 55, joined the Board in 2022 as an Independent Non-Executive Director. He holds a Masters degree in Business Administration (MBA) in Strategic Management, Bachelor of Arts (Hons) Economics & Business Studies. He is a Certified Public Accountant of Kenya, CPA(K) and a Member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is a Certified Trustee through the Trustee Development Program - Kenya (TDPK), and also a Member of the Institute of Directors. Mr. Munyao is Chairman and Director in the board of Vivo Energy Provident Trust Limited and has previously served in the boards of Kenya Reinsurance Corporation Limited, Shell and Vivo Lubricants Kenya Limited, among other boards. He has significant exposure in business management and depth of competence in Strategic Management, Financial Management, Risk Management and Audit. Mr. Munyao has extensive experience in the oil industry and audit. He has previously worked for Kenya Shell Limited as Chief Finance Officer and also Ernst & Young where he served diverse clients. Mr. Munyao has undergone extensive training both international and local including the Corporate Governance Training by CCG.

BOARD OF DIRECTORS *(Continued)*

Anthony Chege: Director
Director Anthony Chege, aged 55, joined the board in 2022 as an Independent Non - Executive Director. He holds an MBA in Strategic Management and Bachelor of Commerce, Marketing Option. He is a s a career banker and has undergone Corporate governance training from Centre for Corporate Governance and advanced Leadership training program from Wharton University of Pennsylvania. He is is currently the Managing director of Spread Capital Limited. Mr. Chege is a member of the Institute of Directors of Kenya.

Fridaclare Katusya: Director
Director Fridaclare Katusya, aged 44, joined the board in 2022 as an Independent Non - Executive Director. She holds a Masters degree in Business Administration (MBA), Bachelor of Commerce (Finance) and an advanced Diploma in Management Accounting from Chartered Institute of Management Accountants. Ms. Katusya is a Certified Public Accountant of Kenya (CPAK). She served as Group Chief Finance Officer (Britam Holdings Plc) & Senior Assurance Manager at PricewaterhouseCoopers – Kenya & South Africa. Ms. Katusya is trained in corporate governance by Center for Corporate Governance. She is a member of the Institute of Internal Auditors (IIA), Association of Women Accountants of Kenya (AWAK) and Institute of Directors of Kenya (IODK).

Meshack Miyogo: Managing Director
Mr. Meshack Miyogo, aged 41, holds a bachelor's degree in Education Arts (Major in Economics and Business Studies) from Egerton University. In addition, he holds a Senior Leadership Development Programme Certificate from the University of Stellenbosch Business School South Africa, Post Graduate Degree (MBA) in Marketing from Daystar University. He also holds a Diploma in Insurance (AIIK) from the College of Insurance. He is an Associate Member of the Institute of Insurance Kenya (IIK) in good standing. His experiences cuts across Banking and Insurance on Matters of Sales Growth, Sales Management, business development, and Strategic Leadership.

Mary Noel A. Wanga: Company Secretary
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

Economic and Political Environment

The Kenyan economy registered growth of 5.9% 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 Q3 2023 and dropping 10% from an average of 52.3, in Q3 2022. Economic growth is expected to remain resilient and expand by 5.5% in 2024. This growth will be driven by the services sector, strong recovery in agriculture following a relatively favorable rainy season.

The average inflation in 2023 edged up to 7.7% compared to 7.6% in 2022. The inflation rate closed the year at 6.6% which was within the upper bound of CBK's target 7.5%.

Industry Updates

IRA is in the process of crafting and implementing Treating Customer Fair (TCF) tool that should be incorporated in all Insurance company's strategy.

IFRS17, a new reporting standard for insurance companies will be a major update on as Insurance Companies adopt it.

Business Performance

The business recorded 22% growth in Insurance Revenue of KShs 6.69 billion compared to KShs 5.48 billion restated in 2022. Overall all lines of business posted positive growth with Pension registering the highest growth rate.

CIC Life Insurance service result improved to KShs 513.7 million during the year compared to KShs (713.7) million restated in 2022.

Investment income grew from KShs 862 million in 2022 to Kshs 1.17 billion in 2023. Income from investing activities increased by 34% mainly due to income from interest generating financial instruments.

Over the period, our total assets grew by 22% from KShs 19.9 billion to Kshs 24.3 billion.

The Company registered a profit before tax of KShs 1.26 billion against a loss of KShs 377 million in 2022 (restated). This growth was brought about by improved performance in all our lines of business.

We maintained a strong score on Customer Experience with our Key focus in settling claims within 5 working days.

We also procured a new Life System to support our growth initiatives and set a base for solid growth in our Choosen markets as we support our Customers.

Key Focus In 2024

The Company remains focused in implementing the Group's transformational initiatives that have played a key role in turning around the business.

We remain keen to drive Profitable growth and grow our Market share in Insurance revenue as well as Industry standings.

Growth in individual life business will be driven by heightened activities within the alternative channels and increased footprint of Financial Advisors (FAs) throughout the country with a focus on our choosen market segments.

We are keen to roll out new retail innovations that will speak to customers changing needs with enhanced digital capabilities for our Customers and sales force. We are keen to establish solid partnerships with different stakeholders such as Sacco's, Brokers, Banks and Independent Agents to drive our ambitious targets in Life Business as well as Pensions.

The fortunes of Annuity business shifted upon the change in pricing, investment strategies and enforcement of IFRS 17. A new Investment Policy Statement (IPS) will be put in place to ensure further growth in business and better returns on investments.

The process of implementing the new core system is in progress. This will increase efficiency, enhanced controls and customer experience. Finally, brand positioning in our market segments remains a key focus area to support our distribution channels in driving uptake of our solutions.

Acknowledgement

I take this opportunity to express my gratitude to the Board of Directors, Management, staff, Financial Advisors, Cooperative Movement, Brokers, Agents, Cooperative Bank and other banks for their immense support and dedication in opening markets and serving the clients.

Much appreciation to our valued customers and key stakeholders being Government of Kenya, IRA, RBA among others.

MESHACK MIYOGO

MANAGING DIRECTOR

SENIOR MANAGEMENT

Meshack Miyogo - Managing Director

Mr. Meshack Miyogo, aged 41, holds a bachelor's degree in Education Arts (Major in Economics and Business Studies) from Egerton University. In addition, he holds a Senior Leadership Development Programme Certificate from the University of Stellenbosch Business School South Africa, Post Graduate Degree (MBA) in Marketing from Daystar University. He also holds a Diploma in Insurance (AIIK) from the College of Insurance. He is an Associate Member of the Institute of Insurance Kenya (IIK) in good standing. His experiences cut across Banking and Insurance on Matters of Sales Growth, Sales Management, business development, and Strategic Leadership.

Tyrus Kanja- Head - Life Operations

Tyrus, aged 45 years, joined CIC Insurance Group in 2005 as an Accountant and is currently the Head, Life Operations for CIC Life Assurance Company Limited. He has over 17 years work experience within the Insurance industry and holds a BSc – International Business Administration from USIU(A) and a CPA (K). He is a member of Institute of Certified Public Accountants of Kenya (ICPAK). He was Senior Finance Manager until November 2021 before he took up the role. He has undergone through various leadership, governance, and high-performance culture trainings.

Mary Noel A. Wanga - Company Secretary

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).

Susan Robi - General Manager Risk and Compliance

Ms. Susan Robi 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 Insurance Group Plc in 2011.

Mr. Muyesu Luvai - Group Chief Internal Auditor.

Mr. Muyesu Luvai aged 45, is the Group Chief Internal Auditor. He is a Certified Public Accountant ("CPA (K)"), and a member of the Institute of Certified Public Accountants of Kenya ("ICPAK"), the Chartered Institute of Internal Auditors UK, the Institute of Internal Auditors, Kenya Chapter, as well as the Institute of Directors, Kenya. He holds a Bachelor of Commerce Degree from the University of Nairobi and a Master of Business Administration (MBA) Degree with a concentration in Employee Relations /Organisational Behaviour from the University of Leicester (UK).

Mr. Luvai acted as CIC's Group Chief Financial Officer between February 2020 and June 2021 during a period of change in executive management. Before joining CIC in 2008, Mr. Luvai worked for Deloitte in the Audit & Assurance Division auditing a range of multi-national and local institutions. Prior to joining Deloitte, Mr. Luvai had a stint in the oil and gas industry working in the Finance Department of Dalbit Petroleum Limited.

SENIOR MANAGEMENT *(Continued)*

Richard Nyakenogo - General Manager - Co-operatives

Mr. Richard Nyakenogo aged 56, is the General Manager - Co-operatives. He holds a Bachelors of Commerce Degree from Egerton University and Masters in Business Administration from Mount Kenya University. He has a Diploma in Co-operative Management from the Co-operative College of Kenya and a certificate in Corporate Governance from Center for Corporate Governance. He also has LOMA-Associate & FLMI. Richard is an Associate Member of Insurance Institute of Kenya (AIIK), Member of Marketing Society of Kenya (MSK), Member of Institute of Directors of Kenya(IOD),a Certified Co- operative Professional (CCOP), and a Council Member of Kenya Society of Professional Cooperators(KSPC). He served as a member of the Taskforce on the implementation of the National Cooperative Policy. He was involved in the transformation of Sacco's form Back office to Front office (FOSA). He joined CIC in 1999.

Michael Mugo - General Manager - Branch Distribution

Mr. Michael Mugo aged 53, is the General Manager - Branch Distribution. He joined the Group in 2003 as an Agency Manager in Ordinary life. He has a total of 25 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 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 institutions and business enterprises. He is a member of the Institute Of Directors of Kenya, the institute of Customer Service of Kenya, MSK and LOMA.

Salome Wambui - Group Actuary

Ms. Salome aged 37, 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.

Ben Kiprotich - Finance Manager

Ben aged 35, joined CIC Life Assurance Limited in 2016 as an Accountant. He is currently the Finance Manager. He has 11 years' work experience and holds a Master of Science (Finance) Degree from University of Nairobi and a Bachelor of Commerce – Finance from University of Nairobi. He is also a member of Institute of Certified Public Accountants of Kenya (ICPAK) and has undergone various leadership and corporate governance trainings.

Maureen K. Magoma - Human Resource Business Partner

Maureen aged 44 years, joined CIC Group in July 2016. She is the Human Resource Business Partner supporting CIC Life Subsidiary. She holds a Master of Science Degree in HR Management and Bachelor of Business Administration degree among other HR certifications. She has 20 years' working experience in Financial Services and 17 years in Human Resources. She is a Full Member of the Institute of Human Resources Management (IHRM) with good standing.

James Wamae - Head -Life Underwriting

James aged 40, joined CIC Life in January 2016 as an Assistant Underwriting Manager - Group Life. He is currently the Head –Life Assurance Underwriting and has over 10 years' work experience within the Insurance Industry. He is a holder of a Bachelors' Degree in Business Administration from Maseno University, IIK Diploma in Insurance (Dip IIK) and CPA 1 certification. He is a member of Insurance Institute of Kenya (IIK) and a member of the Association of Kenya Insurers (AKI) Group Life Committee.

SENIOR MANAGEMENT *(Continued)*

Caroline A. Otieno - Head - Life Claims

Caroline aged 39, joined CIC Insurance Group in 2009 as a Management Trainee. She is currently the Head – Life Claims of CIC Life Assurance Company Limited and has been with the organization for the last 13 years. She holds a Bachelor of Science degree, a CII Diploma in Insurance, a CPA 1 certification and is a member of Insurance Institute of Kenya (IIK). She is currently pursuing an MSc in Development Finance.

Fred Guchua - Policy Administration and Servicing Manager

Fred aged 36, joined CIC in 2010 and has over 10 years' working experience in varied roles including customer service, underwriting, claims and reinsurance. He holds a Bachelor's degree Actuarial Science from Jomo Kenyatta University. He is currently pursuing Msc. Entrepreneurship and Innovation. He is an Associate of Life Management Institute member (ALMI) and a member of the Association of Kenya Insurers (AKI) Individual Life committee.

Vincent Ochoi - Head- Retirement Benefits

Vincent aged 35 joined CIC Life in 2022. He currently has over 10 years' work experience within the Insurance Industry. He holds a Bachelors' Degree in Actuarial Science from Jomo Kenyatta University of Agriculture and Technology, ACS, ALMI and FLMI Level 1 certifications from LOMA and a member of Insurance Institute of Kenya (IIK).

Gerald Cheruiyot - Senior Business Development Manager

Gerald aged 41 years joined CIC in 2021. He is an accomplished retail distribution manager with 17 years' experience in the Insurance and telecommunication industry. He holds a Bachelor of Science degree in Information Sciences (Moi University) and pursing Master of Business Management (University of Nairobi). He also holds Executive Leadership Development Education from Strathmore Business School and University of Stellenbosch Business School. Professionally he holds a Diploma in Insurance (AIIK) and is a certified Trainer and Pensions Trustee having undergone the Trustee Development program (TDPK). He is an Associate member of the Insurance institute of Kenya (IIK).

Grace Gichuru - Business Development Manager - Alternative Channels

Grace aged 38 joined CIC Life in 2022. She has 15 years' experience in the insurance and banking industry. She holds a Bachelors of Arts Degree in Economics from University of Nairobi and is currently pursuing MBA at Strathmore Business School. She is also a graduate of IESE Business School, Barcelona Spain in Advanced Management. Professionally, she is a CPA Finalist, Fellow Life Management institute (FLMI), a certified Pensions Trustee and LIMRA certified.

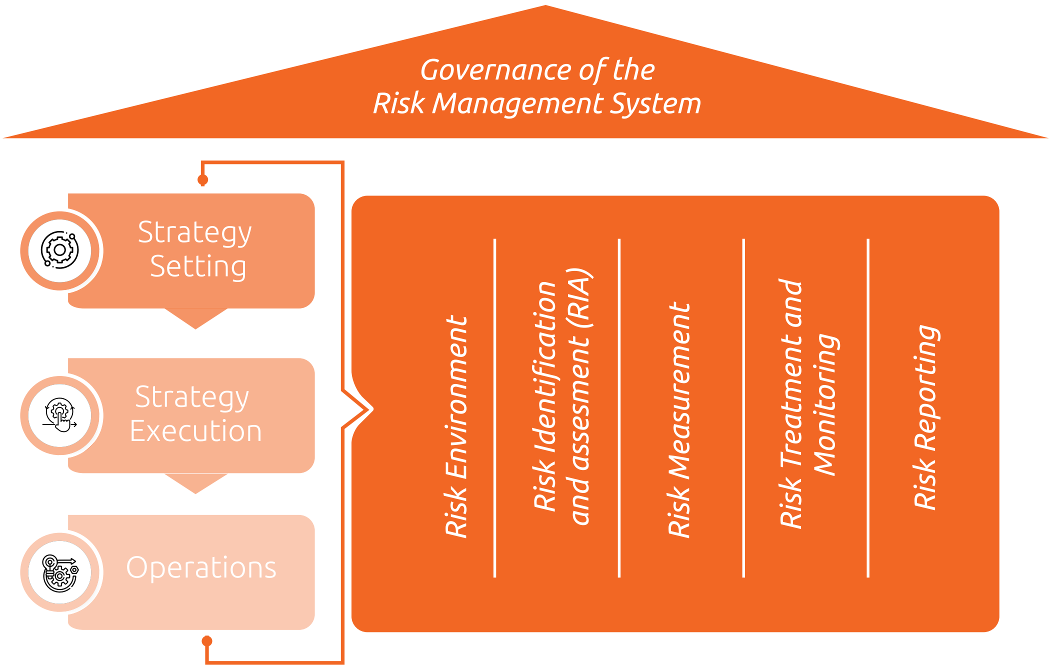
Moses Chweya - ICT Manager

Moses aged 34, Joined CIC Life Assurance Limited in 2024 as ICT Manager. Previously he was with Fidelity Shield Insurance Company as an ICT Manager. He has over 10 years' work experience in the Insurance industry and holds a Bachelor of Science (Actuarial) degree from The University of Nairobi. He also has technical certifications in ITIL, Project Management Data Analytics and Leadership skills. He is a member of Institute of the Computer Society of Kenya (CSK).

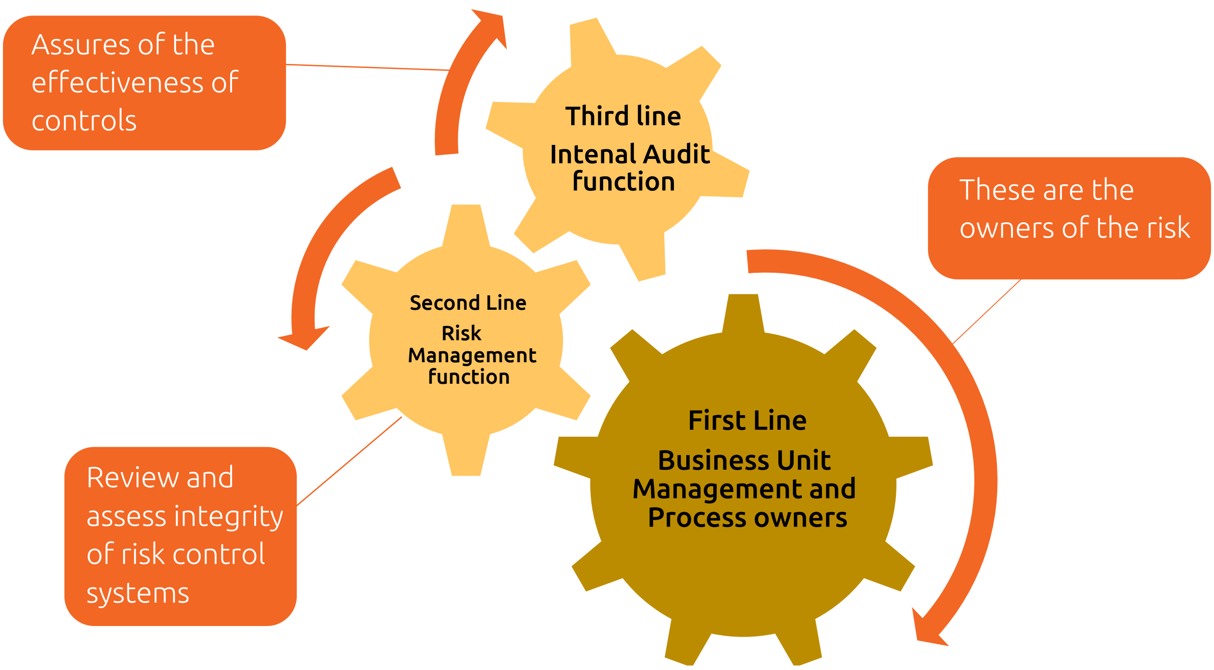
EMBEDDING A RISK MANAGEMENT CULTURE

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

CIC Life Assurance 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



Our Approach to Risk Management (Three Lines of Defense)

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 Life Assurance 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 organization which are following the legal and regulatory framework and in line with good governance practices in the interest of stakeholders.

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

28th March, 2024

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

1. INTRODUCTION

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.

CIC Life Assurance Limited ("The Company") was incorporated on 29th July 2009 under Certificate No. CPR/2009/7927 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 long-term assurance 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 businesses. The Company was duly registered and licensed as a long-term insurer on 27th November 2012.

The Board is keen to see that the ethos of corporate governance as spelt out in various legislations governing the operations of the company are observed. 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 all its stakeholders including 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, Functional 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 of 2015, Companies (General)(Amendment) No.2 Regulations, 2015, The Companies (Beneficial Ownership Information) Regulations, 2020, 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 legislations 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.

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

4 Our Key Stakeholders and partners

Stakeholders are considered to be any group who can affect or be affected by the Company's decisions and depending on the nature of the engagement with the stakeholder.

