CIC GROUP

2022

CIC LIFE ASSURANCE LTD

ANNUAL REPORT & FINANCIAL STATEMENTS

OUR PHILOSOPHIES

WHO WE ARE

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

OUR MISSION STATEMENT

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

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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 LIFE ASSURANCE LIMITED
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

Directors	**Gordon Owuor:** Chairman **Patrick Nyaga:** Group Chief Executive Officer **Michael Wambia** **Anthony Munyao:** Appointed on 01.09.22 **Anthony Chege:** Appointed on 21.06.22 **Fridaclare Katusya:** Appointed on 21.06.22 **Rogers Kinoti:** Retired on 01.06.22 **Meshack Miyogo**: Managing Director
Senior Management	**Meshack Miyogo:** Managing Director **Tyrus Kanja:** Head of Life Operations **Mary Wanga:** Company Secretary **Susan Robi:** Group Risk and Compliance Manager **Muyesu Luvai:** Group Chief Internal Auditor **Richard Nyakenongo:** General Manager - Cooperatives **Michael Mugo:** General Manager - Branch Distribution **Cosmas Lelei:** Finance Manager **Maureen K. Magoma:** Human Resources Business Partner **Caroline Adhiambo:** Head - Life Claims **Gerald Cheruiyot:** Head - Retail Sales **Joseph Waititu:** ICT Manager **Anthony Gitonga:** Actuarial Manager **James Wamae:** Head - Life Underwriting **Vincent Ochoi:** Head - Retirement Benefits and Corporate **Fred Guchua:** Policy Administration & Servicing Manager **Grace Gichuru:** BDM Alternative Channels
Company Secretary	**Mary Wanga** Certified Public Secretary (Kenya) P.O. Box 59485 - 00100 Nairobi
Auditor	**PricewaterhouseCoopers LLP** Certified Public Accountants PwC Towers, Waiyaki way, Nairobi P.O. Box 43693-00100 NAIROBI
Principal Banker	**PRINCIPAL BANKER** The Co-operative Bank of Kenya Limited P .O. Box 67881 - 00100 NAIROBI
Consulting actuary	**The Actuarial Services Company Limited** Victoria Towers Upper Hill P .O. Box 10472 - 00100 NAIROBI
Registered Office	**CIC Plaza** 7th Floor Upper Hill, Mara Road P.O. Box 59485 - 00200 Nairobi, Kenya

CIC LIFE ASSURANCE LIMITED
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 11TH ANNUAL GENERAL MEETING OF CIC LIFE ASSURANCE LIMITED WILL BE CONDUCTED VIRTUALLY VIA ELECTRONIC COMMUNICATION ON THURSDAY 4TH DAY OF MAY, 2023 AT 12:00 NOON 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 115M 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. **Rotation of Director**
    To note the retirement of Mr. Michael Wambia by rotation in accordance with Articles 106 of the Company's Articles of Association and being eligible, offers himself for re-election.

    b. **Appointment of Director**
    Mrs. Fridaclare Katunge Katusya appointed on 21st June 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. **Appointment of Director**
    Mr. Anthony Kariuki Chege appointed on 21st June 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.

    d. **Appointment of Director**
    Mr. Anthony Muthama Munyao appointed as a Director by the Board on 1st 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.

    e. **Retirement of Director**
    To note the retirement of Mr. Rodgers Kinoti as an Independent Non-Executive Director from the Board effective 7th June 2022.

CIC LIFE ASSURANCE LIMITED
ANNUAL GENERAL MEETING *(continued)*

7. **Remuneration of Directors**
   To authorize the Board to fix the Directors Remuneration for the year ending 31st December 2023.

8. **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

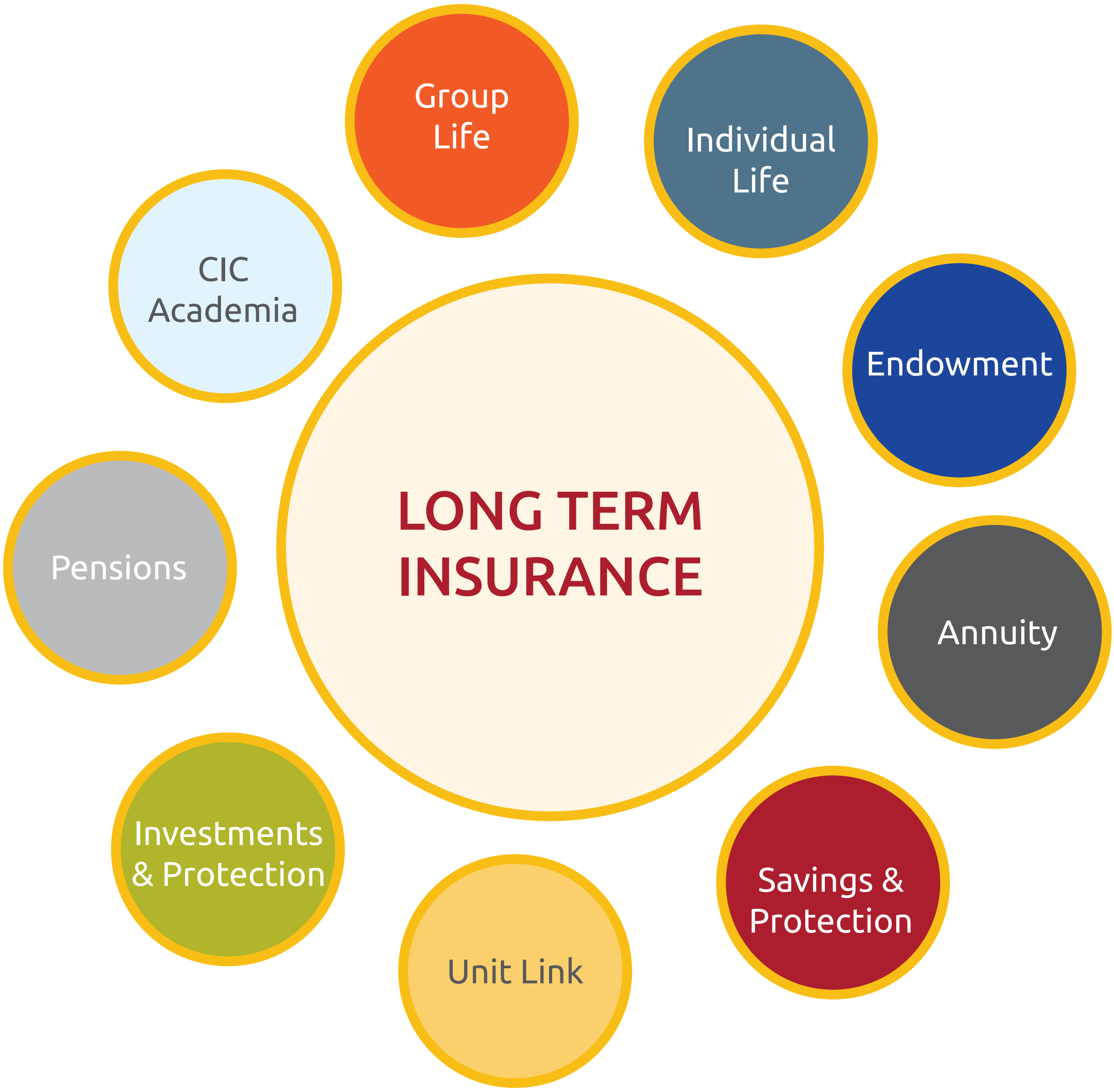
NOTE:
1. In accordance with section 298(1) of the Companies Act, 2015 (Laws of Kenya) every member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his behalf and the proxy need not be a member of the company.

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 LIFE ASSURANCE LIMITED
PRODUCTS

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



CHAIRMAN'S STATEMENT

Economic and business environment

On behalf of the Board and management of CIC Life Assurance Company, I am delighted to present the Annual report and Financial Statements for the year ended 31st December 2022.

The economy grew by an average of 5.6 % by Q3'2022. The recovery was boosted by the continued strong performance by the services sector particularly trade, accommodation & food services and professional, administrative & support services. The agricultural sector recorded negative output owing to the unfavorable weather conditions coupled with higher input costs that weighed in on low production.

The Kenyan Shilling lost its substantial value to the USD in the year. This accelerated further in Q4'2022 closing at 123.37 as at 31 December. The weakened shilling is attributable to the lower foreign funding surrounded by a faster growth in imports and slowdown of remittances. A weak shilling is unfavorable to Kenya as this increases the cost of financing foreign debt which is currently at levels considered as unsustainable. Inflation averaged 9.4% in Q4'2022 mainly driven by supply side factors that influenced upward pressure on food and energy prices.

The International Monetary Fund (IMF) has revised Kenya's economic growth projection for 2023 upwards from 5.1 per cent as forecasted in October last year to 5.3 per cent, according to the recent World Economic Outlook. This means that the Fund now expects the country's economy to grow faster than had been earlier expected, with the IMF also projecting moderate acceleration in the economy's growth momentum to 5.4 per cent in 2024. The upward revision of this year's economic growth implies that Kenya is poised to generate more funds in economic output in 2023 than had been earlier predicted by the IMF.

Regulatory framework

IFRS 17, 'Insurance contracts' is applicable for annual reporting periods commencing on 1 January 2023 and the company expects to first apply IFRS 17 on that date. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF"). The key objectives of IFRS 17 are comparable recognition and measurement of contracts in the scope of the standard, the recognition of insurance service results based on the services provided to the policyholder and provision of disclosures that will enable the users of the financial statements to assess the impact of these contracts on the financial position, financial results and cash flows of the entity.

Both the Company's audit committee and the IFRS 17 steering committee provide oversight and governance over the implementation of the IFRS 17 project. IFRS 17 project team remains up to date, and closely monitors, all technical developments from the IASB and industry to evaluate the effects of such developments. The company has made significant progress in the implementation of IFRS 17 and working towards finalizing on the full transition.

Overall performance

The Company registered a Profit before Tax for the period ended 31st December 2022 of Kshs 631 million which is an impressive growth from a Loss before Tax of Kshs 79 million in 2021. Gross earned premiums increased by 17% from Kshs. 6.1 billion in 2021 to Ksh. 7.2 billion. Total assets went up by 13% from Kshs. 18.4 billion to Kshs. 20.9 billion, signaling strong investment returns to both policyholders and the shareholders. Claims incurred decreased by 10% from the previous year as a result of an ease in group life claims relating to Covid-19 pandemic as well as prudent management of claims.

Dividend payout

Following the improved financial performance in the year and subsequent recommendation to transfer surplus from the statutory fund to retained earnings for payment as dividends, the Board of Directors recommends a final dividend of KShs 0.13 per share.

Future outlook

The Company's future looks bright as we continue to solidify our leadership in group life but also increase our market share of ordinary life, pensions and annuity business remarkably to the longer component of our liabilities. In 2023, we have put in place a robust strategy and team to drive this future growth. We will also continue to review our product offering as well distribution platforms that we are using to deliver our solutions to the market. Technology continues to play a greater role in our business as we live in a more digitally dynamic time. It is evident that technology driven distribution as well as service will dominate the way we conduct our business. Alternative distribution channels with footprints across the country have been strengthened in order to mine retail business from our partners. With the implementation of a new core system, we foresee improved efficiency in all areas of operations thus delivering value to all our stakeholders. In addition, we will continue to focus on our customers by developing tailor made products and institutionalizing operational excellence through a team of dedicated staff members.

Acknowledgement

On behalf of the board, I wish to convey my gratitude to all our clients, business associates, shareholders, staff, service providers and regulators for their tremendous support and trust as we strive to make the Company achieve the status of a world class provider of insurance and other financial services.

Gordon Ondiek Owuor
Chairman

BOARD OF DIRECTORS

Gordon Owuor: Chairman

Mr. Gordon Ondiek Owuor, aged 66, is a Non-Executive Director and the Chairman of the Board. He is the Chairman of Jumuika (formerly Chemelil) Sacco, a member of the Nyanza Provincial Co-operative Development Team and a Member of the Institute of Directors-Kenya. He previously worked with the East African Fresh Water Fisheries Research Organization and currently and the chairman of Loyalty Refined Limited. He holds an executive Diploma in Financial Management. The Director has undertaken training in specialized Life Assurance Business Management conducted by LIMRA and several corporate governance training courses from Centre for Corporate Governance and Leadership Group.

Patrick Nyaga: Director

Mr. Patrick Nyaga, aged 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.

Michael Wambia: Director

Mr. Michael Ondinya Wambia, aged 54, is a Non-Executive Director representing CIC Insurance Group Plc. The Director also holds a diploma in Education Management from KEMI (Kenya Educational Management Institute) and is a Member of the Institute of Directors Kenya. He is the Chairman Maanisha Xane Growers Co-operative society. Director Wambia has undertaken training in specialized Life Assurance Business Management conducted by LIMRA. He has also undergone extensive training on Corporate Governance by International Finance Corporation (IFC), Centre for Corporate Governance and Leadership Group.

Anthony Munyao: Director

Mr. Anthony Munyao, aged 54, joined the Board in 2022 as an Independent Non-Executive Director. He holds a Masters degree in Business Administration (MBA) in Strategic Management, Bachelor of Arts (Hons) Economics & Business Studies. He is a Certified Public Accountant of Kenya, CPA(K) and a Member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is a Certified Trustee through the Trustee Development Program – Kenya (TDPK), and also a Member of the Institute of Directors. Mr. Munyao is Chairman and Director in the board of Vivo Energy Provident Trust Limited and has previously served in the boards of Kenya Reinsurance Corporation Limited, Shell and Vivo Lubricants Kenya Limited, among other boards. He has significant exposure in business management and depth of competence in Strategic Management, Financial Management, Risk Management and Audit. Mr. Munyao has extensive experience in the oil industry and audit. He has previously worked for Kenya Shell Limited as Chief Finance Officer and also Ernst & Young where he served diverse clients. Mr. Munyao has undergone extensive training both international and local including the Corporate Governance Training by CCG

Anthony Chege: Director

Director Anthony Chege, aged 54, joined the board in 2022 as an independent Director. He holds an MBA in Strategic Management and Bachelor of Commerce, Marketing Option. He is a s a career banker and has undergone Corporate governance training from Centre for Corporate Governance and advanced Leadership training program from Wharton University of Pennsylvania. He is is currently the Managing director of Spread Capital Limited. Mr. Chege is a member of the Institute of Directors of Kenya.

Fridaclare Katusya: Director

Director Fridaclare Katusya, aged 43, joined the board in 2022 as an Independent Director. She holds a Masters degree in Business Administration (MBA), Bachelor of Commerce (Finance) and an advanced Diploma in Management Accounting from Chartered Institute of Management Accountants. Ms. Katusya is a Certified Public Accountant of Kenya (CPAK). She served as Group Chief Finance Officer (Britam Holdings Plc) & Senior Assurance Manager at PricewaterhouseCoopers – Kenya & South Africa. Ms. Katusya is trained in corporate governance by Center for Corporate Governance. She is a member of the Institute of Internal Auditors (IIA), Association of Women Accountants of Kenya (AWAK) and Institute of Directors of Kenya (IODK).

Dr. Rogers Kinoti: Director

Dr. Rogers Kinoti, aged 46, joined the Board as an Independent nonexecutive director on 22nd July 2021. Dr. Kinoti has a wealth of experience in Investment Management and Finance having worked for over 19 years in various private and public financial institutions. Dr. Kinoti holds a PhD in Finance (JKUAT), Master of Arts in Economics and Bachelor of Arts (Economics) First Class Honors from the University of Nairobi. He is a Certified Public Accountant, CPA (K), a Certified Public Secretary, CPS (K) and a Financial Analyst, FA (K). He is a member of ICPAK, ICPSK and ICIFA. Dr. Kinoti is a lecturer at Riara University School of Business and served as the Independent Chairman of the Audit and Risk Committee of the Teachers Service Commission (TSC) until February 2023.

Meshack Miyogo: Managing Director

Mr. Meshack Miyogo, aged 40, holds a bachelor's degree in Education Arts (Major in Economics and Business Studies) from Egerton University. In addition, he holds a Senior Leadership Development Programme Certificate from the University of Stellenbosch Business School South Africa, Post Graduate Degree (MBA) in Marketing from Daystar University. He also holds a Diploma in Insurance (AIIK) from the College of Insurance. He is an Associate Member of the Institute of Insurance Kenya (IIK) in good standing. His experiences cuts across Banking and Insurance on Matters of Sales Growth, Sales Management, business development, and Strategic Leadership.

