CIC GROUP

2022

CIC GENERAL INSURANCE LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

OUR PHILOSOPHIES

CIC GROUP

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.

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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

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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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CIC GENERAL INSURANCE LIMITED
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS	**Edwin Otieno, OGW:** Chairman **Patrick Nyaga:** GCEO **Peter Nyigei** **Joseph Gatuni** **Fredrick Ruoro** **Judith Oluoch:** Retired on 12 May 2022 **Nelson Kuria:** Retired on 3 June 2022 **Rose Mambo:** Appointed on 6 Oct 2022 **Jackson Mbui:** Appointed on 5 Sep 2022
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 **Michael Mugo:** General Manager – Branch Distribution **Grace Nzivwa:** General Manager-Sales **Tabitha Kihanya:** General Manager – Alternative Channels **Susan Robi:** Group Risk and Compliance Manager **Peter Itumbiri:** Human Resource Business Partner **Edward Thagichu:** 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

CIC GENERAL INSURANCE LIMITED
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 11TH ANNUAL GENERAL MEETING OF CIC GENERAL INSURANCE LIMITED WILL BE CONDUCTED VIRTUALLY VIA ELECTRONIC COMMUNICATION ON THURSDAY 4TH DAY OF MAY, 2023 AT 11:00 AM TO TRANSACT THE FOLLOWING BUSINESS AS SET OUT BELOW:

ORDINARY BUSINESS:

AGENDA

Constitution of the Meeting

1. The Company Secretary to read the notice convening the meeting, table the proxies and determine if a quorum is present.

Ordinary Business:

2. To confirm the Minutes of the 10th Annual General Meeting held on 12th May, 2022
3. To receive, consider and if thought fit, adopt the Company's Annual Report and Audited Financial Statements for the year ended 31st December 2022 together with the Chairman's Report thereon.
4. To approve a first and final dividend pay-out of Kshs 150M for the financial year ended 31st December 2022, to be paid on or before 26th May 2023 to the shareholder appearing on the Register of Members.
5. To consider and if thought fit, reappoint Messrs. PriceWaterhouseCoopers, Certified Public Accountants, as the Auditors of the Company for the year 2023, having expressed their willingness to continue in office in accordance with section 719 (2) of the Companies Act No.17 of 2015, and to authorize the Directors to fix their remuneration for the ensuing year.
6. **Rotation, Election and Retirement of Directors:**
   - **a. Appointment of Director**
     Eng. Jackson Muchira Mbui appointed on 5th September, 2022 as an Independent Non-Executive Director to fill a casual vacancy in accordance with Article 103 of the Company's Articles of Association, retires and this being the first Annual General Meeting to be held since his appointment and being eligible, offers himself for election.
   - **b. Appointment of Director.**
     Mrs. Rose Grace Wangui Karanja appointed on 6th October, 2022 as an Independent Non-Executive Director to fill a casual vacancy in accordance with Article 103 of the Company's Articles of Association, retires and this being the first Annual General Meeting to be held since her appointment and being eligible, offers herself for election.
   - **c. Retirement of Director.**
     To note the retirement of Dr. Nelson Kuria as an Independent Non-Executive Director from the Board effective 3rd June 2022.
7. **Remuneration of Directors.**
   To authorize the Board to fix the Directors Remuneration for the year ending 31st December 2023.

Special Business:

As ordinary resolution

8. **Director above the Age of 70 Years**
   That pursuant to Article 105 of the Company's Articles of Association, the shareholder approves the continuance in office of Director Peter Kipkirui Nyigei, who has attained the age of Seventy (70), since our last Annual General Meeting held on 12th May 2022, until he next comes up for retirement by rotation.
9. **Any Other Business.**
   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 at Nairobi this 14th day of March 2023.
BY ORDER OF THE BOARD

MARY WANGA
COMPANY SECRETARY

CIC GENERAL INSURANCE LIMITED
ANNUAL GENERAL MEETING *(continued)*

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
PRODUCTS

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

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 2022.

ECONOMIC OVERVIEW

The economic environment in 2022 was quite volatile on the back of threats of a global recession, the Russia – Ukraine war that resulted in increased geo-political risk and global inflationary pressures, monetary tightening to moderate inflationary pressures, currency volatility and bearish equities markets.

Locally, we experienced a spike in inflation due to higher food and fuel prices, considerable rise in interest rates as CBK attempted to mitigate rising prices, the shilling weakened against the dollar and the NSE market lost value on a year on year basis.

The economy grew by 4.7% in Q3'22; down from 9.9% in Q3'21. Services sector continued to perform strongly; particularly trade, accommodation & food services and professional, administrative & support services. Agriculture, a key growth sector, continued to underperform as unfavorable weather conditions and higher input costs weighed in on low production.
The MPC raised the base rate from 8.25% to 8.75 % in Nov'22; a cumulative rise of 1.75% in 2022. The CBR hikes' intention have been to taper inflation and manage the KES depreciation against major currencies. Headline inflation increased to an average 9.4% in Q4'22 from 8.7% in Q3'22 largely driven by supply side factors that exerted upward pressure on food and energy prices.

The shilling lost substantial value against the USD in 2022 (-9.04%). Lower foreign funding amid a faster growth in imports weakened the KES.

Despite improved corporate performance in 2022, prices of listed stocks have had muted movements due to prevailing tough macro conditions and the un-abating foreign investor sell-offs.

INSURANCE INDUSTRY PERFORMANCE

According to IRA statistics released in Q3 2022, General insurance premiums amounted to KES 134.41 billion with motor and medical classes maintaining a leading position in terms of contribution in general insurance business premium at 32.8% and 29.4% respectively. The general insurance business underwriters incurred claims amounted to Kes. 56.85 billion representing an increase of 10.8% from 51.3B reported in the third quarter of the previous year. The claims incurred loss ratio was 68.4% in the quarter under review compared to 68.6% in Q3 2021. The underwriting performance of general insurance business was a loss of KES 2.26 billion which was an improvement from a loss of KES 4.13 billion reported in Q3 2021.

COMPANY PERFORMANCE

The financial year saw the company deliver strong results with robust growth in Gross written premium and profit before tax reflecting the rigorous execution of the company's strategy. In the year 2022 the company reported Gross written premiums of Kshs.13.9B being 21% growth from Kshs. 11.4B reported in the prior year. Profit before tax reported a 35% growth to close at Kshs. 872M from 644M reported in the year 2021.

The overall growth on Gross written premiums was largely driven by 39% growth on our medical line of business.

Investment income reported a 16% growth despite a tough Equity market experienced during the year driven by growth in investment portfolio during the year as a result of enhanced collections on receivables. Net Claims Incurred experienced a 17% growth in line with top line growth closing at 66% Claims ratio below the 68% industry claims ratio.

FUTURE OUTLOOK

In to the future, we remain focused on providing excellent customer service, leveraging digital tools and staff productivity to deliver growth, sustained profitability and consistent cash flow generation.

ACKNOWLEDGEMENT

I am deeply grateful to the Board and the Management team who are committed to delivering long term value to all our stakeholders.

I thank the entire staff for their continued dedication in delivering strong results which has enabled CIC General Insurance Ltd to be a key player in the insurance industry.

Edwin Otieno, OGW
Chairman

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. Peter Nyigei: Director

Mr. Peter Kipkirui Nyigei aged 70, joined the Board in 2012. He is a Non-Executive Director representing CIC Insurance Group Plc, a major shareholder. He is currently the secretary of Sinendet Tea Multipurpose Society and a director of Imarisha SACCO. Mr.Kipkirui is a retired teacher and was also a principal. He served as a Programme Officer and a trainer in Early Childhood Education in Bomet, Nakuru, Baringo and Kericho Counties. The Director has undertaken General Insurance Business and several Corporate Governance trainings and is a member of the Institute of Directors of Kenya.

Mr. Patrick Nyaga: Group Chief Executive Officer

Mr. Patrick Nyaga, aged 55 is the Group Chief Executive Officer. He holds a master of Business Administration from Strathmore Business School and a Bachelor of Commerce Degree in Accounting. He is a Certified Public Accountant (K) and a member of ICPAK. Mr. Nyaga has over 30 years working experience mainly financial services and auditing. He has worked in various senior positions in banking. Prior to joining CIC Group Ltd he was the Group Finance and Strategy Director- at Co-operative Bank of Kenya Limited. He previously worked at Barclays Bank now (ABSA) as the Regional Head of Assurance and at KPMG (EA), with the main focus being audit of financial institutions in Kenya and the region. He is a member of the Institute of Directors of Kenya and has undertaken training in various disciplines among them Corporate Governance courses, Insurance, Banking, and Strategy among others.

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) , the Institute of Internal Auditors and Institute of Directors of Kenya.

Jackson Mbui: Director

Director, Eng Jackson Muchira Mbui, aged 64 joined the board in 2022, as an Independent Director. He holds an MBA in Strategic Management and Bsc. Mechanical Engineering from the University of Nairobi. The Director has undergone trainings in Management Development, Effective Director Programme from Strathmore University, Strategy & Development, Business Risk Management, Project Management and Company Directors Course from Commonwealth Association for Corporate Governance. Mr Mbui has also undergone the Corporate Governance training by Centre for Corporate Governance and is a member of the Institute of Directors of Kenya. He was the founder Chairman of the courier industry association of Kenya. Eng Mbui served as the Managing Director of Tata Chemicals Magadi Ltd, a subsidiary of Tata Chemicals, Mumbai- India. He also served as an Advisor within the group. Prior to joining Tata, he was a long serving Deputy Managing Director for G4S Kenya Ltd. He honed his commercial and business skills while serving as General manager for Car and General and serving as the production manager for the "Coca Cola Company". Jackson Muchira commenced his career working for "Services Techniques Schlumberger" in Paris –France.

Rose Karanja: Director

Rose Karanja, aged 54, Joined the Board in 2022 as an Independent non-executive Director. She has over twenty-five years' C-Suite experience in capital markets, governance, business and company law, and administration both in Government and in the private sector. She is experienced in corporate governance and board service and has served on and chaired audit, risk and compliance, nominations and governance, resource mobilization, credit, ICT, disciplinary and membership services committees.

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

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

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

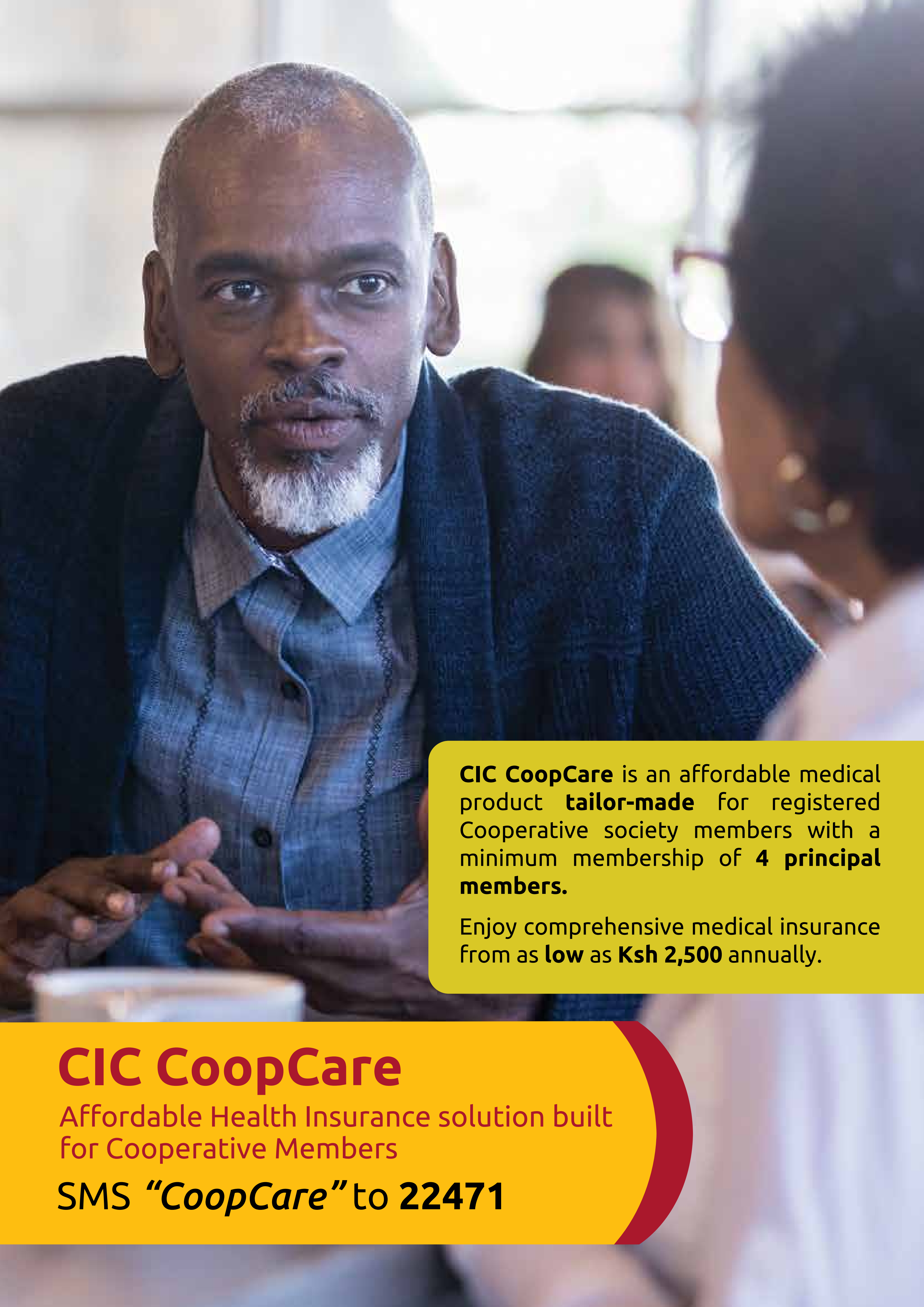
BOARD OF DIRECTORS

Frederick Ruoro: Managing Director

- Mr. Fred aged 43, 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 55, is the Company Secretary and an Advocate of the High Court of Kenya with over 26 years' experience in various capacities and industries as a practicing and corporate lawyer ranging from legal, insurance, finance and Micro, Small and Medium Enterprises (MSMEs). She joined CIC Group Plc in 2008.
Ms. Wanga is a Certified Public Secretary CPS (K) and holds a Bachelor of Law Degree (LLB), Bachelor of Social Legislation and Post Graduate Diploma from the Kenya School of Law and Diploma in Insurance (AIIK) from the College of Insurance. She is a member of the Institute of Directors-Kenya, an Associate Member of Insurance Institute of Kenya (IIK), Law Society of Kenya, The Chartered Institute of Arbitrators (Kenya branch) (ACIArb) and Institute of Certified Secretaries-ICS(K).