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, and managerial skills, make decisions. Maintain strong relationships, keep abreast of market developments and get feedback, informs company's strategy, business operations and governance.	Perform the assigned tasks, participate in defined processes, contribute knowledge and qualifications.
External Environment			
Customers & Policyholders Beneficiaries (Private Institutional Clients)	Regulators	Industry Forums (InsureTech, RBA)	National & County Government Agencies (KRA, NHIF, NSSF, etc)
Develop trust and confidence in quality innovative products, underwriting standards and claims settlements.	To ensure the rights of the policyholders are protected. To ensure compliance with 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.
Insurance Intermediaries	Market Competitor	Reinsurers	Service Providers & Suppliers
Acquire new customers, Concluding and managing insurance contracts, Handling claims and organizing and supervise agency services.	Risk sharing through consotiums: i.e. Co-insurance contracts. Industry reports and benchmarks. Participate in industry sector debates and industry sector awards.	Entities receiving portion of the insurance risk. Reinsurance Treaties. Co-Reinsurance Treaties.	Our service providers and suppliers are essential participants in the value chain and contribute to the value we give to the shareholder. i.e Outsourcing companies, Bankers and 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

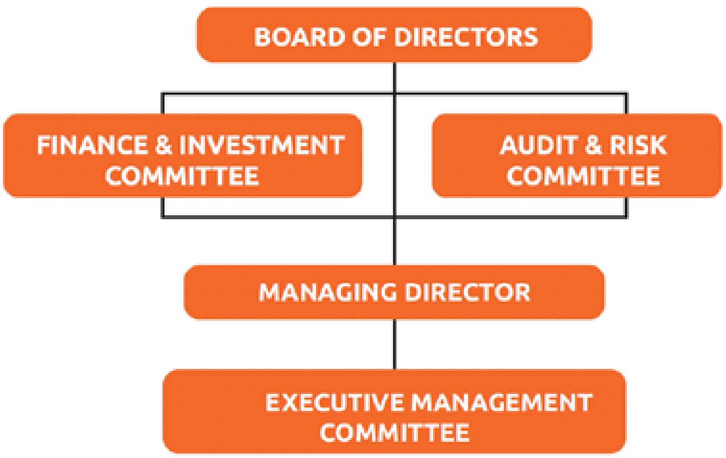
External Environment			
Strategic Alliances & Partnerships	Media	Community and Public at Large	Law Enforcement Agencies.
Close engagement with various partners through MOUs and SLAs. Cooperative Movement- CAK, ICA, ICMIF. Association of Kenya Insurers. Professional Bodies - IOD, ICS, ICPAK, LSK etc. Collaborations - KESSHA, KATTI, KEPSHA etc. Banks & MFIs - Cooperative Bank of Kenya - Bancassurance.	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 to desired business results	Navigators of social and environmental changes that improve living standards through: Partnering with CIC Foundation to sponsor corporate social responsibility (CSR) programs in the communities i.e social and environmental projects: tree planting Ushirika Day, Golf tournaments.	Judiciary, police, DCI etc • Fraud Detection and prevention • Information sharing • Regulatory Compliance • Public safety and crime reduction • Data analytics and Technology • Claim processing support

5. 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 oversee and govern the Company by offering effective strategic oversight administration in its stewardship to greater prosperity while ensuring accountability and disclosure, in line with IRA Guidelines (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, Managing Director and the Company Secretary.

Table 2. Overview of the Company's Corporate Structure



6. 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 individual 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;

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

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

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 of any laws and regulations that govern the running of the company. The Board Charter is reviewed after three years due to amendments in legislations so as to align with best corporate governance practices. The last review was undertaken in March, 2021.

7. 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) Two (2) non-executive directors.

ii) Three (3) independent non-executive directors.

iii) Two (2) 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 that the Assurer is expected to appoint at least five (5) members of the Board. A third of the board members shall be independent non-executive 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.

8. THE BOARD

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

- Sustainable long-term success through the exercise of objective and informed judgment 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 the 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.

9. THE BOARD'S FUNCTION AND RESPONSIBILITIES

The Board responsibilities are outlined in the Board Charter. The Board of Directors is collectively responsible for the governance of the Company, Company's vision, strategic direction and its values. This includes setting goals and strategies necessary to operate the Company and monitoring implementation by Management. 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 the 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 and or 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 on reporting to shareholders on the direction, governance and performance of the Company as well as other processes that require reporting and disclosure.

10. 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.

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

11. 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 judgment 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.

12. SEPARATION OF ROLES AND RESPONSIBILITIES

The Board Charter stipulates a clear separation of the roles 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.

13. 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 a non-executive Director and is responsible for the proper functioning of the Board. His primary role is to direct the Board's business and act as its facilitator and guide, ensuring the Board is effective in its task of setting and implementing the Company's direction and strategy.

The Chairmanship 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.
- Leads the Board, sets each meeting agenda and ensures the Board receives accurate, timely and clear information in order to monitor, challenge, guide and take sound decisions.
- Regularly meets with the Managing Director to stay informed.
- Ensures effective communication with the shareholder and other stakeholders.
- Promotes high standards of corporate governance.
- Promotes and safeguards the interests and reputation of the Company.

14. 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 inter alia:

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

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 basis.

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

15. BOARD TENURE OF OFFICE

In accordance with the company's 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 or re- appointment by shareholder. Directors who have been in office longest, as calculated from rotation date are required to stand for re-election or re-appointment in the case of an 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 directors is capped at two terms of three years each.

BOARD TENURE

Director Appointed	Date of Appointment to the Board	Date of Last Re-Appointed
Gordon Owuor	28.03.2012	18.05.2021
Michael Wambia	28.03.2012	04.05.2023
Patrick Nyaga	06.08.2020	-
Anthony Chege	21.06.2022	04.05.2023
Fridaclare Katusya	21.06.2022	04.05.2023
Anthony Munyao	01.09.2022	04.05.2023
Meshack Miyogo*	22.06.2021	-

Note:

* Mr. Meshack Miyogo is ipso facto, an Executive Director by virtue of his office.

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 Board Induction Policy for new Directors and ensures that all directors regularly update their skills and knowledge at regular intervals.

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' of 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 during board evaluation, Board Maturity Assessment, Environmental, Social, and Governance (ESG) New Insurance Industry Trends, Digitization, special training for Audit Committee and chairman's training by Strathmore business school.

18. CONFLICT OF INTEREST

All Directors of the Company must avoid any situation which might give rise to a conflict between their personal interest and that of the Company. The Directors are each responsible to notify 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 conflict 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 conflict of interest is also a standard agenda item which 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 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.

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

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, approved Annual Board Work Plan and Board Agendas.

21. 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 have undergone the fit and proper due diligence assessment conducted by the regulator to access 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

22. BOARD AND COMMITTEE MEETINGS HELD DURING THE YEAR

Below is a summary of the attendance record of the Board and Committee Meetings conducted during the year under review. Further to this, a record of attendance is kept with the Company Secretary and also noted in the minutes of the meeting.

Table 4

Directors	Board Meeting		Audit and Risk Committee Meeting		Finance and Investment Committee Meeting		AGM 04.5.23
	(a)	(b)	(a)	(b)	(a)	(b)	
Gordon Owuor – Chairman	5	5	*	*	4	4	√
Michael Wambia	5	5	5	5	*	*	√
Patrick Nyaga	5	5	5	5	4	4	√
Meshack Miyogo	5	5	5	5	4	4	√
Anthony Chege	5	5	*	*	4	4	√
Fridaclare Katusya	5	5	5	5	*	*	√
Anthony Munyao	5	5	5	5	*	*	√
Joseph Maina **	*	*	5	5	*	*	-
Julius Mwatu**	*	*	*	*	4	4	-
Julius Nyaga**	*	*	*	*	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.

(d). ** Committee members drawn from affiliated companies.

23. SECRETARY TO THE BOARD

The primary functions of the 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, in the best interest of the company.

ii. Facilitating the induction training of new directors and assisting with the directors' professional development as required.

iii. Maintains all minutes of Board meetings and the reports submitted and presented to the Board.

iv. In consultation with the CEO and the Chairman, ensure effective 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.

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

24. 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. 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.

25. 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. Anthony Munyao - Chairman
2. Joseph Maina
3. Fridaclare Katusya
4. Michael Wambia

26. FINANCE AND INVESTMENT COMMITTEE

The Committee supervises the financial and investment business arm of the Company, and in doing so, has laid down an overall operational Investment Management Framework which is supported by effective and efficient governance aimed at protecting policyholders.

The policy framework focuses on a sound prudential asset and 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/guidelines on investment of insurance funds.

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

Finance and Investment Committee;

1. Anthony Chege - Chairman
2. Julius Nyaga
3. Julius Mwatu
4. Gordon Owuor

27. 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 the 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

28. BOARD REMUNERATION

The Governance and Nomination Committee of the Board is responsible for setting and administering the 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, company's profitability, and return on equity as well as reference to market average rate.

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

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.

29. RISK MANAGEMENT FRAMEWORK

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 set out below:

i) 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. 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.

ii) 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.

iii) 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.

iv) 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.

30. 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, 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 inter alia.

31. 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.

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

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 management of 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.

32. 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.

33. 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, investment policies, 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.

34. EXTERNAL AUDITOR

The Company's financial statements are prepared on an annual basis in accordance with International Financial Reporting Standards (IFRS) and audited in accordance with the International Standards on Auditing (ISA).

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.

At an annual general meeting held on 4th May 2023 the shareholder approved the re-appointment of PriceWaterhouseCoopers (PWC) as the external auditors for the year 2023, on the recommendation of the Board of Directors.

35. 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.

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.

36. 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

The Board has put in place a stakeholders engagement policy which is reviewed from time to time.

37. 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.

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

The policy provides confidential and anonymous communication channels to raise concerns. The confidential and anonymous communications channels are supported and monitored independently and the contacts are on our website, together with the whistle blowing policy.

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.

To this end, an ESG Committee and ESG framework has been approved at the Group level 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 other.

41. SHARE-HOLDING STRUCTURE

The authorized share capital of CIC Life Assurance Ltd is currently Kenya Shillings One Billion (Kshs. 1, 000,000,000).

The issued capital is currently Kshs Eight Hundred Million (Kshs 800,000,000) divided into 40,000,000 shares of Kshs 20/= each.

The shareholding structure of the company is as follows:

SHAREHOLDER	NO. OF SHARES %
CIC Insurance Group Plc 40,000,000	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 Life Assurance Limited

……………………………

Dated 28th March 2024

CELEBRATING
AKI AWARDS 2023

1st runner up
Company of the Year,
Group Life Best Practice.

2nd runner up
Innovation, Group Life Best Practice award.

1st runner up
Highest Growth in Number of Life Policies.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023

The directors submit their report together with the audited financial statements of CIC Life Assurance 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 5.

2. DIRECTORATE

The directors who held office during the year and to the date of this report are set out on page 5.

3. PRINCIPAL ACTIVITY

The principal activity of the company is the transaction of life insurance business and pension schemes administration.

4. COMPANY RESULTS

The table below highlights some of the key performance indicators

	2023	2022
		Restated
	KShs '000	KShs '000
Insurance revenue	6,698,153	5,482,065
Profit/(loss) before income tax	1,260,398	(377,951)
Total comprehensive income/(loss) for the year	313,354	(499,318)
Total assets	24,349,083	19,909,802
Total equity	1,528,198	1,329,844

5. DIVIDENDS

Profit for the year of KShs: 872,939,000 (2022 loss: KShs: 278,742,000) has been added to the statutory reserve.

A final dividend of KShs 115 million in respect of the year ended 31 December 2022 was paid during the year.
The directors do not recommend the payment of dividend in respect of the year ended 31 December 2023 (2022: KShs 115M).

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 and 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-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% year on year 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, KShs depreciation combined with central banks' stance to sustain high rates in advanced economies.

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

THE COMPANY'S PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2023

In the period under review, CIC Life Assurance reported KShs 6.7 billion insurance revenue being 22% growth from prior year. This was as a result of increase in new business in the year which resulted to notable 33% growth in Group Credit portfolio especially the loan guard product. The profit before income tax was KShs 1.26 billion being 433% growth from prior year's loss before tax KShs 378 million. 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, which had higher interest rates in the year. The insurance service expenses closed at KShs 6.4 billion being 19% growth from prior year's KShs 5.4 billion attributable to increase in claims costs. Total assets increased by 22% from prior year largely due to growth in our investment portfolio during the year. The investment assets grew from KShs 18.5 billion in 2022 to KShs 22.0 billion in 2023.

The Company is faced with various risks in its operations such as mortality risk, morbidity risk, longevity risk, investment return risk, expense risk, policyholder decision risk, credit risk, liquidity risk, currency risk, interest rate risk, equity price risk and operational risk. For each and every risk, different mitigating factors have been put in place to reduce the impact of these risks on the performance of the Company. These risks are discussed in note 34.

GOING FORWARD

The Company's future looks bright and we are optimistic that the other lines of business especially pensions, annuities and individual life business will grow remarkably. Great emphasis will be placed on aggressive new business generation strategies in order to meet and exceed the set budgets. Alternative distribution channels with footprints across the country have been strengthened in order to mine retail business from our partners. With the implementation of a new core system, we foresee improved efficiency in all areas of operations thus delivering value to all our stakeholders.

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 5 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.

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

13 May 2024

Nairobi

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 IFRS Accounting 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 13 May 2024 and signed on its behalf by:

....	....	....
Gordon Owuor - Chairman	**Meshack Miyogo – Principal officer**	**Anthony Munyao - Director**

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

I have conducted an actuarial valuation of the life business of CIC Life Assurance Limited (the "Company") as at 31 December 2023.

I certify that the liabilities in respect of the Company for the financial year ending 31 December 2023 do not exceed the amount of the admissible assets as shown in the statement of financial position and CIC Life Assurance Limited is solvent.

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, the life insurance business of CIC Life Assurance Limited was financially sound and the actuarial value of the liabilities in respect of all classes of life insurance business did not exceed the amount of admissible assets as at 31 December 2023.

Name of Actuary:

QED Actuaries & Consultants Kenya Ltd

13 May 2024

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIC LIFE ASSURANCE LIMITED

Report on the financial statements

Opinion

We have audited the accompanying financial statements of CIC Life Assurance Limited (the Company) set out on pages 40 to 148 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 Life Assurance 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*
Adoption of IFRS 17 and restatement of comparatives IFRS 17 became effective for annual periods beginning on or after 1 January 2023, replacing International Financial Reporting Standard 4, 'Insurance Contracts'. 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 measurement of transactions and balances in the financial statements, including new areas of judgment and estimation. New systems, data flows, processes and models have been developed and introduced, giving rise to increased risks of material misstatement. International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors' ('IAS 8') requires that when the impact of adopting a new 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. In particular, we consider the key risks in relation to the adoption of IFRS 17 and restatement of comparatives to be as follows: • The determination of the transition approach for each group of insurance contracts; • The judgements involved in the determination of the measurement model to apply under the standard, in particular, management's use of the Premium Allocation Approach ('PAA') measurement model for groups of contracts that are not automatically eligible; • The methodology that has been used to determine the fair value of Contractual Service Margin (CSM) on transition for annuity, individual life and group credit - single premium businesses; • The methodology and assumptions in respect of determining the risk adjustment; • The methodology used by management to determining discount rates; • New data flow and updated models used to produce IFRS 17 results; • New disclosure requirements giving rise to increased risk of material misstatement; and • The appropriateness of methodologies, assumptions and significant judgements applied in the calculation of relevant balances.	We performed the following procedures over the transition to IFRS 17, and restatement of comparative financial statements: • Assessed the appropriateness of the transition approach adopted for each group of insurance contracts; • Assessed whether the judgments, methodology and assumptions applied by management in determining the accounting policies are in accordance with IFRS 17; • Assessed the appropriateness of the judgments and supporting estimates used to determine the use of the PAA measurement model; • Applied the industry knowledge and compared the methodology, models and assumptions used in determining risk adjustment, CSM (including its amortisation profile) and discounted IFRS 17 best estimate liabilities (including assessment of yield curves) against expected market practice. This included consideration of the reasonableness of methodologies and assumptions and the appropriateness of any judgments applied, including whether or not there was any indication of management bias; • Tested the mathematical accuracy and completeness of the supporting calculations and adjustments used to determine the 2022 comparatives; • Performed testing over key data flows within IFRS 17 business processes; and • Tested the disclosures in the financial statements against the requirements of IFRS 17 and IAS 8.

PricewaterhouseCoopers LLP. PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000   F: +254 (20)285 5001   www.pwc.com/ke

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIC LIFE ASSURANCE LIMITED *(Continued)*

Key audit matters (Continued)

Key audit matter (continued)	*How our audit addressed the key audit matter*
Valuation of insurance contract liabilities The valuation of insurance contract liabilities involves complex and subjective judgments about future events, both internal and external to the business. Small changes to these assumptions can result in material impacts to the valuation of the fulfillment cash flows, CSM and risk adjustment. The significant assumptions that involve high levels of judgment in determining the best estimate liabilities inlcude: • The mortality assumptions used in the valuation of life risk include rate of mortality improvements; • Longevity assumptions used in the valuation of the annuity business involves significant judgment; • Expense and inflation assumptions - Future maintenance and expense inflation assumptions are used in the measurement of the life risk best estimate liabilities. The assumptions reflect the expected future expenses that will be required to maintain the in-force policies at the balance sheet date. The assumptions used require significant judgment which includes how expenses are allocated between maintenance and acquisition expenses as well as how the expenses are split between attributable and non-attributable costs under IFRS 17. In the prior period and over the course of the year ended 31 December 2023, inflation has been significantly higher than historical rates. As a result, there remains significant uncertainty around future inflation. This increases the materiality and risk associated with judgments applied in the calculation of expense inflation; • Estimating the fulfillment cash flows representing all relevant cash flows that fall within the insurance contract boundaries involve significant judgement; • The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts and it represents the unearned profit that the company will recognise as it provides insurance contracts services in the future. Determination of the CSM involves complex calculations and sensitive assumptions which increase the risk of error. In addition, the amortisation of CSM requires significant judgment particularly in selecting the coverage units; • Best estimate liabilities are valued by discounting expected future cash flows at an interest rate based on the most appropriate yield curve. The selection of appropriate discount rate involves judgment; and • The risk adjustment represents the compensation that the company requires for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk. The methodology by which management determines that valuation of the risk adjustment requires them to carry out a number of calculations that involve significant degree of judgment.	Our work to address the valuation of insurance contract liabilities included the following procedures: • Using our actuarial specialists, applied industry knowledge and experience and compared the methodology, models and assumptions used against recognised actuarial practice. This included consideration of the reasonableness of assumptions against actual historical experience, and the appropriateness of any judgment applied, including if there was any indication of management bias; • Assessed whether the judgments, methodology and assumptions applied by management in determining the accounting policies are in accordance with IFRS 17; • Assessed the reasonableness of assumptions in the valuation of insurance contract liabilities such as mortality, longevity, fulfillment cash flows, risk adjustment and selection of discount rates. • For contracts measured under GMM, tested the reasonableness of coverage units and amortisation to statement of profit or loss; • Assessed the competence, capabilities and objectivity of the Company's Statutory Actuary; • On a sample basis, traced the insurance valuation input data to information contained in the administration and accounting systems and to policyholder information; • Reviewed management's process of extraction and reconciliation of the data used in the determination of the insurance contract liabilities; • Tested the correct application of logic used in the determination of components of insurance contract liabilities; Our work to address the valuation of insurance contract liabilities included the following procedures: • Reconciled a sample of the relevant data sources to the previous years' audited information for consistency of information used; and • Reviewed disclosures in the financial statements for compliance with IFRS 17.

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIC LIFE ASSURANCE LIMITED *(Continued)*

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.

