FIDELITY SHIELD INSURANCE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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CORPORATE INFORMATION

Board of Directors	Nicholas Kamere	- Chairman
	A. Kurji	
	L. Kibet	
	S. Merali	
	Tandala Investment Limited	- J. Koskey (Alternate Director)
	K. Kangogo	
	G. Akinyi	
	R. Marisin	- Managing Director (Appointed on 12.04.2023)
Board Audit, Risk & Compliance Committee	L. Kibet	- Chairman
	A. Kurji	
	G. Akinyi	
	K. Kangogo	
Board Finance & Investments committee	J. Koskey	- Chairman
	S. Merali	
	G. Akinyi	
	N. Kamere	
	K. Kangogo	
Board Compensation & Remuneration Committee	N. Kamere	- Chairman
	J. Koskey	
	A. Kurji	
	S. Merali	
Management	R. Marisin	- Managing Director
	A. Kiragu	- Head of Operations
	M. Njoroge	- Manager - Human Resources
	P. Mukunzi	- Underwriting Manager
	S. Kamau	- Claims Manager
	M. Chweya	- Manager - ICT
	J. Munene	- Finance Manager
	A. Andayi	- Branch Manager – North Rift
	D. Gitau	- Branch Manager - CBD
	N. Shariff	- Branch Manager - Coast
	T. Amina	- Branch Manager - Nakuru
	S. Kiano	- Branch Manager - Thika
	S. Chirchir	- Branch Manager – Kisumu

CORPORATE INFORMATION (CONTINUED)

Registered Office

Fidelity Insurance Centre
Waridi Lane off Waiyaki Way
P O Box 47435 – 00100
Nairobi, Kenya

Branches

Head office Branch
Fidelity Insurance Centre
Waridi Lane off Waiyaki Way
P O Box 47435 – 00100
Nairobi, Kenya

Nairobi CBD Branch
Transnational Plaza, 8th Floor
Mama Ngina Street
P O Box 47435 - 00100
Nairobi, Kenya

Mombasa Branch
Mombasa Trade Centre, 8th floor, Nkurumah Road
P O Box 90103
Mombasa, Kenya

Eldoret Branch
Zion Mall, 1st floor, Uganda Road
P O Box 7877
Eldoret, Kenya

Kisumu Branch
Kenya Re Plaza, Oginga Odinga street
P O Box 2243
Kisumu, Kenya

Nakuru Branch
WestSide Mall, 3rd Floor.
Kenyatta Lane
P O Box 18622-20100
Nakuru, Kenya

Thika Branch
Twin Oak Plaza, 4th Floor.
Kwame Nkurumah Street
P O Box 6283-01000
Thika, Kenya

CORPORATE INFORMATION (CONTINUED)

Company Secretary	ESR Kenya LLP Certified Public Secretaries (Kenya) P O Box 47323-00100 Nairobi, Kenya
Independent Auditor	PricewaterhouseCoopers LLP P O Box 43963, 00100 PwC Tower, Waiyaki Way, Westlands Nairobi
Principal Advocate	Coulson Harney LLP 5th Floor, West Wing, ICEA Lion Centre Riverside Park, Chiromo Road P O Box 10643 – 00100 Nairobi, Kenya
Consulting Actuary	Kenbright Actuarial and Financial Services Ground Floor ACK Garden House Upper Hill, 1st Ngong Avenue P O Box 28281 – 00200 Nairobi, Kenya
Principal Banker	NCBA Bank Kenya PLC Mara and Ragati Road, Upper Hill P O Box 30437 – 00100 Nairobi, Kenya

CHAIRMAN'S STATEMENT

INTRODUCTION

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Company for the year ending 31 December 2023.

ECONOMIC OVERVIEW

Kenya's economy registered stronger performance in 2023, with real GDP growing by an estimated 5% compared to 4.8% in 2022. This growth was primarily driven by recovery in the agriculture sector after severe drought, as well as moderate growth in the services sector. However, the country faced obstacles in maintaining this growth momentum, due to among other reasons, high level of public debt, increased cost of living, exchange rate pressures, global economic uncertainties, and tight global financial conditions.

To generate additional revenue for the government's KES 3.6 trillion budget, the Kenyan government implemented the Finance Act 2023 which introduced significant changes to the country's tax and social contributions systems. One of the key changes was the introduction of a Housing Levy, which mandated contributions from both employers and employees towards the National Housing Development Fund. Additionally, the Act introduced new PAYE tax bands and raised VAT on petroleum products from 8% to 16%. These changes had adverse impact on the overall cost of living in the country.

OPERATING ENVIRONMENT

According to the Kenya National Treasury and Economic Planning departments, the country's inflation rate remained within the government's target range of 5 ± 2.5% as at December 2023. Data from the Kenya National Bureau of Statistics (KNBS) indicates that in December 2022, inflation rate stood at 9.1%, and had dropped to 6.6% in December 2023. This reduction was mostly driven by lower food prices and tightened monetary policy. The rate of price increases had slowed down, indicating economic stabilization and the effectiveness of monetary policy and control. During the year, the Monetary Policy Committee (MPC) adjusted the Central Bank Rate (CBR) from 8.75% in January 2023 to 12.5% in December 2023 to avert the risk of hyperinflation in the face of global uncertainties.

Government securities recorded an upward trend, with the yields on the 364-day, 182-day, and 91-day papers reaching 15.6%, 15.7%, and 15.8% respectively. Similarly, the equities market grew, with the NASI and NSE 25 indices increasing by 1.8% and 1.1% respectively.

Performance of the Kenyan shilling in 2023 was at its poorest in 30 years, influenced by rising interest rates in major economies, reduced holdings by offshore investors, and a decline in foreign exchange inflows from exports. By December 2023, the currency had depreciated by 27% against the US dollar, exchanging at Kes 156 compared to Kes 123 in January of the same year. This depreciation was largely driven by the strength of the US currency, which attracted investors seeking safe havens amid crisis in the Middle East, as well as the high yields on US Treasury bonds.

THE INSURANCE INDUSTRY

The General Insurance sector experienced a growth of 14.4% by the end of the third quarter of 2023, driven primarily by increases in the Miscellaneous, Aviation, and Personal Accident classes of business. While Motor Insurance and Medical Insurance remained the top contributors to gross premium income, they also accounted for 90% of total incurred claims during the quarter. On the other hand, Engineering and Workmen's Compensation classes saw a decrease in premiums due to reduced initiation of development projects by the Government. General insurance business reported an underwriting loss of Kes 4.1 billion compared to Kes 2.3 billion in Q3 2022, mostly driven by high loss ratio in motor and medical classes.

CHAIRMAN'S STATEMENT (CONTINUED)

THE INSURANCE INDUSTRY (CONTINUED)

Beginning January 1, 2023, insurance companies implemented a new financial reporting standard, IFRS 17 for Insurance Contracts. This standard brings uniformity to the accounting model for all insurance contracts and assesses the impact of these contracts on a company's financial position and profitability. It has resulted in consistent reporting, comparability of insurance financials, transparency, and useful information, as well as distinguishing between profits from insurance and investment activities.

PERFORMANCE HIGHLIGHTS

The year closed with a remarkable 16% growth in gross written premium, reaching Kes 3,579 million compared to Kes 3,095 million in 2022. This achievement was made possible by strengthening of our partnerships with intermediaries and reinsurers, prioritizing exceptional customer experience, accelerating digitalization, and more focused engagement with our staff. Additionally, total assets increased by 8%, driven by organic growth, resulting in a capital adequacy ratio above 150% at the close of the year.

Incurred claims deteriorated by 28%, largely due to increased cost of servicing claims resulting from the devaluation of the shilling against the dollar and a rise in third-party liability claims. These liability claims were driven by an increasingly litigant population and was further accelerated by expedited disposal of cases by small claims courts. To counter these challenges and ensure sustainability, we have implemented strategies to enhance our business portfolio mix and reduce motor business exposure. We are enforcing stricter compliance with motor rates and targeting vehicle categories with a lower claims history, while increasing minimum premiums and rates for high-risk vehicles. Additionally, we have improved our claims management strategies by utilizing out-of-court negotiations and cash settlements, resulting in more efficient and cost-effective claims handling. Our overall management expenses increased by 27%, reaching Kes 533 million compared to Kes 420 million in 2022 due to a one-off increase on impairment costs for outstanding premiums. However, our management expense ratio remained lower than the previous year at 18%, indicating improved efficiency.

Investment and other income rose by 71% to Kes 320 million from Kes 186 million in 2022, chiefly driven by increased interest income and appreciation in value following revaluation of the investment property. The growth in interest income was mainly due to higher average rates of return on fixed income assets and cash deposits in financial institutions. Our total fixed income assets registered an 8% growth, reaching Kes 1.7 billion.

Profit before tax for the year was Kes 208 million compared to Kes 51 million in 2022 under the guidelines of IFRS 17. These improved results can be attributed to increased profitability of our insurance business, resulting from reduced provisions for expected losses, the impact of high interest rates on liability measurement, improved investment returns, and overall business growth.

FUTURE OUTLOOK

It is projected that the economy will grow by 5.5% in 2024 due to the expected growth in the private sector, strong performance in the services sector, and continued recovery in the agriculture sector.

Going forward, our objective is to maintain high business growth momentum with a view to achieving a market share of at least 2.5% up from the current 2.0%. We expect to generate more non-motor business and successfully introduce medical business. Our customer-led strategic focus presents us an opportunity to strengthen our competitiveness and adapt to changes in the operating environment. We shall focus on providing a seamless customer journey, ensuring consistent high-quality service at every step, leveraging digital tools to enhance the customer experience, and transforming the employee experience by creating a work environment that fosters engagement, empowerment, and alignment with customer-centric goals.

We recognize the growing interest in environmental, social, and governance (ESG) factors and believe that our business can make positive contribution. We aim to advance a more sustainable and responsible insurance industry, which can potentially reduce risks and enhance long-term financial performance.

CHAIRMAN'S STATEMENT (CONTINUED)

TRIBUTE

I want to express my gratitude and recognition to our customers and business partners for their unwavering support, loyalty, and trust in our company. To our employees who wake up every morning to come to Fidelity, and who have through hard work, commitment and dedication delivered stellar results, your work has not gone unnoticed. I extend my heartfelt appreciation to you, your families, and friends.

I would like to commend my fellow Board Members for their support and collective guidance in successfully stewarding the business agenda for the year and ensuring that our company is sustainable. Lastly, I wish to sincerely thank Mr. Sam Shollei for his invaluable contribution to the company during his tenure as a Director and Chairman. His presence and input are missed, and we wish him well in his retirement.

Nicholas Kamere
Chairman

14 March 2024

CORPORATE GOVERNANCE STATEMENT

Fidelity Shield Insurance Company Limited views the application of good Corporate Governance practices as fundamentally key to achieving a healthy and sustainable return on investment for its shareholders, while fulfilling its social mandate to improve the quality of life for all stakeholders. The Directors therefore remain committed to the best principles of good Corporate Governance in running the operations of the Company.

The Company ensures the compliance of all the rules, regulations, and laws in the conduct of its business. The Company is administered in pursuit of earning credibility in the market and increasing value for the stakeholders. The decision making and powers are exercised with integrity, responsibility, accountability, and transparency.

BOARD OF DIRECTORS

Composition of the Board

The Company is led by an effective Board that provides strategic direction, oversight over Management and ensures that Management is creating value for all stakeholders.

The Insurance Regulatory Authority (IRA) has in place Guidelines on Corporate Governance for Insurers. These Guidelines set out the minimum requirements for insurers operating in Kenya. The key requirements for a Board of an insurance company is at least five (5) members, at least a third of the Board members including the Board Chairman are required to be independent professionals and minimum recommended board committees-Audit, Investment, Risk Management, Asset Liability Management, Policy-holder Protection, Ethics and Nomination and Remuneration. The Board currently comprises of seven (7) members.

Though the overall responsibility of monitoring and controlling the operational and financial performance of the Company vests with the Board of Directors, the day-to-day management of the Company has been delegated to the Managing Director.

Role of the Board

The Board's primary responsibility is that of fostering the business of the Company consistent with its fiduciary responsibility to the shareholders.

The Board of Directors meets at least quarterly and is chaired by a non-executive independent director.

Board committees

To effectively carry out its governance responsibilities, the Board has established several standing committees as listed below and delegated specific mandates to them. These committees operate under clearly articulated terms of reference which clarify their responsibilities and scope of authority. The committees have unrestricted access to any information within the Company and have unfettered access to the Company Secretary and independent professionals to enable them effectively to discharge their functions. All committees report to the Board at each Board meeting highlighting matters discussed at their respective meetings and recommended actions for Board approval in appropriate cases. Notwithstanding the delegated authority to these committees, the Board remains fully responsible for the areas overseen by the committees and activities of the committees.

During the year, the Board met seven (7) times to monitor business performance against the business plan and budget. The record of attendance at the Board meetings is set out below:

Director	16.03.2023	27.03.2023	11.04.2023	11.05.2023	27.07.2023	08.11.2023	29.11.2023
N. Kamere	√	√	√	√	√	√	√
K. Kangogo	√	√	√	√	√	√	√
S. Merali	√	√	√	√	X	√	√
J. Koskey	X	√	√	√	√	√	√
L. Kibet	√	√	√	√	√	√	√
G. Akinyi	√	√	√	√	√	√	√
A. Kurji	√	X	√	√	√	√	√
S. Shollei	√	√	R	R	R	R	R

Key:

✓ - Present R – Retired X – Absent with apology

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board committees (continued)

The mandates of the committees and their membership are summarized as follows:

(a) Board Audit, Risk & Compliance Committee

The Board Audit, Risk & Compliance Committee comprises four members namely the Chairman who is a non-independent and non-executive director and three other directors. On the audit front, its key objective is to assist the Board in providing an independent review of the effectiveness of the financial reporting process and internal control system of the Company. On the risk front, its key objective is to ensure that the Company has in place all the key elements of a sound risk management system. The Committee is mandated to set out the nature, role, responsibility and authority of the insurer's risk management function and systems and outline the scope of risk management work. It reviews the performance and findings of the Internal Audit, Risk and Compliance function and recommend appropriate remedial action at least quarterly.

The record of attendance at the Board Audit, Risk & Compliance Committee meetings is set out below:

Director	13.03.2023	03.05.2023	25.10.2023
L. Kibet	√	X	√
A. Kurji	√	√	√
K. Kangogo	√	√	√
G. Akinyi	√	√	√

Key:

✓ - Present X – Absent with apology

(b) Board Finance and Investment Committee

The Board Finance and Investment Committee comprises four members. Its key objective is to assist the Board in providing overall guidance to the various Management Committees so that the overall investment strategies and objectives are achieved. This Committee reviews and makes recommendations on the financial and investment business of the Company. The Committee also provides guidelines and limits for the investment of the Company's funds.

