CIC GENERAL INSURANCE LIMITED ANNUAL REPORT & FINANCIAL STATEMENTS 2021

CIC GROUP

OUR PHILOSOPHIES

WHO WE ARE

CIC Insurance Group is a leading Cooperative Insurer in Africa, providing insurance and related financial services in Kenya, Uganda, South Sudan and Malawi. The Group offers a wide range of products.

OUR MISSION STATEMENT

"To enable people achieve financial security."

We are first and foremost a co-operative. This is our identity and heritage which we are unashamedly proud of. Consequently, we shall consider ourselves successful only when all our stakeholders achieve financial security on account of association with us.

OUR VISION

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

Today's consumer has unlimited choices. Advances in technology have made it possible for consumers to enjoy products/services from all over the world. CIC acknowledges that to remain relevant our services must meet global standards

OUR VALUES

Integrity
- Be fair and transparent

Dynamism
- Be passionate and innovative

Performance
- Be efficient and results driven

Cooperation
- Live the cooperative spirit

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CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021

DIRECTORS	Edwin Otieno	- Chairman
	Patrick Nyaga	
	Nelson Kuria	
	Peter Nyigei	
	Joseph Gatuni	
	Judith Oluoch	
	Fredrick Ruoro	
COMPANY SECRETARY	Mary Wanga Certified Public Secretary (Kenya) P. O. Box 59485 - 00200 Nairobi	
REGISTERED OFFICE	CIC Plaza Upper Hill, Mara Road P. O. Box 59485 - 00200 Nairobi	
SENIOR MANAGEMENT	Fredrick Ruoro	- Managing Director
	Mary Wanga	- Company Secretary
	McDonald Kange	- General Manager - Medical Division
	Dickson Ireri	- General Manager - Operations
	Michael Mugo	- General Manager - Branch Distribution
	Grace Nzivwa	- General Manager - Sales
	Tabitha Kihanya	- General Manager - Alternative Channels
	Susan Robi	- General Manager - Risk and Compliance Manager
	Peter Itumbiri	- Human Resource Business Partner
	Edward Thagichu	- Acting Senior Manager - Finance
	Scovier Juma	- Senior Manager - Claims
	Faith Muriungi	- Senior Manager - Underwriting
	Salome Thinguri	- Actuarial Manager
	Florence Kimani	- ICT Manager
	Edel Njeri Marambu	- Sales Manager
	Joseph Ngige	- Sales Manager
AUDITOR	PricewaterhouseCoopers LLP Certified Public Accountants (Kenya) PwC Towers, Waiyaki Way / Chiromo Road Westlands P. O. Box 43963 - 00100 Nairobi, Kenya	
PRINCIPAL BANKER	The Co-operative Bank of Kenya Limited P. O. Box 67881 - 00100 Nairobi	
CONSULTING ACTUARY	The Actuarial Services Company Limited P. O. Box 10472 -00100 Victoria Towers, Upper Hill - Nairobi	

ANNUAL GENERAL MEETING
FOR THE YEAR ENDED 31 DECEMBER 2021

NOTICE IS HEREBY GIVEN THAT THE 10TH ANNUAL GENERAL MEETING OF CIC GENERAL INSURANCE LIMITED WILL BE CONDUCTED VIRTUALLY VIA ELECTRONIC COMMUNICATION ON THURSDAY 12TH DAY OF MAY 2022 AT 11:00 AM TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To table the proxies and confirm the presence of quorum.
2. To read the notice convening the Meeting.
3. To confirm the Minutes of the 9th Annual General Meeting held on 13th May 2021.
4. To receive, consider and adopt the Company's Audited Financial Statements for the year ended 31st December 2021 together with the Auditor's Report thereon.
5. To approve a first and final dividend of Kshs. 170 Million for the financial year ended 31st December 2021.
6. To consider and if thought fit, re-appoint Messrs. PriceWaterhouseCoopers, Certified Public Accountants, as the Auditors of the Company for the year 2022, 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.
7. Election of Directors:
    a. Mr. Edwin Otieno who retires by rotation in accordance with Articles 106, 107 and 108 of the Company's Articles of Association, and being eligible, offers himself up for re-election as a Non-Executive Director of the Company.
    b. To note the retirement of Ms. Judith Oluoch as an Independent / Non-Executive Director, having served her full tenure retires from the Board in accordance with Articles 102 (1), (2) of the Company's Articles of Association.
8. To authorize the Board to fix the Directors Remuneration.
9. To transact any other business of the company for which due notice has been received by the Company Secretary forty-eight (48) hours prior.

Dated 10th March 2022 at Nairobi

BY ORDER OF THE BOARD

MARY WANGA

COMPANY SECRETARY

NOTE:

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

CIC GENERAL INSURANCE LIMITED CHAIRMAN'S STATEMENT

On behalf of the board of CIC General Insurance Ltd, I am pleased to present the annual report and financial statements for the year ended December 2021.

ECONOMIC OVERVIEW

The year 2021 economy rebounded strongly supported by continued recovery in manufacturing, transport, education, accommodation and food services following the easing of COVID -19 restrictions. This resulted to Gross Domestic product growth which averaged 6.9% growth by Q3 2021.

The CBK retained its benchmark rate at 7% in Q4'21, opining that the current accommodative stance is still needed to provide stimulus. Short-term rates inched up in Q4 with the 91,182 and 364-day papers closing at 7.27%, 8.09% and 9.37% respectively.

Inflation averaged 6% in Q4'21 compared to 6.67% in Q3'21; largely due to regulatory intervention to tame local pump prices. The Kes. depreciated by 2.34% in Q4'21 to the dollar closing at 113.14 largely attributable to servicing of euro bond debt obligations and a marginal rise in our import bill.

The residential sector recorded an improvement in average y/y total returns to investors at 5.5%, up from 5% in FY'20. Commercial office sector recorded a decline in average rental yields by 0.1% to 6.9% (H1'21) from 7% (FY20) while occupancy rates declined by 1.4% to 76.3% in H1'21 from 77.7 in FY20.

INSURANCE INDUSTRY PERFORMANCE

According to IRA Q4 2021 released statistics, General Insurance premiums recorded a growth of 16.4% to close at 152B from Kshs. 131B reported in Q4 2020. The general insurance business underwriters reported an overall underwriting loss of Kshs. 6.34B compared to an underwriting loss of Kshs. 1.18B reported in Q4 2020. This was largely attributed to increase in loss ratios in motor private and motor commercial classes due to relaxation of restrictions that had been imposed on travel due to COVID-19 pandemic.

> **"General Insurance In the year 2021 the company reported Gross written premiums of Kshs.11.4B being 12% growth from Kshs. 10.2B reported in year 2020. Profit before tax reported a 153% growth to close at Kshs. 644M. General insurance industry premiums recorded a growth of 16.4% to close at 152B from Kshs. 131B reported in Q4 2020."**

COMPANY PERFORMANCE

In the year 2021 the company reported Gross written premiums of Kshs.11.4B being 12% growth from Kshs. 10.2B reported in year 2020. Profit before tax reported a 153% growth to close at Kshs. 644M.

The overall growth on Gross written premiums was largely due to the 16% growth on our Non - Medical line of business and 6% growth on our medical line of business through improved business retentions and new business acquisitions from Government infrastructural projects and business consortiums.

The company's growth in profitability was as a result of improvement in performance on critical dimensions which include 2% growth on Net Earned Premiums in line with growth on Gross written premiums, 3% decline on claims cost in line with the company strategic initiatives to manage costs to improve business performance and 25% growth in investment income as a result of improved performance on the equities market compared to prior year. We however, reported a 16% growth on operating expenses largely attributed to prudent provisions for Insurance and reinsurance debts.

FUTURE OUTLOOK

We look into the future with great optimism. Among the areas identified to steer our growth is enhanced customer satisfaction driven by offering digital solutions, offering tailor made products to our customers and establishing a robust intermediary relationship. Secondly we are focused on having a highly motivated work force through training, offering an improved work environment and performance based rewards and promotions.

ACKNOWLEDGEMENT

I wish to take this opportunity to thank the shareholders, our business partners, intermediaries and our loyal customers for their tremendous support, without whom we would not have registered this results. I also thank the management and staff for their diligent service, dedication and enthusiasm in serving the company. My appreciation also goes to my colleagues in the board for their overwhelming support, strategic leadership and guidance which has been key towards achieving the company's strategic objectives.

Edwin Otieno, OGW

Chairman

CIC GENERAL INSURANCE LIMITED BOARD OF DIRECTORS

Mr. Edwin Otieno , OGW
Chairman

Mr. Edwin Otieno Joseph aged 64, Joined the Board 2012. He is a Non-Executive Director and Chairman of the Board since 2012.

Mr. Patrick Nyaga
Director

Mr. Patrick Nyaga aged 54, Joined the Board in the year 2020 as an Executive Director. Mr. Nyaga 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 29 years working experience mainly banking 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 Cooperative 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 several Corporate Governance courses including in Insurance Business

Dr. Nelson Kuria, OGW, MBS
Director

Dr. Nelson Kuria aged 68, Joined the Board in the year 2020 as an Independent NonExecutive Director. He holds a BA in Economics, MA in Leadership studies and an Executive Leadership training from Stanford Business School. The Director has 36 years of experience in development finance and insurance. He entered the insurance industry in 1982 through Kenya National Assurance Company as an assistant Manager in charge of Research and rose to the position of Chief Manager General Insurance Division and later also served as the General Manager in Gateway insurance Company. He was the CIC Insurance Group CEO from 2011 to 2015. Dr. Kuria is currently the Chairman of Smep Microfinance, Enwealth Financial Service and African International University Council. He is also a Board Member of Kenyatta National Hospital, Habitat for Humanity and Kenya Society of Professional Co-operators.

Mr. Peter Nyigei
Director

Mr. Peter Kipkirui Nyigei aged 69, joined the Board in 2012. He is a Non-Executive Director representing CIC Insurance Group Plc, a major shareholder. He is currently the secretary of Sinendet Tea Multipurpose Society and a director of Imarisha SACCO. Mr.Kipkirui is a retired teacher and was also a principal. He served as a Programme Officer and a trainer in Early Childhood Education in Bomet, Nakuru, Baringo and Kericho Counties. The Director has undertaken General Insurance Business and several Corporate Governance trainings and is a member of the Institute of Directors of Kenya.

Mr. Joseph Gatuni
Director

Mr. Joseph Gatuni aged 51, Joined the Board in the year 2020 as an Non-Executive Director representing Co-operative bank of Kenya. Mr. Gatuni is certified public accountant with over 25 years of professional experience in all fields of External and Internal Audit, Consultancy, financial planning, and analysis, business process improvement, Risk Management and compliance. He is the current Group Chief Internal Auditor for Co-operative bank of Kenya. He holds a Bachelor of Commerce degree (Accounting option), Certified Public Account (CPA (K), Certified Public Secretary (CPS K), Certified Internal Auditor (CIA) and is also a Certified Quality Assessor by the Institute of Internal Auditors (IIA). He has attended various audit and risk management trainings both locally and internationally. The Director is a member of Institute of Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors.

Ms. Judith Oluoch,
Director

Ms. Judith Oluoch aged 52 years, joined CIC General Insurance Board in January 2016 as an Independent Non-Executive Director. She has a Bachelor of Education (Economics) from Moi University, MBA from Kenyatta University, Board Competence –Female Futures (Oslo and Akershus University), Certified Human Resource Professional (CHRP-K), and Higher National Diploma in Human Resource Management. She is an Institutional/Capacity Development Specialist with 25 years of work experience in Institutional development, Academia, Corporate Governance and human Resource leadership in public, private and development sector.

She previously worked at the Centre for Corporate Governance, Kenyatta University, Technical University of Kenya, Civil Society Urban Development Platform (CSUDP) amongst others. Judith is an independent consultant in corporate governance and human resource leadership. She is a certified trainer in corporate governance (IFC) and human resource leadership. Judith is a member of Institute of Directors -Kenya, Institute of Human Resource Management (IHRM-K), Women on Boards Network, and African Fund for Endangered Wildlife (AFEW).

CIC GROUP

CIC GENERAL INSURANCE LIMITED BOARD OF DIRECTORS

Fred Ruoro
Managing Director

Fred aged 42, is the Managing Director CIC General Insurance Ltd. He holds a bachelor's degree in Mathematics & Physics from The University of Nairobi. In addition, he is a senior Certified Insurance Professional from the Australian & New Zealand Institute of Insurance and Finance and is a Fellow of the Life Management Institute. Fred holds Advanced Diploma in Management Accounting from the Chartered Institute of Management Accountants (CIMA). Prior to joining CIC, he was the Managing Director of First Assurance Company Ltd. He is a member of good standing of the Insurance Institute of Kenya (IIK).

Mary Wanga
Company Secretary

Ms. Mary Wanga aged 54, is the Company Secretary and an Advocate of the High Court of Kenya with over 24 years' experience both as a practicing and corporate lawyer. She joined CIC Group Plc in 2008. Ms. Wanga is a Certified Public Secretary CPS (K) and holds a Bachelor Degree in Law, Bachelor of Social Legislation and Post Graduate Diploma in Kenya Laws and Diploma in Insurance (AIIK). She is a member of the Institute of Directors of Kenya, An Associate member of Insurance Institute of Kenya and Convenor of Legal Affairs and Professional Standards Committee, Law Society of Kenya, ACIArb, ICPSK and Women on Boards Network (WOBN).

"We Keep Our Word"


HEALTH
CIC GROUP
Financial protection to enjoy great healthcare in old age with **CIC Seniors Mediplan**

CIC GENERAL INSURANCE LIMITED MANAGING DIRECTOR'S STATEMENT

On behalf of the Management team of CIC General Insurance Ltd, it is my pleasure to present the Annual Report and Financial Statements for the year ended 31st December 2021.

OVERVIEW

As at end of Quarter three 2021, Kenya registered an economic growth of 6.9%. This was driven by the re-opening of learning institutions, manufacturing and accommodation and food services on eased restrictions after the third wave of COVID-19.

The Equity market registered losses in the fourth quarter of 2021 occasioned by emergence of a new variant that prompted foreign investor capital flight to safer haven assets into other economies they perceive less risky.

The Kenya Shilling depreciated by 2.34% in Q4'21 to the dollar closing at 110.86 attributable to servicing of euro bond debt obligations and a marginal rise in our import bill.

The average inflation rate in 2021 was 6.11% compared to 5.24% in 2020, driven by elevated fuel and food prices.

Data from the World Bank Kenya Economic Update indicates that Kenya's economy demonstrated resilience with output growing above pre-COVID levels, driven by a strong recovery in the service sector. GDP accelerated to 5.3% year-on-year in the first half of 2021. The Finance and Insurance Sector contributed 0.7% to real GDP growth in the first half of 2021 compared to 0.4% in the first half of 2020.

Industry Performance

In the year 2021, the Insurance industry grew by 18.5% to Ksh. 276 billion. General insurance premiums amounted to Ksh. 152.35 billion with Medical and Motor insurance classes maintaining top position in terms of contribution to General insurance business premium at 31.0% and 33.8% respectively.

> **"General Insurance improved from a profit of Ksh.254M in December 2020 to a profit of 644M in 2021, a 153% growth."**

General business underwriting results deteriorated significantly from a loss of Ksh. 1.18 billion in 2020 to a loss of Ksh. 6.34 billion in Q4 2021. This was because of relaxation of restrictions that had been imposed on travel due to the COVID- 19 pandemic. Motor private class made an underwriting loss of Ksh. 6.17 billion and motor commercial an underwriting loss of Ksh. 3.32 billion.

General insurance business remained the largest contributor to industry insurance premium contributing 55.2% of the total premium. Motor insurance and Medical insurance classes of business accounted for 64.8% of the gross premium income under the General insurance business.

The Loss ratio under General insurance for the period under review was 68.8% compared to 63.3% in 2020. Claims incurred by General insurers were Ksh. 51.3 billion as at September 2021, an increase of 18.1% from Ksh. 43.4 billion incurred during the previous year.

In 2021 Investments in the insurance industry grew by 12.1% from 653 B to 731 B. Government securities and investment property were the preferred modes of investment contributing 69.3% and 11.3% respectively in the investment portfolio.

Company Performance

Our profitability improved from a profit of Ksh.254M in December 2020 to a profit of 644M in 2021, a 153% growth. This performance was because of 12% growth on Topline, an improvement in Commission Ratio from 10% to 8% and a 26% growth in investment income driven by the improved performance in equities as well as a significant growth in the investment portfolio of Ksh. 497M.

In 2021, our Net Claims incurred reduced by 3%. This is attributed to the efforts that the business has put in place in recent years to mitigate growth in claims costs.

Our Operating Expenses grew by 16% due to increase in provisions for Insurance and reinsurance debts in line with the IFRS 9 provisions requirement.

Our loss ratio improved to 66% from 70% in the year 2020. This was because of effective underwriting measures we put in place to ensure that our business runs profitably and sustainably.

FUTURE OUTLOOK

The focus areas of the business in the future are Profitable growth and Operational excellence through effective pricing, digital enablement, diversifying our portfolio together with prudent debt management.