CIC CoopCare is an affordable medical product **tailor-made** for registered Cooperative society members with a minimum membership of **4 principal members.**
Enjoy comprehensive medical insurance from as **low** as **Ksh 2,500** annually.
CIC CoopCare
Affordable Health Insurance solution built for Cooperative Members
SMS *"CoopCare"* to **22471**

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 2022.

OVERVIEW

Kenya's economy expanded by 4.7% in Q3'22 down from 9.9% in Q3'21. Sectors that supported this expansion include Accommodation and Food Service activities (22.9%), Wholesale and retail trade (9.1%), Professional, Administrative and Support services (8.7%), Education (7.1%), Other services (6.9%) and Financial and Insurance (5.3%) activities. A decline was noted in Agriculture which contracted by 0.6% attributable to unfavorable weather conditions. The World Bank projects GDP to grow by 5.2% on average in 2023-24.

The Equity market registered a decline in Q4'22 with NASI & NSE-20 indices declining by 0.7% and 2.4% respectively.

Inflation averaged 9.4% in Q4'22 compared to 8.7% registered in the previous quarter. The Russian invasion of Ukraine and resulting sanctions disrupted world markets sharply raising global commodity prices. According to the World Bank Economic Update, products that experienced significant price increases in Q4 2022 included maize flour (32.2%) sugar (23.2%) beans (27%), potatoes (37.2%),cooking oil (18.8%), diesel (46.1%), kerosene (39.3%), and petrol (36.4%). This significantly raised the cost of living for most households.

The Kenya Shilling depreciated by 9.3% YTD, to close at Ksh.123.37 against the dollar, due to the high import bill and servicing of external debt obligations.

Short-term interest rates continued on the upward trend in Q4 2022 with the 91,182 and 364-day papers closing at 9.4%, 9.8% and 10.3% respectively.

INDUSTRY PERFORMANCE

In Q3 2022, Non-Life Insurance premium recorded a growth rate of 10.7% compared to a similar period in 2021.Non-life segment continues to dominate the industry with a contribution of 56.5%(Ksh. 134.4B) of the total premium written by insurers during the period under review. Medical and motor insurance classes maintained a leading position in terms of contribution in General insurance business premiums at 32.8% and 29.4% respectively.

The Loss ratio under General Insurance was 68.4% (2021: 68.6%). Claims incurred by general insurers were Ksh.53.25B billion as at end of Q3 2022.

The insurance industry asset base grew significantly by 4.7% to Ksh. 151.98 B as at the end of Quarter 3 2022 from the Ksh. 145.2B held as at the end of Quarter 3 2021. Investible assets classes with the highest proportions were; government securities (58.5%), investment property (16.4%) and term deposits (13.3%).

COMPANY PERFORMANCE

CIC General delivered a commendable all-round performance in FY 2022. Our profitability improved from a profit of Ksh.644M in December 2021 to a profit of 872M in 2022, a 35% growth. This performance is attributed to a 16% growth on Topline and a 16% growth in investment income driven by significant growth in investment portfolio during the year with Net placements of Ksh. 930M resulting to a growth in income from interest bearing securities.

It is worth noting that we would have had a more favorable performance but Management exercised prudence by creating provisions for doubtful debts for both premium and reinsurance worth Ksh. 420M. This led to a 9% increase in operating expenses.

The company's loss ratio was 66%, attributable to the strategic focus on growing our profitable classes of business.

FUTURE OUTLOOK

The priority in 2023 will be to drive profitable growth and operational excellence by focusing on transformational initiatives including digitization, improved customer experience, innovation and product development, sales and cost optimization and prudent debt management. Management will also work on improving the control environment and creating a high-performance culture.

ACKNOWLEDGEMENT

I want to express my gratitude to the Board of Directors for their stewardship, diligent guidance and support to our strategic plan. I express my appreciation to our Customers for their invaluable support, loyalty and trust in our business.

I am proud of the work that the Management team and Staff continue to undertake as demonstrated by improved performance in the year 2022. I would like to thank our strategic partners, shareholders and stakeholders for their contribution to our performance in 2022. Indeed if we continue to pursue our mission and vision, there is no limit to what we can achieve in the year ahead and beyond. God bless you all.

Fred Ruoro
Managing Director

BOARD OF MANAGEMENT

Fred Ruoro: Managing Director

- Mr. Fred aged 43, 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 55, is the Company Secretary and an Advocate of the High Court of Kenya with over 26 years' experience in various capacities and industries as a practicing and corporate lawyer ranging from legal, insurance, finance and Micro, Small and Medium Enterprises (MSMEs). She joined CIC Group Plc in 2008.

Ms. Wanga is a Certified Public Secretary CPS (K) and holds a Bachelor of Law Degree (LLB), Bachelor of Social Legislation and Post Graduate Diploma from the Kenya School of Law and Diploma in Insurance (AIIK) from the College of Insurance. She is a member of the Institute of Directors-Kenya, an Associate Member of Insurance Institute of Kenya (IIK), Law Society of Kenya, The Chartered Institute of Arbitrators (Kenya branch) (ACIArb) and Institute of Certified Secretaries-ICS(K.

Kang'e N. McDonald: General Manager - Medical

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

Michael Mugo: General Manager Branch Distribution

Michael aged 52, 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 53, 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.

Tabitha Kihanya: General Manager - Alternative Channels

Tabitha aged 37, 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 44, 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.

SENIOR MANAGEMENT

Mwenda P. Itumbiri: Human Resource

Mwenda aged 48, 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: Senior Manager - Finance

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

Scovier Juma: Senior Claims Manager

Scovier aged 35, 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 54, 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.

Salome Wambui: Group Actuary

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

Florence Kimani : ICT Manager

Florence aged 48, 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 54, 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 55, 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.

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

INTRODUCTION

We performed a Governance Audit on CIC General Insurance Limited covering the year ended 31st December 2022 which comprised assessment of Governance Practices, Structures and Systems put in place by the Board.

BOARD RESPONSIBILITY

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

GOVERNANCE AUDITOR'S RESPONSIBILITY

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

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

OPINION

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

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

14th March, 2023

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Introduction

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

Being a subsidiary of CIC Insurance Group Plc, the Board is keen to see that the ethos of Corporate Governance as set out in various legislations governing the operations of the Company are observed.

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

Good corporate governance has been critical in the stability of the Company and has a positive impact on the relationship between the Company and its stakeholder, including protection of the policyholders' interests, hence transforming the company into a top tier insurer in Kenya in 3rd position with a market share of 8.7% as at quarter three 2022.

2. Overview of Government Statement Regulations and Compliance

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

3. Statement of Commitment to Good Corporate Governance

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

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

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

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

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

Our Key Stakeholders And Partners.

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

Table 1

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

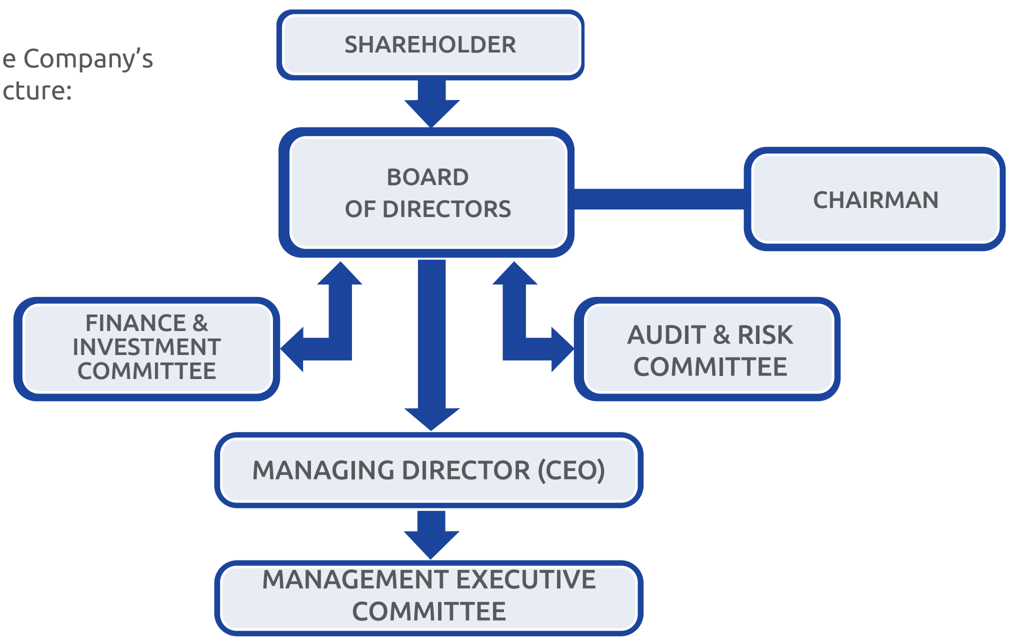
CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

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

4. Governance Structure

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

Table 2
Overview of the Company's Corporate Structure:



5. The Board Charter

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

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

Powers delegated to the Board Committees;

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

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

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

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

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

6. Board Composition, Size and Appointments

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

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

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

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

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, knowledge, expertise and experience to enable the board to discharge its duties effectively.

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

7. The Board

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

- Sustainable long-term success through the exercise of objective and informed judgement in determining the strategy of the Company.
- Having the right team in place to execute the strategy through effective succession planning.
- Setting up appropriate governance structures for the management of the business operations.
- Monitoring business performance and maintaining an effective framework of controls to mitigate risks facing the business.
- Ensuring ethical behavior and compliance with the laws and regulations.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

7. The Board *(continued)*

- The Board is solely responsible for its agenda. It is, however, the responsibility of the Chairman and the Company Secretary, working closely with the Managing Director, to come up with the annual Board work plan and the agenda for the Board meetings.

8. The Board's Function and Responsibilities

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

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

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

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

9. The Board of Directors Duty of Trust

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

10. Director Independence

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

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

11. Separation of Roles and Responsibilities

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

12. Duties of the Chairman of the Board

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

The Chairman is a non-executive Director and is

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Duties of the Chairman of the Board
(continued)

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

The roles of the chair are as follows;

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

13. Duties of the Managing Director

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

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

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

14. Board Tenure of Office

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

Table 3
Directors Tenure of Office

Director	Date of Appointment to the Board	Date Last Re-Appointed
Edwin Otieno	28.03.2012	12.05.2022
Peter Nyigei	28.03.2012	13.05.2021
Nelson Kuria	01.12.2020	Retired 03.06.2022
Rose K. Mambo	06.10.2022	-
Eng. Jackson Mbui	05.09.2022	-
Joseph Gatuni	01.12.2020	-
Judith Oluoch	02.02.2016	Retired 12.05.2022
Patrick Nyaga	05.08.2020	-
Fredrick Ruoro**	04.01.2021	-

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

15. Director Appointment and Due Diligence

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

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Duties of the Chairman of the Board *(continued)*

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

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

16. Director Induction

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

17. Capacity building for the Board

All Directors are expected to continuously upskill in order to operate effectively. In relation to the governance guidelines on twelve (12) hours' annual board training, the Board has undertaken various trainings facilitated by management and industry professional bodies.

During the year under review, the board underwent comprehensive training by various specialists ranging from Corporate Governance and Board Effectiveness, Board maturity assessment, Environmental, Social, and Governance (ESG) New Insurance Industry trends, Digitization and Cyber Security threats. The Finance and Investment Committee members underwent a specialized training on finance for non-finance managers programme.

18. Conflict of Interest

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

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

We confirm that there were no business transactions with Directors or their related parties in the year ended 2022.