The record of attendance at the Board Finance and Investment Committee meetings is set out below:

Director	09.03.2023	04.05.2023	27.07.2023	25.10.2023
J. Koskey	√	√	√	√
S. Merali	√	√	X	√
N. Kamere	√	NA	NA	NA
K. Kangogo	√	√	√	√
G. Akinyi	√	X	√	√

Key:

✓ - Present X – Absent with apology NA – Not Applicable

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board committees (continued)

(c) Board Compensation and Remuneration Committee

The board Compensation and Remuneration Committee comprises four members. Its key objective is to assist the Board in providing overall guidance to the various Management Committees so that the overall Human resources matters, and objectives are achieved. This Committee reviews and makes recommendations on matters salary reviews, bonus payments, staff recruitments and resignation and any dispute arising from Company's workforce.

The record of attendance at the Board Compensation and Remuneration Committee meetings is set out below:

Director	07.03.2023	02.05.2023	18.07.2023	24.10.2023
J. Koskey	√	√	√	√
S. Merali	√	√	X	X
A. Kurji	√	√	√	√
N. Kamere	√	√	√	√

Key:

✓ - Present X – Absent with apology

(d) Management Committee

The Management Committee meets each month and comprises of the executive and senior staff. Its key objective is to monitor the implementation of overall strategy of the Company. The Committee reviews the performance of all departments each month and particularly financial performance and status of strategy execution.

REPORT OF THE DIRECTORS

The Board of Directors is pleased to present the annual report together with the audited financial statements of Fidelity Shield Insurance Company Limited (the "Company") for the year ended 31 December 2023, which disclose the state of financial affairs of the Company.

PRINCIPAL ACTIVITY

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

RESULTS

Some of the Company's key performance indicators are:

Performance indicator	**2023**	**2022 Restated**
Insurance service revenue (Kes million)	3,480	2,753
Insurance service expenses (Kes million)	2,490	2,127
Insurance service result (Kes million)	104	(39)
Net investment income (Kes million)	260	156
Profit before income tax (Kes million)	208	51
Insurance contracts liabilities (Kes million)	3,449	3,217
Reinsurance contracts assets (Kes million)	712	598
Total assets (Kes million)	4,627	4,299
Total equity (Kes million)	1,091	969

DIVIDEND

The directors recommend payment of dividend in respect of the year ended 31 December 2023 of Kes 50 million (2022: Kes 50 million).

DIRECTORS

The directors who served the Company up to the date of this report are as listed on page 2.

BUSINESS REVIEW

The performance highlights have been discussed in the Chairman's statement.

OPERATIONAL RISK

The Company runs a robust risk management system which ensures that all unfavourable risk exposures are mitigated as soon as they are identified. The risk management framework involves regular risks dentification, quantification, effective monitoring, and management process. Key risks which are continuously monitored by the board include insurance risks, credit, financial and capital risks. High loss ratios for the motor class of insurance have continued to pose challenges but are gradually being addressed by repricing the risk and proactive risk and claims management. The move towards risk-based capital regime by the Insurance regulatory Authority is also providing a positive improvement on risk management transformation journey.

OUR PEOPLE

Our people are important to the success of the Company. The Company is therefore committed to talent and staff capacity development, encouraging innovation, and building an engaged workforce. A performance management system is in place, and it has provided an objective framework for offering training, promotions, and other rewards to all employees. Total number of staff at year end was 82 (31 December 2022: 80).

REPORT OF THE DIRECTORS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

ENVIRONMENTAL MATTERS

The Company is cognizant of and conscious about environmental matters. We operate and comply with the provisions of the National Environmental Management Authority (NEMA) and the Occupational Safety and Health Act regulations.

CLIMATE CHANGE

The Company has reviewed its exposure to climate-related and other emerging business risks but has not identified any risks that could impact the financial performance or position of the Company at 31 December 2023.

OUTLOOK

With Kenya's medium term growth prospects remaining positive notwithstanding current global and domestic shocks, we are keen to implement our robust strategy to increase our market penetration and improve the bottom line. We are also optimistic that the renewed energy and strategic drive will keep the Company performance strong and sustained over the coming years.

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 was, 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 steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

TERMS OF APPOINTMENT OF AUDITOR

PricewaterhouseCoopers LLP continues in office in accordance with the Company's Articles of Association and Section 719 of the Companies Act, 2015.

The directors monitor the effectiveness, objectivity, and independence of the auditors. The directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

By order of the Board

ESR Kenya LLP
Nairobi, Kenya

14 March 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the Company keep proper accounting records that: a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

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

(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 apply 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 14 March 2024 and signed on its behalf by:

Nicholas Kamere
Chairman

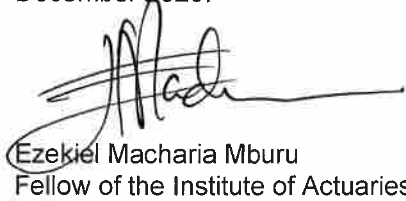
Lawrence Kibet
Director

STATEMENT OF THE CONSULTING ACTUARY

I have conducted an actuarial valuation of the insurance liabilities of Fidelity Shield Insurance Company Limited as at 31 December 2023.

The valuation was conducted in accordance with IFRS 17, generally accepted actuarial principles and in accordance with the requirements of the Kenyan 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 Fidelity Shield Insurance Company Limited's insurance liabilities were adequate as at 31 December 2023.



Ezekiel Macharia Mburu
Fellow of the Institute of Actuaries

14 March 2024

Nairobi

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIDELITY SHIELD INSURANCE COMPANY LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Fidelity Shield Insurance Company Limited (the "Company") set out on pages 19 to 94 which comprise the statement of financial position at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended and the notes to the financial statements, comprising material accounting policies and other explanatory information.

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

Basis for opinion

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

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

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

Key audit matters

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

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

Key audit matters (continued)

<table>
<tr><th>KEY AUDIT MATTER</th><th>HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER</th></tr>
<tr><td>

Determination of insurance contract liabilities

Insurance contract liabilities comprises liability for remaining coverage and liability for incurred claims.

We considered insurance contract liabilities as a significant area of focus because:

- The estimation of the liability for incurred claims involves significant judgement given the inherent uncertainty in estimating expected future outflows in relation to claims incurred. In addition, the liabilities are adjusted for the time value of money based on historical settlement patterns. Judgement is applied in estimating this future settlement pattern and in determination of the discount rate.
- Determination of liability for incurred claims requires calculation of risk adjustment for non-financial risk which represents the compensation for bearing the uncertainty about the timing and amount of the risk insured. This calculation involves significant judgement in determining the confidence level and assumption that future development of claims will follow past patterns.
- For onerous contracts, calculation of loss component involves judgment in estimating fulfilment cashflows relating to the remaining coverage period of insurance contracts.
- The valuation of these liabilities relies on the accuracy of claims data and the assumption that future claims development will follow a similar pattern to past claims development experience and involve engagement of internal and external actuarial experts.

</td><td>

- Evaluated and tested controls around claims handling, settling, and reserving.
- Tested a sample of claim payments and reserves to confirm the amounts recorded in the claims systems agree to the source data.
- Checked the consistency of reserving methods year on year.
- Tested the appropriateness of the methodology and assumptions used by the external actuary and management in estimation of reserves as at 31 December 2023 and performed reprojections for a sample of reserves to validate estimates.
- Tested management's calculation of the discount rate used to compute the present value of liability for incurred claims.
- Tested the methodology and assumptions used by management in estimating the risk adjustment.
- Reconciled the claims data used by management to calculate reserves to the audited claims data.
- Assessed the adequacy of disclosures in the financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIDELITY SHIELD INSURANCE COMPANY LIMITED (CONTINUED)

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIDELITY SHIELD INSURANCE COMPANY LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

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

Report on other matters prescribed by the Companies Act, 2015

In our opinion the information given in the report of the directors on pages 11 and 12 is consistent with the financial statements.

FCPA Kang'e Saiti, Practicing certificate Number 1652
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

28 **March 2024**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2023 Kes '000	2022 (Restated) Kes '000
Insurance service revenue	5	3,480,386	2,752,717
Insurance service expenses	6	(2,489,782)	(2,126,655)
Net expenses from reinsurance contracts held	7	(886,621)	(665,096)
Insurance service result		103,983	(39,034)
Interest income	8.1	239,385	150,349
Other investment income	8.2	57,819	33,738
Investment return		297,204	184,087
Finance expenses from insurance contracts issued	8.3	(49,288)	(35,583)
Finance income from reinsurance contracts held	8.3	12,010	7,825
Net investment result		259,926	156,329
Net insurance and investment result		363,909	117,295
Other income	9	6,981	2,573
Other operating expenses	10	(163,249)	(68,501)
Profit before income tax		207,641	51,367
Income tax expense	12	(28,217)	(26,247)
Profit for the year		179,424	25,120
Other comprehensive income, net of tax			
Item that may be subsequently reclassified to profit or loss			
Gain on revaluation of land and building, net of tax		(7,098)	2,353
Total comprehensive income		172,326	27,473

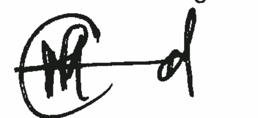
STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2023 Kes '000	At 31 December 2022 Restated Kes '000	At 31 December 2021 Restated Kes '000
ASSETS				
Property and equipment	20	231,567	221,117	220,137
Right-of-use assets	21	18,140	25,099	27,123
Intangible assets	22	17,741	11,432	12,663
Deferred income tax	30	16,132	39,335	58,337
Investment properties	23	1,000,572	955,616	964,030
Due from the Kenya Motor Insurance pool		12,220	12,490	12,767
Equity investments at fair value through profit or loss	24	-	2,781	47,340
Mortgage loans	25	3,302	5,760	7,585
Receivables arising out of reinsurance arrangements		76,185	42,079	44,284
Receivables from intermediaries	26	237,358	275,516	107,982
Reinsurance contract assets	18.2	711,948	597,840	547,098
Current income tax	12(iii)	22,980	36,026	27,487
Other receivables	27	25,371	44,512	43,243
Government securities at amortised cost	28(i)	1,053,086	936,575	574,382
Government securities at fair value through profit and loss	28(ii)	655,483	666,150	597,065
Deposits with financial institutions	34	436,935	253,265	211,695
Cash and bank balances	34	107,665	173,053	244,426
Total assets		4,626,685	4,298,646	3,747,644
LIABILITIES				
Insurance contract liabilities	18.1	3,448,998	3,216,688	2,599,198
Payables arising from reinsurance arrangements		5,554	12,477	21,890
Lease liability	21	21,761	28,233	31,233
Other payables	31	59,465	72,667	104,215
Total liabilities		3,535,778	3,330,065	2,756,536
EQUITY				
Share capital	14	600,000	600,000	600,000
Revaluation reserve	15	99,418	106,516	104,163
Retained earnings	16	341,489	212,065	236,945
Proposed dividend	36	50,000	50,000	50,000
Total equity		1,090,907	968,581	991,108
Total liabilities and equity		4,626,685	4,298,646	3,747,644

The financial statements were approved by the board of directors on 14 March 2024 and were signed on its behalf by:

Nicholas Kamere
Chairman

L. Kibet
Director


R. Marisin
Principal Officer

STATEMENT OF CHANGES IN EQUITY

	Share Capital Kes '000 (Note 14)	Revaluation reserves Kes'000 (Note 15)	Retained earnings Kes'000 (Note 16)	Proposed dividend Kes'000 (Note 13)	Total Kes'000
Year ended 31 December 2023					
At 1 January 2023- restated	600,000	106,516	212,065	50,000	968,581
Profit for the year	-	-	179,424	-	179,424
Other comprehensive income	-	(7,098)	-	-	(7,098)
Dividend paid	-	-	-	(50,000)	(50,000)
Proposed dividend	-	-	(50,000)	50,000	-
At 31 December 2023	600,000	99,418	341,489	50,000	1,090,907
Year ended 31 December 2022					
At 1 January 2022 - as previously reported	600,000	104,163	395,740	50,000	1,149,903
Impact of adoption of IFRS 17 (note 2)	-	-	(158,795)	-	(158,795)
At 1 January 2022- restated	600,000	104,163	236,945	50,000	991,108
Profit for the year	-	-	25,120	-	25,120
Other comprehensive income	-	2,353	-	-	2,353
Dividend paid	-	-	-	(50,000)	(50,000)
Proposed dividend	-	-	(50,000)	50,000	-
At 31 December 2022 - restated	600,000	106,516	212,065	50,000	968,581

STATEMENT OF CASH FLOWS

	Notes	2023 Kes '000	2022 Kes '000
Cash flow from operating activities			
Cash generated from operations	29	73,771	274,768
Interest received	5(a)	239,385	150,349
Purchase of quoted equities	18	-	(102,991)
Repayment of mortgage loans	19	2,458	1,825
Purchase of Government bonds at amortised cost	21(i)	(129,228)	(384,000)
Purchase of Government bonds at fair value through profit or loss	21(ii)	(612,572)	(123,000)
Proceeds from disposal of quoted equities	18	2,388	129,912
Maturity of treasury bonds at amortised cost	21	20,000	35,000
Disposal of treasury bonds at fair value through profit or loss	21	599,241	71,000
Issue of mortgage loans		-	-
Repayment of interest portion of lease liabilities	15(b)	(2,972)	(3,096)
Income tax paid	9(iii)	(11,293)	(16,190)
Net cash from operating activities		181,177	33,577
Cash flow from investing activities			
Purchase of property and equipment	14	(6,558)	(5,871)
Purchase of intangible assets	16	-	(2,710)
Proceeds of disposal of property and equipment		135	1,783
Net cash from investing activities		(6,423)	(6,798)
Cash flow from financing activities			
Repayment of principal portion of lease liabilities	15(b)	(6,472)	(6,582)
Dividends paid		(50,000)	(50,000)
Net cash from financing activities		(56,472)	(56,582)
Cash and cash equivalents at start of year		426,318	456,121
Increase/(decrease)/ in cash and cash equivalents		118,282	(29,803)
Cash and cash equivalents at end of year	34	544,600	426,318

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Fidelity Shield Insurance Company Limited, hereby referred to as the 'Company' is a limited liability company incorporated and domiciled in Kenya. The address of the registered office is Fidelity Insurance Centre, Waridi Lane off Waiyaki Way, Westlands, P O Box 47435 - 00100, Nairobi, Kenya.

The Company underwrites all general insurance business except the medical class. The Company will however begin issuing medical insurance contracts in 2024.

For purposes of the Companies Act, 2015 reporting purposes, the balance sheet is represented by statement of financial position while the profit and loss account is represented by the statements of profit or loss and other comprehensive income.

2. Material accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost basis unless otherwise stated.

The financial statements are presented in Kenya Shillings (Kes) rounded off to the nearest thousand (Kes '000), unless otherwise indicated.

Statement of compliance

The financial statements of Fidelity Shield Insurance Company Limited have been prepared in accordance with IFRS Accounting Standards and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and with the Companies Act, 2015.

The material accounting policies applied in the preparation of these financial statements are set out below.

IFRSs and amendments effective for the first time for December 2023 year ends

The Company has adopted IFRS 17 which established the principles for recognition, measurement, presentation, and disclosure of insurance contracts and supersedes IFRS 4. Material accounting policies in relation to adoption of IFRS 17 are disclosed in the succeeding section.