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

ACKNOWLEDGEMENT

I want to express my gratitude to the Board of Directors for their visionary leadership, support and guidance. I express my appreciation to our Customers and Business Partners for their support and loyalty.

I am proud of the work that the Leadership team and Staff continue to undertake and appreciate their commitment to enable the Company to achieve its vision.

God bless you all.

Fred Ruoro
Managing Director

CIC GENERAL INSURANCE LIMITED BOARD OF MANAGEMENT PROFILES

Fred Ruoro

Managing Director

Fred aged 42, is the Managing Director CIC General Insurance Ltd. He holds a bachelor's degree in Mathematics & Physics from The University of Nairobi. In addition, he is a senior Certified Insurance Professional from the Australian & New Zealand Institute of Insurance and Finance and is a Fellow of the Life Management Institute. Fred holds Advanced Diploma in Management Accounting from the Chartered Institute of Management Accountants (CIMA). Prior to joining CIC, he was the Managing Director of First Assurance Company Ltd. He is a member of good standing of the Insurance Institute of Kenya (IIK).

Mary Noel A. Wanga

Company Secretary-Kenya

Ms. Mary Wanga aged 54, is the Company Secretary and an Advocate of the High Court of Kenya with over 24 years' experience both as a practicing and corporate lawyer. She joined CIC Group Plc in 2008. Ms. Wanga is a Certified Public Secretary CPS (K) and holds a Bachelor Degree in Law, Bachelor of Social Legislation and Post Graduate Diploma in Kenya Laws and Diploma in Insurance (AIIK). She is a member of the Institute of Directors of Kenya, An Associate member of Insurance Institute of Kenya and Convenor of Legal Affairs and Professional Standards Committee, Law Society of Kenya, ACIArb, ICPSK and Women on Boards Network (WOBN).

Kang'e N. McDonald

General Manager - Medical.

Kang'e N. McDonald aged 40, is the General Manager - Medical. He holds a Master's Degree (Msc) in Finance and Investments, a Bachelor's Degree in Finance and Accounting, a post graduate Diploma from the Kenya Institute of Management and various professional qualifications including Certified Credit Professional (CCP) and Certified Secretary (CS) and a Certified Public Accountant (CPA). He is a member of the Institute of Certified Public Accountants (ICPAK). He is also a graduate of the Management Advancement Program from the University of Witwatersrand (SA) and is a researcher on transient advantages and dynamic capabilities in relation to business performance. Kang'e has a wealth of experience in various sectors including insurance and healthcare delivery, NGO management as well as in the consulting services.

Dickson Ireri

General Manager Operations

Ireri aged 56, is the General Manager Operations. He holds a Bachelor of Commerce (Accounts Option) and a Masters of Business Administration (MBA). He is also an associate of Insurance Institute of Kenya (AIIK). Dickson is the Convenor of the Accident Technical Committee and a member of General Accident Council at the Association of Kenya Insurers(AKI). Mr. Ireri has been in the insurance industry for 30 years. He joined CIC in 1992.

Michael Mugo

General Manager Branch Distribution

Michael aged 51, is the General Manager Branch Distribution. Mr. Mugo is a holder of MBA degree from JKUAT -Strategy and Marketing. He is a holder of Bachelor of Education, from the Moi University. He has Certificate of Proficiency (COP) from the College of Insurance. He has an extensive career in Insurance having started his career as an agency manager. Mr. Mugo Joined CIC in 2003. He is a member of the Institute Of Directors of Kenya, the institute of Customer Service of Kenya, MSK and LOMA.

Grace Nzivwa

General Manager Sales.

Grace aged 52, is the General Manager Sales. She holds a Master's degree in Business Administration (Strategic Management) from Daystar University and B.com (Insurance Option) from UON. She is a Fellow of the Insurance Institute of Kenya - FIIK and an Associate of the same Institute (AIIK). Mrs. Grace Nzivwa is highly skilled in insurance and marketing with over 28 years' experience in the insurance industry. She joined CIC in 1998 and has served in various capacities culminating to the current position.

CIC GENERAL INSURANCE LIMITED BOARD OF MANAGEMENT PROFILES

Tabitha Kihanya

General Manager - Alternative Channels

Tabitha aged 36, is the General Manager - Alternative Channels at CIC Group with over 10 years work experience in various capacities within the Banking and Insurance industry. She holds a Bachelor's Degree in Business Management from Moi University, and a Diploma in Insurance from College of Insurance – (AIIK). Tabitha is a member of Insurance Institute of Kenya (IIK).

Susan Robi

General Manager Risk and Compliance

Susan aged 43, is the General Manager Risk and Compliance. She is an Advocate of the High Court of Kenya holding a Bachelor of Laws ("LLB") Degree from the Makerere University and a Masters in Law and Finance from Goethe University (Institute of law and Finance) in Frankfurt Germany. Professionally Ms. Robi holds a Post Graduate Diploma from the Kenya School of Law and has over 10 years of experience in various capacities and industries ranging from both Local and International Law Practice, Insurance, Finance, Pensions and Risk Management. Ms. Robi joined CIC in 2011.

Mwenda P. Itumbiri

Human Resource

Mwenda aged 47, is the Human Resource Business Partner. He holds a Bachelor of Science Degree (Biochemistry) from Egerton University, a Master of Business Administration, MBA (Human Resource Management) from the University of Nairobi, a Higher Diploma in Human Resource Management from the Kenya Institute of Management, KIM and Diploma in Insurance from the College of Insurance. Mr. Mwenda is also a Certified Quality Management Systems Lead Auditor with over 21 years Leadership and Management experience, 17 of which have been in Strategic HR Leadership. He is a full member of the Institute of Human Resource Management, MIHRM, the Kenya Institute of Management, MKIM, Insurance Institute of Kenya, AIIK and the Institute of Directors, Kenya, IOD. Mr. Mwenda has been in the insurance industry for the last 9 years. He joined CIC Insurance Group in 2012.

Edward Thagichu

Ag. Senior Manager - Finance.

Edward aged 39, is the Ag. Senior Manager - Finance. He holds a Bachelor of Commerce degree (Finance Option) from Catholic University of Eastern Africa. He is also a Certified Public Accountant of Kenya (CPA-K) and a registered member of ICPAK. He has over 10 years' experience in Finance in the Insurance Industry and joined CIC in September 2016

Scovier Juma

Senior Claims Manager.

Scovier aged 34, is the Senior Claims Manager. She holds a degree in International Business Administration and a Masters degree in Business Management both from the United States International University -Africa (USIU-A). She is also a member of AIIK. She has over 11 years' experience in the insurance industry and joined CIC in August 2016.

Faith Muriungi

Senior Manager – Underwriting

Faith aged 53, is the Senior Manager – Underwriting. She holds a Bachelor of Commerce degree (Insurance Option). She also has a Diploma in Insurance (ACII). Ms. Muriungi has over 20 years' experience in the insurance industry. She joined CIC in 2015.

CIC GENERAL INSURANCE LIMITED BOARD OF MANAGEMENT PROFILES

Salome Wambui

Group Actuary

Salome aged 35, 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.

Florence Kimani

ICT Manager.

Florence aged 47, is the ICT Manager. She holds a Masters of Business Administration (MBA) degree in Strategic Management from Daystar University and a Bachelor of Commerce degree (Management Science) from UON and a Higher Diploma in information Technology. She has also attained professional certification in Oracle (OCP) Information Technology Infrastructure Library (ITIL) and Project Management (PRINCE2). She has undergone through the Corporate Governance Training Course at the Centre for Corporate Governance. Mrs. Kimani has over 20 years' experience in the insurance industry and is a member of The Computer Society of Kenya (CSK). She joined CIC in 1994.

Edel Njeri Marambu

Sales Manager

Edel aged 53, is the Sales Manager. She holds a Bachelor's of Commerce degree. She is an Associate of Chartered Insurance Institute (ACII). Ms. Marambu has over 24 years' experience in the insurance industry. She joined CIC in 2001.

Joseph Ngige

Sales Manager.

Joseph aged 53, is the Sales Manager. He holds a Masters of Business Administration (MBA) in Global Business & Sustainability and a Bachelor's degree in Business Administration. He has also attained professional qualification as an Associate, Life Management Institute (ALMI). He is a member of Insurance Institute of Kenya (IIK). Mr. Ngige has over 24 years' experience in the insurance industry. He joined CIC in 2011.

"We Keep Our Word"

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

1. Introduction

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

Being a subsidiary of the CIC Insurance Group Plc, the Company shares into the Group's vision of being a world class provider of insurance and other financial services.

Since inception, the Company has institutionalized a good governance culture as the foundation upon which the business operations of the Company are anchored. This culture has been critical in the stability of the Company and in positively impacting the relationship between the Company and its stakeholders, including the regulators protecting the policyholders' interests hence transforming the Company into a top tier short term 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, Committee terms of references, policies, organizational structure, and any subsequent amendments demonstrate that the Company has adopted the requirements and principles of good 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, 2015, Companies (General)(Amendment) No.2 Regulations, 2015 and emerging trends and best practices in corporate governance.

The Company's adherence to the Guidelines is outlined below

3. Statement of Commitment

The Board of Directors understands and appreciates that it plays a lead role in illuminating the governance roadmap for better protection of stakeholders and policyholders. The Board acknowledges that it bears the ultimate responsibility of formulating governance structures that are appropriate for the nature, scale and complexity of the business and its overall risk profile and to adequately assess if its implemented.

The Board has a responsibility to conduct its affairs with prudence, transparency, accountability, fairness, and social responsibility, thereby ensuring its sustainability while safeguarding the interests of all its stakeholders. The Board also acknowledges the relationship between good governance, on the one hand and risk management practices for the achievement of the Company's strategic objectives and performance, on the other.

The Company subscribes to a governance system where, in particular, ethics and integrity set the standards for compliance. It continuously reviews and modifies its structures and policies to facilitate effective leadership, sustainability, corporate citizenship and prudent management in order to support the business strategy and reflect sound corporate governance standards and best practices.

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 STATEMENT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

4. Governance Structure

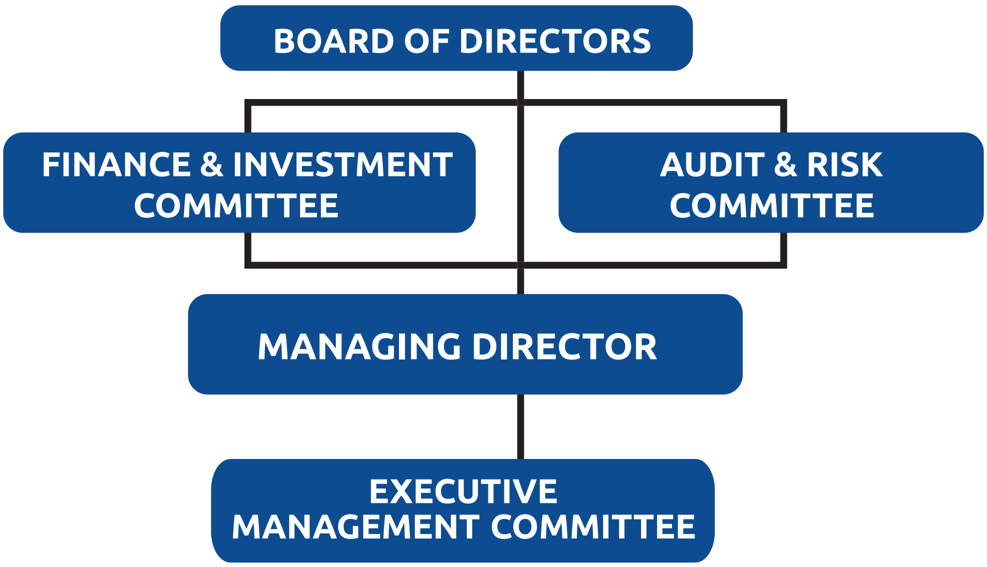
The Company has implemented an internal governance structure with defined roles and responsibilities. The Company's shareholder appoints the Board of Directors, who in turn govern the Company. The Board has established committees to discharge its responsibilities in an effective manner. The Chairman and Managing Director provides overall direction and guidance to the Board. In 2021, the Board delegated some of its Board functions to various Board Committees, namely the:

i. Audit and Risk Committee; and
ii. Finance & Investment Committee

Apart from the Board Committees, the Company also has the Executive Management Committee (ExCom) that is responsible for overseeing critical functions that are necessary for the attainment of the strategic objectives. The internal control functions consist of Internal Audit, Risk & Compliance and Actuarial. These functions are an important part of the overall governance structure. The role and responsibilities of the Board, its Committees, Executive Management Committee, and each of the internal control functions are set out subsequently in this report.

Table 1

The Diagram below provides an Overview of the Company's Corporate Structure.



5. The Board Charter

The Board recognizes the importance of the Board Charter and has to this extent developed and put in place a board charter to ensure effective strategic oversight administration in its stewarding task of the company to greater prosperity while ensuring accountability and disclosure, in line with IRA Corporate Governance Guidelines.

The Board Charter defines and distinguishes the relationship and interactions between the Board and Management and sets out matters expressly reserved for Board's decision. For instances, it defines the Board's roles and responsibilities, powers of various Board Committees and their roles, separation of roles between the Board and Management regarding policies and practices.

CORPORATE GOVERNANCE STATEMENT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

The Board is responsible for determining the Company's overall objectives; developing strategies to meet those objectives in conjunction with management; formulating a clear and concise governance policy to which the Company shall adhere; delegation and segregation of the Board's responsibilities and accountability; and evaluating the performance of the Board, its committees and individual Directors.

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

The existing Board Charter has been further reviewed and approved by the Board during the year under review in its meeting held in the month of March, 2021.

Committees' Terms of Reference

The Board has in place Board Committee Charters, which describe the terms of reference of the committees and incorporates the principles of IRA Corporate Governance Guidelines.

6. Board Composition

The Board of Directors are appointed in accordance with the Company's Memorandum and Articles of Association, the Insurance Act and IRA Corporate Governance Guidelines.

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

The company's constitution sets a minimum of five (5) directors and a maximum of nine (9) directors including the Managing Director and the Group Chief Executive Officer.

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 effective execution of its mandate.

The Board currently comprises of seven directors constituted as follows:

i. Three (3) non-executive directors
ii. Two (2) executive directors
iii. Two (2) independent/non-executive directors.

The following are the guiding principles in determination of 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, progressively reflected on Board of Directors given the increasingly dynamic operating environment, knowledge, expertise and experience to enable the board to discharge its duties effectively.

CORPORATE GOVERNANCE STATEMENT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

7. The Board's Function and Responsibilities

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

The responsibilities of the Board are outlined in the Board Charter. 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, and include inter alia:

i. Providing effective and ethical leadership in the best interest of the Company;
ii. Informing and setting the strategic direction of the company and ensuring that strategy, risk, performance and sustainability considerations are effectively integrated and appropriately balanced;
iii. Determining and setting the tone of the Company values including principles of ethical business practice and the requirements to be a responsible corporate citizen;
iv. Bringing independent, informed and effective judgment to bear on material decisions of the Company;
v. Satisfying itself that the Company is governed effectively in accordance with corporate governance best practices to: -
    a) Maximize returns sustainably
    b) Safeguard the people, assets and reputation of the company; and
    c) Ensure an effective control environment and compliance with applicable laws and regulations.
vi. Ensuring that effective audit, risk management and compliance systems are in place and continuously monitored to minimize the possibility of the company operating beyond acceptable risk parameters as determined by the Board;
vii. Monitoring and ensuring implementation of Board's strategies, decisions, values and policies with a structured approach to governance, integrated reporting and risk management;
viii. Governing the disclosure control process of the Company including ensuring the integrity, accuracy, timely and appropriateness of the Company's disclosure reports;
ix. Ensuring that disputes are resolved as effectively, efficiently and expeditiously as possible; and
x. Monitoring of the relationship between the Company and its stakeholders

8. 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.

9. Director Independence

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

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

CORPORATE GOVERNANCE STATEMENT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

10. Duties of the Chairman of the Board

The Chairman of the Board is responsible for the proper functioning of the Board. He ensures that discussion on all key issues is efficient and timely, as well as fulfilling his responsibilities and powers set forth in the Board Charter. The Chairmanship of the Board and the Managing Director are separate functions held by different individuals.

11. Duties of the Managing Director

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 annual performance appraisals. The Managing Director's performance appraisal was evaluated during the reporting period on this basis.

12. Separation of the role of the Chairman and the Managing Director

The Board Charter stipulates a clear separation of the role and responsibilities of the Chairman and the Managing Director. The Chairman is a non-executive Director and 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 while 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.

13. 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 by shareholders. Directors who have been in office longest, as calculated from the last re-election or appointment date are required to stand for re-election and/or re-appointment in the case of Independent Directors. The company has complied with this provision as set out in the table below. The tenure of office of an Independent Director is capped at two terms of three years each.