19. Code of Ethics and Conduct

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

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

20. Board Meetings

The Board meetings are aligned as per the approved Board Calendar. On the minimum, the Board meets

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

20. Board Meetings *(continued)*

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

21. Board and Committee Meetings held during the year

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

Table 4

			Audit and Risk		Finance and Investment		AGM
Directors	Board Meeting		Committee Meeting		Committee Meeting		12.5.22
	(a)	(b)	(a)	(b)	(a)	(b)	
Edwin Otieno – Chairman	4	4	*	*	4	4	✓
Peter Nyigei	4	4	*	*	4	4	✓
Judith Oluoch	4	1	*	*	4	1	✓
Joseph Gatuni	4	3	5	5	*	*	✓
Nelson Kuria	4	2	*	*	*	*	✓
Rose Karanja	4	1	*	*	4	1	
Eng. Jackson Mbui	4	1	5	1	*	*	
Rosemary Sakaja**	*	*	5	5	*	*	
Rachel Monyoncho**	*	*	5	1	*	*	
Patrick Nyaga	4	4	5	5	4	4	✓
Fredrick Ruoro	4	4	5	5	4	5	✓

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.

22. Secretary to the Board

Provides a central source of guidance and advice to the Board, and the company, on matters of statutory and regulatory compliance and good governance.

Provides guidance to the board and the Directors individually on how their responsibilities should be discharged in the best interest of the company including disclosure of corporate governance matters as required by law.

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

Maintains all minutes of Board meetings and the reports submitted and presented to the Board. In consultation with the Managing Director and the Chairman, ensures effective flow of information within the board and its committees and between senior management. This includes timely compilation and distribution of board papers and minutes, as well as communication of resolutions from board meetings. Keeping formal records of board discussions and following up on timely execution of agreed actions.

23. Board Committees

The Board has established two permanent standing committees to assist in the discharge of its duties and

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

23. Board Committees *(continued)*

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

As a general principle there is full disclosure, transparency and reporting of these committees to the Board. Each committee comprises a majority of non-executive Directors and an independent non-executive Director who play an important role.

The Committees mandates are reviewed annually. The Committees have mandate to invite third parties including consultants and executive management to provide opinions and expert or technical advice. The Committees meet at least quarterly or at such other times as the respective chairman of the committees may require.

The respective committee members are all satisfied that they have fulfilled their responsibilities as set out in their respective Terms of Reference.

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

24. Audit and Risk Committee

The purpose of the committee is mainly to provide a structured, systematic oversight of the institution's governance, risk management, and internal control practices. The committee assists the Board and management by providing advice and guidance on the adequacy of the institution's initiatives around values and ethics, governance structure, Risk management, internal control framework, oversight of the internal audit activity, external auditors, and other providers of assurance, financial statements and accountability reporting as per the Terms of Reference.

The Audit Committee oversees the external audit function. This includes reviewing and approving the external audit plan and engagement, and assessing the performance of the external auditor.

The Committee is chaired by an independent non-executive director. The Group Chief Executive Officer, Managing Director, Chief Internal Auditor, Risk and Compliance Manager, Finance Manager, Chief Finance Officer, Actuarial Manager and External Auditors are standing invitees to committee meetings. The Chief Internal Auditor is the secretary to this committee.

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

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

25. Finance and Investment Committee

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

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

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

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

26. Board Evaluation

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

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

26. Board Evaluation *(continued)*

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

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

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

An extensive board evaluation was undertaken, for the year 2022, by an independent consultant – the Leadership Group. The recommendations therein are in the process of being implemented in the course of 2023.

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

Board Maturity Self-Assessment revealed that a large majority at 83% of Board Members believe that the Board behavior reflects highest maturity level- type 4. Great progress has been made to address areas of concern highlighted in the 2021 board evaluation.

27. Board Remuneration

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

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

The Board of Directors however, are not eligible for pension scheme and do not participate in any of the company remuneration and compensation scheme. Details of the fees for the Directors paid in the financial year under review are set out in the financial statements, part of the annual report.

28. Risk Management Framework

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

28.1 Insurance Risk

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

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

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

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

28. Risk Management Framework *(continued)*

28.2 Operational Risk

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

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

28.3 Credit Risk

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

28.4. Investment Risk

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

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

29 Internal Control Functions.

The Board is collectively responsible for establishment and management of appropriate systems of internal control and for reviewing their effectiveness. The system of internal control in place has defined procedures with operations and financial controls to ensure that assets are safeguarded, transactions authorized and recorded properly, and that material errors and irregularities are either prevented or detected within a reasonable period of time.

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

30. Risk & Compliance Function

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

31. Internal Audit Function

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

32. The Actuarial Function

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

The areas requiring actuarial support consist of two main functions: (i) the reserving function, which ensures the Company is adequately reserved to face its future liabilities; (ii) the pricing function, which helps assess and drive the profitability of the business in a strategic manner.

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

The statutory actuary of the company is Actuarial Services Company (Acterve) Limited who in line with the guidelines, annually produce a Financial Condition Report (FCR) for each financial year in accordance with the guidelines on actuarial function for insurance and reinsurance companies, 2013 and generally accepted actuarial principles.

33. External Auditor

In the financial year under review, the Board engaged the firm of PriceWaterhouseCoopers (PWC), a qualified, independent external auditor for the accurate reporting of the Insurer's financial statements. The shareholders at the Annual General Meeting of the Company held on 12th May 2022 approved the re-appointment of PriceWaterhouseCoopers (PWC) as the external auditors for the year 2022, on the recommendation of the Board of Directors

34. Disclosure

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

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

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 2022, the Company was not subject to any material regulatory penalties for non-compliances with regulatory provisions.

35. Shareholder Relations

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

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

36. Whistle Blowing

The Company does not tolerate fraud, corrupt conduct, bribery, unethical behaviour, legal or regulatory non-compliance or questionable accounting or auditing by employees, Directors, customers and contractors. The

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

36. Whistle Blowing *(continued)*

Company is committed to a culture that encourages all people to speak up about issues or conduct that concerns them. The Company's whistle-blower policy encourages the reporting of any wrongdoing in a way that protects and supports whistleblowers. The policy provides confidential and anonymous communication channels to raise concerns. The confidential and anonymous communications channels are supported and monitored independently and the contacts are on our website.

37. Governance Audit

In line with modern good corporate governance practices and regulatory requirements, the Board appointed Umsinzi LLP to conduct the Company's governance audit for the year ended 2021- 2022, who issued an unqualified report. The audit confirmed that the Board has put in place a sound governance framework, which is in compliance with the legal and regulatory framework and in line with global best governance practices for the interest of all stakeholders.

38. Legal and Compliance Audit

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

39. ESG and Board of Directors Responsibilities.

Global trends in assessment of corporate performance indicate a shift in focus from a one-dimensional view focusing on just financial performance to a more wholistic view on both financial and non-financial performance. The modern investors in the capital markets and other stakeholders are more discerning and increasingly looking for more comprehensive information from companies – and not just around financial performance, but also on governance and societal issue in Environmental, Social and Governance ("ESG") matters. The COVID-19 pandemic, global environmental and social crises, the transition to renewables and the renewed focus on human rights has intensified the need and drive for ESG integration by corporates stakeholders. To this end, an ESG Committee has been instituted to look into the operationalization and implementation of the ESG related objectives.

40. Going Concern

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

41. Share-holding Structure

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

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

The shareholding structure of the company is as follows:

SHAREHOLDER	NO. OF SHARES	%
CIC Insurance Group Plc	85,000,000	100

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

14 March 2023

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors submit their report together with the audited financial statements of CIC General Insurance Limited "the Company" for the year ended 31 December 2022, 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 2.

2. DIRECTORATE

The directors who held office during the year and to the date of this report are set out on page 2.

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

	2022	2021
Net earned premiums (Shs millions)	10,266	8,805
Loss ratio (net benefits and claims expense/net earned premiums) %	66%	66%
Profit before income tax (Shs millions)	872	644
Total comprehensive income for the year (Shs millions)	184	404
Return on assets (profit before tax/total assets) %	5%	5%
Earnings per share (profit for the year/ordinary share capital) Shs	3.99	5.46

5. DIVIDENDS

A final dividend of Kshs 170 million in respect of the year ended 31 December 2021 was paid during the year.

The directors recommend the payment of a first and final dividend of Kshs. 1.76 per share amounting to Kshs. 150 million in respect of the year ended 31 December 2022 (2021 – Kshs. 170M)

6. BUSINESS REVIEW

ECONOMIC AND BUSINESS ENVIRONMENT IN 2022

The economy grew by 4.7% in Q3'22; down from 9.9% in Q3'21. Services sector continued to perform strongly; particularly trade (+9.1%), accommodation & food services (+22.9%) and professional, administrative & support services (+8.7%). Agriculture, a key growth sector, continued to underperform (-0.6%) as unfavourable weather conditions and higher input costs weighed in on low production. Presently, developed nations i.e US, China, UK, and EU macro indicators hang in the balance with projections of a slip into a recession by some economies. This could resultantly have a negative ripple effect to Kenya as

REPORT OF THE DIRECTORS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

6. BUSINESS REVIEW *(continued)*
ECONOMIC AND BUSINESS ENVIRONMENT IN 2022 *(continued)*

we have several trading relations with the big nations aside from our external debt in foreign currency. World Bank projects our GDP to average 5% in 2023-24 largely boosted by private investments; we are less optimistic due to the current elevated inflation and debt distress concerns.

The Monetary Policy Committee (MPC) raised the base rate from 8.25% to 8.75 % in Nov'22; a cumulative rise of 1.75% in 2022. The Central Bank Rate hikes' intention have been to taper inflation and manage the KES depreciation against major currencies. Short term rates maintained an upward trajectory in Q4 with the 91,182 and 364 bills closing at 9.4%, 9.8% and 10.3% respectively. In Jan'23, the MPC retained the base rate at 8.75% due to softer inflation dynamics. Despite this, we foresee CBK maintaining a tight policy stance in the medium term to anchor headline inflation which is above their upper target band of 7.5%. We have seen interest rates edge upwards in Q1'23 and we expect this situation to hold heading into Q2'23 as the government leans on aggressive domestic borrowing to plug its deficit gap.

Headline inflation increased to an average 9.4% in Q4'22 from 8.7% in Q3'22. This was largely driven by supply side factors that exerted upward pressure on food and energy prices. The uptick in the cost of living reduces the purchasing power of households and subsequently lower savings and investments to the economy. Jan'23 inflation came in at 8.98%; slowing slightly from Q4'22. We expect domestic price pressures will persist as the current administration is keen to phase out consumption subsidies that will see increases in prices of fuel and electricity.

The shilling lost substantial value against the USD in 2022 (-9.04%). It exchanged at Ksh 123.37 per USD on 31 Dec, having lost 2% in Q4'22. Lower foreign funding amid a faster growth in imports weakened the KES. The fed rate hikes increased demand for hard currency leading to wider forex spreads. Kenya's reserves were adequate as at end of Q4'22, but this was largely tied to a boost of IMF funding. However, year-to-date the reserves have thinned to below CBK's comfort of 4 months import cover, leaving the country in a vulnerable position. Globally, signs are clear that currency weakness will overwhelm many policymakers across markets. A weaker shilling is detrimental to Kenya as it increases the cost of financing foreign debt.

Despite improved corporate performance in 2022, prices of listed stocks have had muted movements due to prevailing tough macro conditions and the un-abating foreign investor sell-offs. Rate hikes in the advanced markets, global inflation pressures and a rationing of hard currency in Kenya have not helped the cause. Q4'22 saw the downward trend resume with NASI & NSE-20 declining by 0.7% and 2.4% respectively. Significant local investor support helped hold the market from slipping further. Year to date, the market continues to exhibit weakness with both the NASI & NSE-20 down. We expect this position to reverse in the short term heading to Q2'23 as the earnings release season spurs market interest with investors keen to lock in dividends on their holding positions.

THE COMPANY'S PERFORMANCE FOR THE YEAR ENDED 31ST DECEMBER 2022

In the period under review CIC General insurance reported 21% growth on gross written premium. This was because of new business acquisitions during the year and repricing of motor risks. The profit before income tax grew by 35% from prior year to close at Kshs. 872M. This was largely attributed to growth in net earned premium in line with growth in gross written premium and improved investment income. The total operating expenses increased in line with the growth in business. In addition, impairment charge of Kshs. 420 million on both insurance and reinsurance receivables was recognised in the year arising from increase in bad and doubtful debts. Total assets increased by 15% from prior year largely due to growth in our investment portfolio during the year. Liabilities growth was consistent with business performance to ensure adequacy of reserves.

REPORT OF THE DIRECTORS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

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 DISCLOSURE TO THE COMPANY'S AUDITOR

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

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

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

9. TERMS OF APPOINTMENT OF THE AUDITOR

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

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

BY ORDER OF THE BOARD

Secretary

14 March 2023
Nairobi

REPORT OF THE CONSULTING ACTUARY
FOR THE YEAR ENDED 31 DECEMBER 2022

I have conducted an actuarial valuation of CIC General Insurance Limited as at 31 December 2022.

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 2022.