On the transition date, 1 January 2022, the Company has:

- identified, recognised, and measured each group of gross insurance contracts and associated reinsurance contracts, as if IFRS 17 had always applied;
- derecognised any existing IFRS 4 balances, that would not exist had IFRS 17 always applied;
- presented reinsurance balances separately depending on whether they are in an asset or liability position at a portfolio; and
- recognised any resulting net difference in retained earnings net of any related tax adjustments.

NOTES TO THE FINANCIAL STATEMENTS

2. Material accounting policies (Continued)

Impact of adoption of IFRS 17

The statement of financial position reported at 31 December 2021 (the transitional balance sheet presented on 1 January 2022 for the cumulative impacts of the adoption of IFRS 17) and 31 December 2022 (the comparative balance sheets) have been restated as follows:

Restatement of transitional statement of financial position at 1 January 2022

	As reported 31 Dec 2021 Kes'000	**Measurement adjustments** Kes'000	**Restated 1 Jan 2022** **Kes'000**
Assets			
Reinsurance contract assets (*previously Reinsurers' share of insurance contracts liabilities and deferred reinsurance commission*)	542,501	4,597	547,098
All other assets	3,200,546	-	3,200,546
Total assets	3,743,047	4,597	3,747,644
LIABILITIES			
Insurance contract liabilities (*previously insurance contracts liabilities, unearned premiums, and deferred acquisition cost*)	2,435,806	163,392	2,599,198
All other liabilities	157,338	-	157,338
Total liabilities	2,593,144	163,392	2,756,536
EQUITY			
Share capital	600,000	-	600,000
Revaluation reserve	104,163	-	104,163
Retained earnings	395,740	(158,795)	236,945
Proposed dividend	50,000	-	50,000
Total equity	1,149,903	(158,795)	991,108
Total liabilities and equity	3,743,047	4,597	3,747,644

NOTES TO THE FINANCIAL STATEMENTS

2. Material accounting policies (Continued)

Impact of adoption of IFRS 17 (continued)

Restatement of transitional statement of financial position at 31 December 2022

	As reported 31 Dec 2022 Kes'000	Measurement adjustments Kes'000	Restated 31 Dec 2022 Kes'000
Assets			
Reinsurance contract assets (*previously Reinsurers' share of insurance contracts liabilities and deferred reinsurance commission*)	601,593	(3,753)	597,840
All other assets	3,700,806	-	3,700,806
Total assets	4,302,399	(3,753)	4,298,646
LIABILITIES			
Insurance contract liabilities (*previously insurance contracts liabilities, unearned premiums, and deferred acquisition cost*)	3,034,464	182,224	3,216,688
All other liabilities	113,377	-	113,377
Total liabilities	3,147,841	182,224	3,330,065
EQUITY			
Share capital	600,000	-	600,000
Revaluation reserves	106,516	-	106,516
Retained earnings	398,042	(185,977)	212,065
Proposed dividend	50,000	-	50,000
Total equity	1,154,558	(185,977)	968,581
Total liabilities and equity	4,302,399	(3,753)	4,298,646

IFRS 17 represents a significant change from the previous measurement requirements contained in IFRS 4. The measurement adjustments are (for insurance and reinsurance contracts principally):

- discount rates, which include allowance for expected and unexpected credit default risks instead of the prudent allowance for credit default risk in IFRS 4
- risk adjustment for non-financial risk, a new concept required by IFRS 17, compared to the prudent margins required by IFRS 4;
- Recognition of losses on onerous contracts upfront rather than later and
- contractual service margin, which is a significant conceptual change from IFRS 4, whereby profits are recognised over the term of insurance and reinsurance contracts rather than at point of sale.

Impact on Statement of comprehensive income

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

NOTES TO THE FINANCIAL STATEMENTS

2. Material accounting policies (continued)

IFRSs and amendments effective for the first time for December 2023 year ends

Title	Key requirements	Effective date
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The adoption of the standard did not result to material impact to the Company.	Annual periods beginning on or after 1 January 2023. (Published May 2021)
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates. The adoption of the standard did not result to material impact to the Company.	Annual periods beginning on or after 1 January 2023. (Published February 2021)
Amendments to IAS 12 International Tax Reform—Pillar Two Model Rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. The adoption of the standard did not result to material impact to the Company.	periods beginning on or after 1 January 2023.

IFRSs and amendments not yet effective nor early adopted

Title	Key requirements	Effective date
Amendments to IAS 1 - Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)
Amendments to IAS 21	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	Annual periods beginning on or after 1 January 2025 (Published August 2023)

Except IFRS 17 whose impacts have been disclosed, the rest of the expected standards and interpretations are not expected to have a significant impact on the entity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(a) Foreign currency translation

Transactions and balances

Transactions in foreign currencies during the year are translated into Kenya Shillings at rates ruling at the transaction dates. Monetary assets and liabilities which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at the end of the reporting period. The resulting differences from conversion and translation are dealt with in the profit or loss for the year in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(b) Insurance contracts

Measurement approaches

The Company uses premium allocation approach (PAA) measurement approach to measure insurance contracts issued and reinsurance contracts held with coverage of one year or less and those that pass the other eligibility criteria prescribed by IFRS 17. The company does not have any insurance contracts issued or reinsurance contracts held that do not meet the PAA eligibility criteria or with direct participating features.

Definition and classification

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

If a contract has a legal form of insurance but does not transfer significant insurance risk and expose the Company to financial risk, it is classified as investment contract and accounted for under IFRS 9. No such contracts have been issued by the Company.

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

All references to insurance contracts in these financial statements apply to insurance contracts issued or acquired and reinsurance contracts held, unless otherwise stated.

Unit of account

The Company manages insurance contracts issued by classes prescribed by Insurance Regulatory Authority, where each product line includes contracts that are subject to similar risks. All insurance contracts within a class represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Company uses significant judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

The Company assesses the profitability of the contracts issued based on the facts and circumstances to determine if they are onerous at initial recognition. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous. This assessment is done at the portfolio level.

Since all the Company's insurance contracts are measures using the PAA, the Company assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

Portfolios of reinsurance contracts held are assessed for further aggregation separately from portfolios of the insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

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

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct services other than insurance contract services.

The Company applies IFRS 17 to all remaining components of the contract. The Company does not have contracts with any of the three components that require further separation or combination.

Recognition and derecognition

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

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

Insurance contracts acquired in a business combination within the scope of IFRS 3 or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:
  i. the beginning of the coverage period of the group; and
  ii. the initial recognition of any underlying insurance contract.

- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held unless the Company entered the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

Accounting for contract modification and derecognition

An insurance contract is derecognised when it is:

- extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified, and additional criteria discussed below are met.

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

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

When a new contract is required to be recognised because of modification and it is within the scope of IFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, including the PAA eligibility, component separation requirements, and contract aggregation requirements. When an insurance contract accounted for under the PAA is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

a. if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment.
b. if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or

c. if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Measurement

Fulfilment cash flows (FCF)

Fulfilment cash flows within contract boundary

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

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

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

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

Risk of the Company's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Contract boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

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

a) the Company has the practical ability to reprice the risks of the policyholder or change the level of benefits so that the price fully reflects those risks; or

b) both the following criteria are satisfied:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Measurement (continued)

Fulfilment cash flows (FCF) (continued)

Contract boundary (continued)

i. the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and

ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

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

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

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

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

Insurance acquisition costs

The Company includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are:

a. costs directly attributable to individual contracts and groups of contracts; and

b. costs directly attributable to the portfolio of insurance contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

Before a group of insurance contracts is recognised, the Company could pay directly attributable acquisition costs to originate them. When such prepaid costs are refundable in case of insurance contracts termination, they are recorded as a prepaid insurance acquisition cash flows asset within other assets and allocated to the carrying amount of a group of insurance contracts when the insurance contracts are subsequently recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Risk adjustment for non-financial risk

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

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

Initial and subsequent measurement – Groups of contracts not measured under the PAA.

The Company has not issued insurance contracts and does not hold reinsurance contracts which are not measured under the PAA.

Initial and subsequent measurement – Groups of contracts measured under the PAA.

The Company uses the PAA for measuring contracts with a coverage period of one year or less. This approach is used for all insurance classes other than engineering and miscellaneous as each of the contracts in all classes other than engineering and miscellaneous have a coverage period of one year or less.

The Company carried out both quantitative and qualitative analysis of the PAA eligibility criteria for engineering and miscellaneous classes which have coverage periods of more than one year and concluded that there is no significant difference between the carrying amount of insurance contract liability determined under the general measurement method and PAA method. As a result, the classes qualify to be measured under the PAA.

For insurance contracts issued, intermediary commissions paid are deferred and recognised over the coverage period of the contracts in a group, while all other insurance acquisition cash flows are recognised as they are incurred. For reinsurance contracts held, commission income and broker fees are recognised over the coverage period of contracts in a group.

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of the prepaid acquisition cash flow asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant prepaid acquisition cashflow asset.

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

a) the LRC; and
b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

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

a) the remaining coverage; and
b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

a) increased for premiums received in the period;
b) decreased for insurance acquisition cash flows paid in the period;
c) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

a) increased for ceding premiums paid in the period;
b) increased for broker fees paid in the period; and
c) decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money, because insurance premiums are due within the coverage period of contracts, which is one year or less.

There are no investment components within insurance contracts issued and reinsurance contracts held that are measured under the PAA.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for the time value of money for insurance contracts that typically have a settlement period of over one year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Company increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component. Where applicable, resulting changes in the loss component are disaggregated between insurance service expenses and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein. Because of the short-term nature of the general insurance contracts, the FCF determined under GMM are not adjusted for time value of money.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Where applicable, changes in the loss-recovery component are disaggregated between net income from reinsurance contracts held and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein in proportion to the disaggregation applied to the changes in the underlying loss component.

Amounts recognised in comprehensive income

Insurance service result from insurance contracts issued

Insurance service revenue

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

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

- Amounts relating to the changes in the LRC:

  a) claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:

     - amounts allocated to the loss component;
     - repayments of investment components and policyholder rights to withdraw an amount;
     - amounts of transaction-based taxes collected in a fiduciary capacity;
     - insurance acquisition expenses; and
     - amounts related to the risk adjustment for non-financial risk (see (b));

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Significant accounting policies (continued)

(b) Insurance contracts (continued)

Insurance service revenue (continued)

b) changes in the risk adjustment for non-financial risk, excluding:

- changes included in insurance finance income (expenses);
- changes that relate to future coverage (which adjust the CSM); and
- amounts allocated to the loss component;

c) amounts of the CSM recognised for the services provided in the period; and

d) experience adjustments – arising from premiums received in the period other than those that relate to future service.

- Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

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

Insurance service expenses

Insurance service expenses include the following:

a) incurred claims and benefits, excluding investment components;
b) other incurred directly attributable expenses;
c) insurance acquisition cash flows amortisation;
d) changes that relate to past service – changes in the FCF relating to the LIC; and
e) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss.

The Company presents financial performance of groups of reinsurance contracts held on a net basis in net income(expenses) from reinsurance contracts held, comprising the following amounts:

a) reinsurance expenses;
b) incurred claims recovery;
c) other incurred directly attributable expenses;
d) effect of changes in the risk of reinsurers' non-performance; and
e) Changes relating to past service (i.e. adjustments to incurred claims)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Material accounting policies (continued)

(b) Insurance contracts (continued)

Insurance service result from reinsurance contracts held

Net income (expenses) from reinsurance contracts held

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Company expects to pay in exchange for those services.

For groups of reinsurance contracts held measured under the PAA, the Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

a) the effect of the time value of money and changes in the time value of money; and
b) the effect of financial risk and changes in financial risk.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:
a) interest accreted on the LIC; and
b) the effect of changes in interest rates and other financial assumptions.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses. All changes in risk adjustment for non-financial risk are presented under insurance service result.

The Company includes all insurance finance income or expenses for the period in profit or loss (that is, the profit or loss option (the PL option) is applied.

The Company has no significant insurance contracts that generate cash flows in foreign currency, and therefore it has chosen not to separate the foreign exchange differences from the other FCFs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Significant judgements and estimates in applying IFRS 17

Judgements

Areas of potential judgement	Applicable to the Company
Definition and classification – whether contracts are within the scope of IFRS 17 and, for contracts determined to be within the scope of IFRS 17, what measurement model is applicable:	
Whether a contract issued accepts significant insurance risk and, similarly, whether a reinsurance contract held transfers significant insurance risk.	All contracts issued by the company accept significant insurance risk and the reinsurance contracts held transfer significant insurance risk and therefore no judgement was involved.
For insurance contracts with a coverage period of more than one year and for which the entity applies the PAA, the eligibility assessment as required by IFRS 17 and might involve significant judgement.	For contracts that have a coverage period of more than one year, the Company carried out eligibility assessment and concluded that the carrying value of insurance contract liabilities were not materially different when measured under either GMM or PAA and therefore they qualify to be measured under PAA.
Unit of account – Judgements involved in combination of insurance contracts and separation of distinct components.	
Separation of contracts with multiple insurance coverage – whether there are facts and circumstances where the legal form of an insurance contract does not reflect the substance and separation is required.	No respective judgment is applicable to the Company.
Unit of account – insurance contracts aggregation	
Judgements involved in the identification of portfolios of contracts, as required by paragraph 14 of IFRS 17 (that is, having similar risks and being managed together).	The Company issues general insurance contracts. After its assessment, management concluded that the level of aggregation mirroring Insurance Regulatory Authority recommended classes of business comprise of products that are priced and managed together, have similar risks and forms the portfolios of contracts.
Profitability grouping of contracts into onerous contracts, non-onerous contracts (with no significant possibility of becoming onerous) and other contracts.	Using judgement, the Company selected the combined loss ratio (claims ratio + commission ratio + expenses ratio) as the measure of profitability. Best estimate loss ratio >100% indicates onerous group. If the ratio stressed by 5% is not more than 100%, the group is profitable, else, it is grouped as others.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Significant judgements and estimates in applying IFRS 17 (continued)

Areas of potential judgement	Applicable to the Company
For insurance contracts issued measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate any changes in the onerous group's profitability and whether any loss component remeasurement is required.	This area of judgement is potentially applicable to the Company. In 2022 and 2023, the Company did not identify any facts or circumstances that might have indicated that a group of contracts measured under the PAA had become onerous, other than those that had been identified without benefit of hindsight.
The determination of whether laws or regulations constrain the Company's practical ability to set a different price or level of benefits for policyholders with different risk profiles, so that the Company might include such contracts in the same group, disregarding the aggregation requirements set in IFRS 17, is an area of judgement.	The regulatory environment in which the Company operates does not impose any price or constraints, except guidance on pricing of some classes. Thus, there has been no judgement applied in this regard.
Recognition and derecognition – accounting for contract modification and derecognition.	
After modification, judgement may be applied to determine whether: a) Significant insurance risk still exists. b) There are elements that are to be separated. c) Contract boundaries have changed. d) The measurement model has changed.	No respective judgement is applicable to the Company.
Measurement – Fulfilment cash flows	
The concept of a contract boundary is used to determine which future cash flows should be considered in the measurement of a contract within the scope of IFRS 17. Judgements might be involved to determine when the Company can reprice the entire contract to reflect the reassessed risks, when policyholders are obliged to pay premiums, and when premiums reflect risks beyond the coverage period.	The company uses judgement to treat premiums receivable as received when measuring insurance contracts and recognise a different financial asset from the receivables. For reinsurance contracts held, the amounts due to or from reinsurance are treated in the same way. This is mainly because of the cash and carry rule that governs insurance operations in Kenya, and the Company considers premium not paid as an arrangement outside the boundary of insurance contract. Most of the receivables are also due from intermediaries who collect from insured persons.
An entity can use judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfilment of the contracts.	The Company performs regular expense analysis and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts.