MANAGING DIRECTOR'S STATEMENT

Economic and political environment

The economy averaged a 5.6% growth by the third quarter of 2022, recording a decline from a 6.9% average by Q3 of 2021. We expect full year GDP growth to average 5.5%, lower than the 7.5% recorded in 2021. We attribute the slowdown to a deteriorated business environment due to uncertainty preceding the elections and elevated inflationary pressures driven by high global fuel prices and pre-existing supply chain constraints worsened by the Russia-Ukraine conflict.

The World Bank projects our GDP growth to average 5% in 2023-24 largely boosted by private investments and a reduction of economic risks; we are less optimistic as we believe global growth is 'partially recessed'.

Industry updates

In the insurance sector, the Insurance Regulatory Authority (IRA) sort to enforce the Insurance Act on debt management (cash and carry policy) with the implementation of IFRS-17 to take place by end of 2023.

Premium tax on Group life premiums was also enforced by the regulator as well directive to the Association of Kenya Insurers to cease issuing provisional licenses to insurance agents. This affected the recruitment of new tied agents as the minimum requirement will be COP certification.

Business performance

The business recorded a growth in Gross written premium of 17%, with all lines posting a growth. Overall Gross Written Premium (GWP), including Pension Contributions, amounted to Kshs. 8.8 Billion. Claims ratio, including actuarial reserves, was at 70% an improvement from 76% in 2021.

There was also an increase in surrenders under individual life business. Commission ratio was within budget at 10%, while the expense ratio was at 30% above budget of 28%.

The Company registered a profit of Kshs. 631 million against a loss of Kshs. 79 million in 2021. This growth was brought about by the improved performance of Group Life business, which moved from a loss position of Kshs.295 million to a profit of Kshs. 385 million. The Growth improved our Market Share from 6th to 5th Position in the Life Industry.

Income from investing activities increased by 24% mainly due to income from interest generating financial instruments. Over the period, our total assets grew by 13% from Kshs. 18.4 billion to Kshs 20.9 billion.

Key focus in 2023

In our Strategic Plan, profitable growth will continue to be the main focus. The Company enforced minimum rating for Group life schemes and experiential rating to drive underwriting profit as part of prudent underwriting practices. This will continue in 2023 as we also enhance client relationship management to deliver a world class customer experience through staff training, self-service portals, investment in new core systems and direct engagement at all levels.

The major focus on individual life business is to increase footprint through independent financial advisors and targeting dominance markets in the check off business. We also target distribution of alternative channels such as Bancassurance with our strategic partners to sell retail life solutions and digital channels through aggregator model and/or mobile apps or web portals.

For Pension business, our focus will be partnership with Pension Players, Umbrella schemes, individual transfers and the conversion of medium-sized segregated funds to deposit administration contracts. Will also maximize on New NSSF Act leveraging on Corporates,SMEs staff, NGOs, Welfare groups & individuals who are not in any pension scheme to grow CIC umbrella scheme as well as the tier II contribution from some of our clients.

Our Efforts on Annuity business will be strategic. The pricing and investment strategies will be reviewed as they are key in the reduction of reserving strain while at the same time remain competitive. Investments will be held in long term assets with attractive defined returns.

The process of implementing the new core system is in progress. This will increase efficiency, enhanced controls and customer experience.

Acknowledgement

I wish to express my gratitude to the Board of Directors for their unwavering support and guidance, our customers and partners for their trust and patience; the management and staff for their hard work and dedication.

Meshack Miyogo
Managing Director

SENIOR MANAGEMENT

Meshack Miyogo: Managing Director

Miyogo, aged 40, holds a bachelor's degree in Education Arts (Major in Economics and Business Studies) from Egerton University. In addition, he holds a Senior Leadership Development Programme Certificate from the University of Stellenbosch Business School South Africa, Post Graduate Degree (MBA) in Marketing from Daystar University. He also holds a Diploma in Insurance (AIIK) from the College of Insurance. He is an Associate Member of the Institute of Insurance Kenya (IIK) in good standing. His experiences cut across Banking and Insurance on Matters of Sales Growth, Sales Management, business development, and Strategic Leadership.

Mary Noel A. Wanga: Company Secretary

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).

Muyesu Luvai: Group Chief Internal Auditor

Muyesu, aged 43, joined CIC In 2008. He is a Certified Public Accountant ("CPA (K)"), and a member of the Institute of Certified Public Accountants of Kenya ("ICPAK"), the Chartered Institute of Internal Auditors UK, the Institute of Internal Auditors, Kenya Chapter, as well as the Institute of Directors, Kenya. He holds a Bachelor of Commerce Degree from the University of Nairobi and a Master of Business Administration (MBA) Degree with a concentration in Employee Relations /Organizational Behaviour from the University of Leicester (UK). Mr. Luvai acted as CIC's Group Chief Financial Officer between February 2020 and June 2021 during a period of change in executive management. Before joining CIC, Mr. Luvai worked for Deloitte in the Audit & Assurance Division auditing a range of multi-national and local institutions. Prior to joining Deloitte, Mr. Luvai had a stint in the oil and gas industry working in the Finance Department of Dalbit Petroleum Limited.

Richard Nyakenongo: General Manager - Co-operatives

Richard, aged 53, joined CIC in 1999.He holds a Bachelor of Commerce Degree from Egerton University and Masters in Business Administration from Mount Kenya University. He has a Diploma in Co-operative Management from the Co-operative College of Kenya and a certificate in Corporate Governance from Center for Corporate Governance. He also has LOMA-Associate & FLMI. Richard is an Associate Member of Insurance Institute of Kenya (AIIK), Member of Marketing Society of Kenya (MSK), Member of Institute of Directors of Kenya (IOD),a Certified Co- operative Professional (CCOP), and a Council Member of Kenya Society of Professional Cooperators(KSPC). He served as a member of the Taskforce on the implementation of the National Cooperative Policy. He was involved in the transformation of Sacco's form Back office to Front office (FOSA).

Susan Robi: General Manager Risk and Compliance

Susan, aged 43, joined CIC Insurance Group Plc in 2011. 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.

Michael Mugo: General Manager Branch & Distribution

Michael, aged 50, joined the CIC Insurance Group in 2003 as an Agency Manager in Ordinary life. He has a total of 25 years' experience in the Insurance industry. He has served the organization in various senior capacities including Sales Management, Corporate Affairs and Communication, Marketing and Strategy. He has undergone extensive training in the areas of leadership, Governance, and strategic management. He is the immediate former MD, CIC Africa (South Sudan) and played a prime role in the establishment of the subsidiary in South Sudan. Michael is a graduate of the Advanced Management Program (AMP) from Strathmore Business School, Lagos Business School and IESE, Barcelona. He holds an MBA degree from JKUAT with special focus on Strategy and Marketing. He is a Bed (Econ & Geog) graduate of Moi University. He has extensive training and experience in institutions and business enterprises. He is a member of the Institute of Directors of Kenya, the institute of Customer Service of Kenya, MSK and LOMA.

SENIOR MANAGEMENT

Tyrus Kanja: Head - Life Operations

Tyrus, aged 44 years, joined CIC Insurance Group in 2005 as an Accountant and is currently the Head, Life Operations for CIC Life Assurance Company Limited. He has over 16 years work experience within the Insurance industry and holds a BSc – International Business Administration from USIU(A) and a CPA (K). He is a member of Institute of Certified Public Accountants of Kenya (ICPAK). He was Senior Finance Manager until November 2021 before he took up the role. He has undergone through various leadership, governance, and high-performance culture trainings.

Maureen K. Magoma: Human Resource Business Partner

Maureen aged 43 years, joined CIC Group in July 2016. She is the Human Resource Business Partner supporting CIC Life Subsidiary. She holds a Master of Science Degree in HR Management and Bachelor of Business Administration degree among other HR certifications. She has over 20 years' work experience out of which 19 years have been in Financial Services and 16 years in Human Resources. She is a Full Member of the Institute of Human Resources Management (IHRM) with good standing.

Joseph K. Waititu: ICT Manager

Joseph aged 40, Joined CIC Life Assurance Limited in 2013 as Database Administrator. Previously he was with Turnkey Africa Ltd as a Senior Insurance Software Developer. He holds a Bachelor of Computer Science from Maseno University and an MSC in Data Communication from KCA University. In addition, he is Oracle and Information Technology Infrastructure Library (ITIL) Certified. He has over 15 years work experience in ICT. He is a member of Institute of the Computer Society of Kenya (CSK).

James Wamae: Head - Group Life Underwriting

James aged 39, joined CIC Life in January 2016 as an Assistant Underwriting Manager - Group Life. He is currently the Head of Group Life Underwriting and has over 10 years' work experience within the Insurance Industry. He holds a Bachelors' Degree in Business Administration from Maseno University, IIK Diploma in Insurance (Dip IIK) and CPA 1 certification. He is a member of Insurance Institute of Kenya (IIK) and a member of the Association of Kenya Insurers (AKI) Group Life Committee.

Caroline Otieno: Head - Group Life Claims

Caroline aged 38, joined CIC Insurance Group in 2009 as a Management Trainee. She is currently the Head – Group Life Claims of CIC Life Assurance Company Limited and has been with the organization for the last 13 years. She holds a Bachelor of Science degree, a CII Diploma in Insurance, and a CPA 1 certification. She is currently pursuing an MSc in Development Finance.

Cosmas Lelei: Finance Manager

Cosmas aged 37, joined CIC Insurance Group Plc in 2011 as an Assistant Accountant. He is currently the Finance Manager for CIC Life Assurance Company Limited. He has 11 years' work experience and holds a Bachelor of Commerce – Finance from KCA University and a CPA (K). He is also a member of Institute of Certified Public Accountants of Kenya (ICPAK) and has undergone various leadership and corporate governance trainings.

Anthony Gitonga: Actuarial Manager

Anthony aged 33, joined CIC Insurance Group in 2012. He is currently the Actuarial Manager- Life with over 9 years' experience within the insurance industry. He holds a MSc in Finance and a BSc in Actuarial Science. He has progressed in his actuarial professional examinations and holds several other certifications. He is a member of the Institute and Faculty of Actuaries (IFoA), and The Actuarial Society of Kenya (TASK).

Gerald Cheruiyot: Head - Retail Sales

Gerald aged 40 years joined CIC in 2021. He is an accomplished retail distribution manager with 16 years' experience in the Insurance and telecommunication industry. He holds a Bachelor of Science degree in Information Sciences (Moi University) and pursing Master of Business Management (University of Nairobi). He also holds Executive Leadership Development Education from Strathmore Business School and University of Stellenbosch Business School. Professionally he holds a Diploma in Insurance (AIIK) and is a certified Trainer and Pensions Trustee having undergone the Trustee Development program (TDPK). He is an Associate member of the Insurance institute of Kenya (IIK).

SENIOR MANAGEMENT

Vincent Ochoi: Head - Retirement Benefits and Corporate

Vincent aged 34 joined CIC Life in 2022. He currently has over 10 years' work experience within the Insurance Industry. He holds a Bachelors' Degree in Actuarial Science from Jomo Kenyatta University of Agriculture and Technology, ACS, ALMI and FLMI Level 1 certifications from LOMA and a member of Insurance Institute of Kenya (IIK).

Fred Guchua: Policy Administration & Servicing Manager

Fred aged 35, joined CIC in 2010 and has over 10 years' working experience in varied roles including customer service, underwriting, claims and reinsurance. He holds a Bachelor's degree Actuarial Science from Jomo Kenyatta University. He is currently pursuing Msc. Entrepreneurship and Innovation. He is an Associate of Life Management Institute member (ALMI) and a member of the Association of Kenya Insurers (AKI) Individual Life committee.

Grace Gichuru: BDM Alternative Channels

Grace aged 37 joined CIC Life in 2022.She has 13 years' experience in the insurance and banking industry. She holds a Bachelors of Arts Degree in Economics from University of Nairobi and is currently pursuing MBA at Strathmore Business School. She is also a graduate of IESE Business School, Barcelona Spain in Advanced Management. Professionally, she is a CPA Finalist, Fellow Life Management institute (FLMI), a certified Pensions Trustee and LIMRA certified.

REPORT OF THE INDEPENDENT GOVERNANCE AUDITOR TO THE SHAREHOLDERS OF CIC LIFE ASSURANCE LIMITED

INTRODUCTION

We performed a Governance Audit on CIC Life Assurance 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.

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CS. Jacqueline Oyuyo Githinji, ICPSK GA. No 00030
For Umsizi LLP
9th March, 2023

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

1. Introduction

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.

CIC Life Assurance Limited ("The Company") was incorporated on 29th July 2009 under Certificate No. CPR/2009/7927 under Chapter 486 Laws of Kenya (Now repealed by the new Companies Act No.17 of 2015) as a wholly owned subsidiary of CIC Insurance Group Plc, to conduct and carry on long term assurance underwriting business within the Republic of Kenya. The Company's incorporation was informed by Insurance Regulatory Authority (IRA) regulatory requirement to separate short term and long term businesses. The Company was duly registered and licensed as a long term insurer on 27th November 2012.

Being a subsidiary of CIC Insurance Group Plc, the Board is keen to see that the ethos of corporate governance as spelt out in various legislations governing the operations of the company are observed.

Good corporate governance has been critical in the stability of the Company and has a positive impact on the relationship between the Company and all its stakeholders including protection of the policyholders' interests, hence transforming the company into a top tier insurer in Kenya in 4th position and market share 6.1% as at quarter four 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, Functional organizational structure, and any subsequent amendments demonstrate that the Company has adopted the broad concepts and principles underpinning good corporate governance thereby achieving the objectives of Insurance Act, Chapter 487, Insurance Regulatory Authority Corporate Governance Guidelines for Insurance and Reinsurance Companies, 2011 (The "Guidelines"), Insurance Regulatory Authority Guidelines on Risk Management and Internal Controls, 2013, Insurance (Group-Wide Supervision) Regulations, 2019, Companies Act No.17 of 2015, Companies (General)(Amendment) No.2 Regulations, 2015, The Companies (Beneficial Ownership Information) Regulations, 2020, Emerging trends and Best practices in corporate governance. In addition, the company abides by the tenets of the Constitution of Kenya 2010, and all other legislations as a law abiding corporate citizen..

3. Statement of Commitment to Good Corporate Governance

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

The Board acknowledges the relationship between good governance, on the one hand and risk management practices 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.

CIC LIFE CORPORATE GOVERNANCE *(continued)*
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Our Key Stakeholders and Partners

Stakeholders are considered to be any group who can affect, or be affected by the company, its decision and its reputation.

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, and managerial skills, make decisions. Maintain strong relationships, keep abreast of market developments and get feedback informs company's strategy, business operations and governance.	Perform the assigned tasks, participate in defined processes, contribute knowledge and qualifications.
External Environment			
Customers & Policyholders Beneficiaries (Private Institutional Clients)	Regulators	Industry Forums (AKI, AIBK, IIK, The Africa Insure Tech, RBA)	National & County Government Agencies (KRA, NHIF, NSSF, etc)
Develop trust and confidence in quality innovative products, underwriting standards and claims settlements.	To ensure the rights of the policyholders are protected. To ensure compliance with regulatory legislative framework and provide input into the legislative development process.	Participate in consultative industry and sector forums to influence and or promote common agendas.	Continuous participation in, and be a partner to the transformation of the Kenyan economy and the insurance sector.
Insurance Intermediaries	Market Competitors	Reinsurers	Service Providers & Suppliers
Acquire new customers, Concluding and managing insurance contracts, Handling claims and organizing and supervise agency services.	Risk sharing through consortiums: i.e Co-insurance contracts. Industry Reports and benchmarks. Participate in industry sector debates and industry sector awards.	Entities receiving portion of the insurance risk. Reinsurance Treaties. Co-Reinsurance Treaties.	Our service providers and suppliers are essential participants in the value chain and contribute to the value we give to the shareholder. i.e Outsourcing companies, Bankers & Financial Institutions (MFI's), Landlords, External Auditors, Statutory Actuary, Global Credit Rating Firm, Marketing Firms etc.