Name of Actuary Abed Mureithi

Signed ______________________

14 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 14 March 2023 and signed on its behalf by:

Edwin Otieno Joseph, OGW
Chairman

Fredrick Ruoro
Principal officer

Joseph Gatuni
Director

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of CIC General Insurance Limited (the Company) set out on pages 41 to 117 which comprise the statement of financial position at 31 December 2022, 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 significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of CIC General Insurance Limited as at 31 December 2022 and of its financial performance and its cashflows 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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pwc

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

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 used 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 2022, and performed projections 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 2022, the Company had gross insurance receivables amounting to Shs 1.9 billion and gross receivables arising out of reinsurance arrangements of Shs. 1 billion. This is a key audit matter because the assessment of the recoverability of insurance and reinsurance receivables involves significant judgement given	• 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.

pwc

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

Key Audit Matter	How our audit addressed the key audit matter
Valuation of receivables arising out of direct insurance arrangements and reinsurance arrangements *Contined)*	
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.	• Evaluated evidence supporting the expectations of cash flows that were applied in the impairment provision computations. • Tested mathematical accuracy of the impairment provisions computation. • Assessed the adequacy of the disclosures in the financial statements.valuation.

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.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Companies Act, 2015

In our opinion the information given in the report of the directors on pages 32 to 34 is consistent with the financial statements.

Richard Njoroge

FCPA Richard Njoroge, Practising certificate Number 1244
Engagement partner responsible for the audit
For and on behalf of PricewaterhouseCoopers LLP Certified Public Accountants
Nairobi

21 March 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs '000	2021 KShs '000
Gross written premiums	3 (a)	13,860,382	11,422,038
Gross earned premiums	3 (b)	12,931,984	11,250,072
Less: Reinsurance premiums ceded	3 (c)	(2,666,048)	(2,445,119)
Net earned premiums		10,265,936	8,804,953
Commission income	4 (a)	763,459	688,455
Interest revenue calculated using the effective interest method	5(a)	774,949	598,963
Other investment income	5(b)	171,747	156,516
Other net gains	6	77,763	124,844
Other revenue		1,787,918	1,568,778
Total revenue		12,053,854	10,373,731
Claims and policyholders' expenses			
Gross claims paid and loss adjustment expenses	7	(7,113,738)	(6,905,312)
Claims ceded to reinsurers	7	905,803	956,619
Gross change in insurance contract liabilities	7	(610,095)	138,886
Net benefits and claims expense		(6,818,030)	(5,809,807)
Commissions expenses	4 (b)	(1,613,704)	(1,398,764)
Operating and other expenses	8 (a)	(2,734,746)	(2,506,418)
Allowance for expected credit losses	8 (c)	(1,823)	(6,329)
Total claims and other expenses		(11,168,303)	(9,721,318)
Finance cost	10(b)	(13,808)	(8,855)
Total expenses		11,182,111	9,730,173
Profit before income tax		871,743	643,558
Income tax expense	9 (a)	(532,322)	(179,770)
Profit for the year		339,421	463,788
Other comprehensive income/(loss)			
Items 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	(221,822)	(96,692)
Deferred tax on the fair value loss	13	66,547	36,153
Other comprehensive income that will not be reclassified to profit or loss in subsequent years net of tax			
Fair value (loss)/gain on equity instruments designated at fair value through other comprehensive income, net of tax	18	(426)	639
Other comprehensive loss for the year		(155,701)	(59,900)
Total comprehensive income for the year		183,720	403,888

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 KShs '000	2021 KShs '000
ASSETS			
Property and equipment	10 (a)	305,164	306,964
Right of use assets	10 (b)	106,674	53,835
Investment properties	11	1,602,000	1,602,000
Intangible assets	12	85,012	110,832
Deferred tax asset	13	431,549	507,618
Financial assets at amortised cost- corporate bonds	14	6,319	-
Financial assets at amortised cost- government securities	15	1,307,699	755,048
Financial assets at amortised cost-loans receivable	16	24,766	29,814
Financial assets at fair value through other comprehensive income-government securities	17	4,780,268	3,216,981
Financial assets at amortised cost- deposits and commercial papers	20	10,103	10,500
Financial assets at fair value through other comprehensive income-unquoted equity investment	18	15,337	15,763
Financial assets at fair value through profit or loss-quoted equity instruments	19	314,618	373,273
Investments in collective investment schemes at fair value through profit or loss	21	241,027	687,101
Receivables arising out of direct insurance arrangements	22 (a)	1,594,920	984,504
Receivables arising out of reinsurance arrangements	22 (b)	480,014	860,709
Reinsurers share of Insurance liabilities and reserves	23	1,833,183	1,545,376
Deferred acquisition costs	24	590,802	497,657
Other receivables	25	43,215	39,376
Due from related parties	26 (b)	135,387	29,337
Deposits with financial institutions	27	1,808,625	2,046,258
Cash and cash equivalents	34(b)	177,468	96,701
TOTAL ASSETS		15,894,150	13,769,647
EQUITY AND LIABILITIES			
Equity			
Share capital	29	1,700,000	1,700,000
Fair value reserve		(327,531)	(171,830)
Retained earnings		2,321,206	2,151,785
Total equity		3,693,675	3,679,955
Liabilities			
Insurance contracts liabilities	31	5,711,149	5,101,054
Unearned premiums reserve	32	5,007,266	4,078,867
Payables arising from reinsurance arrangements	22 (c)	611,981	211,355
Other payables	33	662,034	496,237
Lease liabilities	10 (b)	125,514	66,131
Due to related party	26 (b)	36,623	26,836
Current income tax	9(c)	45,908	109,212
Total liabilities		12,200,475	10,089,692
TOTAL EQUITY AND LIABILITIES		15,894,150	13,769,647

The financial statements on pages 41 to 117 were approved by the Board of Directors on 14 March 2023 and signed on its behalf by:

Edwin Otieno Joseph, OGW
Chairman

Fredrick Ruoro
Principal officer

Joseph Gatuni
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	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 2021	1,700,000	(111,930)	2,635,128	4,223,198
Total comprehensive income				
Profit for the year	-	-	463,788	463,788
Other comprehensive income for the year	-	(59,900)	-	(59,900)
Total comprehensive income for the year	-	(59,900)	463,788	403,888
Transaction with owners				
Dividends paid	-	-	(947,131)	(947,131)
At 31 December 2021	1,700,000	(171,830)	2,151,785	3,679,955
At 1 January 2022	1,700,000	(171,830)	2,151,785	3,679,955
Total comprehensive income				
Profit for the year	-	-	339,421	339,421
Other comprehensive loss for the year	-	(155,701)	-	(155,701)
Total comprehensive income for the year	-	(155,701)	339,421	183,720
Transaction with owners				
Dividends paid	-	-	(170,000)	(170,000)
At 31 December 2022	1,700,000	(327,531)	2,321,206	3,693,675

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs '000	2021 KShs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34 (a)	1,508,930	1,403,438
Income tax paid	9 (c)	(453,010)	(128,814)
Interest received	5(a)	775,984	597,409
Dividend income	5	27,782	16,637
Proceeds from maturity of corporate bonds	14	-	31,200
Purchase of corporate bonds	14	(6,100)	
Mortgage loans repaid	16	-	2,082
Purchase of government securities at fair value through OCI	17	(1,783,500)	(645,000)
Proceeds of maturity of government securities at amortised cost	15	220,000	-
Purchase of government securities at amortised cost	15	(735,586)	-
Proceeds from disposal of quoted equity investments at fair value through profit or loss	19	24,485	25,951
Cash inflow/(outflow) from investment in fixed deposits		365,168	5,333
Additions to investment in collective investment schemes	21	(883,060)	(1,378,353)
Maturities on investment in collective investment schemes	21	1,382,000	1,406,000
Payment of interest portion of the lease liability		(13,808)	(8,855)
Net cash generated from operating activities		429,285	1,327,028
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	10	(20,248)	(31,647)
Purchase of intangible assets	12	(3,434)	(17,992)
Net cash from investing activities		(23,682)	(49,639)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	35	(170,000)	(947,131)
Payment of principal portion of lease liability		(27,301)	(27,500)
Increase in net intercompany loan receivable		-	-
Net cash from financing activities		(197,301)	(974,631)
INCREASE IN CASH AND CASH EQUIVALENTS		208,302	302,758
CASH AND CASH EQUIVALENTS AT 1 JANUARY		699,392	396,634
CASH AND CASH EQUIVALENT AT 31 DECEMBER	34 (b)	907,694	699,392

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

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, except as otherwise stated in the accounting policies. 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.

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

The table below provides a summary of (i) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2022 (i.e years ending 31 December 2022), and ii) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2023.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards *(continued)*

(i) New standards and amendments – applicable 1 January 2022

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2022:

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 *
Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity	The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.	On or after 1 January 2022

* 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 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards *(continued)*

(ii) Forthcoming requirements

As at 31 December 2022, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2022.

IFRS 17 Insurance Contracts

Oversight

IFRS 17 Steering Committee (Steer-co) exists comprising of Senior Management derived from all functional areas of the company that are impacted by IFRS 17 project. The Senior Management is assembled from Finance, Actuarial, ICT, Operations, Risk and Compliance and Internal Audit. The steering committee provides leadership and guidance on critical judgement areas as well as monitoring and overseeing the overall direction of the project. The Steering Committee reports to the Board Audit Committee on a regular basis.

There is an IFRS 17 project team which was put in place during the year 2022. The project team is responsible for the actual work on the IFRS 17 project. The project team endeavors to remain up to date, and closely monitors, all technical developments from the International Accounting Standards Board and the industry to evaluate the effects of such developments.

The Journey

The IFRS 17 implementation project involves the following key stages;

1. Development of the accounting policy framework
2. Methodology specifications
3. Project resourcing
4. Acquisition of IFRS 17 engine
5. Live build up
6. Dry runs
7. Financial impact analysis
8. User acceptance testing
9. Parallel runs
10. Go live
11. Development of revised financial reporting, management reporting and budgeting templates.
12. Development of new Key Performance Indicators (KPIs)

The IFRS 17 journey started in year 2021 with the hiring of the implementation partner. Various preliminary works were undertaken by the implementation partner with support from the various business units such as:

i). Training on the technical guidance papers on various IFRS 17 standard requirements such as Separation and Combination, measurement models, level of aggregation, modification and derecognition, expense classification and allocation, contract boundary, risk adjustment, discount rate, Contractual Service Margin, Coverage Units, Reinsurance, Transition and presentation and disclosures.

ii). Training on methodology specifications – e.g. product components separation, combination and modification, level of aggregation, measurement models, contract boundary, expense classification and allocation.

Subsequently the IFRS 17 project team was formed to spearhead the live build up of the IFRS 17 project. The following activities have been undertaken by the project team:

i). Shortlisting and selection of IFRS 17 engine vendor.
ii). Layout of the projected project plan.
iii). Planning and facilitating the acquisition of the supporting ICT infrastructure
iv). Development of the technical guidance papers and methodology specifications

The project is now in the live build up stage. This stage involves workflow and controls

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

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

definition; chart of accounts update; data collection and analysis; and the population of standard master data templates in accordance

with IFRS 17 engine requirements.

The project will then evolve into the other stages as enumerated above.

Measurement models

IFRS 17 consists of 3 measurement models, namely General Measurement Model (GMM), Premium Allocation Approach (PAA) and Variable Fee Approach (VFA).

Under IFRS 17, measurement is not carried out at the level of individual contracts, but on the basis of groups of contracts. To allocate individual insurance contracts to groups of contracts, we classified portfolios based on their risk profile and nature of management. Portfolios where contracts have similar risks and which have similar management were grouped together. These portfolios were then subdivided into groups of contracts on the basis of profitability and annual cohorts.

The portfolios were then classified into the 3 measurement models as indicated below.

General Measurement Model

The general measurement model, also known as the building block approach, consists of the fulfilment cash flows and the contractual service margin.

Premium Allocation Approach

All products for which coverage period is one year or less qualifies automatically for PAA in line with the standard.

This will apply for all general business products.

Some of the general business product lines e.g. engineering, fire and marine include contracts with coverage period greater than one year. However, since there is no material difference in the measurement of the liability for remaining coverage between PAA and the general measurement model, these contracts also qualify for PAA.

Liability for incurred claims

The measurement of the liability for incurred claims is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates for the liability for incurred claims. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts.

Reinsurance contracts held

The Company applies the premium allocation approach (PAA) to all the reinsurance contracts that it holds as the coverage period is one year with 3 months' notice for cancellation.

Revenue recognition

Insurance revenue and the related insurance service expenses are recognised in the statement of profit or loss and other comprehensive income based on the concept of services provided during the period. The standard requires losses to be recognised immediately on contracts that are expected to be onerous. For insurance contracts measured under the PAA, it is assumed that contracts are not onerous at initial recognition, unless facts and circumstances indicate otherwise. The Group's focus is to grow a profitable and sustainable business and does not anticipate the recognition of onerous contracts except

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards *(continued)*

where the following have been identified:

- Relevant pricing decisions.
- Initial stages of a new business acquired where the underlying contracts are onerous.
- Any other strategic decisions the board considers appropriate.