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Methods used in determining the IFRS 17 transition amounts

Full retrospective approach

The Company has determined that reasonable and supportable information was available for all contracts in force at the transition date. Full retrospective application was possible because of the short-term nature of the insurance contracts. The measurement method used also relies significantly on current and prospective information which was readily available in the Company's financial information systems.

Accordingly, the Company has recognised and measured each group of insurance contracts as if IFRS 17 had always applied; derecognised any existing balances that would not exist had IFRS 17 always applied; and recognised any resulting net difference in equity.

The judgements and estimates related to modified retrospective and fair value approaches do not apply to the Company.

Estimates and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results.

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

Discount rates

The bottom-up approach was used to derive the discount rates for the cash flows across all products. The company does not sell products that have cash flows which vary based on the return of underlying items.

Under the bottom-up 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 (illiquidity premium). The risk-free yield was derived using the NSE yield curve on government bonds denominated in the reporting currency. Management uses judgement to assess the liquidity characteristics of the liability cash flows and determine the illiquidity premium.

The yield curves that were used to discount the estimates of future cash flows are as follows:

Period	Currency	1 year	2 years	3 years	4 years	5 years	6 years
31 December 2023	Kes	16.10%	17.92%	17.96%	17.87%	17.45%	16.79%
31 December 2022	Kes	10.30%	12.11%	12.73%	13.08%	13.53%	13.63%

Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of each group of contracts within the scope of IFRS 17 are all the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions, and forecasts of future conditions. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing, and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Estimates of future cash flows to fulfil insurance contracts (continued)

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as activity-based costing method and other methods. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups or gross written premiums.

Acquisition costs that are not directly attributable to individual contracts are allocated to groups of contracts based on the gross written premiums or number of acquired policies. The Company does not allocate acquisition cash flows to future contracts expected to be issued because of the recurrent nature of most of the expenses and uncertainty of the renewals.

Claims settlement-related expenses (like claims processing staff costs) are allocated based on the number of claims handled in that period for a given group of contracts.

For the Company, uncertainty in the estimation of future claims and benefit payments arises primarily from the severity, timing and frequency of claims and uncertainties regarding future inflation rates leading to claims and claims handling expenses growth.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

Significant methods and assumptions used are discussed below.

Expenses

The Company projects estimates of future expenses relating to fulfilment of contracts within the scope of IFRS 17 using current expense ratios. Expenses comprise expenses directly attributable to the groups of contracts, including an allocation of fixed and variable overheads.

The Company has not changed its methods or assumptions used to project expenses in 2023. Possible increases in expenses assumptions increase the liability for incurred claims and loss component on onerous contracts.

Claims

The Company estimates insurance liabilities in relation to claims incurred for all products. Estimates are performed on an accident year basis.

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. In certain instances, different techniques or a combination of techniques have been selected for individual accident years or groups of accident years within the same type of contract.

The most common methods used to estimate general insurance claims incurred are the chain-ladder and the Bornhuetter-Ferguson methods, which are the industry standards for this type of business.

The chain-ladder technique involves an analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed, to produce an estimated ultimate claims cost for each accident year. The chain-ladder technique is the most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. The chain-ladder technique is less suitable in cases in which the Company does not have a developed claims history for a particular type of claim.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Claims (continued)

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure, such as gross or reinsurance premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined, using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (that is, in relation to recent accident years or new products).

The Company has not changed the methods used to estimated incurred claims in 2023. In its claims incurred assessments, the Company uses internal and external data. Internal data is mainly obtained from the Company's management reports. Market data consists of inflation projections, large claims threshold, large claims quantity, market claims ratios and other.

Where the contracts measured under PAA become onerous and GMM must be applied to estimate the loss component, the Company estimates the future expected claims. This is done using the average loss ratio of the recent five complete fiscal years, obtained from the management accounts.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Company's degree of risk aversion. The Company estimates an adjustment for non-financial risk separately from all other estimates. The Company does not consider the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts.

The risk adjustment was calculated at the portfolio level and allocated uniformly across the groups of contracts within the portfolio. The Company applied a cost of capital method to derive the risk adjustment for non-financial risk for portfolios which did not have well-developed data to support confidence level method (bootstrap method). The confidence level method was applied to well-developed portfolios.

In the cost of capital method, the risk adjustment is determined by applying a cost rate to the present value of projected capital relating to non-financial risk. The cost rate is set at average of 12% per annum, representing the return required to compensate for the exposure to non-financial risk, depending on the risk profile of the portfolio. The Cost of Capital Approach was used to obtain the Risk Margin results for Aviation, Engineering, Fire Industrial, Liability, Marine, Miscellaneous and Personal Accident portfolios.

The capital is determined at a 75% confidence level, and it is projected in line with the run-off of the business. The rates used from this approach were derived from the Risk Based Capital Model provided by the Insurance Regulatory Authority ('IRA'). The RBC model provides the risk charges for each line of business under Capital Form 2. It also provides for an additional Catastrophe Risk Charge of 2%. The resulting amount of the calculated risk adjustment corresponds to the confidence level of 75% (2022: 75%).

The bootstrap method involved simulating claims reserves by sampling from the past outcomes of development factors. This resulted in the production of a full distribution of the claims from which the mean and the 75th percentile reserves were estimated and used to derive the risk adjustment margins. Unsmoothed development factors were used to allow for the full potential volatility in the claim's estimates. The bootstrapping technique was used for Fire Domestic, Motor Commercial, Motor Commercial PSV, Motor Private, Theft and Workmen's compensation portfolios.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2022 and 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Sensitivity analysis to underwriting risk variables

The table below shows information on how reasonably possible changes in assumptions made by the Company regarding underwriting risk variables impact insurance liabilities.

31 December 2023	LRC	LIC	Total	Impact on LRC	Impact on LIC	Total change	Impact on profit before tax	Impact on equity
Insurance contract liabilities	1,207,418	2,241,580	3,448,998					
Reinsurance contract assets	(283,879)	(428,069)	(711,948)					
Net insurance contract liabilities	**923,539**	**1,813,511**	**2,737,050**					
Expected claims – 5% increase								
Insurance contract liabilities				-	36,544	36,544	(36,544)	(25,581)
Reinsurance contract assets				-	(2,443)	(2,443)	2,443	1,710
Net insurance contract liabilities				**-**	**34,101**	**34,101**	**(34,101)**	**(23,871)**
Expected expenses – 5% increase								
Insurance contract liabilities				**6,974**	-	6,974	(6,974)	(4,882)
Reinsurance contract assets				(187)	-	(187)	187	131
Net insurance contract liabilities				**6,787**	**-**	**6,787**	**(6,787)**	**(4,751)**
Unpaid claims – 5% increase								
Insurance contract liabilities				-	112,079	112,079	(112,079)	(78,455)
Reinsurance contract assets				-	(21,404)	(21,404)	21,404	14,982
Net insurance contract liabilities				**-**	**90,675**	**90,675**	**(90,675)**	**(63,473)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

(b) Insurance contracts (continued)

Sensitivity analysis to underwriting risk variables

31 December 2022	LRC	LIC	Total	Impact on LRC	Impact on LIC	Total change	Impact on profit before tax	Impact on equity
Insurance contract liabilities	1,135,805	2,080,883	3,216,688					
Reinsurance contract assets	(204,876)	(392,964)	(597,840)					
Net insurance contract liabilities	**930,929**	**1,687,919**	**2,618,848**					
Expected claims – 5% increase								
Insurance contract liabilities				-	32,785	32,785	(32,785)	(22,950)
Reinsurance contract assets				-	(2,020)	(2,020)	2,020	1,414
Net insurance contract liabilities				**-**	**30,765**	**30,765**	**(20,765)**	**(21,536)**
Expected expenses – 5% increase								
Insurance contract liabilities				8,874	-	8,874	(8,874)	(6,212)
Reinsurance contract assets				(269)	-	(269)	269	188
Net insurance contract liabilities				**8,605**	**-**	**8,605**	**(6,936)**	**(6,024)**
Unpaid claims – 5% increase								
Insurance contract liabilities				-	104,039	104,039	(104,039)	(72,828)
Reinsurance contract assets				-	(19,644)	(19,644)	19,644	13,751
Net insurance contract liabilities				**-**	**84,395**	**84,395**	**(84,395)**	**(59,077)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

c) 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

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

Financial instruments are initially recognised on the trade date measured at their fair value.

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.

Measurement categories

The Company classifies all its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- Amortised cost
- Fair value through profit and loss (FVPL)

Debt instruments measured at amortised cost

Debt instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows; and
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

c) Financial instruments (continued)

The Solely Payments of Principal and Interest (SPPI) test

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Subsequent measurement

Debt instruments at amortised cost

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in profit or loss as per ECL model/approach.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

Derecognition

Derecognition other than for substantial modification

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

- The rights to receive cash flows from the asset have expired Or
- The Company has transferred its right 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.

The Company considers control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all of the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

c) Financial instruments (continued)

Derecognition due to substantial modification of terms and conditions

The Company derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as derecognition gain or loss. In the case of debt instruments at amortised cost, the newly recognised loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognise an instrument, amongst others, the Company considers the following factors:

- Change in currency of the debt instrument
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion.

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

Financial liabilities

Initial recognition and measurement

The Company's holding in financial liabilities represents mainly lease liability, amounts due to related parties and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Financial liabilities are classified as subsequently measured at amortised cost, except for:
Financial liabilities at fair value through profit or loss such as derivatives, financial liabilities held for trading (e.g., short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair values of the financial liability that is attributable to changes in the credit risk of that liability) and partially profit or loss (the remaining amount of change in the fair value of the liability).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

c) Financial instruments (continued)

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset to be in default (credit impaired) when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. This information might be winding up of a company, company experiencing financial difficulties like under receivership etc. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The calculation of ECLs

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

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

- PD - The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.

- EAD - The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.

- LGD - The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

c) Financial instruments (continued)

The calculation of ECLs (continued)

The Company allocates its assets subject to ECL calculations to one of these categories, determined as follows:

- 12m ECL (stage 1) - The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate EIR. This calculation is made for each of the four scenarios, as explained above.
- LTECL (stage 2)- This is recorded when an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR. The Company identifies a significant increase in credit risk where exposures have a regulatory risk rating of 'watch', or an exposure is greater than 30 days past due – this is in line with the IFRS 9 "30 Days past Due (DPD) rebuttable presumption.
- Impairment (stage 3)- For debt instruments considered credit-impaired, the Company recognises the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

Forward looking information

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Central Bank base rates

Write-offs

Financial assets are written off either partially or in their 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 periods reported in these financial statements.

Recognition of interest income

The effective interest rate method

Under IFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial assets measured at amortised cost. Similarly, interest income on interest bearing financial assets measured at FVPL under IFRS 9 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, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on acquisition of the financial asset as well as fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the debt instrument.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

c) Financial instruments (continued)

Recognition of interest income (continued)

The effective interest rate method (continued)

If expectations of fixed rate financial asset's cash flows are revised for reasons other than credit risk, the changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference to the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset in the balance sheet with a corresponding increase or decrease in interest income.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

Interest and similar income

Interest income comprises amounts calculated using both the effective interest method and other methods. These are disclosed separately on the face of the statement of profit or loss and other comprehensive income.
In its interest income calculated using the effective interest method the Company only includes interest on financial instruments at amortised cost or FVPL.
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 financial asset.

Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses will not be offset in the profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

d) Ordinary Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting date are dealt with as a non-adjusting event after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

e) Property and equipment

All Property and equipment are initially recorded at cost. Buildings are subsequently carried at their revalued amounts based on valuations by external independent valuers, less accumulated depreciation. All other property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Any revaluation increase arising on the revaluation of such buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation

Freehold land is not depreciated. Depreciation is calculated on other property and equipment on the straight-line basis to write down the cost of each asset, or the revalued amount to its residual value over its estimated useful life, using the following annual rates:

Motor vehicles	25%
Computer equipment	30%
Furniture, fittings and equipment	20%
Buildings	2.5%

Property and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The impairment loss is recognised in profit or loss.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

f. Investment properties

Properties held to earn rentals or capital appreciation or both and not occupied by the Company are classified as investment properties. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. After initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Valuation is done within every three years given that there are no conditions or circumstances that indicate the value of the building does not reflect the fair value. Fair values are determined based on the evaluation performed by an accredited external, independent valuer.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers made to or from investment properties are only made when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. 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 property and equipment up to the date of the change in use. When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in profit or loss.

g. Intangible assets

Intangible assets represent computer software costs, which is stated at cost less accumulated amortization and any impairment losses whenever there is an indication that the intangible asset may be impaired. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. If the expected useful life of the asset is different from previous estimates, the amortisation period is changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortisation method is changed to reflect the changed pattern. Such changes are accounted for as changes in accounting estimates in the estimated useful life of the intangible assets is four years. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category that is consistent with the function of the intangible assets.

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 recognized in profit or loss when the asset is derecognized. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. The carrying amounts of the intangible assets are disclosed in note 18.

h. 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 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. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the reduction is recognised as an impairment loss in the profit or loss. The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

h. Impairment of non-financial assets (continued)

If any such indication exists, the Company estimates the recoverable amount of that asset. The Company reverses an impairment loss recognised in prior periods for an asset other than goodwill if only there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. That increase is a reversal of an impairment loss. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. 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, recent market transactions are taken into account, if available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognized as income immediately.

i. Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of twelve months or less. For the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits.

j. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in 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 recognized as a borrowing cost.

k. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The income tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

k. Income tax (continued)

Deferred income tax

Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred income tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences are utilised, such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill. the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred income tax for the year

Current and deferred income tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income.

l. Revenue recognition

Insurance revenue

Accounting policy in relation to insurance revenue has been set out in note 2(b).

Other revenues

Other revenues are recognized on the following bases:

- Fees and commission income - on the accrual basis in accordance with the substance of the relevant agreements.
- Interest income - it is recognized using the effective interest method as it accrues.
- Dividend income - when the shareholder's right to receive payment is established.
- Rental income – it is recognized as income on a straight-line basis over the lease terms and is included in revenue in 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 in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

m. 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.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, an estimate of costs to be incurred to restore the underlying asset back to its original state; and lease payments made at or before the commencement date less any lease incentives received. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification that is not accounted for as a separate lease. The lease payments are remeasured when there is a change in the lease term, future lease payments resulting from a change in an index or rate used to determine such lease payments, the amounts expected to be payable under the residual value guarantees or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

m. Leases (continued)

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in investment and other income 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 recognized as revenue in the period in which they are earned.

n. Retirement benefit obligations

The Company operates a defined contribution pension scheme for all eligible employees. The scheme is administered by Roberts Insurance Brokers Limited and is funded by contributions from both the company and employees.