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

13 May 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)	6,698,153	5,482,065
Insurance service expenses	3 (b)	(6,413,572)	(5,383,852)
Net income /(expense) from reinsurance contracts held	3 (c)	229,146	(811,968)
Insurance service result		513,727	(713,755)
Interest revenue calculated using the effective interest method	4(a)	1,177,929	862,286
Other investment income	4(b)	62,629	57,484
Net losses on financial assets held at FVPTL	5	(74,608)	(31,431)
Other net gains	5	162,034	120,532
Reversal of expected credit losses	7(d)	9,938	6,140
Investment return		1,337,922	1,015,011
Finance expenses for insurance contracts issued	6	(429,494)	(549,889)
Finance income for reinsurance contracts held	6	35,771	39,203
Net investment result		944,199	504,325
Other operating expenses	7 (a)	(197,528)	(168,521)
Profit/(loss) before income tax		1,260,398	(377,951)
Income tax expense/(credit)	8 (a)	(387,459)	99,209
Profit/(loss) for the year		872,939	(278,742)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value loss on debt instruments at fair value through other comprehensive income	16	(559,585)	(220,576)
Other comprehensive loss for the year		(559,585)	(220,576)
Total comprehensive income/(loss) for the year		313,354	(499,318)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 KShs '000	2022 *Restated KShs '000	At 1 January 2022 *Restated KShs '000
ASSETS				
Property and equipment	9 (a)	44,344	47,712	44,957
Right of use assets	9 (b)	74,649	55,587	59,029
Investment properties	10	2,181,875	2,181,875	2,181,875
Intangible assets	11	28,380	1,537	1,159
Current income tax	8(c)	69,171	-	42,170
Financial assets at amortised cost- Corporate bonds	13	69,654	70,676	52,770
Financial assets at amortised cost- Government securities	14	9,296,636	6,530,585	4,557,106
Financial assets at amortised cost-Loans receivable	15	37,767	38,547	38,140
Financial assets at fair value through other comprehensive income- Government securities	16	6,977,677	5,957,262	4,231,218
Financial assets at fair value through profit or loss- Quoted equity instruments	17	435,210	738,305	836,523
Investments in collective investment schemes at fair value through profit or loss	18	713,169	684,352	723,047
Reinsurance contract assets	28	1,292,833	575,941	1,731,765
Other receivables	19	334,915	306,624	168,156
Due from related parties	20 (b)	495,655	428,235	414,914
Deposits with financial institutions	21	2,214,801	2,167,971	2,404,360
Cash and cash equivalents	30 (b)	82,347	124,593	93,532
TOTAL ASSETS		24,349,083	19,909,802	17,580,721
EQUITY AND LIABILITES				
Equity				
Share capital	23	800,000	800,000	800,000
Statutory reserve		1,494,229	621,290	1,015,032
Fair value reserve		(837,892)	(278,307)	(57,731)
Retained earnings		71,861	186,861	71,861
Total equity		1,528,198	1,329,844	1,829,162
Liabilities				
Insurance contracts liabilities	25	21,462,809	17,444,924	14,510,916
Investment contracts liabilities	27(a)	141,273	137,021	132,725
Other payables	29	454,942	631,963	598,928
Related party payables	20 (b)	7,076	6,488	5,375
Lease liabilities	9 (b)	88,274	64,664	67,339
Current Income tax	8 (c)	-	6,506	-
Deferred income tax	12	666,511	288,392	436,276
Total liabilities		22,820,885	18,579,958	15,751,559
TOTAL EQUITY AND LIABILITIES		**24,349,083**	**19,909,802**	**17,580,721**

The financial statements on pages 40 to 148 were approved by the Board of Directors on 13 May 2024 and signed on its behalf by:

....	....	....
Gordon Owuor Chairman	Anthony Munyao Director	Meshack Miyogo Principal officer

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

	Share capital KShs '000 (Note 23)	Statutory reserve KShs '000 (Note 24 (a)	Retained earnings KShs '000 (Note 24 (c)	Fair value reserve KShs '000 (Note 24 (b)	Total KShs '000
At 1 January 2022 (previously reported)	800,000	1,128,818	71,861	(57,731)	1,942,948
Correction of prior year error (note 27 (b))	-	289,679	-	-	289,679
Impact of initial application of IFRS 17	-	(403,465)	-	-	(403,465)
At 1 January 2022 – restated	800,000	1,015,032	71,861	(57,731)	1,829,162
Loss for the year	-	(278,742)	-	-	(278,742)
Other comprehensive income for the year	-	-	-	(220,576)	(220,576)
Transfer from statutory reserve	-	(115,000)	115,000	-	-
At 31 December 2022 – restated	800,000	621,290	186,861	(278,307)	1,329,844
At 1 January 2023 – restated	800,000	621,290	186,861	(278,307)	1,329,844
Profit for the year	-	872,939	-	-	872,939
Other comprehensive loss for the year	-	-	-	(559,585)	(559,585)
Dividends paid	-	-	(115,000)	-	(115,000)
At 31 December 2023	800,000	1,494,229	71,861	(837,892)	1,528,198

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023	2022
			*Restated
		KShs '000	KShs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30(a)	3,193,286	2,768,995
Income tax paid	8 (c)	(85,017)	-
Interest received on government securities at amortised cost	4(a)	125,448	105,219
Interest received on bank deposits	4(a)	103,631	101,179
Interest received on corporate bonds	4(a)	1,061	985
Interest received on staff loan receivables	4(a)	53,883	58,035
Interest received on government securities at fair value through OCI	4(a)	893,906	597,424
Interest paid on lease liabilities	9(b)	(8,506)	(9,372)
Dividend received		23,777	30,898
Purchase of government securities at amortised cost	14	(2,980,580)	(2,332,462)
Proceeds from maturity of corporate bonds	13	1,252	-
Purchase of corporate bonds	13	-	(14,369)
Purchase of government securities at fair value through OCI	16	(1,590,000)	(2,057,200)
Proceeds of sale of government securities at fair value through OCI	16	10,000	110,580
Proceeds of maturity of government securities at amortised cost	14	222,750	366,503
Proceeds from maturity of investment in unit trust	18	196,733	836,888
Purchase of unit trusts at fair value through profit or loss	18	(221,940)	(780,830)
Proceeds from disposal of quoted equity investments at fair value through profit or loss	17	316,883	81,703
Purchase of quoted equity investments at fair value through profit or loss	17	(92,005)	(32,279)
Net increase in deposit with financial institutions (excluding cash and cash equivalents)		581,238	1,678,662
Net cash generated from operating activities		745,800	1,510,559
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	9 (a)	(13,361)	(17,536)
Sales proceeds on disposals of property and equipment		112	2,418
Purchase of intangible assets	11	(27,315)	(888)
Net cash from investing activities		(40,564)	(16,006)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	31	(115,000)	-
Payment of principal portion of lease liability	9(b)	(12,032)	(21,219)
Net cash from financing activities		(127,032)	(21,219)
INCREASE IN CASH AND CASH EQUIVALENTS		578,204	1,473,334
CASH AND CASH EQUIVALENTS AT 1 JANUARY	30 (b)	1,718,944	245,610
CASH AND CASH EQUIVALENT AT 31 DECEMBER	30 (b)	2,297,148	1,718,944

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Statement of compliance with IFRS Accounting Standards

The financial statements have been prepared in compliance with IFRS Accounting Standards, interpretations issued by the IFRS Interpretations Committee (IFRS IC) 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. In addition, the calculation of Contractual Service Margin (CSM) on transition for some group of contracts has been done using fair value principles. 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.

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 adopted in the current period *(Continued)*

(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. 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.

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 adopted in the current period *(Continued)*

International Financial Reporting Standards and amendments effective for the first time for December 2023 year-ends		
Number	**Effective date**	**Executive summary**
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.
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 non-financial 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 and short-term life contracts.

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 adopted in the current period *(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 403 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	Correction of prior year error	1 Jan 2022
					(Note 27(b))	*Restated
		KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
ASSETS						
Reinsurance contract assets	28	2,007,451	(234,844)	(40,842)	-	1,731,765
All other assets		16,438,653	-	(589,697)	-	15,848,956
Total assets		18,446,104	(234,844)	(630,539)	-	17,580,721
LIABILITIES						
Insurance contract liabilities		14,761,457	341,535	(592,076)	-	14,510,916
Investment contract liabilities		546,552	-	-	(413,827)	132,725
Reinsurance contract liabilities *(previously reinsurance payables)*		40,842	-	(40,842)	-	-
Deferred income tax		485,042	(172,914)		124,148	436,276
All other liabilities		669,263	-	2,379	-	671,642
Total liabilities		16,503,156	168,621	(630,539)	(289,679)	15,751,559
EQUITY						
Share capital		800,000	-	-		800,000
Statutory reserve		1,128,818	(403,465)	-	289,679	1,015,032
Retained earnings		71,861	-	-	-	71,861
Fair value reserve		(57,731)	-	-	-	(57,731)
Total equity		1,942,948	(403,465)	-	289,679	1,829,162
Total liabilities and equity		18,446,104	(234,844)	(630,539)	-	17,580,721

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 adopted in the current period *(Continued)*

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

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

Transition to IFRS 17

Transition adjustments

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

	KShs'000
Equity as previously reported	1,942,948
Impact of:	
Contractual service margin	(252,286)
Loss component	(63,964)
Risk adjustment	(110,879)
Deposit administration cost of guarantee	(123,734)
Effect of discounting	57,187
Change in measurement basis	(82,703)
Deferred tax on the impact	172,914
	(403,465)
Correction of prior year error (note 27 (b))*	413,827
Tax impact	(124,148)
	289,679
Equity – restated	1,829,162

The adjustments relate to:

- Recognition of contractual service margin which represents deferred profit elements recognised at inception of contracts and amortised over the contract period;
- 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;
- 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;
- cost of guarantee is a charge for the differential between return on underlying investments and minimum rate provided;
- 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;
- Change in measurement basis is the variation in the liability recognised under IFRS 4 in comparison to IFRS 17 arising from change in measurement model and expenses assumption review;
- Since Life companies are taxed on the distributions to shareholders, any changes in statutory reserves attract a deferred tax charge/credit . The changes to statutory reserves have suffered deferred tax at the rate of 30% which is the enacted tax rate;
- *Correction of prior year error is disclosed in (note 27 (b))*.

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:

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 adopted in the current period *(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)*

- Payables arising out of reinsurance arrangements (KShs 41 million) have been reclassified from liabilities and netted off against reinsurance contract assets.
- Policy loans amounting to Shs 592 million have been reclassified and netted off against insurance contract liabilities.

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.

Selection of transition approach

On transition to IFRS 17, the Company has applied the full retrospective approach (FRA) unless it has concluded it is impracticable. The Company has applied the FRA on transition for all insurance contracts issued on or after 1 January 2021.

Fair value approach (FVA)

Where the Company has concluded that the FRA is impracticable, it has applied the FVA on transition for all groups of insurance and associated reinsurance contracts. FVA basis cohorts have been grouped across multiple underwriting years into a single unit for each product type and reinsurance treaty for measurement purposes, which is the unit of account applied. The assumptions, models and the results of the determination of the fair value of the insurance and reinsurance contracts under this approach are explained below.

Impracticability assessment

IFRS 17 requires firms to apply the Standard fully retrospectively, unless it is impracticable to do so, in which case either a modified retrospective approach or FVA may be taken. For insurance and reinsurance contracts where the effective date of the contract was prior to 1 January 2021, the Company concluded that it would be impracticable to apply the standard on a fully retrospective basis due to the inability of determining the risk adjustment, a new requirement in terms of IFRS 17, in earlier years without the application of hindsight.

Impracticability of application of Risk Adjustment on the FRA (insurance contracts)

The most significant issue identified was the absence of an approved Risk Adjustment framework, policy and methodology prior to 2021, with any target setting to prior year information representing the application of hindsight which is prohibited by the Standard.

The risk adjustment is a new requirement of IFRS 17 and represents the compensation that an entity requires to take on non-financial risk. Defining "compensation that the entity requires" to take on risk differs to any of the risk-based allowances adopted for either existing regulatory or statutory reporting purposes. A new framework and policy have been defined and implemented to measure the risk adjustment.

The Company has assessed whether other information used in previous reporting cycles, including pricing for new business, could be used to determine the risk adjustment, but has concluded that none of these alternatives would be an appropriate proxy for the risk adjustment. The development of the new approach for IFRS 17 represents a significant enhancement in the approach used to determine the Company's allowance for non-financial risk, with the use of a target confidence interval and probability distributions providing a more meaningful quantification of allowance for risk compared with IFRS 4 reporting. Therefore, the Company has concluded that the FRA is impracticable prior to 2021 in respect of risk adjustment as it would require the use of hindsight.

Impracticability assessment for reinsurance contracts held

The risk adjustment for reinsurance contracts held in IFRS 17 reflects the "amount of risk being transferred" to the reinsurer, so where the risk adjustment for insurance contracts is impracticable then, by definition, the reinsurance risk adjustment is also impracticable.

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 adopted in the current period *(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 *(continued)*

Approach adopted

After considering the severity of these factors, the Company concluded that it was impracticable to determine the value of insurance and reinsurance contracts on an FRA basis for those years of business transacted prior to 2021.

As a result of this impracticality, the IFRS 17 standard allows an accounting policy choice of the FVA or modified FRA from which the Company elected to apply the FVA.

Determination of fair value

Fair value principles

The Company has used the principles contained in IFRS 13: "Fair Value Measurement", except the principles relating to demand features, to determine the fair value of the insurance and reinsurance contracts.

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions, that is. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability.

For certain assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, such as insurance obligations and associated reinsurance agreements, observable market transactions and market information are not widely available. There is no active market for the transfer of insurance liabilities and associated reinsurance between market participants and therefore there is limited market observable data. Although there may be transactions for specific books of annuity business, the profile of the cash flows and nature of the risks of each book of business is unique to each, with key inputs underlying the price of these transactions not being widely-available public knowledge, and therefore it is not possible to determine a reliable market benchmark from these transactions.

When a price for an identical asset or liability is not observable, the Company measures fair value using an alternative valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Because fair value is a market based measurement, it is determined using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

The initial determination of the fair value was calculated on a gross and net of reinsurance basis. The fair value of the reinsurance contracts was then determined based on the difference between the gross and net of reinsurance results.

The measurement of the fair value of insurance contracts and associated reinsurance contracts have therefore been classified, in terms of the financial reporting fair value hierarchy as Level 3.

Aggregation of contracts for the determination of fair value

The Company has aggregated contracts issued more than one year apart when determining groups of insurance and reinsurance contracts under the FVA at transition as permitted by IFRS 17. For the application of the FVA, the Company has used reasonable and supportable information available at the transition date in order to identify groups of insurance and reinsurance contracts.

All insurance contracts which are valued at the date of transition using the fair value transition method have been allocated to the "any remaining contracts" profitability grouping.

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 adopted in the current period *(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 *(continued)*

Overview of the FVA applied

In line with IFRS 13, the Company uses an income approach, i.e. a present value technique, to determine the Fair Value of a group of contracts. According to IFRS 13, a Fair Value measurement of a liability using a present value technique captures all the following elements from the perspective of market participants at the measurement date:

- an estimate of future cash flows for the asset or liability being measured.
- expectations about possible variations in the amount and timing of the cash flows representing the uncertainty inherent in the cash flows.
- the time value of money, represented by the rate on risk-free monetary assets that have maturity dates or durations that coincide with the period covered by the cash flows and pose neither uncertainty in timing nor risk of default to the holder (i.e., a risk-free interest rate).
- the price for bearing the uncertainty inherent in the cash flows (i.e., a risk premium).
- other factors that market participants would take into account in the circumstances.
- for a liability, the non-performance risk relating to that liability, including the entity's own credit risk.

IFRS 13 presents various present value techniques to estimate Fair Value. The Company follows an adjusted Fulfilment Cashflow approach ("Adjusted FCF"). This present value technique is similar to the approach under IFRS 17 given that both standards necessitate a discounted value of the risk-adjusted expected cash flows. Under the adjusted FCF, the IFRS 17 fulfilment cashflows are adjusted to reflect the perspective of a market participant in the principal market of the liability in contrast to the entity's view under IFRS 17 and other IFRS 13 requirements.

Summary of fair value results

The following table summarises the fair value of insurance and reinsurance contracts determined at the 1 January 2022 transition date.

	Fair value Kshs'000	Estimate of present value of future cash flows Kshs'000	Risk adjustment Kshs'000	CSM Kshs'000
Insurance contract liabilities	6,311,537	5,969,024	90,227	252,286
Net reinsurance contracts liabilities				
Reinsurance contract assets	-	-	-	-
Insurance contract liabilities – net of reinsurance	6,311,537	5,969,024	90,227	252,286

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)*

The Company has used reasonable and supportable information available at the transition date in order to:

- Identify groups of insurance contracts
- Determine whether contracts are eligible for the VFA
- Identify any discretionary cash flows for insurance contracts measured under the GMM

The discount rates for the group of contracts applying the fair value approach were determined using the prevailing yield curve as at the transition date.

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

Refer to the disclosure in note 1(c) for the measurement approaches 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.
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.

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

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

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		
Ordinary life business contracts	Insurance contracts	General Measurement Model (GMM)
Group life business contracts	Insurance contracts	Premium Allocation Approach (PAA)
Group credit annual premium contracts	Insurance contracts	Premium Allocation Approach (PAA)
Group credit single premium contracts	Insurance contracts	General Measurement Model (GMM)
Annuities business contracts	Insurance contracts	General Measurement Model (GMM)
Deposit administration contracts	Insurance contracts	Premium Allocation Approach (PAA)
Reinsurance contracts held	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.

The Company issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Company's policy is to hold such investment assets.

An insurance contract with direct participation features is defined by the Company as one which, at inception, meets the following criteria:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

These criteria are assessed at the individual contract level based on the Company's expectations at the contract's inception, and they are not reassessed in subsequent periods, unless the contract is modified. All other insurance contracts originated by the Company, including investment contracts with DPF, are without direct participation features.

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.

(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.

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

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

c) Insurance contracts *(Continued)*

(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.

(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.

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

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

c) Insurance contracts *(Continued)*

(vi) Derecognition

When an insurance contract not accounted for under the PAA is derecognised from within a group of insurance contracts, the Company:

(a) adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the Company;

(b) adjusts the contractual service margin (CSM) (unless the decrease in the FCF is allocated to the loss component of the liability for remaining coverage (LRC) of the Company) in the following manner, depending on the reason for the derecognition:

- (i) if the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service;
- (ii) if the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less the premium charged by the third party;
- (iii) if the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment in (a) adjusted for the premium the Company 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. When recognising the new contract in this case, the Company assumes such a hypothetical premium as actually received;

(c) adjusts the number of coverage units for the expected remaining coverage to reflect the number of coverage units removed.

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 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.

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)*

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
- Costs that the Company will incur in performing investment activities to the extent that the Company performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs;
- 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 lapse or surrender risk and 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.

Some insurance contracts issued by the Company provide policyholders with an option to buy an annuity upon the initially issued policies' maturity. The Company assesses its practical ability to reprice such insurance contracts in their entirety to determine if annuity-related cash flows are within or outside of the insurance contract boundary. As a result of this assessment, non-guaranteed annuity options are not measured by the Company until they are exercised.

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)*

(vii) Measurement *(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 not measured under the PAA

Contractual service margin (CSM)

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Company will recognise as it provides coverage in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:

- the initial recognition of the FCF;
- the derecognition at the date of initial recognition of any asset or liability recognised for insurance acquisition cash flows; and
- cash flows arising from the contracts in the group at that date.

A negative CSM at the date of inception means the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately with no CSM recognised on the balance sheet on initial recognition.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Company recognises the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Company will recognise as a reinsurance expense as it receives reinsurance coverage in the future.

Subsequent measurement – Groups of contracts not measured under the PAA

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

(i) the LRC, comprising:
(ii) the FCF related to future service allocated to the group at that date; and
(iii) the CSM of the group at that date; and
(iv) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

(i) the remaining coverage, comprising:
(ii) the FCF related to future service allocated to the group at that date; and
(iii) the CSM of the group at that date; and
(iv) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For a group of contracts to which the premium allocation approach does not apply, the Company continues to treat the premiums receivable from the intermediary as future cash flows within the boundary of an insurance contract and, applying IFRS 17, includes them in the measurement of the group of insurance contracts until recovered in cash.

Changes in fulfilment cash flows

The FCF are updated by the Company for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

(i) changes that relate to current or past service are recognised in profit or loss; and
(ii) changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

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

c) Insurance contracts *(Continued)*

(vii) Measurement *(Continued)*

Subsequent measurement – Groups of contracts not measured under the PAA *(Continued)*

For insurance contracts measured under the general measurement model (GMM), the following adjustments relate to future service and thus adjust the CSM:

(a) experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
(b) changes in estimates of the present value of future cash flows in the LRC, except those relating to the effect of the time value of money and the effect of financial risk and changes thereof;
(c) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period;
(d) differences between any policyholder loan expected to become repayable (plus any insurance finance income or expenses related to that expected repayment before it becomes repayable in the period) and the actual policyholder loan that becomes repayable in the period; and
(e) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (a) to (d) are measured using the locked-in discount rates as described in the section Interest accretion on the CSM below.

For insurance contracts under the GMM, the following adjustments do not relate to future service and thus do not adjust the CSM:
(a) changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
(b) changes in the FCF relating to the LIC; and
(c) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

For insurance contracts under the variable fee approach (VFA), the following adjustments relate to future service and thus adjust the CSM:
(i) changes in the Company's share of the fair value of the underlying items, except to the extent that the Company has applied the risk mitigation option to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items or fulfilment cash flows; and
(ii) changes in the FCF that do not vary based on the returns of underlying items:
(iii) changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
(iv) experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
(v) changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
(vi) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period;
(vii) differences between any policyholder loan expected to become repayable in the period and the actual policyholder loan that becomes repayable in the period; and
(viii) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (ii) to (vi) are measured using the current discount rates.

For insurance contracts under the VFA, the following adjustments do not relate to future service and thus do not adjust the CSM:
(i) changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;
(ii) changes in the FCF that do not vary based on the returns of underlying items:
(iii) changes in the FCF relating to the LIC; and
(iv) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

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)*

Subsequent measurement – Groups of contracts not measured under the PAA *(Continued)*
Changes to the contractual service margin

For insurance contracts issued, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Company to reflect the effect of the following changes:

- the effect of any new contracts added to the group;
- for contracts measured under the GMM, interest accreted on the carrying amount of the CSM;
- changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM;
- the effect of any currency exchange differences; and
- the amount recognised as insurance revenue for services provided during the period determined after all other adjustments above.

For a group of reinsurance contracts held, the carrying amount of the CSM at the end of each reporting period is adjusted to reflect changes in the FCF in the same manner as a group of underlying insurance contracts issued, except that when underlying contracts are onerous and thus changes in the underlying FCF related to future service are recognised in insurance service expenses by adjusting the loss component, respective changes in the FCF of reinsurance contracts held are also recognised in the insurance service result.

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows (locked-in discount rates). If more contracts are added to the existing groups in the subsequent reporting periods, the Company revises the locked-in discount curves by calculating weighted-average discount curves over the period that contracts in the group are issued. The weighted-average discount curves are determined by multiplying the new CSM added to the group and their corresponding discount curves over the total CSM.

Adjusting the CSM for changes in the FCF relating to future service

The CSM is adjusted for changes in the FCF measured applying the discount rates as specified above in the Changes in fulfilment cash flows section.

Release of the CSM to profit or loss

The amount of the CSM recognised in profit or loss for services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

The total number of coverage units in a group is the quantity of coverage provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period end prospectively by considering:

- the quantity of benefits provided by contracts in the group;
- the expected coverage duration of contracts in the group; and
- the likelihood of insured events occurring, only to the extent that they affect the expected duration of contracts in the group.