Accounting policy choices

Title	IFRS 17 options	Adopted approach
Insurance acquisition cash flows	Provided that the coverage period of each contract in the group at initial recognition is no more than one year, IFRS 17 allows an accounting policy choice of either expensing the insurance acquisition cash flows when incurred or amortising them over the contract's coverage period.	Insurance acquisition cashflows will be expensed when incurred except for commission expense which will be amortised on a linear basis over the coverage period.
Liability for Remaining Coverage ("LRC") adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.	Under the PAA approach there will be no accretion of interest to the LRC since the time between providing each part of the services and the related premium due date is no more than a year. Interest will however be accreted to the LRC under the GMM model due to the long term nature of the contracts under this model.
Liability for Incurred Claims ("LIC") adjusted for time value of money.	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	Medical claims incurred are expected to be paid out in less than one year. Hence, no adjustment is made for the time value of money. For all other business lines, the LIC will be adjusted for the time value of money since these typically have a settlement period of over one year.
Insurance finance income and expenses	IFRS 17 provides an accounting policy choice to recognise the impact of changes in discount rates and other financial variables in profit or loss or in OCI. The accounting policy choice (the PL or OCI option) is applied on a portfolio basis.	The Company will include all insurance finance income or expenses for the period in profit or loss.
Disaggregation of risk adjustment	An insurer is not required to include the entire change in the risk adjustment for non-financial risk in the insurance service result. Instead, it can choose to split the amount between the insurance service result and insurance finance income or expenses.	The Company will disaggregate the change in risk adjustment for non-financial risk between the insurance service result and the insurance finance result.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards *(continued)*

Areas of significant judgements

The following are key judgements and estimates which the Company expects to apply as a result of IFRS 17:

Discount rates

The bottom-up approach will be used to derive the discount rate. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free rate was derived using government bonds yield curve available in the market denominated in the same currency as the product being measured. Management uses judgement to assess liquidity characteristics of the liability cash flows.

Risk adjustment

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

Transition

On the date of initial application i.e., 1 January 2022, IFRS 17 should be applied retrospectively. Where the full retrospective approach is impracticable, IFRS 17 allows for alternative transition methods.

The Company has adopted the following approach with respect to transition.

Under GMM, the Company has determined that reasonable and supportable information is available for all contracts in force at the transition date that were issued with effect from 1 January 2015. A full retrospective approach will therefore be adopted for all portfolios of contracts issued from 2015 up to the transition date of 1 January 2022 and that qualify for GMM as indicated elsewhere in this disclosure note. The contracts will be grouped into annual cohorts and data transformation will be done on annual roll over basis using estimates and assumptions that would have been applicable retrospectively if IFRS 17 had always existed in each of those reporting periods. Fair value approach will be used for contracts that are older than 2015.

Under PAA only current and prospective information is required to reflect circumstances at the transition date. In light of this, no retrospective work will be done.

Impairment of insurance and reinsurance receivables

The Company deferred the application of IFRS 9 on the impairment of direct insurance receivables and reinsurance receivables pending the implementation of IFRS 17. Effective 1 January 2023 the Company has adopted the IFRS 9 for assessing impairment of its direct insurance receivables and reinsurance receivables. Since the receivables in question are generally short term in nature and have no financing component, the effect of discounting (if any) would not be material and therefore the Group has elected to use the simplified approach permitted under IFRS 9.

In developing the simplified approach model, the Company has developed a provisional

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

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

matrix by tracking historical receivables balances over the last 5 years disaggregated based on credit risk characteristics and further by geographical segments. The receivables are divided further into delinquency categories i.e 0 to 30 days, 31 – 60 days, 61 – 90 days, 91 – 120 days, 121 – 360 days and over 360 days.

Using the 5 year historical information, the rates at which debtors move into a write of category as time passes was determined for each delinquency category and the risk based life time ECL ratios calculated in accordance with IFRS 9 requirements.

The model will also include forward-looking estimate. This forward-looking estimate is not static and will be evaluated at the end of each reporting period considering changes in macro-economic conditions that impact the ability and continuation of debtors to pay.

Financial impact on transition to IFRS 17

As noted elsewhere in this note, the Company is at the live build up stage of the IFRS 17 model at the time of presentation of these financial statements. Once the live build up is done the systems dry run will be done and subsequently the financial impact analysis. We are therefore not able to reliably provide any financial impact analysis data at this point of the IFRS 17 project.

Impact on presentation and disclosures on transition to IFRS 17

In the statement of financial position, deferred acquisition costs and insurance related receivables will no longer be presented separately but as part of the insurance liabilities. This change in presentation will lead to a reduction in total assets of the Company, offset by a reduction in total liabilities.

The amounts presented in the statement of financial performance (statement of profit or loss and other comprehensive income) will be disaggregated into an insurance service result, consisting of the insurance revenue and the insurance service expenses, and insurance finance income and expenses. Income or expenses from reinsurance contracts held will be presented separately from the expenses or income from insurance contracts issued.

The presentation of the income statement will change as follows:

1. Insurance revenue
2. Insurance service expense
3. Net expense from reinsurance contracts held
4. **Insurance service results**
5. Interest revenue from financial assets not measured at FVTPL
6. Net change in investment contract liabilities
7. Net credit impairment losses
8. Net investment income
9. Finance expenses from insurance contracts issued
10. Finance income from reinsurance contracts held
11. **Net insurance finance expenses**
12. Other finance costs
13. **Other operating costs**
14. Profit before income tax

IFRS 17 has introduced additional disclosures which would need to be provided.

The Company will be required to provide disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts issued and reinsurance contracts held within the scope of IFRS 17;
- Significant judgements, and changes in those judgements, when applying the standard; and
- The nature and extent of the risks from contracts within the scope of the standard.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards *(continued)*

The other forthcoming requirements which are not expected to have a significant impact on the Company's financial statements are set out below:

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 2023
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 2023
Annual Improvements to IFRS Standards 2018–2020	These amendments include minor changes to: iFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value	On or after 1 January 2023

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards *(continued)*

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.	1 January 2023

(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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(c) Revenue recognition *(continued)*

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.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(c) Revenue recognition *(continued)*

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.

(d) 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 recoveries on claims paid are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

(e) 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.

(f) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(f) Deferred acquisition costs *(continued)*

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.

(g) 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.

(h) 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.

(i) 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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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 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.

Premium taxes

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

- when the premium tax incurred on a purchase of services is not recoverable from the taxation authority, in which case the premium tax is recognized as part of the expense item , or

- receivables and payables that are measured with the amount of premium tax included.

Premium tax and statutory levies are recognised in the statement of profit or loss as they represent premium taxes not recoverable from taxation authorities.

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.

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

(j) 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 2022.

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. 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.

(k) 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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(k) Investment properties *(continued)*

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.

(l) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the company are recognised as intangible assets.

The useful lives of intangible assets are assessed as either finite or indefinite. The company does not have assets with indefinite life and hence the amortisation is calculated using the straight-line method to write down the cost of each licence or item of software over its estimated useful life (four years).

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Accounting for leases

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

Company acting as a lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used. The incremental borrowing rate is the internal cost of debt determined as the risk free borrowing rate adjusted for country premium.

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

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

(n) 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.

(o) 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.

(p) 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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(p) Impairment of non-financial assets *(continued)*

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 statement of profit or loss.

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.

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.

(r) 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.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(r) Insurance liabilities *(continued)*

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.

(s) 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.

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

For fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above Fair value related disclosures have been made in note 39.

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

(t) 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

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 bank balances, other receivables, fixed deposit, deposits and commercial paper, government securities, staff

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

(t) Financial instruments *(continued)*

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.

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. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(t) Financial instruments *(continued)*

De recognition other than for substantial modification

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

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

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 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(t) Financial instruments *(continued)*

The calculation of ECLs

The Company uses the following formula to calculate ECL:

ECL=PD*EAD*LGD

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).

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
(t) Financial instruments (continued)

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 or payables.

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

Other payables

After initial recognition, payables are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

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

De-recognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if there is a

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(t) Financial instruments *(continued)*

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.

(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 in 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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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. The main assumption underlying the provisions for premium and reinsurance debtors is that past collection history of the Company can be used to project the future collection.

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.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

3. PREMIUMS

	2022 KShs '000	2021 KShs '000
(a) Gross written premiums		
Medical	5,858,412	4,229,668
Motor	4,359,698	3,662,521
Fire	1,056,145	919,396
Engineering	235,099	393,719
Personal accident	209,231	196,391
Theft	594,002	688,726
Miscellaneous accident	184,289	178,708
Marine	95,701	69,613
Liability	94,160	99,012
Workmen compensation	1,163,802	983,285
Micro Solutions	9,843	999
Total Gross Written Premium	13,860,382	11,422,038
(b) Gross earned premiums		
Medical	5,332,800	4,153,276
Motor	4,009,777	3,740,783
Fire	969,755	879,003
Engineering	323,929	395,308
Personal accident	207,957	199,764
Theft	573,182	689,015
Miscellaneous accident	173,059	177,612
Liability	100,130	95,865
Marine	86,492	69,602
Workmen compensation	1,148,158	848,061
Micro Solutions	6,745	1,783
Total gross earned premium	12,931,984	11,250,072
Reconciliation of gross written premiums and gross earned premiums		
Gross written premium	13,860,382	11,422,038
Movement in Unearned Premium Reserve (note 32)	(928,398)	(171,966)
Gross earned premiums	12,931,984	11,250,072

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

3. PREMIUMS *(continued)*

(c) Reinsurance premium ceded

2022	Gross earned premium KShs'000	Reinsurance premiums KShs'000	Net earned premium KShs'000
Medical	5,332,800	170,430	5,162,370
Motor	4,009,777	249,596	3,760,181
Fire	969,755	687,630	282,125
Engineering	323,929	219,713	104,216
Personal accident	207,957	92,493	115,464
Theft	573,182	261,859	311,323
Miscellaneous accident	173,059	141,126	31,933
Liability	100,130	27,686	72,444
Marine	86,492	44,696	41,796
Workmen compensation	1,148,158	770,804	377,354
Micro - solutions	6,745	15	6,730
Total	12,931,984	2,666,048	10,265,936
2021			
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 comp	848,061	399,312	448,749
Micro Solutions	1,783	-	1,783
Total	11,250,072	2,445,119	8,804,953

4. (a) COMMISSION INCOME

	2022 KShs '000	2021 KShs '000
Engineering	38,373	107,944
Fire	260,856	212,673
Liability	5,600	6,985
Marine	19,447	5,269
Miscellaneous	116,089	93,130
Personal accident	23,721	21,653
Theft	69,427	124,115
Workmen's compensation	229,946	116,686
	763,459	688,455

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

4. (a) COMMISSION INCOME *(continued)*

(b) COMMISSIONS EXPENSE

	2022 KShs '000	2021 KShs '000
Engineering	72,879	57,848
Fire	231,502	209,380
Liability	18,175	16,886
Medical	515,966	397,889
Motor	374,946	355,195
Marine	20,024	14,290
Miscellaneous	15,948	20,679
Theft	96,935	123,494
Personal accident	39,270	37,048
Workmen's compensation	228,059	166,055
	1,613,704	1,398,764

5. INVESTMENT INCOME

(a) Interest revenue calculated using the effective interest method

	2022 KShs '000	2021 KShs '000
Interest on financial assets at amortised cost – Government securities	102,198	88,568
Interest on financial assets at amortised cost - corporate bonds	251	(1,049)
Interest on bank deposits	153,102	152,495
Discount on government securities classified at amortised cost	(688)	-
Interest on financial assets at fair value through other comprehensive income – Government securities	488,321	355,722
Interest on staff loan receivables	2,429	3,227
Interest on treasury bills	29,336	-
	774,949	598,963

(b) Other investment income

	2022 KShs '000	2021 KShs '000
Rental income from investment properties	143,965	139,879
Dividend income	27,782	16,637
	171,747	156,516
Total investment income	946,696	755,479

6. OTHER NET GAINS

	2019 KShs '000	2018 KShs '000
Fair value (loss)/gain on quoted equity investments at fair value through profit or loss (note 19)	(34,170)	24,055
Fair value gain on investments in collective investment schemes (note 21)	52,866	77,197
Medical administration fees	10,084	9,222
Miscellaneous income*	48,983	14,370
Other net gains	77,763	124,844

*Miscellaneous income includes sale of scraps and admin income fee from reinsurance arrangements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

7. CLAIMS AND LOSS ADJUSTMENT EXPENSES

	2022 KShs '000	2021 KShs '000
Gross claims and benefits paid	(7,113,738)	(6,905,312)
Claims ceded to reinsurers	905,803	956,619
Gross change in insurance contract liabilities	(610,095)	138,886
	6,818,030	5,809,807

The claims were majorly attributed to motor private and motor commercial at 41 % (2021:47%) and medical claims at 51% (2021:43%) of the total claims of the company.