Table 2

Directors Tenure of Office

Director	Date of Appointment to the Board	Date Last Re-Appointed
Edwin Otieno	28.03.2012	21.05.2019
Peter Nyigei	28.3.2012	13.5.2021
Judith Oluoch*	11.05.2016	Retires on 12.05.2022
Nelson Kuria	1.12.2020	-
Joseph Gatuni	1.12.2020	-
Patrick Nyaga*	5.8.2020	-
Fredrick Ruoro	4.1.2021	-

CORPORATE GOVERNANCE STATEMENT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

Note:

*Ms. Judith Oluoch retires by rotation from the Board on 12.5.2022 in accordance with the company's articles of association having served her full tenure and is therefore not eligible for re-appointment as a Director of the Company.

*Mr. Patrick Nyaga was appointed Group Chief Executive Officer of CIC Insurance Group Plc and by virtue of the office, he is an Executive Director of the company.

14. 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.

All Directors have undergone the fit and proper due diligence assessment conducted by the regulator (Insurance Regulatory Authority) to access the fitness and propriety as Board Members including senior management and key persons in control functions and approvals granted. All Directors are in good standing and have a current certificate of good conduct from the Criminal Investigation Directorate and Credit Reference Bureau.

All Directors on appointment or re-appointment have completed annual declaration forms stating that the information provided during the fit and proper assessment has not undergone any significant change.

15. 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.

16. Capacity building for the Board

In relation to the governance guidelines on twelve (12) hours' annual board training, CIC General Insurance Board has undertaken various trainings facilitated by industry and professional bodies including receiving updates on industry developments on legislation, governance, corporate and significant accounting trainings tailor made for committees. It is on this background that in the month of October 2021, the Board undertook a comprehensive training on Corporate Governance conducted by an independent governance specialist and also training on IFRS 17. Early in year 2022, the Board was taken through board evaluation and board effective leadership trainings by our governance consultant namely; 'The Leadership Group Limited'.

17. Conflict of Interest

The Board has put in place a conflict of interest policy which conforms to the Companies Act No.17 of 2015, to manage conflict of interest. A register of directors declared interests is maintained by the Company Secretary. Internal controls are in place to ensure that any related party transactions involving directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts. We confirm that there were no business transactions with directors or their related parties in the year ended 2021.

18. 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, Management and Employees are required to observe the code of ethics and high standards of integrity. Further, these standards are applied in all deliberations, decisions, actions and dealings with customers, suppliers and other stakeholders. The Code of Ethics and Conduct is reviewed and updated on a regular basis and is integrated in the company's operations and strategies.

CORPORATE GOVERNANCE STATEMENT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

19. 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 Company's Strategic Plan 2021-2025, Board Manual and approved Annual Board Work Plan.

The attendance at the meetings is as detailed under table 3 below.

20. Board and Committee Meetings held during the year

Below is a summary of the attendance record of the directors at the Main Board and Committee Meetings. A record of attendance is kept with the Company Secretary and also noted in the minutes of the meeting.

Table 3

Directors	Board Meeting		Audit and Risk Committee Meeting		Finance and Investment Committee Meeting	
	(a)	(b)	(a)	(b)	(a)	(b)
Edwin Otieno – Chairman	4	4	*	*	4	4
Peter Nyigei	4	4	*	*	4	4
Judith Oluoch	4	4	*	*	4	4
Joseph Gatuni	4	4	4	4	*	*
Dr. Nelson Kuria*	4	4	4	2	*	*
Rosemary Sakaja*	*	*	4	4	*	*
Dr. Rachel Monyoncho*	*	*	4	4	*	*
Patrick Nyaga	4	4	*	*	*	*
Fredrick Ruoro	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) ** Audit and Risk Committee members drawn from other sister companies.
(e) *Dr. Nelson Kuria retired as member of Audit and Risk Committee on 12.05.2021
(f) All the directors attended the company's Annual General Meeting held on 13.5.2021.

21. Secretary to the Board

The Secretary of the Board is Ms. Mary Wanga, who is also the Legal Advisor of the Company. She is a Certified Public Secretary and licensed legal practitioner by the Law Society of Kenya. She has been the Secretary of the Board since 2014.

The Secretary of the Board maintains all minutes of Board meetings and the reports submitted and presented to the Board. The Secretary ensures the delivery and distribution of information relating to the Company as requested by members of the Board. The Secretary arranges to provide clarifications to all queries raised by the members and provides advice to them as required. She coordinates between the Board and other stakeholders, including the shareholder, management, and staff.

CORPORATE GOVERNANCE STATEMENT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

22. Board Committees

The Board has established two permanent standing committees with specific responsibilities, which are defined in their respective Terms of Reference, to assist the Board in discharging its duties and responsibilities. The ultimate responsibility resides at all times with the Board and as such, it does not abdicate this responsibility to the committees.

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.

The Board Committees are as follows:

23. Audit and Risk Committee

The committee's main purpose is to assist the Board in discharging its duties relating to the corporate accountability and associated risks in terms of management, assurance and reporting. The Committee is charged with monitoring and reviewing the adequacy and effectiveness of accounting policies, internal control systems and financial reporting processes. It provides independent oversight of the company's financial reporting, effectiveness of the internal and external audit, ensures checks and balances within the company and related institutions. The committee also monitors the reliability of the company's risk management strategy.

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 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. Joseph Gatuni - Chairperson
2. Dr. Rachael Monyoncho
3. Rosemary Sakaja

24. Finance and Investment Committee

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

CORPORATE GOVERNANCE STATEMENT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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 IRA relevant regulations on investment of insurance funds.

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

Finance and Investment Committee
1. Peter Nyigei - Chairman
2. Edwin Otieno
3. Judith Oluoch

25. Performance Assessment of the Board,

The Board understands the importance of board performance and effectiveness in achieving the overall objectives and goals of the company. To this end, yearly performance appraisals of individual directors, the board, board committees, the chairman, managing director and the company secretary are conducted through a self-assessment appraisal to provide the basis for identifying future training needs and, where necessary, 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 organization. During 2021 financial year, an extensive Self-Board evaluation and its Committees was facilitated by an independent governance consultant.

The assessments performed for 2021, demonstrated that the Board and its committees, and executive management are effective in achieving its objectives.

26. Board Remuneration

The remuneration policy of the Company is an integral part of the governance and incentive structure overseen by the Board. The aim is to enhance performance, encourage acceptable risk-taking behaviour and reinforce the Company's risk culture.

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 CIC Insurance Group Limited's Governance and Nomination Committee based on parameters such as performance targets, company's profitability, and return on equity as well as reference to market average rate.

The Board Remuneration is subject to approval by the shareholders at the Annual General Meeting. The Director's Remuneration Report sets out the policy that CIC General Insurance Limited has applied to remunerate Directors.

27. Risk Management Framework

The risk management framework is designed to assess, control, and monitor risks from all sources, with the aim of increasing short and long-term value to the stakeholders. The risk management framework involves determining, evaluating, and managing the risks faced by the Company as below:

27.1. Insurance Risk

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

CORPORATE GOVERNANCE STATEMENT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

27.2. Operational Risk

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

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

27.3. Credit Risk

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

27.4. Investment Risk

The Company manages investment risk by quantifying the risks associated with each investment and only investing in accordance with the Company's investment policy 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.

28. 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 as follows:

28.1. 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.

CORPORATE GOVERNANCE STATEMENT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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 unfavourable effects on the business plan and financial standing of the Company. This analysis is used to support the development of management and mitigation strategies.

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

28.2. 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.

28.3. The Actuarial Function

The Actuarial Function supports the Company across all areas where actuarial support is typically sought and to coordinate the development of best practices within the Company. The areas requiring actuarial support consist of two main functions: the reserving function, which ensures the Company is adequately reserved to face its future liabilities; the pricing function, which helps assess and drive the profitability of the business in a strategic manner.

29. External Auditor

The shareholders at the Annual General Meeting of the Company held on 13th May 2021 approved the re-appointment of PriceWaterhouseCoopers as the external auditors for the year 2021, on the recommendation of the Board of Directors.

30. 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 most important requirements in this regard relate to submission of financial information to the Insurance Regulatory Authority in conformance with the Insurance Act.

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 2021, the Company was not subject to any material regulatory penalties for non-compliances with regulatory provisions.

CORPORATE GOVERNANCE STATEMENT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

31. Corporate Social Responsibility

The Board is committed to the highest standards of business integrity, ethical values, and governance. It recognizes the Company's responsibility to conduct its affairs with prudence, transparency, accountability, fairness, and social responsibility, thereby ensuring its sustainability while safeguarding the interests of all its stakeholders.

32. Going Concern

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

33. Share-holding

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

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

The shareholders of the company are as follows:

SHAREHOLDER	SHARES
CIC Insurance Group Limited	85,000,000

34. Looking ahead

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

Signed by Chairman on Behalf of CIC General Insurance Limited

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Dated 10th March 2022

HEALTH

CIC GROUP

Financial protection to enjoy great healthcare in old age with **CIC Seniors Mediplan**

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors submit their report together with the audited financial statements of CIC General Insurance Limited "the Company" for the year ended 31 December 2021, which discloses the status of affairs of the company.

1. INCORPORATION

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

2. DIRECTORATE

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

3. PRINCIPAL ACTIVITY

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

4. COMPANY RESULTS

The table below highlights some of the key performance indicators

	2021	2020
	KShs '000	KShs '000
Total revenue	10,373,731	9,698,930
Profit before income tax	643,558	254,471
Total comprehensive income/(loss) for the year	403,888	(273)
Total assets	13,769,647	14,268,883
Total equity	3,679,955	4,223,198

5. DIVIDENDS

A final dividend of Kshs 947 million in respect of the year ended 31 December 2020 was paid during the year.

The directors recommend the payment of a first and final dividend of Kshs. 2 per share amounting to Kshs. 170 Million in respect of the year ended 31 December 2021 (2020 – Kshs. 947M)

6. BUSINESS REVIEW

ECONOMIC AND BUSINESS ENVIRONMENT IN 2021

The economy averaged 6.9% growth by Q3'21 buoyed largely by re-opening of learning institutions (education sector +64.7%), manufacturing (+9.5%) and accommodation and food services (+24.8%) on eased restrictions after the third wave of covid-19. Kenya's activity indicators point to a more upbeat pace of recovery in 2022 despite overhang risks. The emergence of vicious cycle of new variants has brought renewed fears globally amid politics taking center stage as we gear up for elections. Given the impressive degree of recovery across sectors and full reopening of the country effective 20th October 2021, we expect economic growth to exceed the 5.3% forecasted by the government for the 2021/22 fiscal year in the budget review outlook paper.

The CBK retained its benchmark rate at 7% in Q4'21, opining that the current accommodative stance is still needed to provide stimulus. Short-term rates inched up in Q4 with the 91,182 and 364-day papers closing at 7.27%, 8.09% and 9.37% respectively. The yield curve steepened in Q4 with rates rising on all tenors. We expect a rise in yields across the curve as the government seeks to plug the budget deficit. High levels of liquidity in the banking sector as well as local institutions guarantees this borrowing appetite will remain funded as we head into 2022.

REPORT OF THE DIRECTORS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

Inflation averaged 6% in Q4'21 compared to 6.67% in Q3'21; largely due to regulatory intervention to tame local pump prices. Soaring global energy prices and a potential trigger of food supply shocks pose an upside risk. However, enduring weak demand from household consumption should strap inflation below CBK's upper target band of 7.5%. This should lessen the likelihood of CBK raising its base rate, at least for the first half of 2022

The Kes depreciated by 2.34% in Q4'21 to the dollar closing at 113.14 largely attributable to servicing of euro bond debt obligations and a marginal rise in our import bill. We expect the shilling to remain pressured on trade imbalance, higher crude oil prices and a strengthening USD in the global markets. The current FX reserves (5.36 months import cover) provide some cushion to CBK in their efforts to tame the depreciation and we believe the coming year will be one of focus in managing the exchange rate.

The market registered losses in Q4'21 with the NASI & NSE-20 losing 6.65% and 6.33% respectively. This loss was occasioned by emergence of a new variant that prompted foreign investor capital flight to safer haven assets into other economies they perceive less risky. Local investors continue to cherry pick supply of these and other stocks as optimism around economic recovery picks up. We expect the market to exhibit weakness in 2022 on concerns around any emergence of new covid variants and political disruption to both public and private investments.

The residential sector recorded an improvement in average y/y total returns to investors at 5.5%, up from 5% in FY'20. Commercial office sector recorded a decline in average rental yields by 0.1% to 6.9% (H1'21) from 7% (FY20) while occupancy rates declined by 1.4% to 76.3% in H1'21 from 77.7 in FY20. The decline in asking prices and rates will persist as landlords aim to retain existing tenants. Land remained resilient recording an average annualized capital appreciation of 1.6% as at H1'21, indicating that investors consider land a good investment asset in the long run. We expect land to continue being supported by improving infrastructure in satellite areas and positive demographics amid continued focus by the government on the affordable housing initiative.

The company performance for the year ended 31 December 2021

In the period under review CIC General insurance reported 12% growth on gross written premium. This was as a result of new business acquisitions during the year. The profit before income tax grew by 153% from prior to close at Kshs. 644M. This was largely attributed to improvement in critical dimensions of performance, growth in net earned premium in line with growth in gross written premium, reduced claims cost and improved investment income. Claims incurred improved during the year improved in line with the business strategy on pricing, effective risk management and reducing exposure to risks beyond our capacity. Investment income increased due to a favourable equities market compared to last year. The total operating expenses increased in line with the growth in business and impairment provisions on both insurance and reinsurance receivables of Kshs. 446 million. Total assets decreased by 4% from prior year largely due to improved collections and the impact of provisions on insurance and reinsurance receivables. Liabilities remained broadly consistent with the prior year.

REPORT OF THE DIRECTORS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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 1 of this report.

8. STATEMENT AS TO DISLOSURE TO THE COMPANY'S AUDITOR

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

a) there is, so far as each director is aware, no relevant audit information of which the company's auditor is unaware; and

b) each director has taken all the steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

9. TERMS OF APPOINTMENT OF THE AUDITOR

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

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

BY ORDER OF THE BOARD

Secretary

10th March 2022

Nairobi

REPORT OF THE CONSULTING ACTUARY
FOR THE YEAR ENDED 31 DECEMBER 2021

I have conducted an actuarial valuation of CIC General Insurance Limited as at 31 December 2021.

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

Those principles require that prudent principles for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

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

In my opinion, CIC General Insurance Limited insurance liabilities were adequate as at 31 December 2021.

Name of Actuary Abel Mureithi

Signed ____________________

10th March 2022

STATEMENT OF DIRECTOR'S RESPONSIBILITIES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

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

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

Approved by the board of directors on 10th March 2022 and signed on its behalf by:

…………………………	…………………………	…………………………
Edwin Otieno Joseph, OGW Chairman	Fredrick Ruoro Principal officer	Joseph Gatuni Director

INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of CIC General Insurance Limited (the Company) set out on pages 42 to 118 which comprise the statement of financial position at 31 December 2021, 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, which include a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of CIC General Insurance Limited at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting 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.

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Key audit matter	How our audit addressed the key audit matter
Determination of insurance contract liabilities As disclosed in note 31 of the financial statements, insurance contract liabilities comprise notified claims and incurred but not reported ("IBNR") claims. This is an area of focus because the valuation of insurance contract liabilities involves significant judgement in estimating the expected future outflows. Specifically, the actuarial assumptions and methodologies involve judgement about future events. The valuation results are also dependent on the quality, integrity and accuracy of the data used. The key assumptions employed in the reserving calculations include loss ratios and estimates of the frequency and severity of claims. Claims incurred but not reported (IBNR) are determined by projecting ultimate claim losses based on current loss rates or claim experience.	• Evaluated and tested controls around claims handling, settling, and reserving. • Tested a sample of claim payments and reserves to confirm the amounts recorded in the claims systems agree to the source data. • Checked the consistency of reserving methods year on year. • Tested the appropriateness of the methodology and assumptions used by the external actuary and management in estimation of reserves as at 31 December 2021, and performed reprojections for a sample of reserves to validate estimates. • Performed reconciliations between the claims data used for the audit and that used by the appointed actuary to calculate reserves. • Assessed the adequacy of the disclosures in the financial statements.
Valuation of receivables arising out of direct insurance arrangements and reinsurance arrangements As described in the accounting policies and note 22 of the financial statements, at 31 December 2021, the Company had gross insurance receivables amounting to Shs 2.1 billion and gross receivables arising out of reinsurance arrangements of Shs. 1.1 billion. This is a key audit matter because the assessment of the recoverability of insurance and reinsurance receivables involves significant judgement given uncertainty in estimating the expected future cash inflows. Specifically, the determination of loss rate applied on the gross receivables involves significant judgement about future events and the assumption that future collections of receivables will follow a similar pattern to past collections experience	• Tested, on a sample basis, the existence and completeness of receivable balances by obtaining independent confirmations of the balances; • Tested the appropriateness of ageing of receivable balances by comparing recorded amounts and dates to the source documents; • Evaluated the methodology applied by management in estimating the impairment losses for insurance and reinsurance receivables; • Assessed the reasonableness of the loss allowance applied to insurance and reinsurance receivables; • Evaluated evidence supporting the expectations of cash flows that were applied in the impairment provision computations; • Tested mathematical accuracy of the impairment provisions computation; and • Assessed the adequacy of the disclosures in the financial statements.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting 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.