The Company contributes to the statutory Social Health Insurance Fund. Contributions to these schemes are determined by local statute. The Company's obligations to retirement benefits are charged to the profit or loss in the year to which they relate.

Employee obligations

The estimate monetary liability for employees accrued annual leave at the end of the reporting period is charged to profit or loss in the year to which it relates.

o. Fair value measurement

The Company measures financial instruments, such as equity instrument and government securities measured at fair value through profit and loss and non-financial assets such as 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 / by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Material accounting policies (continued)

o. Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) 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.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgments, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgments by the Company. Management considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Valuation of insurance contract liabilities

The uncertainty inherent in the financial statements of the Company arises mainly in respect of insurance liabilities, which include outstanding claims provision (including IBNR). In addition to the inherent uncertainty when estimating liabilities, there is also uncertainty as regards the eventual outcome of claims. As a result, the Company applies estimation techniques to determine the appropriate provisions.

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

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, risk adjustment, delays in settlement and changes in foreign currency rates. The carrying amounts of the insurance contract liabilities and detailed analysis of these assumptions and judgement have been presented in Note 2.

3.2 Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.
Further disclosures relating to impairment of financial assets are also provided in Note 4.

The Company adopts multiple techniques to estimate the required level of provisions, thereby setting a range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and risks involved. The carrying amounts of the liability arising from claims made under insurance contracts are disclosed in Note 8.

3.3 Income tax

The Company is subjected to numerous taxes and levies by various government regulatory bodies. As a rule of thumb, the Company recognizes liabilities for the anticipated tax/levies payable with utmost care and diligence usually by engaging tax consultants to perform tax health check, and generally by consulting the Company's tax consultants. However, significant judgment is usually required in the interpretation and applicability of those taxes/levies which may result in differences between actual and recognized liabilities. Should it come to the attention of management, such differences are recognized in income and liabilities in the period in which such differences are determined.

3.4 Useful lives and residual values of property, equipment and intangible assets

Determining the carrying amounts of property and equipment requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The directors have used historical information relating to the relevant industries in which the Company's entities operate in order to best determine the useful lives and residual values of property and equipment. The carrying amounts of property and equipment are disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

3.5 Recoverable amount on receivables

In preparing these financial statements, the directors have made estimates of the recoverable amounts on receivables and impaired those receivables where the carrying amounts exceeded recoverable amounts. The estimation of recoverable amounts involves an assessment of the financial condition of the debtors concerned and estimate of the timing and the extent of cash flows likely to be received by the Company. Management uses estimates based on historical loss experience for each individual receivable on a customer-by-customer basis when estimating the amount of future cash flows.

3.6 Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that is probable that taxable profit will be available against which losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

The Company's activities expose it to a variety of financial risks, including insurance risk, liquidity risk, credit risk, and the effects of changes in property and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity, and seek to maximize return within an acceptable level of interest rate risk.

4.1 Insurance risk

Insurance risk is transferred when the Company agrees to compensate a policyholder if a specified uncertain future event (other than a change in a financial variable) adversely affects the policyholder. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The main risk that the Company faces under its insurance contracts is that actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This may occur if the frequency or severity of claims and benefits are greater than estimated.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy so as to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, accumulation of risk and type of industry covered.

Insurance liabilities

The frequency and severity of claims can be affected by several factors. The most significant claims result from accident, liability claims awarded by the Court, fire and allied perils and their consequences. Inflation is also a significant factor due to the long period typically required to settle some claims.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.1 Insurance risk (continued)

Insurance liabilities (continued)

The Company's underwriting strategy attempts to ensure that the underwritten risks are well diversified in type, amount of risk and industry. The Company has underwriting limits by type of risks and by industry. Performance of individual insurance policies is reviewed by management and the Company reserves the right not to renew individual policies. It can impose deductibles and has the right to reject the payment of a fraudulent claim. Where relevant, the Company may sue third parties for payment of some or all liabilities (subrogation). Claims development and provisioning levels are closely monitored.

The reinsurance arrangements of the Company include proportional, excess-of-loss and catastrophe coverage and as such, the maximum loss that the Company may suffer in any one year is pre-determined.

Frequency and severity of claims

A key risk, related to pricing and provisioning, that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits will vary from year to year from the level established based on past experience.

The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company also manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. The reinsurance arrangements include excess, surplus and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses of more than set limits per class of business in any one year.
The Company has specialized claims units dealing with the mitigation of risks surrounding known claims. This unit investigates and adjusts all claims which are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be a different from the original liability established.

The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. The main assumption underlying this technique is that the Company's past claims development experience be used to project future claims development and hence ultimate claim costs.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.1 Insurance risk (continued)

Insurance liabilities (Continued)

Management of insurance risk

Sensitivity analysis of reasonably possible changes to the assumptions used in calculating insurance contract liabilities are set out in note 2.

Maximum insurance loss

Year ended 31 December 2023 Class of business		Maximum insured loss				Total
		Kes 0 – Kes 15m	Kes 15m - Kes 250m	Kes 250m - Kes 1000m	Kes 1000m +	
		Kes '000	Kes '000	Kes '000	Kes '000	Kes'000
Motor	Gross	61,061,946	1,344,091	-	-	62,406,037
	Net	54,814,427	942,952	-	-	55,757,379
Fire	Gross	4,955,493	38,334,709	57,163,732	48,902,318	149,356,252
	Net	3,610,397	15,444,663	3,819,971	218,229	23,093,260
Personal accident	Gross	1,885,173	5,560,980	5,287,963	4,970,376	17,704,492
	Net	1,774,917	4,023,900	1,292,088	232,053	7,322,958
Miscellaneous	Gross	9,263,124	32,283,471	40,303,814	119,538,632	201,389,041
	Net	6,593,578	9,318,148	3,204,909	5,328,831	24,445,466
Total	**Gross**	77,165,736	77,523,251	102,755,509	173,411,326	430,855,822
	Net	66,793,319	29,729,663	8,316,968	5,779,113	110,619,063

Year ended 31 December 2022 Class of business		Maximum insured loss				Total
		Kes 0 – Kes 15m	Kes 15m - Kes 250m	Kes 250m - Kes 1000m	Kes 1000m +	
		Kes '000	Kes '000	Kes '000	Kes '000	Kes'000
Motor	Gross	52,645,349	811,929	-	-	53,457,278
	Net	48,759,066	564,218	-	-	49,323,284
Fire	Gross	4,915,752	37,661,782	50,127,462	110,468,124	203,173,119
	Net	3,629,835	12,413,990	3,045,195	5,361,942	24,450,962
Personal accident	Gross	1,776,693	5,803,151	3,281,605	2,610,146	13,471,596
	Net	1,666,246	3,487,671	1,606,525	139,894	6,900,336
Miscellaneous	Gross	8,563,731	34,902,062	35,516,540	99,439,837	178,422,170
	Net	6,377,359	8,712,557	2,431,737	1,172,288	18,693,940
Total	**Gross**	67,901,525	79,178,924	88,925,607	212,518,107	448,524,163
	Net	60,432,506	25,178,436	7,083,457	6,674,124	99,368,523

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.1 Financial risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk. To manage credit risk, the Company only does business with approved counterparties within the granted limits and avoids intended &/or unintended concentrations in any one counterparty group, industry, region, product amongst others. The Company manages and controls market risk exposures to be within acceptable limits, while optimizing the return on risks of market risk assets. To manage liquidity risk, the Company maintains available funding in a manner that provides a sufficient level of liquidity under various market stressed scenarios, while at the same time ensuring an adequate balance between the need to hold liquid assets, and maximization of returns on surplus funds.

Market risk

Interest rate risk

Interest rate risk is the risk that the future profitability and/or cash flows of financial instruments will fluctuate because of changes in the market interest rates. The company is not exposed to interest rates risk because all its financial instruments are held at fixed interest rates.

Equity price risk

The Company disposed equities held in the year and it is not exposed to equity securities price risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.2 Financial risk (continued)

Currency risk

Foreign exchange 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 financial assets are primarily denominated in the same currencies as its insurance contract liabilities, which mitigate the foreign currency exchange rate risk. The currency risk is also effectively managed by ensuring that the transactions between the company and other parties are designated in the functional currencies of the individual companies.

On 31 December 2023, if the Kenya shilling had weakened/strengthened by 5% against the US Dollar with all other variables held constant, the profit before income tax for the year would have been Kes 278,569 (2022: Kes 1,074,276) higher/lower, mainly as a result of US Dollar denominated deposits with financial institutions in Kenya. The only asset held in USD is cash at bank.

Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance intermediaries;
- Cash and cash equivalents (including fixed deposits);
- Government securities;
- Due from Kenya Insurance Motor Pool;
- Other receivables; and
- Mortgage loans.

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counter party and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and geographical location are approved quarterly by the Board of Directors.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on annual basis by reviewing their financial strength prior to finalisation of any contract.

In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral. Maximum exposure to credit risk is represented by the carrying amounts of receivables in the Statement of Financial Position.

Receivables from insurance intermediaries and reinsurers include receivables arising from direct insurance and reinsurance arrangements.

Deposits include deposits with financial institutions.

The exposure to individual counterparties is also managed through other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the directors include details of provisions for impairment on receivables and subsequent write offs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.2 Financial risk (continued)

Credit risk (continued)

Management makes regular reviews to assess the degree of compliance with the Company's procedures on credit. Exposures to individual policyholders of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the management.

With regard to credit exposure arising out of deposits with financial institutions, the Company has policies in place to ensure that it only deals with financial institutions which have a strong credit rating.

The maximum exposure of the Company to credit risk (financial instruments subject to impairment) as at the balance sheet date is as follows:

	31 December 2023 Kes '000	31 December 2022 Kes '000
Government securities at amortised cost	1,053,086	936,575
Deposits with financial Institutions	436,935	253,265
Cash and bank balances	107,665	173,053
Mortgage loans	3,302	5,760
Receivables arising out of reinsurance arrangements	76,185	42,079
Receivable from intermediaries	237,358	275,516
Due from Kenya Insurance Motor Pool	12,220	12,490
Other receivables	25,371	44,512
Exposure to credit risk	1,952,122	1,743,250

No collateral is held for any of the above assets other than the staff mortgage loans. Properties in relation to staff mortgage loans are charged to the Company as collateral.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.2 Financial risk (continued)

Credit risk (continued)

The financial assets alongside the expected credit loss allowance are as below:

As of 31 December 2023: Financial assets	**Measurement category**	**Exposure at default (EAD) Kes'000**	**Expected credit loss (ECL) Kes'000**	**Carrying amount Kes '000 Kes'000**
Deposits with financial institutions	Amortised cost	436,967	(32)	436,935
Government securities at amortised cost	Amortised cost	1,053,191	(105)	1,053,086
Other receivables	Amortised cost	25,414	(43)	25,371
Receivables arising out of reinsurance arrangements	Amortised cost	84,975	(8,790)	76,185
Receivable from intermediaries	Amortised cost	464,702	(227,334)	237,358
Cash and bank balances	Amortised cost	107,665	-	107,665
Mortgage loans	Amortised cost	3,302	-	3,302
Due from the Kenya Motor Insurance Pool	Amortised cost	12,362	(142)	12,220
		2,188,578	(236,546)	1,952,122

As of 31 December 2022: Financial assets	**Measurement category**	**Exposure at default (EAD) Kes'000**	**Expected credit loss (ECL) Kes'000**	**Carrying amount Kes'000**
Deposits with financial institutions	Amortised cost	253,300	(35)	253,265
Government securities at amortised cost	Amortised cost	936,669	(94)	936,575
Other receivables	Amortised cost	44,702	(190)	44,512
Receivables arising out of reinsurance arrangements	Amortised cost	49,669	(7,590)	42,079
Receivable from intermediaries	Amortised cost	517,427	(241,911)	275,516
Cash and bank balances	Amortised cost	173,053	-	173,053
Mortgage loans	Amortised cost	5,760	-	5,760
Due from the Kenya Motor Insurance Pool	Amortised cost	12,635	(145)	12,490
		1,993,215	(249,965)	1,743,250

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.2 Financial risk (continued)

Credit risk (continued)

Reconciliation of expected credit losses for financial assets measured at amortised cost for the year

As at 31st Dec 2023

Financial Assets	ECL as at 1 January 2023 Kes '000	Write off Kes '000	Charge/(credit) through P&L Kes '000	ECL as at 31 December 2023 Kes '000
Deposits with financial institutions	35	-	(3)	32
Government securities at amortised cost	94	-	11	105
Other receivables	190	-	(147)	43
Receivables arising out of reinsurance arrangements	7,590	-	1,200	8,790
Receivable from intermediaries	241,911	(66,368)	51,801	227,344
Due from Kenya Insurance Motor pool	145	-	(3)	142
Cash and bank balances	-	-	-	-
Mortgage loans	-	-	-	-
	249,965	(66,368)	52,837	236,456

As at 31st Dec 2022

Financial Assets	ECL as at 1 January 2022 Kes '000	Write off Kes '000	Charge/(credit) through P&L Kes '000	ECL as at 31 December 2022 Kes '000
Deposits with financial institutions	29	-	6	35
Government securities at amortised cost	-	-	94	94
Other receivables	131	-	59	190
Receivables arising out of reinsurance arrangements	11,268	-	(3,678)	7,590
Receivable from intermediaries	258,664	-	(16,753)	241,911
Due from Kenya Insurance Motor pool	148	-	(3)	145
Cash and bank balances	-	-	-	-
Mortgage loans	-	-	-	-
	270,240	-	(20,275)	249,965

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.2 Financial risk (continued)

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Company is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand. The following table provides an analysis of financial assets and liabilities of the company into relevant maturity based on the remaining periods to maturity. The amounts disclosed in the table below are contractual undiscounted cashflows. The balances due within twelve months equal their carrying amounts as the impact of discounting is not significant.