For reinsurance contracts held, the CSM is released to profit or loss as services are received from the reinsurer in the period.

The company changes the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements and in the annual reporting 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)*

(vii) Measurement *(Continued)*

Subsequent measurement – Groups of contracts not measured under the PAA *(Continued)*
Onerous contracts – loss component

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the company recognises the excess in insurance service expenses and records it as a loss component of the LRC.

When a loss component exists, the company allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

- expected incurred claims and other directly attributable expenses for the period;
- changes in the risk adjustment for non-financial risk for the risk expired; and
- finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in (a) and (b) above reduce the respective components of insurance revenue and are not reflected in insurance service expenses.

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

Reinsurance contracts held – loss-recovery component

A loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held for the amount of income recognised in profit or loss when the company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts as presented in the *Onerous contracts – loss component* section above. The loss-recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the company expects to recover from the group of reinsurance contracts held.

The loss-recovery component determines the amounts that are presented as a reduction of incurred claims recovery from reinsurance contracts held and are consequently excluded from the reinsurance expenses determination.

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). 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
(a) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

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)*

Subsequent measurement – Groups of contracts not measured under the PAA *(Continued)*

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.

If a group of contracts becomes onerous, the company increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses.

Subsequently, the company amortises the amount of the loss component within the LRC by decreasing insurance service expenses. The loss component amortisation is based on the passage of time over the remaining coverage period of contracts within an onerous group. If facts and circumstances indicate that the expected profitability of the onerous group during the remaining coverage has changed, then the company remeasures the FCF by applying the GMM and reflects changes in the FCF by adjusting the loss component as required until the loss component is reduced to zero.

(i) 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.

Amounts recognised in comprehensive income
Insurance revenue

As the company provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the company expects to be entitled to in exchange for those services.

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

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

c) Insurance contracts *(Continued)*

(viii) Presentation *(Continued)*

Insurance revenue *(Continued)*

For contracts not measured under the PAA, insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
- claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
- amounts allocated to the loss component;
- repayments of investment components and policyholder rights to withdraw an amount;
- amounts of transaction-based taxes collected in a fiduciary capacity;
- insurance acquisition expenses; and
- amounts related to the risk adjustment for non-financial risk
- changes in the risk adjustment for non-financial risk, excluding:
- changes included in insurance finance income (expenses);
- changes that relate to future coverage (which adjust the CSM); and
- amounts allocated to the loss component;
- amounts of the CSM recognised for the services provided in the period;
- experience adjustments – arising from premiums received in the period other than those that relate to future service; and
- other amounts, including any other pre-recognition cash flows assets derecognised at the date of initial recognition.
- Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

For groups of insurance contracts measured under the PAA, the company recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

Loss components

For contracts not measured under the PAA, the company establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

Changes in fulfilment cash flows relating to future services and changes in the amount of the company's share of the fair value of the underlying items for direct participating contracts are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

Insurance service expenses

Insurance service expenses include the following:

- Incurred claims and other benefits;
- Other incurred directly attributable expenses;
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, 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.

Other expenses not meeting the above categories are included in other operating expenses 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)*

c) Insurance contracts *(Continued)*

(viii) Presentation *(Continued)*

Net expenses from reinsurance contracts

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 income/expenses from reinsurance contracts' in the insurance service result.

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. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the company expects to pay consideration.

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

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.

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

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*
(d) Income *(Continued)*
(i) 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.

(ii) 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.

(iii) 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 measured at fair value through profit or loss 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 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 (b) of these financial statements.

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

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

(f) Taxation *(Continued)*

Current income tax *(Continued)*

The tax legislation provides that the income tax on life assurance companies should be the sum of the following;

(i) Transfer from the life fund to shareholders and policy holders (negative reserves are deductible): and
(ii) 30% of management expenses in excess of the amount allowed under the Insurance Act; and
(iii) Any other transfers.

The Company offsets current tax assets and current tax liabilities when:

- It has a legally enforceable right to set off the recognised amounts; and
- It intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

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.

For a life insurance company, the actuarial surplus in substance represents profits and losses recognised in the income statement which have not been recommended for transfer for the benefit of shareholders and therefore not taxed.

Since the profits and losses were recognised from an accounting perspective, they only affect taxable profits once recommended for transfer for benefit of shareholders by an actuary. Therefore, the difference between the tax base of the actuarial surplus and the carrying amount of nil is a taxable temporary difference that gives rise to a deferred income tax liability or a tax asset in case of an actuarial loss.

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.

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

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

(g) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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:

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

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. 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. Subsequently, 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 as at 31 December 2023. 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.

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

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

(i) Intangible assets *(Continued)*

Software under implementation are recognised as work in progress at historical costs less any accumulated impairment loss. The cost of such software includes professional fees and costs directly attributable to the software. The software is not amortised until they are ready for the intended use.

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 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.

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 by a different pension administrator.

Statutory pension scheme
The Company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions to this scheme are determined by local statute. 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.

The company bases its impairment calculation on detailed budgets and forecast calculations which are detailed in its five-year strategic plan. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after fifth year.

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.

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 finance 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 34.

(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

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 receivables, deposits with financial institutions, deposits and commercial paper, government securities at amortised cost, staff loans, mortgages, policy loans, corporate bonds and due from related parties.

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 does not have any financial assets classified as equity instruments at fair value through OCI.

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 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.

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 *(Continued)*

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).

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.

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 *(Continued)*

Impairment of financial assets (continued)

Overview of ECL principles (continued)

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.

Stage 2: 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. 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.

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 *(Continued)*

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 incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Company risk committee and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

The base case represents a best estimate and is aligned with information used by the Company for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Company also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

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.

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.

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)*

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 at fair value through profit or loss (continued)

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.

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.

Other payables

After initial recognition, payables are subsequently measured at amortised cost using the EIR method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the carrying amount on initial recognition. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

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

Redesignation of financial assets

As part of the initial implementation of IFRS 17, Insurance Contracts, effective 1 January 2022, the Company reassessed its business model for eligible financial assets in line with the requirements of paragraphs C29 to C33 of IFRS 17. The redesignation was based on the facts and circumstances that existed at the date of initial application of IFRS 17 and the designations and classifications were applied retrospectively without the use of hindsight.

The applied designations and classifications were based on how the performance of the financial assets is evaluated, reported to key management personnel, the risks that affect the performance of the deposit administration fund and expected liquidity needs of the holders of the instruments.

Previously, government securities under the deposit administration contracts were classified at fair value through OCI. At 1 January 2022 management has reassessed them to the held at amortised cost.

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)*

The deposit administration funds provide retirement cashflows to the policy holders by providing a guaranteed amount and an investment return. The government securities are held to collect contractual cashflows on specified due dates to match the maturing obligations of policy holders based on known retirement age profile. As a result, the maturities of government securities are matched to the maturities of policy holder liability. Therefore the government securities are solely held to collect. The redesignation resulted to the following changes at 1 January 2022

	Carrying amount as per previous classification 1 January 2022	Carrying amount after reclassification 1 January 2022	Change
	KShs' 000	KShs' 000	KShs' 000
Government securities at amortised cost	7,811,154	4,233,338	(3,577,816)
Government securities at FVOCI	979,695	4,557,511	3,577,816

The re-measurement and reclassifications for government securities at FVOCI to amortised cost are disclosed in Notes 14 and 16 respectively.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) Policy loans

Policy loans, considered part of the insurance contract under IFRS 17, have been incorporated in insurance contract liabilities. IFRS 17 requires an entity to present separately in the statement of financial position the carrying amount of portfolios of insurance contracts issued that are liabilities. Prior to the adoption of IFRS 17, loans to policyholders were classified as IFRS 9 loans and receivables under Loans receivable (i.e. separately from the insurance contract). However, these loans do not meet the requirements in IFRS 17 to be treated as separate IFRS 9 investment components and have been considered within insurance contract liabilities.

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 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. 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.

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 *(Continued)*

A. Critical judgements in applying the company's accounting policies *(Continued)*

(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 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 the Deposit Administration contracts, the Company has determined that it has the ability to reprice risks every year. As a result, these contracts have been measured using PAA.

For CIC Life business, the date of initial recognition will be the start of the coverage period for the group of insurance and reinsurance contracts. In some contracts, the company has the practical ability to reprice upon renewal. The contract boundary ends at the end of the coverage period (e.g., maturity date/expiry date of the contract, or renewal 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. 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

Insurance contracts issued on initial recognition are aggregated 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. The Company did not identify any facts or circumstances that might have indicated that a group of contracts measured under the PAA had become onerous.

(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 investment contract liabilities with DPF portfolio, and assessed that the coverage period is one year or less, given the ability to reprice the portfolio annually.

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 *(Continued)*

A. Critical judgements in applying the company's accounting policies *(Continued)*

(j) Assessment of the eligibility for meeting the criteria for direct participating contracts

Direct participating contracts are considered to be sufficiently different from other participating contracts due to the enforceable link to the underlying items, the significance of policyholders' share in the pool and the significance of those returns to the overall policyholder payments. The Company assesses whether a contract meets the definition of a direct participating contract using the Company's expectations existing at inception of the contract. This assessment is performed, on a contract-by-contract basis, for all insurance contracts with direct participating features. In assessing the significance of the policyholder's share of returns from the underlying items and the degree of variability in total payments to the policyholder, the Company applies significant judgement.

The Company applies significant judgement in determining the policyholder share of returns. The Company considers that variable annual charges applied to the policyholder amount reduce the policyholder share of fair value returns. The company having reviewed the returns for the unit linked products, the management has resolved to discontinue with the remaining active policies and refund the policy holders or provide alternative solutions. In 2023, the Company discovered an error in calculating the carrying value of unit-linked contracts. Material unit-linked contracts were settled in the prior years, but the settlements were not reflected in the unit-linked liabilities. The error resulted in a material overstatement of claims expenses recognised for 2022 and prior financial years and a corresponding overstatement of unit-linked liabilities of KShs 414 million. The remaining balance of Kshs 133 million was deemed immaterial and therefore measured under IFRS 9. See note 27 (b) for more details.

(k) 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.

(l) 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 are subject to 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.

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 *(Continued)*

A. Critical judgements in applying the company's accounting policies *(Continued)*

(m) 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 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).

(n) 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
- Determination of the fair value of CSM on transition for some portfolios of insurance contracts (Refer to Note 1 (b) (i)
- Determination of coverage units and amortization of CMS

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 *(Continued)*

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

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 21.5 billion (2022: KShs 17.4 billion)
- Investment contracts issued that are liabilities was KShs 142 million (2022: KShs 137 million)
- Reinsurance contracts issued that are assets was KShs 1.3 billion (2022: KShs 575 million)

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.

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.

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 (Continued)

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

Ordinary life

2023	Fulfilment cash flows (FCF)	CSM	Total	Impact on FCF	Impact on CSM	Total impact	Remaining CSM	Impact on profit before tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Insurance contract liabilities	1,761,005	344,543	2,105,548						
Reinsurance contract assets	(994)	-	(994)						
Net insurance contract liabilities	1,760,011	344,543	2,104,554						
Mortality rate - 10% increase									
Insurance contract liabilities				7,428	827	8,255	345,370	(8,255)	(5,779)
Reinsurance contract assets				(4)	-	(4)	-	4	3
Net insurance contract liabilities				7,424	827	8,251	345,370	(8,251)	(5,776)
Morbidity rate - 10% increase									
Insurance contract liabilities				7,428	827	8,255	345,370	(8,255)	(5,779)
Reinsurance contract assets				(4)	-	(4)	-	4	3
Net insurance contract liabilities				7,424	827	8,251	345,370	(8,251)	(5776)
Lapse/surrender rates - 10% increase									
Insurance contract liabilities				(13,825)	3,525	(10,300)	348,068	10,300	7,210
Reinsurance contract assets				7	(2)	5	-	(5)	(3)
Net insurance contract liabilities				(13,818)	3,523	(10,295)	348,068	10,295	7,207

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 (Continued)

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

Sensitivity analysis to underwriting risk variables (continued)

Ordinary life (continued)

2022									
	Fulfilment cash flows (FCF)	CSM	Total	Impact on FCF	Impact on CSM	Total impact	Remaining CSM	Impact on profit before tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Insurance contract liabilities	1,761,005	344,543	2,105,548						
Reinsurance contract assets	(994)	-	(994)						
Net insurance contract liabilities	1,760,011	344,543	2,104,554						
Expenses - 10% increase									
Insurance contract liabilities				85,169	(26,240)	58,929	318,303	(58,929)	(41,250)
Reinsurance contract assets				-	-	-	-	-	-
Net insurance contract liabilities				85,169	(26,240)	58,929	318,303	58,929	(41,250)
Discount rate - 10% increase									
Insurance contract liabilities				(257,576)	96,616	(160,960)	441,159	160,960	112,672
Reinsurance contract assets				-	-	-	-	-	-
Net insurance contract liabilities				(257,576)	96,616	(160,960)	441,159	160,960	112,672

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 (Continued)

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

Sensitivity analysis to underwriting risk variables (continued)

Annuities

	2023								
	Fulfilment cash flows (FCF)	CSM	Total	Impact on FCF	Impact on CSM	Total impact	Remaining CSM	Impact on profit before tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Insurance contract liabilities	1,838,929	21,155	1,860,084						
Reinsurance contract assets	-	-	-						
Net insurance contract liabilities	1,838,929	21,155	1,860,084						
Longevity rate - 10% increase									
Insurance contract liabilities				15,377	(685)	14,692	1,860,769	(14,692)	(10,284)
Reinsurance contract assets				-	-	-	-	-	-
Net insurance contract liabilities				15,377	(685)	14,692	1,860,769	(14,692)	(10,284)
Expenses - 10% increase									
Insurance contract liabilities				19,944	(1,075)	18,869	1,861,159	(18,869)	(13,208)
Reinsurance contract assets				-	-	-	-	-	-
Net insurance contract liabilities				19,944	(1,075)	18,869	1,861,159	(18,869)	(13,208)
Discount rate - 10% increase									
Insurance contract liabilities				(136,712)	305,318	168,606	2,165,402	(168,606)	(118,024)
Reinsurance contract assets				-	-	-	-	-	-
Net insurance contract liabilities				(136,712)	305,318	168,606	2,165,402	168,606	(118,024)

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 (Continued)

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

Sensitivity analysis to underwriting risk variables (continued)

Annuities (continued)

	2022								
	Fulfilment cash flows (FCF)	CSM	Total	Impact on FCF	Impact on CSM	Total impact	Remaining CSM	Impact on profit before tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Insurance contract liabilities	1,885,406	39,961	1,925,367						
Reinsurance contract assets	-	-	-						
Net insurance contract liabilities	1,885,406	39,961	1,925,367						
Longevity rate - 10% increase									
Insurance contract liabilities				15,733	(13,572)	2,161	26,389	(2,161)	(1,513)
Reinsurance contract assets				-	-	-	-	-	-
Net insurance contract liabilities				15,733	(13,572)	2,161	26,389	(2,161)	(1,513)
Lapse/surrender rates - 10% increase									
Insurance contract liabilities				14,846	(14,220)	626	25,741	(626)	(438)
Reinsurance contract assets				-	-	-	-	-	-
Net insurance contract liabilities				14,846	(14,220)	626	25,741	(626)	(438)
Discount rate - 10% increase									
Insurance contract liabilities				(125,132)	126,728	1,596	166,689	(1,596)	(1,117)
Reinsurance contract assets				-	-	-	-	-	-
Net insurance contract liabilities				(125,132)	126,728	1,596	166,689	(1,596)	(1,117)

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 (Continued)

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

Sensitivity analysis to underwriting risk variables (continued)

Group life

	As at 31 December 2023				As at 31 December 2022			
	Liability for remaining coverage	Impact on liability for remaining coverage	Impact on profit before income tax	Impact on equity	Liability for remaining coverage	Impact on liability for remaining coverage	Impact on profit before income tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Insurance contract liabilities	856,464				783,757			
Reinsurance contract assets	(125,136)				(181,964)			
Net insurance contract liabilities	731,328				601,793			
Average claim cost - 10% increase								
Insurance contract liabilities		57,732	(57,732)	(40,412)		22,770	(22,770)	(15,939)
Reinsurance contract assets		(3,587)	3,587	2,511		(869)	(869)	608
Net insurance contract liabilities		54,145	(54,145)	(37,901)		21,901	(21,901)	(15,331)
Expense rate - 10% increase								
Insurance contract liabilities		551	(551)	386		538	(538)	(377)
Reinsurance contract assets		(44)	44	(31)		(4)	4	3
Net insurance contract liabilities		507	(507)	(355)		534	(534)	(374)
Discount rate - 10% increase								
Insurance contract liabilities		(7,563)	7,563	5,294		(3,187)	3,187	2.231
Reinsurance contract assets		962	(962)	(673)		552	(552)	(386)
Net insurance contract liabilities		(6,601)	6,601	4,621		(2,635)	2,635	1,845

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 (Continued)

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

Sensitivity analysis to underwriting risk variables (continued)

Group credit

	As at 31 December 2023								
	Fulfilment cash flows (FCF)	CSM	Total	Impact on FCF	Impact on CSM	Total impact	Remaining CSM	Impact on profit before tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Insurance contract liabilities	5,059,468	1,746,900	6,806,368						
Reinsurance contract assets	(1,167,697)	-	(1,167,697)						
Net insurance contract liabilities	3,891,771	1,746,900	5,638,671						
Assumed default rate - 10% increase									
Insurance contract liabilities				(597)	(4,956)	(5,553)	1,741,944	5,553	3,887
Reinsurance contract assets				5	-	5	-	(5))	(4)
Net insurance contract liabilities				(592)	(4,956)	(5,548)	1,741,944	5,548	3,883
Expenses - 10% increase									
Insurance contract liabilities				1,586	(3,428)	(1,842)	1,743,472	1,842	1,289)
Reinsurance contract assets				(805)	-	(805)	-	805	563
Net insurance contract liabilities				781	(3,428)	(2,647)	1,743,472	2,647	1,852
Discount rate - 10% increase									
Insurance contract liabilities				(618,147)	75,427	(542,720)	1,822,327	542,720	379,904
Reinsurance contract assets				304,437	-	304,437	-	(304,437)	(213,106)
Net insurance contract liabilities				(313,710)	75,427	(238,283)	1,822,327	238,283	166,798
Average claim cost - 10% increase									
Insurance contract liabilities				60,294	-	60,294	-	(60,294)	(42,206)
Reinsurance contract assets				(29,008)	-	(29,008)	-	29,008	20,306
Net insurance contract liabilities				31,286	-	31,286	-	(31,286)	21,900

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 (Continued)

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

Sensitivity analysis to underwriting risk variables (continued)

Group credit (continued)

	As at 31 December 2022								
	Fulfilment cash flows (FCF)	CSM	Total	Impact on FCF	Impact on CSM	Total impact	Remaining CSM	Impact on profit before tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Insurance contract liabilities	4,361,811	955,933	5,317,744						
Reinsurance contract assets	(450,805)	-	(450,805)						
Net insurance contract liabilities	3,911,006	955,933	4,866,939						
Assumed default rate - 10% increase									
Insurance contract liabilities				(597)	(4,956)	(5,553)	950,977	5,553	3,887
Reinsurance contract assets				5	-	5		(5)	(4)
Net insurance contract liabilities				(592)	(4,956)	(5,548)	950,977	5,548)	3,883
Expenses - 10% increase									
Insurance contract liabilities				(2,048)	(646)	(2,694)	955,287	2,694	1,886
Reinsurance contract assets				164	-	164	-	(164)	(115)
Net insurance contract liabilities				(1,884)	(646)	(2,530)	955,287	2,530	1,771)
Discount rate - 10% increase									
Insurance contract liabilities				(126,781)	52,283	(74,498)	1,008,216	74,498	52,149
Reinsurance contract assets				4,537	-	4,537)	-	(4,537)	(3,176)
Net insurance contract liabilities				(122,244)	52,283	(69,961)	1,008,216	69,961	48,973
Average claim cost - 10% increase									
Insurance contract liabilities				47,552	-	47,552	-	(47,552)	(33,286)
Reinsurance contract assets				(592)	-	(592)	-	592	414
Net insurance contract liabilities				46,960	-	46,960	-	(46,960)	32,872

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 (Continued)

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

Sensitivity analysis to underwriting risk variables **(continued)**

Investment contracts with DPF – short-term contracts

	As at 31 December 2023				As at 31 December 2022			
	Liability for remaining coverage	Impact liability for remaining coverage	Impact on profit before income tax	Impact on equity	Liability for remaining coverage	Impact liability for remaining coverage	Impact on profit before income tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Insurance contract liabilities	9,992,130				7,312,508			
Reinsurance contract assets	-				-			
Net insurance contract liabilities	9,992,130				7,312,508			
Withdrawals – 10% increase								
Insurance contract liabilities		49,896	(49,896)	(34,927)		48,857	(48,857)	(34,200)
Reinsurance contract assets		-	-	-		-	-	-
Net insurance contract liabilities			49,896	49,896	34,927	48,857	(48,857)	(34,200)
Average return on underlying assets– 10% increase								
Insurance contract liabilities		60,711	(60,711)	(42,498)		94,275	(94,275)	(65,993)
Reinsurance contract assets		-	-	-		-	-	-
Net insurance contract liabilities			60,711	(60,711)	(42,498)	94,275	(94,275)	(65,993)

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 *(Continued)*

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

(a) 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.

