EAST AFRICA REINSURANCE COMPANY LIMITED

2022 ANNUAL REPORT & FINANCIAL STATEMENTS

SECURED SOLID PARTNERSHIP

WHO WE ARE

MISSION STATEMENT

To provide quality risk solutions, excellent service and enhanced value to all stakeholders.

VISION STATEMENT

To be the risk partner of choice in our markets

CORE VALUES

Integrity, Commitment, Partnership, Excellence, Professionalism, Innovation

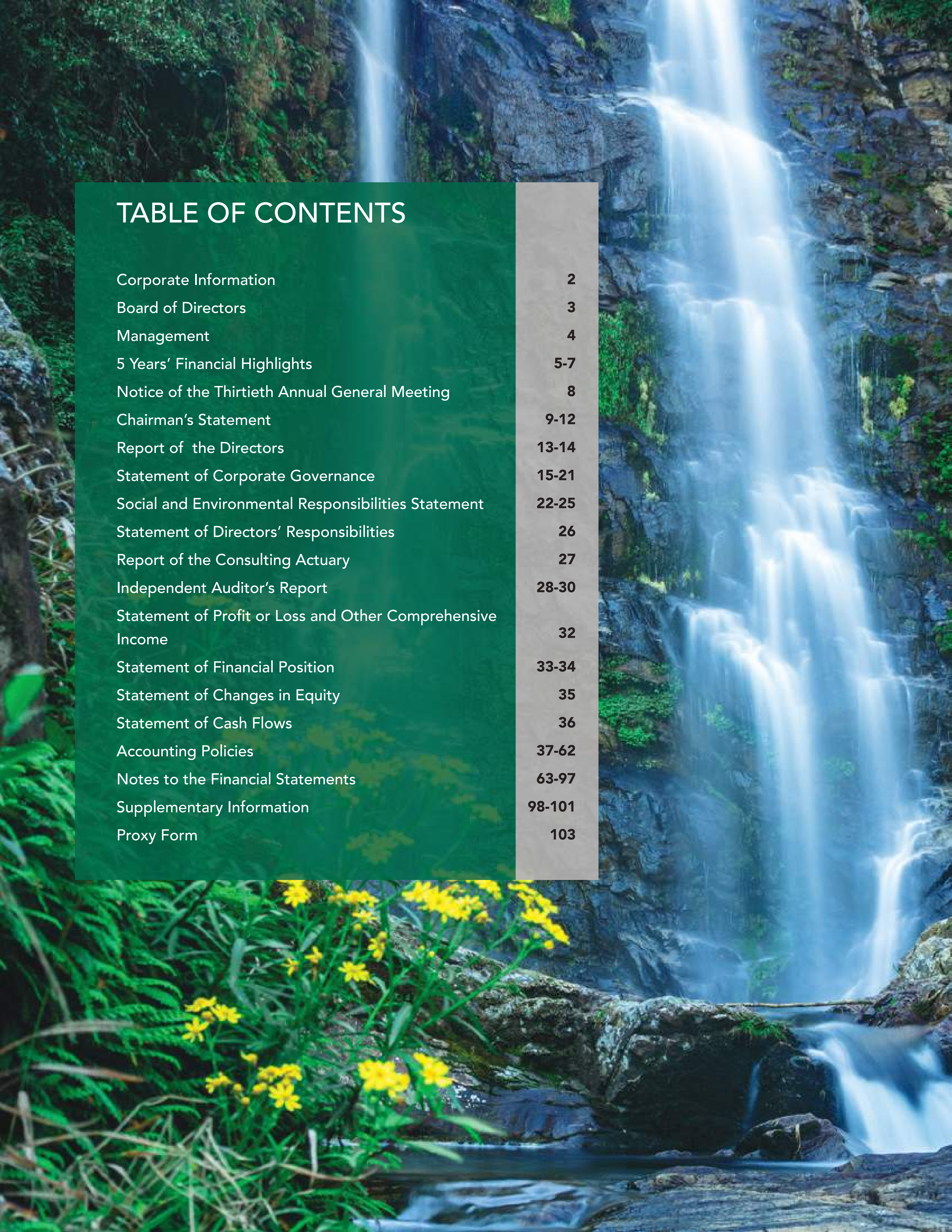


TABLE OF CONTENTS

CORPORATE INFORMATION

REGISTERED OFFICE

East Africa Reinsurance Company Limited
EARe House, 98 Riverside Drive
P.O. Box 20196 – 00200 City Square
Nairobi, Kenya
Tel: +254 (20) 4084000
Mobile: +254 728111041; +254 733623737
E-mail: info@eastafricare.com
Website: www.eastafricare.com

SECRETARY

K.M. Ontiti
Certified Public Secretary (Kenya)
P.O. Box 30345-00100
GPO Nairobi, Kenya

AUDITOR

KPMG Kenya
Certified Public Accountants (Kenya)
8th Floor ABC Towers, Waiyaki Way, Westlands
P.O. Box 40612 - 00100
GPO Nairobi, Kenya

DIRECTORS

A.K. Wainaina (Appointed on 19 May 2022)
M.P. Chandaria (Dr.)* OBE, EBS (Alt. M. Jha**)
J.P.M. Ndegwa (Alt. A.S.M. Ndegwa)
P.K. Maina
S.O. Oluoch (Resigned on 19 May 2022)
D.G.M. Hutchison*
L.W. Muriuki (Resigned on 4 August 2022)
J.K. Kimeu
S.N. Adamali
P.K. Mugambi (Appointed 1 December 2022)
D. Srivastava**
* British
** Indian

LEGAL ADVISORS

Kaplan & Stratton
Williamson House
4th Ngong Avenue
P.O. Box 40111 - 00100
Nairobi, Kenya

LJA Associates LLP
Cavendish Block
14 Riverside Drive
P.O. Box 49594 - 00100
Nairobi, Kenya

ACTUARIES

Zamara Actuaries, Administrators and Consultants Limited
Argwings Kodhek Road, Landmark Plaza
P.O. Box 52439 - 00200 City Square
Nairobi, Kenya

Actuarial Services (EA) Limited
26th Floor, UAP Old Mutual Tower
Upperhill Road
P.O. Box 10472 - 00100 GPO
Nairobi Kenya

PRINCIPAL BANKER

NCBA Bank Limited
NCBA House Branch
Masaba Road
P.O. Box 30090 - 00100
GPO Nairobi Kenya

BOARD OF DIRECTORS

***Standing L-R:** K.M. Ontiti (Company Secretary), P.K. Mugambi (Director), J.K. Kimeu (Director), D.G.M. Hutchison (Director), P.K. Maina (CEO), M. Jha (Alternate Director)*
***Sitting L-R:** B.S. Sharma, J.P.M. Ndegwa (Director), A.K. Wainaina (Chairman) S.N. Adamali (Director).*

Not in the photo: Dr. M.P. Chandaria (Vice Chairman) Mr. D.Srivastava (Director) and Mr. A.S.M. Ndegwa (Alternate Director)

P. Maina
Chief Executive Officer

C. Ogaye
Head of Technical Business

P. Mumbe
Chief Finance Officer

B. Njoroge
HR & Admin Manager

D. Kaniaru
Risk Consultant

B. Chirchir
I.T Manager

5 YEARS' FINANCIAL HIGHLIGHTS (COMBINED BUSINESS)

Short-Term and Long Term Combined Business

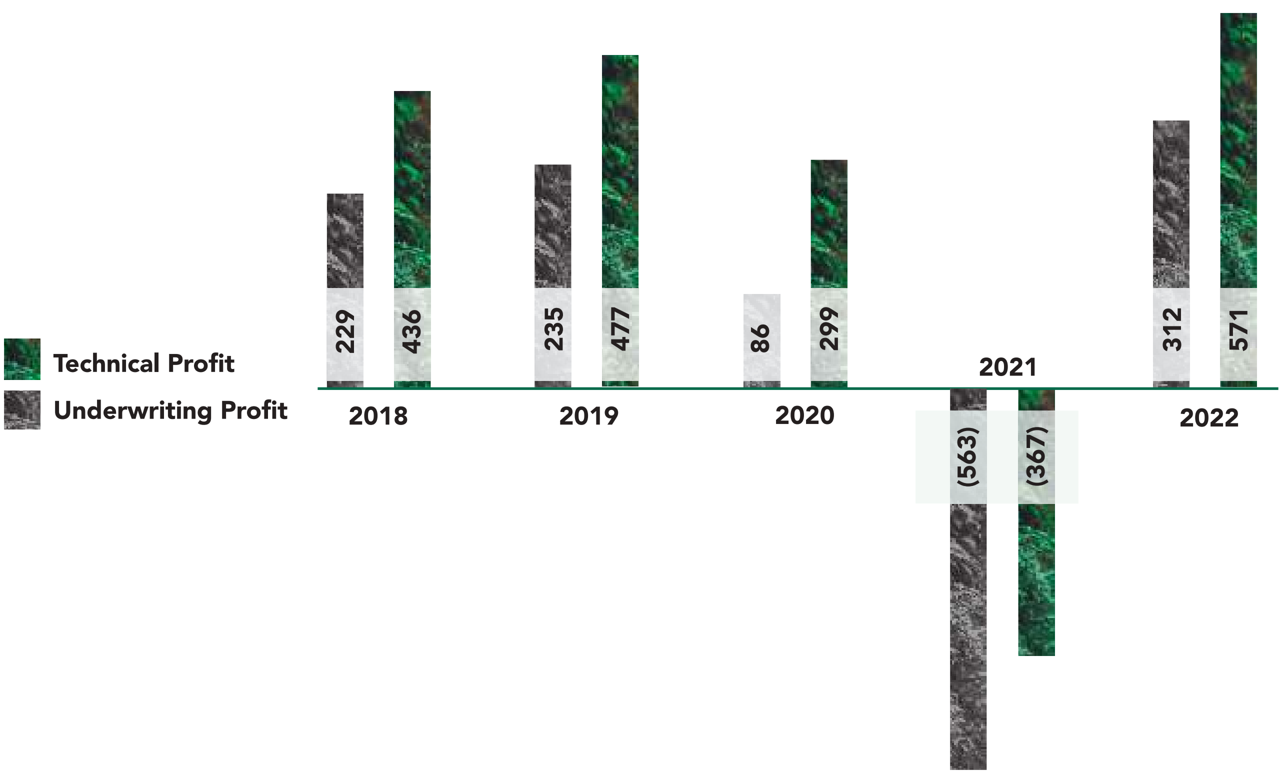
	2018 Kshs'Million	2019 Kshs'Million	2020 Kshs'Million	2021 Kshs'Million	2022 Kshs'Million
Gross Written Premiums	4,006	4,665	4,003	4,324	4,526
Gross Earned Premiums	3,804	4,384	4,319	4,216	4,386
Net Earned Premiums	3,496	4,038	3,891	3,741	3,905
Technical Profit/(loss)	436	477	299	(367)	571
Underwriting Profit/(loss)	229	235	86	(563)	312
Investment Income	728	694	683	746	844
Profit Before Tax	823	835	606	102	1,047
Profit After Tax	616	589	410	137	783
Dividends	100	100	100	100	200
Shareholders' Funds	4,587	5,076	5,370	5,408	6,092
Share Capital	1,500	1,500	1,500	1,500	1,500
Total Assets	9,676	10,481	10,261	11,271	11,710