2022

	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	3,646,139	256,665	(79,948)	3,822,856
Motor	2,888,121	83,586	(375,426)	2,596,281
Fire	184,066	203,265	(236,742)	150,589
Engineering	98,092	205,614	(156,666)	147,040
Personal accident	61,331	(5,604)	(20,877)	34,850
Theft	46,739	(52,744)	(809)	(6,814)
Miscellaneous accident	37,226	20,573	(53,428)	4,371
Liability	79,758	(181,752)	58,671	(43,323)
Marine	17,113	16,405	(8,081)	25,437
Workmen compensation	53,563	64,087	(31,274)	86,376
Micro - Solutions	1,590	-	(1,223)	367
Total	7,113,738	610,095	(905,803)	6,818,030

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

8. (a) OPERATING AND OTHER EXPENSES

	2022 KShs '000	2021 KShs '000
Staff costs (note 8 (b))	1,167,588	1,018,054
Auditor's remuneration	7,046	5,650
Directors' fees (Note 26 (e))	24,346	23,907
Directors' emoluments	25,308	27,324
Depreciation of property and equipment (note 10 (a))	22,048	40,956
Amortisation on the right of use (note 10 (b))	33,845	26,618
Amortisation of intangible assets (note 12)	29,254	4,439
Provision for impairment on insurance receivables (Note 22 (a))	119,771	183,131
Provision for impairment on reinsurance receivables (Note 22 (b))	300,229	262,401
Premium tax	138,711	114,278
Staff welfare	181,301	174,574
Utilities	148,631	162,357
Printing and stationery	35,484	28,079
Sales promotion	14,628	3,264
Business advertising and promotion	249,694	230,402
Professional fees	179,574	131,806
Statutory returns	34,653	28,553
Write off of staff loans receivable	-	17,690
Other expenses*	22,635	22,935
	2,734,746	2,506,418

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

(b) STAFF COSTS

Staff costs include the following:	2022 KShs '000	2021 KShs '000
- Salaries	1,048,612	947,154
- Pension costs	60,142	58,184
- Bonus pay	45,268	-
- Leave pay	13,566	12,716
	1,167,588	1,018,054

The average number of employees during the year was 338 (2021: 327)

(c) Allowance for expected credit losses:

	2022 KShs '000	2021 KShs '000
- Corporate bonds – 38 (b)	32	(115)
- Deposit and commercial papers - 38 (b)	(2)	(3)
- Deposit with financial institutions - 38 (b)	(1,682)	1,967
- Due from related party - 38 (b)	426	(3,642)
- Loan receivables - 38 (b)	4,624	(1,703)
- Other receivables - 38 (b)	(43)	6,207
- Government Securities at amortised cost- Treasury Bonds- 38 (b)	276	378
- Government Securities at FVOCI - 38 (b)	(1,609)	1,609
- Cash and bank	(199)	1,631
	1,823	6,329

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

9. INCOME TAX EXPENSE

	2022 KShs '000	2021 KShs '000
(a) Income tax expense		
Current income tax	389,706	389,706
Deferred income tax (note 13)	142,616	142,616
	532,322	532,322

(b) Reconciliation of income tax expense to tax on accounting profit		
Profit before income tax	871,743	871,743

Tax calculated at a tax rate of 30% (2021: 30%)	261,523	261,523
Tax effect of expenses not deductible for tax*	22,581	22,581
Tax effect of income not subject for tax**	(24,194)	(24,194)
Tax effect on bad debts written off	272,412	272,412
Taxation charge for the year	532,322	532,322

*Expenses not deductible for tax purposes mainly relate to 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 61% (2021: 22%).

The applicable tax rate during the year was 30% (2021: 30%) as per the Tax Laws of Kenya.

(c) Current income tax	2019 KShs '000	2018 KShs '000
At 1 January	109,212	(74,450)
Current income tax	389,706	312,476
Paid during the year	(453,010)	(128,814)
Current income tax	45,908	109,212

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

10. 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 2022	234,000	2,268	108,219	498,173	842,660
Additions	-	5,207	3,596	11,445	20,248
At 31 DECEMBER 2022	234,000	7,475	111,815	509,618	862,908
ACCUMULATED DEPRECIATION					
At 1 January 2022	-	2,198	93,116	440,382	535,696
Charge for the year	-	824	6,083	15,141	22,048
At 31 DECEMBER 2022	-	3,022	99,199	455,523	557,744
CARRYING AMOUNT					
At 31 DECEMBER 2022	234,000	4,453	12,616	54,095	305,164
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

The valuation of building was conducted by an independent valuers Crystal Valuers Limited for the year ended 31 December 2022. 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 fair value 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 2022

10. (b) LEASES

The Company's leases comprise 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.

	2022 KShs '000	2021 KShs'000
Right of use asset		
At start of the year	53,835	76,403
Additions	92,745	4,050
Lease remeasurement	(6,061)	-
Amortisation charge	(33,845)	(26,618)
At end of year	106,674	53,835
Lease liability		
At start of the year	66,131	89,581
Additions	92,745	4,050
Accretion of interest	13,808	8,855
Payment of interest	(13,808)	(8,855)
Payment of principal portion of lease liabilities	(27,301)	(27,500)
Lease remeasurement	(6,061)	-
At end of year	125,514	66,131

Amounts recognised in profit or loss	2022 KShs '000	2021 KShs'000
Interest on lease liabilities	13,808	8,855
Amortisation of right of use assets	33,845	26,618
Amounts recognised in cash flows:		
Payment of principal portion of lease liabilities	27,301	27,500
Payment of interest on lease liability	13,808	8,855
Total cash outflow for leases	41,109	36,355

Lease liability maturity analysis – undiscounted basis

2022	Due on demand KShs '000	Due within 3 months KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Due after 5 years KShs '000	Total KShs '000
Lease liabilities	-	9,273	28,441	128,860	-	166,574
2021						
Lease liabilities	-	9,154	15,640	48,827	3,080	73,624

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

11. INVESTMENT PROPERTIES

	CIC Plaza II KShs'000	Kajiado Land KShs'000	TOTAL KShs'000
2021			
At 1 January and 31 December	936,000	666,000	1,602,000
2022			
At 1 January and 31 December	936,000	666,000	1,602,000

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

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

CIC Plaza II was revalued on 31 December 2022 by registered valuers, Crystal Valuers Limited, based on 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:

Valuation technique	Significant unobservable Inputs	2022 KShs'000 Average	2021 KShs'000 Average
Capitalized rent income	Net annual rent	143,965	139,879
(year purchase) method	Annual rent growth rate	3%	8%
	Discounting rate	13%	13%

Considering the physical economic parameters in the country and the trends in property markets, management is of the opinion that there will be no significant changes in the inputs to the valuation method during the year. Valuations are performed on an annual basis. The fair valuation basis considers 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 2022

12. INTANGIBLE ASSETS

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

2021	Computer Software KShs '000	Work in progress KShs '000	Total 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 AMORTISATION			
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

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.

13. DEFERRED INCOME TAX

	2022 KShs'000	2021 KShs'000
Property and equipment	52,979	53,498
Provision for doubtful premium receivables	258,415	404,827
Allowance for expected credit losses	28,417	27,870
Accrued leave provision	7,491	7,181
Gratuity provision	9,020	5,583
Deferred tax on valuation of investment property	(27,473)	(27,494)
Deferred tax on fair value losses through OCI	102,700	36,153
Net deferred tax asset	431,549	507,618
The movement in the deferred tax account is as follows:		
At 1 January	507,618	338,758
Deferred tax recognised through profit or loss (note 9 (a))	(142,616)	132,706
Recognised through other comprehensive income	66,547	36,153
At 31 December	431,549	507,618

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2021: 30%).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

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.

	2022 KShs '000	2021 KShs '000
KMRC Fixed Rate Note	6,351	-
Allowance for expected credit loss	(32)	-
Carrying amount	6,319	-

Maturity analysis of the corporate bond has been disclosed in Note 38(b) of the financial statements.

15. GOVERNMENT SECURITIES CLASSIFIED AT AMORTISED COST

At 1 January	755,048	754,509
Additions	735,586	-
Maturities	(220,000)	-
Amortisation	(688)	676
Accrued interest	38,029	241
Allowance for expected credit loss	(276)	(378)
At 31 December	1,307,699	755,048

Government securities at amortised cost of KShs 1.3Billion (2021 - KShs 755 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.

Maturity analysis of the government securities held at amortised cost has been disclosed in Note 38(b) of the financial statements.

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

	2022 KShs '000	2021 KShs '000
Loans receivable:		
At 1 January	29,814	51,767
Interest accrued	1,677	-
Repayments	(2,101)	(2,082)
Write-offs	-	(21,574)
Allowance for expected credit loss	(4,624)	1,703
At 31 December	24,766	29,814

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).

Maturity analysis of the Loans receivable has been disclosed in Note 38(b) of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Refer to note 39 for fair value disclosures.

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 2022 in KShs	Maximum exposure to credit risk	Total collateral	Net exposure	ECLs
Loans receivable	31,571	24,766	6,805	6,805
31 December 2021 in KShs				
Loans receivable	31,995	29,814	2,181	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

	2022 KShs '000	2021 KShs '000
At 1 January	3,216,981	2,670,282
Additions	1,783,500	645,000
Fair value loss	(221,822)	(96,692)
Expected credit losses	1,609	(1,609)
At 31 December	4,780,268	3,216,981

Maturity analysis of the government securities held at FVOCI has been disclosed in Note 38(b) of the financial statements.

An analysis of changes in the gross carrying amount and corresponding ECL allowances debt instruments at fair value through OCI and at amortised cost has been disclosed in note 37(b). Refer to note 39 for fair value disclosures.

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

	2022 KShs '000	2021 KShs '000
Value of shares held in Co-op Holding Co-operative Society Limited	15,337	15,763
The movement in the investments is as follows:		
At 1 January	15,763	15,124
Fair value (loss)/gain	(426)	639
At 31 December	15,337	15,763

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 7.20 which approximates the fair value. In 2022, the Company received nil dividends from its FVOCI equities (2021: Nil). The company did not dispose of or derecognise any FVOCI equity instruments in 2022.

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

	2022 KShs '000	2021 KShs '000
At 1 January	373,273	375,169
Disposals	(24,485)	(25,951)
Fair value (loss)/gain (note 6)	(34,170)	24,055
At 31 December	314,618	373,273

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- COMMERCIAL PAPER

	2022 KShs '000	2021 KShs '000
DEPOSITS		
CIC Society Limited	10,154	10,553
Allowance for expected credit loss on commercial papers	(51)	(53)
	10,103	10,500
Movement:		
At 1 January	10,500	11,201
Maturities	(399)	(704)
Allowance for expected credit loss on commercial papers	2	3
At 31 December	10,103	10,500

Maturity analysis of commercial papers has been disclosed in Note 38(b) of the financial statements.

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 2022

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

	2022 KShs '000	2021 KShs '000
At 1 January	687,101	637,551
Additions	883,060	1,378,353
Maturities	(1,382,000)	(1,406,000)
Fair value gain	52,866	77,197
At 31 December	241,027	687,101

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 and arise from risks underwritten as at the reporting date. The carrying amounts approximates the fair values

	2022 KShs '000	2021 KShs '000
Gross receivables	1,893,672	2,071,524
Provision for impairment	(298,752)	(1,087,020)
At 31 December	1,594,920	984,504
Ageing		
1-60 days	428,744	521,553
61-120 days	169,335	207,689
Over 120 days	1,295,593	1,342,282
	1,893,672	2,071,524
The movement in provision for impairment is as follows:		
At 1 January	1,087,020	929,212
Charge through profit or loss	119,771	183,131
Bad debts written off	(908,039)	(25,323)
At 31 December	298,752	1,087,020

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

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.

	2022 KShs '000	2021 KShs '000
Gross reinsurance receivables	1,042,644	1,123,110
Provision for impairment	(562,630)	(262,401)
Net reinsurance receivables	480,014	860,709
Ageing		
1-60 days	127,569	73,732
61-120 days	80,298	51,995
Over 120 days	834,777	997,383
	1,042,644	1,123,110
At 1 January	262,401	-
Charge through profit or loss	300,229	262,401
At 31 December	562,630	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.

	2022 KShs '000	2021 KShs '000
1 January	211,355	188,655
Reinsurance Premiums ceded	2,666,048	2,445,119
Reinsurance premiums ceded payments	(2,265,422)	(2,422,419)
31 December	611,981	211,355

23. REINSURERS' SHARE OF INSURANCE LIABILITIES AND RESERVES

Reinsurers' share of:	2022 KShs '000	2021 KShs '000
- insurance contract liabilities (note 31)	1,181,721	1,007,285
- unearned premium and unexpired risks (note 32)	651,462	538,091
	1,833,183	1,545,376

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 2022

24. DEFERRED ACQUISITION COSTS

	2022 KShs '000	2021 KShs '000
Deferred acquisition costs	590,802	497,657

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

25. OTHER RECEIVABLES

	2022 KShs '000	2021 KShs '000
Staff advances	7,110	9,137
Prepayments	5,985	4,842
Rent receivable	12,973	19,333
Other receivables	24,098	13,058
Allowance for expected credit loss	(6,951)	(6,994)
	43,215	39,376

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. 0.5 million (2021: 0.1 million). The amounts due from related parties are non- interest bearing and the balances are not secured. There were no commitments made between the company and any related party.

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

(a) Transactions with related parties *

	2022 KShs '000	2021 KShs '000
(i) Payments by CIC General Insurance Limited on behalf of related parties		
The CIC Insurance Group PLC	416,453	611,029
CIC Life assurance Limited	316,888	247,875
CIC Asset Management Limited	354,284	368,773
	1,087,625	1,227,677
(ii) Payment by related companies on behalf of CIC General Insurance Limited		
The CIC Insurance Group PLC	309,977	488,525
CIC Life Assurance Limited	256,690	291,239
CIC Asset Management Limited	351,023	365,773
	917,690	1,145,537

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

26. RELATED PARTY BALANCES *(continued)*

(b) Due from related parties

	2022 KShs '000	2021 KShs '000
The CIC Insurance Group PLC	135,931	29,455
Allowance for expected credit loss	(544)	(118)
	135,387	29,337
Due to related parties		
CIC Life Assurance Limited	(36,508)	23,690
CIC Asset Management Limited	(115)	3,146
	(36,623)	26,836

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 2022 (2021: Nil).