31 Dec 2023 **Financial assets**	**0 to 6 months Kes '000**	**6-12 months Kes '000**	**1- 5 years Kes '000**	**over 5 years Kes '000**	**No maturity Kes '000**	**Total Kes '000**
Reinsurance assets	-	731,128	-	-	-	731,128
Receivable from intermediaries	-	237,358	-	-	-	237,358
Government securities at amortised cost	-	28,125	230,127	2,645,360	-	2,903,611
Government securities at FVPL	-	-	562,193	765,249	-	1,327,442
Deposits with financial institutions	462,277	-	-	-	-	436,935
Due from Kenya Insurance Motor Pool	-	12,220	-	-	-	12,220
Mortgage loans	-	-	3,302	-	-	3,302
Receivable arising out of reinsurance arrangements	-	76,185	-	-	-	76,185
Other receivables	-	25,371	-	-	-	25,371
Cash and bank balances	107,665	-	-	-	-	107,665
Total	569,942	1,110,387	795,622	3,410,609	-	5,886,560
Payables arising from reinsurance arrangements	-	5,554	-	-	-	5,554
Lease liability	4,664	4,579	16,426	-	-	25,669
Other payables	59,465	-	-	-	-	59,465
Insurance contract liabilities	-	3,659,483	-		-	3,659,483
Total	64,129	3,669,616	16,426	-	-	3,730,171
Liquidity surplus/(gap)	505,813	(2,559,229)	779,196	3,410,609	-	2,136,389

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.2 Financial risk (continued)

Liquidity risk (continued)
31 Dec 2022

Financial assets	**0 to 6 months** Kes '000	**6-12 months** Kes '000	**1- 5 years** Kes '000	**over 5 years** Kes '000	**No stated maturity** Kes '000	**Total** Kes '000
Equity instruments at fair value through profit or loss	-	-	-	-	2,781	2,781
Reinsurance assets	-	615,360	-	-	-	615,360
Receivable from intermediaries	-	275,516	-	-	-	275,516
Government securities at amortised cost	20,105	-	48,480	2,649,220	-	2,717,806
Government securities at FVPL	-	1,349,042	-	-	-	1,349,042
Deposits with financial institutions	267,954	-	-	-	-	267,954
Due from Kenya Insurance Motor Pool	-	12,490	-	-	-	12,490
Mortgage loans	-	-	5,760	-	-	5,760
Receivables arising from reinsurance arrangements	-	42,079	-	-	-	42,079
Other receivables	-	44,512	-	-	-	44,512
Cash and bank balances	173,053	-	-	-	-	173,053
Total	461,112	2,338,999	54,240	2,649,220	2,781	5,506,352
Payables arising from reinsurance arrangements	-	12,477	-	-	-	12,477
Lease liability	-	9,585	21,770	-	-	31,355
Other payables	72,667	-	-	-	-	72,667
Insurance contract liabilities	-	3,328,967	-		-	3,270,556
Total	72,667	3,351,029	21,770	-	-	3,445,466
Liquidity surplus/(gap)	388,445	(1,012,030)	32,470	2,649,220	2,781	2,060,886

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Management of insurance and financial risks (continued)

4.3 Capital risk

The Company maintains an efficient capital structure from equity shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business.
- to maintain financial strength to support new business growth.
- to satisfy the requirements of its policyholders, regulators, and rating agencies.
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- to allocate capital efficiently to support growth.
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

An important aspect of the Company's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Company is focused on the creation of value for shareholders.

The Company has a number of sources of capital available to it and seeks to optimise its debt-to-equity structure in order to ensure that it can consistently maximise returns to shareholders. The Company considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The Company manages as capital all items that are eligible to be treated as capital for regulatory purposes.

The Company is regulated by the Kenya Insurance Regulatory Authority and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. The Company manages capital in accordance with these rules and has embedded in its Asset and Liability Management (ALM) framework the necessary tests to ensure continuous and full compliance with such regulations. The Company has complied with all externally imposed capital requirements throughout the year.

The capital adequacy ratio based on the Risk Based Capital Model is as follows:

	2023 Kes '000	2022 Kes '000
Total Capital Available (TCA)	1,025,083	980,320
Minimum Required Capital (MRC)	653,136	668,628
Capital Adequacy Ratio (CAR)	157%	147%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Insurance service result

An analysis of the insurance service result by its components (insurance revenue, expenses, and net expenses from reinsurance contracts held) by portfolio is included in the tables below. Each of the components is analysed further in the subsequent notes except insurance revenue since all contracts are measured under PAA.

	Year ended 31 December 2023			
	Insurance revenue (PAA)	Insurance service expenses	Net reinsurance income (expenses)	**Insurance service result**
		Note 6	Note 7	
	Kes'000	Kes'000	Kes'000	Kes'000
Engineering	156,205	(27,445)	(137,855)	(9,095)
Fire domestic	29,232	(14,383)	(11,845)	3,004
Fire industrial	173,985	(112,918)	(62,482)	(1,415)
Liability	58,705	(59,475)	(21,757)	(22,527)
Marine	123,146	(108,420)	(2,867)	11,859
Aviation	611,129	(19,133)	(596,232)	(4,236)
Motor private	1,197,148	(1,202,953)	(35,344)	(41,149)
Motor commercial	560,035	(553,329)	15,344	22,050
Motor commercial - PSV	27,574	(26,347)	(345)	882
Personal accident	16,892	(13,814)	4,787	7,865
Theft	58,333	(56,019)	(6,759)	(4,445)
Workmen's compensation	304,502	(198,498)	21,927	127,931
Miscellaneous	163,500	(97,048)	(53,193)	13,259
Total	3,480,386	(2,489,782)	(886,621)	103,983

	Year ended 31 December 2022			
	Insurance revenue (PAA)	Insurance service expenses	Net reinsurance income (expenses)	**Insurance service result**
		Note 6	Note 7	
	Kes'000	Kes'000	Kes'000	Kes'000
Engineering	104,532	(59,099)	(39,651)	5,782
Fire domestic	24,159	(15,042)	(9,147)	(30)
Fire industrial	174,293	(52,720)	(102,073)	19,500
Liability	46,328	(54,446)	(7,292)	(15,410)
Marine	91,680	(50,831)	(17,310)	23,539
Aviation	447,516	(4,934)	(435,992)	6,590
Motor private	853,717	(1,076,399)	(41,483)	(264,165)
Motor commercial	439,725	(436,831)	(12,703)	(9,809)
Motor commercial - PSV	23,675	(34,051)	317	(10,059)
Personal accident	15,359	(11,062)	(1,266)	3,031
Theft	52,724	(79,342)	7,910	(18,708)
Workmen's compensation	465,992	(241,525)	(2,030)	222,437
Miscellaneous	13,017	(10,373)	(4,376)	(1,732)
Total	2,752,717	(2,126,655)	(665,096)	(39,034)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 Insurance service expenses

The analysis of the insurance service expense is included in the table below.

	Year ended 31 December 2023					
	Incurred claims	Attributable expenses	Changes in loss component	Changes in risk adjustments on LIC	Insurance acquisition cash flows amortisation	Total insurance service expenses
	Kes'000	Kes'000	Kes'000		Kes'000	Kes'000
Engineering	6,468	(4,849)	300	176	(29,540)	(27,445)
Fire domestic	(4,730)	(4,269)	-	(2)	(5,382)	(14,383)
Fire industrial	(61,404)	(8,525)	-	39	(43,028)	(112,918)
Liability	(41,107)	(5,882)	-	(3)	(12,484)	(59,475)
Marine	(80,922)	(7,010)	-	(593)	(19,895)	(108,420)
Aviation	-	(8,273)	-	-	(10,860)	(19,133)
Motor private	(881,654)	(237,547)	36,358	453	(120,562)	(1,202,953)
Motor commercial	(436,105)	(48,861)	(11,539)	953	(57,777)	(553,329)
Motor commercial - PSV	(25,690)	(2,477)	2,941	301	(1,422)	(26,347)
Personal accident	(8,044)	(4,114)	-	18	(1,674)	(13,814)
Theft	(39,861)	(7,870)	(167)	(48)	(8,073)	(56,019)
Workmen's compensation	(133,462)	(12,698)	-	352	(52,690)	(198,498)
Miscellaneous	(81,919)	(13,778)	-	32	(1,383)	(97,048)
Total	(1,788,430)	(366,153)	27,893	1,678	(364,770)	(2,489,782)

	Year ended 31 December 2022					
	Incurred claims	Insurance attributable expenses	Changes in loss component	Changes in risk adjustments on LIC	Insurance acquisition cash flows amortisation	Total insurance service expenses
	Kes'000	Kes'000	Kes'000		Kes'000	Kes'000
Engineering	(43,340)	(4,223)	(521)	(190)	(10,825)	(59,099)
Fire domestic	(5,570)	(4,593)	-	(111)	(4,769)	(15,042)
Fire industrial	(15,077)	(8,703)	-	49	(28,989)	(52,720)
Liability	(40,093)	(4,930)	-	(454)	(8,970)	(54,446)
Marine	(28,305)	(7,140)	-	314	(15,700)	(50,831)
Aviation	-	(4,910)	-		(24)	(4,934)
Motor private	(681,085)	(230,727)	(68,710)	1966	(97,843)	(1,076,399)
Motor commercial	(351,718)	(46,707)	(2,867)	8562	(44,102)	(436,831)
Motor commercial - PSV	(25,794)	(5,233)	(896)	(532)	(1,595)	(34,051)
Personal accident	(5,803)	(3,440)	-	(17)	(1,802)	(11,062)
Theft	(64,008)	(8,192)	(98)	(1,039)	(6,005)	(79,342)
Workmen's compensation	(110,700)	(13,862)	-	(3,876)	(113,085)	(241,525)
Miscellaneous	(3,953)	(5,055)	-	(62)	(1,303)	(10,373)
Total	(1,375,466)	(347,715)	(73,092)	4,610	(335,012)	(2,126,655)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Net expenses from reinsurance contracts held

The analysis of the net expenses from reinsurance contracts held is included in the table below.

2023	Reinsurance expenses (PAA)	Reinsurance attributable expenses	Incurred claims recovery	Changes in risk adjustments on LIC	Changes in loss recovery component	Commission income	**Total net expenses from reinsurance contracts held**
Engineering	(141,802)	(508)	(14,130)	(188)	(213)	18,986	(137,855)
Fire domestic	(17,032)	(103)	816	(4)	-	4,478	(11,845)
Fire industrial	(152,177)	(589)	54,488	(4)	-	35,801	(62,482)
Liability	(21,718)	(245)	(2,696)	(42)	-	2,945	(21,757)
Marine	(94,768)	(544)	69,583	573	-	22,289	(2,867)
Aviation	(611,120)	(592)	-	-	-	15,480	(596,232)
Motor private	(56,787)	(375)	16,545	279	(1,566)	6,560	(35,344)
Motor commercial	(33,611)	(182)	44,919	134	789	3,295	15,344
Motor commercial - PSV	(401)	(2)	107	(6)	(43)	-	(345)
Personal accident	(1,882)	(22)	6,241	(6)	-	456	4,787
Theft	(27,549)	(181)	14,258	(5)	89	6,629	(6,759)
Workmen's compensation	(28,818)	(142)	44,972	(30)	-	5,944	21,927
Miscellaneous	(148,467)	(443)	77,374	(34)	-	18,376	(53,193)
Total	(1,336,132)	(3,928)	312,477	667	(944)	141,239	(886,621)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Net expenses from reinsurance contracts held (continued)

2022	Reinsurance expenses (PAA)	Reinsurance attributable expenses	Incurred claims recovery	Changes in risk adjustments on LIC	Changes in loss recovery component	Commission income	**Total net expenses from reinsurance contracts held**
Engineering	(96,842)	(441)	42,093	196	421	14,921	**(39,651)**
Fire domestic	(13,199)	(144)	434	16	-	3,747	**(9,147)**
Fire industrial	(154,003)	(639)	11,746	(18)	-	40,842	**(102,073)**
Liability	(11,329)	(83)	1,296	27	-	2,799	**(7,292)**
Marine	(56,821)	(696)	22,383	(256)	-	18,080	**(17,310)**
Aviation	(447,508)	(687)	-	-	-	12,203	**(435,992)**
Motor private	(41,404)	(363)	(4,952)	(990)	840	5,386	**(41,483)**
Motor commercial	(39,044)	(199)	26,247	(2,730)	194	2,829	**(12,703)**
Motor commercial - PSV	(445)	(2)	726	21	17	-	**317**
Personal accident	(2,716)	(14)	746	6	-	712	**(1,266)**
Theft	(37,112)	(157)	37,971	676	57	6,474	**7,910**
Workmen's compensation	(34,114)	(230)	19,574	324	-	12,417	**(2,030)**
Miscellaneous	(8,957)	(100)	2,147	38	-	2,495	**(4,376)**
Total	**(943,496)**	**(3,755)**	**160,411**	**(2,690)**	**1,529**	**122,905**	**(665,096)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8.1 Interest income

	2023 Kes '000	2022 Kes '000
Interest on Government securities at amortised cost	131,044	98,610
Interest on Government securities at fair value through profit or loss	64,479	31,987
Interest on deposits with financial institutions	43,432	19,012
Interest on mortgage loans	430	740
	239,385	150,349

8.2 Other investment income

	2023 Kes '000	2022 Kes '000
Fair value losses on equity investments (note 24)	(393)	(17,638)
Fair value gains on Government securities (note 21(ii))	(23,997)	17,085
Loss on disposal of equity investments	-	(7,914)
Dividends from equity investments	-	4,469
Rental income from investment property	37,253	46,150
Fair value gain/(loss) on investment property	44,956	(8,414)
	57,819	33,738

8.3 Net finance expenses

	2023 Kes '000	2022 Kes '000
Finance expenses from insurance contracts issued	(49,288)	(35,583)
Finance income from reinsurance contracts held	12,010	7,825
Net finance expenses	37,278	27,758

9 Other income

	2023 Kes'000	2022 Kes'000
Gain on disposal of assets	84	1,777
Other	6,897	796
	6,981	2,573

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Operating and other expenses

	2023 Kes '000	2022 Kes '000
Staff costs (note 11)	232,572	223,889
Auditors' remuneration	6,853	5,040
Depreciation on property and equipment (note 20)	8,325	7,645
Amortisation on the right-of-use assets (note 21)	6,959	6,880
Amortisation of intangible assets (note 22)	3,895	3,941
Expected credit losses on financial assets (Note 4.2)	52,837	(20,275)
Operating leases	2,970	6,721
Marketing and advertising	41,061	32,130
Finance and bank charges	5,772	5,367
Printing, stationery, and insurance	5,845	5,924
Consultancy fees	20,956	17,685
Director's fees	11,707	10,392
Underwriting and claims expenses	67,608	58,025
ICT expenses	27,718	28,477
Other expenses	38,252	28,130
	533,330	419,971
Attributable to insurance contracts issued	366,153	347,715
Attributable to reinsurance contracts held	3,928	3,755
Non-attributable expenses	163,249	68,501
	533,330	419,971

11 Staff costs

	2023 Kes '000	2022 Kes '000
Staff costs include the following:		
- Salaries and wages	180,344	184,942
- Retirement benefit costs – defined contribution plan	18,202	13,023
Medical & other staff insurances	14,520	10,094
Training & subscriptions	9,132	8,110
Staff welfare	10,374	7,720
	232,572	223,889

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Income tax expense

	2023 Kes '000	2022 Kes '000
Current income tax	24,339	7,651
Deferred income tax (Note 30)	3,878	18,596
	28,217	26,247

Reconciliation of taxation charge to the expected tax based on accounting profit:

	2023 Kes '000	2022 Kes '000
Profit before income tax	207,641	78,549
Tax calculated at a tax rate of 30%	62,292	23,565
Tax effect of income not subject to tax	(44,319)	(13,191)
Tax effect of expenses not deductible for tax purposes	15,488	18,221
Over provision of deferred tax in prior year	-	(1)
Over provision of current tax in prior year	(5,244)	(2,347)
Income tax expense	28,217	26,247

Income not subject to tax mainly relates to interest on infrastructure bonds which do not attract income tax charge. Expenses not deductible for tax purposes mainly relate to unrealised losses on valuation of investment properties.