CIC LIFE CORPORATE GOVERNANCE *(continued)*
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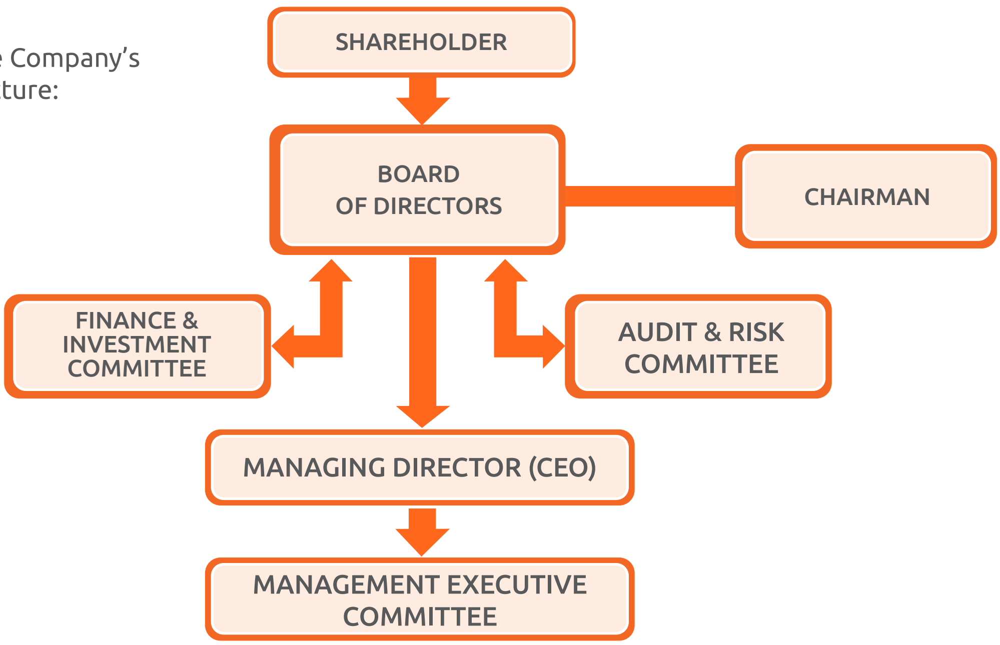
External Environment			
Strategic Alliances & Partnerships	Media	Community and Public at Large	Law Enforcement Agencies.
Close engagement with various partners through MOUs and SLAs. Cooperative Movement-CAK, ICA, ICMIF. Association of Kenya Insurers. Professional Bodies-IOD, ICS, ICPAK, LSK etc. Collaborations-KESSHA, KATTI, KEPSHA etc. Banks & MFIs-Cooperative Bank of Kenya-Bancassurance.	Proactively engage media on dissemination of important company information: To communicate with relevant stakeholders and the broader public with a view to having a positive influence on behaviour that will lead to desired business results	Navigators of social and environmental changes that improve living standards through: Partnering with CIC Foundation to sponsor corporate social responsibility (CSR) programs in the communities i.e social and environmental projects: tree planting Ushirika Day. Golf tournaments.	Judiciary, Police, DCI etc

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 Guidelines (Corporate Governance) Regulations, 2011. The Chairman provides overall direction and guidance to the Board. The Board Charter, which has been approved and is regularly reviewed by the Board, provides for a clear definition of the roles and responsibilities of the Chairman, Directors Managing Director and the Company Secretary.

Table 2.
Overview of the Company's Corporate Structure:



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;

Nomination, appointment, induction, board development and 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 legislations 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. Two (2) non-executive directors.
ii. Three (3) independent and non-executive directors.
iii. Two (2) executive directors.

The Board of Directors are appointed in line with the requirements of section 27A of the Insurance Act and Guideline 3 of IRA Corporate Governance Guidelines 2011 which provide that the Assurer is expected to appoint at least five (5) members of the Board. A third of the board members shall be independent 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 are 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.
- 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 responsibilities are outlined in the Board Charter. The Board of Directors is collectively responsible for the governance of the Company, Company's vision, strategic direction and its values. This includes setting goals and strategies necessary to operate the Company and monitoring implementation by Management. The Board has delegated certain responsibilities to its Committees that operate within the mandate as entrusted by the Board of Directors.

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

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

9. The Board of Directors Duty of Trust

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

10. Director Independence

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

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

11. Separation of roles and responsibilities

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

12. Duties of the Chairman of the Board

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

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

The roles of the chair are as follows;

- The Chairman creates the conditions for overall board and individual director effectiveness.
- Leads the Board, sets each meeting agenda and ensures the Board receives accurate, timely and clear information in order to monitor, challenge, guide and take sound decisions.

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- Regularly meets with the Managing Director to stay informed.
- Ensures effective communication with shareholder and other stakeholders.
- Promotes high standards of corporate governance.
- Promotes and safeguards 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 inter alia:

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

The Managing Director's performance is reviewed regularly against objectives and measures set by the Board in 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 articles of association, one third of the directors are eligible to retire by rotation at every Annual General Meeting and if eligible, may offer themselves for re-election or re-appointment by shareholder. Directors who have been in office longest, as calculated from rotation date are required to stand for re-election or re-appointment in the case of an Independent Director. The company has complied with this provision as set out in the table below.

Table 3.
Directors Tenure of Office

Director Appointed	Date of Appointment to the Board	Date of Last Re-Appointed
Gordon Owuor	28.03.2012	9.3.2021
Michael Wambia	28.03.2012	9.3.2020
Patrick Nyaga	06.08.2020	-
Rachel Monyoncho	11.05.2016	Retired on 12.5.2022
Rogers Kinoti	29.07.2021	Retired on 07.06.22
Anthony Chege	21.06.2022	-
Fridaclare Katusya	21.06.2022	-
Anthony Munyao	01.09.2022	-
Meshack Miyogo*	22.06.2021	

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

15. Director Appointment and Due Diligence

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

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

All Directors on appointment have undergone the fit and proper due diligence assessment conducted by the regulator to access the 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.

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16. Director Induction

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

17. Capacity building for the Board

All Directors are expected to continuously upskill in order to operate effectively. In relation to the governance guidelines on twelve (12) hours' annual board training, the Board has undertaken various trainings facilitated by management and industry professionals' 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, Cyber Security Threats. Finance and Investment Committee underwent a specialized training on finance for none- 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 each responsible to notify the Chairman and the Company Secretary of any actual or potential conflict of interest situations as soon as they arise.

The Board has formal procedures for managing 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 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.

20. Board Meetings

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

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21. Board and Committee Meetings held during the year

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

Table 4.

Directors	Board Meeting		Audit and Risk Committee Meeting		Finance and Investment Committee Meeting		AGM 12.5.22
	(a)	(b)	(a)	(b)	(a)	(b)	
Gordon Owuor – Chairman	4	4	*	*	4	4	✓
Michael Wambia	4	4	5	4	*	*	✓
Rachel Monyoncho	4	1	5	1	*	*	✓
Patrick Nyaga	4	4	5	5	4	4	✓
Meshack Miyogo	4	4	5	4	4	4	✓
Rogers Kinoti	4	2	5	2	*	*	✓
Anthony Chege	4	2	*	*	4	2	-
Fridaclare Katusya	4	2	5	3	*	*	-
Anthony Munyao	4	1	5	2	*	*	-
Joseph Maina **	*	*	5	5	*	*	-
Julius Mwatu**	*	*	*	*	4	3	-
Julius Nyaga**	*	*	*	*	4	4	-

Notes:
(a). Number of meetings convened during year when the director was a member.
(b). Number of Meetings attended by the Director during the year.
(C). * Not a Member.
(d). ** Committee members drawn from 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, in the best interest of the company.

Facilitating 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 CEO and the Chairman, ensuring effective flow of information within the board and its committees and between senior management. This includes timely compilation and distribution of board papers and minutes, as well as communication of resolutions from board meetings. Keeping formal records of board discussions and following up on timely execution of agreed actions.

23. Board Committees

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

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

The Committees mandates are reviewed annually. The Committees have mandate to invite third parties including consultants and executive management to provide opinions and expert or technical advice. 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. Anthony Munyao - Chairperson
2. Joseph Kamau
3. Fridaclare Katusya

25. Finance and Investment Committee

The Committee supervises the financial and investment business arm of the Company, and in doing so, has laid down an overall operational Investment Management Framework which is supported by effective and efficient governance aimed at protecting policyholders. The policy framework focuses on a sound prudential asset and liability management supported by robust internal control systems. The other duties include receiving and considering the company's annual budget and revision of the same.

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

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

Finance and Investment Committee
1. Gordon Owuor - Chairman
2. Julius Nyaga
3. Julius Mwatu
4. Anthony Chege

26. Board Evaluation

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

The Board therefore reviews its performance and that of the Board committees and individual directors, the Chairman, the Managing Director and the Company Secretary annually.

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 includes a series of questions for each Director to assess their own performance and that of their peers 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 ways in which the board contributes to the overall goals and strategy of the organization.

An extensive board evaluation was undertaken for the year 2022 by an independent consultant – The Leadership Group Ltd. 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 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 set out below:

i. Insurance Risk

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

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

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

ii. Operational Risk

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

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

28. Risk Management Framework *(continued)*

iii. Credit Risk

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

iv. Investment Risk

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

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

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 inter alia 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.

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, investment policies, valuation of assets, reinsurance arrangements and premium adequacy and to coordinate the development of best practices within the Company.

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

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

The statutory actuary of the company is Actuarial Services Company Limited (Acterve) 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

The Company's financial statements are prepared on an annual basis in accordance with International Financial Reporting Standards (IFRS) and audited in accordance with the International Standards on Auditing (ISA). In the financial year under review, the Board engaged the firm of PriceWaterhouseCoopers (PWC), a qualified, independent external auditor for the accurate reporting of the Insurer's financial statements. At an annual general meeting held on 12th May 2022 the shareholder approved the re-appointment of PriceWaterhouseCoopers (PWC) as the external auditors for the year 2022.

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

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

36. Whistle Blowing

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

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

37. Legal and Compliance Audit

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

38. 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.

39. 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.

40. Share-holding Structure

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

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

The shareholding structure of the company is as follows:

SHAREHOLDER	NO. OF SHARES	%
CIC Insurance Group Plc	40,000,000	100

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

Signed by Chairman on Behalf of CIC Life Assurance Limited

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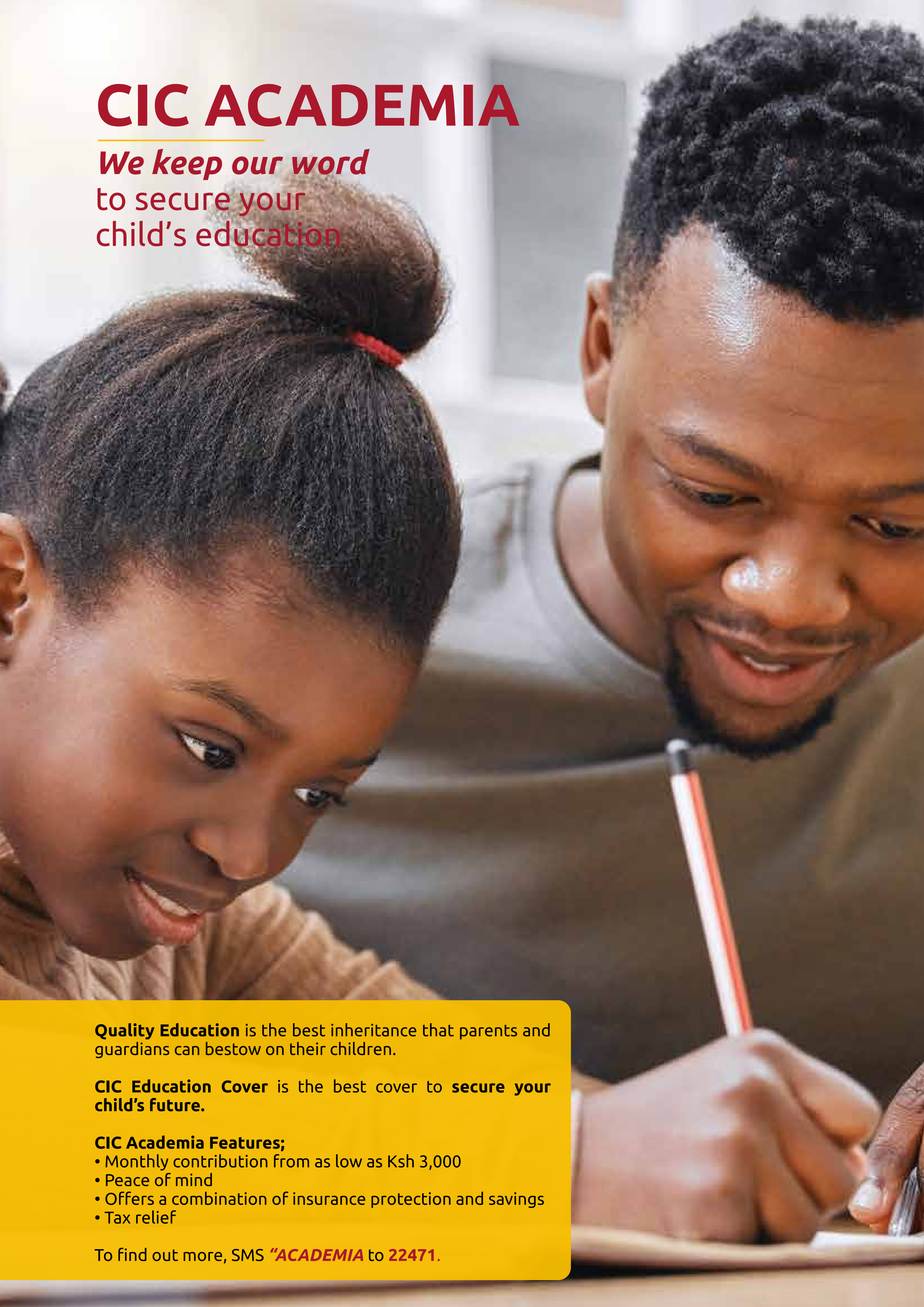
Dated 9 March 2023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We keep our word
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REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

The principal activities of the Company are the transactions of life insurance business and pension schemes administration.

4. COMPANY RESULTS

The table below highlights some of the key performance indicators:

	2022 Kshs'000	2021 Kshs'000
Gross earned premiums	7,159,578	6,117,112
Profit/(loss) before income tax	631,131	(78,580)
Income tax expense/(credit)	203,515	(23,574)
Incurred loss ratio (net incurred claims/net earned premiums)	70%	86%
Profit/(loss) for the year	427,616	(55,006)
Total comprehensive income for the year	207,041	(162,351)
Total assets	20,907,628	18,446,104
Total equity	2,149,989	1,942,948

5. RECOMMENDED DIVIDEND

Profit for the year of Kshs: 427,616,000 (2021: loss of Kshs: 55,006,000) has been added to the statutory reserve. The directors recommend payment of a dividend of KShs. 115,000,000 in respect of the year ended 2022 (2021 – Nil).

6. 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, as far as each director is aware, no relevant audit information of which the Company's auditor is unaware; and

b). each director had 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.

7. BUSINESS REVIEW

ECONOMIC AND BUSINESS ENVIRONMENT IN 2022

Kenya's economy remained resilient against a challenging global backdrop in 2022. 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 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 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 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 to 8.75 % in 2022. The Central Bank Rate (CBR) hikes' intention have been to reduce inflation and manage the Kenya shilling depreciation against major currencies. Short term rates maintained an upward trajectory in Q4 2022. 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.

Inflation increased to an average 9.4% in 2022 from 6.11% in 2021. 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. 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 Kenya Shilling substantially depreciated to the USD in 2022. Lower foreign funding amid a faster growth in imports weakened the Kenya shilling. 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. 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 which is currently at levels deemed as unsustainable.

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. As at December 2022, the downward trend had resumed 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.

Business performance review

CIC Life Assurance Limited registered positive results in the year bouyed by recovery from COVID-19. In the prior, COVID-19 related deaths caused significant increase in claims cost which did not recur in the year.

Gross earned premiums increased by 17% from 2021 due to acquisition of new businesses. Incurred claims ratio decreased from 86% in 2021 to 70% in 2022 largely driven ease in group life claims relating to Covid-19 pandemic as well as prudent management of claims. Operating and other expenses increased by 18% driven by impairment loss on reinsurance receivables and statutory levies on the premiums written. Deposit

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

administration contracts grew by 22% from Kshs. 5.8 billion in 2021 to Kshs 7.1 billion in 2022 explained by additional pension contributions in the year. Actuarial value of policyholder liabilities increased in line with the increase in gross earned premiums.