(b) 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	6years	7 years	8 years	9 years	10 years	>10years
31 December 2023											
Insurance contracts issued	16.10%	17.92%	17.96%	17.87%	17.45%	16.79%	16.32%	15.97%	15.73%	15.70%	15.70%
31 December 2022											
Insurance contracts issued	10.31%	12.17%	12.69%	13.11%	13.53%	13.62%	13.66%	13.70%	13.73%	13.77%	13.77%

(c) Method of determining risk adjustment

Liability for incurred claims (LIC) – Group Life and Group Credit

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.

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 *(Continued)*

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

(d) Method of determining risk adjustment (continued)

Liability for Remaining Coverage (LRC) – Group Life

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 life insurance business is set at 75% to ensure consistency with regulatory requirements and general market practice.

Liability for Remaining Coverage (LRC) – Group Credit, Ordinary Life and Annuities

For the LRC, the present value of future cashflows is determined at a policy level. The projection assumptions are set using analyses of prior experience, where available, or relying on industry experience. Choosing a technique that maximises the usage of this information and calculation approach is desirable.

The company applied the Provision for Adverse Deviation ("PRAD") technique to determine the risk adjustment for this portfolio of contracts. This technique requires the addition of explicit margins applied to the relevant best-estimate assumptions used within the actuarial cashflow projection model for the ordinary life and annuity business. The risk adjustment is then the difference between this liability including the margins and the best estimate liability. The margins selected reflect the compensation the entity requires for uncertainty related to financial risk.

CIC has thus determined that the insurance contract liability for the ordinary life and annuity business including margins should equate to an 75% confidence level, i.e. It is recommended that this level is continued to be used for IFRS 17 for the risk adjustment.

To determine the LRC risk adjustment, the prospective reserves are recalculated for each group and the combination of the groups, five times. This includes the base valuation (with standard valuation methodology), and a recalculated reserve for each of the above categories where a valuation assumption is stressed. The stresses are based on the RBC parameters, CIC's confidence level and adjusted for the size of the group. The differences between each of the stressed reserves and the base reserve are determined and aggregated as the risk adjustment using the square root of the sum of the squares of sum of differences thereby not allowing for any diversification.

(e) Determination of contractual service margin (CSM)

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

The Company determines the quantity of the benefits provided under each contract as follows;

- Term life insurance contracts - Expected present value of claims
- Annuity contracts - Annuity amount payable in each period

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

3. INSURANCE SERVICE RESULT

(a) Insurance revenue

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

2023

	Contracts not measured under the PAA				Insurance revenue from contracts measured under the PAA	Total insurance revenue
	Expected incurred claims and other directly attributable expenses	Changes in risk adjustment for non-financial risk for expired risk	CSM recognised for the services provided	Insurance acquisition cash flows recovery		
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	244,408	14,101	80,892	49,969	-	389,370
Annuities	26,993	1,036	726	335	-	29,090
Deposit administration	-	-	-	-	598,632	598,632
Group credit	863,189	27,396	313,431	51,738	3,158,071	4,413,825
Group life	-	-	-	-	1,267,236	1,267,236
Total	1,134,590	42,533	395,049	102,042	5,023,939	6,698,153

2022 *Restated						
	Contracts not measured under the PAA				Insurance revenue from contracts measured under the PAA	Total insurance revenue
	Expected incurred claims and other directly attributable expenses	Changes in risk adjustment for non-financial risk for expired risk	CSM recognised for the services provided	Insurance acquisition cash flows recovery		
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	241,243	12,898	44,413	32,727	-	331,281
Annuities	25,809	626	1,914	133	-	28,482
Deposit Administration	-	-	-	-	412,887	412,887
Group Credit	792,579	20,384	126,573	20,794	2,358,843	3,319,173
Group life	-	-	-	-	1,390,242	1,390,242
Total	1,059,631	33,908	172,900	53,654	4,161,972	5,482,065

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

3. INSURANCE SERVICE RESULT *(Continued)*

(b) Insurance service expenses

2023						
	Incurred claim expense	Directly attributable expenses	Losses on onerous contracts and reversals of those losses	Amortisation of insurance acquisition cash flows	Expected release of risk adjustment over the period to loss component	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	20,958	279,752	6,616	49,969	(468)	356,827
Annuities	18,347	22,148	22,669	335	-	63,499
Deposit administration	463,043	143,278	-	-	-	606,321
Group life	915,330	217,079	21,195	119,949	-	1,273,553
Group credit	2,813,945	907,423	97,566	294,438	-	4,113,372
Total	4,231,623	1,569,680	148,046	464,691	(468)	6,413,572

2022 *Restated						
	Incurred claim expense	Directly attributable expenses	Losses on onerous contracts and reversals of those losses	Amortisation of insurance acquisition cash flows	Expected release of risk adjustment over the period to loss component	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	25,380	222,231	68,323	32,727	(702)	347,959
Annuities	13,893	18,233	10,523	133	-	42,782
Deposit administration	457,177	36,527	-	-	-	493,704
Group life	833,459	154,838	-	118,427	-	1,106,724
Group credit	2,507,928	708,607	(76,119)	252,267	-	3,392,683
Total	3,837,837	1,140,436	2,727	403,554	(702)	5,383,852

(c) Net expenses from reinsurance contracts held

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

2023						
	Reinsurance premium	Reinsurance commission	Amounts recoverable for incurred claims	Risk adjustment on claim recoveries	Loss recovery on onerous underlying contracts and adjustments	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	13,112	(6,635)	(3,218)	-	-	3,259
Group life	387,901	(69,753)	(339,949)	2,103	(1,680)	21,378
Group credit	1,218,720	(292,679)	(1,126,343)	4,920	(15,645)	(211,027)
Total	1,619,733	(369,067)	(1,469,510)	7,023	(17,325)	(229,146)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

3. INSURANCE SERVICE RESULT *(Continued)*

2022 *restated						
	Reinsurance premium	Reinsurance commission	Amounts recoverable for incurred claims	Risk adjustment on claim recoveries	Loss recovery on onerous underlying contracts and adjustments	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	15,268	(7,455)	(994)	-	-	6,819
Group life	750,004	(145,444)	(455,938)	2,375	1,949	152,946
Group credit	942,962	(150,529)	(185,186)	39,434	5,522	652,203
Total	1,708,234	(303,428)	(642,118)	41,809	7,471	811,968

d) Insurance revenue analysis by transition method

	2023			2022		
Insurance contracts issued	Contracts under thefull retrospective approach at transition	Contracts under the fair value approach at transition	Total	Contracts under the full retrospective approach at transition	Contracts under the fair value approach at transition	Total
Insurance revenue	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	190,316	199,054	389,370	103,348	227,933	331,281
Annuities	3,783	25,307	29,090	1,476	27,006	28,482
Group life	1,267,236	-	1,267,236	1,390,242	-	1,390,242
Group Credit	3,881,645	532,180	4,413,825	2,663,537	655,636	3,319,173
Deposit administration	598,632	-	598,632	412,887	-	412,887
Total	5,941,612	756,541	6,698,153	4,161,972	910,575	5,482,065

	2023			2022		
Insurance contracts issued	Contracts under the full retrospective approach at transition	Contracts under the fair value approach at transition	Total	Contracts under the full retrospective approach at transition	Contracts under the fair value approach at transition	Total
CSM as at 31 Dec	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	542,831	63,859	606,690	315,376	29,167	344,543
Annuities	21,155	-	21,155	13,828	26,133	39,961
Group Credit	1,746,900	-	1,746,900	955,933	-	955,933
Total	2,310,886	63,859	2,374,745	1,285,137	55,300	1,340,437

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023
3. INSURANCE SERVICE RESULT *(Continued)*

(e) Expected recognition of the contractual service margin

An analysis of the expected recognition of the CSM for insurance contracts issued remaining at the end of the reporting period in profit or loss is provided in the following table

Number of years until expected to be recognised	Ordinary life	Annuities	Group credit single premium	Total CSM for insurance contracts issued
	KShs'000	KShs'000	KShs'000	KShs'000
As at 31 Dec 2023				
1	81,241	1,059	325,983	408,283
2	71,535	1,049	291,841	364,425
3	64,719	1,038	274,104	339,861
4	59,441	1,025	256,733	317,199
5	54,833	1,011	239,574	295,418
6 – 10	200,551	4,791	358,602	563,944
>10	74,370	11,182	63	85,615
Total	606,690	21,155	1,746,900	2,374,745
As at 31 Dec 2022				
1	46,631	2,027	166,885	215,543
2	39,464	2,007	149,444	190,915
3	35,453	1,985	140,120	177,558
4	32,532	1,962	133,025	167,519
5	30,092	1,935	125,116	157,143
6 – 10	114,219	9,168	241,278	364,665
>10	46,152	20,877	65	67,094
Total	344,543	39,961	955,933	1,340,437

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	125,448	105,219
Amortisation of financial assets at amortised cost	-	(556)
Interest on financial assets at amortised cost - corporate bonds	1,061	985
Interest on bank deposits	103,631	101,179
Interest on financial assets at fair value through other comprehensive income – Government securities	893,906	597,424
Interest on staff loan receivables	53,883	58,035
	1,177,929	862,286
(b) Other investment income		
Rental income from investment properties	38,852	26,586
Dividend income	23,777	30,898
	62,629	57,484
Total investment income	1,240,558	919,770

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

5. OTHER GAINS AND LOSSES

	2023 KShs '000	2022 KShs '000
Net losses on financial assets held at FVPTL		
Fair value loss on quoted equity investments at fair value through profit or loss (note 17)	(78,218)	(48,794)
Fair value gain on investments in collective investment schemes (note 18)	3,610	17,363
	(74,608)	(31,431)
Other gains and losses		
(Loss)/ gain on disposal of disposal of property and equipment	(20)	13
Fees on deposit administration contracts	132,500	75,004
Miscellaneous income*	29,554	45,515
	162,034	120,532
Total other gains	87,426	89,101

*Miscellaneous income includes sundry income arising from replacement of lost policy documents.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

6. NET INSURANCE FINANCE EXPENSES

(a) Net finance income for insurance contracts held

	2023								
	Finance expenses from insurance contracts issued				Finance income from reinsurance contracts held				
	Interest accreted on CSM	Changes in interest rates on insurance contract liabilities	Changes in interest rates on risk adjustment to insurance contract liabilities	Finance expenses from insurance contracts issued	Interest accreted on CSM	Changes in interest rates on present value to insurance contract liabilities	Changes in interest rates on risk adjustment to insurance contract liabilities	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
Ordinary life	58,697	(60,130)	5,784	4,351	-	-	-	-	4,351
Annuities	5,358	(16,159)	-	(10,801)	-	-	-	-	(10,801)
Group life	-	24,746	-	24,746	-	(4,321)	2	(4,319)	20,427
Group credit	219,904	182,374	8,920	411,198	3,089	(34,525)	(16)	(31,452)	379,746
Total	283,959	130,831	14,704	429,494	3,089	(38,846)	(14)	(35,771)	393,723

	2022								
	Finance expenses from insurance contracts issued				Finance income from reinsurance contracts held				
	Interest accreted on CSM	Changes in interest rates on insurance contract liabilities	Changes in interest rates on risk adjustment to insurance contract liabilities	Finance expenses from insurance contracts issued	Interest accreted on CSM	Changes in interest rates on present value to insurance contract liabilities	Changes in interest rates on risk adjustment to insurance contract liabilities	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
Ordinary life	33,793	68,043	4,289	106,125	-	-	-	-	106,125
Annuities	1,385	92,963	1,645	95,993	-	-	-	-	95,993
Group life	-	18,950	-	18,950	-	(1,828)	3	(1,825)	17,125
Group credit	95,233	227,406	6,182	328,821	-	(37,217)	(161)	(37,378)	291,443
Total	130,411	407,362	12,116	549,889	-	(39,045)	(158)	(39,203)	510,686

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

6. NET INSURANCE FINANCE EXPENSES *(Continued)*

(a) Analysis of net investment income and net insurance finance expenses by product line

2023	Ordinary Life	Annuity	Deposit Administration	Group Life	Group Credit	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Net investment income (expenses) - underlying assets						
Interest revenue from financial assets not measured at FVTPL	277,751	207,286	-	135,133	557,759	1,177,929
Net losses on FVTPL investments	(27,725)	(13,598)	-	(6,350)	(26,935)	(74,608)
Other investment income	9,289	5,171	-	1,777	7,520	23,757
Net credit impairment reversals	2,202	1,673	-	1,157	4,906	9,938
Net losses on investments in debt securities measured at FVOCI	(101,657)	(126,336)	-	(63,258)	(268,334)	(559,585)
Net investment income - underlying assets	159,860	74,196	-	68,459	274,916	577,431
Net investment income (expenses)						
- other						
Income from deposit administration contracts	-	-	132,500	-		132,500
Net income from investment property	-	-	-	7,412	31,440	38,852
Net investment income (expenses)						
- other	21,155	2,375	132,500	8,561	36,315	200,906
Total net investment income	181,015	76,571	132,500	77,020	311,231	778,337
Finance income (expenses) from insurance contracts issued						
Finance expenses from insurance contracts issued	(4,351)	10,801	-	(24,746)	(411,198)	(429,494)
Finance income (expenses) from reinsurance contracts held						
Finance income from reinsurance contracts held	-	-	-	4,319	31,452	35,771
Net insurance finance expenses	(4,351)	10,801	-	(20,427)	(379,746)	(393,723)

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

6. NET INSURANCE FINANCE EXPENSES *(Continued)*

(a) Analysis of net investment income and net insurance finance expenses by product line (continued)

2023	Ordinary Life	Annuity	Deposit Administration	Group Life	Group Credit	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Summary of the amounts recognized in profit or loss						
Net investment income - underlying assets	259,315	198,859	-	130,560	538,344	1,127,078
Net investment income - other investments	-	-	-	-	-	-
Net investment income (expenses) - other	21,155	2,375	132,500	8,561	36,315	200,906
Net insurance finance expenses	(4,351)	10,801	-	(20,427)	(379,746)	(393,723)
	276,119	212,035	132,500	118,694	194,913	934,261
Summary of the amounts recognized in OCI						
Net investment income - other investments	2,202	1,673	-	1,157	4,906	9,938
Net investment income - underlying assets	(101,657)	(126,336)	-	(63,258)	(268,334)	(559,585)
	(99,455)	(124,663)	-	(62,101)	(263,428)	(549,647)
Summary of the amounts recognised						
Insurance service result	22,651	(34,408)	(7,688)	54,833	478,339	513,727
Net investment income	276,119	212,035	132,500	118,694	194,913	934,261
Net insurance finance expenses	(99,455)	(124,663)	-	(62,101)	(263,428)	(549,647)
Net insurance and investment result	199,315	52,964	124,812	111,426	409,824	898,341

2022	Ordinary Life	Annuity	Deposit Administration	Group Life	Group Credit	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Net investment income (expenses) underlying assets	-	-	-	-	-	-
Interest revenue from financial assets not measured at FVTPL	235,577	177,478	-	81,841	367,390	862,286
Net losses on FVTPL investments	(12,559)	(6,752)	-	(2,312)	(9,808)	(31,431)
Net income on FVTPL investments	11,439	7,968	-	2,192	9,299	30,898
Net credit impairment losses	1,360	1,034	-	715	3,031	6,140
Net losses on investments in debt securities measured at FVOCI	(46,956)	(61,040)		(21,477)	(91,103)	(220,576)
Net investment income - underlying assets	188,861	118,688	-	60,959	278,809	647,317
Net investment income (expenses) - other	-	-	-	-	-	-
Other investment income	-	-	75,004	-		75,004
Net income from investment property	-	-	-	5,072	21,527	26,599
Miscellaneous income	28,549	1,116	15,850	-	-	45,515
Net investment income (expenses) - other	28,549	1,116	90,854	5,072	21,527	147,118
Total net investment income	217,410	119,804	90,854	66,031	300,336	794,435

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

6. NET INSURANCE FINANCE EXPENSES *(Continued)*

2022	Ordinary Life	Annuity	Deposit Administration	Group Life	Group Credit	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Finance expenses from insurance contracts issued	(106,125)	(95,993)	-	(18,950)	(328,821)	(549,889)
Finance income (expenses) from reinsurance contracts held	-	-	-	-	-	-
Finance income from reinsurance contracts held	-	-	-	1,825	37,378	39,203
Net insurance finance expenses	(106,125)	(95,993)	-	(17,125)	(291,443)	(510,686)

2022	Ordinary Life	Annuity	Deposit Administration	Group Life	Group Credit	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Summary of the amounts recognised in profit or loss						
Net investment income - underlying assets	234,457	178,694	-	81,721	366,881	861,753
Net investment income - other investments	-	-	-	-	-	-
Net investment income (expenses) - other	28,549	1,116	90,854	5,072	21,527	147,118
Net insurance finance expenses	(106,125)	(95,993)	-	(17,125)	(291,443)	(510,686)
	156,881	83,817	90,854	69,668	96,965	498,185
Summary of the amounts recognised in OCI						
Net investment income - other investments	1,360	1,034	-	715	3,031	6,140
Net investment income - underlying assets	(46,956)	(61,040)	-	(21,477)	(91,103)	(220,576)
	(45,596)	(60,006)	-	(20,762)	(88,072)	(214,436)
Summary of the amounts recognised						
Insurance service result	(30,951)	(14,303)	(80,816)	130,572	(718,257)	(713,755)
Net investment income	156,881	83,817	90,854	69,668	96,965	498,185
Net insurance finance expenses	(45,596)	(60,006)	-	(20,762)	(88,072)	(214,436)
Net insurance and investment result	80,334	9,508	10,038	179,478	(709,364)	(430,006)

7. (a) OPERATING AND OTHER EXPENSES

	2023	2022
	KShs '000	KShs '000
Staff costs (note 7(b))	767,564	640,459
Auditor's remuneration	10,915	5,915
Directors' fees and emoluments (note 20(e))	34,200	33,323
Depreciation of property and equipment (note 9(a))	16,690	14,677
Amortisation on the right of use (note 9(b))	16,580	21,986
Amortisation of intangible assets (note 11)	472	510
Professional fees	81,610	102,828
Printing and stationery	17,226	9,757
Software licence costs	113,419	74,657
Premium tax	11,264	11,232
Business advertising and promotion	171,332	88,997
Statutory returns	84,038	74,821
Professional subscription	7,374	4,703

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

7. (a) OPERATING AND OTHER EXPENSES *(Continued)*	2023	2022
	KShs '000	KShs '000
Utilities	69,016	49,019
Staff welfare	128,058	91,452
Other expenses*	237,450	84,621
Total	1,767,208	1,308,957
Represented by:		
Insurance service expenses	1,569,680	1,140,436
Other operating expenses	197,528	168,521
Total	1,767,208	1,308,957

*Other expenses relate to insurance expenses, bank charges, telephone and travel and meeting expenses.