Short-Term and Long Term Combined Business

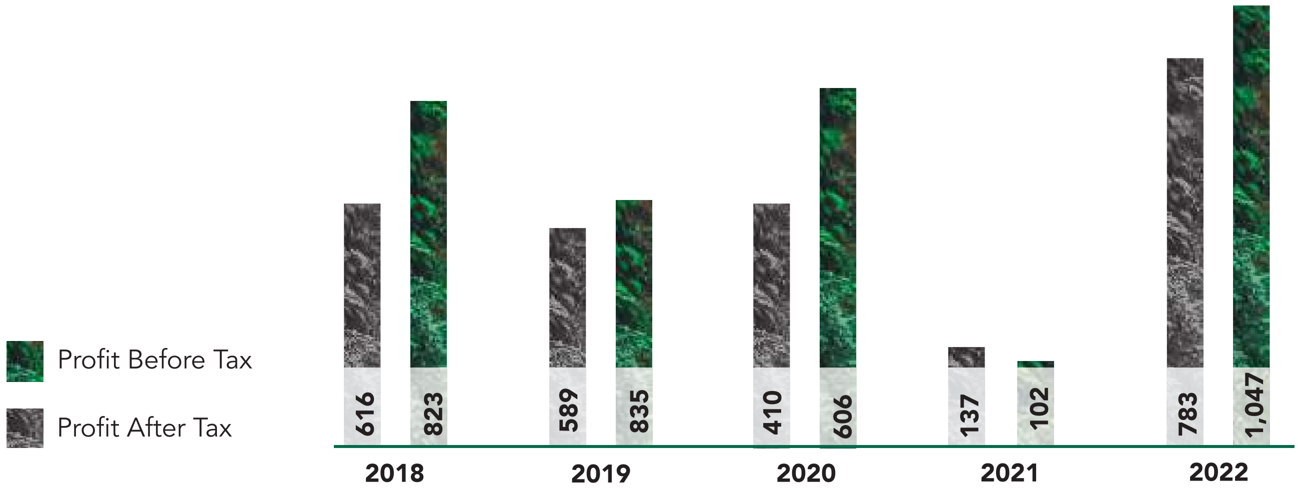
	Rate 101.83 USD'000	Rate 101.42 USD'000	Rate 109.05 USD'000	Rate 113.25 USD'000	Rate 123.24 USD'000
Gross Written Premiums	39,340	45,997	36,711	38,185	36,724
Gross Earned Premiums	37,356	43,233	39,607	37,234	35,586
Net Earned Premiums	34,370	39,813	35,678	33,035	31,688
Technical Profit/(loss)	4,280	4,702	2,743	(3,242)	4,637
Underwriting Profit/(loss)	2,245	2,324	793	(4,971)	2,535
Investment Income	7,153	6,888	6,269	6,589	6,852
Profit Before Tax	8,080	8,235	5,558	905	8,494
Profit After Tax	6,045	5,811	3,754	1,213	6,355
Dividends	982	986	917	883	1,623
Shareholders' Funds	45,045	50,052	49,245	47,758	49,430
Share Capital	14,730	14,790	13,755	13,245	12,172
Total Assets	95,020	103,339	94,099	99,521	95,015
Ratios					
Loss Ratio (%)	56	56	60	78	54
Earnings Per Share (Kshs)	410	392	273	91	522
Dividend Cover	6	6	4	1	4
Return on Equity Before Tax (%)	19	16	11	2	17
Return on Equity After Tax (%)	14	12	8	3	13

Gross Written and Gross Earned Premiums (Kshs Millions)

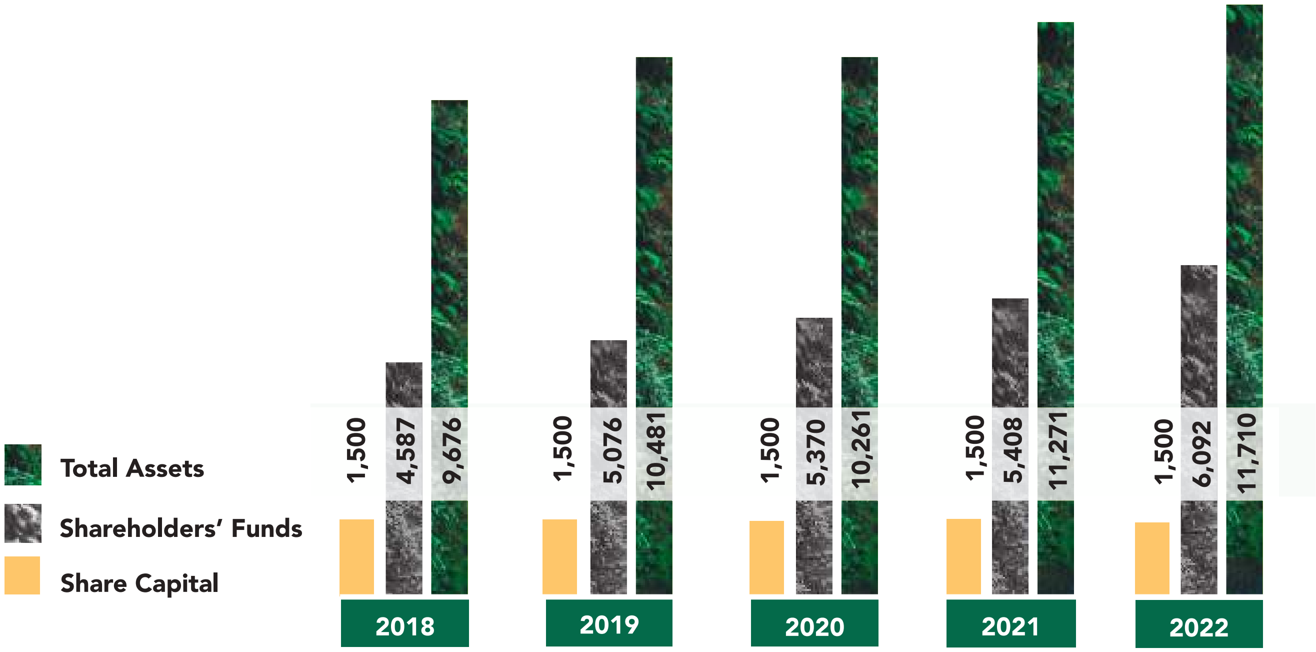
Technical Profit and Underwriting Profit (Kshs Millions)



Profit Before and After Tax (Kshs Millions)



Share Capital, Shareholders' Funds, and Total Assets (Kshs Millions)



NOTICE OF THE THIRTIETH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE THIRTIETH ANNUAL GENERAL MEETING OF EAST AFRICA REINSURANCE COMPANY LIMITED WILL BE HELD ON TUESDAY, 9 MAY 2023, IN THE COMPANY'S TRAINING ROOM, EARe HOUSE, 98 RIVERSIDE DRIVE, NAIROBI, AT TWELVE NOON.

AGENDA

1. To read the Notice convening the meeting.

2. Confirmation of Quorum.

3. To confirm the minutes of the Annual General Meeting held on 19th May 2022.

4. To receive, consider and, if appropriate, adopt the financial statements for the year ended 31st December 2022 and the Chairman's, Directors', Actuary's and Auditors' reports thereon.

5. To approve the payment of a final dividend of Kes. 200 million for the year ended 31st December 2022.

6. To re-elect Directors:

   (a) Mr J P M Ndegwa retires by rotation in accordance with Article 80(A) of the Company's Articles of Association and, being eligible, offers himself for re-election.

   (b) Dr M P Chandaria retires by rotation in accordance with Article 80(A) of the Company's Articles of Association and, being eligible, offers himself for re-election.

7. To ratify the appointment of Tony Wainaina and Patrick Mugambi as directors of the Company effective from 19th May 2022 and 1st December 2022 respectively.

8. To approve the remuneration of the Directors.

9. To reappoint KPMG as the Company's auditors under Section 717 of the Companies Act, 2015 subject to approval by the Commissioner of Insurance as required under section 56(4) of the Insurance Act (Cap. 487) and to authorize the Directors to fix the remuneration of the Auditors for the period to the close of the next Annual General Meeting.

10. Any Other Business

By Order of the Board

K.M. Ontiti

Company Secretary
17 April 2023

NOTE:
1) *Every shareholder of the company is a corporate member and is thus entitled to appoint a proxy to attend and vote for it on its behalf.*

2) *To be valid, proxy forms must be deposited at the company's registered office not less than 48 hours before the appointed time of the meeting.*

CHAIRMAN'S STATEMENT

A.K. WAINAINA
Chairman

I am honoured to present this inaugural statement as the Chairman of East Africa Reinsurance Company Limited (the "Company" or "EARe"), having taken over from Mr. James Ndegwa, who steered the Company's Board of Directors as Chairman over the past fifteen (15) years with exceptional leadership and wisdom. I am equally delighted to present the Company's Annual Report and Financial Statements for the year ended 31 December 2022 on behalf of the Board of Directors.

In 2022, the business environment remained challenging and characterised by slow economic growth. The anticipated economic recovery from the negative effects of the coronavirus pandemic encountered in 2020 and 2021 was short-lived and curtailed by the impact of the Russia-Ukraine conflict. This resulted in inflationary pressure, exacerbated by pre-existing supply chain disruptions. Our primary market, Kenya, experienced a prolonged drought and business uncertainties preceding the 2022 general elections, compounding the difficult economic situation.

Despite this challenging operating landscape, the Company registered solid performance during the year, reporting profit before tax of over Kshs 1 billion and growth in shareholders' funds. The Company's 2022 performance reflects its resilience and commitment to offering exceptional service to its clients.

As a Board, we are confident that, conditions allowing, we will continue to deliver sustainable value to all our stakeholders in the coming years.

BUSINESS ENVIRONMENT

The global economy faced multiple shocks in 2022, recording slower-than-expected economic growth due to rising interest rates, inflationary pressures and concerns over debt sustainability in many economies. According to the October 2022 World Economic Outlook Report by the International Monetary Fund (IMF), the global economy is forecast to slow from 6% in 2021 to 3.2% in 2022.

The Kenyan economy is projected to grow at an average of 5.1% in 2022, lower than the 7.5% growth recorded in 2021. The economy continued to rebound from the coronavirus pandemic, but this was curtailed by elevated inflationary pressures, pre-existing global supply chain constraints worsened by the Russia-Ukraine conflict and the 2022 general elections' uncertainties. Further, the unfavourable weather conditions experienced during the year subdued agricultural production, the most significant contributor to the country's Gross Domestic Product (GDP).

Stable and gradual increases in interest rates characterised the Kenyan investment market. On the other hand, the Kenyan Shilling depreciated against the major currencies, i.e. the US Dollar and Euro but appreciated against the Sterling Pound. In 2022, the average inflation rate increased to 7.6% compared to the 6.1% reported in 2021 and the Government's target of between 2.5% and 7.5%.

THE KENYAN INSURANCE AND REINSURANCE INDUSTRY

In 2022, the Kenyan insurance industry posted growth in premium income and improved underwriting performance, owing to continued economic recovery from the adverse effects of the coronavirus pandemic that impacted performance in 2021 and 2020. However, the industry posted a reduction in investment income, mainly from fair-value losses.

According to the Quarter 3, 2022 Insurance Regulatory Authority (IRA) Industry Report, the industry reported a growth of 11% in gross premiums to Kshs 237.9 billion from Kshs 213.5 billion in 2021. In addition, there was a marginal decrease in claims from Kshs 112.7 billion to Kshs 109.5 billion. As a result, the general insurance sector reported improved underwriting results, from a loss of Kshs 4.13 billion in Q3 2021 to a loss of Kshs 2.26 billion in Q3 2022.

> *"The Company registered solid performance during the year, reporting profit before tax of over Ksh 1 billion and growth in shareholders' funds. The Company's 2022 performance reflects its resilience and commitment to offering exceptional service to its clients."*

In the reinsurance industry, we saw a continued hardening of the retrocession market, leading to increased retrocession costs. Reinsurers had no choice but to respond with more stringent terms and repricing of underperforming lines of business. The situation is expected to continue into the foreseeable future as international markets respond to the increasing frequency and magnitude of catastrophic losses as a result of climate change and the changing dynamics of the international capital markets.