The Company's profit after tax increased from a loss of Kshs 55 million in 2021 to a profit of Kshs 428 million in 2022 mainly due to a reduction in claims expense owing to favourable claims experience in the year.

The Company is faced with various risks in its operations such as mortality risk, morbidity risk, longevity risk, investment return risk, expense risk, policyholder decision risk, credit risk, liquidity risk, currency risk, interest rate risk, equity price risk and operational risk. For each and every risk, different mitigating factors have been put in place to reduce the impact of these risks on the performance of the Company. These risks are discussed in note 38.

GOING FORWARD

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

8. TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP continue in office in 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 the associated fees on behalf of the shareholders.

BY ORDER OF THE BOARD
SECRETARY

9 March 2023
Nairobi

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:

i. 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;
ii. Selecting suitable accounting policies and then applying them consistently; and
iii. 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 9 March 2023 and signed on its behalf by:

--	--	--
Director	Director/ Principal Officer	Director
Gordon Owuor	Meshack Miyogo	Anthony Munyao

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

I have conducted an actuarial valuation of insurance business of CIC Life Assurance 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 Kenya Insurance Act.

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

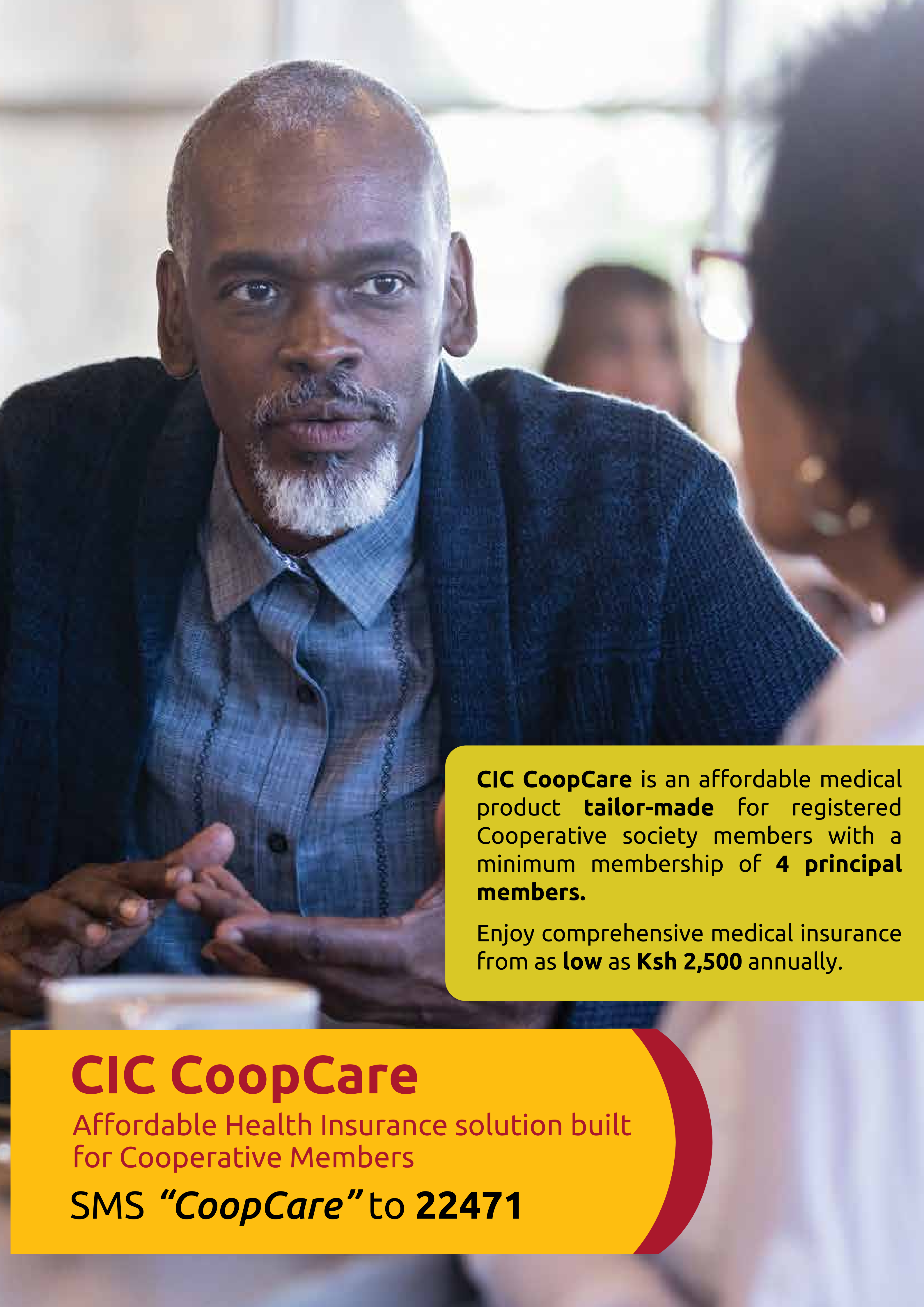
In completing the actuarial valuation, I have relied upon the audited financial statements of the Company.

In my opinion, the long-term insurance business of the Company was financially sound and the actuarial value of the liabilities in respect of all classes of life insurance business did not exceed the amount of funds of the long-term insurance business at 31 December 2022.

Name of Actuary: Abed Mureithi

Signed ______________________

9 March 2023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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CIC LIFE ASSURANCE LIMITED

Report on the financial statements

Opinion

We have audited the accompanying financial statements of CIC Life Assurance Limited (the Company) set out on pages 42 to 109, which comprise the statement of financial position at 31 December 2022 and 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 Life Assurance Limited as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

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

PricewaterhouseCoopers LLP. PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000 F: +254 (20)285 5001 www.pwc.com/ke
Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu B Ngunjiri R Njoroge S O Norbert's B Okundi K Saiti

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
Valuation of policyholder liabilities and unit linked contracts	
Policyholder liabilities as disclosed in Notes 3o and 39 (a) of the financial statements are of significant magnitude to the overall financial statements. The valuation of policyholder liabilities and unit linked contracts 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. For policyholder liabilities, both economic and non -economic assumptions are used. Economic assumptions such as discount rates, investment returns and inflation rates are benchmarked to available market information. Non-economic assumptions such as mortality rates, future expenses, investment returns, discount rates and lapse rates, are projected based on experience.	Evaluated the methodology and assumptions used in estimating the value of policyholder liabilities and unit linked contracts by comparing them against regulatory requirements, recognised actuarial practices and industry standards; Tested mathematical accuracy of the key data inputs used in the estimation process; With the assistance of our actuarial specialists, assessed the reasonableness of the actuarial assumptions, challenged management's rationale for the judgments applied and performed independent reprojections of the actuarial liabilities; and Assessed the adequacy and appropriateness of the related disclosures in notes 30 and 39 (a) of the financial statements.

Other information

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

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

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

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.

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

1. 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.

2. 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.

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

4. Conclude on the appropriateness of the directors' 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.

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Company's financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Companies Act, 2015

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

Richard Njoroge

FCPA Richard Njoroge, Practicing 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

	Note	2022 Kshs'000	2021 Kshs'000
Gross earned premiums	3(a)	7,159,578	6,117,112
Less: Reinsurance premiums ceded	3(b)	(1,649,795)	(1,675,694)
Net earned premiums		5,509,783	4,441,418
Interest income calculated using effective interest rate method	4(a)	862,286	682,224
Other interest and investment income	4(b)	57,484	48,382
Other (losses)/gains	5	(19,056)	73,626
Fees and commissions earned	6(a)	316,538	406,004
Total income		6,727,035	5,651,654
Expenses			
Gross incurred claims	7(a)	(3,906,325)	(4,691,932)
Reinsurance recoveries	7(b)	1,164,741	1,657,248
Gross change in actuarial reserves	7(c)	(1,058,024)	(915,966)
Reinsurer's share of change in actuarial reserves	7(c)	(33,493)	144,385
Net benefits and claims expense		(3,833,101)	(3,806,265)
Commissions expenses	6(b)	(594,648)	(500,142)
Operating and other expenses	8(a)	(1,664,923)	(1,406,443)
Net decrease/(increase) in expected credit losses	8(b)	6,140	(9,371)
Finance cost	11(b)	(9,372)	(8,013)
Total benefits, claims and other expenses		(6,095,904)	(5,730,234)
Profit/(loss) before income tax		631,131	(78,580)
Income tax (expense)/credit	10(a)	(203,515)	23,574
Profit/(loss) for the year		427,616	(55,006)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Fair value loss on debt instruments at fair value through other comprehensive income	14(b)	(220,575)	(107,345)
Total comprehensive income /(loss) for the year		207,041	(162,351)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	At 31 December 2022 Kshs'000	At 31 December 2021 Kshs'000
ASSETS	11(a)	47,712	44,957
Property and equipment	11(b)	55,587	59,029
Right of use assets	12	2,181,875	2,181,875
Investment properties	13	1,537	1,159
Intangible assets	14(a)	1,122,407	981,410
Financial assets at amortised cost - Government securities	15	70,676	52,770
Financial assets at amortised cost - Corporate bonds	16(a&b)	697,346	632,820
Financial assets at amortised cost - Loans receivable			
Financial assets at fair value through profit or loss - Investments in collective investment scheme	17	684,352	723,047
Financial assets at fair value through other comprehensive income- Government securities	14(b)	11,365,440	7,806,914
Financial assets at fair value through profit or loss- Quoted equity instruments	18	738,305	836,523
Current income tax	10 (c)	-	42,170
Receivables arising out of reinsurance arrangements	19(a)	52,386	817,891
Reinsurers share of liabilities and reserves	33	988,120	1,189,560
Other receivables	20	179,786	163,173
Due from related parties	21(a)	428,235	414,914
Deposits with financial institutions	22	2,167,971	2,404,360
Cash and bank balances	35(b)	125,893	93,532
TOTAL ASSETS		20,907,628	18,446,104
EQUITY AND LIABILITIES			
EQUITY			
Share capital	24	800,000	800,000
Statutory reserve		1,441,434	1,128,818
Fair value reserve		(278,306)	(57,731)
Retained earnings		186,861	71,861
TOTAL EQUITY		2,149,989	1,942,948
LIABILITIES			
Deferred income tax	28	639,881	485,042
Current income tax	10 (c)	6,506	-
Deposits administration contracts	29	7,094,835	5,798,488
Actuarial value of policyholder liabilities	30	9,049,824	7,991,800
Unit linked contracts	31	578,422	546,552
Claims payable	32	656,066	971,169
Due to related party	21(b)	6,488	5,375
Other payables	34	515,112	596,549
Lease liabilities	11(b)	64,664	67,339
Payables arising from reinsurance arrangements	19(b)	145,841	40,842
TOTAL LIABILITIES		18,757,639	16,503,156
TOTAL EQUITY AND LIABILITIES		20,907,628	18,446,104

The financial statements on pages 42 to 109 were approved by the Board of Directors on 9 March 2023 and signed on its behalf by:

Director
Gordon Owuor

Director
Meshack Miyogo

Director
Anthony Munyao

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

	Share capital Kshs'000 (Note 24)	Statutory reserve Kshs'000 (Note 25)	Retained earnings Kshs'000 (Note 27)	Fair value reserve Kshs'000 (Note 26)	Total Kshs'000
At 1 January 2021	800,000	1,183,824	71,861	49,614	2,105,299
Loss for the year	-	(55,006)	-	-	(55,006)
Other comprehensive loss for the year	-	-	-	(107,345)	(107,345)
At 31 December 2021	800,000	1,128,818	71,861	(57,731)	1,942,948
At 1 January 2022	800,000	1,128,818	71,861	(57,731)	1,942,948
Profit for the year	-	427,616	-	-	427,616
Other comprehensive loss for the year	-	-	-	(220,575)	(220,575)
Transfer from statutory reserve	-	(115,000)	115,000	-	-
At 31 December 2022	800,000	1,441,434	186,861	(278,306)	2,149,989

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 Kshs'000	2021 Kshs'000
Cash generated from operations	35	2,842,594	689,074
Dividend income	4	30,898	16,416
Interest from financial assets at fair value through other comprehensive income-government securities	4	597,424	480,887
Interest from financial assets at amortised cost-government securities.	4	105,219	91,705
Interest from financial assets at amortised cost-corporate bonds	4	985	3,469
Interest from deposits with financial institutions	4	101,179	62,884
Interest on financial assets at amortised cost-staff loan and receivables	4	58,035	51,710
Interest paid on lease liabilities	11(b)	(9,372)	(8,013)
Purchase of financial assets at amortised cost- government securities	14(a)	(200,342)	(179,573)
Purchase of financial assets through other comprehensive income - government securities	14(b)	(4,187,200)	(1,325,000)
Proceeds of maturity of financial assets at amortised- government securities	14(a)	66,865	160,530
Proceeds of sales of financial assets through other comprehensive income-government securities	14(b)	408,099	302,879
Purchase of financial assets at amortised cost-corporate bonds	15	(14,369)	(52,490)
Maturity of financial assets at amortised cost-corporate bonds	15	-	99,293
Mortgage loans repaid	16(a)	2,404	16,228
Other loans advanced	16(b)	(304,907)	(247,408)
Other loans repayment	16(a&b)	298,402	213,000
Proceeds from maturity of collective investment scheme	17	836,888	499,400
Purchase of financial assets at fair value through profit or loss- collective investments scheme	17	(780,830)	(455,341)
Disposal of financial assets at fair value through profit or loss-equity instruments	18	81,703	45,371
Purchase of financial assets at fair value through profit or loss-equity instruments	18	(32,279)	(60,837)
Income tax paid	10	(48,676)	-
Net increase in fixed deposits with financial institutions (excluding cash and cash equivalents)		1,661,440	(340,142)
Net cash generated from operating activities		1,514,160	64,042
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property plant and equipment	11(a)	(17,536)	(20,025)
Sales proceeds on disposals of plant property and equipment		117	-
Purchase of intangible assets	13	(888)	(526)
Net cash used in investing activities		(18,307)	(20,551)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payment of principal portion of lease liability	11(b)	(21,219)	(27,360)
Net cash used in financing activities		(21,219)	(27,360)
NET INCREASE IN CASH AND CASH EQUIVALENTS	35 (b)	1,474,634	16,131
CASH AND CASH EQUIVALENTS AT 1 JANUARY		245,610	229,479
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		1,720,244	245,610

Financial protection to enjoy life in your retirement with **CIC Jipange Pension Plus**

CIC Jipange Pension Plan is ideal for **SME's, Saccos** and Cooperatives who do not have a registered fund for their employees as well as **Individuals** who wish to make contribution towards their retirement.

CIC Jipange Pension Plan Features;

- Monthly contribution from as low as Ksh 500
- Competitive rate of return
- Flexible contributions
- Tax exemption of contributions since the fund is registered with KRA.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. 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 financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2015. The financial statements have been prepared on historical cost basis, except otherwise stated in the accounting policies below. 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 to the financial statements. 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. 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 broadly in order of liquidity from the least liquid to the most liquid.

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 and amended standards and interpretations

This section 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.

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 *
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020 and these amendments include minor changes to: (a). IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. (b). IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.	1 January 2022

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New and amended standards and interpretations *(continued)*
(i) New standards and amendments – applicable 1 January 2022 *(continued)*

Title	Key requirements	Effective Date *
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. Henceforth, the proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.	1 January 2022
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*

The above standards did not have any significant impact on the financial statements.

(ii) Forthcoming requirements

The following standards and interpretations had been issued but were not mandatory for annual period 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b). New and amended standards and interpretations *(continued)*
(ii). Forthcoming requirements *(continued)* IFRS 17 "Insurance Contracts" *(continued)*

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 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.

The model will be used for measurement of the following portfolios in the life business

i. Individual life portfolio
ii. Annuity portfolio

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b). New and amended standards and interpretations *(continued)*
(ii). Forthcoming requirements *(continued)*
IFRS 17 "Insurance Contracts" *(continued)*

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 group life and group credit portfolios within the life business

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 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b). New and amended standards and interpretations *(continued)*
(ii). Forthcoming requirements *(continued)*
IFRS 17 "Insurance Contracts" *(continued)*

Title	IFRS 17 options	Adopted approach
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.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b). New and amended standards and interpretations *(continued)*
(ii). Forthcoming requirements *(continued)*
IFRS 17 "Insurance Contracts" *(continued)*

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 Company has elected to use the simplified approach permitted under IFRS 9.