(b) Staff costs

Staff costs include the following:	2023	2022
	Kshs'000	Kshs'000
- Salaries	627,703	563,058
- Restructuring costs*	34,613	-
-Defined contribution expenses	33,789	32,039
- Bonus pay	36,765	33,207
- Termination benefits expenses	20,985	4,240
- Leave pay	13,709	7,915
	767,564	640,459

*Restructuring costs relates 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 204 (2022: 178)

(c) Staff bonus provision movement	2023	2022
	KShs'000	KSshs'000
As at 1 January	33,207	-
-Charge through profit and loss	36,765	33,207
-Payments during the year	(28,301)	-
-As at 31 December	41,671	33,207

(d) Charge/ (reversal) of allowance for expected credit losses:	2023	2022
	KShs'000	KSshs'000
-Corporate bonds – note 34 (b)	(144)	3,014
-Deposit with financial institutions – note 34 (b)	9,331	863
-Due from related party – note 34 (b)	(458)	(67)
-Loan receivables – note 34 (b)	(82)	(74)
-Government securities at amortised cost- treasury bonds- note 34 (b)	(19)	306
-Government securities at FVOCI – note 34 (b)	-	2,120
-Cash and bank – note 34(b)	1,310	(22)
	9,938	6,140

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

8. INCOME TAX EXPENSE

	2023 KShs '000	2022 KShs '000
(a) Income tax expense		
Current income tax	9,340	48,676
Deferred tax charge/(credit) (note 12)	378,119	(147,885)
	387,459	(99,209)
(b) Reconciliation of income tax expense to tax on accounting profit		
Profit/(loss) before income tax	1,260,398	(377,951)
Tax calculated at a tax rate of 30% (2022: 30%)	378,119	(113,385)
Tax effects of:		
Excess of management expenses over permitted expenses	9,340	14,176
Tax charge for the year	387,459	(99,209))

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

The current income tax charge is made up of:	2023 KShs '000	2022 KShs '000
Tax on transfer of actuarial surplus to shareholders fund*	-	34,500
Tax on excess of management expenses**	9,340	14,176
	9,340	48,676
Total management expenses	2,441,685	2,262,803
Permitted management expenses	(2,337,908)	(2,105,297)
Surplus	103,777	157,506
30% of surplus	31,133	47,252
Tax thereon	9,340	14,176

*Only amount transferred to shareholders is subject to current income tax.
** The tax charge for the Company is derived by subjecting to tax only 30% management fees in excess of the amount allowed in Section 19 (5) of the Kenyan Income Tax Act as well as on the transfer from the statutory reserves to shareholders as per the recommendation of the statutory actuary. The tax rate of 30% on the current tax was applied and the tax liability for 2023 is KShs 9,340,000 (2022: KShs 14,176,000)

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	(6,506)	42,170
Current income tax	(9,340)	(48,676)
Paid during the year	85,017	-
At end of year	69,171	(6,506)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

9. (a) PROPERTY AND EQUIPMENT

	Motor vehicles	Computers	Furniture, fittings equipment	Total
	KShs '000	KShs '000	KShs '000	KShs '000
COST OR VALUATION				
At 1 January 2023	8,389	111,669	295,974	416,032
Additions	-	10,009	3,352	13,361
Disposals	-	(172)	-	(172)
At 31 DECEMBER 2023	8,389	121,506	299,326	429,221
ACCUMULATED DEPRECIATION				
At 1 January 2023	3,826	102,831	261,663	368,320
Charge for the year	2,097	4,509	10,084	16,690
Elimination on disposal	-	(133)	-	(133)
At 31 DECEMBER 2023	5,923	107,207	271,747	384,877
CARRYING AMOUNT				
At 31 DECEMBER 2023	2,466	14,299	27,579	44,344
COST OR VALUATION				
At 1 January 2022	8,389	105,789	284,552	398,730
Additions	-	6,114	11,422	17,536
Disposals	-	(234)	-	(234)
At 31 December 2022	8,389	111,669	295,974	416,032
ACCUMULATED DEPRECIATION				
At 1 January 2022	1,729	99,936	252,108	353,773
Charge for the year	2,097	3,025	9,555	14,677
Elimination on disposal	-	(130)	-	(130)
At 31 December 2022	3,826	102,831	261,663	368,320
CARRYING AMOUNT				
At 31 December 2022	4,563	8,838	34,311	47,712

There are no property and equipment pledged as security for liabilities. There are no contractual commitments for the acquisition of property and equipment.

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	55,587	59,029
Additions	49,788	18,544
Lease remeasurement	(14,146)	-
Amortisation charge	(16,580)	(21,986)
At end of year	74,649	55,587
Lease liability		
At start of the year	64,664	67,339
Additions	49,788	18,544
Accretion of interest	8,506	9,372
Payment of interest	(8,506)	(9,372)
Payment of principal portion of lease liabilities	(12,032)	(21,219)
Lease remeasurement	(14,146)	-
At end of year	88,274	64,664

Amounts recognised in profit or loss	2023	2022
	KShs'000	KShs'000
Interest on lease liabilities	8,506	9,372
Amortisation of right of use assets	16,580	21,986
Amounts recognised in cash flows:		
Payment of principal portion of lease liabilities	12,032	21,219
Payment of interest on lease liability	8,506	9,372
Total cash outflow for leases	20,538	30,591

Lease liability maturity analysis – undiscounted basis

2023	Due on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Lease liabilities	-	6,747	19,113	70,891	-	96,751
2022						
Lease liabilities	-	6,973	20,586	54,179	-	81,738

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

10. INVESTMENT PROPERTIES

	CIC Plaza I	Kisaju Land	Kajiado Land	TOTAL
	KShs'000	KShs'000	KShs'000	KShs'000
2023				
At 1 January and 31 December	1,115,875	680,000	386,000	2,181,875
2022				
At 1 January and 31 December	1,115,875	680,000	386,000	2,181,875

There are no contractual commitments in respect of the investment properties.
The repairs and maintenance expenses on investment property for the year amounted to Kshs. 7.7M (2022: Kshs. 11.9M)
Net rental income on CIC Plaza I arising from operating lease arrangements has been disclosed in note 4 of the financial statements.

CIC Plaza I was valued 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	38,852	26,586
	Annual rent growth rate	5%	1%
	Discounting rate	16%	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 and the fair value gains and losses are recorded within the profit or loss. 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, Kisaju and 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 willing buyer, willing seller;
- a reasonable period within which to negotiate the sale by taking into account the nature of the property;
- values will remain static throughout the period;
- the property will be freely exposed to the market within reasonable publicity;
- no account is taken of an individual bid by a special purchaser.

The investment properties are included in level 3 of the fair value hierarchy. 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	110,760	888	111,648
Additions	-	27,315	27,315
At 31 December	110,760	28,203	138,963
ACCUMULATED AMORTISATION			
At January	110,111	-	110,111
Charge for the year	472	-	472
At 31 December	110,583	-	110,583
CARRYING AMOUNT			
At 31 December	177	28,203	28,380

2022	Computer Software	Work in progress	Total
	KShs '000	KShs '000	KShs '000
COST			
At 1 January	110,760	-	110,760
Additions	-	888	888
At 31 December	110,760	888	111,648
ACCUMULATED AMORTISATION			
At January	109,601	-	109,601
Charge for the year	510	-	510
At 31 December	110,111	-	110,111
CARRYING AMOUNT			
At 31 December	649	888	1,537

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.

12. DEFERRED INCOME TAX	2023	2022 (restated)
	KShs'000	KShs'000
Deferred tax liability	666,511	288,392
The movement in the deferred tax account is as follows:		
At 1 January	(288,392)	(485,042)
Deferred tax recognised through profit or loss (note 8 (a))	(378,119)	147,885
Under-provision in the prior year	-	48,765
At 31 December	(666,511)	(288,392)

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2022: 30%).
Amounts recognised in current income tax relate to tax on transfers from statutory reserves to shareholders.

There is no deferred tax on temporary differences arising from property and equipment and also arising from the investment property because life insurance companies are taxed differently (refer to note 8 (b)) where deferred tax is only calculated on the life fund surplus that is not transferred to retained earnings for distribution at any point in time.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

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	2022
	KShs '000	KShs '000
Chase Bank Limited	-	73,545
Kenya Mortgage Refinancing Corporation (KMRC)	11,843	13,119
Family Bank Limited	45,345	45,345
Real People Limited	3,629	3,368
East African Breweries Limited	8,981	8,984
Gross	69,798	144,361
Allowance for expected credit loss	(144)	(73,685)
Carrying amount	69,654	70,676

Movement of the cost of the corporate bonds in the year:

	2023	2022
At 1 January	144,361	136,819
Additions	-	14,369
Maturities	(1,252)	-
Write off	(73,545)	(7,350)
Amortization	234	523
At 31 December	69,798	144,361
Allowance for expected credit loss	(144)	(73,685)
Carrying amount	69,654	70,676

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	2022	2021
		(restated)	(restated)
	KShs '000	KShs '000	KShs '000
At 1 January	6,530,684	4,557,511	971,091
Additions	2,980,580	2,332,462	179,573
Maturities	(222,750)	(366,503)	(162,650)
Amortisation	2,013	(556)	(8,431)
Accrued interest	6,227	7,770	112
Reclassification from fair value through OCI	-	-	3,577,816
Gross amount	9,296,754	6,530,684	4,557,511
Allowance for expected credit loss	(118)	(99)	(405)
At 31 December	9,296,636	6,530,585	4,557,106

Government securities at amortised cost of KShs 9.2 Billion (2022 - KShs 6.5Billion) 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.

*Reclassification was done for Deposit Administration contracts bonds from government securities at fair value through other comprehensive income to amortised cost. The basis of reclassificiation has been disclosed under note 1(p)- Redesignation of financial assets

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 collateral. 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
(a) MORTGAGE LOANS:		
At 1 January	32,793	32,607
Interest accrued during the year	2,590	2,590
Repayments in the year	(3,605)	(2,404)
At 31 December	31,778	32,793
(b) OTHER LOANS:		
Staff loans	5,989	5,754
At 31 December	37,767	38,547

An analysis of changes in the gross carrying amount and corresponding ECL allowances loans receivables 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:

31 December 2023	Maximum exposure to credit risk	Total collateral	Net exposure	ECLs
	KShs '000	KShs '000	KShs '000	KShs '000
Mortgage loans	31,778	55,438	-	-
Other loans	5,989	7,319	1,330	1,330
	37,767	62,757	1,330	1,330
31 December 2022				
Mortgage loans	32,793	48,836	-	-
Other loans	5,754	7,002	1,248	1,248
	38,547	55,838	1,248	1,248

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.

The collateral held for other loans include share certificates and joint charge on car logbooks. The mortgage loans to collateral ratio as at the end of the year stood at 143% (2022: 133%)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

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

	2023	2022 (restated)	2021 (restated)
	KShs '000	KShs '000	KShs '000
At 1 January	5,959,382	4,233,338	6,896,378
Additions	1,590,000	2,057,200	1,325,000
Disposals	(10,000)	(110,580)	(302,879)
Fair value loss	(559,585)	(220,576)	(107,345)
Reclassification to amortised cost (note 1 (p))	-	-	(3,577,816)
Gross amount	6,979,797	5,959,382	4,233,338
Allowance for expected credit loss	(2,120)	(2,120)	(4,240)
At 31 December	6,977,677	5,957,262	4,231,218

Maturity analysis of the government securities held at FVOCI has been disclosed in Note 34(b) of the financial statements. The basis of reclassificiation has been disclosed under note 1(p. 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 33 (b).

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

	2023	2022
	KShs '000	KShs '000
At 1 January	738,305	836,523
Additions during the year	92,005	32,279
Disposals	(316,882)	(81,703)
Fair value loss (note 5)	(78,218)	(48,794)
At 31 December	435,210	738,305

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.

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

	2023	2022
	KShs '000	KShs '000
At 1 January	684,352	723,047
Additions	221,940	780,830
Maturities	(196,733)	(836,888)
Fair value gain	3,610	17,363
At 31 December	713,169	684,352

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023
19. OTHER RECEIVABLES

	2023 KShs '000	2022 KShs '000
Staff advances	5,073	4,889
Prepayments	1,307	18,916
Advances for agents	4,403	4,354
Accrued rental income	46,567	38,542
Lease rental deposits	2,491	2,491
Receivable from deposit administration	169,511	155,496
Other receivables	105,563	81,936
	334,915	306,624

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

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

Other receivables are largely relating to administration fees and funds receivable from pension business.

20 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. 2.61 million (2022: 2.15 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.

(a) Transactions with related parties *	2023 KShs '000	2022 KShs '000
(i) Receipts from related parties		
The Co-operative Bank of Kenya Limited	1,789,136	1,637,369
The CIC Insurance Group PLC	398,960	125,537
CIC General Insurance Limited	327,858	256,690
CIC Asset Management Limited	35,767	10,817
	2,551,721	2,030,413
(ii) Payments to related parties		
The Co-operative Bank of Kenya Limited	479,439	384,992
The CIC Insurance Group PLC	439,781	126,106
CIC General Insurance Limited	354,915	316,888
CIC Asset Management Limited	36,135	20,831
	1,310,270	848,817

* 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

20 RELATED PARTY BALANCES *(Continued)*

(b) Due from related parties	2023 KShs '000	2022 KShs '000
The CIC Insurance Group PLC	434,700	393,879
CIC General Insurance Limited	63,565	36,508
Allowance for expected credit loss	(2,610)	(2,152)
	495,655	428,235
Due to related parties		
CIC Asset Management Limited	7,076	6,488

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).

(d) Investment property

The Company has leased out land to CIC General Insurance Limited on which it has erected a building on. The Company has leased some office space from the building belonging to CIC General Insurance Limited.

(e) Key management remuneration

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

Key management	2023 KShs '000	2022 KShs '000
Short-term employment benefits:		
Leave allowance	1,413	1,121
Salaries	106,156	82,984
National Social Security Fund (NSSF)	145	26
Gratuity	7,728	6,962
Pension contribution	4,788	3,753
	120,230	94,846

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023
20. RELATED PARTY BALANCES *(Continued)*

(e) Key management remuneration *(Continued)*

Directors:	2023 KShs '000	2022 KShs '000
Directors 'emoluments – fees	8,668	10,300
Other fees:		
Sitting allowances	15,844	17,532
Insurance	580	443
Honoraria	4,959	1,135
Retreats and training	2,180	2,627
Exits / Retirement	861	286
Christmas token	1,108	1,000
	34,200	33,323
Total short term employment benefits	154,430	128,169

21. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2023 KShs '000	2022 KShs '000
The Co-operative Bank of Kenya Limited	1,206,549	421,283
The Co-operative Bank of Kenya Limited*	64,966	-
Family Bank Limited	10,329	65,227
Kenya Women's Micro Finance Bank	42,668	-
Kingdom Bank	24,600	-
Equity Bank	75,078	154,824
Credit Bank	60,263	12,795
NCBA Bank Limited	34,080	736,705
Stanbic Bank	272,476	-
I & M Bank Limited	-	215,745
KCB Bank Kenya Limited	-	151,944
KCB Bank Kenya Limited*	381,428	348,554
Development Bank of Kenya Limited	57,122	52,773
Imperial Bank Limited	-	23,200
Sidian Bank	-	9,010
	2,229,559	2,192,060
Allowance for expected credit loss	(14,758)	(24,089)
	2,214,801	2,167,971
Maturity analysis:		
Maturing within three months	2,214,801	1,594,351
Maturing between 3-6 months	-	255,893
Maturing after 6 months	-	317,727
	2,214,801	2,167,971

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

21. DEPOSITS WITH FINANCIAL INSTITUTIONS *(Continued)*

* With the exception of deposits with the Co-operative Bank of Kenya Limited of KShs 65 million and KCB Bank Kenya Limited of KShs 381 million, which are under lien for staff loan collaterals, 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 the Co-operative Bank of Kenya Limited and KCB Bank Kenya Limited under lien during the year was 2.5 % (2022: 2.5%).

Deposits maturing after three months are assessed from the placement date. The carrying amounts of the fixed deposits approximate their fair values.

An analysis of changes in the gross carrying amount and corresponding ECL allowances in deposits with financial institutions has been disclosed in note 34 (b).

22. 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
Staff loans	6.00	6.00
Policy loans	8.00	8.00
Deposits with financial institutions, other than the Co-op Bank and KCB Bank disclosed above	13.05	9.40
Other deposits and commercial paper	13.00	11.50

23. SHARE CAPITAL

	31 December 2023		31 December 2022	
	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	40,000	800,000	40,000	800,000
Issued and fully paid up share capital:				
At 1 January and at 31 December	40,000	800,000	40,000	800,000

24. (a) STATUTORY RESERVE

The statutory reserve represents the surplus on the life assurance business which is not distributable as dividends as per the requirements of the Kenyan Insurance Act.

Transfer from statutory reserve relates to the proportion of the life assurance business surplus which is distributable as dividends and therefore transferred to retained earnings.

(b) 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.

(c) RETAINED EARNINGS

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

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

25. COMPOSITION OF THE BALANCE SHEET - INSURANCE AND INVESTMENT CONTRACTS

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

	2023			2022		
	Insurance contract liabilities	Reinsurance contract assets	Investment contracts liabilities	Insurance contract liabilities	Reinsurance contract assets	Investment contracts liabilities
				*Restated	*Restated	
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	(2,017,763)	(3,713)	-	(2,105,548)	(994)	-
Annuities	(1,860,084)	-	-	(1,925,367)	-	-
Group life	(856,464)	254,658	-	(783,757)	181,964	-
Group Credit	(6,806,368)	1,041,888	-	(5,317,744)	394,971	-
Life insurance contract liabilities	(11,540,679)	1,292,833		(10,132,416)	575,941	
Investment contracts with DPF (deposit administration)	(9,922,130)	-	-	(7,312,508)	-	-
Total insurance contract liabilities	(21,462,809)	1,292,833	-	(17,444,924)	575,941	
Unit-linked contracts	-	-	(141,273)	-	-	(137,021)
Total as per statement of financial position	(21,462,809)	1,292,833	(141,273)	(17,444,924)	575,941	(137,021)

Detailed reconciliation 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

26. INSURANCE CONTRACTS LIABILITIES

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

Ordinary life

	2023				2022			
	Liability for remaining coverage		Liability for incurred claims		Liability for remaining coverage		Liability for incurred claims	
	Excl. loss component	Loss component	PV of future cash flows	Total	Excl. loss component	Loss component	PV of future cash flows	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Net insurance contract liabilities / (assets) at 1 Jan	1,999,379	82,900	23,269	2,105,548	1,846,779	10,747	12,934	1,870,460
Insurance revenue	(389,370)	-	-	(389,370)	(331,281)	-	-	(331,281)
Insurance service expenses	55,778	1,380	299,669	356,827	32,727	67,043	248,189	347,959
Investment components	(828,785)	-	828,785	-	(633,268)	-	633,268	-
Insurance service result	(1,162,377)	1,380	1,128,454	(32,543)	(931,822)	67,043	881,457	16,678
Insurance finance expenses	(5,172)	9,523	-	4,351	101,015	5,110	-	106,125
Total changes in the comprehensive income	(1,167,549)	10,903	1,128,454	(28,192)	(830,807)	72,153	881,457	122,803
Cash flows:								
Premiums received	1,180,960	-	-	1,180,960	1,058,368	-	-	1,058,368
Claims and other expenses paid	-	-	(1,120,818)	(1,120,818)	-	-	(871,122)	(871,122)
Insurance acquisition cash flows	(119,735)	-	-	(119,735)	(74,961)	-	-	(74,961)
Total cash flows	1,061,225	-	(1,120,818)	(59,593)	983,407	-	(871,122)	112,285
Net insurance contract liabilities / (assets) at 31 Dec	1,893,055	93,803	30,905	2,017,763	1,999,379	82,900	23,269	2,105,548

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

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

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

Annuities	2023				2022			
	Liability for remaining coverage		Liability for incurred claims	Total	Liability for remaining coverage		Liability for incurred claims	Total
	Excl. loss component	Loss component	PV of future cash flows		Excl. loss component	Loss component	PV of future cash flows	
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Net insurance contract liabilities / (assets) at 1 Jan	1,914,716	10,651	-	1,925,367	1,912,809	-	-	1,912,809
Insurance revenue	(29,090)	-	-	(29,090)	(28,482)	-	-	(28,482)
Insurance service expenses	335	21,949	41,215	63,499	133	10,404	32,245	42,782
Investment components	(247,957)	-	247,957	-	(229,615)	-	229,615	-
Insurance service result	(276,712)	21,949	289,172	34,409	(257,964)	10,404	261,860	14,300
Insurance finance expenses	(12,015)	1,214	-	(10,801)	95,746	247	-	95,993
Total changes in the comprehensive income	(288,727)	23,163	289,172	23,608	(162,218)	10,651	261,860	110,293
Cash flows:								
Premiums received	204,220	-	-	204,220	167,464	-	-	167,464
Claims and other expenses paid	-	-	(289,172)	(289,172)	-	-	(261,860)	(261,860)
Insurance acquisition cash flows	(3,939)	-	-	(3,939)	(3,339)	-	-	(3,339)
Total cash flows	200,281	-	(289,172)	(88,891)	164,125	-	(261,860)	(97,735)
Net insurance contract liabilities /(assets) at 31 Dec	1,826,270	33,814	-	1,860,084	1,914,716	10,651	-	1,925,367

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

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

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

Group life	2023					2022				
	Liability for remaining coverage		Liability for incurred claims		Total	Liability for remaining coverage		Liability for incurred claims		Total
	Excl. loss component	Loss component	PV of future cash flows	Risk adjustment		Excl. loss component	Loss component	PV of future cash flows	Risk adjustment	
	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	212,616	-	553,326	17,815	783,757	287,139	-	457,324	13,404	757,867
Insurance revenue	(1,267,236)	-	-	-	(1,267,236)	(1,390,242)	-	-	-	(1,390,242)
Insurance service expenses	119,949	21,196	1,128,995	3,413	1,273,553	118,427	-	983,886	4,411	1,106,724
Insurance service result	(1,147,287)	21,196	1,128,995	3,413	6,317	(1,271,815)	-	983,886	4,411	(283,518)
Insurance finance expenses	-	-	24,876	(130)	24,746	-	-	18,950	-	18,950
Total changes in the comprehensive income	(1,147,287)	21,196	1,153,871	3,283	31,063	(1,271,815)	-	1,002,836	4,411	(264,568)
Cash flows:										
Premiums received	1,210,924	-	-	-	1,210,924	1,308,040	-	-	-	1,308,040
Claims and other expenses paid	-	-	(1,051,954)	-	(1,051,954)		-	(906,834)	-	(906,834)
Insurance acquisition cash flows	(117,326)	-	-	-	(117,326)	(110,748)	-	-	-	(110,748)
Total cash flows	1,093,598	-	(1,051,954)	-	41,644	1,197,292	-	(906,834)	-	290,458
Net insurance contract liabilities / (assets) at 31 Dec	158,927	21,196	655,243	21,098	856,464	212,616	-	553,326	17,815	783,757