EARe's PERFORMANCE

In 2022, the Company reported a profit before tax of Kshs 1.05 billion, up from Kshs 102 million in 2021. The Company's profitability turnaround efforts, especially in the Long-term Business, yielded positive results. The measures taken offer great optimism for future business performance.

Gross premiums written increased by 5% in 2022 to Kshs 4.53 billion (2021: Kshs 4.32 billion), mainly driven by growth in key markets and an increase in facultative business in line with the Company's strategic plan. While the turnaround strategy impacted topline growth in the Long-term Business, the Short-term Business reported a laudable 17% growth in premium income in 2022.

Net claims incurred in 2022 decreased by 28% to Kshs 2.09 billion, down from Kshs 2.92 billion in 2021. This improved the Company's loss and combined ratios to 53.6% and 91.9% in 2022 from 78.0% and 114.8% in 2021, respectively.

The net acquisition costs ratio decreased from 28.9% in 2021 to 27.9% in 2022, while the management expenses ratio increased to 6.4% from 5.1% in 2021. This resulted in a Combined Business underwriting profit of Kshs 313 million in 2022, up from an underwriting loss of Kshs 563 million recorded in 2021, primarily driven by premium income growth in the Short-term Business and a better claims experience in the Long-term Business.

Investment income increased by 13% to Kshs 844 million in 2022 from Kshs 746 million in 2021. The growth in investment income is attributed to improved returns from interest-bearing assets. Investment funds increased by 8% from Kshs 7.89 billion in 2021 to Kshs 8.51 billion in 2022.

The Company's total assets grew by 4% from Kshs 11.27 billion in 2021 to Kshs 11.71 billion in 2022, mainly due to growth in investment funds. Shareholders' funds increased to Kshs 6.09 billion from the Kshs 5.41 billion reported in 2021. This was mainly due to profits after tax, offset by dividends paid in the year.

OUR STRATEGY

In 2022, we continued to execute the Company's 2019-2023 strategic plan to maximise shareholder value and offer sustainable value to all stakeholders. The business environment in 2022 remained dynamic, calling for organisational agility and continued alignment of the strategic plan to the key emerging risks.

The reinsurance sector in Sub-Saharan Africa (SSA) has substantial growth potential attributed to increasing insurance penetration, significant natural resources, long-term economic growth prospects, increasing infrastructure investment and a growing population. As a Company, we seek to pursue these opportunities while leveraging our strong balance sheet, operational efficiency, technological capabilities and strategic partnerships. We also continue to invest and develop our human capital in line with our strategic plan.

We also continue to leverage technology to drive operational efficiency, which is fundamental for sustainable underwriting profitability. In line with the Company's transformation journey, the Company acquired and implemented a robust and leading global reinsurance software, SICS, effective January 2022. During the year, we also upgraded our business intelligence tool to support real-time reporting and an enhanced control environment.

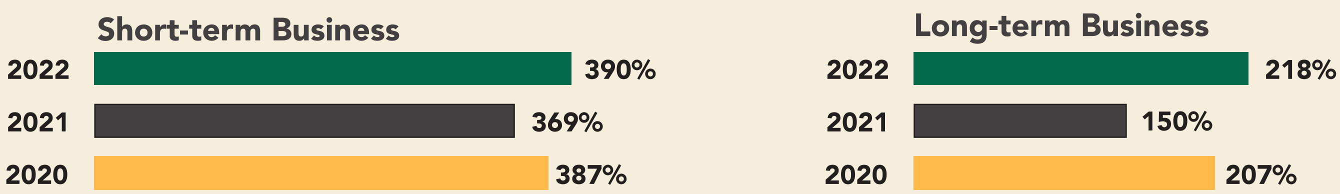
We are confident that the strategic initiatives in place, specifically the plans to ensure profitable growth and improve the Company's underwriting results, are starting to yield positive results.

DIVIDENDS

The Board of Directors recommends the payment of a total dividend of Kshs 200 million (2021: Kshs 100 million) to the Shareholders in the Register of Members at 31 December 2022. This will be subject to shareholders' approval at the upcoming Annual General Meeting (AGM).

RISK BASED CAPITAL

The Company achieved a Capital Adequacy Ratio (CAR) of 390% and 218% for Short-term and Long-term businesses, respectively (2021: 369% in the Short-term and 150% in the Long-term). These are above the regulator's minimum and prescribed capital requirements of 100% and 200%, respectively. This is a reflection of a very strong capital position to support future growth.



SECURITY RATING

During the year, A.M. Best affirmed the Company's Financial Strength Rating of B (Fair) and Long-Term Issuer Credit Rating of "bb+". Global Credit Rating Co. (GCR) of South Africa assigned the Company's domestic security rating at AA- and the international scale claims paying ability rating at B with a stable outlook. Both rating agencies have assessed the Company's financial position or balance sheet as very strong, reassuring our customers and business partners.

AM BEST SINCE 1899

- Financial strength: B
- Issuer Credit: bb+
- Stable outlook.

GCR RATINGS

- International: B
- National: AA-
- Stable outlook.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Company's environmental and social responsibility initiatives are part of our commitment to good corporate citizenship. Beyond achieving the key performance indicators, we are committed to creating long-term value for our shareholders, clients, staff, and society as a whole. Doing so entails steady dedication to environmental, social and governance (ESG) issues.Consequently, we have embedded ESG considerations into our strategy implementation, operations and decision-making process.

In 2022, the Company became a signatory to the Nairobi Declaration on Sustainable Insurance and Principles of Sustainable Insurance (PSI) and a member of the United Nations Environment Programme Financial Initiative (UNEP FI). We are committed to the achievement of the United Nations Sustainable Development Goals.

The Company admitted new students to its education sponsorship program during the year. It also made contributions and donations to socially impactful community initiatives such as Ghetto Classics, Faraja Cancer Support, Street Children Association Network of Nakuru (SCANN), and The Forest Challenge, among others.

A comprehensive update on the environmental and social initiatives undertaken during the year 2022 is contained in this annual report.

BOARD AND GOVERNANCE

The Board of Directors remains committed to achieving and maintaining the highest standards of corporate governance, encompassing accountability, integrity, fairness, responsibility and transparency.

A number of changes in Board composition were effected during the year. I joined the Board on 19 May 2022 as a non- executive director and was appointed Chairman on 4 August 2022. After fifteen (15) years of outstanding service and leadership as the Board Chairman, Mr. James Ndegwa retired from the role. I would like to express our sincere appreciation to James for his dedicated service as Chairman of the Board. The Company achieved significant milestones during his tenure, and we will forever be grateful. James will continue to serve as a non-executive director.

In addition, Mr. Patrick Mugambi joined the Board as a substantive non-executive director on 1 December 2022, while Mr. Steve Oluoch and Ms. Linda Muriuki resigned as non-executive directors on 19 May and 4 August 2022, respectively. Patrick previously served as an alternate non-executive director, and we look forward to his continued contribution to the Company's Board. I would also like to thank Steve and Linda for their diligent service and contribution to the Company over the years.

FUTURE OUTLOOK

According to the January 2023 World Economic Outlook, global economic growth is expected to fall to 2.9% in 2023 and rise to 3.1% in 2024. In addition, according to the World Bank, Kenya's GDP is projected to grow by 5.2% on average in 2023 and 2024. We are hopeful that the new administration in our core market, Kenya, will provide a conducive business environment and implement business-friendly policies to support the growth of the insurance and reinsurance sectors.

We are in the final year of implementing the 2019 -2023 strategic plan. We remain optimistic that the foundation laid in this strategic period will be pivotal in the achievement of sustainable value in future years. We shall continue to review our operations to provide quality risk solutions, exceptional customer service, and ultimately sustained value to all stakeholders.

With IFRS 17 Insurance Contracts coming into effect from 1 January 2023, the Company has made significant progress on its implementation journey. We have made significant investments in our people, systems and operations in readiness for IFRS 17. The business anticipates that IFRS 17 implementation will result in positive business transformation and increased transparency of business profitability drivers.

APPRECIATION

To our Customers, I would like to thank you for your support and trust over the years. We look forward to secured solid partnerships in the years ahead. We commit to adding value to your businesses by being responsive, agile, and flexible and offering exceptional service.

To our Shareholders, thank you for your unwavering support and confidence in the Board of Directors, Management, our strategy and our future.

To the EARe staff, we are sincerely grateful for your consistent dedication, commitment and efforts to deliver outstanding service to our clients.

To my fellow Directors, I appreciate and recognise your wise and diligent counsel, commitment, stewardship and service to EARe.

Thank you,

A. K. Wainaina
Chairman

22 February 2023

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of East Africa Reinsurance Company Limited (the "Company").

1. Incorporation

The Company is domiciled in Kenya where it is incorporated under the Kenyan Companies Act, 2015, as a private company. The address of its registered office is set out as part of the Corporate Information.

2. Principal activities

The principal activity of the Company is underwriting all classes of reinsurance and reassurance businesses as defined by the Insurance Act Cap 487, Laws of Kenya.

3. Results

The net profit for the year of Kshs 783,131,000 (2021: Kshs 137,388,000) has been added to retained earnings for the Short-term Business and to general reserve for the Long-term Business.

	2022 Kshs'000	2021 Kshs'000
Profit before income tax	1,046,774	102,455
Income tax (expense)/credit	(263,643)	34,933
	783,131	**137,388**

4. Dividends

The directors recommend the payment of a first and final dividend of Kshs 200,000,000 (2021: Kshs 100,000,000) representing a dividend of Kshs 133.33 (2021: Kshs 66.67) per share and a dividend payout ratio of 26% (2021: 73%).

5. Business review

The Company reported a profit before tax of Kshs 1,046,774,000 (2021: Kshs 102,455,000). The significant performance improvement was primarily attributed to increased underwriting profits following the Company's decision to exit or scale down on loss-making business. This was further supported by increased investment income resulting from improved interest rates. The Company's financial highlights, including key performance ratios, are summarized on pages 5 to 7.

The Company has strong capital adequacy ratios (CAR) at 390% and 218% for Short-term and Long-term businesses, respectively. These are above the regulator's minimum capital requirement of 100% and the prescribed requirement of 200%. As such, the Company is well-positioned to pursue its strategic plan supported by this strong capital position.

The Company is exposed to various risks, including underwriting and accumulation, retrocession, concentration, strategic, and credit risks. Details of these risks and relevant risk management strategies in place are included under Note 2.

Details of the Company's strategy are contained in the Chairman's statement.

6. Directors

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

7. Disclosure to the 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 to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

8. Terms of appointment of the auditor

KPMG Kenya continue in office in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015.

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

9. Approval of the financial statements

The annual report and financial statements set out on pages 32 to 97, which have been prepared on the going concern basis, were approved and authorised for issue by the board of directors on 22 February 2023.

10. Approval of the Report of the Directors

The Report of the Directors was approved by the Board of Directors on 22 February 2023 and signed on its behalf by the Company Secretary.

By order of the Board

K. M. Ontiti
Company Secretary
23 February 2023

The Board of Directors and Management of East Africa Reinsurance Company Limited (the "Company") are committed to upholding the highest standards of corporate governance and ensuring compliance with applicable legislation, regulations and best practices in the insurance industry. The Company continues to fulfil its corporate governance obligations and responsibilities in the best interests of all its stakeholders. The Company recognizes that good corporate governance enhances its performance, ensures business sustainability and fosters the confidence of its shareholders, customers, business partners, employees and other stakeholders.