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

- *Insurance revenue*
- *Insurance service expense*
- *Net expense from reinsurance contracts held*
- *Insurance service results*
- *Interest revenue from financial assets not measured at FVTPL*
- *Net change in investment contract liabilities*
- *Net credit impairment losses*
- *Net investment income*
- *Finance expenses from insurance contracts issued*
- *Finance income from reinsurance contracts held*
- *Net insurance finance expenses*
- *Other finance costs*
- *Other operating costs*
- *Profit before income tax*

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b). New and amended standards and interpretations *(continued)*
(ii). Forthcoming requirements *(continued)*
IFRS 17 "Insurance Contracts" *(continued)*

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.

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 *
Classification of liabilities as current or non-current - Amendment to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting	1 January 2023 (deferred from 1 January 2022)
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.	1 January 2023

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b). New and amended standards and interpretations *(continued)*
(ii). Forthcoming requirements *(continued)*
IFRS 17 "Insurance Contracts" *(continued)*

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

Title	Key requirements	Effective Date *
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023

(c) Revenue recognition

Gross premiums

Gross recurring premiums on life contracts are recognised as revenue when paid by the policyholder. For single premium business revenue is recognised on the date on which the policy is effective and when premiums have been settled. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. There are no rebates offered on the premiums. The company operates four different lines of business namely: Individual life business, Group life business, Annuities business and Deposit administration.

Reinsurance premiums

Gross reinsurance premiums on life business are recognised as an expense when payable or on the date on which the policy is effective. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

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

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

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

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.

Interest income on all trading assets and financial assets mandatorily required to be measured at fair value through profit or loss is recognised using the contractual interest rate in net trading income and net gains/losses on financial assets at fair value through profit or loss, respectively.

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.

Rental income is recognised on a straight-line basis over the lease term and is included as revenue in the statement of profit or loss due to its operating nature. 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 that they arise. The excess of rental income on a straight-line over cash received is recognised as an operating lease liability/ asset.

Net unrealised/realised gains and losses

Gains and losses recorded in the statement of profit or loss include gains and losses arising from valuation of financial assets measured at fair value through profit or loss and investment properties.

Gains and losses arising from the disposal of investment properties and property and equipment are calculated as the difference between net disposal proceeds and the carrying amount of the asset when it is derecognised. The date of disposal of property and equipment and 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.

Fees and commission earned

Insurance and investment contract policyholders are charged for policy administration services and investment management services. These fees are recognised as revenue over 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. Commissions earned from reinsurance premium ceded are recognised in profit or loss in the period in which they are earned.

Dividend income

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

(e) Gross incurred claims

Gross benefits and claims for life insurance contracts and for investment contracts with discretionary participation feature (DPF) include the cost of all claims arising during the year, including: internal and external claims handling costs that are directly related to the processing and settlement of claims, and policyholders' bonuses declared on DPF contracts. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Claims liability on long term contracts is determined through actuarial valuation which is carried out annually.

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

(f) Expenses (except gross claims incurred described 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

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(f) Expenses (except gross claims incurred described above) *continued)*

arisen that can be measured reliably and is independent from transactions with equity participants. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

i. When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are recognized in the profit or loss based on systematic and rational allocation procedures. This is often necessary in recognizing the equipment associated with the using up of assets such as property and equipment in such cases the expense is referred to as a depreciation or amortization. These allocation procedures are intended to recognize expenses in the accounting periods in which the economic benefits associated with these items are consumed or expired.

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.

(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 whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss. Insurance receivables are derecognised when the de-recognition criteria for financial assets have been met.

(h) Reinsurance ceded to reinsurance counterparties

The Company cedes insurance risk in the normal course of business for some of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Gains or losses on buying reinsurance are recognised in the statement of profit or loss immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Company of its obligations to policyholders.

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 recognises 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 the statement of 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 in equity in which case it is also recognised directly to 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

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

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

amount expected to be paid are highlighted in note 10 of these financial statements.

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

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

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

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

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

Deferred Income tax

Deferred income tax is provided on temporary differences except those arising on the initial recognition of goodwill, the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit nor loss. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The accounting of deferred tax movements is driven by the accounting treatment of the underlying transaction that lead to the temporary differences. Deferred tax relating to items recorded in profit or loss is recognised in profit or loss, while deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in other comprehensive income or equity.

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

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

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

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

The Company offsets deferred tax assets and deferred tax liabilities if, and only if:

- the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either, the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable, or
- receivables and payables that are measured with the amount of premium tax included.
- premium tax and statutory levies are recognized in the statement of profit or loss as they are 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 other receivables or other payables in the statement of financial position.

(j) Property and equipment

Property and equipment is initially recorded at cost only when the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably and subsequently stated at historical cost less accumulated depreciation and accumulated impairment losses.

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

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

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

Property and equipment are reviewed for impairment as in note 1(p) 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 cost of disposal and its value in use.

An item of property and equipment is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no further economic benefits are expected from its continued use or disposal.

Gains and losses on de-recognition of property and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

(k) Investments properties

Investment property is property held to earn rentals or for capital appreciation or both. Investment property, including interest in leasehold land, is initially recognised at cost including the transaction costs.

The carrying amount includes the cost of replacing part of an existing investment property at the time

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(k) Investments properties *continued)*

that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. 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.

Investment properties are derecognised when either they have been disposed off (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 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

Intangible assets, comprising of software license costs and computer software which are acquired separately are measured on initial recognition 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. Amortisation is calculated using straight-line method over its estimated useful life of 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.

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

Intangible assets have finite lives and 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 financial year end.

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 derecognition 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.

(m) Accounting for leases

At inception of a contract, 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.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(m) Accounting for leases *continued)*

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.

(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 by a different pension administrator.

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

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

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

(o) 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.

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of 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.

(q) Financial liabilities

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

Other liabilities are classified as financial liabilities and are carried at amortised cost. Gains and loss on financial liabilities at fair value through profit or loss are recognised in the profit or loss.

(r) Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the claim payable plus directly attributable costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(r) Insurance payables *continued)*

the obligation under the liability is settled, cancelled or expired. This includes payables arising from reinsurance arrangements.

(s) Insurance contract liabilities

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method. In accordance with the Insurance Regulatory Authority (IRA) guidelines, the liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income (for non-market linked insurance contracts this item is excluded) from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included.

A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company. Adjustments to the liabilities at each reporting date are recorded in the statement of profit or loss in 'actuarial adjustments'.

Profits originated from margins of adverse deviations on run-off contracts are recognised in the profit or loss over the life of the contract, whereas losses are fully recognised in the profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of related Present value interest factor (PVIF) and deferred acquisition cost (DAC) –by using an existing liability adequacy test as laid out under the Kenyan Insurance Act. The life insurance liabilities include the insurance contract liabilities, actuarial value of policy holders and reinsurance share of liabilities and reserves.

(t) Fair value measurement

The Company measures financial instruments classified as financial assets at fair value through other comprehensive income (OCI) 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 to 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,

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(t) Fair value measurement *continued)*

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.

For the purpose of 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 of related financial instruments and non-financial assets that are measured at fair value are disclosed in note 40 to the financial statements.

(u) 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.

Initial recognition and measurement

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 are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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.

Financial assets

In order for a financial asset to be classified and measured at amortised cost or at 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 in order 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 amortised cost
- Financial assets at fair value through OCI
- Financial assets at fair value through profit or loss

Financial assets at amortised cost

The Company measures financial assets at amortised

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(u) Financial instruments *continued)*

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 in order 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 includes staff loans, mortgages, policy loans, cash and bank balances, deposits with financial institutions, commercial papers, corporate bonds, other receivables, government securities at amortised cost and due from.

Financial assets at fair value through OCI

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.

The Company classifies government securities at fair value through other comprehensive income in this category.

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 the purpose of 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 below, 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.

The Company has classified quoted equity instruments, government securities and investments in collective investment scheme in this category.

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

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

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

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

Derecognition

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(u) Financial instruments *continued)*

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.

The calculation of ECLs

The Company uses the following formula to calculate ECL:

ECL = PD X EAD X 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(u) Financial instruments *continued)*

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.

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

The Company has designated unit linked contracts as financial liabilities at fair value through profit or loss.

Other payables

After initial recognition, payables are subsequently measured at amortised cost using the EIR method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the carrying amount on initial recognition.

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(u) Financial instruments *continued)*

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Derecognition

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 derecognition 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 assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position only when there is a current and legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses will not be offset in the profit or loss unless required or permitted by any accounting standard or interpretation. During the year, there was no offsetting of financial assets and liabilities

(v) 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 fixed deposits with financial institutions with original maturities of three months or less and are subject to an insignificant risk of changes in value.

(w) 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.

(x) 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.

(y) Investment contracts liabilities

i. Unit linked contracts

Investment contracts are classified between contracts with and without discretionary participation features (DPF). The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without Discretionary Participation Features (DPF) are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, the investment contract liabilities are measured at fair value through profit or loss. Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position and are not recognised as gross premium in the statement of profit or loss. Non-unitised contracts are subsequently also carried at fair value.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(y) Investment contracts liabilities *continued)*

contract cannot be less than the surrender value When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position as described above. Investment contracts include unit linked investments and deposit administration contracts.

ii. Deposit administration contracts

The Company administers the funds of a number of retirement benefit schemes. The liability of the Company to the scheme(s) is measured at amortised cost and is included in the statement of financial position. Deposits, withdrawals and investments returns are recorded directly as an adjustment to the asset and liability in the statement of financial position and are not recognised as gross premium and investments income in the statement of profit or loss. Assets under the deposit administration contracts are registered in the name of the administrator and have therefore been accounted as financial instruments in the statement of financial position.

(z) Discretionary Participation Features (DPF)

A DPF gives holders of these contracts the right to receive, as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. The amount or timing of the additional benefits is contractually at the discretion of the Company. Under the terms of the contracts, surpluses in the DPF funds can be distributed to policyholders and shareholders based on recommendation by the statutory Actuary. The Company has the discretion over the amount and timing of the distribution of these surpluses to policyholders.

(aa) Product classification

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Investment contracts are those contracts that transfer significant financial risk, but not significant insurance risk. Financial risk is 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 price 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. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that meet the following conditions:

- Likely to be a significant portion of the total contractual benefits
- The amount or timing of which is contractually at the discretion of the issuer
- That are contractually based on:
- The performance of a specified pool of contracts or a specified type of contract
- Realised and/or unrealised investment returns on a specified pool of assets held by the issuer
- The profit or loss of the company, fund or other entity that issues the contract

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(z) Discretionary Participation Features (DPF) *continued)*

(bb) 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.

(cc) Comparatives

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

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

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.

(i) Key sources of estimation uncertainty

Valuation of actuarial liabilities

Critical assumptions are made by the actuary and the company in determining the present value of actuarial liabilities. The liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time, increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity on standard industry and Kenya's mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate.

Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

Further disclosures on the valuation of insurance contract liabilities as well as the sensitivity analysis of key assumptions is set out on note 39 (a).

Valuation of investment contract liabilities without DPF

Fair values of unitised investment contracts are determined with reference to the assets backing the liabilities, which are based on the value of the unit-linked fund.

Fair value of non-unitised investment contracts is determined by using valuation techniques such as discounted cash flow methods. A variety of other factors are considered in these valuation techniques including time value of money, volatility, policyholder behaviour and fair value of similar instruments.

Further disclosures on the valuation of insurance contract liabilities as well as the sensitivity analysis of key assumptions is set out on note 39 (a).

Impairment of reinsurance receivables

The Company reviews its individually significant reinsurance balances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. Judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Company makes judgements about the debtor's financial situation. These estimate to provide debts is based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance (note 19(a)).

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)*

(i) Key sources of estimation uncertainty *(continued)*

Valuation of investment property

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

Impairment of financial assets

The measurement of impairment losses under IRS 9 across relevant financial assets requires judgement, especially the estimation of the probability of default and the assessment of a significant increase in credit risk. Other judgements applied include; determining financial condition of counter parties and forward looking information. These estimates are driven by the outcome of modelled ECL scenarios and relevant inputs used (see note 39 (b)).

Taxes

The Company is subject to income taxes in Kenya. Significant judgement is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made. 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.

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

	2022 Kshs'000	2021 Kshs'000
3. (a) GROSS EARNED PREMIUMS		
Group life	5,868,912	4,965,184
Ordinary life	1,123,203	1,094,034
Annuities	167,463	57,894
Total gross earned premium	7,159,578	6,117,112
(b) REINSURANCE PREMIUMS CEDED		
Group life	1,634,527	1,663,492
Ordinary life	15,268	12,202
Total reinsurance premium ceded	1,649,795	1,675,694
4. INVESTMENT INCOME		
Interest on financial assets at amortised cost- Government securities	105,219	91,705
Interest on financial assets at amortised cost-corporate bonds	985	3,469
Interest on bank deposit	101,179	62,884
Interest on staff loan and receivables	58,035	51,710
Dividend income	30,898	16,416
Interest on financial assets at fair value through other comprehensive income-Government securities	597,424	480,887
Rental income from investment properties	26,586	31,966
Amortisation of financial assets at amortised cost (note 14a)	(556)	(8,431)
	919,770	730,606
Investment income earned on financial assets, analysed by category of asset and type of income is as follows:		
(a) Interest revenue calculated using effective interest rate method		
Financial assets at amortised cost	264,862	201,337
Financial assets at fair value through other comprehensive income-Government securities	597,424	480,887
	862,286	682,224
(b) Other interest and investment income		
Financial assets at fair value through profit or loss	30,898	16,416
Investment income earned on non-financial assets	26,586	31,966
	57,484	48,382
Total investment income (a&b)	919,770	730,606
5. OTHER (LOSSES)/GAINS		
Fair value (loss)/gain on equity investments at fair value through profit or loss (note 18)	(48,794)	38,350
Gain on disposal of property plant and equipment	13	10
Fair value gain on financial assets at fair value through profit or loss-investments in collective investment scheme (note 17)	17,363	13,115
Other gains	12,362	22,151
	(19,056)	73,626

Other gains relate to sundry income arising from replacement of lost policy documents.

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

6. (a) FEES AND COMMISSIONS EARNED

	2022 Kshs'000	2021 Kshs'000
Group life commission	233,853	339,646
Ordinary life commission	7,681	6,867
Fees on pension administration	22,578	16,701
Charge on pension fund by the administrator	52,426	42,790
	316,538	406,004

Fees and commission earned relates to the commission received from the reinsurance premium ceded and fees on policy administration and investment management. Charge on pension fund relates to fees charged by the sponsor on the pensions funds under administration.

(b) COMMISSION EXPENSES

	2022 Kshs'000	2021 Kshs'000
Group life	464,900	390,329
Ordinary life	126,406	108,904
Annuities	3,342	909
	594,648	500,142

Commission expenses relates to expenses paid to agent and brokers.

7. CLAIMS AND POLICYHOLDERS BENEFITS EXPENSE

(a) Gross incurred claims

	2022 Kshs'000	2021 Kshs'000
Group life	3,001,371	3,841,047
Ordinary life	661,327	613,827
Annuities	243,627	237,058
	3,906,325	4,691,932

(b) Reinsurance recoveries

	2022 Kshs'000	2021 Kshs'000
Group life	(1,163,747)	(1,656,170)
Ordinary life	(994)	(1,078)
	(1,164,741)	(1,657,248)

(c) Actuarial reserves

	2022 Kshs'000	2021 Kshs'000
Gross change in actuarial reserves (note 30)	(1,058,024)	(915,966)
Reinsurers share of change in actuarial reserves (note 30)	(33,493)	144,385
	(1,091,517)	(771,581)

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 9)	640,459	575,080
Directors' fees & emoluments (note 21)	33,323	33,851
Depreciation on property and equipment (note 11)	14,678	14,874
Amortisation on right of use assets (note 11(b))	21,986	26,681
Amortisation of intangible assets (note 13)	510	713
Auditors' remuneration	5,915	4,800
Premium tax	11,232	10,577
Staff welfare	91,452	100,067
Utilities	49,019	40,230
Printing and stationery	9,757	6,875
Business advertising and promotion	88,997	71,805
Professional fees	102,828	67,671
Statutory levies	74,821	65,244
Professional subscription	4,703	4,829
Software licences	74,657	83,084
Impairment provision on reinsurance receivables (note 19(a))	335,982	192,194
Performance incentives	38,214	47,617
Other costs*	66,390	60,251
	1,664,923	1,406,443

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

Only the amount transferred to shareholders is subject to tax on condition that the company expenditure is within the permitted expenditure as per the insurance act. All expenses are allowable for tax purposes as long as they are within the permitted expenditure per the insurance act.