Auditor's responsibilities for the audit of the 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.

INDEPENDENT AUDITOR'S REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

- 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 33 to 35 is consistent with the financial statements.

Richard Njoroge

FCPA Richard Njoroge, Practising certificate No. 1244

Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP

Certified Public Accountants

Nairobi

16th March 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

2022

	Notes	2021 KShs '000	2020 KShs '000
Gross written premiums	3 (a)	11,422,038	10,196,748
Gross earned premiums	3 (b)	11,250,072	10,452,044
Less: Reinsurance premiums ceded	3 (c)	(2,445,119)	(1,841,324)
Net earned premiums		8,804,953	8,610,720
Commission income	4 (a)	688,455	383,601
Interest revenue calculated using the effective interest method	5(a)	598,963	576,670
Other investment income	5(b)	156,516	164,161
Other net gains and (losses)	6	124,844	(36,222)
Other revenue		1,568,778	1,088,210
Total revenue		10,373,731	9,698,930
Claims and policyholders' expenses			
Gross claims paid and loss adjustment expenses	7	(6,905,312)	(6,325,022)
Claims ceded to reinsurers	7	956,619	953,445
Gross change in insurance contract liabilities	7	138,886	(631,505)
Net benefits and claims expense		(5,809,807)	(6,003,082)
Commissions expenses	4 (b)	(1,398,764)	(1,270,363)
Operating and other expenses	8 (a)	(2,506,418)	(2,147,179)
Allowance for expected credit losses	8 (c)	(6,329)	(5,585)
Total claims and other expenses		(9,721,318)	(9,426,209)
Finance cost	10(b)	(8,855)	(18,250)
Total expenses		9,730,173	9,444,459
Profit before income tax		643,558	254,471
Income tax expense	9 (a)	(179,770)	(239,116)
Profit for the year		463,788	15,355
Other comprehensive income/(loss)			
Other comprehensive income that may be reclassified to profit or loss in subsequent years			
Fair value loss on debt instruments at fair value through other comprehensive income	17	(96,692)	(10,516)
Deferred tax on the fair value loss	13	36,153	-
Other comprehensive income that will not be reclassified to profit or loss in subsequent years net of tax			
Fair value gain on equity instruments designated at fair value through other comprehensive income, net of tax	18	639	(5,112)
Other comprehensive loss for the year		(59,900)	(15,628)
Total comprehensive income for the year		403,888	(273)

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	At 31 December 2021 KShs '000	At 31 December 2020 KShs '000
ASSETS			
Property and equipment	10 (a)	306,964	316,272
Right of use assets	10 (b)	53,835	76,403
Investment properties	11	1,602,000	1,602,000
Intangible assets	12	110,832	97,279
Deferred tax asset	13	507,618	338,758
Financial assets at amortised cost- Corporate bonds	14	-	32,134
Financial assets at amortised cost- Government securities	15	755,048	754,509
Financial assets at amortised cost-Loans receivable	16	29,814	51,767
Financial assets at fair value through other comprehensive income- Government securities	17	3,216,981	2,670,282
Financial assets at amortised cost- deposits and commercial papers	20	10,500	11,201
Financial assets at fair value through other comprehensive income- Unquoted equity investment	18	15,763	15,124
Financial assets at fair value through profit or loss- Quoted equity instruments	19	373,273	375,169
Investments in collective investment schemes at fair value through profit or loss	21	687,101	637,551
Receivables arising out of direct insurance arrangements	22 (a)	984,504	1,204,126
Receivables arising out of reinsurance arrangements	22 (b)	860,709	1,289,245
Reinsurers share of Insurance liabilities and reserves	23	1,545,376	1,483,189
Deferred acquisition costs	24	497,657	432,347
Current income tax	9(c)	-	74,450
Other receivables	25	39,376	47,724
Due from related parties	26 (b)	29,337	148,537
Intercompany loan	26 (d)	-	787,740
Deposits with financial institutions	27	2,046,258	1,756,016
Cash and cash equivalents	34(b)	96,701	67,060
TOTAL ASSETS		13,769,647	14,268,883
EQUITY AND LIABILITES			
Equity			
Share capital	29	1,700,000	1,700,000
Fair value reserve		(171,830)	(111,930)
Retained earnings		2,151,785	2,635,128
Total equity		3,679,955	4,223,198
Liabilities			
Insurance contracts liabilities	31	5,101,054	5,239,938
Unearned premiums reserve	32	4,078,867	3,906,903
Payables arising from reinsurance arrangements and insurance bodies	22 (c)	211,355	188,655
Other payables	33	496,237	600,934
Lease liabilities	10 (b)	66,131	89,581
Due to related party	26 (b)	26,836	19,674
Current income tax	9(c)	109,212	-
Total liabilities		10,089,692	10,045,685
TOTAL EQUITY AND LIABILITIES		13,769,647	14,268,883

The financial statements on pages 42 to 118 were approved by the Board of Directors on 10th March 2022 and signed on its behalf by:

………………………………..	………………………	………………………
Edwin Otieno Joseph, OGW	Joseph Gatuni	Fredrick Ruoro
Chairman	Director	Principal officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital KShs '000 (Note 29)	Fair value reserve KShs '000 (Note 30 (a))	Retained earnings KShs '000 (Note 30 (b))	Total KShs '000
At 1 January 2020	1,700,000	(96,302)	2,619,773	4,223,471
Profit for the year	-	-	15,355	15,355
Other comprehensive income for the year	-	(15,628)	-	(15,628)
At 31 December 2020	1,700,000	(111,930)	2,635,128	4,223,198
At 1 January 2021	1,700,000	(111,930)	2,635,128	4,223,198
Profit for the year	-	-	463,788	463,788
Other comprehensive loss for the year	-	(59,900)	-	(59,900)
Transaction with owners				
Dividends paid	-	-	(947,131)	(947,131)
At 31 December 2021	1,700,000	(171,830)	2,151,785	3,679,955

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 KShs '000	2020 KShs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	34 (a)	1,403,438	493,820
Tax paid	9 (c)	(128,814)	(5,218)
Interest on government securities at amortised cost	5	88,568	107,809
Interest on bank deposits		149,892	198,868
Interest on staff loan receivables	5	3,227	4,195
Interest on government securities at fair value through OCI	5	355,722	262,539
Dividend income	5	16,637	18,240
Proceeds from maturity of corporate bonds	14	31,200	64,409
Other loans advanced	16	-	(782)
Mortgage loans repaid	16	2,082	8,053
Purchase of government securities at fair value through OCI	17	(645,000)	(943,000)
Proceeds of maturity of government securities at amortised cost	15	-	90,000
Payment of interest portion of the lease liability		(8,855)	(18,250)
Purchase of government securities held at maturity	15	-	(110,000)
Proceeds from disposal of quoted equity investments at fair value through profit or loss	19	25,951	5,696
Proceeds from disposal of quoted equity investments at fair value through profit or loss	19	-	(5,040)
Proceeds of maturity of deposits in non-financial institutions	20	-	65,972
Cash inflow/(outflow) from investment in fixed deposits		5,333	63,265
Additions to investment in collective investment schemes	21	(1,378,353)	(1,819,069)
Maturities on investment in collective investment schemes	21	1,406,000	1,420,000
Net cash generated from/(used in)operating activities		1,327,028	(98,493)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	10	(31,647)	(11,961)
Purchase of intangible assets	12	(17,992)	(5,205)
Net cash used in investing activities		(49,639)	(17,166)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	35	(947,131)	-
Payment of principal portion of lease liability		(27,500)	(33,036)
Increase in net intercompany loan receivable		-	(87,740)
Net cash used in financing activities		(974,631)	(120,776)
INCREASE IN CASH AND CASH EQUIVALENTS		302,758	(236,435)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		396,634	633,069
CASH AND CASH EQUIVALENT AT 31 DECEMBER	34 (b)	699,392	396,634

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

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

(a) Basis of preparation

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

The financial statements comprise the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the profit or loss as required or permitted by IFRS. 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 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.

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

The table below provides a summary of (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2021 (i.e years ending 31 December 2021), and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2022.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

New Standards, New Interpretations and Amendments to Standards *(Continued)*

(a) New standards and amendments – applicable 1 January 2021

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2021:

Title	Key requirements	Effective Date *
Covid-19-related Rent Concessions – Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions. * The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022. If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment. However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so.	1 June 2020 1 April 2021 *
Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs: • When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. • The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.	1 January 2021

* applicable to reporting periods commencing on or after the given date

None of these standards had a significant impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

New Standards, New Interpretations and Amendments to Standards *(continued)*

(b) Forthcoming requirements

As at 31 December 2021, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2021

Title	Key requirements	Effective Date *
IFRS 17 Insurance Contracts	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.	1 January 2023 (deferred from 1 January 2021)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

New Standards, New Interpretations and Amendments to Standards *(continued)*

Title	Key requirements	Effective Date *
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022

Except for IFRS 17, the standards are not expected to have a significant impact on the Company's financial statements. The Company has embarked on an IFRS 17 implementation process but is yet to fully quantify the impact of the standard on the financial statements.

Title	Key requirements	Effective Date *
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

New Standards, New Interpretations and Amendments to Standards *(continued)*

Title	Key requirements	Effective Date *
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

(c) Revenue recognition

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of the cover provided by the contract and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Gross earned premiums comprise the total premiums receivable for the respective accounting period which is under consideration and are recognized up to the end of the reporting period, there are no rebates offered on the premiums. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums

Gross reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies.

Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net benefits and claims, respectively, because this is consistent with how the business is managed.

Commission income

Commission income is recognised in profit and loss in the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

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 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.

Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. 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 2021

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

(c) Revenue recognition *(continued)*

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 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.

Realised / unrealised gains and losses

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

(c) Claims and policyholders' benefits expenses

Gross claims paid and loss adjustment expenses

General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. The reserve for outstanding claims is computed on the basis of the best information available at the time the records for the year are closed and include additional provisions for claims incurred but not reported ("IBNR") at the end of each reporting period based on the Company's experience as per the requirement of Kenyan Insurance Act and related regulations. This is in line with the requirements of IFRS 4.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

(d) Expenses (except claims, disclosed above)

Expenses are recognised in the 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 property and 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 recognized in profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognizing the income associated with the using up of assets such as property and equipment in such cases the expense is referred to as a depreciation or amortization. These allocation procedures are intended to recognize expenses in the accounting period in which the economic benefits associated with these items are consumed or expire.

(ii) An expense is recognized immediately in the 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

(e) Deferred acquisition costs

Deferred acquisition costs represent the proportion of commission expense in the periods up to the reporting date which relates to the unexpired terms of policies in force at the end of the reporting period and are calculated on the 1/365th method on net commissions. The 1/365th is a time apportionment method of premium whereby the unearned premium reserve is the aggregate of unearned premium calculated on a pro-rata basis, in respect of the premiums relating to the unexpired periods of the respective insurance policies at the end of the reporting period. These commissions are recognised over the period in which the related revenues are earned.

The deferred acquisition costs for reinsurers are amortised in the same manner as the underlying asset amortisation and is recorded in the statement of profit or loss.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

DACs are derecognised when the related contracts periods elapses.

(f) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment, as described in note (2), whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the profit or loss. Insurance receivables are derecognised when the de recognition criteria for financial assets, as described in note (2) have been met.

(g) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

(h) 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 9 of these financial statements.

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

Deferred income tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

(h) Taxation *(continued)*

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.

(i) Property and equipment

Property and equipment, except buildings are stated at cost less accumulated depreciation and accumulated impairment losses. Buildings are stated at fair value in accordance with the revaluation model. Increases in the carrying amount of buildings arising on revaluation are dealt with through other comprehensive income and accumulated under a separate heading of revaluation reserve in the statement of changes in equity. However, if an asset’s carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss, decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Please refer to notes 10 and 30 for further details.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. The Investment properties are stated at fair value, which has been determined based on valuations performed by Crystal Valuers Limited as at 31 December 2021.

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

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

Buildings are measured according to the revaluation model stated at fair value, which reflects market conditions at the reporting date.

Property and equipment are reviewed for impairment whenever there are any indications of impairment identified.

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

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Gains and losses on de recognition of property and equipment are determined by reference to the difference of the carrying amounts and disposal proceeds. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

(h) Taxation *(continued)*

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.

(j) Investment properties

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

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

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

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

(k) 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.

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

(k) Intangible assets *(continued)*

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.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

(l) Accounting for leases *(continued)*

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

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

(m) Employee Benefits

Defined contributions provident fund

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

Statutory pension scheme

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

Leave

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

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

(o) Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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

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.

(p) Other financial liabilities and insurance contract liabilities

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

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

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

(q) Insurance liabilities

Insurance contract liabilities and reinsurance liabilities

Insurance contract liabilities include the outstanding claims provision, the provision for incurred but not reported and the provision for premium deficiency.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. It is assumed that premiums are earned uniformly over the contract period. The company uses the 1/365th method in computing this reserve. The 1/365th is a time apportionment method of premium whereby the unearned premium reserve is the aggregate of unearned premium calculated on a pro-rata basis, in respect of the premiums relating to the unexpired periods of the respective insurance policies at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

(q) Insurance liabilities *(continued)*

The estimate of the incurred claims that have not yet been reported to the Company (IBNR) is computed using the basic chain ladder method. The basic assumption using this method is that claims will emerge in a similar way in each development year.

At each reporting date, an assessment is made to determine whether there is any overall excess of expected claims and deferred acquisition costs (DAC) over unearned premiums by using an existing liability adequacy test as laid out under the Kenyan Insurance Act. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for premium deficiency. Refer to note 38 for further information on insurance risk.

(r) 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

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

(r) Fair value measurement *(continued)*

Involvement of external valuers is decided upon annually by the senior finance and investment manager who discusses the basis and assumptions with the valuer. 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 39.

(s) 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 2021

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

(s) Financial instruments *(continued)*

Financial assets at amortised cost

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

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

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

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

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

(s) Financial instruments *(continued)*

Financial assets

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

(s) Financial instruments *(continued)*

Financial assets *(continued)*

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

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

(s) Financial instruments *(continued)*

Financial assets *(continued)*

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.

Forward looking information

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

Collateral valuation

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

(s) Financial instruments *(continued)*

Financial assets *(continued)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

(s) Financial instruments *(continued)*

Financial liabilities *(continued)*

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.

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

Loans and borrowings

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

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to other payables and amount due to related parties

De-recognition

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

Offsetting of financial instruments

VFinancial 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.

(u) 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.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

(w) 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.

(x) 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.

(y) Comparatives

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

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 key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. 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.

Incurred but not reported claims (IBNR)

Estimates are made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, as well as by significant business lines. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. This amount is determined using actuarial rates based on the different classes as determined by the Kenya Insurance Regulatory Authority (note 31).

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 38 or financial assets that are subject to impairment assessment.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES *(continued)*

Impairment of premium receivables and reinsurance receivables

The Company reviews its individually significant insurance and reinsurance balances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. Judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Company makes judgements about the debtor's (insurance and reinsurance) financial situation. These estimate to provide debts is based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance (note 22).

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.

The method should be based on which method provides better predictions of the resolution of the uncertainty.

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).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES *(continued)*

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.