(iii) Current income tax

	2023 Kes'000	2022 Kes'000
At 1 January	(36,026)	(27,487)
Charge for the year	24,339	7,651
Tax paid during the year	(11,294)	(16,190)
At 31 December	(22,981)	(36,026)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Dividends

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. The directors proposed dividends for the year ended 31 December 2023 Kes. 50 million, (2022: Kes 50 million).

14 Share capital

	2023 Kes'000	2022 Kes'000
Share capital:		
Authorised share capital		
10,000,000 ordinary shares of Kes 100 each	1,000,000	1,000,000
Issued and fully paid for:		
6,000,000 ordinary shares of Kes 100 each	600,000	600,000
Total share capital	600,000	600,000

15 Revaluation reserve

The revaluation reserve represents solely the surplus on the revaluation of buildings and is non-distributable.

	2023 Kes '000	2022 Kes '000
At 1 January	106,516	104,163
Revaluation gain on revaluation of buildings, net of tax	(7,098)	2,353
At 31 December	99,418	106,516

16 Retained earnings

The retained earnings represent the amount available for dividend distribution to the shareholders of the company, except for cumulative fair value gains on the company's investment properties of Kes. 360 million (2022: Kes 315 million) whose distribution is subject to restrictions imposed by regulation.

	2023 Kes '000	2022 Kes '000
Retained earnings at end of year	391,489	262,065
Cumulative fair value gain on property	(359,797)	(315,049)
Retained earnings available for distribution	31,692	(52,984)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Composition of the balance sheet - Insurance contacts

Analysis of the amounts presented on the balance sheet for insurance contracts is shown in the table below, along with the presentation of current and non-current portions of the balances:

	As at 31 December 2023		As at 31 December 2022	
	Insurance contract liabilities	Reinsurance contracts assets	Insurance contract liabilities	Reinsurance contracts assets
			Restated	Restated
	Kes'000	Kes'000	Kes'000	Kes'000
Engineering	120,461	107,480	149,600	138,595
Fire domestic	12,646	5,068	12,106	5,288
Fire industrial	76,772	61,084	74,216	56,507
Liability	103,465	16,528	81,396	11,692
Marine	129,335	97,672	66,690	39,759
Aviation	147,542	144,020	103,850	101,194
Motor private	1,265,059	38,373	1,232,611	30,094
Motor commercial	860,004	83,172	780,230	69,955
Motor commercial - PSV	49,639	998	52,765	918
Personal accident	7,962	1,409	8,675	1,630
Theft	175,939	107,792	163,938	103,098
Workmen's compensation	479,189	34,568	471,050	26,507
Miscellaneous	20,985	13,784	19,561	12,603
Total	**3,448,998**	**711,948**	**3,216,688**	**597,840**
Current portion	3,448,998	711,948	3,216,688	597,840
Non-current portion	-	-	-	-
Total	**3,448,998**	**711,948**	**3,216,688**	**597,840**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Reconciliation of the liability for remaining coverage and liability for incurred claims

18.1 Insurance contracts issued

The reconciliation of the liability for remaining coverage and incurred claims is included on the table below.

	2023					2022				
	LRC		LIC for contracts measured under PAA			LRC		LIC for contracts measured under PAA		
	Excl. Loss Comp.	Loss Comp.	PV of future cash flows	Risk adj. for non-fin. risk	Total	Excl. Loss Comp.	Loss Comp.	PV of future cash flows	Risk adj. for non-fin. risk	Total
Insurance contracts liabilities as at 1 January	**971,772**	**164,035**	**1,950,396**	**130,487**	**3,216,688**	**662,833**	**90,943**	**1,710,323**	**135,097**	**2,599,196**
Insurance revenue	(3,480,386)	-	-	-	(3,480,386)	(2,752,717)	-	-	-	**(2,752,717)**
Insurance service expenses	730,923	(27,893)	1,788,430	(1,678)	2,489,782	682,727	73,092	1,375,446	(4,610)	**2,126,655**
Insurance service result from insurance contract issued	**(2,749,463)**	**(27,893)**	**1,788,430**	**(1,678)**	**(990,604)**	**(2,069,990)**	**73,092**	**1,375,446**	**(4,610)**	**(626,062)**
Finance expenses from insurance contracts issued	-	-	49,288	-	49,288	-	-	35,583	-	**35,583**
Total amounts recognised in comprehensive income	**(2,749,463)**	**(27,893)**	**1,837,718**	**(1,678)**	**941,316)**	**(2,069,990)**	**73,092**	**1,411,029**	**(4,610)**	**(590,479)**
Cash flows:										
Premiums received	3,578,910	-	-	-	3,578,910	3,094,820	-	-	-	**3,094,820**
Claims paid	-	-	(1,675,343)	-	(1,675,343)	-	-	(1,170,956)	-	**(1,170,956)**
Attributable expenses paid	(366,153)	-	-	-	(366,153)	(347,715)	-	-	-	**(347,715)**
Insurance acquisition cash flows paid	(363,788)	-	-	-	(363,788)	(368,178)	-	-	-	**(368,178)**
Total cash flows	**2,848,969**	-	(1,675,343)	-	**1,173,626**	**2,378,927**	-	**(1,170,956)**	-	**1,207,971**
Insurance contracts liabilities as at 31 December	**1,071,276**	**136,142**	**2,112,771**	**128,809**	**3,448,998**	**971,770**	**164,035**	**1,950,396**	**130,487**	**3,216,688**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Reconciliation of the liability for remaining coverage and liability for incurred claims (continued)

18.2 Reinsurance contracts held

The reconciliation for the asset for remaining coverage and incurred claims is included on the table below.

	2023					2022				
	Remaining Coverage		Incurred Claims for contracts measured under PAA			Remaining Coverage		Incurred Claims for contracts measured under PAA		
	Excl. Loss-Recov. Comp.	Loss Recov. Comp.	PV of future cash flows	Risk adj. for non-fin. risk	Total	Excl. Loss-Recov. Comp.	Loss Recov. Comp.	PV of future cash flows	Risk adj. for non-fin. risk	Total
Reinsurance contracts assets as at 1 January	201,475	3,401	382,600	10,364	597,840	179,353	1,872	352,818	13,054	547,097
Net expenses from reinsurance contracts held	(1,198,821)	(944)	312,477	667	(886,621)	(824,346)	1,529	160,411	(2,690)	(665,096)
Finance income from re insurance contracts held	-	-	12,011	-	12,011	-	-	7,825	-	7,825
Total amounts recognised in comprehensive income	(1,198,821)	(944)	324,488	667	(874,610)	(824,346)	1,589	168,236	(2,690)	(657,271)
Cash flows:										
Reinsurance premiums paid	1,424,397	-	-	-	1,424,397	962,340	-	-	-	962,340
Recoveries from reinsurance	-	-	(290,050)	-	(290,050)	-	-	(138,454)	-	(138,454)
Attributable expenses paid	3,928	-	-	-	3,928	3,755	-	-	-	3,755
Ceding commissions	(149,557)	-	-	-	(149,557)	(119,627)	-	-	-	(119,627)
Total cashflows	1,278,768	-	(290,050)	-	998,718	846,468	-	(138,454)	-	708,014
Reinsurance contracts assets as at 31 December	281,422	2,457	417,038	11,031	711,948	201,475	3,401	382,600	10,364	597,840

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Claims development

19.1 Gross claims development

Actual claim payments are compared with previous estimates of the undiscounted amounts of the claims in the table below on gross of reinsurance basis as at 31 December 2023.

	Accident year						
	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate claim costs							
At end of accident year	1,396,204	1,433,606	1,028,553	1,039,749	1,369,793	1,452,010	
1 year later	1,413,812	1,455,861	1,041,104	1,084,184	1,420,846	-	
2 years later	1,421,235	1,460,459	1,051,329	1,095,271	-	-	
3 years later	1,424,423	1,464,584	1,052,531	-	-	-	
4 years later	1,425,596	1,465,534	-	-	-	-	
5 years later	1,425,596	-	-	-	-	-	
Cumulative gross claims paid	(1,400,022)	(1,413,344)	(923,174)	(800,138)	(968,588)	(832,534)	(6,337,800)
Gross claim liabilities - accident years from 2019 to 2023	25,574	52,190	129,357	295,133	452,258	619,476	1,573,988
Gross claim liabilities - prior accident years							749,267
Effect of discounting							(210,484)
Effect of risk adjustment for non-financial risk							128,809
Gross LIC for insurance contracts							2,241,580

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Claims development (continued)

19.2 Net claims development

Actual claim payments are compared with previous estimates of the undiscounted amounts of the claims in the table below on net of reinsurance basis as at 31 December 2023.

	Accident year						
	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate claim costs							
At end of accident year	1,214,698	1,261,573	902,646	887,921	1,232,814	1,310,186	
1 year later	1,230,017	1,281,157	908,866	928,525	1,278,761	-	
2 years later	1,236,475	1,285,204	918,545	939,350	-	-	
3 years later	1,239,248	1,288,834	919,689	-	-	-	
4 years later	1,240,268	1,289,670	-	-	-	-	
5 years later	1,240,268	-	-	-	-	-	
Cumulative net claims paid	(1,237,615)	(1,239,454)	(830,980)	(709,453)	(841,373)	(754,255)	(5,613,130)
Net claim liabilities - accident years from 2019 to 2023	2,653	50,216	88,709	229,897	437,388	555,931	1,364,794
Net claim liabilities - prior accident years							522,243
Effect of discounting							(191,304)
Effect of risk adjustment for non-financial risk							117,778
Net LIC for insurance contracts	-	-		-	-	-	1,813,511

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Property and equipment

	Buildings Kes '000	Motor vehicles Kes '000	Furniture & office equipment Kes '000	Total Kes '000
Cost/valuation				
At 1 January 2022	229,357	12,738	176,240	418,335
Additions	-	-	5,871	5,871
Disposals	-	-	(865)	(865)
Fair value gain	2,760	-	-	2,760
At 31 December 2022	232,117	12,738	181,246	426,101
At 1 January 2023	232,117	12,738	181,246	426,101
Additions	-	-	6,558	6,558
Disposals	-	-	(574)	(574)
Fair value gain	12,226	-	-	12,226
At 31 December 2023	244,343	12,738	187,230	444,311
Depreciation				
At 1 January 2022	(14,387)	(12,738)	(171,073)	(198,198)
Charge for the year	(3,703)	-	(3,942)	(7,645)
Eliminated on disposals	-	-	859	859
At 31 December 2022	(18,090)	(12,738)	(174,156)	(204,984)
At 1 January 2023	(18,090)	(12,738)	(174,156)	(204,984)
Charge for the year	(3,725)	-	(4,600)	(8,325)
Eliminated on disposals	-	-	565	565
At 31 December 2023	(21,815)	(12,738)	(178,191)	(212,744)
Net book value				
At 31 December 2022	214,027	-	7,090	221,117
At 31 December 2023	222,528	-	9,039	231,567

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Property and equipment (continued)

Buildings were valued on 31 December 2023 by Regent Valuers Limited, registered professional valuers. The basis of valuation was current market value with existing use.

Land and buildings are carried at the fair value hierarchy level 3 in the fair value hierarchy.

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2023 Kes '000	2022 Kes '000
Cost	143,767	143,767
Accumulated depreciation	(45,651)	(42,057)
Net book value	98,116	101,710

21. Leases

(a) Right-of-use assets

The Company leases office space for its use. Information about the leases in which the Company is a lessee is presented below:

Cost	2023 Kes '000	2022 Kes '000
At 1 January	38,857	40,645
Additions	-	7,477
Disposal	-	(9,265)
At 31 December	38,857	38,857
Amortization		
At 1 January	(13,758)	(13,522)
Charge for the year	(6,959)	(6,880)
Eliminated on disposal of lease	-	6,644
At 31 December	(20,717)	(13,758)
Carrying amount at 31 December	18,140	25,099

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Leases (continued)

(b) Lease liabilities

	2023 Kes '000	2022 Kes '000
Analyzed as:		
Non - current	14,150	21,762
Current	7,611	6,471
At 31 December	21,761	28,233
The movement in the lease liabilities is as follows:		
At 1 January	28,233	31,233
Additions	-	7,477
Disposal	-	(3,895)
Interest on the lease liabilities	2,972	3,096
Payment of lease liabilities	(9,444)	(9,678)
At 31 December	21,761	28,233
In the statement of cashflows:		
Payment of the principal portion of lease liabilities	6,472	6,582
Payment of the interest portion of the lease liabilities	2,972	3,096
Lease liabilities maturity analysis (undiscounted cashflows)		
Year 1	9,243	6,471
Year 2	9,317	7,111
Year 3	4,889	8,106
Year 4	1,687	3,317
Year 5	533	1,237
	25,669	26,242

The Company does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the company's treasury function. All lease obligations are denominated in Kenya Shillings.

The contractual amounts disclosed in the maturity analyses as required by IFRS 16 are the contractual undiscounted cash flows i.e., Gross lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Intangible assets – computer software

Cost	2023 Kes '000	2022 Kes '000
At 1 January	60,091	57,381
Additions	10,204	2,710
At 31 December	70,295	60,091
Depreciation		
At 1 January	48,659	44,718
Amortisation charge	3,895	3,941
At 31 December	52,554	48,659
Net book value		
At 31 December	17,741	11,432

23. Investment properties

At 1 January	955,616	964,030
Fair value gain/(loss)	44,956	(8,414)
At 31 December	1,000,572	955,616

The Company's investment properties were last valued as at 31 December 2023 by Regent Valuers International (K) Limited, registered valuers on open market value basis. Direct operating expenses attributable to management of the investment properties amounted to Kes 15.4 million (2022: Kes 4.1 million).

The fair values arising from the open market valuation of investment properties is categorised as level 3 in the fair value hierarchy.
A portion of the building which is accounted for as property and equipment in line with IAS 16 is owner occupied. This has been disclosed in note 20 of the financial statements.

The effects of changes in the gross annual rent yield have the following effect on the fair value of the properties.

	% change	31 Dec 2023 Kes '000	31 Dec 2022 Kes '000
Gross annual rental	+/-5%	1,864	2,308
Rate of return	+/-5%	2,293	2,293

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 Equity investments at fair value through profit or loss

	2023 Kes '000	2022 Kes '000
At 1 January	2,781	47,340
Additions	-	102,991
Disposals	(2,388)	(129,912)
Fair value loss	(393)	(17,638)
At 31 December	-	2,781

25 Mortgage loans

	2023 Kes '000	2022 Kes '000
At 1 January	5,760	7,585
Loan repayments	(2,458)	(1,825)
At 31 December	3,302	5,760
Maturity profile of mortgage loans:		
Loans maturing:		
Within 1 year	614	1,027
In 1-5 years	2,688	4,733
	3,302	5,760

The mortgage loans are secured by title deeds.