8.(b). NET DECREASE/(INCREASE) IN EXPECTED CREDIT LOSSES	2022 Kshs'000	2021 Kshs'000
Allowance for expected credit losses		
Related parties (note 21a)	(67)	(775)
Corporate bonds(note 15)	3,014	(9,965)
Cash	(22)	(84)
Loans receivable (note 16a)	(74)	2,043
Deposits with financial institutions (note 22)	863	1,935
Government securities at amortised cost	306	(405)
Government Securities at fair value through other comprehensive income	2,120	(2,120)
	6,140	(9,371)

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

9. STAFF COSTS

	2022 Kshs'000	2021 Kshs'000
Staff costs include the following:		
- Salaries and gratuity	596,265	524,185
- Defined contribution expense	32,039	31,863
- Termination benefits expense	4,240	12,997
- Staff annual leave expense	7,915	6,035
	640,459	575,080
Average number of employees during the year	178	174

10. INCOME TAX EXPENSE

(a) Tax expense

	2022 Kshs'000	2021 Kshs'000
Current income tax	48,676	-
Deferred income tax (note 28)	154,839	(23,574)
Income tax expense/(credit)	203,515	(23,574)

(b) Profit (loss) before income tax

	2022 Kshs'000	2021 Kshs'000
Profit (loss) before income tax	631,131	(78,580)
Tax calculated at a tax rate of 30%	189,339	(23,574)
Tax effects of:		
Excess of management expenses over permitted expenses	14,176	-
Income tax expense/(credit)	203,515	(23,574)

*Only amount transferred to shareholders is subject to income tax.

The current income tax charge is made up of:	2022 Kshs'000	2021 Kshs'000
Tax on transfer of actuarial surplus to shareholders fund	34,500	-
Tax on excess of management expenses	14,176	-
	48,676	-
Total management expenses	2,262,803	1,923,969
Permitted management expenses	(2,105,297)	(2,163,097)
Surplus/(deficit)	157,506	(239,128)
Tax thereon (on 30% of surplus)	14,176	-

**The tax charge for the Company is derived by subjecting to tax only 30% management fees in excess of the amount allowed in Section 19 (5) of the Kenyan Income Tax Act as well as on the transfer from the statutory reserves to shareholders as per the recommendation of the statutory actuary. The tax rate of 30% on the current tax was applied and the tax liability for 2022 is Kshs 14,176,000 (2021: Nil).*

Statement of financial position

(c) Current income tax

	2022 Kshs'000	2021 Kshs'000
At 1 January	42,170	42,170
Current income tax	(48,676)	-
At 31 December	(6,506)	42,170

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

11. (a) PROPERTY AND EQUIPMENT

	Motor Vehicles Kshs'000	Computers Kshs'000	Furniture fittings & Equipment Kshs'000	Total Kshs'000
COST				
At 1 January 2021	-	102,495	276,025	378,520
Additions	8,389	3,379	8,527	20,295
Disposals	-	(85)	-	(85)
At 31 December 2021	8,389	105,789	284,552	398,730
ACCUMULATED DEPRECIATION				
At 1 January 2021	-	97,669	241,315	338,984
Charge for the year	1,729	2,352	10,793	14,874
Elimination on Disposal	-	(85)	-	(85)
At 31 December 2021	1,729	99,936	252,108	353,773
CARRYING AMOUNT	6,660	5,853	32,444	44,957
COST				
At 1 January 2022	8,389	105,789	284,552	398,730
Additions	-	6,114	11,422	17,536
Disposals	-	(234)	-	(234)
At 31 December 2022	8,389	111,669	295,974	416,032
		-	-	-
ACCUMULATED DEPRECIATION				
At 1 January 2022	1,729	99,936	252,108	353,773
Charge for the year	2,097	3,025	9,555	14,677
Elimination on disposal	-	(130)	-	(130)
	3,826	102,831	261,663	368,320
At 31 December 2022		-	-	-
CARRYING AMOUNT		-	-	-
At 31 December 2022	4,563	8,838	34,311	47,712

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

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

11 (b) RIGHT OF USE OF ASSETS

The Company's leases include office space.

Information about leases for which the Company is a lessee is presented below.

		2022 Kshs'000	2021 Kshs'000
(i)	Right of Use assets		
	At 1 January	59,029	47,816
	Additions	18,544	37,894
	Amortisation charge	(21,986)	(26,681)
	At 31 December	55,587	59,029
(ii)	Lease liabilities		
	At 1 January	67,339	56,805
	Additions	18,544	37,894
	Accretion of interest	9,372	8,013
	Payment of interest	(9,372)	(8,013)
	Payment of principal portion of lease liabilities	(21,219)	(27,360)
	At 31 December	64,664	67,339

Sensitivity analysis of impact of changes in discount rates:
If the discount rates were to change by 10% with all other factors held constant, the impact of the carrying value of lease liabilities at 31 December 2022 would not change materially (2021: immaterial change).

	2022 Kshs'000	2021 Kshs'000
Amounts recognised in profit or loss:		
Interest on lease liabilities	9,372	8,013
Amortisation of right of use assets	21,986	26,681
Amounts recognised in statement of cash flows:		
Payment of principal portion on lease liabilities	21,219	27,360
Payment of interest	9,372	8,013
Total cash outflow for leases	30,591	35,373

Lease liability maturity analysis

Maturity analysis of lease liabilities is set out in note 39(b) of the financial statements.

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

12. INVESTMENT PROPERTIES	CIC Phase I Plaza Kshs'000	Kisaju Land Kshs'000	Kajiado Land Kshs'000	Total Kshs'000
31 December 2022	1,115,875	680,000	386,000	2,181,875
31 December 2021	1,115,875	680,000	386,000	2,181,875

There are no contractual commitments in respect of the investment properties. The rental income earned from CIC Phase I Plaza has been disclosed in note 4. The company has entered into operating lease arrangements.

CIC Phase I Plaza was revalued on 31 December 2022 by registered valuers, Crystal Valuers Limited, on the basis of open market value. Crystal Valuers Limited are industry specialists in valuing these types of investment properties and methods used are recommended by the International Valuation Standards Committee. In arriving at the value of the of the investment property, the valuer 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	Average 2022	Average 2021
Capitalized rent income (year purchase) method	Net annual rent (Shs)	26,585,600	31,966,321
	Annual rent growth rate	1%	1%
	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 not be significant change in the inputs to the valuation method during the year.

Valuations are performed on an annual basis and the fair value gains and losses are recorded within the profit or loss. The fair valuation basis takes into account the existing use and the tenancies and also considers the normal lease structure for similar buildings. On the other hand, Kisaju and Kajiado plots are based on market value, (see note 40), 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 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;
e) no account is taken of an individual bid by a special purchaser.

The investment properties are included in level 3 of the fair value hierarchy.

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

13. INTANGIBLE ASSETS

	2022 Kshs'000	2021 Kshs'000
COST		
At 1 January	110,760	110,234
Additions	888	526
At 31 December	111,648	110,760
ACCUMULATED AMORTISATION		
At 1 January	109,601	108,888
Amortisation charge for the year	510	713
At 31 December	110,111	109,601
CARRYING AMOUNT		
At 31 December	1,537	1,159

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.

14 (a) FINANCIAL ASSETS AT AMORTIZED COST-GOVERNMENT SECURITIES

	2022 Kshs'000	2021 Kshs'000
At 1 January	981,410	971,091
Additions	200,342	179,573
Maturities	(66,865)	(160,530)
Amortisation of discount (note 4)	(556)	(8,431)
Accrued interest	8,175	112
Allowance for expected credit loss	(99)	(405)
At 31 December	1,122,407	981,410

Maturity profile of the government securities has been disclosed in note 39(b).

Government securities at amortised cost of Kshs 1.12 Billion (2021 - Kshs 925 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.

(b) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-GOVERNMENT SECURITIES

	2022 Kshs'000	2021 Kshs'000
At 1 January	7,806,914	6,894,258
Additions	4,187,200	1,325,000
Maturities	(408,099)	(302,879)
Fair value loss	(220,575)	(107,345)
Allowance for expected credit losses	-	(2,120)
At 31 December	11,365,440	7,806,914

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

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

15. FINANCIAL ASSETS AT AMORTISED COST-CORPORATE BONDS

	2022 Kshs'000	2021 Kshs'000
Chase Bank Limited	73,545	73,545
Kenya Mortgage Refinancing Corporation	13,119	-
Family Bank Limited	45,345	45,329
Real people Limited	3,368	10,500
East African Breweries Limited	8,984	7,445
Gross	144,361	136,819
Allowance for expected credit losses	(73,685)	(84,049)
	70,676	52,770
Movement of the cost of the corporate bonds in the year:		
At 1 January	136,819	181,281
Additions	14,369	52,490
Maturities	-	(99,293)
Accrued interest	523	2,341
Write off	(7,350)	-
At 31 December	144,361	136,819

An analysis of changes in the gross carrying amount, corresponding ECL allowances and maturity analysis for corporate bonds has been disclosed in note 39(b).

16. (a) FINANCIAL ASSETS AT AMORTISED COST- LOANS RECEIVABLE

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

MORTGAGE LOANS:	2022 Kshs'000	2021 Kshs'000
At 1 January	32,607	47,680
Interest on the loans	2,590	-
Loan repayments	(2,404)	(16,228)
Recovery of expected credit losses during the year	-	1,155
At 31 December	32,793	32,607

Maturity profile of mortgage loans are set out in note 39(b).

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

16. (b) OTHER LOANS

	2022 Kshs'000	2021 Kshs'000
Staff loans	5,754	5,533
Policy loans	658,799	594,680
	664,553	600,213
Movement:		
At 1 January	600,213	564,917
Loans advanced	304,907	247,408
Loan repayments	(295,998)	(261,110)
Loan interest	55,357	48,110
Recovery of expected credit losses in the year	74	888
At 31 December	664,553	600,213
Total(a & b)	697,346	632,820

Maturity analysis of the other loans is set out in note 39 (b).
An analysis of changes in the gross carrying amount and corresponding ECL allowances in loans and receivables has been disclosed in note 39(b).

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		Fair value of collateral and credit enhancements held		
	Maximum exposure to credit risk Kshs'000	Property Kshs'000	Net exposure Kshs'000	ECLs Kshs'000
Mortgage loans	32,793	48,836	Nil	-
Other loans	7,001	5,754	Nil	1,248
	39,794	54,590	Nil	1,248

31 December 2021		Fair value of collateral and credit enhancements held		
	Maximum exposure to credit risk Kshs'000	Property Kshs'000	Net exposure Kshs'000	ECLs Kshs'000
Mortgage loans	32,607	48,836	Nil	-
Other Loans	6,707	5,533	Nil	1,174
	39,314	54,369	Nil	1,174

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.

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

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS-INVESTMENTS IN COLLECTIVE INVESTMENT SCHEME

	2022 Kshs'000	2021 Kshs'000
1 January	723,047	753,991
Additions	780,830	455,341
Maturities	(836,888)	(499,400)
Fair value gains (note 5)	17,363	13,115
	684,352	723,047

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

	2022 Kshs'000	2021 Kshs'000
At 1 January	836,523	782,707
Additions	32,279	60,837
Disposals	(81,703)	(45,371)
Fair value (loss)/ gain (note 5)	(48,794)	38,350
At 31 December	738,305	836,523

19. (a) RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

Receivables arising out of reinsurance arrangements relate to reinsurers portion of claims incurred which had not been recovered from reinsurers as at year end.

	2022 Kshs'000	2021 Kshs'000
Gross reinsurance receivables	580,562	1,010,085
Provision for impairment losses	(528,176)	(192,194)
Net reinsurance receivables	52,386	817,891

Movement on the provision for impairment of reinsurance receivables is as follows:

	2022 Kshs'000	2021 Kshs'000
At 1 January	192,194	-
Charge to profit or loss	335,982	192,194
At 31 December	528,176	192,194
Ageing		
1-90 days	249,142	476,039
91-120 days	-	180,642
Over 120 days	331,420	353,404
	580,562	1,010,085

19 . (b) PAYABLES ARISING FROM REINSURANCE ARRANGEMENTS

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
31 December	145,841	40,842

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

20. OTHER RECEIVABLES

	2022 Kshs'000	2021 Kshs'000
Staff advances	4,889	3,754
Prepayments	18,916	5,118
Advances for agents	4,354	3,643
Rental receivables	38,542	42,784
Rent deposits	2,491	2,131
Pension fund receivable	73,203	59,564
Other receivables	37,391	46,179
	179,786	163,173

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.
Other receivables consist mainly of funds receivable from pension business

21. RELATED PARTIES

The Company is a subsidiary of 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 all related through common shareholding. The other related parties include senior management and directors of the Company. The provisions for expected credit losses made on related party balances amount to Kshs 2,152,000 (2021: 2,085,000).

(a) Due from related parties	2022 Kshs'000	2021 Kshs'000
Gross	430,387	416,999
Allowance for expected credit losses	(2,152)	(2,085)
	428,235	414,914
Due from:		
The CIC Insurance Group PLC	391,912	391,343
CIC General Insurance Limited	36,323	23,571
	428,235	414,914
(b) Due to related parties		
CIC Asset Management Limited	6,488	5,375
	6,488	5,375

The related party balances arise from the payments to a related party for offering fund management services as well as funding by the company to the CIC Group for payment of shared costs and acquisition of shared Group assets.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

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

21. RELATED PARTIES *(continued)*

(b) Transactions with related parties

	2022 Kshs'000	2021 Kshs'000
(i) Receipts from related parties		
CIC Insurance Group PLC	125,537	238,039
CIC General Insurance Limited	256,690	291,239
CIC Asset Management Limited	10,817	28,615
	393,044	557,893
(ii) Payments to related parties		
CIC Insurance Group PLC	126,106	389,194
CIC Asset Management Limited	20,831	27,879
CIC General Insurance Limited	316,888	247,875
	463,825	664,948

*In helping to reduce the administration burden there will be situations where one entity will pay expenses such as salaries for shared services, rent for branches, management fees, 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.

(c) Loans to directors of the Company

The Company did not advance any loan to its directors (2021: Nil).

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

(e) Key management personnel remuneration
The remuneration of directors and other members of key management during the year were as follows:

Short-term employment benefits:	2022 Kshs'000	2021 Kshs'000
Directors 'emoluments – fees	10,300	9,213
Other allowances:		
Sitting allowances	17,532	16,180
Insurance	443	333
Honoraria	1,135	1,630
Retreats and training	2,627	1,575
Exit/retirement	286	4,023
Christmas token	1,000	897
	33,323	33,851
Key management		
Salaries	82,984	84,518
Gratuity	6,962	6,454
Staff annual leave allowance	1,121	848
National Social Security Fund (NSSF)	26	24
Pension contribution	3,753	4,492
Total short term employment benefits	128,169	130,187

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

22. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2022 Kshs'000	2021 Kshs'000
The Co-operative Bank of Kenya Limited	421,283	396,272
Family Bank Limited	65,227	188,456
Credit Bank Limited	12,795	57,350
KCB Bank Kenya Limited	151,944	-
KCB Bank Kenya Limited*	348,554	336,719
Development Bank of Kenya Limited	52,773	45,851
Equity Bank Limited	154,824	848,323
Imperial Bank Limited	23,200	23,200
UBA Kenya Bank Limited	-	85,708
NCBA Bank	736,705	87,679
Investments and Mortgages Bank (I&M bank)	215,745	291,042
Kingdom Bank	-	31,552
Sidian Bank	9,010	37,160
	2,192,060	2,429,312
Allowance for expected credit losses	(24,089)	(24,952)
Net deposits	2,167,971	2,404,360
Maturing within 3 months	1,594,351	568,786
Maturing between 3-6 months	255,893	586,388
Maturing after 6 months	317,727	1,249,186
	2,167,971	2,404,360

*This relates to staff loan collateral deposits held at KCB Bank Kenya Limited which is restricted cash and not available for use in the Company's day to day operations.
Deposits maturing after three months are assessed from the placement date.