3. PREMIUMS

	2021 KShs '000	2020 KShs '000
(a) Gross written premiums		
Medical	4,229,668	3,978,871
Motor	3,662,521	3,790,490
Fire	919,396	775,996
Engineering	393,719	223,507
Personal accident	196,391	195,726
Theft	688,726	591,435
Miscellaneous accident	178,708	173,747
Marine	69,613	69,340
Liability	99,012	76,257
Workmen compensation	983,285	319,414
Micro Solutions	999	1,965
Total Gross Written Premium	11,422,038	10,196,748
(b) Gross earned premiums		
Medical	4,153,276	3,961,543
Motor	3,740,783	3,880,356
Fire	879,003	782,087
Engineering	395,308	316,501
Personal accident	199,764	200,032
Theft	689,015	626,880
Miscellaneous accident	177,612	174,310
Liability	95,865	88,444
Marine	69,602	77,840
Workmen compensation	848,061	328,596
Micro Solutions	1,783	15,455
Total Gross Earned Premium	11,250,072	10,452,044
Reconciliation of gross written premiums and gross earned premiums		
Gross written premiums	11,422,038	10,196,748
Movement in Unearned Premium Reserve (note 32)	(171,966)	255,296
Gross earned premiums	11,250,072	10,452,044

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

3. PREMIUMS *(continued)*

(c) Reinsurance premium ceded

2021	Gross earned premium	Reinsurance premiums	Net earned premium
	KShs'000	KShs'000	KShs'000
Medical	4,153,276	132,210	4,021,066
Motor	3,740,783	133,044	3,607,739
Fire	879,003	641,325	237,678
Engineering	395,308	358,860	36,448
Personal accident	199,764	84,502	115,262
Theft	689,015	467,489	221,526
Miscellaneous accident	177,612	179,499	(1,887)
Liability	95,865	34,179	61,686
Marine	69,602	14,699	54,903
Workmen compensation	848,061	399,312	448,749
Micro - solutions	1,783	-	1,783
Total	11,250,072	2,445,119	8,804,953

2020	Gross earned premium	Reinsurance premiums	Net earned premium
	KShs'000	KShs'000	KShs'000
Medical	3,961,543	237,086	3,724,457
Motor	3,880,356	170,815	3,709,541
Fire	782,087	530,077	252,010
Engineering	316,501	249,690	66,811
Personal accident	200,032	80,871	119,161
Theft	626,880	331,705	295,175
Miscellaneous accident	174,310	178,434	(4,124)
Liability	88,444	15,744	72,700
Marine	77,840	19,325	58,515
Workmen comp	328,600	27,577	301,023
Micro Solutions	15,451	-	15,451
Total	10,452,044	1,841,324	8,610,720

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

4. (a) COMMISSION INCOME

	2021	2020
	KShs '000	KShs '000
Engineering	107,944	53,878
Fire	212,673	188,228
Liability	6,985	3,552
Marine	5,269	4,674
Miscellaneous	93,130	33,470
Personal accident	21,653	22,815
Theft	124,115	76,389
Workmen's compensation	116,686	595
	688,455	383,601

(b) COMMISSION EXPENSES

	2021	2020
	KShs '000	KShs '000
Engineering	57,848	56,119
Fire	209,380	191,816
Liability	16,886	17,515
Medical	397,889	386,709
Motor	355,195	373,071
Marine	14,290	15,733
Miscellaneous	20,679	20,179
Theft	123,494	109,637
Personal accident	37,048	37,910
Workmen's compensation	166,055	61,674
	1,398,764	1,270,363

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

5. INVESTMENT INCOME

	2021 KShs '000	2020 KShs '000
Interest revenue calculated using the effective interest method		
Interest on financial assets at amortised cost – Government securities	88,568	107,809
Interest on financial assets at amortised cost - corporate bonds	(1,049)	(481)
Interest income from commercial papers	-	4,517
Interest on bank deposits	152,495	198,868
Amortisation of financial assets at amortised cost	-	(777)
Interest on financial assets at fair value through other comprehensive income – Government securities	355,722	262,539
Interest on staff loan receivables	3,227	4,195
	598,963	576,670
Other investment income		
Rental income from investment properties	139,879	145,921
Dividend income	16,637	18,240
	156,516	164,161
Total investment income	755,479	740,831

6. OTHER GAINS AND LOSSES

	2021 KShs '000	2020 KShs '000
Fair value gain/(loss) on quoted equity investments at fair value through profit or loss (note 19)	24,055	(124,955)
Fair value gain on investments in collective investment schemes (note 21)	77,197	64,980
Medical administration fees	9,222	14,464
Miscellaneous income*	14,370	9,289
Other net gains/(losses)	124,844	(36,222)

*Miscellaneous income includes medical administration fees, sale of scraps, and sale of tenders.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

7. CLAIMS AND LOSS ADJUSTMENT EXPENSES

	2021 KShs '000	2020 KShs '000
Gross claims and benefits paid	(6,905,312)	(6,325,022)
Claims ceded to reinsurers	956,619	953,445
Gross change in insurance contract liabilities	138,886	(631,505)
	5,809,807	6,003,082

The claims were majorly attributed to motor private and motor commercial at 47 % (2020:47%) and medical claims at 43% (2020:43%) of the total claims of the company.

2021	Gross benefits and claims paid KShs'000	Change in insurance contract liabilities KShs'000	Claims ceded to reinsurers KShs'000	Net claims and benefits payable KShs'000
Medical	2,984,192	107,106	(94,922)	2,996,376
Motor	3,233,104	(331,488)	(388,232)	2,513,384
Fire	151,552	(83,207)	(36,858)	31,487
Engineering	62,219	214,392	(241,047)	35,564
Personal accident	38,874	(11,418)	(2,919)	24,537
Theft	60,474	7,995	(7,434)	61,035
Miscellaneous accident	29,998	(6,717)	(30,762)	(7,481)
Liability	178,058	3,743	(134,092)	47,709
Marine	35,822	1,844	(8,128)	29,538
Workmen compensation	130,679	(41,136)	(11,985)	77,558
Micro - Solutions	340	-	(240)	100
Total	6,905,312	(138,886)	(956,619)	5,809,807

2020	Gross benefits and claims paid KShs'000	Change in insurance contract liabilities KShs'000	Claims ceded to reinsurers KShs'000	Net claims and benefits payable KShs'000
Medical	2,692,868	155,386	(103,894)	2,744,360
Motor	2,945,063	274,224	(457,194)	2,762,093
Fire	147,585	66,648	(115,417)	98,816
Engineering	30,982	21,422	(20,837)	31,567
Personal accident	50,051	(16,135)	7,808	41,724
Theft	66,539	70,708	(19,796)	117,451
Miscellaneous accident	45,649	(181)	(39,142)	6,326
Liability	128,235	59,893	(99,745)	88,383
Marine	12,913	(12,528)	(1,094)	(709)
Workmen compensation	204,414	12,068	(104,030)	112,452
Micro Solutions	724	-	(104)	620
Total	6,325,022	631,505	(953,445)	6,003,082

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

8. (a) OPERATING AND OTHER EXPENSES

	2021 KShs '000	2020 KShs '000
Staff costs (note 8 (b))	1,018,054	977,236
Auditor's remuneration	5,650	5,500
Directors' fees (Note 26 (e))	23,907	18,360
Directors' emoluments	27,324	24,691
Depreciation of property and equipment (note 10 (a))	40,956	47,918
Amortisation on the right of use (note 10 (b))	26,618	34,274
Amortisation of intangible assets (note 12)	4,439	13,775
Provision for impairment on insurance receivables (Note 22 (a))	183,131	150,000
Provision for impairment on reinsurance receivables (Note 22 (b))	262,401	-
Premium tax	114,278	99,186
Staff welfare	174,574	176,536
Utilities	162,357	150,543
Printing and stationery	28,079	39,141
Sales promotion	3,264	7,174
Business advertising and promotion	230,402	195,256
Professional fees	131,806	140,299
Statutory returns	28,553	23,623
Write off of staff loans receivable	17,690	-
Other expenses*	22,935	43,667
	2,506,418	2,147,179

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

(b) STAFF COSTS

	2021 KShs '000	2020 KShs '000
Staff costs include the following:		
- Salaries	947,154	905,986
- Pension costs	58,184	58,685
- Leave pay	12,716	12,565
	1,018,054	977,236

The average number of employees during the year was 327 (2020: 315)

(C) ALLOWANCE FOR EXPECTED CREDIT LOSSES:

	2021	2020
-Corporate bonds – 38 (b)	(115)	- 79
-Deposit and commercial papers - 38 (b)	(3)	-339
-Deposit with financial institutions - 38 (b)	1,967	4,191
-Due from related party - 38 (b)	(3,642)	615
-Loan receivables - 38 (b)	(1,703)	1,483
-Other receivables - 38 (b)	6,207	-286
-Government Securities at amortised cost - 38 (b)	378	-
-Government Securities at fair value through OCI-38 (b)	1,609	-
-Cash and bank	1,631	-
	6,329	5,585

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

9. (a) INCOME TAX EXPENSE	2021 KShs '000	2020 KShs '000
Income tax expense		
Current income tax	312,476	116,986
Deferred income tax (note 13)	(132,706)	122,130
	179,770	239,116
(b) Reconciliation of income tax expense to tax on accounting profit		
Profit before income tax	643,558	254,471
Tax calculated at a tax rate of 30% (2020: 25%)	193,067	76,342
Tax effect of expenses not deductible for tax*	21,877	211,137
Tax effect of income not subject for tax**	(35,174)	(24,966)
Effect of change in tax rate on deferred tax	-	(23,397)
Taxation charge for the year	179,770	239,116

*Expenses not deductible for tax purposes mainly relate to loss on valuation of shares, fringe benefit tax and excess pension contributions.

** Income not subject to tax mainly relates to dividend income and fair value gain on shares and unit trusts.

The effective income tax rate is 22% (2020: 94%).

The applicable tax rate during the year was 30% (2020: 25%) as per the Tax Laws (amendment) bill 2020.

(c) Current income tax	2021 KShs '000	2020 KShs '000
At 1 January	(74,450)	(186,218)
Current income tax	312,476	116,986
Paid during the year	(128,814)	(5,218)
Current income tax	109,212	(74,450)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2021

10. (a) PROPERTY AND EQUIPMENT

	CIC Plaza II Building KShs '000	Motor vehicles KShs '000	Computers KShs '000	Furniture, fittings equipment KShs '000	Total KShs '000
COST OR VALUATION					
At 1 January 2021	234,000	2,268	94,482	480,263	811,013
Additions	-	-	13,737	17,910	31,647
At 31 DECEMBER 2021	234,000	2,268	108,219	498,173	842,660
ACCUMULATED DEPRECIATION					
At 1 January 2021	-	2,133	86,867	405,740	494,740
Charge for the year		65	6,249	34,642	40,956
At 31 DECEMBER 2021	-	2,198	93,116	440,382	535,696
CARRYING AMOUNT					
At 31 DECEMBER 2021	234,000	70	15,103	57,791	306,964
COST OR VALUATION					
At 1 January 2020	234,000	2,268	91,921	470,863	799,052
Additions	-	-	2,561	9,400	11,961
At 31 December 2020	234,000	2,268	94,482	480,263	811,013
ACCUMULATED DEPRECIATION					
At 1 January 2020	-	2,068	82,488	362,267	446,823
Charge for the year		65	4,379	43,473	47,918
At 31 December 2020	-	2,133	86,867	405,741	494,741
CARRYING AMOUNT	234,000	135	7,615	74,522	316,272

The valuation of building was conducted by an independent valuers Crystal Valuers Limited for the period ended 31st December 2021. The Company occupies 20% of CIC Plaza II building. This portion qualifies as owner occupied property which has been included in property and equipment.

- The carrying amount of the building before and after the valuation was Kshs. 234M.
- No property and equipment were pledged as security or held under lien.
- The fair value disclosures for the measurement of the building has been disclosed in note 39.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

10. (a) PROPERTY AND EQUIPMENT *(continued)*

(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.

	2021 KShs'000	2020 KShs'000
Right of Use asset		
At start of the year	76,403	79,631
Additions	4,050	31,046
Amortisation charge	(26,618)	(34,274)
At end of year	53,835	76,403
Lease liability		
At start of the year	89,581	91,571
Additions	4,050	31,046
Accretion of interest	8,855	18,250
Payment of interest	(8,855)	(18,250)
Payment of principal portion of lease liabilities	(27,500)	(33,036)
At end of year	66,131	89,581

Amounts recognised in profit or loss	2021 KShs'000	2020 KShs'000
Interest on lease liabilities	8,855	18,250
Amortisation of right of use assets	26,618	34,274
Amounts recognised in cash flows:		
Payment of principal portion of lease liabilities	27,500	33,036
Payment of interest on lease liability	8,855	18,250
Total cash outflow for leases	36,355	51,286

Lease liability maturity analysis – undiscounted basis

11. INVESTMENT PROPERTIES

	CIC Plaza II KShs'000	Kajiado Land KShs'000	TOTAL KShs'000
2020			
At 1 January	936,000	666,000	1,602,000
At 31 December	936,000	666,000	1,602,000
2021			
At 1 January	936,000	666,000	1,602,000
At 31 December	936,000	666,000	1,602,000

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

11. INVESTMENT PROPERTIES *(continued)*

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

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

CIC Plaza II was revalued on 31 December 2021 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:

		2021	2020
Valuation technique	Significant unobservable Inputs	Average	Average
Capitalized rent income (year purchase) method	Net annual rent	139,878,536	145,921,000
	Annual rent growth rate	8%	8%
	Discounting rate	13%	13%

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

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

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

The fair value disclosures have been set out in note 39.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

12. INTANGIBLE ASSETS

2021

	Computer Software	Work in progress	Total
	KShs '000	KShs '000	KShs '000
COST			
At 1 January	119,156	88,357	207,513
Additions	2,415	15,577	17,992
	-	-	-
At 31 December	121,571	103,934	225,505
ACCUMULATED ARMORTISATION			
At January	110,234	-	110,234
Charge for the year	4,439	-	4,439
At 31 December	114,673	-	114,673
CARRYING AMOUNT			
At 31 December	6,898	103,934	110,832

2020	Computer Software	Work in progress	Total
	KShs '000	KShs '000	KShs '000
COST			
At 1 January	111,971	90,337	202,308
Additions	-	5,205	5,205
Transfers from WIP	7,185	(7,185)	-
At 31 December			
	119,156	88,357	207,513
ACCUMULATED ARMORTISATION			
At January			
Charge for the year	96,459	-	96,459
	13,775	-	13,775
At 31 December			
	110,234	-	110,234
CARRYING AMOUNT			
At 31 December	8,922	88,357	97,279

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.

The Work in progress relates to the new core system PREMIA which is still under implementation.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

13. DEFERRED INCOME TAX	2021	2020
	KShs'000	KShs'000
Accelerated capital allowance on motor vehicles and equipment	53,498	50,511
Provision for doubtful premium receivables	404,827	278,764
Allowance for expected credit losses	27,870	25,971
Accrued leave provision	7,181	7,487
Gratuity provision	5,583	3,487
Deferred tax on fair value losses through OCI	36,153	-
Deferred tax on valuation investment property	(27,494)	(27,462)
Net deferred tax asset	507,618	338,758
The movement in the deferred tax account is as follows:		
At 1 January	338,758	460,888
Deferred tax recognised through profit or loss(note 9 (a))	132,706	(122,130)
Recognised through other comprehensive income	36,153	-
At 31 December	507,618	338,758

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2020: 30%).

14. 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.

	2021	2020
	KShs '000	KShs '000
Family Bank Limited	-	10,275
East Africa Breweries Limited	-	21,974
Allowance for expected credit loss	-	(115)
	-	32,134
Maturity analysis:		
Under 1 year	-	10,275
Between 1 – 5 years Over5	-	21,974
Over 5 years	-	-
Allowance for expected credit loss	-	(115)
At 31 December	-	32,134
The movement in the corporate bonds is as follows:		
At 1 January	32,134	96,945
Maturities	(31,200)	(64,409)
Allowance for expected credit loss	115	79
Accrued interest on corporate bonds	(1,049)	(481)
At 31 December	-	32,134

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

15. FINANCIAL ASSETS AT AMORTISED COST – GOVERNMENT SECURITIES

	2021	2020
	KShs'000	KShs'000
At 1 January	754,509	720,916
Additions	-	110,000
Maturities	-	(90,000)
Amortisation	676	(777)
Accrued Interest	241	14,370
Allowance for expected credit loss	(378)	-
At 31 December	755,048	754,509
Government securities maturing		
In 1-5 years	390,737	390,512
In over 5 years	364,689	363,997
Allowance for expected credit loss	(378)	-
At 31 December	755,048	754,509

Government securities at amortised cost of KShs 755 million (2020 - KShs 754 million) relates to treasury bonds held by the Central Bank of Kenya under lien to the Commissioner of Insurance in accordance with the Kenyan Insurance Act.

16. 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.

	2021	2020
	KShs '000	KShs '000
Loans receivable:		
At 1 January	51,767	60,521
Allowance for expected credit loss	1,703	(1,483)
Repayments in the year	(2,082)	(7,271)
Write-offs	(21,574)	-
At 31 December	29,814	51,767
Maturity profile of mortgage loans:		
Within 1 year	148	3,690
In 1-5 years	5,690	12,901
In over 5 years	26,157	39,060
Allowance for expected credit loss	(2,181)	(3,884)
	29,814	51,767

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 38(b).

Refer to note 39 for fair value disclosures.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

16. FINANCIAL ASSETS AT AMORTISED -LOANS RECEIVABLE *(continued)*

The following table shows the maximum exposure to credit risk by 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 2021 In KShs	Maximum exposure to credit risk	Total collateral	Net exposure	ECLs
Loans receivable	31,995	31,995	-	2,181

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.

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

	2021 KShs '000	2020 KShs '000
At 1 January	2,670,282	1,737,798
Additions	645,000	943,000
Fair value loss	(96,692)	(10,516)
Expected credit losses	(1,609)	-
At 31 December	3,216,981	2,670,282
Government securities maturity analysis		
In 1-5 years	892,613	-
In over 5 years	2,325,977	2,670,282
Expected credit loss	(1,609)	-
At 31 December	3,216,981	2,670,282

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 37(b). Refer to note 39 for fair value disclosures.