The Company has a Code of Business Conduct and Ethics that binds Management and Staff to ensure that the Company's business is carried out in an ethical, fair and transparent manner. The Board is guided by a Board Charter which documents the constitution and responsibilities of the Board and its committees.

The Board of Directors recognizes that the principles of corporate governance are continuously evolving. As such, the Board continues to monitor, anticipate and respond to global corporate governance developments and trends. One such development is the increasing focus on environmental, social and governance (ESG) issues that call for greater transparency in corporate reporting and accountability. The statement of social and environmental responsibilities provides more information on various initiatives supporting the Company's ESG agenda.

1. BOARD OF DIRECTORS

East Africa Reinsurance Company Limited is governed by a Board of Directors that is responsible for the Company's vision and providing strategic direction in line with best practices while promoting and protecting shareholder value. This is achieved by setting appropriate business strategies and plans and monitoring performance against the set strategies and plans.

The Board of Directors is accountable to the shareholders, and in this regard, the Board is responsible for providing overall leadership to the Company.

The roles of the Board include the following:

- Providing overall strategic direction to the Company, including exercising objective and informed judgment.
- Monitoring the Company's performance and reporting this to shareholders.
- Setting up appropriate policies, guidelines and governance structures for the management of the business operations; and
- Ensuring that the Company conducts its business ethically and complies with applicable laws and regulations.

The Board has established three Board Committees: the Audit, Risk and Compliance Committee; the Finance, Investments and IT Committee and Ethics, Nominations and Remuneration Committee. These Committees ensure that the Company has adequate internal controls and robust risk management processes, complies with relevant laws and regulations and delivers on its commitment to all stakeholders.

In carrying out the above responsibilities, the Board delegates its authority to the Chief Executive Officer to oversee the Company's day-to-day management and implement the strategy. However, it retains overall responsibility for the Company's financial performance, compliance with laws and regulations, monitoring operations and ensuring competent business management.

Board Composition and Appointments

During the financial year 2022, nine Directors served on the Board, of whom eight were non-executive Directors and one executive Director, the Chief Executive Officer. The Directors are equipped with a diverse experience in various industries and competencies such as Insurance, Banking, Law, Accounting and Auditing. These unique experiences provide the Board with a mix of skills in discharging its responsibilities and providing a strategic vision and direction for the Company by bringing in the element of independent judgment and risk assessment in the decision-making process. All the directors comply with the Guidelines of Suitability of Key Persons as set out by the Insurance Regulatory Authority.

The Board maintains transparent procedures for the appointment and induction of new Board members. Appointments to the Board are made by the Board of Directors after receiving recommendations from the Ethics, Nominations and Remuneration Committee.

All Directors have a fixed tenure of office and are required to retire at least every three years with a provision for re- election subject to attaining a favourable performance evaluation by the Board.

1. BOARD OF DIRECTORS (continued)

Board Meetings

The Board meets at least four times a year, while special meetings are called when necessary. Each year, the Board meetings calendar is prepared in advance and provided to all directors. The notice of Board meetings is circulated in accordance with the Company's Articles of Association and is distributed with the agenda and Board papers to all the Directors beforehand through the Boardvantage system. This ensures that the Directors have sufficient time to review the Board papers ahead of the meeting and thereby have meaningful deliberations during the meetings.

The Board of Directors has full and unlimited access to the Company's records. All reports from external consultants and regulatory authorities such as the Insurance Regulatory Authority, Kenya Revenue Authority, Auditors, Actuaries and Rating agencies are reviewed at Board meetings, and appropriate actions are taken.

During the year, Board meetings and the Annual General Meeting were held virtually, as was the case in the prior year due to continued precautionary measures around the spread of the coronavirus.

Board Evaluation

Each year, an independent evaluation of the performance of the Board, its Committees and respective directors is undertaken. This evaluation process aims to improve the Board's overall performance and incorporate any amendments that the Insurance Regulatory Authority may issue.

2. REMUNERATION OF DIRECTORS

The Board is remunerated fairly and responsibly based on a compensation structure aligned with the strategy of the Company. The remuneration is reflective of the role and responsibilities expected of them. This is after considering industry benchmarks and international practices. The Shareholders approve the directors' remuneration at every Annual General Meeting.

The aggregate amount of emoluments paid to non-executive directors for services rendered during the financial year is disclosed in Note 30 (e) to the financial statements for the year ended 31 December 2022.

3. COMMITTEES OF THE BOARD

While the Board has the ultimate responsibility for the performance and corporate governance of the Company, it has delegated some of its powers to various committees to enable the effective execution of its mandate and responsibilities.

The committees of the Board are as follows:

1) The Finance, Investment and IT (FII) Committee.
2) The Audit, Risk and Compliance (ARC) Committee.
3) The Ethics, Nominations and Remuneration (ENR) Committee.

Members of the Board FII Committee

Each of the three committees has detailed terms of reference set out by the Board in line with the guidelines issued by the Insurance Regulatory Authority and best practices. The Committees hold meetings on a regular basis as per the schedule defined at the beginning of each year. The Committees meet and make recommendations to the Board on matters falling under their respective mandates. The Board may delegate some of its powers to any of the established committees or appoint any other committee or ad hoc task force as it may deem necessary.

a) Finance, Investments and IT Committee

The Finance, Investments and IT (FII) Committee is chaired by a non-executive Board member. The other members include the Chief Executive Officer and non-executive appointees of the Board. The Chief Finance Officer and Head of Technical Business are regular invitees to the meetings.

3. COMMITTEES OF THE BOARD (continued)

a) Finance, Investments and IT Committee (continued)

The Committee meets quarterly and is mainly responsible for financial, investment, information and communication technology aspects of the Company on behalf of the Board. The Committee oversees the formulation and implementation of the Company's financial and investment strategies; reviews and monitors the Company's compliance with investment strategy, policy and statutory requirements; approves or recommends to the Board for approval investment projects in accordance with the Company's investment policy and reviews the performance of the investment portfolio and monitors special projects. It also oversees the formulation, implementation and compliance with the Company's IT policies and plans.

Members of the Board ARC Committee

b) Audit, Risk and Compliance Committee

The Audit, Risk and Compliance (ARC) Committee is chaired by an independent non-executive Director. The other members are non-executive appointees of the Board. The Chief Executive Officer, Chief Finance Officer, Head of Technical Business and Risk and Compliance Manager are regular invitees to the Committee meetings.

The ARC Committee meets on a quarterly basis and is responsible for ensuring that internal systems, controls, procedures and policies of the Company, including risk management processes, are properly established, monitored and reported on. The Committee receives reports and reviews findings of the appointed actuaries, regulators, internal and external auditors, risk and compliance department and rating agencies and monitors the implementation of recommendations by the various assessors on behalf of the Board.

In addition, the ARC Committee is responsible for monitoring and providing effective supervision of the Management's financial reporting process to achieve accurate and timely financial reporting and entrenchment of good corporate governance practices in the Company.

c) Ethics, Nominations and Remuneration Committee

The Ethics, Nominations and Remuneration (ENR) Committee is chaired by a non-executive Director. The other members are non-executive Directors and the Chief Executive Officer. The Chief Finance Officer and Human Resource & Administration Manager are regular invitees to the Committee meetings.

The Committee meets biannually and is responsible for making recommendations to the Board on remuneration and incentive policies, recruitment, retention and termination policies for senior management, and remuneration framework for directors, amongst others. The ENR Committee is also responsible for developing a process to evaluate the performance of the Board, its Committees, Directors and succession planning.

Members of the Board ENR Committee

4. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is responsible for establishing and overseeing the Company's risk management and internal control framework through the Audit Risk and Compliance (ARC) Committee. The Board has also set up a Risk and Compliance Department headed by the Function Manager, who directly reports to the ARC Committee as required by the Insurance Regulatory Authority.

4. RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Board of Directors is responsible for establishing an effective Enterprise Risk Management Framework for systematically identifying, assessing, managing, monitoring and reporting all material risks inherent in the business as it pursues its strategic objectives. An effective Enterprise Risk Management Framework ensures the alignment of the Company's vision, strategic plan, operational strategies, processes, people, technology and resources. It also facilitates the evaluation and management of threats and opportunities in a structured and disciplined manner.

The Risk Management Policy establishes the Risk Management Framework that supports achieving the Company's goals and strategic objectives. The Risk Management Framework includes detailed risk management procedures that define the governance structure, roles and responsibilities of risk management within the Company and establishes the risk management strategy. The Framework also includes various risk management tools, including the risk appetite & tolerance framework, the Company's risk profile, the risks registers and the risk reporting mechanism and is aligned with the requirements of the Insurance Regulatory Authority. The Framework is regularly reviewed by the Board of Directors, Rating Agencies, Internal & External Auditors, Appointed Actuaries and the Regulator. The Board and Management review the risk appetite annually through the ARC Committee, and any proposed changes are presented to the Board for approval.

The Risk and Compliance Department is responsible for monitoring the Company's day-to-day risk-taking activities, assessing the effectiveness of internal controls, and ensuring compliance with applicable, contractual, legislative and regulatory requirements.

The Company has established adequate internal controls, which are reviewed by the Internal Audit function on a bi- annual basis. All internal control improvements resulting from the audit are discussed and approved by the ARC Committee.

5. EMPLOYEE GROWTH AND DEVELOPMENT

The Company respects employee individuality within the practices of our corporate culture. The performance-based culture is guided by the Balanced Score Card (BSC), a performance management system that focuses on the team's qualitative and quantitative performance. The BSC aligns the performance of the individuals with the corporate objectives. Whereas an increase in shareholder value can readily measure the attainment of quantitative goals, the attainment of qualitative goals is measured by personal growth of staff. The Company has in place strategic learning and growth objectives that enable staff to achieve their career aspirations. The Company also assists its staff in undertaking continuous professional development (CPD) training programs to elevate their professional competencies and be at par with the various professional bodies' CPD requirements.

The Company recognizes the need for diversity, equal opportunity, gender sensitivity and the provision of a safe and conducive work environment for all its staff. In addition, the Company organizes team-building initiatives to create a sense of oneness among staff.

6. CONFLICT OF INTEREST

The Directors are required to always act in the Company's best interest at all times. The directors of the Company have an obligation to disclose any conflict of interest at the beginning of every Board meeting in relation to matters that are brought before them for deliberation. A director must refrain from discussion or voting on matters of potential conflict of interest. The Board members are also required to declare their interest before participating in Board meetings and are excluded from deliberations in the case of any potential conflicts of interest.

Further, a process of declaration of interest has been implemented, and all staff are required to declare their interest. The Company's Code of Business Conduct & Ethics stipulates measures that all employees should take to ensure no conflict of interest whatsoever.

7. RELATED PARTY TRANSACTIONS

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors or Management except those disclosed in Note 30 to the financial statements for the year ended 31 December 2022.

8. COMPLIANCE WITH LAWS AND REGULATIONS

To the best of its knowledge, the Board is satisfied that the Company has put in place mechanisms to ensure compliance with all the applicable laws and regulations. The Compliance function is charged with the responsibility of tracking the Company's compliance with the various laws and regulations. Effective compliance with relevant laws and regulations is enhanced using the Governance Risk & Compliance (GRC) system.

The Audit, Risk & Compliance Committee is responsible for monitoring compliance and ensuring that any breaches are adequately resolved. To the knowledge of the Board, no director or employee of the Company acted or committed any indictable offence in conducting the affairs of the Company nor been involved or been used as a conduit for money laundering or any other activity in contravention of the relevant laws and regulations.