(d) Key management remuneration

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

	2022 KShs '000	2021 KShs '000
Short-term employment benefits:		
Directors fees	24,346	23,907
Directors emoluments	25,308	27,324
Leave allowance	1,393	873
Salary	109,200	103,485
National Social Security Fund (NSSF)	20	20
Gratuity	11,459	6,987
Pension contribution	3,931	4,089
	175,657	166,685

* Included in the key management remuneration is the executive director's (Managing Director) expenses of Kshs. 31M (2021 – 31M)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

27. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2022 KShs '000	2021 KShs '000
The Co-operative Bank of Kenya Limited	387,064	521,711
Credit Bank Limited	-	3,234
Kingdom Bank	117,661	267,512
Equity Bank	399,433	364,770
NCBA Bank Limited	250,345	161,902
Sidian Bank	-	48,477
Family bank	-	35,231
I & M Bank Limited	36,606	47,636
KCB Bank Kenya Limited*	622,884	602,835
Allowance for expected credit loss	(5,368)	(7,050)
	1,808,625	2,046,258
Maturity analysis:		
Maturing within three months	730,226	602,691
Maturing after 3 months	1,083,767	1,450,617
Allowance for expected credit loss on deposits	(5,368)	(7,050)
	1,808,625	2,046,258

* With the exception of deposits with KCB Bank Kenya Limited, which are under lien, and Kshs. 235 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 % (2021- 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:

	2022 %	2021 %
Government securities	13.00	12.00
Corporate bonds	12.50	11.50
Mortgage loans	6	6
Deposits with financial institutions, other than the KCB deposit	9.4	10.5

29. SHARE CAPITAL

	31 December 2022		31 December 2021	
	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.


CIC Seniors
Mediplan
Medical Cover
built for Comfort in Old Age
SMS "Seniors" to 22471

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 and 2021 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.

2022

Accident year	2018 & Prior KShs'000'	2019 KShs'000'	2020 KShs'000'	2021 KShs'000'	2022 KShs'000'	Total KShs'000'
Estimated ultimate claims cost						
At the end of accident year	40,215,327	5,603,434	5,322,175	5,623,112	5,599,258	62,363,306
One year later	40,005,831	6,023,040	5,632,462	6,233,100	-	57,894,433
Two years later	40,256,591	6,124,241	5,641,862	-	-	52,022,694
Three years later	40,336,651	6,150,345	-	-	-	46,486,996
Four years later	40,137,854	-	-	-	-	40,137,854
Current estimate of cumulative claims	40,137,854	6,150,345	5,641,862	6,233,100	5,599,258	63,762,420
Less: cumulative payments to date	(39,229,853)	(5,874,816)	(5,470,873)	(5,643,542)	(4,644,014)	(60,863,098)
Gross outstanding claims notified provision	908,001	275,529	170,989	589,558	955,245	2,899,322
Liability incurred but not reported claims	35,395	92,754	233,532	564,147	1,885,999	2,811,827
Total gross claims liabilities included in statement of financial position	943,396	368,283	404,521	1,153,705	2,841,244	5,711,149

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 2022

31. (a) INSURANCE CONTRACTS LIABILITIES (continued)

2021

Accident Year	2017 & Prior 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	33,834,489	5,898,616	5,484,022	5,181,768	5,071,061	55,469,956
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	-	-	-	40,159,906
four years later	33,824,485	-	-	-	-	33,824,485
Current estimate of cumulative claims	33,846,150	6,369,986	5,962,281	5,456,411	5,071,061	56,705,889
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	311,013	723,735	2,660,181
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	934,526	390,272	645,915	865,301	2,265,040	5,101,054

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 2022

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

Net claims reported development table

2022

Accident year	2018 & Prior KShs'000'	2019 KShs'000'	2020 KShs'000'	2021 KShs'000'	2022 KShs'000'	Total KShs'000'
Estimated ultimate claims cost at end of accident year	23,075,221	3,319,556	3,152,934	3,331,214	3,317,083	36,196,008
One year later	23,700,040	3,568,137	3,336,753	3,692,580	-	34,297,510
Two years later	23,848,594	3,628,090	3,342,322	-	-	30,819,006
Three years later	23,977,805	3,643,554	-	-	-	27,621,359
Four years later	34,419,183	-	-	-	-	34,419,183
Current estimate of cumulative claims	34,419,183	3,643,554	3,342,322	3,692,580	3,317,083	48,414,722
Less: cumulative payments to date	(33,881,270)	(3,480,327)	(3,241,026)	(3,343,317)	(2,751,182)	(46,697,122)
Gross outstanding claims notified provision	537,913	163,227	101,296	349,263	565,901	1,717,600
Liability incurred but not reported claims	35,395	92,754	233,532	564,147	1,885,999	2,811,827
Total net claims liabilities (Note 31(c))	573,308	255,981	334,828	913,410	2,451,901	4,529,428

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

31. INSURANCE CONTRACT LIABILITIES *(continued)*

Net claims reported development tablel.

2021

Accident Year	2017& prior 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	24,498,108	4,780,803	4,590,692	4,400,607	4,358,567	42,628,777
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)	(42,144,754)
Net outstanding claims	365,446	225,427	278,353	225,268	558,401	1,652,895
Liability for incurred but not reported claims	6,813	78,211	260,256	554,288	1,541,305	2,440,873
Total net claims liabilities (Note 31(c))	372,259	303,639	538,609	779,556	2,099,706	4,093,769

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

31. INSURANCE CONTRACT LIABILITIES *(continued)*

	2022 KShs '000	2021 KShs '000
Claims reported and claims handling expenses:		
At 1 January	4,093,768	4,227,658
Claims incurred in the year	6,817,390	5,809,807
Payments for claims and claims handling expenses	(6,381,730)	(5,943,696)
At 31 December	4,529,428	4,093,769
Comprising:		
At 31 December		
Gross amounts	5,711,149	5,101,054
Reinsurers share (note 23)	(1,181,721)	(1,007,285)
	4,529,428	4,093,769

31 (c) MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

2022	Gross KShs '000	Reinsurance KShs '000	Net KShs '000
Notified claims	2,660,181	(1,007,285)	1,652,896
Incurred but not reported	2,440,873	-	2,440,873
At 1 January 2022	5,101,054	(1,007,285)	4,093,769
Cash paid for claims settled in year	(6,381,730)	1,007,285	(5,374,445)
Increase in liabilities arising from:			
- Current year claims	4,154,554	(580,305)	3,574,249
- Prior year claims	2,837,271	(601,416)	2,235,855
At 31 December 2022	5,711,149	(1,181,721)	4,529,428
Notified claims	2,899,322	(1,181,721)	1,717,601
Incurred but not reported	2,811,827	-	2,811,827
At 31 December 2022	5,711,149	(1,181,721)	4,529,428
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
Comprising:			
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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

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:

2022	Gross KShs '000	Reinsurance KShs '000	Net KShs '000
At 1 January	4,078,867	(538,091)	3,540,776
Gross written premiums	13,860,382	(2,666,048)	11,194,334
Gross earned premiums	(12,931,983)	2,552,677	(10,379,306)
Net increase / (decrease) in the year	928,399	(113,371)	815,028
At 31 December	5,007,266	(651,462)	4,355,804
2021	3,906,903		
At 1 January	11,422,038	(470,909)	3,435,994
Gross written premiums	(11,250,074)	(2,445,119)	8,976,919
Gross earned premiums	171,964	2,377,937	(8,872,137)
Increase in the year (net)		(67,182)	104,782
At 31 December	4,078,867	(538,091)	3,540,776

33. OTHER PAYABLES

	2022 KShs '000	2021 KShs '000
Sundry payables*	491,968	306,322
Payroll creditors	45,273	395
Premium received in advance	79,080	144,974
Staff annual leave pay provision	24,971	23,936
Rent deposits	20,742	20,610
	662,034	496,237

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 2022

34. STATEMENT OF CASH FLOWS

a) Reconciliation of profit before tax to cash generated from operations:

	Notes	2022 KShs '000	2021 KShs '000
Profit before income tax		871,743	643,558
Interest on lease liability		13,808	8,855
Interest income	5(a)	(774,949)	(605,385)
Dividend income	5(b)	(27,782)	(16,637)
Gain on investment on collective investments	6	(52,866)	(77,197)
Depreciation on property and equipment	10	22,048	46,806
Amortisation of intangible assets	12	29,254	4,439
Amortisation on Right of use asset		33,845	26,618
Fair value loss /(gain) on quoted equity investments at FVTPL	19	34,170	(24,055)
Accrued interest on government securities at amortised cost	15	(38,029)	241
ECL on corporate bonds	14	32	(115)
ECL on government securities at amortised cost	15	276	378
ECL on government securities at FVOCI	17	(1,609)	1609
ECL on cash and bank balances	38	(199)	1631
ECL on deposits and commercial papers		(2)	(4)
Working capital changes:			
Increase in receivables arising out of direct insurance arrangements		(610,416)	219,622
Increase in receivables arising out of reinsurance arrangements		380,695	428,535
Increase in reinsurer share of reserves and liabilities		(287,807)	(62,187)
Increase in deferred acquisition costs		(93,145)	(65,310)
Decrease in loans receivables		5,048	21,953
(Increase) / decrease in other receivables		(3,839)	8,348
(Increase)/ decrease in related party balances		(106,050)	906,940
Increase in due to related party balances		9,787	7,162
Increase/(decrease) in outstanding claims provision		610,095	(138,884)
Increase in unearned premium reserve		928,399	171,964
Increase/(decrease) in other payables		165,797	(128,147)
Increase in amounts due to reinsurers		400,626	22,700
Net cash generated from operations		1,508,930	1,403,438

b) Cash and cash equivalents*

	Notes	2022 KShs '000	2021 KShs '000
Bank and cash balances		177,468	96,701
Deposits with banks maturing within 3 months	27	730,226	602,691
		907,694	699,392

**The carrying amounts approximate the fair values.*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

35. DIVIDENDS

	2022 KShs'000	2021 KShs'000
Paid during the year	170,000	947,131

Dividend on ordinary shares

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

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

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

	2022 KShs '000	2021 KShs '000
Bank guarantees	235,352	223,043

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:

	2022 KShs '000	2021 KShs '000
Committed but not contracted for	78,591	88,882

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

36. CONTINGENCIES AND COMMITMENTS *(continued)*

Operating leases

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

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

	2022 KShs '000	2021 KShs '000
Within one year	47,260	57,271
After one year but not more than two years	79,343	51,264
After two years but not more than five years	39,613	89,329
Total operating lease rentals receivable	166,216	197,864

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

37. RISK MANAGEMENT FRAMEWORK *(continued)*

b. Capital management objectives, policies and approach

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

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

The operations of the Company are also subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy at 100 % to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise. The Company has met all of these requirements throughout the financial year.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the Kenyan Insurance Regulatory Authority (IRA). These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

The company had capital adequacy ratio of 124% 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

37. RISK MANAGEMENT FRAMEWORK *(continued)*

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

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:

	2022 KShs '000	2021 KShs '000
Share capital	1,700,000	1,700,000
Fair value reserve	(327,531)	(171,830)
Retained earnings	2,321,206	2,151,785
	3,693,675	3,679,955

The company had no external financing at 31 December 2022 and 31 December 2021.

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 2022 the company reported Capital Adequacy Ratio of 124% (2021–160%) 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.

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 modelled event are greater than those arising from a modelled event.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

38. INSURANCE AND FINANCIAL RISK *(continued)*
a. Insurance risk *(continued)*

to increase or decrease the maximum tolerance`s based on market conditions and other factors.

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

	31 December 2022			31 December 2021		
	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	499,919	(368,930)	130,989	294,305	(229,032)	65,273
Fire	377,147	(223,739)	153,408	173,883	(71,099)	102,784
Liability	448,569	(372,350)	76,219	630,961	(489,167)	141,794
Marine	54,306	(5,837)	48,469	37,901	(874)	37,027
Motor	2,861,220	(148,664)	2,712,556	2,777,634	(180,200)	2,597,434
Medical	809,319	(8,093)	801,226	552,652	(5,527)	547,125
Others	660,669	(54,108)	606,561	633,718	(31,386)	602,332
Total	5,711,149	(1,181,721)	4,529,428	5,101,054	(1,007,285)	4,093,769

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

38. INSURANCE AND FINANCIAL RISK *(continued)*
a. Insurance risk *(continued)*

31 December 2022	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	610,095	435,658	228,183	13,720
31 December 2021					
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).
- 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 2022 and 2021 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.

38. INSURANCE AND FINANCIAL RISK *(continued)*

b. Financial risks *(continued)*

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.

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	Standard and Poors (S&P) rating
0	High grade	AAA
1	High grade	A-
2	Standard grade	BBB+
3	Sub-standard grade	BB+
4	Past due but not impaired	CCC+
5	Individually impaired	D

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 120 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

38. INSURANCE AND FINANCIAL RISK *(continued)*
b. Financial risks *(continued)*
i. Credit risk *(continued)*

Premium debtors

Impairment provisions are computed based on average loss rates over the past three years.