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

	2021 KShs '000	2020 KShs '000
Value of shares held in Co-op Holding Co-operative Society Limited	15,763	15,124
The movement in the investments is as follows:		
At 1 January	15,124	20,236
Fair value gain/(loss)*	639	(5,112)
At 31 December	15,763	15,124

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – UNQUOTED EQUITY INVESTMENTS *(continued)*

The shares held in Co-op Holding Co-operative Society Limited were acquired before the initial public offer (IPO) in 2009 and are not listed at the Nairobi Securities Exchange Limited (NSE). These shares are not available to the public market; they can only be sold to other members of the Co-operative entity at a specified agreed value. Thus, the agreed price represents the exit price for these shares which are to be valued at the higher of 60% of the average of the month's quoted Co-operative Bank of Kenya Limited shares at the Nairobi Securities Exchange Limited or the value of the shares. In the current year the shares have been valued at KShs 7.40 which approximates the fair value. In 2021, the Company received NIL dividends from its FVOCI equities. The company did not dispose of or derecognise any FVOCI equity instruments in 2021.

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

	2021	2020
	KShs '000	KShs '000
At 1 January	375,169	500,780
Additions during the year	-	5,040
Disposals	(25,951)	(5,696)
Fair value gain/(loss) (note 6)	24,055	(124,955)
At 31 December	373,273	375,169

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 39 for fair value disclosures.

20. FINANCIAL ASSETS AT AMORTISED COST- DEPOSITS AND COMMERCIAL PAPERS

	2021	2020
	KShs '000	KShs '000
DEPOSITS		
CIC Society Limited	10,553	11,257
COMMERCIAL PAPERS		
Crown Paints Kenya PLC	-	-
Allowance for expected credit loss on commercial papers	(53)	(56)
	10,500	11,201
Maturity analysis:		
Under 1 year	-	-
Between 1 – 5 years	10,553	11,257
Over 5 years	-	-
Allowance for expected credit loss	(53)	(56)
Total deposits and commercial papers	10,500	11,201
Movement:		
At 1 January	11,201	78,580
Maturities	(704)	(65,972)
Interest on deposits and commercial papers	-	(1,746)
Allowance for expected credit loss on commercial papers	3	339
At 31 December	10,500	11,201

An analysis of changes in the gross carrying amount and corresponding ECL allowances in due from related parties has been disclosed in note 38(b). Refer to note 39 for fair value disclosures.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	2021	2020
	KShs '000	KShs '000
At 1 January	637,551	173,502
Additions	1,378,353	1,819,069
Maturities	(1,406,000)	(1,420,000)
Fair value gain on investments in collective investment schemes	77,197	64,980
At 31 December	687,101	637,551

22. RECEIVABLES ARISING OUT OF INSURANCE AND REINSURANCE ARRANGEMENTS

(a) RECEIVABLES ARISING OUT OF DIRECT INSURANCE ARRANGEMENTS

Receivables arising out of direct insurance arrangements relate to premiums earned which had not been received as a result of risks underwritten as at the reporting date. The carrying amounts approximates the fair values.

	2021	2020
	KShs'000	KShs'000
Gross receivables	2,071,524	2,133,338
Provision for impairment	(1,087,020)	(929,212)
At 31 December	984,504	1,204,126
Ageing		
1-60 days	521,553	619,656
61-120 days	207,689	666,861
Over 120 days	1,342,282	846,820
	2,071,524	2,133,338
At 1 January	929,212	1,316,016
Increase in provision for impairment	183,131	150,000
Bad debts written off	(25,323)	(536,804)
At 31 December	1,087,020	929,212

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

22. RECEIVABLES ARISING OUT OF INSURANCE AND REINSURANCE ARRANGEMENTS *(continued)*

(b) RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

Receivables arising out of reinsurance arrangements relate to premiums ceded, commission receivable, claims payment and recoveries which had not been recovered from reinsurers as at the reporting date. The carrying amounts approximates the fair values.

	2021	2020
	KShs'000	KShs'000
Gross reinsurance receivables	1,123,110	1,289,245
Provision for impairment	(262,401)	-
Net reinsurance receivables	860,709	1,289,245
Ageing		
1-60 days	73,732	48,928
61-120 days	51,995	195,024
Over 120 days	997,383	1,045,294
	1,123,110	1,289,245
At 1 January	-	-
Increase in provision for impairment	262,401	-
At 31 December	262,401	-

(c) PAYABLES ARISING FROM REINSURANCE ARRANGEMENTS AND INSURANCE BODIES

Payables arising out of reinsurance arrangements relate to premiums ceded, which had not been paid to reinsurers as at the reporting date.

	2021	2020
	KShs'000	KShs'000
1 January	188,655	84,609
Reinsurance Premiums ceded	2,445,119	1,841,324
Reinsurance premiums ceded payments	(2,422,419)	(1,737,278)
31 December	211,355	188,655

23. REINSURERS' SHARE OF INSURANCE LIABILITIES AND RESERVES

	2021	2020
Reinsurers' share of:	KShs '000	KShs '000
- insurance contract liabilities (note 31)	1,007,285	1,012,280
- unearned premium and unexpired risks (note 32)	538,091	470,909
	1,545,376	1,483,189

Amounts due from reinsurers in respect of claims already paid by the company on contracts that are reinsured are included in receivables arising out of reinsurance arrangements in the Statement of Financial Position. Movements in the above reinsurance assets are shown in note 31.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

24. DEFERRED ACQUISITION COSTS

	2021 KShs '000	2020 KShs '000
At 1 January	432,347	486,667
Acquisition costs incurred in the year	1,445,559	1,216,043
Acquisition costs amortized in the year	(1,380,249)	(1,270,363)
At 31 December	497,657	432,347

Deferred acquisition costs relate to insurance contracts as explained in note 1 (f).

25. OTHER RECEIVABLES

Staff advances	9,137	11,234
Prepayments	4,842	1,514
Rent receivable	19,333	22,238
Other receivables	13,058	13,525
Allowance for expected credit loss on other receivables	(6,994)	(787)
	39,376	47,724

An analysis of changes in the gross carrying amount and corresponding ECL allowances in due from related parties has been disclosed in note 38(b).

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

26. RELATED PARTY BALANCES

The company is a subsidiary of The CIC Insurance Group PLC, incorporated in Kenya, which owns 100% shares of the company. The ultimate parent company is Co-operative Insurance Society Limited. CIC Asset Management Limited, CIC Life Assurance Limited and CIC General Insurance Limited are related through common shareholding. The provisions for expected credit losses made on related party balances during the year was Kshs. 0.1 million (2020: 3.7 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

26. RELATED PARTY BALANCES *(continued)*

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

	2021 KShs '000	2020 KShs '000
(a) Transactions with related parties *		
(i) Receipts from related parties		
The CIC Insurance Group PLC	611,029	2,256,696
CIC Life assurance Limited	247,875	104,800
CIC Asset Management Limited	368,773	296,193
	1,227,677	2,657,689
(ii) Payments to related parties		
The CIC Insurance Group PLC	488,525	2,327,531
CIC Life Assurance Limited	291,239	114,517
CIC Asset Management Limited	365,773	291,391
	1,145,537	2,733,439

* 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.

	2021 KShs '000	2020 KShs '000
(b) Due from related parties		
CIC Asset Management Limited	-	338
The CIC Insurance Group PLC	29,455	151,959
Allowance for expected credit loss	(118)	(3,760)
	29,337	148,537
Due to related parties		
CIC Life Assurance Limited	23,690	19,674
CIC Asset Management Limited	3,146	-
	26,836	19,674

An analysis of changes in the gross carrying amount and corresponding ECL allowances in due from related parties has been disclosed in note 38(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 2021 (2020: Nil).

(d) Intercompany Loan

The company advanced KShs.700 million in the year 2019 to The CIC Insurance Group PLC, the parent company at an interest rate of 12.5% and with a repayment period of 1 year. The loan had a collateral of share pledges for CIC Africa Insurance (SS) Limited (69% of the total issued capital), CIC Africa Uganda Limited (94% of the total issued capital). The loan was fully paid up in the year 2021.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

26. RELATED PARTY BALANCES *(continued)*

(e) Key management remuneration

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

	2021 KShs '000	2020 KShs '000
Short-term employment benefits:		
Directors fees	23,907	18,360
Directors emouluments	27,324	24,691
Leave allowance	873	979
Salary*	103,485	90,530
National Social Security Fund (NSSF)	20	20
Gratuity	6,987	35,920
Pension contribution	4,089	4,654
	166,685	175,154

* Included in the key management remuneration is the executive director's (Managing Director) expenses of Kshs. 31M (2020 – 17M)

27. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2021 KShs '000	2020 KShs '000
The Co-operative Bank of Kenya Limited	521,711	260,752
Credit Bank Limited	3,234	82,334
Development Bank of Kenya	-	240,212
Kingdom Bank	267,512	192,342
Equity Bank	364,770	-
Middle East Bank	-	63,200
NCBA Bank Limited	161,902	43,384
Sidian Bank	48,477	165,018
Family bank	35,231	112,317
I & M Bank Limited	47,636	18,567
KCB Bank Kenya Limited*	602,835	582,973
Allowance for expected credit loss	(7,050)	(5,083)
	2,046,258	1,756,016
Maturity analysis:		
Maturing within three months	602,691	329,574
Maturing after 3 months	1,450,617	1,431,525
Allowance for expected credit loss on deposits	(7,050)	(5,083)
	2,046,258	1,756,016

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

27. DEPOSITS WITH FINANCIAL INSTITUTIONS *(continued)*

*With the exception of deposits with KCB Bank Kenya Limited, which are under lien, and Kshs. 223 million which is placed as a guarantee for fulfilment of some certain insurance arrangements with insured, all the other deposits are available for use by the Company and have no lien conditions attached to them. The weighted average interest rate earned on the deposits with KCB Bank Kenya Limited under lien during the year was 2.5 % (2020- 2.5%).

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

28. 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:

	2021	2020
	%	%
Government securities	12.00	12.30
Corporate bonds	11.50	11.00
Mortgage loans	6	6
Deposits with financial institutions, other than the KCB deposit	10.5	9

29. SHARE CAPITAL

	31 December 2021		31 December 2020	
	Number of shares (in '000)	Share Capital KShs '000	Number of shares (in'000)	Share capital KShs '000
Authorised ordinary shares of KShs 20 each:				
At 1 January and at 31 December	100,000	2,000,000	100,000	2,000,000
Issued and fully paid up share capital:				
At 1 January and at 31 December	85,000	1,700,000	85,000	1,700,000

30. (a) FAIR VALUE RESERVE

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

(b) RETAINED EARNINGS

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2021

31. (a) INSURANCE CONTRACTS LIABILITIES

Gross claims reported, claims handling expense liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2021 and 2020 are not material.

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

2021

Accident Year	2017	2018	2019	2020	2021	Total
	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Estimated ultimate claims cost						
at end of accident year	77,834,489	5,898,616	5,484,022	5,181,768	5,071,061	99,469,955
one year later	33,527,203	6,299,683	5,873,922	5,456,411	-	51,157,219
two years later	33,725,554	6,352,896	5,962,281	-	-	46,040,731
three years later	33,789,920	6,369,986	-	-	-	40,159,907
four years later	33,824,485	-	-	-	-	33,824,485
Current estimate of cumulative claims	33,824,485	6,369,986	5,962,281	5,456,411	5,071,061	56,684,224
Less: cumulative payments to date	(32,918,437)	(6,057,925)	(5,576,622)	(5,145,398)	(4,347,326)	(54,045,708)
Gross outstanding claims notified provision	927,713	312,061	385,659	311,012	723,735	2,660,180
Liability incurred but not reported claims	9,813	78,211	260,256	554,288	1,541,305	2,440,873
Total gross claims liabilities included in statement of financial position	934,527	390,272	645,915	865,300	2,265,040	5,101,054

IBNR claims expense is determined in line with the minimum rates as prescribed by the Kenya Insurance Regulatory Authority

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

31. (a) INSURANCE CONTRACTS LIABILITIES (continued)

2020

Accident Year	2016	2017	2018	2019	2020	Total
	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Estimated ultimate claims cost						
at end of accident year	5,855,649	4,568,583	4,647,470	4,551,459	4,696,202	24,319,363
one year later	6,628,190	6,195,376	6,004,478	5,715,527	-	24,543,571
two years later	6,915,435	6,560,827	6,338,735	-	-	19,814,997
three years later	7,148,030	6,810,066	-	-	-	13,958,096
four years later	7,943,159	-	-	-	-	7,943,159
Current estimate of cumulative claims	7,943,159	6,810,066	6,338,735	5,715,527	4,696,202	31,503,689
Less: cumulative payments to date	(7,025,711)	(6,321,163)	(5,865,015)	(5,275,839)	(3,964,879)	(28,452,607)
Gross outstanding claims notified provision	917,448	488,903	473,720	439,688	731,323	3,051,082
Liability incurred but not reported claims	5,588	21,346	196,290	720,218	1,245,413	2,188,856
Total gross claims liabilities included in statement of financial position	923,036	510,249	670,010	1,159,906	1,976,737	5,239,938

IBNR claims expense is determined in line with the minimum rates as prescribed by the Kenyan Insurance Regulatory Authority

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

31. (b) INSURANCE CONTRACT LIABILITIES *(continued)*

Net claims reported development table

2021

Accident Year	2017 KShs'000'	2018 KShs'000'	2019 KShs'000'	2020 KShs'000'	2021 KShs'000'	Total KShs'000'
Estimated ultimate claims cost at end of accident year	56,498,108	4,780,803	4,590,692	4,400,607	4,358,567	74,628,777
One year later	24,531,945	5,080,973	4,883,670	4,612,842	-	39,109,430
Two years later	24,675,139	5,119,550	4,947,612	-	-	34,742,301
Three years later	24,721,771	5,131,910	-	-	-	29,853,681
Four years later	24,746,718	-	-	-	-	24,746,718
Current estimate of cumulative claims	24,746,718	5,131,910	4,947,612	4,612,842	4,358,567	43,797,649
Less: cumulative payments to date	(24,381,272)	(4,906,483)	(4,669,259)	(4,387,574)	(3,800,166)	(41,856,775)
	-	-	-	-	-	
	365,446	225,427	278,353	225,268	558,401	1,652,895
Liability incurred but not reported claims	6,813	78,211	260,256	554,288	1,541,305	2,440,873
Total Gross claims liabilities included in statement of financial position	372,259	303,639	538,609	779,556	2,099,706	4,093,768

Net claims reported development table

2020

Accident Year	2016 KShs'000'	2017 KShs'000'	2018 KShs'000'	2019 KShs'000'	2020 KShs'000'	Total KShs'000'
Estimated ultimate claims cost at end of accident year	4,327,873	3,463,691	3,714,976	3,834,663	4,019,768	19,360,971
One year later	4,898,853	4,697,051	4,799,707	4,788,634	-	19,184,245
Two years later	5,111,155	4,974,119	5,024,772	-	-	15,110,046
Three years later	5,283,064	5,104,203	-	-	-	10,387,267
Four years Later	5,670,087	-	-	-	-	5,670,087
Current estimate of cumulative claims	5,670,087	5,104,203	5,024,772	4,788,634	4,019,768	24,607,464
Less: cumulative payments to date	(5,192,659)	(4,792,417)	(4,688,226)	(4,444,963)	(3,450,398)	(22,568,663)
	477,428	311,786	336,546	343,672	569,370	2,038,802
Liability incurred but not reported claims	5,588	21,347	196,290	720,217	1,245,414	2,188,856
Total net claims liabilities included in statement of financial position	483,016	333,133	532,836	1,063,889	1,814,784	4,227,658

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

31. (c) INSURANCE CONTRACT LIABILITIES

	2021 KShs '000	2020 KShs '000
Claims reported and claims handling expenses:		
At 1 January	4,227,658	3,714,081
Claims incurred in the year	5,809,807	6,003,086
Payments for claims and claims handling expenses	(5,943,696)	(5,489,509)
At 31 December	4,093,769	4,227,658
Comprising:		
At 31 December		
Gross amounts	5,101,054	5,239,938
Reinsurers share (note 23)	(1,007,285)	(1,012,280)
	4,093,769	4,227,658

Movement in insurance contract liabilities is shown below in note 31(a).