9. DIRECTORS' ATTENDANCE OF MEETINGS

The Company Secretary keeps the Board attendance record, which is noted in the minutes of the respective meetings. The following is the attendance record of the directors at the Board and its Committee meetings.

a) Board	Position	23 February	19 April	19 May	04 August	01 December
A. K. Wainaina*	Chairman	N/A	N/A	Yes	Yes	Yes
Dr. M. P. Chandaria, OBE, EBS	Vice- Chairman	Yes	Yes	Yes	No	Yes
P. K. Maina	CEO	Yes	Yes	Yes	Yes	Yes
J. P. M. Ndegwa**	Member	Yes	Yes	Yes	Yes	Yes
D. G. M. Hutchison	Member	Yes	Yes	Yes	Yes	Yes
L. W. Muriuki***	Member	Yes	Yes	Yes	Yes	N/A
S. O. Oluoch****	Member	Yes	Yes	Yes	N/A	N/A
S. N. Adamali	Member	Yes	Yes	Yes	No	Yes
J. K. Kimeu	Member	Yes	Yes	Yes	Yes	Yes
P. K. Mugambi*****	Member	N/A	N/A	N/A	N/A	Yes
D. Srivastava	Member	Yes	No	No	No	No
K. Ontiti	Company Secretary	Yes	Yes	Yes	Yes	Yes

b) FII	Position	14 February	05 May	21 July	02 November
P. K. Mugambi	Chairman	Yes	Yes	Yes	Yes
P. K. Maina	CEO	Yes	Yes	Yes	Yes
D. G. M. Hutchison	Member	Yes	Yes	Yes	Yes
J. K. Kimeu	Member	Yes	Yes	Yes	Yes
M. Jha	Member	No	Yes	Yes	Yes
K. Ontiti	Company Secretary	Yes	Yes	Yes	Yes

9. DIRECTORS' ATTENDANCE OF MEETINGS (Continued)

c) ARC	Position	14 February	05 May	21 July	02 November
J. K. Kimeu	Chairman	Yes	Yes	Yes	Yes
P. K. Maina	CEO	Yes	Yes	Yes	Yes
D. G. M. Hutchison	Member	Yes	Yes	Yes	Yes
P. K. Mugambi	Member	Yes	Yes	Yes	Yes
M. Jha	Member	No	Yes	Yes	Yes
K. Ontiti	Company Secretary	Yes	Yes	Yes	Yes

d) ENR	Position	21 February	09 November
J. P. M. Ndegwa	Chairman	Yes	Yes
P. K. Maina	CEO	Yes	Yes
P. K. Mugambi	Member	Yes	Yes
L. W. Muriuki***	Member	Yes	N/A
M. Jha	Member	Yes	Yes
K. Ontiti	Company Secretary	Yes	Yes

*Appointed to the Board on 19 May 2022 and Chairman on 4 August 2022
**Chair of the Board until 4 August 2022
***Resigned on 4 August 2022
****Resigned on 19 May 2022
*****Appointed on 01 December 2022
"No" Absent with apologies

10. COMPANY SECRETARY

The Company Secretary is responsible for ensuring that Board procedures are followed, applicable laws and regulations are complied with, and ensures that the Board and committee meetings are held procedurally in conjunction with the Chairman and the Chief Executive Officer. The Company Secretary links the flow of information between the Management and the Board and ensures that the Board receives adequate and timely information and that Management similarly receives feedback. The Company Secretary ensures that the business of the Board meets all statutory requirements, keeps all legal, governance and regulatory requirements under review and briefs the Board accordingly about these developments.

All directors have access to the Company Secretary, who is also responsible for implementing and monitoring good corporate governance practices at the Board.

The Company Secretary is appointed by the directors for a term and remuneration they deem fit.

11. ACTUARIAL FUNCTION

The Company has set up an in-house actuarial function. This function evaluates and provides advice to the Company regarding, at a minimum, technical provisions and compliance with related statutory and regulatory requirements. The Company has further contracted an Independent Actuary who is a Fellow of The Actuarial Society of Kenya in compliance with the Actuarial Function guidelines released by the Regulator. During the year, the appointed actuary generated the technical liabilities that the Company used in its audited financial statements. In addition, the Company has appointed another Independent Actuary who comments on the Company's Financial Condition and signs off the Financial Condition Report (FCR).

12. SHAREHOLDERS

The list of the Shareholders and their holdings at the year-end was as follows:

	2022 Number of Shares	%	2021 Number of Shares	%
ICEA LION Life Assurance Company Limited	463,627	30.91 %	463,627	30.91 %
First Chartered Securities Limited	397,829	26.52 %	397,829	26.52 %
Kenindia Assurance Company Limited	239,898	15.99 %	239,898	15.99 %
General Insurance Corporation of India	221,281	14.75 %	221,281	14.75 %
GA Insurance Limited	102,870	6.86 %	102,870	6.86 %
Pioneer Holdings (Africa) Limited	45,000	3.00 %	45,000	3.00 %
Apollo Investments Limited	20,211	1.35 %	20,211	1.35 %
United Insurance Company Limited (In Receivership)	9,284	0.62 %	9,284	0.62 %
	1,500,000	**100.00 %**	**1,500,000**	**100.00 %**

A.K. Wainaina
Chairman
22 February 2023

J.K. Kimeu
Director
22 February 2023

P.K. Maina
Principal Officer
22 February 2023

The Board of Directors and Management of East Africa Reinsurance Company are fully committed to the principles of sustainable insurance, which are aligned with the Company's mission of creating long-term value to all its stakeholders. In line with this commitment, we have integrated environmental, social and governance (ESG) measures in our strategy implementation and decision-making processes. We strive to support the achievement of the United Nations (UN) Sustainable Development Goals (SDGs), which over the years, provided a good measure of consistent and positive impact on the community.

In 2022, the Company became a signatory of the Nairobi Declaration on Sustainable Insurance, a declaration of commitment by African insurance industry leaders to support the achievement of the UN Sustainable Development Goals. It is a commitment to join other industry players to find solutions to major global sustainability challenges, including climate change, biodiversity loss, ecosystem degradation and pollution, human rights violations, poverty and social inequality.

Further, in 2022, the Company became a signatory to the Principles for Sustainable Insurance (PSI) and a member of the global community of banks, insurers and investors of the United Nations Environment Finance Initiative (UNEP FI). In this regard, the Company has committed to joining other global players in contributing to sustainable economic, social and environmental development.

ESG FOCUS AREAS

During the year, the Company continued to engage in various undertakings aligned with the UN Sustainable Development Goals, as shown below. The Company expects its focus on ESG issues to continue evolving as it engages with various stakeholders in identifying emerging trends, threats and opportunities related to sustainable development areas.

ENVIRONMENTAL FOCUS

Environmental stewardship

The Company is committed to the environmental sustainability agenda. It continues to take deliberate actions to combat climate change adversities through annual participation in tree-planting activities to restore the lost forest cover and reduce the impact of carbon emissions on our environment.

Staff members in the Forest Challenge

In alignment with SDG 15, "Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss", the Company is dedicated to sponsoring activities that are focused on protecting, restoring and conserving the environment. In 2022, we sponsored the forest conservation fundraising initiative of the East African Wildlife Society themed The Forest Challenge at Kereita forest. The proceeds of this initiative are channelled towards tree-planning efforts to restore forest cover in key water catchment areas in Kenya. We have demonstrated our commitment to environmental stewardship by participating in this challenge.

Reducing carbon emission

As a responsible corporate citizen, the Company has instituted measures to preserve the natural environment, conserve energy, and reduce carbon emissions. Such measures include: nurturing and conserving indigenous trees within our office premises; implementing an electronic data management system which has significantly reduced the use of paper and minimises carbon emission; installation of light-emitting diode (LED) bulbs in our offices; and implementation of server virtualisation technology in our data centre which has significantly reduced the energy that required to run physical servers. These investments ensure alignment with SDG 13, "Take urgent action to combat climate change and its impacts".

Sustainable investing

Similarly, in alignment with SDG 13, the Company has invested in a solar-powered system at its investment property, Acorn House, to conserve energy and reduce reliance on hydro and fuel power. Further, the Company undertakes a comprehensive energy audit of the investment property every three years to identify new energy-saving opportunities.

As part of its investment strategy, the Company has invested in environmentally conscious projects such as the Acorn green bond issued to develop environmentally-friendly student accommodation in Nairobi and its environs, affirming the Company's commitment to sustainable financing.

SOCIAL FOCUS

4 QUALITY EDUCATION

Education

The Company recognises that education is a fundamental human right and indispensable for sustainable development. During the year, the education pillar was allocated about 50% of the annual ESG initiatives budget, re- emphasising the Company's commitment towards SDG 4, "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all".

The Company's education sponsorship program offers bright and talented students from vulnerable backgrounds an equal opportunity to access secondary education to transform their lives and communities. The sponsorship includes tuition fees, accommodation, books, uniforms, shopping, and pocket money during their four years of secondary education.

Over and above academic performance, the program encourages students to be disciplined and engage in extra- curricular activities. Currently, the Company is sponsoring 30 students, 23 directly and seven (7) through partnerships with Ghetto Classic, Palm House and the Street Children Association Network

Students following discussions during the mentorship session

of Nakuru (SCANN). We measure the education program's success by the number of students securing university admission. Over the last six years, more than 65% of the students enrolled in the Company's education sponsorship program transitioned into various universities.

In October 2022, the Company conducted an annual mentorship session themed "Resilience and Agility" for students in the education program. This session provided students with guidance on careers and learning skills and boosted our engagement with them. During the mentorship forum, the students were motivated to be responsible members of society and actively contribute to their communities.

The Company also offers internship opportunities through its Student Holiday Internship Program. This program offers work experience opportunities to previous beneficiaries of our education program in tertiary learning institutions.

3 GOOD HEALTH AND WELL BE

Health

The CEO and staff members celebrate securing second position at the Faraja Cancer Support White Water Rafting Challenge

The Company's commitment to improving and alleviating healthcare conditions across the country is well aligned with SDG 3, "Ensure healthy lives and promote wellbeing for all at all ages". Through its partnership with Faraja Cancer Support Centre, the Company has contributed to supporting patients battling cancer. During the year, the Company donated to Faraja Cancer Support Centre through the annual White Water Rafting event at Sagana.

Social and Child Welfare

In support of SDG 6, "Ensure availability and sustainable management of water and sanitation for all", which is promoted through the social and child welfare pillar, the Company has continued to partner with Ghetto Classics, a community-based program to donate water to Kongo Primary School – a school in dire need of clean water. The Company supplied clean water to the school after every two months. In addition, we repaired the school's gutters to necessitate water harvesting during the rainy season, which will help reduce the financial burden of supplying water.

During the year, the Company made donations to Nyumba ya Huruma, home of the elderly, in a bid to provide essential commodities and improve their welfare. It also donated to the Street Children Association Network of Nakuru (SCANN) an end-of-year Christmas gift to improve the welfare of the street children.

Sustainable solutions

As part of the core underwriting business, the Company underwrites business lines that directly support critical social needs, such as medical covers, critical illness covers, and individual life covers. In addition, the Company regularly engages its clients on issues beyond technical insurance, including organising training on health matters and healthy lifestyles in a bid to improve people's health.

The Company's social agenda is also integrated into its ordinary course of the underwriting business and investment program. On the one hand, as part of its promise to its clients, the Company ensures timely payment of verified claims to fulfil its social responsibility of securing insurance cover for the ultimate policyholders. On the other hand, the investment portfolio is skewed towards investments in treasury and infrastructure bonds that ultimately contribute directly or indirectly to the national macro-economic and social agendas that benefit the general public.