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

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

Group credit	2023					2022				
	Liability for remaining coverage		Liability for incurred claims		Total	Liability for remaining coverage		Liability for incurred claims		Total
	Excl. loss component	Loss component	PV of future cash flows	Risk adjustment		Excl. loss component	Loss component	PV of future cash flows	Risk adjustment	
	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	3,642,445	58,221	1,587,498	29,580	5,317,744	2,311,910	109,411	1,610,545	15,690	4,047,556
Insurance revenue	(4,413,825)	-	-	-	(4,413,825)	(3,319,173)	-			(3,319,173)
Insurance service expenses	316,613	37,111	3,730,614	29,034	4,113,372	228,637	(51,190)	3,201,396	13,840	3,392,683
Insurance service result	(4,097,212)	37,111	3,730,614	29,034	(300,453)	(3,090,536)	(51,190)	3,201,396	13,840	73,510
Insurance finance expenses	325,457	3,716	82,059	(34)	411,198	258,998	-	69,773	50	328,821
Total changes in the comprehensive income	(3,771,755)	40,827	3,812,673	29,000	110,745	(2,831,538)	(51,190)	3,271,169	13,890	402,331
Cash flows:										
Premiums received	5,144,136	-	-	-	5,144,136	4,560,159	-	-	-	4,560,159
Claims and other expenses paid	-	-	(3,293,423)	-	(3,293,423)	-	-	(3,294,216)	-	(3,294,216)
Insurance acquisition cash flows	(472,834)	-	-	-	(472,834)	(398,086)	-	-	-	(398,086)
Total cash flows	4,671,302	-	(3,293,423)	-	1,377,879	4,162,073	-	(3,294,216)	-	867,857
Net insurance contract liabilities / (assets) at 31 Dec	4,541,992	99,048	2,106,748	58,580	6,806,368	3,642,445	58,221	1,587,498	29,580	5,317,744

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023
26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

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

Investment components with DPF	2023			2022 restated		
	Liability for remaining coverage	Liabilities for incurred claims	Total	Liability for remaining coverage	Liabilities for incurred claims	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Net investment contracts liabilities at 1 January	7,312,508	-	7,312,508	5,798,488	-	5,798,488
Insurance revenue	598,632		598,632	412,887		412,887
Insurance service expenses	-	(606,321)	(606,321)	-	(493,704)	(493,704)
Investment component	(606,321)	606,321	-	(493,704)	493,704	-
Total changes in comprehensive income	(7,689)	-	(7,689)	(80,817)	-	(80,817)
Cash flows:						
Contributions received	2,605,695	-	2,605,695	1,722,227	-	1,722,227
Investment income received	598,632	-	598,632	412,887	-	412,887
Withdrawals and other expenses paid	(679,010)	-	(679,010)	(738,917)	-	(738,917)
Total cash flows	2,525,317	-	2,525,317	1,396,197	-	1,396,197
Other movements						
Cost of guarantee	91,994	-	91,994	198,640	-	198,640
Net investment contracts liabilities at 31 December	9,922,130	-	9,922,130	7,312,508	-	7,312,508

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

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

(b) Reconciliation of the measurement components of insurance contract balance

Ordinary Life	2023				2022			
	PV of future cash flows	Risk adjustment	CSM	Total	PV of future cash flows	Risk adjustment	CSM	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Net insurance contract liabilities / (assets) at 1 Jan	1,723,123	37,882	344,543	2,105,548	1,638,780	33,159	198,521	1,870,460
Changes that relate to current service								
CSM recognised in profit or loss for the services provided	-	-	(80,892)	(80,892)	-	-	(44,413)	(44,413)
Change in the risk adjustment for non- financial risk	-	(14,571)	-	(14,571)	-	(13,600)	-	(13,600)
Experience adjustments	56,301	-	-	56,301	6,368	-	-	6,368
	56,301	(14,571)	(80,892)	(39,162)	6,368	(13,600)	(44,413)	(51,645)
Changes that relate to future service								
Changes in estimates that adjust the CSM	(412,443)	36,422	376,021	-	(161,614)	36,141	125,473	-
Changes in estimates that do not adjust the CSM	5,539	5,696	-	11,235	(4,819)	1,741	-	(3,078)
Experience adjustments	306,168	(47,321)	(291,635)	(32,788)	126,020	(36,476)	(107,783)	(18,239)
Contracts initially recognised in the period	(190,009)	18,225	199,956	28,172	(61,940)	12,628	138,952	89,640
Total changes	(234,444)	(1,549)	203,450	(32,543)	(95,985)	434	112,229	16,678
Insurance finance expenses	(60,130)	5,784	58,697	4,351	68,043	4,289	33,793	106,125
Total changes in the comprehensive income	(294,574)	4,235	262,147	(28,192)	(27,942)	4,723	146,022	122,803
Cash flows:								
Premiums received	1,180,960	-	-	1,180,960	1,058,368	-	-	1,058,368
Claims and other expenses paid	(1,120,818)	-	-	(1,120,818)	(871,122)	-	-	(871,122)
Insurance acquisition cash flows	(119,735)	-	-	(119,735)	(74,961)	-	-	(74,961)
Total cash flows	(59,593)	-	-	(59,593)	112,285	-	-	112,285
Net insurance contract liabilities /(assets) at 31 Dec	1,368,956	42,117	606,690	2,017,763	1,723,123	37,882	344,543	2,105,548

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

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

(b) Reconciliation of the measurement components of insurance contract balances (continued)

Annuities	2023				2022			
	PV of future cash flows	Risk adjustment	CSM	Total	PV of future cash flows	Risk adjustment	CSM	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Net insurance contract liabilities / (assets) at 1 Jan	1,864,285	21,121	39,961	1,925,367	1,886,370	12,705	13,734	1,912,809
Changes that relate to current service								
CSM recognised in profit or loss for the services provided	-	-	(726)	(726)	-	-	(1,914)	(1,914)
Change in the risk adjustment for non- financial risk	-	(1,081)	-	(1,081)	-	(642)	-	(642)
Experience adjustments	(27,668)	-	-	(27,668)	(25,910)	-	-	(25,910)
Claims paid	41,215	-	-	41,215	32,244	-	-	32,244
	13,547	(1,081)	(726)	11,740	6,334	(642)	(1,914)	3,778
Changes that relate to future service								
Changes in estimates that adjust the CSM	29,937	16,182	(46,119)	-	(25,688)	19,569	6,119	-
Changes in estimates that do not adjust the CSM	17,616	10,647	-	28,263	7	1,551	-	1,558
Changes in estimates that result in onerous contract losses	-	-	-	-	-	-	-	-
Contracts initially recognised in the period	(7,838)	2,541	9,210	3,913	3,667	2,086	1,772	7,525
Experience adjustments	2,042	(25,020)	13,471	(9,507)	(1,632)	(15,533)	18,604	1,439
	41,757	4,350	(23,438)	22,669	(23,646)	7,673	26,495	10,522
Changes that relate to past service								
Changes that relate to past service	-	-	-	-	-	-	-	-
Insurance finance expenses	(18,599)	2,440	5,358	(10,801)	92,962	1,385	1,646	95,993
Total changes in the comprehensive income	36,705	5,709	(18,806)	23,608	75,650	8,416	26,227	110,293
Cash flows:								
Premiums received	204,220	-	-	204,220	167,464	-	-	167,464
Claims and other expenses paid	(289,172)	-	-	(289,172)	(261,860)	-	-	(261,860)
Insurance acquisition cash flows	(3,939)	-	-	(3,939)	(3,339)	-	-	(3,339)
Total cash flows	(88,891)	-	-	(88,891)	(97,735)	-	-	(97,735)
Net insurance contract liabilities /(assets) at 31 Dec	1,812,099	26,830	21,155	1,860,084	1,864,285	21,121	39,961	1,925,367

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

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

(b) Reconciliation of the measurement components of insurance contract balances (continued)

Group credit	2023				2022			
	PV of future cash flows	Risk adjust-ment	CSM	Total	PV of future cash flows	Risk adjustment	CSM	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Net insurance contract liabilities / (assets) at 1 Jan	2,180,490	63,975	955,933	3,200,398	1,862,125	66,445	40,032	1,968,602
Changes that relate to current service								
CSM recognised in profit or loss for the services provided	-	-	(313,431)	(313,431)	-	-	(126,573)	(126,573)
Expected claims and other expenses-Excluding loss component	(879,758)	-	-	(879,758)	(792,581)	-	-	(792,581)
Claims Paid	763,851	-	-	763,851	578,677	-	-	578,677
Change in the risk adjustment for non- financial risk	-	(27,907)	-	(27,907)	-	(44,535)	-	(44,535)
Experience adjustments	-	-	-	-	-	-	-	-
	(115,907)	(27,907)	(313,431)	(457,245)	(213,904)	(44,535)	(126,573)	(385,012)
Changes that relate to future service								
Changes in estimates that adjust the CSM	(5,793)	53,171	(47,378)	-	34,851	42,663	(77,514)	-
Changes in estimates that result in onerous contract losses	(4,398)	42,533	-	38,135	39,686	21,312	-	60,998
Contracts initially recognised in the period	(953,065)	22,890	930,175	-	(993,777)	21,105	972,672	-
Experience adjustments	15,129	(67,913)	23,014	(29,770)	(16,142)	(51,216)	52,083	(15,275)
	(948,127)	50,681	905,811	8,365	(935,382)	33,864	947,241	45,723
Changes that relate to past service								
Changes that relate to past service - adjustments to the LIC	-	-	-	-	-	-	-	-
Total changes	(1,064,034)	22,774	592,380	(448,880)	(1,149,286)	(10,671)	820,668	(339,289)
Insurance finance expenses	101,315	8,954	198,587	308,856	157,634	8,201	95,233	261,068
Total changes in the comprehensive income	(962,719)	31,728	790,967	(140,024)	(991,652)	(2,470)	915,901	(78,221)
Cash flows:								
Premiums received	1,895,053	-	-	1,895,053	2,065,870	-	-	2,065,870
Claims and other expenses paid	(763,851)	-	-	(763,851)	(578,677)	-	-	(578,677)
Insurance acquisition cash flows	(177,259)	-	-	(177,259)	(177,176)	-	-	(177,176)
Total cash flows	953,943	-	-	953,943	1,310,017	-	-	1,310,017
Net insurance contract liabilities /(assets) at 31 Dec	2,171,714	95,703	1,746,900	4,014,317	2,180,490	63,975	955,933	3,200,398

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023
26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

(c) CSM by transition method

	2023			2022		
	Contracts under the full retrospective approach at transition	Contracts under the fair value approach at transition	Total	Contracts under thefull retrospective approach at transition	Contracts under the fair value approach at transition	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary Life						
CSM as at 1 January	315,376	29,167	344,543	167,489	31,032	198,521
Changes that relate to current service						
CSM recognised in profit or loss	(67,136)	(13,756)	(80,892)	(38,717)	(5,696)	(44,413)
Changes that relate to future service						
Experience adjustments	17,972	(309,607)	(291,635)	24,361	(132,144)	(107,783)
Changes in estimates that adjust the CSM	21,173	354,848	376,021	(6,972)	132,445	125,473
Contracts initially recognised in the period	199,956	-	199,956	138,952	-	138,952
Total changes	171,965	31,485	203,450	117,624	(5,395)	112,229
Insurance finance expenses	55,490	3,207	58,697	30,263	3,530	33,793
Total amounts recognised in comprehensive income	227,455	34,692	262,147	147,887	(1,865)	146,022
CSM as at 31 December	542,831	63,859	606,690	315,376	29,167	344,543

Annuities	2023			2022		
Insurance contracts issued	Contracts under the full retrospective approach at transition	Contracts under the fair value approach at transition	Total	Contracts under thefull retrospective approach at transition	Contracts under the fair value approach at transition	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
CSM as at 1 January	13,828	26,133	39,961	7,745	5,989	13,734
Changes that relate to current service						
CSM recognised in profit or loss	(726)	-	(726)	(551)	(1,363)	(1,914)
Changes that relate to future service						
Experiences	(592)	14,063	13,471	3,901	14,703	18,604
Changes in estimates that adjust the CSM	(3,050)	(43,069)	(46,119)	(3)	6,122	6,119
Contracts initially recognised in the period	9,210	-	9,210	1,772	-	1,772
Total changes	4,842	(29,006)	(24,164)	5,119	19,462	24,581
Insurance finance expenses	2,485	2,873	5,358	964	682	1,646
Total amounts recognised in comprehensive income	7,327	(26,133)	(18,806)	6,083	20,144	26,227
CSM as at 31 December	21,155	-	21,155	13,828	26,133	39,961

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

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

(c) CSM by transition method (continued)

Group Credit	2023			2022		
Insurance contracts issued	Contracts under the full retrospective approach at transition	Contracts under the fair value approach at transition	Total	Contracts under thefull retrospective approach at transition	Contracts under the fair value approach at transition	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Insurance revenue						
CSM as at 1 January	955,933	-	955,933	40,032	-	40,032
Changes that relate to current service						
CSM recognised in profit or loss	(313,431)	-	(313,431)	(126,573)	-	(126,573)
Changes that relate to future service						
Experiences	23,014	-	23,014	52,083	-	52,083
Changes in estimates that adjust the CSM	(47,378)	-	(47,378)	(77,514)	-	(77,514)
Contracts initially recognised in the period	930,175	-	930,175	972,672	-	972,672
Total changes	592,380	-	592,380	820,668	-	820,668
Insurance finance expenses	198,587	-	198,587	95,233	-	95,233
Total amounts recognised in comprehensive income	790,967	-	790,967	915,901	-	915,901
CSM as at 31 December	1,746,900	-	1,746,900	955,933	-	955,933

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

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

(a) Impact of contracts recognised in the year

Ordinary life	2023			2022		
Insurance contracts issued	Non-onerous contracts originated	Onerous contracts originated	Total	Non-onerous contracts originated	Onerous contracts originated	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Estimates of the present value of future cash outflows						
- Insurance acquisition cash flows	107,885	(49,254)	58,631	(74,967)	(51,632)	(126,599)
- Claims and other attributable expenses	169,145	(89,466)	79,679	(115,333)	(131,451)	(246,784)
Estimates of the PV of future cash outflows	277,030	(138,720)	138,310	(190,300)	(183,083)	(373,383)
Estimates of the PV of future cash inflows	(492,051)	113,709	(378,342)	341,361	93,962	435,323
Risk adjustment for non-financial risk	15,065	(3,160)	11,905	(12,109)	(519)	(12,628)
CSM	199,956	-	199,956	(138,952)	-	(138,952)
Increase in insurance contract liabilities	-	(28,171)	(28,171)	-	(89,640	(89,640

Annuities	2023			2022		
Insurance contracts issued	Non-onerous contracts originated	Onerous contracts originated	Total	Non-onerous contracts originated	Onerous contracts originated	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Estimates of the PV of future cash outflows						
- Insurance acquisition cash flows	(2,223)	(1,885)	(4,108)	(1,239)	(2,088)	(3,327)
- Claims and other attributable expenses	(5,907)	(23,413)	(29,320)	(8,859)	(37,851)	(46,710)
Estimates of the PV of future cash outflows	(8,130)	(25,298)	(33,428)	(10,098)	(39,939)	(50,037)
Estimates of the PV of future cash inflows	17,821	23,446	41,267	12,315	34,055	46,370
Risk adjustment for non-financial risk	(481)	(2,061)	(2,542)	(445)	(1,640)	(2,085)
CSM	(9,210)	-	(9,210)	(1,772)	-	(1,772)
Increase in insurance contract liabilities	-	(3,913)	(3,913)	-	(7,524)	(7,524)

Group credit	2023	2022
Insurance contracts issued	Non-onerous contracts originated	Non-onerous contracts originated
	KShs'000	KShs'000
Estimates of the present value of future cash outflows		
- Insurance acquisition cash flows	(150,668)	(162,608)
- Claims and other attributable expenses	(779,609)	(876,219)
Estimates of the PV of future cash outflows	(930,277)	(1,038,827)
Estimates of the PV of future cash inflows	1,883,342	2,032,604
Risk adjustment for non-financial risk	(22,890)	(21,105)
CSM	(930,175)	(972,672)
Increase in insurance contract liabilities	-	-

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

27. INVESTMENT CONTRACT LIABILITIES

(a) Unit linked contracts

	2023	2022 restated
	KShs '000	KShs '000
Investment contract liabilities at 1 January	137,021	132,725
Contributions	21,940	16,799
Withdrawals	(27,753)	(28,208)
Fair value gain	10,065	15,705
Net investment contract liabilities at 31 December	141,273	137,021

There was a material error is accounting for unit linked contracts liabilities relating to prior years. The restatement is disclosed below.

(b) Correction of a material error in the prior year in calculating carrying value of unit-linked contracts

The benefits offered under unit-linked contracts are based on the return of a portfolio of financial instruments. The maturity value of these liabilities is determined by the fair value of the linked assets. When a policy matures or the contracts are terminated, settlements are done against the unit-linked liability.

In 2023, the Company discovered an error in calculating the carrying value of unit-linked contracts. Material unit-linked contracts were settled in the prior years, but the settlements were not reflected in the unit-linked liabilities. Instead, the settlements were erroneously charged through claims expense in the statement of profit or loss account. The error resulted in a material overstatement of claims expenses recognised for 2022 and prior financial years and a corresponding overstatement of unit-linked liabilities.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Statement of financial position (extract)

	As previously reported 31 December 2021	IFRS 17 measurement adjustments (Note 1)	Correction of prior year error	Restated 31 December 2021
	KShs '000	KShs '000	KShs '000	KShs '000
Investment contract liabilities (previously unit-linked contracts")	546,552	(413,827)	-	132,725
Statutory reserves	1,128,818	(403,465)	289,679	1,105,032
Deferred income tax	485,042	(172,914)	124,148	436,276

Impact on the statement of profit or loss for the year ended 31 December 2022

	Increase
	KShs '000
Insurance service expenses (previously claims expenses)	2,103
Other gains	25,471
Profit before income tax	27,574
Income tax	-
Profit after tax	27,574

The impact of the above error to basic earnings per share at 1 January 2022 was an increase of KShs 7 per share.

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

27. REINSURANCE CONTRACTS ASSETS

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

Combined	2023					2022				
	Amounts recoverable on incurred claims		Amounts recoverable on incurred claims		Total	Assets for remaining coverage		Amounts recoverable on incurred claims		Total
	Excl. loss recovery component	Loss recovery component	PV of future cash flows	Risk adjustment		Excl. loss recovery component	Loss recovery component	PV of future cash flows	Risk adjustment	
	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	(244,971)	(2,928)	(327,093)	(949)	(575,941)	(134,155)	(45,447)	(1,543,721)	(8,442)	(1,731,765)
Net income/ (expense) from reinsurance contracts held	1,225,728	(16,262)	(1,424,496)	(14,116)	(229,146)	1,404,806	41,809	(642,118)	7,471	811,968
Reinsurance finance income	(97)	868	(36,616)	74	(35,771)	(452)	710	(39,483)	22	(39,203)
Total changes in the comprehensive income	1,225,631	(15,394)	(1,461,112)	(14,042)	(264,917)	1,404,354	42,519	(681,601)	7,493	772,765
Cash flows:										
Reinsurance premiums paid	(1,641,072)	-	-	-	(1,641,072)	(1,825,497)	-	-	-	(1,825,497)
Reinsurance receipts	449,296	-	739,801	-	1,189,097	326,768	-	1,881,788	-	2,208,556
Total cash flows	(1,191,776)	-	739,801	-	(451,975)	(1,498,729)	-	1,881,788	-	383,059
Net reinsurance contract assets/ (liabilities) at 31 Dec	(194,675)	(18,322)	(1,064,845)	(14,991)	(1,292,833)	(228,530)	(2,928)	(343,534)	(949)	(575,941)

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

29. OTHER PAYABLES

	2023 KShs '000	2022 KShs '000
Sundry payables*	259,246	423,205
Premium received in advance	95,777	127,029
Staff liabilities	70,338	62,373
Life agents bond	12,704	11,145
Restructuring costs payable**	8,666	-
Rent deposits	8,211	8,211
	454,942	631,963

All amounts are payable within one year.

*The sundry payables relate to professional fees payable, unit linked contracts due for settlement, accrued cost of software payable, audit fees payable, stamp duty accrued, excise duty accrued and withholding taxes accrued and inter-funds balances.
**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.