31(d). MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Gross KShs '000	Reinsurance KShs '000	Net KShs '000
2021			
Notified claims	3,051,082	(1,012,280)	2,038,802
Incurred but not reported	2,188,856	-	2,188,856
At 1 January 2021	5,239,938	(1,012,280)	4,227,658
Cash paid for claims settled in year	(7,022,094)	1,012,280	(6,009,814)
Increase in liabilities arising from:			
- Current year claims	3,704,778	(263,752)	3,441,026
- Prior year claims	3,178,432	(743,533)	2,434,899
At 31 December 2021	5,101,054	(1,007,285)	4,093,769
Notified claims	2,660,181	(1,007,285)	1,652,896
Incurred but not reported	2,440,873	-	2,440,873
At 31 December 2021	5,101,054	(1,007,285)	4,093,769
2020			
- Notified claims	2,958,314	(894,351)	2,063,963
- Incurred but not reported	1,650,118		1,650,118
At 1 January 2020	4,608,432	(894,351)	3,714,081
Cash paid for claims settled in year	(5,489,509)	835,699	(4,653,810)
Increase in liabilities arising from:			
- Current year claims	3,314,822	(178,567)	3,136,255
-Prior year claims	2,806,193	(775,061)	1,085,809
At 31 December 2020	5,239,938	(1,012,280)	3,282,335
Comprising:			
Notified claims	3,051,082	(1,012,280)	2,038,802
Incurred but not reported	2,188,856	-	2,188,856
At 31 December 2020	5,239,938	(1,012,280)	4,227,658

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2021

32. UNEARNED PREMIUM RESERVE

The unearned premiums reserve represents the portion of the premium written in years up to the accounting date which relates to the unexpired terms of policies in force at the end of each reporting period. The movement in the reserve is shown below:

2021	Gross	Reinsurance	Net
	KShs '000	KShs '000	KShs '000
At 1 January	3,906,903	(470,909)	3,435,994
Gross written premiums	11,422,038	(2,445,119)	8,976,919
Gross earned premiums	(11,250,074)	2,377,937	(8,872,137)
Net increase / (decrease) in the year	171,964	(67,182)	104,782
At 31 December	4,078,867	(538,091)	3,540,776
2020			
At 1 January	4,162,199	(577,730)	3,584,469
Gross written premiums	10,196,748	(1,841,324)	8,355,424
Gross earned premiums	(10,452,044)	1,948,145	(8,503,899)
Increase in the year (net)	(255,296)	106,821	(148,475)
At 31 December	3,906,903	(470,909)	3,435,994

33. OTHER PAYABLES

	2021	2020
	KShs '000	KShs '000
Sundry payables*	306,322	303,971
Payroll creditors	395	-
Premium received in advance	144,974	251,395
Staff annual leave pay provision	23,936	24,958
Rent deposits	20,610	20,610
	496,237	600,934

All amounts are payable within one year.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2021

34. STATEMENT OF CASH FLOWS

	Notes	2021 KShs '000	2020 KShs '000
Reconciliation of profit before tax to cash generated from operations:			
Profit before taxation		643,558	254,471
Interest on lease liability		8,855	18,250
Interest on government securities at amortised cost	5	(88,568)	(107,809)
Interest on bank deposits	5	(149,892)	(198,868)
Interest on staff loan receivables	5	(3,227)	(4,195)
Interest on government securities at fair value through other comprehensive income	5	(355,722)	(262,539)
Interest income from deposits and commercial papers	20	-	1,746
Dividend income	5	(16,637)	(18,240)
(Gain)/loss on investment on collective investments	5	(77,197)	(64,980)
Discount on government securities at amortised cost	5	-	777
Gain on disposal of property and equipment		-	-
Depreciation on property and equipment	10	46,806	47,918
Amortisation of intangible assets	12	4,439	13,775
Amortisation on Right of use asset	14	26,618	34,274
Provision for Outstanding Leave		-	-
Accrued interest on corporate bonds	14	1,049	481
Fair value loss /(gain) on quoted equity investments at FVTPL	19	(24,055)	124,955
Write back on corporate bonds		(115)	(79)
Write back on deposits and commercial papers		(4)	(339)
Impairment on Government Securities		1,987	-
Impairment on deposits with financial institutions		-	4,191
Impairment on loan receivable		-	1,483
Working capital changes;			
Increase in receivables arising out of direct insurance arrangements		219,622	127,615
Increase in receivables arising out of reinsurance arrangements		428,535	(138,681)
Decrease / (Increase) in reinsurer share of reserves and liabilities		(62,187)	(11,108)
Decrease / (Increase) in deferred acquisition costs		(65,310)	54,320
(Increase) / Decrease in other receivables		30,310	29,020
Increase in related party balances		906,940	(75,136)
Increase in outstanding claims provision		(138,884)	631,506
(Decrease) / Increase in unearned premium reserve		171,964	(255,296)
Increase in other payables		(128,147)	182,262
Decrease in amounts due to reinsurers and other insurance bodies (net)		22,700	104,046
Net cash used in operations		1,403,438	493,820
Cash and cash equivalents*			
Bank and cash balances		96,701	67,060
Deposits with banks maturing within 3 months	27	602,691	329,574
		699,392	396,634

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2021

35. DIVIDENDS

	2021 KShs'000	2020 KShs'000
	947,131	-

Dividend on ordinary shares

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

Payment of dividend is subject to withholding tax at the rate of 5% for resident and 10% for non-resident shareholders respectively.

36. 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

	2021 KShs '000	2020 KShs '000
Bank guarantees	223,043	264,523

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

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

	2021 KShs '000	2020 KShs '000
Committed but not contracted for	88,882	97,659

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

36. CONTINGENCIES AND COMMITMENTS *(Continued)*

b. Capital commitments, operating leases and bank guarantees *(Continued)*

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

	2021 KShs '000	2020 KShs '000
Within one year	57,271	68,620
After one year but not more than two years	51,264	140,332
After two years but not more than five years	89,329	122,689
Total operating lease rentals receivable	197,864	331,641

37. RISK MANAGEMENT FRAMEWORK

a. Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a company policy framework which sets out the risk profiles for the company, risk management, control and business conduct standards for the company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The board of directors approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

b. Capital management objectives, policies and approach

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

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximize shareholders value

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT FRAMEWORK *(Continued)*

b. Capital management objectives, policies and approach *(Continued)*

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 160% as compared to 100% which is the minimum as per IRA requirements. This is based on the size and the risk of profile of the company. The risks considered are insurance risk, market risk, credit risk and operational risk.

The Company's capital management policy for its insurance and non–insurance business is to hold sufficient capital to cover the statutory requirements based on the IRA directives, including any additional amounts required by the regulator.

Approach to capital management

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics. An important aspect of the Company's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Company is focused on the creation of value for shareholders.

The primary source of capital used by the Company is total equity. The Company also utilises, where it is efficient to do so, sources of capital such as reinsurance and securitisation, in addition to more traditional sources of funding.

The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

The Company has made no significant changes, from previous years, to its policies and processes for its capital structure.

The constitution of capital managed by the company is as shown below:

	2021	2020
	KShs '000	KShs '000
Share capital	1,700,000	1,700,000
Fair value reserve	(171,830)	(111,930)
Retained earnings	2,151,785	2,635,128
	3,679,955	4,223,198

The company had no external financing at 31 December 2021 and 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

37. RISK MANAGEMENT FRAMEWORK *(Continued)*

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 2021 the company reported Capital Adequacy Ratio of 160% (2020–136%) which was higher than the minimum of 100% as per IRA requirements

d. Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces, due to the nature of its investments and liabilities, is interest rate risk. The Company manages these positions within an ALM framework that has been developed to achieve long–term investment returns in excess of its obligations under insurance. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance.by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is:

Integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities

As an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

38. INSURANCE AND FINANCIAL RISK

a. Insurance risk

The Company purchases reinsurance as a part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and a non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

The Company principally issues the following types of general insurance contracts: motor, household, commercial and business interruption. Healthcare contracts provide medical expense coverage to policyholders and are not guaranteed as renewable. Risks under non–life insurance policies usually cover twelve months' duration.

For general insurance contracts, {the most significant risks arise when there is fire, motor accidents, property losses or medical claims for longer tail claims that take some years to settle, there is also inflation risk. For healthcare contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements. These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Company uses commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic.

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

38. INSURANCE AND FINANCIAL RISK *(Continued)*

a. Insurance risk *(Continued)*

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

			31 December 2021			31 December 2020
	Gross liabilities KShs '000	Reinsurance of liabilities KShs '000	Net liabilities KShs '000	Gross liabilities KShs '000	Reinsurance of liabilities KShs '000	Net Liabilities KShs '000
Engineering	294,305	(229,032)	65,273	79,914	(37,300)	42,614
Fire	173,883	(71,099)	102,784	257,089	(124,128)	132,961
Liability	630,961	(489,167)	141,794	627,218	(482,238)	144,980
Marine	37,901	(874)	37,027	36,057	(1,981)	34,076
Motor	2,777,634	(180,200)	2,597,434	3,109,122	(268,210)	2,840,912
Medical	552,652	(5,527)	547,125	445,546	(4,455)	441,091
Others	633,718	(31,386)	602,332	684,992	(93,967)	591,025
Total	5,101,054	(1,007,285)	4,093,769	5,239,938	(1,012,280)	4,227,658

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

38. INSURANCE AND FINANCIAL RISK *(Continued)*

a. Insurance risk *(Continued)*

It should be noted that movements in these assumptions are non–linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

31 December 2021	Change in assumptions	Increase/ (decrease) on gross Liabilities	Increase/ (decrease) on net Liabilities	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
Average claim Cost	+10/-10	131,570	85,520	46,049	13,814
31 December 2020					
Average claim Cost	+10/-10	131,570	85,520	46,049	13,814

b. Financial risks

i. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- A Company credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or group of counterparties, and industry segment (i.e., limits are set for investments and cash deposits, and minimum credit ratings for investments that may be held).
- 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 2021 and 2020 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

38. INSURANCE AND FINANCIAL RISK *(Continued)*

b. Financial risks *(Continued)*

i. Credit risk *(Continued)*

The company reassess the internal credit rating of the financial instruments at every reporting period and considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due as well as other forward-looking information. This would result in change in the internal credit rating.

The Company's internal credit rating grades is as follows:

Internal rating grade	Internal rating description
0	High grade
1	High grade
2	Standard grade
3	Sub-standard grade
4	Past due but not impaired
5	Individually impaired

Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument is subject to 12mECL or LTECL that is (Financial assets at amortized cost- Government securities, Financial Assets at amortized cost- Corporate Bonds, Financial Assets at amortized cost-Loan, Financial Assets at amortized cost-Commercial Papers, Due from related party, Deposits with financial institutions, Other receivables and Cash and bank balances , the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Company also considers a variety of instances that may indicate unlikeness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near default
- The counterparty having past due liabilities to public creditors or employees
- The counterparty filing for bankruptcy application
- Counterparty's listed debt or equity suspended at the primary exchange because of rumors or facts of financial difficulties.

The Company considers a financial instrument defaulted and, therefore, credit impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognizes a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Company's policy to consider the financial instrument as "cured" and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

The company actively manages its product mix to ensure there is no significant concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

38. 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

	2021 KShs '000	2020 KShs '000
Stage 1	3,218,590	2,670,282
Stage 2	-	-
Stage 3	-	-
Total other receivables	3,218,590	2,670,282
Less: Loss Allowance	(1,609)	-
Net carrying amount	3,216,981	2,670,282

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

	2021 KShs '000	2020 KShs '000
Stage 1	-	32,249
Stage 2	-	-
Stage 3	-	-
Total other receivables	-,	32,249
Less: Loss Allowance	-	(115)
Net carrying amount	-	32,134

Government Securities at amortised cost

Stage 1	755,426	740,139
Stage 2	-	-
Stage 3	-	-
Total other receivables	755,426	740,139
Less: Loss Allowance	(378)	-
Net carrying amount	755,048	740,139

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2021

38. INSURANCE AND FINANCIAL RISK *(Continued)*

b. Financial risks *(Continued)*

i. Credit risk *(Continued)*

Debt instruments at amortized cost *(Continued)*

Loans receivable at amortised cost

	2021 KShs '000	2020 KShs '000
Stage 1	31,995	55,651
Stage 2	-	-
Stage 3	-	-
Total other receivables	31,995	55,651
Less: Loss Allowance	(2,181)	(3,884)
Net carrying amount	29,814	51,767

Deposits with financial institutions

Stage 1	2,053,308	1,761,099
Stage 2	-	-
Stage 3	-	-
Total other receivables	2,053,308	55,651
Less: Loss Allowance	(7,050)	(5,083)
Net carrying amount	2,046,258	1,756,016

Commercial papers

Stage 1	10,553	11,257
Stage 2	-	-
Stage 3	-	-
Total other receivables	10,553	11,257
Less: Loss Allowance	(53) -	(56)
Net carrying amount	10,500	11,201

Due from related parties

Stage 1	29,455	152,297
Stage 2	-	-
Stage 3	-	-
Total other receivables	29,455	152,297
Less: Loss Allowance	(118)	(3,760)
Net carrying amount	29,337	148,537

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2021

38. INSURANCE AND FINANCIAL RISK *(Continued)*

b. Financial risks *(Continued)*

i. Credit risk *(Continued)*

Debt instruments at amortized cost *(Continued)*

Other receivables

	2021 KShs '000	2020 KShs '000
Stage 1	46,370	48,511
Stage 2	-	-
Stage 3	-	
Total other receivables	46,370	48,511
Less: Loss Allowance	(6,994)	(787)
Net carrying amount	39,376	47,724

Cash and bank balances

	2021 KShs '000	2020 KShs '000
Stage 1	98,333	67,060
Stage 2	-	-
Stage 3	-	-
Total other receivables	98,333	67,060
Less: Loss Allowance	(1,631)	-
Net carrying amount	96,702	67,060

Reconciliation of loss allowance accounts Year 2021

	At 31 December 2020 KShs'000	(Increase)/decrease in loss allowance in the year KShs'000	At 31 December 2021 KShs'000
Government securities at Amortised cost	-	(378)	(378)
Corporate bonds	(115)	115	-
Government Securities at Fair Value through other Comprehensive Income	-	(1,609)	(1,609)
Loans receivable	(3,884)	1,703	(2,181)
Deposits with financial institutions	(5,083)	(1,967)	(7,050)
Commercial papers	(56)	3	(53)
Due from related parties	(3,760)	3,642	(118)
Other receivables	(787)	(6,207)	(6,994)
Cash and Bank	-	(1,631)	(1,631)
	(13,685)	(6,329)	(20,014)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

38. INSURANCE AND FINANCIAL RISK *(Continued)*

b. Financial risks *(Continued)*

i. Credit risk *(Continued)*

Impaired financial assets *(Continued)*

Reconciliation of loss allowance accounts Year 2020

	At 31 December 2019	(Increase)/decrease in loss allowance in the year	At 31 December 2020
	KShs'000	KShs'000	KShs'000
Government securities at Amortized cost	-	-	-
Corporate bonds	(194)	79	(115)
Government Securities at Fair Value through other Comprehensive Income	-	-	-
Loans receivable	(2,401)	(1,483)	(3,884)
Deposits with financial institutions	(892)	(4,191)	(5,083)
Commercial papers	(395)	339	(56)
Due from related parties	(3,145)	(615)	(3,760)
Other receivables	(1,073)	286	(787)
Cash and bank balances	-	-	-
	(8,100)	(5,585)	(13,685)

Premium and reinsurance receivables

The age analysis of premium and reinsurance receivables including the movements in provisions for impairment losses is set out in note 22(a).

At 31 December 2021, there are impaired insurance assets of KShs 1,349 million comprising of insurance receivables of Kshs 1,087 million and reinsurance of Kshs 262 million (2020: total of KShs 929 million).

For assets to be classified as" past–due and impaired" contractual payments must be in arrears for more than 120 days. No collateral is held as security for any past due or impaired assets.

The Company records impairment allowances for receivables arising out of direct insurance arrangements and receivables arising out of reinsurance arrangements in separate impairment allowance accounts. A reconciliation of the allowance for impairment losses for the receivables are disclosed in note 22.

Collateral

No collateral is held in respect of the receivables that are past due but not impaired.

Financial assets neither past due nor impaired

There were no financial assets that are neither impaired nor past due as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

38. 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. Repayments which are subject to notice are treated as if notice were to be given immediately.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

38. INSURANCE AND FINANCIAL RISK *(Continued)*

b. Financial risks *(Continued)*

ii. Liquidity risk

The table below provides a contractual maturity analysis of the company's financial assets and liabilities:

31 December 2021	No stated maturity	6 months or on demand	Between 6 months and 1 year	Between 1 year and 5 years	More than 5 year	Total
		KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Financial assets:						
Government securities at amortised cost		148,052	88,521	202,622	690,452	1,129,647
Government securities at fair value through other comprehensive income		-	-	1,246,389	5,203,295	6,449,684
Equity investments:						
- At fair value through profit or loss	373,274	-	-	-	-	373,274
- At fair value through other comprehensive income	15,763	-	-	-	-	15,763
Loans receivable		-	148	5,690	26,156	31,994
Receivables arising out of reinsurance arrangements		860,709	-	-	-	860,709
Receivables arising out of direct insurance arrangements		984,504		-	-	984,504
Deposit with Financial Institutions		1,348,492	704,816	-	-	2,053,308
Due from related party		29,337	-	-	-	29,337
Cash and cash equivalents		96,701	-	-	-	96,701
Total financial assets	389,037	3,467,795	793,485	1,454,701	5,919,903	12,024,921
Financial liabilities:						
Insurance contract liabilities		5,101,054	-	-	-	5,101,054
Payables arising from reinsurance arrangements		-	211,355	-	-	211,355
Other payables		496,256	-	-	-	496,256
Lease Liabilities		9,154	15,640	48,827	3,080	76,701
Bank guarantees		-	-	223,043	-	223,043
Total financial liabilities	-	5,606,464	226,995	271,870	3,080	6,108,409
Net liquidity gap	389,037	(2,138,669)	566,490	1,182,831	5,916,823	5,916,512

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

38. INSURANCE AND FINANCIAL RISK *(Continued)*

b. Financial risks *(Continued)*

iii. 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 2020	No stated maturity	6 months or on demand	Between 6 months and 1 year	Between 1 year and 5 years	More than 5 year	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Financial assets:						
Government securities at amortised cost		43,827	43,827	514,297	613,450	1,215,401
Corporate bonds		23,390	10,115	-		33,505
Government securities at fair value through other comprehensive income		143,601	143,601	1,148,808	3,922,855	5,358,865
Equity investments:						
- At fair value through profit or loss	375,169	-	-	-	-	375,169
- At fair value through other comprehensive income	15,124	-	-	-	-	15,124
Loans receivable	-	1,473	-	54,178	-	55,651
Receivables arising out of reinsurance arrangements	-	1,289,245	-	-	-	1,289,245
Receivables arising out of direct insurance arrangements	-	1,204,126	-	-	-	1,204,126
Deposit with Financial Institutions	-	963,241	38,334	759,524	-	1,761,099
Due from related party	-	151,959	-	-	-	151,959
Cash and cash equivalents	-	67,060	-	-	-	67,060
Total financial assets	390,293	3,887,922	235,876	2,476,807	4,536,305	11,527,204
Financial liabilities:						
Insurance contract liabilities		5,239,938	-	-	-	5,239,938
Payables arising from reinsurance arrangements		-	188,655	-	-	188,655
Other payables		601,110	-	-	-	601,110
Lease Liabilities		10,153	30,521	74,164	-	114,838
Bank guarantees		-	-	210,734	-	210,734
Total financial liabilities	-	5,851,201	219,176	284,898	-	6,355,275
Net liquidity gap	390,293	(1,963,279)	16,701	2,191,909	4,536,305	5,171,929

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2021

38. INSURANCE AND FINANCIAL RISK *(Continued)*

c. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The company's market risk policy sets out the assessment and determination of what constitutes market risk for the company. Compliance with the policy is monitored and exposures and breaches are reported to the company's risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.