Visit to the Nyumba ya Huruma, home of the elderly

Diversity, inclusivity and employee welfare

As part of the employee growth and development goal, the Company recognises the need for diversity, equal opportunity, gender sensitivity, and a safe and conducive work environment for all its staff. In addition, the team- building initiatives organised by the Company create a sense of oneness among the team members making the working environment favourable.

Employees' wellbeing is of utmost priority to us, and the Company has several programs catering to holistic employee support. Its employee remuneration structure is commensurate and complemented by performance recognition rewards. The Company has a fully furnished gym, partnered with a corporate health and fitness trainer, and provided employees with ergonomic chairs to ensure optimal ergonomic posture while working. In addition, the Company regularly facilitates medical awareness sessions on topical health and wellbeing issues; and offers flexible working to enhance productivity and promote work-life balance.

GOVERNANCE FOCUS

Corporate governance, Risk Management and Compliance

The Company is committed to a robust set of effective governance policies and practices designed to maintain high standards of oversight, integrity and ethics. The statement of corporate governance reflects the commitment of the Board of Directors and Management of the Company to upholding the highest standards of Corporate Governance, fostering an effective risk management and internal controls framework and ensuring compliance with applicable laws and regulations in line with best practices.As part of its strategy implementation, the Company's underwriting practices are governed by established underwriting policies and procedures approved by the Board. Similarly, the investment activities are also governed by an established investment policy statement approved by the Board and aligned with regulatory requirements. Further, the Company has in place a comprehensive Anti-Money Laundering program for undertaking customer due diligence and knowing its customers in line with applicable Anti-Money Laundering and Combating Financing of Terrorism laws and regulations.

In the normal course of business, the Company engages in various industry initiatives that promote corporate governance and policy development in the African insurance industry. In 2022, the Company sponsored the 48th African Insurance Organisation (AIO) conference, whose theme was "Insurance and Climate Change: Harnessing the Opportunities for Growth in Africa".

Team Building at the forest Kereita, staff members geared up and ready to take on a paintball challenge

Cybersecurity and Privacy

The Company recognises the importance of information security and privacy for its business. In this regard, the Company have put in place several safeguards to ensure our employees' safety in cyberspace and clients' data security. Some measures include continuous training in the constantly changing cyber threats landscape and defensive measures to be adopted; Implementation of requisite tools and technologies to mitigate cyber risk; and development of relevant policies and procedures to comply with applicable data privacy laws and regulations.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the financial statements of East Africa Reinsurance Company Limited (the "Company") set out on pages 32 to 97, which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Directors' responsibilities include determining that the basis of accounting described in Note 1 as an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan 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 misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015, the Directors are required to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company as at the end of the financial period and of the profit or loss of the Company for that period. It also requires the Directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the Company and of its profit or loss.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 22 February 2023.

A.K. Wainaina
Chairman
22 February 2023

J.K. Kimeu
Director
22 February 2023

P.K. Maina
Principal Officer
22 February 2023

REPORT OF THE CONSULTING ACTUARY

I have conducted an insurance liability valuation of the short-term and an actuarial valuation of the long-term businesses of East Africa Reinsurance Company Limited at 31 December 2022.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Kenyan Insurance Act. These principles require that 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 financial statements of the Company.

In my opinion;

- the short-term business of the Company was financially sound and insurance liabilities reserves of the Company were adequate at 31 December 2022.

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

J. I. Olubayi
Zamara Actuaries, Adminstrators and Consultants Limited
Nairobi
22 February 2023

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EAST AFRICA REINSURANCE COMPANY LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of East Africa Reinsurance Company Limited (the "Company") as set out on pages 32 to 97, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Kenyan 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 Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Long term and short-term reassurance/ re-insurance contract liabilities	
See note 1.3 and 23 to the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Company has long-term and short-term reassurance/ re-insurance contract liabilities representing approximately 40% of the Company's total liabilities. Valuation of these liabilities is highly judgmental and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred but have not yet been reported to the Company (incurred but not reported (IBNR)). Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to material impacts on the valuation of insurance liabilities.	Our audit procedures in this area included: • Obtaining an understanding of the processes, systems and applications used in determination of long term and short-term reassurance/ re-insurance contract liabilities. This included assessing the design and operating effectiveness of key controls around the claims handling and reserve setting processes of the Company. • Using our internal actuarial specialists to assist us in assessing the appropriateness of the methodology and the reasonableness of the assumptions used by management in the estimation of IBNR reserves at 31 December 2022 by comparing economic assumptions to market observable data e.g. inflation rates and non-economic assumptions e.g. expense ratio and claims recovery rates against the Company's historical experience, current trends and our own industry knowledge.

Key audit matters (continued)

Long term and short-term reassurance/ re-insurance contract liabilities	
See note 1.3 and 23 to the financial statements.	
Key audit matter (continued)	**How our audit addressed the key audit matter**
For long-term reassurance contract liabilities, economic and operating assumptions, such as investment returns, expenses and expense inflation and loss ratio assumptions used to estimate the liabilities. These assumptions have a high estimation uncertainty and changes in the estimates may lead to material impact on the valuation of the liabilities. The valuation also depends on accurate historical data from the information systems. If the data used is not complete and accurate then material impacts on the valuation of these liabilities may also arise. We have determined the valuation of re-assurance/re-insurance contract liabilities to be a key audit matter due to the significant judgements, assumptions and high estimation uncertainty applicable in their valuation.	• Evaluating the reasonableness of management's liability adequacy testing by comparing the actual vs expected analysis on prior years' reserves and analysis of surplus for any shortfalls or surpluses • Re-performing reconciliations between the data recorded in the financial systems and the data used in the actuarial reserving calculations including selecting a sample of the data and comparing to the policy documents to ensure its complete and accurate • Obtaining samples of outstanding claims reserves at 31 December 2022 and comparing the estimated amount of the reserve to reports from loss adjusters. • Evaluating the adequacy of disclosures in the financial statements including disclosures of key estimates and judgements on long term and short-term reassurance/ re-insurance contract liabilities in accordance with the requirements of IFRS 4.

Other information

The directors are responsible for the other information. The other information comprises the information included in the East Africa Reinsurance Company Limited Annual Report and Financial Statements for the year ended 31 December 2022, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act,2015 as set out below.

In connection with our audit of the financial statements, our responsibility is to read the other information 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, 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.

Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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 legal and regulatory requirements

As required by the Kenyan Companies Act, 2015, we report to you, based on our audit, that in our opinion, the information in the Directors' report on pages 13 to 14 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Dr. Alexander Mbai – P/2172.

For and on behalf of:

KPMG Kenya
Certified Public Accountants
P. O. Box 40612 – 00100 GPO
Nairobi
Date: 7 March 2023.

2022 FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Long term business 2022 Kshs'000	Short term business 2022 Kshs'000	Total 2022 Kshs'000	Long term business 2021 Kshs'000	Short term business 2021 Kshs'000	Total 2021 Kshs'000
Gross written premiums	3	821,011	3,704,748	4,525,759	1,168,653	3,155,834	4,324,487
Gross earned premiums	3	960,223	3,425,339	4,385,562	1,166,359	3,050,379	4,216,738
Less: Retrocession premiums	3	(237,136)	(243,284)	(480,420)	(262,509)	(213,010)	(475,519)
Net earned premiums		**723,087**	**3,182,055**	**3,905,142**	**903,850**	**2,837,369**	**3,741,219**
Investment income	4	179,270	665,211	844,481	166,662	579,527	746,189
Acquisition costs recoverable from retrocessionaires		51,597	29,268	80,865	35,970	25,158	61,128
Other income		-	24	24	-	-	-
Total income		**953,954**	**3,876,558**	**4,830,512**	**1,106,482**	**3,442,054**	**4,548,536**
Gross claims incurred	5	(794,585)	(1,944,477)	(2,739,062)	(1,306,830)	(1,835,959)	(3,142,789)
Amounts recoverable from retrocessionaires		563,358	82,661	646,019	119,052	104,344	223,396
Net claims incurred		**(231,227)**	**(1,861,816)**	**(2,093,043)**	**(1,187,778)**	**(1,731,615)**	**(2,919,393)**
Acquisition costs		(237,323)	(931,440)	(1,168,763)	(282,703)	(860,571)	(1,143,274)
Operating and other expenses	6	(49,725)	(472,207)	(521,932)	(49,003)	(334,411)	(383,414)
Total expenses		**(518,275)**	**(3,265,463)**	**(3,783,738)**	**(1,519,484)**	**(2,926,597)**	**(4,446,081)**
Profit before income tax		**435,679**	**611,095**	**1,046,774**	**(413,002)**	**515,457**	**102,455**
Income tax expense	7	(130,704)	(132,939)	(263,643)	125,032	(90,099)	34,933
Profit/(loss) for the year		**304,975**	**478,156**	**783,131**	**(287,970)**	**425,358**	**137,388**
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		**304,975**	**478,156**	**783,131**	**(287,970)**	**425,358**	**137,388**
Earnings per share (Basic and Diluted) Kshs	9			522.09			91.59

The accounting policies on pages 37 to 62 and the notes on pages 63 to 97 form an integral part of the annual report and financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	Long term business 2022 Kshs'000	Short term business 2022 Kshs'000	Total 2022 Kshs'000	Long term business 2021 Kshs'000	Short term business 2021 Kshs'000	Total 2021 Kshs'000
ASSETS							
Property and equipment	11	-	390,204	390,204	-	414,659	414,659
Investment properties	13	-	735,000	735,000	-	730,000	730,000
Intangible assets	12	-	46,036	46,036	-	61,064	61,064
Mortgage loans	15	-	29,568	29,568	-	36,822	36,822
Government securities at amortised cost	19	1,277,117	3,988,821	5,265,938	1,091,339	3,634,856	4,726,195
Receivables arising out of retrocession arrangements		52,110	9,056	61,166	592	7,574	8,166
Receivables arising out of reinsurance arrangements		169,375	1,107,378	1,276,753	458,330	988,583	1,446,913
Deferred acquisition costs	16	74,810	447,752	522,562	106,306	379,595	485,901
Equity investments at fair value through profit or loss	14	12,071	21,886	33,957	13,736	25,484	39,220
Corporate bonds at amortised cost	18	37,632	38,142	75,774	29,532	29,532	59,064
Real estate investments trusts (REITs)	14	-	170,607	170,607	-	102,470	102,470
Retrocessionaires' share of reinsurance liabilities	16	151,874	489,385	641,259	288,159	366,476	654,635
Other receivables	17	39,871	168,239	208,110	37,351	201,301	238,652
Current income tax receivable	8	52,468	-	52,468	52,468	-	52,468
Deposits with financial institutions	20	290,338	1,608,671	1,899,009	389,743	1,323,678	1,713,421
Cash and bank balances	26	46,939	254,289	301,228	141,974	359,129	501,103
Total assets		**2,204,605**	**9,505,034**	**11,709,639**	**2,609,530**	**8,661,223**	**11,270,753**
EQUITY AND LIABILITIES							
Equity							
Share capital	21	500,000	1,000,000	1,500,000	500,000	1,000,000	1,500,000
General reserve	10	644,279	-	644,279	339,304	-	339,304
Revaluation reserve	10	-	206,777	206,777	-	225,106	225,106
Retained earnings	10	-	3,740,659	3,740,659	-	3,344,174	3,344,174
Total equity		**1,144,279**	**4,947,436**	**6,091,715**	**839,304**	**4,569,280**	**5,408,584**

	Notes	Long term business 2022 Ksh '000'	Short term business 2022 Ksh '000	Total 2022 Ksh '000	Long term business 2021 Ksh '000	Short term business 2021 Ksh '000	Total 2021 Ksh '000
LIABILITIES							
Provision for unearned premiums	22	307,066	1,557,480	1,864,546	446,279	1,278,072	1,724,351
Reinsurance or reassurance contract liabilities	23	334,290	1,889,939	2,224,229	902,472	1,715,468	2,617,940
Payables arising from retrocession arrangements		51,112	53,021	104,133	139,797	60,655	200,452
Current income tax payable	8	-	40,477	40,477	-	16,356	16,356
Other payables	24	19,236	499,160	518,396	-	508,627	508,627
Deferred acquisition costs arising from retrocession arrangements	16	22,543	29,475	52,018	15,739	15,518	31,257
Payables arising from reinsurance arrangements		49,959	450,972	500,931	120,523	423,156	543,679
Deferred income tax	25	276,120	37,074	313,194	145,416	74,091	219,507
Total Liabilities		**1,060,326**	**4,557,598**	**5,617,924**	**1,770,226**	**4,091,943**	**5,862,169**
Total Equity and Liabilities		**2,204,605**	**9,505,034**	**11,709,639**	**2,609,530**	**8,661,223**	**11,270,753**

The annual report and financial statements and the notes on pages 32 to 97, were approved and authorised for issue by the Board of Directors on 22 February 2023 and were signed on its behalf by:

The accounting policies on pages 37 to 62 and the notes on pages 63 to 97 form an integral part of annual report and financial statements.