An analysis of changes in the gross carrying amount and corresponding ECL allowances in deposits with /financial institutions has been disclosed in note 39(b). The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

23. WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

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

	2022 %	2021 %
Government securities	13.00	12.00
Corporate bonds	12.50	11.50
Staff loans	6.00	6.00
Policy loans	8.00	8.00
Deposits with financial institutions	9.40	9.25
Other deposits and commercial papers	11.50	11.00

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

24. SHARE CAPITAL

	31 December 2022		31 December 2021	
	Number of shares '000	Share Capital '000	Number of shares '000	Share Capital '000
Authorised ordinary shares of Kshs 20 each:				
At 1 January and 31 December	50,000	1,000,000	50,000	1,000,000
	-	-		
Issued and fully paid up share capital:	-	-		
At 1 January and 31 December	40,000	800,000	40,000	800,000

25. STATUTORY RESERVE

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

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

26. FAIR VALUE RESERVE

The fair reserve represents fair value losses arising from debt instruments at fair value through other comprehensive income and is not distributable as dividends.

27. RETAINED EARNINGS

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

28. DEFERRED INCOME TAX**

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

	At 1 January Kshs.'000	Recognised in profit or loss Kshs.'000	At 31 December Kshs.'000
2022			
Deferred tax on life fund surplus	(485,042)	(154,839)	(639,881)
2021			
Deferred tax on life fund surplus	(508,616)	23,574	(485,042)

* Amounts recognised in current income tax relate to tax on transfers from statutory reserves to shareholders.

** There is no deferred tax on temporary differences arising from property and equipment and also arising from the investment property because life insurance companies are taxed differently (refer to note 10) where deferred tax is only calculated on the life fund surplus that is not transferred to retained earnings for distribution at any point in time.

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

29. DEPOSIT ADMINISTRATION CONTRACTS

The Company administers the funds of a number of retirement benefit schemes. The liability of the Company to the scheme(s) is measured at amortised cost and is included in the statement of financial position. Deposits, withdrawals and investments returns are recorded directly as an adjustment to the asset and liability in the statement of financial position and are not recognised as gross premium and investments income in the statement of profit or loss. Assets under the deposit administration contracts are registered in the name of the administrator and have therefore been accounted as financial instruments in the statement of financial position.

Analysis of movement in deposit administration contract liabilities:	2022 Kshs'000	2021 Kshs'000
Pension contributions	1,641,410	879,807
Investment income	393,854	490,085
Total income for the year	2,035,264	1,369,892
Policy benefits (net)	(652,007)	(490,028)
Administrative expenses	(86,910)	(27,729)
Total outflow	(738,917)	(517,757)
Net movement for the year	1,296,347	852,135
Balance at beginning of the year	5,798,488	4,946,353
Net fund value	7,094,835	5,798,488

30. ACTUARIAL VALUE OF POLICYHOLDER LIABILITIES

The actuarial valuation of the life fund was carried out by The Actuarial Services Company Limited, Actuaries and Consultants, as at 31 December 2022 and revealed actuarial liabilities of Kshs 9,049,824 - (2021: Kshs 7,991,800). A transfers of Kshs 115 million has been made to retained earnings based on the recommendation of the actuary (2021: Nil).

	Ordinary Life Kshs'000	Group Life Kshs'000	Total Gross Kshs'000	Reinsurance (note 33) Kshs'000	Net Kshs'000
As at 1 January 2022	4,311,910	3,679,890	7,991,800	(734,233)	7,257,567
Actuarial Adjustments (note 7(c)	223,278	834,746	1,058,024	33,493	1,091,517
As at 31 December 2022	4,535,188	4,514,636	9,049,824	(700,740)	8,349,084
As at 1 January 2021	4,105,064	2,970,770	7,075,834	(589,848)	6,485,986
Actuarial Adjustments (note 7(c)	206,846	709,120	915,966	(144,385)	771,581
As at 31 December 2021	4,311,910	3,679,890	7,991,800	(734,233)	7,257,567

*Sensitivity analysis on the key assumptions disclosed in note 39(c).

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

31. UNIT LINKED CONTRACTS

Unit linked contracts are designated as contracts at fair value through profit or loss. The benefits offered under these contracts are based on the return of a portfolio of equities and debt securities. The maturity value of the financial liabilities is determined by reference to the fair value of the linked assets. There will be no difference between the carrying amount and the maturity amount at maturity date.

	2022 Kshs'000	2021 Kshs'000
At 1 January	546,552	523,663
Contributions received	16,799	21,056
Surrenders	(1,036)	(2,384)
Maturities	(9,852)	(33,827)
Far value gain	25,959	38,044
Net fund value	578,422	546,552

32. CLAIMS PAYABLE

	2022 Kshs'000	2021 Kshs'000
Claims reported and claims handling expenses:		
At 1 January	515,842	661,248
Claims incurred in the year (Note 7(a))	3,906,325	4,691,932
Payments for claims and claims handling expenses	(4,053,481)	(4,837,338)
At 31 December	368,686	515,842
Comprising:		
Gross amounts	656,066	971,169
Reinsurers share (note 33)	(287,380)	(455,327)
Net claims payable	368,686	515,842

33. REINSURERS SHARE OF INSURANCE LIABILITIES AND RESERVES

	2022 Kshs'000	2021 Kshs'000
Claims Payable (note 32)	287,380	455,327
Actuarial value of policyholder liabilities (note30)	700,740	734,233
	988,120	1,189,560

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.

34. OTHER PAYABLES

	2022 Kshs'000	2021 Kshs'000
Sundry payables	398,528	401,434
Premiums received in advance	97,600	176,270
Staff annual leave pay provision	10,773	10,634
Rent deposits	8,211	8,211
	515,112	596,549

The carrying amounts disclosed above reasonably approximate fair values at the reporting date.

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

35. NOTES TO THE STATEMENT OF CASHFLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2022 Kshs'000	2021 Kshs'000
(a) Reconciliation of profit before tax to cash generated from operations:			
Profit/(loss) before income tax		631,131	(78,580)
Adjustments for:			
Amortisation of financial assets at amortised cost-government securities	4	556	8,431
Dividend Income	4	(30,898)	(16,416)
Interest on financial assets at fair value through other comprehensive income-government securities	4	(597,424)	(480,887)
Interest on financial assets at amortised cost-government securities	4	(105,219)	(91,705)
Interest from financial assets at amortised cost-corporate bonds interest	4	(985)	(3,469)
Bank deposit interest	4	(101,179)	(62,884)
Interest Income on loans and receivables	4	(58,035)	(51,710)
Fair value loss/(gain) on equity instruments at fair value through profit or loss	5	48,794	(38,350)
Fair value gain on financial assets at FVPL- Collective investment scheme	5	(17,363)	(13,115)
Gain on disposal of property and equipment	5	(13)	(10)
Depreciation on property and equipment	11(a)	14,677	14,873
Depreciation of right of use	11(b)	21,986	26,681
Interest on lease liabilities	11(b)	9,372	8,013
Amortisation of intangible assets	13	510	713
(Decrease)/increase in allowance for expected credit losses	39(b)	(6,140)	9,371
Working capital changes:			
Claims payable		(315,103)	213,798
Receivables arising out of direct insurance arrangements		-	23
Reinsurers share of liabilities and reserves		201,440	(503,589)
Receivables arising out of reinsurance arrangements		765,505	18,248
Other receivables		(16,613)	(71,580)
Other payables		(81,437)	127,788
Actuarial value of policyholders' liabilities		1,058,024	915,966
Unit linked contracts		31,870	22,889
Deposit administration contracts		1,296,347	852,135
Payables arising from reinsurance arrangements and insurance bodies		104,999	36,088
Related party balances		(12,208)	(153,658)
Cash generated from operations		2,842,594	689,074
(b) Cash and cash equivalents			
Cash and bank balances		125,893	93,532
Deposits with banks with original maturity of less than 3 months	22	1,594,351	152,078
		1,720,244	245,610

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

36. DIVIDENDS

The Board recommend payment of dividends in the year 2022 of Kshs 115 Million (2021: Nil) to its shareholders.

37. 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 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.

(b) Commitments

Capital expenditure committed but not contracted for 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	122,364	141,599

38. RISK MANAGEMENT OBJECTIVES AND POLICIES

(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 recognizes 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 organizational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, 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 organizational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

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

38. RISK MANAGEMENT OBJECTIVES AND POLICIES *(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
- 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 maximise shareholders value

The operations of the Company are subject to regulatory requirements within the Kenyan jurisdiction 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 minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseeable 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 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's capital management policy for its insurance and non–insurance business is to hold sufficient capital to cover the statutory requirements based on the Insurance Regulatory Authority (IRA) directives, including any additional amounts required by the Kenyan 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, in addition to more traditional sources of funding.

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

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

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

38. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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

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

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

	2022 Kshs'000	2021 Kshs'000
Share capital	800,000	800,000
Statutory reserve	1,441,434	1,128,818
Fair value deficit	(278,306)	(57,731)
Retained earnings	186,861	71,861
Equity	2,149,989	1,942,948

The Company had no external financing at 31 December.

The Company is also subject to insurance solvency regulations and has complied with all the solvency regulations as required by IRA. As at 31 December 2022, the capital adequacy ratio was 118% (2021: 106%), which was below the prescribed capital requirement limits of 200% but above minimum capital requirement of 100%.

There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

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 unforeseeable liabilities arising from economic shocks or natural disasters.

The operations of the Company are subject to regulatory requirements within the Kenyan jurisdictions in which it operates (see b. Capital management objectives, policies and approach).

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 contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts 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 liabilities
- As an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts.

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

39. INSURANCE AND FINANCIAL RISK

(a) Insurance risk

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

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

The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and 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.

Life insurance contracts

Life insurance contracts offered by the Company include: whole life and term assurance.

Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value. This includes group life and ordinary life premiums.

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

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

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

(a) Insurance risk *(continued)*

Life insurance contracts *(continued)*

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

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

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

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

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

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

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

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

(a) Insurance risk *(continued)*

Life insurance contracts *(continued)*

The following tables show the concentration of life insurance contract liabilities and investment contract liabilities with DPF by type of contract.

31 December 2022

	Gross				Reinsurance*	
	Insurance contract liabilities With DPF Kshs'000	Investment contract liabilities Kshs'000	Insurance contract liabilities without DPF Kshs'000	Total Insurance and investment contract liabilities Kshs'000	Insurance liabilities without DPF Kshs'000	Net liabilities Kshs'000
Group life	-	-	609,727	609,727	82,955	526,772
Group credit	-	-	3,904,909	3,904,909	617,785	3,287,124
Endowment	2,521,264	-	-	2,521,264	-	2,521,264
Term assurance	-	-	34	34	-	34
Annuities	-	-	2,013,890	2,013,890	-	2,013,890
Total insurance liabilities (Note 30)	2,521,264	-	6,528,560	9,049,824	700,740	8,349,084
Unit linked (note 31)	-	578,422	-	578,422	-	578,423
Total	2,521,264	578,422	6,528,560	9,628,246	700,740	8,927,506

*The Insurance contract liabilities with DPF features are not reinsured.

31 December 2021

	Gross				Reinsurance*	
	Insurance contract liabilities With DPF Kshs'000	Investment contract liabilities Kshs'000	Insurance contract liabilities Kshs'000	Total Insurance contract and investment liabilities Kshs'000	Insurance liabilities Kshs'000	Net liabilities Kshs'000
Group life	-	-	470,033	470,033	136,474	333,559
Group credit	-	-	3,209,857	3,209,857	597,759	2,612,278
Endowment	2,404,342	-	-	2,404,342	-	2,404,342
Term assurance	-	-	101	101	-	101
Annuities	-	-	1,907,467	1,907,467	-	1,907,467
Total insurance liabilities (Note 30)	2,404,342	-	5,587,458	7,991,800	734,233	7,257,747
Unit linked (note 31)	-	- 546,55	-	546,552	-	546,552
Total	2,404,342	546,552	5,587,458	8,538,352	734,233	7,804,299

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

39. INSURANCE AND FINANCIAL RISK *(continued)*
(a) Insurance risk *(continued)*
Life insurance contracts *(continued)*

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

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

Mortality and morbidity rates

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

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

Longevity

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

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

Investment return

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

An increase in investment return would lead to an increase in profits for the shareholders.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

Lapse and surrender rates

Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

(a) Insurance risk *(continued)*

Life insurance contracts *(continued)*

Key assumptions *(continued)*

Discount rate

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

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

The assumptions that have the greatest effect on the statement of financial position and statement of profit or loss of the Company are listed below:

	Mortality and Morbidity rates		Lapse and surrender rates				Discount rates/ Investment return	
	2022	2021	2022			2021	2022	2021
Insurance contracts			YR1 LAPSE	YR2 LAPSE	YR3 LAPSE			
Annuities*	KE 2007 – 2010 Tables for Assured Lives	KE 2007 – 2010 Tables for Assured Lives	-	-	-	13.2%	13.6%	13.6%
Life assurance*	KE 2007 – 2010 Tables for Assured Lives	KE 2007 – 2010 Tables for Assured Lives	15%	10%	5%	Yield Curve	Yield curve	Yield curve

Assumptions

- Valuation age is taken as the number of complete years of age "curtate age" at the date of valuation. The period of valuation has been taken as the original term to maturity less curtate duration at the valuation date

*The Annuities and life assurance balances are included in the actuarial value of policyholder's liabilities.

Sensitivities

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. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

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

39. INSURANCE AND FINANCIAL RISK *(continued)*

(a) Insurance risk *(continued)*

Life insurance contracts *(continued)*

	31 Dec 2022		31 Dec 2021	
	Kshs '000	% change	Kshs '000	% change
Main basis	7,970,306	-	6,889,027	-
Expenses plus 10%	7,999,864	0.37%	6,931,053	0.46%
Mortality and other claims				
Mortality plus 10%	7,979,195	0.11%	6,906,821	0.11%
Discount rate less 10%	8,306,403	4.22%	7,216,399	4.60%
Withdrawals plus 25%	7,974,541	0.05%	6,900,375	0.02%

(b) Financial risks

1. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for 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 Company of counterparties, geographical 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 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 specified in the policy document or trust deed 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 issues unit–linked investment policies in a number of its operations. In the unit–linked business, the policyholder bears the investment risk on the assets held in the unit–linked funds, as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no credit risk on unit–linked financial assets.

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

The Company's internal rating process

The Company's investment team prepares internal ratings for financial instruments (Financial assets at amortised cost- Government securities, Financial Assets at amortised cost- Corporate Bonds, Financial Assets at amortised cost-Loan and Receivables, Financial Assets at amortised cost-Commercial Papers, Due from related party, Deposits with financial institutions, and Cash and bank balances) in which counterparties are rated using internal grades. The ratings are determined incorporating both qualitative and quantitative

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

39. INSURANCE AND FINANCIAL RISK *(continued)*
(b) Financial risks *(continued)*
1. Credit risk *(continued)*

information from external party ratings supplemented with information specific to the counterparty and other external information that could affect the counterparty's behavior. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

The Company's internal credit rating grades for the above assets with exception of staff loans is as described below.

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

For staff loans, the credit rating is based on whether or not the staff is still in employment. The loan is given a 'high grade' rating if the staff is still in employment, and a 'past due but not impaired' rating in instances where the staff is no longer employed with the company.

Significant increase in credit risk, default and cure

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

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

Such events include:

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

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

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

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

39. INSURANCE AND FINANCIAL RISK *(continued)*
(b) Financial risks *(continued)*
1. Credit risk *(continued)*

Collaterals and other credit enhancements

The amount and type of collateral required depends on assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each collateral, which applies only to staff loan advances. The main type of collaterals are as follows:

- For mortgages, legal charge over property to the extent of loan advanced.
- For car loans, the value of the motor vehicle.

Management monitors the market value of the collateral and may request additional collateral in accordance with underlying agreement.

The Company does not physically reposes properties but engages its legal department in collaboration with external agents to recover funds to settle outstanding debt. As a result of this practice, the properties or motor vehicles are not recorded in the balance sheet and not treated as non-current asset held for sale.