26 Receivables from intermediaries

	2023 Kes '000	2022 Kes '000
Gross receivables	464,702	517,427
Provision for impairment losses	(227,344)	(241,911)
Net receivables	237,358	275,516
Movement in provision for impairment losses:		
At 1 January	241,911	258,664
Write off	(66,368)	-
Impairment charge/(credit) during the year (Note 4.2)	51,801	(16,753)
At 31 December	227,344	241,911

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 Other receivables

31 December 2023	Gross carrying amounts Kes '000	Loss allowance Kes '000	Net carrying amounts Kes '000
Due from related parties (note 37(ii))	113	-	113
Prepayments	14,874	-	14,874
Utilities and rental deposit	3,069	-	3,069
Rent receivable	5,224	(43)	5,181
Other receivables	2,134	-	2,134
	25,414	(43)	25,371
31 December 2022			
Due from related parties (note 37(ii))	96	-	96
Prepayments	9,359	-	9,359
Utilities and rental deposit	3,069	-	3,069
Rent receivable	30,340	(190)	30,150
Other receivables	1,838	-	1,838
	44,702	(190)	44,512

All other receivables are classified as current assets except utilities and rental deposit which are classified as noncurrent assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Government securities

(i) Government securities held at amortised cost	2023 Kes '000	2022 Kes '000
- Maturing within 1 year	25,436	-
- Maturing in 1-5 years	142,504	70,310
- Maturing after 5 years	885,145	866,265
	1,053,086	936,575
At 1 January	936,575	574,382
Additions	129,228	384,000
Amortisation	7,294	13,287
Maturities	(20,000)	(35,000)
Impairment provision in the year	(11)	(94)
At 31 December	1,053,086	936,575

(ii) Government securities at fair value through profit and loss		
At 1 January	666,150	597,065
Additions	612,572	123,000
Maturities	(599,241)	(71,000)
Fair value gain/(loss)	(23,997)	17,085
At 31 December	655,484	666,150

29 Weighted average effective interest rates

The following table summarises the weighted average effective interest rates at year end on the principal interest-bearing investments:

	2023 %	2022 %
Mortgage loans	10	10
Government securities	13	13
Deposits with financial institutions	16	10

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 Deferred income tax

Deferred tax is calculated using the enacted income tax rate of 30% (2022: 30%). The movement in the deferred tax asset account is as follows:

	2023	2022
	Kes '000	Kes '000
At 1 January	39,335	58,337
Charge to profit or loss (note 12)	(3,878)	(18,596)
Credit to other comprehensive income	(19,325)	(406)
At 31 December	16,132	39,335

The net deferred tax asset is made up of the following temporary differences:

	1 January 2023	Credited to profit or loss	Charged to OCI	31 December 2023
	Kes '000	Kes '000	Kes '000	Kes '000
Year ended 31 December 2023				
Property and equipment - historical cost basis	11,106	(1,794)	-	9,312
Property and equipment - revaluation surplus	(42,020)	-	(19,325)	(61,345)
Provisions	78,156	(2,637)	-	75,519
Other deductible differences	(7,907)	553	-	(7,354)
Net deferred income tax asset	39,335	(3,878)	(19,325)	16,132

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. Deferred income tax (continued)

	1 January 2022	Credited to profit or loss	Charged to OCI	31 December 2022
	Kes '000	Kes '000	Kes '000	Kes '000
Year ended 31 December 2022				
Property and equipment - historical cost basis	12,767	(1,661)	-	11,106
Property and equipment - revaluation surplus	(41,614)	-	(406)	(42,020)
Provisions	94,448	(16,292)	-	78,156
Other deductible differences	(7,264)	(643)	-	(7,907)
Net deferred income tax asset	58,337	(18,596)	(406)	39,335

31 Other payables

	2023 Kes'000	2022 Kes'000
Accrued expenses	12,653	8,903
Accrued leave	5,243	4,184
Rental deposits	20,257	22,612
Payroll liabilities	5,357	3,981
Sundry creditors	(953)	(63)
Other liabilities	16,908	33,050
	59,465	72,667

32 Contingent liabilities

The company is subject to litigation arising in the normal course of insurance business. The directors, based on the legal advice, are of the opinion that this litigation will not have a material effect on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 Operating leases

The Company as a lessor

The maturity analysis of contracted operating lease payments in which the Company is the lessor, relate to investment properties owned by the Company.

	2023 Kes '000	2022 Kes '000
Year 1	50,116	47,125
Year 2	46,506	49,786
Year 3	14,483	44,139
Year 4	8,853	16,815
Year 5	7,936	1,906
	127,894	159,771

The lease income on the operating leases as at 31 December 2023 was Kes 37 million (2022: Kes 46 million).

34 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2023 Kes '000	2022 Kes '000
Cash and bank balances	107,665	173,053
Deposits with financial institutions	436,935	253,265
	544,600	426,318

Deposits with financial institutions have an average maturity of 3 months (2023: 3 months). The effective interest rate on deposits was 16% per annum (2022: 10%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 Notes to the statement of cash flows

Reconciliation of loss before taxation to cash (used in)/generated from operations:

	2023 Kes'000	2022 Kes'000
Profit before income tax	207,641	51,367
Adjustments for:		
Interest on Government securities, deposits with financial institutions and mortgage loans (Note 8.1)	(239,384)	(150,349)
Depreciation of property and equipment (note 20)	8,325	7,645
Amortisation charge on intangible assets (note 22)	3,895	3,941
Amortisation of the right-of-use assets (note 21.1)	6,959	6,880
Interest on lease liabilities (note 21.2)	2,972	3,096
Gain on disposal of leases	-	(1,274)
Gain on sale of equipment (note 9)	(84)	(1,777)
Change in fair value of quoted shares (note 24)	353	17,638
Amortisation of Government securities at amortised cost (note 28 (i))	(7,294)	(13,287)
Unrealized fair value gains on Government securities at fair value through P&L (note 28 (ii))	23,997	(17,085)
Change in fair value of investment property (Note 23)	(44,956)	8,414
Impairment provision on Government securities (note 28 (i))	11	94
Changes in:		
Insurance contract liabilities (note 17)	232,310	617,490
Reinsurance contract assets (note 17)	(114,108)	(50,742)
Due from Kenya Motor Insurance Pool	270	277
Intangible assets	(10,204)	-
Receivables arising out of reinsurance arrangements	(34,106)	2,205
Receivable from intermediaries	38,158	(167,534)
Payables arising from reinsurance arrangements	(6,923)	(9,413)
Other receivables	19,141	(1,269)
Other payables	(13,202)	(31,549)
Cash generated from in operations	73,771	274,768

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. Dividends

The directors propose payment of the first and final dividends of Kes12 (2022: Kes 12) per share amounting to Kes 50 million (2022: Kes 50 million). The proposed dividend is not payable until ratified at the annual general meeting. Payment of dividends is subjected to applicable withholding tax under Kenya Income tax act.

37. Related party transactions

The Company is related to other Companies through common shareholdings or common directorships.

In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients.

	2023 Kes'000	2022 Kes'000
(i) Transactions with related parties		
Gross written premium:		
- Related parties – directors	1,790	371
- Related parties – other	1,730	10,418
	3,520	10,789
(ii) Outstanding balances with related parties		
Amounts due from related parties (note 27)		
Loans advanced to staff	36	19
Southern Shield Holdings	77	77
	113	96
(iii) Mortgage loans to directors and key management staff of the Company		
At 1 January	5,759	7,584
Loan repayments received	(2,457)	(1,825)
At 31 December	3,302	5,759
(iv) Key management compensation		
Salaries and other short-term employment benefits	49,240	43,209
(v) Directors' remuneration		
Directors' fees	11,707	10,392
Other remuneration (included in key management compensation above)	49,240	43,209
	60,947	53,601

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 Currency

The financial statements are presented in Kenya Shillings (Kes'000), which is the Company's Functional Currency.

39 Events after the reporting date

No material events or circumstances have arisen between the reporting date and the date of this report that require disclosure or adjustment to the financial results and position at 31 December 2023.

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SUPPLEMENTAL INFORMATION - GENERAL INSURANCE BUSINESS

SUPPLEMENTAL INFORMATION - GENERAL INSURANCE BUSINESS REVENUE ACCOUNT FOR YEAR 2023

Portfolio	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Aviation	Motor Private	Motor Comm	Motor-PSV	Personal Accident	Theft	WIBA	Misc.	2023 Total
Gross written premium	159,453	29,545	183,345	64,168	133,480	654,721	1,232,833	591,220	24,022	17,813	62,776	260,749	164,785	**3,578,910**
Insurance service revenue	**156,205**	**29,232**	**173,985**	**58,705**	**123,146**	**611,129**	**1,197,148**	**560,035**	**27,574**	**16,892**	**58,333**	**304,502**	**163,500**	**3,480,386**
Incurred claims	6,468	(4,730)	(61,404)	(41,107)	(80,923)	-	(881,654)	(436,105)	(25,690)	(8,044)	(39,860)	(133,462)	(81,919)	**(1,788,430)**
Attributable expenses	(4,849)	(4,269)	(8,525)	(5,881)	(7,010)	(8,273)	(237,548)	(48,861)	(2,477)	(4,114)	(7,870)	(12,698)	(13,778)	**(366,153)**
Insurance acquisition costs	(29,540)	(5,382)	(43,028)	(12,484)	(19,895)	(10,860)	(120,562)	(57,777)	(1,422)	(1,674)	(8,073)	(52,690)	(1,383)	**(364,770)**
Changes in risk adjustment	176	(2)	39	(3)	(592)	-	453	953	301	18	(49)	352	32	**1,678**
Changes in loss component	300	-	-	-	-	-	36,358	(11,539)	2,941	-	(167)	-	-	**27,893**
Insurance service expense	**(27,445)**	**(14,383)**	**(112,918)**	**(59,475)**	**(108,420)**	**(19,133)**	**(1,202,953)**	**(553,329)**	**(26,347)**	**(13,814)**	**(56,019)**	**(198,498)**	**(97,048)**	**2,489,782)**
Reinsurance premium expense	(141,802)	(17,032)	(152,177)	(21,718)	(94,768)	(611,120)	(56,787)	(33,611)	(401)	(1,882)	(27,549)	(28,818)	(148,467)	**(1,336,132)**
Reinsurance claims recoveries	(14,130)	816	54,488	(2,696)	69,583	-	16,545	44,919	107	6,241	14,258	44,972	77,374	**312,477**
Commission income	18,986	4,478	35,800	2,944	22,289	15,480	6,560	3,295	-	456	6,629	5,945	18,377	**141,239**
Attributable expenses	(508)	(103)	(589)	(245)	(544)	(592)	(375)	(182)	(2)	(22)	(181)	(142)	(443)	**(3,928)**
Changes in risk adjustment	(188)	(4)	(4)	(42)	573	-	279	134	(6)	(6)	(5)	(30)	(34)	**667**
Changes in loss component	(213)	-	-	-	-	-	(1,566)	789	(43)	-	89	-	-	**(944)**
Net gain/(expenses) from reinsurance	**(137,855)**	**(11,845)**	**(62,482)**	**(21,757)**	**(2,867)**	**(596,232)**	**(35,344)**	**15,344**	**(345)**	**4,787**	**(6,759)**	**21,927**	**(53,193)**	**(886,621)**
Insurance service result	**(9,095)**	**3,004**	**(1,415)**	**(22,527)**	**11,859**	**(4,236)**	**(41,149)**	**22,050**	**882**	**7,865**	**(4,445)**	**127,931**	**13,259**	**103,983**

SUPPLEMENTAL INFORMATION - GENERAL INSURANCE BUSINESS REVENUE ACCOUNT FOR YEAR 2022

Portfolio	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Aviation	Motor Private	Motor Comm	Motor-PSV	Personal Accident	Theft	WIBA	Misc.	**2022 Total**
Gross written premium	101,345	27,525	165,344	53,365	99,879	467,284	1,071,988	509,970	29,744	16,098	54,636	484,162	13,480	**3,094,820**
Insurance service revenue	**104,532**	**24,159**	**174,293**	**46,328**	**91,680**	**447,516**	**853,717**	**439,725**	**23,675**	**15,359**	**52,724**	**465,992**	**13,017**	**2,752,717**
Incurred claims	(43,340)	(5,570)	(15,077)	(40,093)	(28,305)	-	(681,085)	(351,718)	(25,794)	(5,803)	(64,008)	(110,700)	(3,953)	**(1,375,446)**
Attributable expenses	(4,223)	(4,593)	(8,703)	(4,930)	(7,140)	(4,910)	(230,727)	(46,707)	(5,233)	(3,440)	(8,192)	(13,862)	(5,055)	**(347,715)**
Insurance acquisition costs	(10,825)	(4,768)	(28,989)	(8,969)	(15,700)	(24)	(97,843)	(44,101)	(1,596)	(1,802)	(6,005)	(113,087)	(1,303)	**(335,012)**
Changes in risk adjustment	(190)	(111)	49	(454)	314	-	1,966	8,562	(532)	(17)	(1,039)	(3,876)	(62)	**4,610**
Changes in loss component	(521)	-	-	-	-	-	(68,710)	-	(2,867)	-	(896)	-	-	**(73,092)**
Insurance service expense	**(59,099)**	**(15,042)**	**(52,720)**	**(54,446)**	**(50,831)**	**(4,934)**	**(1,076,399)**	**(436,831)**	**(34,051)**	**(11,062)**	**(79,342)**	**(241,525)**	**(10,373)**	**(2,126,655)**
Reinsurance premium expense	(96,842)	(13,199)	(154,003)	(11,329)	(56,821)	(447,508)	(41,404)	(39,046)	(445)	(2,716)	(37,112)	(34,114)	(8,957)	**(943,496)**
Reinsurance claims recoveries	42,093	434	11,746	1,296	22,383	-	(4,952)	26,247	726	746	37,971	19,574	2,147	**160,411**
Commission income	14,922	3,746	40,841	2,797	18,080	12,203	5,386	2,831	-	712	6,475	12,416	2,496	**122,905**
Attributable expenses	(441)	(144)	(639)	(83)	(696)	(687)	(363)	(199)	(2)	(14)	(157)	(230)	(100)	**(3,755)**
Changes in risk adjustment	196	16	(18)	27	(256)	-	(990)	(2,730)	21	6	676	324	38	**(2,690)**
Changes in loss component	421	-	-	-	-	-	840	194	17	-	57	-	-	**1,529**
Net gain/(expenses) from reinsurance	**(39,651)**	**(9,147)**	**(102,073)**	**(7,292)**	**(17,310)**	**(435,992)**	**(41,483)**	**(12,703)**	**317**	**(1,266)**	**7,910**	**(2,030)**	**(4,376)**	**(665,096)**
Insurance service result	**5,782**	**(30)**	**19,500**	**(15,410)**	**23,539**	**6,590**	**(264,165)**	**(9,809)**	**(10,059)**	**3,031**	**(18,708)**	**222,437**	**(1,732)**	**(39,034)**