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

30. STATEMENT OF CASH FLOWS

	Notes	2023 KShs '000	2022 *Restated KShs '000
a) Reconciliation of profit before tax to cash generated from operations:			
Profit/(loss) before income tax		1,260,398	(377,951)
Amortisation of government securities at amortised cost	4	-	556
Interest on bank deposits	4	(103,631)	(101,179)
Interest on staff loan receivables	4	(53,883)	(58,035)
Interest on government securities at amortised cost	4	(125,448)	(105,219)
Interest on government securities at fair value through other comprehensive income	4	(893,906)	(597,424)
Dividend income	4	(23,777)	(30,898)
Gain / (loss) on investment on collective investments	5	(3,610)	(17,363)
Gain on disposal of property and equipment		20	(13)
Depreciation on property and equipment	9 (a)	16,690	14,677
Amortisation of intangible assets	11	472	510
Amortisation on right of use asset	9(b)	16,580	21,986
Interest on lease liabilities	9(b)	8,506	9,372
Accrued interest on corporate bonds		(1,061)	(985)
Fair value loss on quoted equity investments at FVTPL	5	78,218	48,794
Accrued interest on government securities at amortised cost		(6,227)	(7,770)
(Decrease)/increase in allowances for expected credit losses		(9,938)	(6,140)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023
30. STATEMENT OF CASH FLOWS *(Continued)*

		2023	2022
Working capital changes;			*Restated
Decrease in reinsurance contract assets		KShs '000	KShs '000
(Decrease) / increase in insurance contract liabilities		4,017,885	2,934,008
(Decrease) / increase in investment contract liabilities		4,252	4,296
Increase in loan receivables		780	(407)
Increase in other receivables		(28,291)	(138,468)
Increase in related party balances		(66,832)	(12,208)
Increase in other payables		(177,021)	33,032
Net cash used in operations		3,193,286	2,768,995
b) Cash and cash equivalents*			
Bank and cash balances		82,347	124,593
Deposits with banks maturing within 3 months	21	2,214,801	1,594,351
		2,297,148	1,718,944

*The carrying amounts approximate the fair values.

31. DIVIDENDS

	2023	2022
	KShs'000	KShs'000
Paid during the year	115,000	-

Dividend on ordinary shares

1. Dividend per share is arrived at by dividing the total dividends by the weighted average number of shares in issue during the year.
2. 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

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

	2023	2022
	KShs '000	KShs '000
Committed but not contracted for	225,088	122,354

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

32. CONTINGENCIES AND COMMITMENTS *(Continued)*

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	13,012	8,721
After one year but not more than two years	4,436	4,436
After two years but not more than five years	3,726	3,726
Total operating lease rentals receivable	21,174	16,883

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.

For example, following the regulatory changes brought about by the Kenyan Insurance Regulatory Authority (IRA), which came into effect on 1 January 2016, the Company has placed a greater emphasis on the assessment and documentation of risks and controls, including the development and articulation of 'risk appetite'.

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

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

1. To maintain the required level of stability of the Company thereby providing a degree of security to policyholders
2. 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
3. To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
4. To align the profile of assets and liabilities taking account of risks inherent in the business
5. To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders
6. 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 73% 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 Insurance Regulatory Authority (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.

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 developed an Individual Capital Assessment (ICA) framework to identify the risks and quantify their impact on the economic capital. The ICA estimates how much capital is required to reduce the risk of insolvency to a remote degree of probability. The ICA has also been considered in assessing the capital requirement.

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

33. RISK MANAGEMENT FRAMEWORK *(continued)*

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 KShs '000	2022 *Restated KShs '000
Share capital	800,000	800,000
Statutory reserve	1,494,229	621,290
Fair value reserve	(837,892)	(278,307)
Retained earnings	71,861	186,861
Equity	1,528,198	1,329,844

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 73% (2022: 118%) which was higher than the minimum of 100% as per IRA requirements but below the prescribed limit of 200%.

Following the adoption of IFRS 17, the Capital Adequacy Ratio (CAR) of the Company stood at 68% as at 31 December 2023, which is below the regulatory minimum of 100%. This reduction primarily resulted from the transition and restatement of our group credit life business, which was classified annually under IFRS 4 but has been reclassified as long-term under the General Measurement Model (GMM) with IFRS 17. This reclassification has significantly increased our liability estimates due to changes in the valuation of future cash flows and the application of new discount rates, impacting our CAR.

We are actively addressing this shortfall through strategic financial planning, including balance sheet optimization. Our strategies involve re-evaluating our asset allocations, including the sale of idle assets, and improving our liability management to enhance financial efficiency and stabilize our capital structure.

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 contracts.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK

a) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differs from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

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.

Life insurance contracts

Life insurance contracts offered by the Company include: whole life and term assurance.
Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value. This includes group life and ordinary life premiums.

Pensions are contracts where retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the value of the fund accumulated or premiums. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. This includes the deposit administration contracts.

Guaranteed annuities are single premium products which pay a specified payment to the policyholder whilst they and/or their spouse are still alive. Payments are generally either fixed or increased each year at a specified rate or in line with the rate of inflation. Most contracts guarantee an income for a minimum period, usually of five years, irrespective of death.

Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets. For contracts with DPF the guaranteed minimum may be increased by the addition of bonuses. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability. However, in circumstances where there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder. This includes insurance contract liabilities with DPF.

The main risks that the Company is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Investment return risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs. 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 Company. The company is committed to underwriting quality business by improving underwriting and claims management processes.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Companywide reinsurance limits of Kshs. 3,000,000 on any single life insured are in place.

For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party. For contracts without DPF, the Company charges for death and disability risks on a yearly basis. Under these contracts the Company has the right to alter these charges to take account of death and disability experience, thereby mitigating the risks to the Company.

The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behavior.

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.

The table below sets out the concentration of insurance contract liabilities by type of contract:

	2023			2022		
	Insurance contract liabilities	Reinsurance contract assets	Investment contracts liabilities	Insurance contract liabilities	Reinsurance contract assets	Investment contracts liabilities
				*Restated	*Restated	
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	(2,017,763)	(3,713)	-	(2,105,548)	(994)	-
Annuities	(1,860,084)	-	-	(1,925,367)	-	-
Deposit Administration	(9,922,130)	-	-	(7,312,508)	-	-
Unit linked	-	-	(141,273)	-	-	(137,021)
Group life	(856,464)	254,658	-	(783,757)	181,964	-
Group Credit	(6,806,368)	1,041,888	-	(5,317,744)	394,971	-
Total as per statement of financial position	(21,462,809)	1,292,833	(141,273)	(17,444,924)	575,941	(137,021)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

Key assumptions

Mortality and morbidity rates

Assumptions are based on standard industry and national tables, according to the type of contract written. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Company's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number of annuity payments to be made, which will increase the expenditure and reduce profits for the shareholders.

Investment return

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long–term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to an increase in profits for the shareholders.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

Lapse and surrender rates

Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

a) Insurance risk *(continued)*

experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

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).

Financial risks

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).
- 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

b) Financial risks (continued)

Credit risk (continued)

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 risks (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 KShs '000	2022 KShs '000 restated
Stage 1	6,979,797	5,959,382
Stage 2	-	-
Stage 3	-	-
Gross government securities at FVOCI	6,979,797	5,959,382
Less: Loss allowance (ECL)	(2,120)	(2,120)
Net carrying amount	6,977,677	5,957,262

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 KShs '000	2022 KShs '000
Stage 1	66,169	140,993
Stage 2	-	3,368
Stage 3	3,629	-
Gross corporate bonds at amortized cost	69,798	144,361
Less: Loss allowance (ECL)	(144)	(73,685)
Net carrying amount	69,654	70,676

Government Securities at amortized cost

	2023 KShs '000	2022 KShs '000 restated
Stage 1	9,296,754	6,530,684
Stage 2	-	-
Stage 3	-	-
Gross government securities at amortized cost	9,296,754	6,530,684
Less: Loss allowance (ECL)	(118)	(99)
Net carrying amount	9,296,636	6,530,585

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

b) Financial risks (continued)
i) Credit risk (continued)

Debt instruments at amortized cost (continued)

Loans receivable at amortized cost

	2023 KShs '000	2022 KShs '000
Stage 1	39,097	39,795
Stage 2	-	-
Stage 3	-	-
Gross loan receivables	39,097	39,795
Less: Loss allowance (ECL)	(1,330)	(1,248)
Net carrying amount	37,767	38,547

Deposits with financial institutions

	2023 KShs '000	2022 KShs '000
Stage 1	2,229,559	2,192,060
Stage 2	-	
Stage 3	-	
Gross deposits	2,229,559	2,192,060
Less: Loss allowance (ECL)	(14,758)	(24,089)
Net carrying amount	2,214,801	2,167,971

Due from related parties

	2023 KShs '000	2022 KShs '000
Stage 1	498,265	430,387
Stage 2	-	-
Stage 3	-	-
Gross due from related parties	498,265	430,387
Less: Loss allowance (ECL)	(2,610)	(2,152)
Net carrying amount	495,655	428,235

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

b) Financial risks (continued)
i) Credit risk (continued)

Cash and bank balances

	2023	2022
	KShs '000	KShs '000
Stage 1	83,551	124,699
Stage 2	-	-
Stage 3	-	-
Gross	83,551	124,699
Less: Loss Allowance (ECL)	(1,204)	(106)
Net carrying amount	82,347	124,593

Reconciliation of loss allowance accounts year 2023

	At 1 January 2023	Write off	(Increase)/decrease in loss allowance in the year	At 31 December 2023
	KShs'000	KShs'000	KShs'000	KShs'000
Government securities at amortized cost	(99)	-	(19)	(118)
Corporate bonds	(73,685)	73,685	(144)	(144)
Loans receivable	(1,248)	-	(82)	(1,330)
Deposits with financial institutions	(24,089)	-	9,331	(14,758)
Due from related parties	(2,152)	-	(458)	(2,610)
Cash and bank balances	(106)	-	1,310	1,204
Government securities at FVOCI	(2120)	-	-	(2120)
	(103,499)	73,685	9,938	(19,876)

Reconciliation of loss allowance accounts year 2022

	At 1 January 2022	Write off	(Increase)/decrease in loss allowance in the year	At 31 December 2022
	KShs'000	KShs'000	KShs'000	KShs'000
Government securities at amortized cost	(405)	-	306	(99)
Corporate bonds	(84,049)	7,350	3,014	(73,685)
Government Securities at FVOCI	(4,240)	-	2,120	(2,120)
Loans receivable	(1,174)	-	(74)	(1,248)
Deposits with financial institutions	(24,952)	-	863	(24,089)
Due from related parties	(2,085)	-	(67)	(2,152)
Other receivables	-	-	-	-
Cash and bank balances	(84)	-	(22)	(106)
	(116,989)	7,350	6,140	(103,499)

Collateral

Except for staff loans, 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

b) Financial risks (continued)

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. Unit-linked liabilities are repayable or transferable on demand and are included in the up-to-a-year column. 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 risks (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 2 years	Between 2 years and 5 years	More than 5 year	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Financial assets:							
Government securities at amortised cost	-	-	198,700	254,936	3,107,134	17,673,409	21,234,179
Financial assets at amortised cost Corporate bonds	-	-	-	-	74,486	18,695	93,181
Government securities at fair value through other comprehensive income	-	-	20,315	183,467	1,636,998	17,096,447	18,937,227
Equity investments:- At fair value through profit or loss	435,210	-	-	-	-	-	435,210
Other receivables	-	140,607	-	-	-	-	140,607
Insurance Contract Assets	713,169	-	-	-	-	-	713,169
Reinsurance contract assets	-	1,713,944	-	-	-	-	1,713,944
Deposit with financial Institutions	-	2,019,510	-	-	-	-	2,019,510
Cash and cash equivalents	-	35,029	-	-	-	-	35,029
Total financial assets	1,148,379	3,909,090	219,015	438,403	4,818,618	34,788,551	45,322,056
Financial liabilities:							
Other payables	-	375,362	-	-	-	-	375,362
Lease liabilities	-	11,086	19,704	36,854	17,695	-	85,339
Total financial liabilities	-	386,448	19,704	36,854	17,695	-	460,701
Net liquidity gap	1,148,379	3,522,642	199,311	401,549	4,800,923	34,788,551	44,861,355

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

b) Financial risks (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 2 years	Between 2 year and 5 years	More than 5 year	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Financial assets:							
Government securities at amortised cost	-	-	425,961	394,260	71,419	11,516,471	12,408,111
Financial assets at amortised cost Corporate bonds	-	-	-	-	81,440	26,786	108,226
Government securities at fair value through other comprehensive income	-	20,038	72,104	115,858	793,493	19,648,366	20,649,859
Equity investments:- At fair value through profit or loss	738,305	-	-	-	-	-	738,305
Other receivables	-	179,786	-	-	-	-	179,786
Loans receivable	-	-	4	222	690,340	69,204	759,770
Insurance Contract Assets	684,352	-	-	-	-	-	684,352
Reinsurance contract assets	-	52,386	-	-	-	-	52,386
Deposit with financial Institutions	-	2,071,821	194,808	-	-	-	2,266,629
Due from related party	-	428,235	-	-	-	-	428,235
Cash and cash equivalents	-	125,893	-	-	-	-	125,893
Total financial assets	1,422,657	2,878,159	692,877	510,340	1,636,692	31,260,827	38,401,552
Financial liabilities:							
Insurance contract liabilities	-	-	578,422	-	-	-	578,422
Deposits administration contracts	-	1,066,526	569,400	123,986	469,033	4,865,890	7,094,835
Reinsurance contract liabilities	-	145,841	-	-	-	-	145,841
Other payables	-	1,177,666	-	-	-	-	1,177,666
Lease liabilities	-	11,833	10,115	20,575	40,796	-	83,319
Actuarial value of policyholder liabilities	9,049,824	-	-	-	-	-	9,049,824
Total financial liabilities	9,049,824	2,401,866	1,157,937	144,561	509,829	4,865,890	18,129,907
Net liquidity gap	(7,627,167)	476,293	(465,060)	365,779	1,126,863	26,394,937	20,271,645

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.

In the unit–linked business, the policyholder bears the investment risk on the assets held in the unit–linked funds as the policy benefits are directly linked to the value of the assets in the fund. The Company's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

(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 353,593,498.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

34. INSURANCE AND FINANCIAL RISK *(continued)*

c) Market risk (continued)

(i) 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 100% (2022: 100%) 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 21,760,480 (2022: KShs 36,915,520).

(ii) 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.

	Level 1	Level 2	Level 3	Total	Carrying amount
31st December 2023	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Recurring fair value measurements:					
Equity investments classified:					
-At fair value through profit or loss	435,210	-	-	435,210	435,210
Investments in collective investment schemes at fair value through profit or loss	-	713,169	-	713,169	713,169
Government securities at fair value through other comprehensive income	6,977,677	-	-	6,977,677	6,977,677
Investment properties*	-	-	2,181,875	2,181,875	2,181,875
The fair value of financial assets not held at fair value is as follows:					
Non-recurring fair value measurements:					
Corporate bonds	-	69,654	-	69,654	69,654
Government securities at amortised cost	9,296,636	-	-	9,296,636	9,296,636
Loan receivables	-	37,767	-	37,767	61,427
Total assets at fair value	16,709,523	820,590	2,181,875	19,711,988	19,735,648

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

35. FAIR VALUE MEASUREMENT *(continued)*

	Level 1	Level 2	Level 3	Total	Carrying amount
31st December 2022	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Assets:					
Recurring fair value measurements:					
Equity investments classified:					
-At fair value through profit or loss	738,305	-	-	738,305	738,305
Investments in collective investment schemes at fair value through profit or loss	-	684,352	-	684,352	684,352
Government securities at fair value through other comprehensive income	5,957,262	-	-	5,957,262	5,957,262
Investment properties*	-	-	2,181,875	2,181,875	2,181,875
The fair value of financial assets not held at fair value is as follows:					
Non-recurring fair value measurements:					
Corporate Bonds	-	70,676	-	70,676	70,676
Government securities at amortised cost	6,530,585	-	-	6,530,585	6,530,585
Loan receivables	-	38,547	-	38,547	54,590
Total assets at fair value	13,226,152	869,889	2,181,875	16,277,916	16,217,645

**The gains/ (losses) arising from revaluation of investment property have been disclosed in the statement of profit or loss. Refer note 10 for further details.*

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 109.1 Million. Increase/(decrease) in annual rent of 5% would (decrease)/increase the fair value by by Ksh 8.6 Million Increase/(decrease) in annual growth rate of 5% would (decrease)/increase the fair value by Ksh 1.9 million

*The sensitivities for some of property (Kajiado and Kisaju 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

2023	At 1 January	Contributions/ Additions /Transfer from level 2	Disposals/ Settlements	Fair value gain/ (loss) recognised in profit or loss	At 31 December
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Investment property	2,181,875	-	-	-	2,181,875
2022					
Investment property	2,181,875	-	-	-	2,181,875

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.

NOTES

NOTES

CIC OFFICES

NAIROBI BRANCHES:
TOWN OFFICE
Reinsurance Plaza
Mezzanine Floor, Aga Khan Walk
Mobile: 0703 099 500
townoffice@cic.co.ke

BURU BURU BRANCH
Mesora Centre, 1st Floor
Mumias Road
Mobile: 0703 099 564
buruburubranch@cic.co.ke

WESTLANDS BRANCH
Pamstech House
2nd Floor, Woodvale Grove
Mobile: 0703 099 727
westlandsbranch@cic.co.ke

THIKA BRANCH
Thika Bazaar, 1st Floor
Mobile: 0703 099 641
Kenyatta Highway
thika@cic.co.ke

KITENGELA BRANCH
Kitengela Mall, 4th Floor
Mobile: 0703 099 740
kitengela@cic.co.ke

NANYUKI BRANCH
Pearl Place, 1st Floor
Mobile: 0703 099 770
nanyuki@cic.co.ke

NAIVASHA BRANCH
Eagle Center, 1st Floor
Mbariu Kaniu Road
Mobile: 0703 099 763
naivasha@cic.co.ke

NYAHURURU BRANCH
Kimwa Centre, 2nd Floor
Kenyatta Avenue
Tel: 0703 099 887
nyahururu@cic.co.ke

MACHAKOS BRANCH
Kiamba mall, 2nd Floor
Tel: 0703 099 960
machakosbranch@cic.co.ke

KIAMBU BRANCH
Bishop Ranji Cathedral Plaza,
2nd & 3rd Floor
Tel: 0703 099 630
kiambu@cic.co.ke

NYERI BRANCH
Co-operative Union Building
3rd Floor,
Tel: 0703 099 680
nyeri@cic.co.ke

NAKURU BRANCH
Mache Plaza, 2nd Floor
Geoffrey Kamau Road
Tel: 0703 099 775
nakuru@cic.co.ke

KISUMU BRANCH
Wedco Centre, Mezzanine Floor
Oginga Odinga Road
Tel: 0703 099 600
kisumu@cic.co.ke

HOMABAY BRANCH
Cold Springs Plaza, Ground Floor
Mobile: 0703 099 832
homabay@cic.co.ke

EMBU BRANCH
Sparko Building, 3rd Floor
above Family Bank
Tel: 0703 099 900
embubranch@cic.co.ke

MERU BRANCH
Alexander House, 1st Floor
Ghana Street
Tel: 0703 099 930
merubranch@cic.co.ke

KAKAMEGA BRANCH
Walia's Centre, Ground Floor
Tel: 0703 099 802
kakamega@cic.co.ke

ELDORET BRANCH
Co-operative Building, 1st Floor
Ronald Ngala Street
Tel: 0703 099 660
eldoret@cic.co.ke

KISII BRANCH
Lengetia Place, 2nd Floor
Kisii-Kisumu Highway
Mobile: 0703 099 700,
0703 099 701
kisii@cic.co.ke

BUNGOMA BRANCH
Simali House
1st Floor, Moi Avenue
Tel: 0703 099 870
bungomabranch@cic.co.ke

KERICHO BRANCH
Imarisha Building, Ground Floor
Tel: 0703 099 650
kerichobranchstaff@cic.co.ke

KILIFI BRANCH
Al Madina Plaza, 1st Floor
Mobile: 0703 099 718
kilifibranch@cic.co.ke

MOMBASA BRANCH
MTC North Tower
Mezzanine Floor, Nkrumah Road
Tel: 0703 099 751
mombasabranch@cic.co.ke

KITALE BRANCH
Mega Center, 1st Floor
Mobile: 0703 099 951
kitale@cic.co.ke

BOMET BRANCH
Isenya Building, 2nd Floor
Mobile: 0703 099 650
bomet@cic.co.ke

REGIONAL OFFICES

CIC SOUTH SUDAN
CIC Plaza, Plot 714B - 3K - South,
Kololo
Mobile: +211 919 280 280
info@ss.cicinsurancegroup.com

CIC UGANDA
CIC Uganda HQ, Block A, Plot 7-11
Buganda Road,
Next to Magistrates Court
Mobile: +256 200 900 100
uganda@ug.cicinsurancegroup.com

CIC MALAWI
MHM Building,
Ground Floor & 1st Floor
Off M1 Road, Opposite Game complex
Mobile: +265(1) 751 026
malawi@mw.cicinsurancegroup.com

KENYA • SOUTH SUDAN • UGANDA • MALAWI | *We keep our word*

CIC GROUP

CIC LIFE ASSURANCE LIMITED

KENYA • SOUTH SUDAN • UGANDA • MALAWI

CIC Plaza, Mara Road, Upperhill
020 282 3000, 0703099120
callc@cic.co.ke cicinsurancegroup.com
@CICGroupPLC CICGroupPLC

GENERAL • LIFE • HEALTH •ASSET