Reinsurance debtors

Impairment provisions on reinsurance debtors are based on loss rates determined as follows:

(a) All balances due from counterparties with no active trading are fully provided for

(b) All balances due from counterparties with active trading are analysed and average loss rates applied on outstanding receivable to arrive at the impairment provisions.

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.

Debt instruments measured at FVOCI

The table below shows the fair values of the Company's debt instruments at FVOCI by credit risk and the loss allowances.

Government securities measured at FVOCI

	2022 KShs '000	2021 KShs '000
Gross	4,780,268	3,218,590
Less: Loss allowance (ECL)	-	(1,609)
Net carrying amount	4,780,268	3,216,981

Debt instruments at amortized cost

The tables below show the maximum exposure to credit and the loss allowances:

Corporate bonds at amortized cost	2022 KShs '000	2021 KShs '000
Gross	6,351	-
Less: Loss allowance (ECL)	(32)	-
Net carrying amount	6,319	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

38. INSURANCE AND FINANCIAL RISK *(continued)*

Government Securities at amortized cost	2022 KShs '000	2021 KShs '000
Gross	1,308,353	755,426
Less: Loss Allowance (ECL)	(654)	(378)
Net carrying amount	1,307,699	755,048

Loans receivable at amortized cost		
Gross	31,571	31,995
Less: Loss allowance (ECL)	(6,805)	(2,181)
Net carrying amount	24,766	29,814

Deposits with financial institutions		
Gross	1,813,993	2,053,308
Less: Loss alowance (ECL)	(5,368)	(7,050)
Net carrying amount	1,808,625	2,046,258

Commercial papers		
Gross	10,154	10,553
Less: Loss allowance (ECL)	(51)	(53)
Net carrying amount	10,103	10,500

Due from related parties		
Gross	135,931	29,455
Less: Loss allowance (ECL)	(544)	(118)
Net carrying amount	135,387	29,337

Other receivables

	2022 KShs '000	2021 KShs '000
Gross	50,167	46,370
Less: Loss allowance (ECL)	(6,951)	(6,994)
Net carrying amount	43,216	39,376

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

38. INSURANCE AND FINANCIAL RISK *(continued)*

Cash and bank balances	2022 KShs '000	2021 KShs '000
Gross	178,900	98,333
Less: Loss allowance (ECL)	(1,432)	(1,631)
Net carrying amount	177,468	96,702

Reconciliation of loss allowance accounts for the year ended 31 December 2022

	At 1 January 2022 KShs'000	(Increase)/ decrease in the year KShs'000	At 31 December 2022 KShs'000
Government securities at Amortized cost			
- treasury bonds	(378)	(276)	(654)
Corporate bonds	-	(32)	(32)
Government Securities at FVOCI	(1,609)	1,609	-
Loans receivable	(2,181)	(4,624)	(6,805)
Deposits with financial institutions	(7,050)	1,682	(5,368)
Commercial papers	(53)	2	(51)
Due from related parties	(118)	(426)	(544)
Other receivables	(6,994)	43	(6,951)
Cash and bank balances	(1,631)	199	(1,432)
	(20,014)	(1,823)	(21,837)

Reconciliation of loss allowance accounts for the year ended 2021

	At 1 January 2022 KShs'000	(Increase)/ decrease in the year KShs'000	At 31 December 2022 KShs'000
Government securities at Amortized 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 balances	-	(1,631)	(1,631)
	(13,685)	(6,329)	(20,014)

38. INSURANCE AND FINANCIAL RISK *(continued)*

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 2022, there impaired insurance assets amounted to KShs 862 million (2021: 1.35 biillion) comprising of insurance receivables of Kshs 299 million (2021: Kshs 1.089 billion) and reinsurance receivable Kshs 563 million (2021: Kshs 262 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 2022.

ii. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out–flows and expected reinsurance recoveries.

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

- A Company's liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophe excess–of–loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity profiles

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

38. INSURANCE AND FINANCIAL RISK *(continued)*

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flows. The Company also has committed lines of credit that it can access to meet liquidity needs.

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

31 December 2022 Financial assets:	No stated maturity KShs '000	6 months or on demand KShs '000	Between 6 months and 1 year KShs '000	Between 1 year and 5 years KShs '000	2019 More than 5 year KShs '000	Total KShs '000
Government securities at amortised cost	-	108,248	-	121,335	1,393,754	1,623,337
Financial assets at amortised cost Corporate bonds					10,792	10,792
Financial assets at amortised cost -deposits and commercial papers					10,154	10,154
Government securities at fair value through other comprehensive income	-	-	-	1,159,567	9,833,324	10,992,891
Equity investments:						
- At fair value through profit or loss	314,618	-	-	-	-	314,618
- At fair value through other comprehensive income	15,337	-	-	-	-	15,337
Loans receivable	-	-	25	4,749	26,804	31,578
Other receivable		43,216				43,216
Receivables arising out of reinsurance arrangements	-	480,014	-	-	-	480,014
Receivables arising out of direct insurance arrangements	-	1,594,920		-	-	1,594,920
Deposit with financial institutions	-	1,764,050	81,036	-	-	1,845,086
Due from related party	-	135,387	-	-	-	135,387
Cash and cash equivalents	-	177,468	-	-	-	177,468
Total financial assets	329,955	4,303,303	81,061	1,285,651	11,274,828	17,274,798
Financial liabilities:						
Insurance contract liabilities	-	5,711,149	-	-	-	5,711,149
Payables arising from reinsurance arrangements	-	-	611,981	-	-	611,981
Other payables	-	662,034	-	-	-	662,034
Lease liabilities		9,273	28,441	128,860	-	166,574
Bank guarantees		-	-	235,352	-	235,352
Total financial liabilities	-	6,382,456	640,422	364,212	-	7,387,090
Net liquidity gap	329,955	(2,079,153)	(559,361)	921,439	11,274,828	9,887,708

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

38. INSURANCE AND FINANCIAL 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 2021 Financial assets:	No stated maturity KShs '000	6 months or on demand KShs '000	Between 6 months and 1 year KShs '000	Between 1 year and 5 years KShs '000	2019 More than 5 year KShs '000	Total KShs '000
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 2022

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.

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 95% (2021: 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 15,731 (2021: KShs 18,664).

(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.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

39. FAIR VALUE MEASUREMENT *(continued)*

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.

31st December 2022	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	314,618	-	-	314,618	314,618
-At fair value through other comprehensive income	-	15,337	-	15,337	15,337
Investments in collective investment schemes at fair value through profit or loss	-	241,027	-	241,027	241,027
Government securities at fair value through other comprehensive income	4,780,268	-	-	4,780,268	4,780,268
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	-	6,319	-	6,319	6,319
Government securities at amortised cost	1,261,786	-	-	1,261,786	1,307,699
Deposits and commercial paper		10,103		10,103	10,103
Loan receivables	-	-	24,766	24,766	24,766
Total assets at fair value	6,356,672	272,786	1,860,766	8,490,224	8,536,137

31st December 2021 Assets:	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:					
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	6,924,480

39. FAIR VALUE MEASUREMENT *(continued)*

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

Valuation techniques used in determining the fair value of financial assets and liabilities in levels 2 and 3 is as follows:

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 cashflow	Implied yield to maturity
Corporate bonds	2	Discounted cashflow	Implied yield to maturity Average market interest rates
Mortgages and other loans	2	Discounted Cash flow (DCF)	13%

The significant unobservable inputs used in the fair value measurements categorised in level 3 of the fair value hierarchy as at 31 December 2022 and 31 December 2021 are as shown below.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2022

39. FAIR VALUE MEASUREMENT *(continued)*

Reconciliation of fair value measurement under Level 3 hierarchy

2022	At 1 January	Contributions/ Additions /Transfer from level 2	Disposals/ Settlements	Fair value gain/(loss) recognised in profit or loss	At 31 December
Investment property	1,602,000			-	1,602,000
Owner-occupied property	234,000	-	-	-	234,000
	1,836,000	-	-	-	1,836,000
2021					
Investment property	1,602,000			-	1,602,000
Owner-occupied property	234,000	-	-	-	234,000
	1,836,000	-	-	-	1,836,000

40. 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

41. INCORPORATION

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

42. CURRENCY

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

APPENDIX I

CIC GENERAL INSURANCE LIMITED
REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

	C.A.R & Engin-eering Shs.'000	Fire Domestic Shs.'000	Fire Industrial Shs.'000	Liability Insurance Shs.'000	Marine & Transit Shs.'000	Motor Private Shs.'000	Motor Com-mercial Shs.'000	Motor Pool Shs.'000	Medical insurance Shs.'000	Personal Accident Shs.'000	Theft Insurance Shs.'000	Work men's Comp. Shs.'000	Misc. Accident Shs.'000	Micro solutions Shs.'000	Total 2022 Shs.'000
Gross premium written	235,099	95,213	960,932	95,701	94,160	2,528,472	1,831,226	-	5,858,412	209,231	594,002	1,163,802	184,289	9,843	13,860,382
Unearned premium transferred in	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
Unearned premium c/f	87,148	36,441	394,569	32,547	18,498	1,164,305	895,715	-	1,868,920	39,014	162,093	258,385	45,961	3,670	5,007,266
Gross earned premium	323,929	97,819	871,936	100,130	86,492	2,315,645	1,694,132	-	5,332,800	207,957	573,182	1,148,158	173,059	6,745	12,931,984
Reinsurance premium	(219,713)	(26,654)	(660,976)	(27,686)	(44,696)	(164,679)	(84,917)	-	(170,430)	(92,493)	(261,859)	(770,804)	(141,126)	(15)	(2,666,048)
Net earned premium	104,216	71,165	210,960	72,444	41,796	2,150,966	1,609,215	-	5,162,370	115,464	311,323	377,354	31,933	6,730	10,265,936
Gross claims paid	98,092	6,495	177,571	79,758	17,113	1,703,291	1,184,830	-	3,646,139	61,331	46,739	53,563	37,226	1,590	7,113,738
Outstanding claims c/f	499,919	40,017	337,131	449,210	54,306	1,530,877	1,328,251	2,092	809,317	69,867	233,044	322,244	34,708	166	5,711,149
Outstanding claims transferred in	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	5,838	5,101,053
Gross claims incurred	303,706	23,746	363,585	(101,994)	33,518	1,785,422	1,186,285	-	3,902,804	55,727	(6,005)	123,322	57,799	(4,082)	7,723,833
Recoveries	(156,666)	(330)	(236,412)	58,671	(8,081)	(232,687)	(142,739)	-	(79,948)	(20,877)	(809)	(31,274)	(53,428)	(1,223)	(905,803)
Net incurred Claims	147,040	23,416	127,173	(43,323)	25,437	1,552,735	1,043,546	-	3,822,856	34,850	(6,814)	92,048	4,371	(5,305)	6,818,030
Commission receivable	38,373	7,396	253,460	5,600	19,447	13,872	11,925	-	-	23,721	69,427	229,946	90,292	-	763,459
Commissions payable	72,879	18,738	212,764	18,175	20,024	210,654	164,292	-	515,966	39,270	96,935	228,059	15,274	674	1,613,704
Net commission	34,506	11,342	(40,696)	12,575	577	196,782	152,367	-	515,966	15,549	27,508	(1,887)	(75,018)	674	850,245
Management Expenses	55,037	28,431	165,291	19,524	24,732	520,218	506,987	-	892,586	64,862	165,470	84,569	47,880	2,066	2,577,653
Premium Tax	2,941	1,191	12,019	1,197	1,177	31,626	22,904	-	73,276	2,617	7,430	14,557	2,305	124	173,364
Total	57,978	29,622	177,310	20,721	25,909	551,844	529,891	-	965,862	67,479	172,900	99,126	50,185	2,190	2,751,017
Total claims expenses and commissions	181,546	34,758	86,477	(31,388)	26,014	1,749,517	1,195,913	-	4,338,822	50,399	20,694	90,161	(70,647)	(4,631)	7,667,635
Underwriting profit/(loss)	(135,308)	6,785	(52,827)	83,111	(10,127)	(150,395)	(116,589)	-	(142,314)	(2,414)	117,729	188,067	52,395	9,171	(152,716)

The revenue account was approved by the board of directors on 14 March 2023 and was signed on its behalf by:

Edwin Otieno Joseph, OGW

Joseph Gatuni

Fredrick Ruoro

APPENDIX I *(continued)*

CIC GENERAL INSURANCE LIMITED
REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021

	C.A.R & Engin-eering Shs.'000	Fire Domestic Shs.'000	Fire Industrial Shs.'000	Liability Insurance Shs.'000	Marine & Transit Shs.'000	Motor Private Shs.'000	Motor Com-mercial Shs.'000	Motor Pool Shs.'000	Medical insurance Shs.'000	Personal Accident Shs.'000	Theft Insurance Shs.'000	Work men's Comp. Shs.'000	Misc. Accident Shs.'000	Micro solutions Shs.'000	Total 2021 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	(7,493)	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	6,520,126
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)	(236,775)

The revenue account was approved by the board of directors on 14 March 2023 and was signed on its behalf by:

Edwin Otieno Joseph, OGW	Joseph Gatuni	Fredrick Ruoro

APPENDIX II

GLOSSARY OF INSURANCE TERMS
FOR THE YEAR ENDED 31 DECEMBER 2022

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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