The fair values of the collaterals equals to the outstanding loan balances at the end of each financial reporting period since the Company is only interested in recovering the loan balance.

Impairment losses on financial investments subject to impairment assessment.

Debt instruments measured at FVOCI

Government securities at FVOCI

The table below shows the fair values of the Company's debt instruments at FVOCI by credit risk and the ECLs:

	2022 Kshs'000	2021 Kshs'000
Gross	11,365,440	7,809,034
Less: Loss allowance*	-	(2,120)
Net carrying amount	11,365,440	7,806,914

*Management assessed that there is low credit risk on these financial instruments as they are sovereign debts and there has been no history of default from the Government of Kenya.

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

39. INSURANCE AND FINANCIAL RISK *(continued)*
(b) Financial risks *(continued)*
1. Credit risk *(continued)*

Corporate bonds

The table below shows the credit quality and maximum exposure to credit risk and the ECL against the gross amounts:

	2022 KShs '000	2021 KShs '000
Gross	144,361	136,819
Less: Loss allowance	(73,685)	(84,049)
Net carrying amount	70,676	52,770

Loans receivable at amortised cost

	2022 KShs '000	2021 KShs '000
Gross	698,594	633,994
Less: Loss allowance	(1,248)	(1,174)
Net carrying amount	697,346	632,820

Deposits with financial institutions

Gross	2,192,060	2,429,312
Less: Loss allowance	(24,089)	(24,952)
Net carrying amount	2,167,971	2,404,360

Related party receivables

Gross	430,387	416,999
Less: Loss allowance	(2,152)	(2,085)
Net carrying amount	428,235	414,914

Debt instruments at amortised cost-government securities

Gross	1,122,506	981,815
Less: Loss allowance	(99)	(405)
Net carrying amount	1,122,407	981,410

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

39. INSURANCE AND FINANCIAL RISK *(continued)*
(b) Financial risks *(continued)*
1. Credit risk *(continued)*

Reconciliation of loss allowance accounts

	At 1 January 2022 KShs'000	Write off KShs'000	(Increase)/ decrease in in the year KShs'000	At 31 December 2022 KShs'000
Government securities at FVOCI	(2,120)	-	2,120	-
Corporate bonds	(84,049)	7,350	3,014	(73,685)
Loans receivable	(1,174)	-	(74)	(1,248)
Deposits with financial institutions	(24,952)	-	863	(24,089)
Due from related parties	(2,085)	-	(67)	(2,152)
Cash	(84)	-	(22)	(106)
Government securities at amortised cost	(405)	-	306	(99)
	(114,869)	7,350	6,140	(101,379)

	At 1 January 2021 KShs'000	Write off KShs'000	(Increase)/ decrease in loss allowance in the year KShs'000	At 31 December 2021 KShs'000
Government securities at FVOCI	-	-	(2,120)	(2,120)
Corporate bonds	(74,084)	-	(9,965)	(84,049)
Loans receivable	(3,217)	-	2,043	(1,174)
Deposits with financial institutions	(26,887)	-	1,935	(24,952)
Due from related parties	(1,310)	-	(775)	(2,085)
Commercial papers/Cash	-	-	(84)	(84)
Government securities at amortised cost	-	-	(405)	(405)
	(105,498)	-	(9,371)	(114,869)

Reinsurance receivables

The ageing and movement in provision for impairment of reinsurance receivables is set out in note 19(a) of the financial statements.

Collateral

Except for staff loans, no collateral is held in respect of the receivables that are past due but not impaired.

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

39. INSURANCE AND FINANCIAL RISK *(continued)*
(b) Financial risks *(continued)*

2. 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 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 and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophe excess–of–loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity profiles

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations. Unit-linked liabilities are repayable or transferable on demand and are included in the up-to-a-year column. Repayments which are subject to notice are treated as if notice were to be given immediately.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow.

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

39. **INSURANCE AND FINANCIAL RISK** *(continued)*
(b) Financial risks *(continued)*
2. Liquidity risk *(continued)*

The table below provides expected maturity analysis of financial assets (undiscounted):

31 December 2022	No stated Maturity	6 months or on Demand	Between 6 months and 1 year	Between 1-2 years	Between 2-5 years	More than 5 year	Total
Government securities at amortised cost	-	-	73,044	67,608	12,247	1,974,851	2,127,750
Corporate bonds	-	-	-	-	81,440	26,786	108,226
Loans receivables	-	-	4	222	690,340	69,204	759,770
Government securities at fair value through other comprehensive income	-	30,014	108,001	173,537	1,188,257	29,430,143	30,929,952
Equity investments at fair value through profit or loss	738,305	-	-	-	-	-	738,305
Investments in collective investment schemes at FVPL	684,352	-	-	-	-	-	684,352
Receivables arising out of reinsurance arrangements	-	52,386	-	-	-	-	52,386
Due from related party	-	428,235	-	-	-	-	428,235
Other receivables	-	179,786	-	-	-	-	179,786
Deposits with financial institutions	-	2,071,821	194,808	-	-	-	2,266,629
Cash and bank balances	-	125,893	-	-	-	-	125,893
Total Financial Assets	1,422,657	2,888,135	375,857	241,367	1,972,284	31,500,984	38,401,284
Deposits administration contracts	-	1,066,526	569,400	123,986	469,033	4,865,890	7,094,835
Actuarial value of policyholder liabilities	9,049,824	-	-	-	-	-	9,049,824
Unit linked contract	-	-	578,422	-	-	-	578,422
Claims payable	-	656,066	-	-	-	-	656,066
Due to related party	-	6,488	-	-	-	-	6,488
Other payables	-	515,112	-	-	-	-	515,112
Payables arising from reinsurance arrangements	-	145,841	-	-	-	-	145,841
Lease liabilities	-	11,833	10,115	20,575	40,796	-	83,319
Total financial liabilities	9,049,824	2,401,866	1,157,937	144,561	509,829	4,865,890	18,129,907
Net liquidity gap	(7,627,167)	486,269	(782,080)	96,806	1,462,455	26,635,094	20,271,377

The liquidity gaps in the age category of "no stated" maturity is due to actuarial value of policy holder liabilities whose crystallisation cannot be predicted with certainty. The spread of financial assets has however been done based on the expected maturity date or crystallisation of the policyholder liabilities.

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

39. INSURANCE AND FINANCIAL RISK *(continued)*
(b) Financial risks *(continued)*
2. Liquidity risk *(continued)*

The table below provides expected maturity analysis (undiscounted):

31 December 2021	No stated Maturity	6 months or on Demand	Between 6 months and 1 year	Between 1-2 years	Between 2-5 years	More than 5 year	Total
Government securities at amortized cost	-	11,065	-	81,742	88,188	1,294,331	1,475,326
Corporate bonds	-	-	-	-	85,990	-	85,990
Staff mortgages and other loans	-	-	4	222	605,291	64,874	670,391
Government securities at fair value through other comprehensive income	-	-	193,752	154,271	1,327,484	16,880,210	18,555,717
Equity investments at fair value through profit or loss	836,523	-	-	-	-	-	836,523
Receivables arising out of reinsurance arrangements	-	817,891	-	-	-	-	817,891
Receivables arising out of direct insurance arrangements	-	-	-	-	-	-	-
Due from related party	-	414,914	-	-	-	-	414,914
Deposits with financial institutions	-	1,453,361	957,229	-	-	-	2,410,590
Cash and bank balances	-	93,532	-	-	-	-	93,532
Total financial assets	836,523	2,790,763	1,150,985	236,235	2,106,953	18,239,415	25,360,874
Deposits administration contracts	-	1,356,391	786,768	126,449	573,493	2,955,387	5,798,488
Actuarial value of policyholder liabilities	7,991,800	-	-	-	-	-	7,991,800
Unit linked contract	-	-	546,552	-	-	-	546,552
Insurance contract liabilities	-	971,169	-	-	-	-	971,169
Due to related party	-	5,375	-	-	-	-	5,375
Other payables	-	596,550	-	-	-	-	596,550
Payables arising from reinsurance arrangements	-	40,842	-	-	-	-	40,842
Lease liabilities	-	15,128	13,508	17,905	29,535	12,141	88,217
Total Financial liabilities	7,991,800	2,985,455	1,346,828	144,354	603,028	2,967,528	16,038,993
Net liquidity excess/(gap)	(7,155,277)	(194,692)	(195,843)	91,881	1,503,925	(15,271,887)	9,321,881

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

39. INSURANCE AND FINANCIAL RISK *(continued)*
(b) Financial risks *(continued)*

3. 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 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 asset 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, as the Company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.

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

i. Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Kenyan shillings and its financial assets and liabilities are denominated in the same currency. Therefore, the Company is 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.

39. INSURANCE AND FINANCIAL RISK *(continued)*
(b) Financial risks *(continued)*
3. Market risk *(continued)*

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.

iii. Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in equity prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit–linked business.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments, sector and market.

Listed equity investments represent 100% of total equity investments. If equity market indices had increased/ decreased by 5%, with all other variables held constant, and all the Company's equity investments moving according to the historical correlation with the index, the profit for the year and equity would increase/decrease by Kshs 36,915,250 (2021 – Kshs 41,826,179).

iv. Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorization 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.

40. FAIR VALUE MEASUREMENT

The Company specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi securities exchange.
- 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

40. 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 assets recorded at fair value and those which fair value is disclosed by level in the fair value hierarchy. However, it does not include instruments whose fair value approximates the carrying amount.

31-Dec-22 *Recurring fair value measurements*	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000	Carrying amounts
Investment properties	-	-	2,181,875	2,181,875	2,181,875
Government securities at fair value through other comprehensive income	11,365,440	-	-	11,365,440	11,365,440
Equity investments at FVPL	738,305	-	-	738,305	738,305
Financial assets at fair value through profit or loss-investments in collective investment schemes	-	684,352	-	684,352	684,352
The fair value of financial assets not held at fair value is as follows:					
Non-recurring fair value measurements					
Corporate bonds	-	70,676	-	70,676	70,676
Government securities at amortized cost	1,046,379	-	-	1,046,379	1,122,407
Financial Assets at amortised cost-loan and receivables	-	680,839	-	680,839	697,346
Total assets at fair value	13,150,124	1,435,867	2,181,875	16,767,866	16,860,401
Liabilities at fair value					
Unit linked contracts	-	578,422	-	578,422	578,422
Total liabilities at fair value	-	578,422	-	578,422	578,422
31-Dec-21 *Recurring fair value measurements*					
Investment properties	-	-	2,181,875	2,181,875	2,181,875
Government securities at fair value through other comprehensive income	7,806,914	-	-	7,806,914	7,806,914
Equity investments at fair value through Profit or loss	836,523	-	-	836,523	836,523
Financial assets at fair value through profit or loss - investments in collective investment scheme	-	723,047	-	723,047	723,047
The fair value of financial assets not held at fair value is as follows:					
Non-recurring fair value Measurements					
Corporate bonds	-	52,490	-	52,490	52,770
Government securities at amortized cost	1,475,326	-	-	1,475,326	981,410
Financial Assets at amortised cost-Loan and Receivables	-	616,746	-	616,746	632,820
Total assets at fair value	10,118,763	1,392,283	2,181,875	13,692,921	13,215,359
Liabilities at fair value					
Unit Linked Contracts	-	546,552	-	546,552	546,552
Total liabilities at fair value	-	546,552	-	546,552	546,552

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

40. FAIR VALUE MEASUREMENT *(continued)*

Valuation techniques used in determining fair value of financial assets and liabilities in levels 2 and 3.

Instrument	Level	Valuation basis	Inputs
Unit trust investments	2	Net Asset Value	Current unit price of underlying unitised assets.

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

Instrument	Level	Valuation basis	Rate	Significant unobservable Inputs	Sensitivity of input to the fair value
Investment properties	3	Capitalised rent income method	13%	Discount rate	Increase (decrease) in discount rate of 5% would decrease (increase) fair value by Kshs – 109.1 million. (2021- Kshs 109.1 million)
			5%	Annual rent growth rate	Increase (decrease) in annual rent growth rate of 5% would decrease (increase) fair value by 1.9 million. (2021- Kshs –1.6 million.

The management assessed that the fair values of cash and short-term deposits, other receivables, trade payables, amounts due/from to related party and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Reconciliation of fair value measurement under Level 3 hierarchy

2021	At January	Contributions/ Additions/Transfer from level 2	Disposals/ Settlements	Fair value gain	At 31 December
Investment property	2,181,875	-	-	-	2,181,875

2020	At January	Contributions/ Additions/ Transfer from level 2	Disposals/ Settlements	Fair value gain	At 31 December
Investment property	2,181,875	-	-	-	2,181,875

41. ULTIMATE CONTROLLING PARTY

The parent company is The CIC Insurance Group PLC while the ultimate holding company is Co-operative Society Limited both of which are incorporated and domiciled in Kenya.

APPENDIX I
REVENUE ACCOUNT

	Ordinary Life, Annuities & Pension Kshs '000	Group Life Kshs '000	Total 2022 Kshs '000	Total 2021 Kshs '000
Gross written premiums	1,290,666	5,868,912	7,159,578	6,117,113
Less: Reinsurance premiums ceded	(15,268)	(1,634,527)	(1,649,795)	(1,675,694)
Net earned premiums	1,275,398	4,234,385	5,509,783	4,441,419
Claims and Policyholders' benefits:				
Life and health claims	(20,176)	(1,837,624)	(1,857,800)	(2,208,090)
Maturities	(672,934)	-	(672,934)	(608,790)
Surrenders	(210,850)	-	(210,850)	(217,804)
Actuarial reserves	(223,278)	(868,239)	(1,091,517)	(771,583)
Net claims and policyholders' benefits	(1,127,238)	(2,705,863)	(3,833,101)	(3,806,267)
Commissions paid	(99,488)	(231,049)	(330,537)	(136,928)
Expenses of management	(261,891)	(1,336,344)	(1,598,235)	(1,363,597)
Premium tax	(11,232)	(58,689)	(69,921)	(60,229)
Total expenses and commissions	(372,611)	(1,626,082)	(1,998,693)	(1,560,754)
Investment income	469,772	483,370	953,142	847,022
Profit before taxation	245,321	385,810	631,131	(78,580)
Taxation charge	-	(203,515)	(203,515)	23,574
Profit for the year	245,321	182,295	427,616	(55,006)
Increase in life fund for the year	245,321	182,295	427,616	(55,006)

The revenue account was approved by the board of directors on 9 March 2023 and was signed on its behalf by:

Director
Gordon Owour

Director
Meshack Miyogo

Director
Anthony Munyao

APPENDIX II
GLOSSARY OF INSURANCE TERMS

Assumptions	The underlying variables which are taken into account in determining the value of insurance and investment contract liabilities.
Benefits and claims experience variation	The difference between the expected and the actual benefit
Discretionary participation feature (DPF)	A contractual right to receive, as a supplement to guaranteed benefits, additional pay-out benefits: • That are likely to be a significant portion of the total contractual benefits • Whose amount or timing is contractually at the discretion of the issuer • That are contractually based on: • The performance of a specified pool of contracts or a specified type of contract • Realised and/or unrealised investment returns on a specified pool of assets held by the issuer • The profit or loss of the company, fund or other entity that issues the contract
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.
Insurance risk	Risk, other than financial risk, transferred from the holder of a contract to the issuer.
Investment contract	A contract, which contains significant financial risk and may contain insignificant insurance risk but does not meet the definition of an insurance contract.
Investment management services	The management of an investment contract on behalf of a policyholder, for which an investment management service fee is charged.
Liability adequacy test	An annual assessment of the sufficiency of insurance and/or investment contract with DPF liabilities, to cover future insurance obligations.
Life insurance	A contract which provides whole life, term assurance, unitised pension, guaranteed pension, pure endowment pension and mortgage endowment coverage to the policyholder.
Outstanding claims provision	Comprises claims reported by the policyholder to the insurance company, and IBNR claims.
Premiums written	Premiums to which the insurer is contractually entitled becoming due for payment in the accounting period.
Provision for premium deficiency	The provision for premium deficiency reflects management assessment of claims expected to be incurred after the reporting date in respect of current insurance contracts that exceed the premiums to be earned on those contracts after the reporting date.
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.
Unit holder/unit linked	Investor in a unit–linked product, when the investment risk is borne by the policyholder and not by the insurance company.

NOTEPAD

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