A.K. Wainaina
Chairman
22 February 2023

J.K. Kimeu
Director
22 February 2023

P.K. Maina
Principal Officer
22 February 2023

STATEMENT OF CHANGES IN EQUITY

	Share capital Kshs'000	Revaluation reserve Kshs'000	Fair value reserve Kshs'000	General reserve Kshs'000	Total reserves Kshs'000	Retained earnings Kshs'000	Total equity Kshs'000
Balance at 1 January 2021	**1,500,000**	**243,434**	**1,577**	**627,274**	**872,285**	**2,998,911**	**5,371,196**
(Loss)/profit for the year	-	-	-	(287,970)	(287,970)	425,358	137,388
Other comprehensive loss	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**(287,970)**	**(287,970)**	**425,358**	**137,388**
Fair value reserve	-	-	(1,577)	-	(1,577)	1,577	-
Transfer of excess depreciation	-	(26,183)	-	-	(26,183)	26,183	-
Deferred tax on excess depreciation	-	7,854	-	-	7,854	(7,854)	-
Dividends paid 2020	-	-	-	-	-	(100,000)	(100,000)
Balance at 31 December 2021 and 1 January 2022	**1,500,000**	**225,106**	**-**	**339,304**	**564,410**	**3,344,174**	**5,408,584**
Profit for the year	-	-	-	304,975	304,975	478,156	783,131
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**304,975**	**304,975**	**478,156**	**783,131**
Transfer of excess depreciation	-	(26,183)	-	-	(26,183)	26,183	-
Deferred tax on excess depreciation	-	7,854	-	-	7,854	(7,854)	-
Dividends paid 2021	-	-	-	-	-	(100,000)	(100,000)
Balance at 31 December 2022	**1,500,000**	**206,777**	**-**	**644,279**	**851,056**	**3,740,659**	**6,091,715**
Notes	21	10	10	10	-	10	-

The accounting policies on pages 37 to 62 and the notes on pages 63 to 97 form an integral part of annual report and financial statements.

STATEMENT OF CASH FLOWS

	Notes	2022 Kshs'000	2021 Kshs'000
Cash flows from operating activities			
Cash generated/(paid) from operations	27	28,202	(83,924)
Income tax paid	8	(145,835)	(126,919)
Net cash used in operating activities		**(117,633)**	**(210,843)**
Cash flows from investing activities			
Purchase of property and equipment	11	(5,442)	(1,062)
Proceeds from disposal of property and equipment		24	-
Additions to investment properties	13	-	(954)
Purchase of intangible assets	12	(17,738)	(91,595)
Purchase of REITs	14	(61,493)	(100,000)
Purchase of Government securities		(517,836)	(498,277)
Investment income received		838,098	765,577
(Purchase)/redemptions of corporate bonds		(16,718)	210,408
(Purchase)/redemptions of deposits with financial institutions (maturing over 3 months)		(807,030)	705,359
Proceeds of disposal of equity investments		-	21,173
Mortgage loans repaid	15	7,254	5,031
Net cash from investing activities		**(580,881)**	**1,015,660**
Cash flows from financing activities			
Dividends paid	9	(100,000)	(100,000)
Net (decrease)/increase in cash and cash equivalents		**(798,514)**	**704,817**
Cash and cash equivalents at 1 January		1,916,692	1,211,875
Cash and cash equivalents at 31 December	26	**1,118,178**	**1,916,692**

The accounting policies on pages 37 to 62 and the notes on pages 63 to 97 form an integral part of annual report and financial statements.

GENERAL INFORMATION

East Africa Reinsurance Company Limited is incorporated in Kenya under the Kenyan Companies Act, 2015, as a private limited liability company and is domiciled in Kenya. The address of its registered office is set out on page 2.

The Company is organised into two main divisions, Short-term (General) business and Long-term (Life) business. Long-term business relates to the underwriting of life risks relating to insured persons. Short-term business relates to all other categories of the insurance business accepted by the Company, analysed into several sub-classes of business based on the nature of the assumed risks.

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

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Kenyan Companies Act, 2015. The measurement basis applied is the historical cost basis,except for land and buildings, investment properties and equity investments which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 1.20.

1.2 Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company

The following standards and interpretations apply for the first time to the financial reporting period commencing 1 January 2022:

(a) Covid-19- Related Rent Concessions beyond 30 June 2022 - Amendments to IFRS 16

As a result of the coronavirus (COVID-19) pandemic, lessees were granted rent concessions. In May 2021, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2022, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2022 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

(b) Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

(c) Reference to the Conceptual Framework – Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

1.2 Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Company (continued)

(d) Onerous Contracts – Cost of Fulfilling a Contract - Amendments to IAS 37

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

(e) Annual improvements to IFRS Standards 2018 – 2020

The following improvements were deemed applicable to the Company:

i. IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

ii. IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The amendments listed above did not have a material effect on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(ii) New standards and interpretations not yet adopted by the Company

A number of new standards are effective for annual periods beginning after 1 January 2022, and earlier adoption is permitted. However, the Company has not early adopted the new or amended standards in preparing these financial statements.

a) IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted.

The Company will apply IFRS 17 for the first time on 1 January 2023. This standard will bring significant changes to the accounting for reinsurance and retrocession contracts and is expected to have a material impact on the Company's financial statements in the period of initial application.

Estimated impact of the adoption of IFRS 17

The initial impact of IFRS 17 is expected to result in an insignificant impact on the Company's equity before tax as at 1 January 2022. We estimate the adoption of IFRS 17 will increase the Short-term Business' equity before tax at 1 January 2022 by approximately 2% but decrease the Long-term Business' equity before tax by approximately 2%.This impact is primarily attributable to the effect of discounting of the insurance cash flows being offset by the risk adjustment and loss component.Discounting of insurance cash flows to reflect the time value of money has resulted in a reduction in insurance liabilities. However, this discounting effect has been offset by an increase in liability arising from risk adjustment and loss component.

The Company will restate comparative information on adoption of IFRS 17 as highlighted in (ix).

The assessment above is preliminary because not all of the transition work has been finalised. The actual impact of adopting IFRS 17 on 1 January 2023 and 2022 may change because:

- the new accounting policies, assumptions, judgments and estimation techniques employed are subject to change until the Company finalises its first financial statements that include the date of initial application.
- the Company has not finalised the testing and assessing the controls over its new IFRS 17 systems and changes to its governance framework;
- the Company is refining the new accounting processes and internal controls required for applying IFRS 17 ; and
- although user acceptance tests were carried out in 2022, the new systems and associated controls in place have not been operational for a more extended period to confirm sufficiency of the controls.

1.2 Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted by the Company (continued)

a) IFRS 17 Insurance Contracts (continued)

i. Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of reinsurance contracts and retrocession contracts.

When identifying contracts in the scope of IFRS 17, in some cases the Company will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivative and investment components have to be separated and accounted for under another standard. The Company does not expect significant changes arising from the application of these requirements as it does not have contracts with underlying investment components.

ii. Level of Aggregation

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different products lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e.by year of issue) and each annual cohort into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. Groups of retrocession contracts are established such that each group comprises a single contract.

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a Contractual Service Margin (CSM), against losses on groups of onerous contracts, which are recognised immediately (see (v) and (vi)). Compared with the level at which the liability adequacy test is performed under IFRS 4 (i.e. portfolio of contracts level), the level of aggregation under IFRS 17 is more granular and could result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

iii. Contract Boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Company expects that for certain contracts, the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

Reinsurance Contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the cedant to pay premiums or has a substantive obligation to provide services (including reinsurance coverage). A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular cedant and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

1.2 Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted by the Company (continued)

a) IFRS 17 Insurance Contracts (continued)

iii. Contract Boundaries (continued)

Reinsurance Contracts (continued)

Some of the Company's quota share reinsurance contracts cover underlying contracts issued within the annual term on a risk-attaching basis and provide unilateral rights to both the Company and the cedant to terminate the attachment of new underlying contracts at any time by giving three months' notice to the other party. Currently, the measurement of these reinsurance contracts generally aligns with that of the underlying contracts and considers only underlying contracts already ceded at the measurement date. However, under IFRS 17 cash flows arising from underlying contracts expected to be issued and ceded after the measurement date, in addition to those arising from underlying contracts already ceded, may be within the boundaries of the reinsurance contracts and may have to be considered and estimated in their measurement.

In addition, some life contracts issued by the Company can be considered long-term, however, the terms of these contracts are reconfirmed annually. Therefore, the renewal of the contracts is not guaranteed annually. Currently, the Company accounts for these contracts as annual contracts. Similarly, under IFRS 17, these contracts will be accounted for as annual contracts as there are no guarantee renewable terms and annual cash flows related to the contracts will be within the contract boundary. This is because Company has the practical ability to reassess the risks of the contract or portfolio of contracts.

Retrocession Contracts

For retrocession contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the retrocessionaire or has a substantive right to receive services from the retrocessionaire. A substantive right to receive services from the retrocessionaire ends when the retrocessionaire:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

iv. Measurement - Overview

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM. For an explanation of how the Company will apply the measurement model, see (v).

Under IFRS 17, contracts are subject to different requirements depending on whether they are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are substantially investment-related service contracts under which the insurer promises an investment return based on underlying items. All reinsurance contracts issued and all retrocession contracts held by the Company are expected to be classified as contracts without direct participation features.

Premium Allocation Approach (PAA)

The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. For an explanation of how the Company will apply the PAA, see (vi).

Based on a preliminary assessment, the Company expects that it will apply the PAA to all contracts in the Non-life and Life businesses because the following criteria are expected to be met at inception.

- Loss-occurring reinsurance contracts: The coverage period of each contract in the group is one year or less.
- Risk-attaching reinsurance contracts: The Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies described above.

1.2 Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted by the Company (continued)

a) IFRS 17 Insurance Contracts (continued)

iv. Measurement - Overview (continued)

Premium Allocation Approach (PAA) (continued)

The Company's PAA eligibility assessment is pending testing and review. Should some of the Company's contracts fail to meet the criteria above, they will be measured under the general measurement model.

v. Measurement - General Measurement Model

Reinsurance contracts

On initial recognition, the Company will measure a group of contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of contracts do not reflect the Company's non-performance risk.

- The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario will be discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Company will use stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for variables such as interest rates and equity returns.

- All cash flows will be discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity characteristics of the contracts. Cash flows that vary based on the returns on any underlying items will be adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity. When the present value of future cash flows is estimated by stochastic modelling, the cash flows will be discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.