The company stipulates diversification benchmarks by type of instrument and geographical area, as the company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt currencies are all constant

(i) Currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The company primarily transacts in Kenya shilling and its assets and liabilities are denominated in the same currency. The company is therefore not exposed to significant currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is re–priced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The Financial assets at amortised cost- Deposits and commercial papers and staff loans are not affected by interest rate risk because the rates are agreed at the beginning of the contract financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

The company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 5% in all yield curves of financial assets and financial liabilities. The Company is not exposed to interest rate risk as all financial assets are at fixed interest rates.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2021

38. INSURANCE AND FINANCIAL RISK *(Continued)*

c. Market risk (*Continued)*

(ii) 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 96% (2020: 96%) 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 18,664 (2020: KShs 18,758).

(iii) 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 2021

39. FAIR VALUE MEASUREMENT

The company specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Securities Exchange Limited.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components, property, equipment and investment property

This hierarchy requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

There were no transfers between Level 1 and level 2 during the year.

The table below shows an analysis of the fair value of assets by level in the fair value hierarchy, however, it does not include instruments whose fair value approximates the carrying amount.

31 December 2021	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000	Carrying amount
Recurring fair value measurements:					
Equity investments classified:					
-At fair value through profit or loss	373,273	-	-	373,273	373,273
-At fair value through other comprehensive income	-	15,763	-	15,763	15,763
Investments in collective investment schemes at fair value through Profit or loss	-	687,101	-	687,101	687,101
Government securities at fair value through other comprehensive income	3,216,981	-	-	3,216,981	3,216,981
Owner occupied property and equipment*	-	-	234,000	234,000	234,000
Investment properties*	-	-	1,602,000	1,602,000	1,602,000
The fair value of financial assets not held at fair value is as follows:					
Non-recurring fair value measurements:					
Corporate Bonds		-		-	-
Government securities at amortised cost	750,895			750,895	755,048
Deposits and commercial paper		10,500		10,500	10,500
Loan receivables			29,814	29,814	29,814
Total assets at fair value	4,341,149	713,364	1,865,814	6,920,327	6,894,666

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2021

39. FAIR VALUE MEASUREMENT *(Continued)*

331 December 2020	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000	Carrying amount
Assets:					
Recurring fair value Measurements:					
Equity investments classified:					
-At fair value through profit or loss	375,169	-	-	375,169	375,169
-At fair value through other comprehensive income	-	15,124	-	15,124	15,124
Investments in collective investment schemes at fair value through Profit or loss	-	637,551	-	637,551	637,551
Government securities at fair value through other comprehensive income	2,670,282	-	-	2,670,282	2,670,282
Owner occupied property and equipment*	-	-	234,000	234,000	234,000
Investment properties*	-	-	1,602,000	1,602,000	1,602,000
The fair value of financial assets not held at fair value is as follows:					
Non-recurring fair value measurements:					
Corporate bonds		32,249		32,249	32,134
Government securities at amortised cost	754,511			754,511	754,509
Deposits and commercial paper		11,201		11,201	11,201
Loan receivables			51,767	51,767	51,767
Total assets at fair value	3,799,962	696,125	1,887,767	6,383,854	6,383,737

*The gains/ (losses) arising from revaluation of investment property and property have been disclosed in the statement of profit or loss. Refer note 10 for further details. The gains or losses on revaluation of buildings are included in the fair value reserve in statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2021

39. FAIR VALUE MEASUREMENT *(Continued)*

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 Cash flow (DCF)	Average market interest rates 13%

The significant unobservable inputs used in the fair value measurements categorised in level 3 of the fair value hierarchy as at 31 December 2021 and 31 December 2020 are as shown below.

Instrument	Level	Valuation basis	Sensitivity of input to the fair value
Investment properties*	3	Capitalised rent income method	Increase/(decrease) in discount of 5% would decrease/(increase) fair value by KShs 80.1 Million.
			Increase/(Decrease) in annual rent of 5% would (decrease)/increase the fair value by by Ksh 7.2 Million
			Increase/(Decrease) in annual growth rate of 5% would (decrease)/ increase the fair value by Ksh 10.8 million
Owner occupied property and equipment	3	Capitalised rent income method	Increase/(decrease) in discount of 5% would decrease/(increase) fair value by KShs 15.8 million.
			Increase/(Decrease) in annual rent of 5% would (decrease)/increase the fair value by by Ksh 1.9 million
			Increase/(Decrease) in annual growth rate of 5% would (decrease)/ increase the fair value by Ksh 2.7 million

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2021

*The sensitivities for some of property (Kajiado Land) was not provided since the valuation was on market values of similar properties, the quantitative unobservable inputs were neither reasonably available nor developed by the entity.

Reconciliation of fair value measurement under Level 3 hierarchy

2021	At 1 January	Contributions Additions Transfer from level 2	Disposals/ Settlements	Fair value gain/(loss) recognised in profit or loss	At 31 Decemberr
Investment property	1,602,000			-	1,602,000
Owner-occupied property	234,000	-	-	-	234,000
	1,836,000	-	-	-	1,836,000
2020					
Investment property	1,602,000			-	1,602,000
Owner-occupied property	234,000	-	-	-	234,000
	1,836,000	-	-	-	1,836,000

39. 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

INCORPORATION

The company is incorporated in Kenya under the companies Act 2015 and is domiciled in Kenya.

CURRENCY

The financial statements are presented in Kenya shillings thousands (KShs '000'), which is also the company's functional currency.

APPENDIX I
REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021

	C.A.R & Engineering	Fire Domestic	Fire Industrial	Liability Insurance	Marine & Transit	Motor Private	Motor Commercial	Motor Pool	Medical insurance	Personal Accident	Theft Insurance	Work men's Comp.	Misc Accident	Micro solutions	Total 2021
	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000
Gross premium written	393,719	107,585	811,811	99,012	69,613	1,945,952	1,716,569	-	4,229,668	196,391	688,726	983,287	178,708	997	11,422,038
Unearned premium transferred in	177,567	37,692	266,536	33,829	10,819	968,126	820,238	-	1,266,917	41,112	141,563	107,516	33,635	1,352	3,906,902
Unearned premium c/f	175,978	39,047	305,573	36,976	10,830	951,478	758,621	-	1,343,308	37,740	141,273	242,741	34,731	572	4,078,868
Gross earned premium	395,308	106,230	772,774	95,865	69,602	1,962,600	1,778,186	-	4,153,277	199,763	689,016	848,062	177,612	1,777	11,250,072
Reinsurance premium	(358,860)	(27,688)	(613,636)	(34,179)	(14,699)	(69,667)	(63,377)	-	(132,210)	(84,502)	(467,489)	(399,312)	(179,500)	-	(2,445,119)
Net earned premium	36,448	78,542	159,138	61,686	54,903	1,892,933	1,714,809	-	4,021,067	115,261	221,527	448,750	(1,888)	1,777	8,804,953
Gross claims paid	62,219	53,691	97,860	178,059	35,822	1,753,530	1,479,573	-	2,984,192	38,874	60,474	130,679	29,988	351	6,905,312
Outstanding claims c/f	294,305	22,766	151,117	630,961	37,901	1,448,746	1,326,796	2,092	552,652	75,471	285,788	252,485	14,135	5,837	5,101,052
Outstanding claims transferred in	79,914	90,162	166,927	627,218	36,057	1,656,528	1,450,502	2,092	445,546	86,889	277,793	293,619	20,853	5,838	5,239,938
Gross claims incurred	276,610	(13,705)	82,050	181,802	37,666	1,545,748	1,355,867	-	3,091,298	27,456	68,469	89,545	23,270	350	6,766,426
Recoveries	(241,047)	11,811	(48,670)	(134,092)	(8,128)	(211,079)	(177,152)	-	(94,922)	(2,919)	(7,434)	(11,985)	(30,763)	(239)	(956,619)
Net incurred Claims	35,563	(1,894)	33,380	47,710	29,538	1,334,669	1,178,715	-	2,996,376	24,537	61,035	77,560	(7,483)	111	5,809,807
Commission receivable	107,944	8,691	203,983	6,985	5,269	7,320	6,768	-	-	21,653	124,115	116,686	79,041	-	688,455
Commissions payable	57,848	20,561	188,819	16,886	14,290	182,189	173,007	-	397,889	37,048	123,494	166,055	20,535	143	1,398,764
Net commission	(50,096)	11,870	(15,164)	9,901	9,021	174,869	166,239	-	397,889	15,395	(621)	49,369	(58,506)	143	710,309
Management Expenses	50,588	26,502	151,937	18,052	23,817	482,422	475,042	-	808,103	61,979	154,903	78,568	44,732	2,126	2,378,771
Premium Tax	4,923	1,345	10,152	1,238	871	24,334	21,465	-	52,891	2,456	8,613	12,296	2,235	12	142,831
Total	55,511	27,847	162,089	19,290	24,688	506,756	496,507	-	860,994	64,435	163,516	90,864	46,967	2,138	2,521,602
Total claims expenses and commissions	(14,533)	9,976	18,216	57,611	38,559	1,509,538	1,344,954	-	3,394,265	39,932	60,414	126,929	(65,989)	254	6,520,116
Underwriting profit/(loss)	(4,530)	40,719	(21,167)	(15,215)	(8,344)	(123,361)	(126,652)	-	(234,192)	10,894	(2,403)	230,957	17,134	(615)	(236,765)

The revenue account was approved by the board of directors on10th March 2022 and was signed on its behalf by:

Edwin Otieno Joseph, OGW

Joseph Gatuni

Fredrick Ruoro

APPENDIX I
REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020

	C.A.R & Engineering	Fire Domestic	Fire Industrial	Liability Insurance	Marine & Transit	Motor Private	Motor Commercial	Motor Pool	Medical insurance	Personal Accident	Theft Insurance	Work men's Comp.	Misc Accident	Micro solutions	Total 2020
	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000
Gross premium written	223,507	104,867	671,129	76,257	69,340	1,990,696	1,799,794	-	3,978,871	195,726	591,435	319,416	173,747	1,963	10,196,748
Unearned premium transferred in	270,561	27,003	283,316	46,016	19,318	954,986	923,244	-	1,249,590	45,419	177,008	116,698	34,199	14,842	4,162,200
Unearned premium c/f	177,567	37,692	266,536	33,829	10,819	968,126	820,238	-	1,266,917	41,112	141,563	107,516	33,635	1,352	3,906,902
Gross earned premium	316,501	94,178	687,909	88,444	77,839	1,977,556	1,902,800	-	3,961,544	200,033	626,880	328,598	174,311	15,451	10,452,044
Reinsurance premium	(249,690)	(13,476)	(516,601)	(15,744)	(19,325)	(88,784)	(82,031)	-	(237,086)	(80,871)	(331,705)	(27,577)	(178,434)	-	(1,841,324)
Net earned premium	66,811	80,702	171,308	72,700	58,514	1,888,772	1,820,769	-	3,724,458	119,162	295,175	301,021	(4,123)	15,451	8,610,720
Gross claims paid	30,982	14,197	133,388	128,235	12,913	1,663,349	1,281,715	-	2,692,868	50,051	66,539	204,414	45,649	722	6,325,022
Outstanding claims c/f	79,914	90,162	166,927	627,218	36,057	1,656,528	1,450,502	2,092	445,546	86,889	277,793	293,619	20,853	5,837	5,239,937
Outstanding claims transferred in	58,491	8,275	182,167	567,325	48,585	1,497,382	1,335,424	2,092	290,160	103,024	207,085	281,550	21,034	5,838	4,608,432
Gross claims incurred	52,405	96,084	118,148	188,128	385	1,822,495	1,396,793	-	2,848,254	33,916	137,247	216,483	45,468	721	6,956,527
Recoveries	(20,837)	(19,950)	(95,467)	(99,745)	(1,094)	(215,613)	(241,581)	-	(103,895)	7,808	(19,796)	(104,028)	(39,143)	(104)	(953,445)
Net incurred Claims	31,568	76,134	22,681	88,383	(709)	1,606,882	1,155,212	-	2,744,359	41,724	117,451	112,455	6,325	617	6,003,082
Commission receivable	53,878	6,213	182,015	3,552	4,674	-	-	-	-	22,815	76,389	595	33,470	-	383,601
Commissions payable	56,119	17,980	173,835	17,515	15,733	188,271	184,800	-	386,709	37,910	109,637	61,675	19,964	215	1,270,363
Net commission	2,241	11,767	(8,180)	13,963	11,059	188,271	184,800	-	386,709	15,095	33,248	61,080	(13,505)	215	886,763
Management Expenses	37,754	30,435	113,526	16,524	49,057	482,708	615,180	-	247,001	114,340	196,631	82,793	54,206	8,051	2,048,206
Premium Tax	2,692	1,263	8,083	918	835	23,976	21,677	-	47,921	2,357	7,123	3,847	2,093	23	122,808
Total	40,446	31,698	121,609	17,442	49,892	506,684	636,857	-	294,922	116,697	203,754	86,640	56,299	8,074	2,171,014
Total claims expenses and commissions	33,809	87,901	14,501	102,346	10,350	1,795,153	1,340,012	-	3,131,068	56,819	150,699	173,535	(7,181)	832	6,889,844
Underwriting profit/(loss)	(7,444)	(38,897)	35,198	(47,088)	(1,728)	(413,065)	(156,100)	-	298,468	(54,354)	(59,278)	40,846	(53,241)	6,545	(450,138)

APPENDIX II
GLOSSARY OF INSURANCE TERMS
FOR THE YEAR ENDED 31 DECEMBER 2021

Assumptions	The underlying variables which are taken into account in determining the value of insurance liabilities.
Benefits and claims experience variation	The difference between the expected and the actual benefit
Claims development table	A table that compares actual claims paid and current estimates of claims with previously reported estimates of the same claims, demonstrating the sufficiency or otherwise of those previous estimates.
Deferred expenses – deferred acquisition costs (DAC)	Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts which are deferred and brought to account as expenses of future reporting periods.
General insurance	An insurance contract which provides coverage other than life insurance to the policyholder. Examples include motor, household, third party liability, marine and business interruption. Short-term life and health insurance is also frequently classified as general insurance.
*Financial risk**	The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non–financial variable that the variable is not specific to a party to the contract.
*Insurance contract**	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Incurred but not report (IBNR)	Claims to be made by a policyholder, but not yet reported to the insurance company.
*Insurance risk**	Risk, other than financial risk, transferred from the holder of a contract to the issuer.
Liability adequacy test	An annual assessment of the sufficiency of insurance to cover future insurance obligations.
Outstanding claims provision	Comprises claims reported by the policyholder to the insurance company, and IBNR claims.
Premiums earned	In the case of general insurance business, earned premium is the proportion of written premiums (including, where relevant, those of prior accounting periods) attributable to the risks borne by the insurer during the accounting period. For non-life insurance contracts, the premium income attributable to the insurance risks borne by the insurer in the reporting period that is, after adjusting for the opening and closing balances of unearned premium.
Premiums written	Premiums to which the insurer is contractually entitled becoming due for payment in the accounting period.
Reinsurance	Insurance risk that is ceded to another insurer to compensate for losses, but the ultimate obligation to the policyholder remains with the entity who issued the original insurance contract.

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