- The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation that the Company would require for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

- The CSM of a group of contracts represents the unearned profit that the Company will recognise as it provides services under those contracts. On initial recognition of a group of contracts, the group is not onerous if the total of the following is a net inflow:

  - the fulfilment cash flows;
  - any cash flows arising at that date; and
  - any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flow; see below).

In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition. If the total is a net outflow, then the group is onerous and the net outflow is generally recognised as a loss in profit or loss; a loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue (see (viii)).

1.2 Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted by the Company (continued)

a) IFRS 17 Insurance Contracts (continued)

v. Measurement - General Measurement Model (continued)

Reinsurance contracts (continued)

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows:

Item	Treatment under IFRS 17
Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in profit or loss because it relates to future service.

Retrocession Contracts

The Company will apply the same accounting policies to measure a group of retrocession contracts, with the following modifications.

The carrying amount of a group of retrocession contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The Company will measure the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in the insurance service result in profit or loss.

The risk adjustment for non-financial risk will represent the amount of risk being transferred by the Company to the retrocessionaire.

The CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured such that no income or expense arises on initial recognition, except that the Company will:

- recognise any net cost on purchasing reinsurance coverage immediately in profit or loss as an expense if it relates to insured events that occurred before the purchase of the group; and
- recognise income when it recognises a loss on initial recognition of onerous underlying contracts if the retrocession contract is entered into before or at the same time as the onerous underlying contracts are recognised. A loss-recovery component is created, which determines the amounts that are subsequently disclosed as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid.

The CSM is adjusted subsequently only for specified amounts and is recognised in profit or loss as services are received.

1.2 Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted by the Company (continued)

a) IFRS 17 Insurance Contracts (continued)

v. Measurement - General Measurement Model (continued)

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Under IFRS 17, insurance acquisition cash flows are allocated to groups of contracts using systematic and rational methods based on the total premiums for each group.

Insurance acquisition cash flows that are directly attributable to a group of contracts, e.g. non-refundable commissions paid are allocated only to that group and to the groups that will include renewals of those contracts.

Impact assessment

Under IFRS 17, all profits will be recognised in profit or loss over the lifetime of the contracts, and this will primarily be driven by the timing of the recognition in profit or loss of the CSM as services are provided and the risk adjustment for non-financial risk as the related risk expires. The Company expects that, even though the total profit recognised over the lifetime of the contracts will not change, it will emerge more slowly under IFRS 17. This is mainly because, under IFRS 4, for certain contracts, all profits are currently recognised in profit or loss on initial recognition of the contracts. The different timing of profit recognition will result in an increase in liabilities on adoption of IFRS 17 because a portion of profits previously recognised and accumulated in equity under IFRS 4 will be included in the measurement of the liabilities under IFRS 17.

The increase in the liabilities for contracts measured under the general measurement model on transition to IFRS 17 can mainly be attributed to the following:

Changes from IFRS 4	Impact on equity on transition to IFRS 17
The estimates of the present value of future cash flows will decrease as a result of discounting	Increase
The consideration of risk adjustment for non-financial risk under IFRS 17	Decrease
CSM, determined using the transition approaches described under (ix),will be recognised for the unearned profit for these contracts	Decrease

The Company estimates that, on adoption of IFRS 17, the impact of these changes will be offsetting as at 1 January 2023 and 1 January 2022.

vi. Measurement - Premium Allocation Approach

On initial recognition of each group of reinsurance contracts measured under the premium allocation approach, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. The Company will amortise insurance acquisition cash flows over the reinsurance coverage period.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided. The Company expects that the time between providing each part of the services and the related premium due date could be more than a year. Accordingly, the Company will adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

1.2 Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted by the Company (continued)

a) IFRS 17 Insurance Contracts (continued)

vi. Measurement - Premium Allocation Approach (continued)

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company will recognise a loss in profit or loss and increase the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows will be discounted (at current rates) if the liability for incurred claims is also discounted (see below).

The Company will recognise the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows will be discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

The Company will apply the same accounting policies to measure a group of retrocession contracts, adapted where necessary to reflect features that differ from those of reinsurance contracts.

Impact assessment

Although the PAA is similar to the Company's current accounting treatment when measuring liabilities for remaining coverage,the following changes are expected in the accounting for contracts:

Changes from IFRS 4	Impact on equity on transition to IFRS 17
Under IFRS 17, the Company will discount the future cash flows when measuring liabilities for incurred claims, unless they are expected to occur in one year or less from the date on which the claims are incurred. The Company does not currently discount such future cash flows	Increase
IFRS 17 requires the fulfilment cash flows to include a risk adjustment for non-financial risk. This is not explicitly allowed for currently	Decrease

The Company estimates that, on adoption of IFRS 17, the impact of these changes will be immaterial on the Company's total equity at 1 January 2023 and 1 January 2022. (See Estimated impact of the adoption of IFRS 17 paragraph).

vii. Measurement - Significant judgments and estimates

Estimates of future cash flows

In estimating future cash flows, the Company will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date.This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Company will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

1.2 Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted by the Company (continued)

a) IFRS 17 Insurance Contracts (continued)

vii. Measurement - Significant judgments and estimates (continued)

Estimates of future cash flows (continued)

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows attributable to acquisition and other fulfilment activities will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics. The Company will generally allocate insurance acquisition cash flows and maintenance costs to groups of contracts based on the total premiums for each group.

Discount rates

The Company will generally use the government bond yield curve as a basis of determining the risk free discount rates. To reflect the liquidity characteristics of the contracts, the risk-free yield curve will be adjusted by an illiquidity premium. The practical approach the Company will apply is to use covered bonds, where illiquid bonds are covered with a collateral that is considered very safe. The illiquidity premium in this case is equal to the covered bond spread over the illiquid risk- free rate. To compute the Illiquidity premium, the Company will compare yields on government and corporate bonds of the same maturity profile. The difference between the yield on government and corporate bonds will constitute the credit and liquidity premiums. Further, the Company will allocate 50% of the difference in yields as the illiquidity premium.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk will be determined to reflect the compensation that the Company would require for bearing non-financial risk and its degree of risk aversion. They will be determined separately for the Life and Non-life contracts and allocated to groups of contracts based on an analysis of the risk profiles of the groups.

The risk adjustments for non-financial risk will be determined using a confidence level technique, specifically, quantile techniques.

To determine the risk adjustments for non-financial risk for retrocession contracts, the Company will apply these techniques both gross and net of reinsurance and derive the amount of risk being transferred to the retrocessionaire as the difference between the two results.

Applying a confidence level technique, the Company will estimate the probability distribution of the expected present value of the future cash flows from the contracts at each reporting date and calculate the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years. The target confidence level will be 75% percent for liabilities for incurred claims for both Short-term and Long-term contracts.

Contractual Service Margin (CSM)

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year, by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date.

1.2 Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted by the Company (continued)

a) IFRS 17 Insurance Contracts (continued)

viii. Presentation and disclosure

IFRS 17 will significantly change how insurance contracts, reinsurance contracts are presented and disclosed in the Company's financial statements.

Under IFRS 17, portfolios of reinsurance contracts that are assets and those that are liabilities, and portfolios of retrocession contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Under IFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into:

- an insurance service result, comprising insurance revenue and insurance service expenses; and
- insurance finance income or expenses.

Amounts from retrocession contracts will be presented separately.

The separate presentation of underwriting and financial results under IFRS 17 and IFRS 9 will provide added transparency about the sources of profits and quality of earnings.

Insurance service result

For contracts not measured using the PAA, insurance revenue for each year represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. For contracts measured using the PAA, insurance revenue is recognised based on an allocation of expected premium receipts to each period of coverage, which is based on the passage of time.

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

Amounts recovered from retrocessionaires and retrocession costs will be presented separately in profit or loss as "net income" and "net expenses" respectively in the insurance services result.

The Company will choose not to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk recognised in profit or loss will be included in the insurance service result.

Insurance finance income and expenses

Under IFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses.

The Company will choose not to disaggregate insurance finance income or expenses between profit or loss and Other Comprehensive Income (OCI). The Company will present the insurance finance income or expenses in profit or loss, considering the supporting assets will generally be measured at fair value through profit or loss (FVTPL).

1.2 Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted by the Company (continued)

a) IFRS 17 Insurance Contracts (continued)

viii. Presentation and disclosure (continued)

Disclosure

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from reinsurance and retrocessios contracts (see (i)). Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

ix. Transition

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at 1 January 2022 the Company will:

- identify, recognise and measure each group of insurance contract and reinsurance contracts as if IFRS 17 had always been applied;
- identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that they will not be tested for recoverability before 1 January 2022;
- derecognise previously reported balances that would not have existed if IFRS 17 had always been applied (including some deferred acquisition costs, provisions for levies attributable to existing insurance contracts);
- recognise any resulting net difference in equity.

If it is impracticable to apply a full retrospective approach to a group of contracts or to an asset for insurance acquisition cash flows, then the Company will choose between the modified retrospective approach and the fair value approach. However, if the Company cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach.

Reinsurance and Retrocession Contracts

The Company will apply the full retrospective approach to all Short-term and Long-term contracts on transition to IFRS 17.
The Company might consider the full retrospective approach impracticable under any of the following circumstances.

- the effects of retrospective application are not determinable because the information required has not been collected (or has not been collected with sufficient granularity) or is unavailable because of system migrations, data retention requirements or other reasons. Such information includes for certain contracts:
- expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
- information about historical cash flows (including insurance acquisition cash flows and other cash flows incurred before the recognition of the related contracts•) and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;
- information required to allocate fixed and variable overheads to groups of contracts, because the Company's current accounting policies do not require such information; and
- information about certain changes in assumptions and estimates,because they were not documented on an ongoing basis.

The full retrospective approach requires assumptions about what Company management's intentions would have been in previous periods or significant accounting estimates that cannot be made without the use of hindsight. Such assumptions and estimates include for certain contracts:

- assumptions about discount rates, because the Company was not subject to any accounting or regulatory framework that required insurance contracts to be measured on a present value basis before 2007 ;and
- assumptions about the risk adjustment for non-financial risk, because the Company was not subject to any accounting or regulatory framework that required an explicit margin for non-financial risk before 2016.

1.2 Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted by the Company (continued)

a) IFRS 17 Insurance Contracts (continued)

ix. Transition (continued)

Modified retrospective approach

The objective of the modified retrospective approach is to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. The Company does not anticipate to apply the modified retrospective approach.

Fair value approach

Under the fair value approach,the CSM (or the loss component) at 1 January 2022 will be determined as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date. The Company does not anticipate to apply the fair value approach.

b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) effective 1 January 2024

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

c) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) effective 1 January 2023

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

d) Definition of Accounting Estimates (Amendments to IAS 8) effective 1 January 2023

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

e) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12) effective 1 January 2023

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

1.2 Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted by the Company (continued)

e) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) effective 1 January 2023 (continued)

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

f) Lease liability in Sale and Lease back (Amendments to IFRS 16) effective 1 January 2024

Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The Directors do not plan to apply the above standards until they become effective. Based on their assessment of the potential impact of the application of the above, only IFRS 17 (Insurance contracts) is expected to have a significant impact on the Company's financial statements.

There are no other standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on near future transactions.

1.3 Reinsurance contracts

(a) Classification

The Company underwrites reinsurance risk from reinsurance contracts or financial risk, or both. Reinsurance contracts are those contracts that transfer significant reinsurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant reinsurance risk, the possibility of having to pay benefits on the occurrence of a reinsured event that is at least 10% more than the benefits payable if the reinsured event did not occur.

Reinsurance contracts are classified into two main categories, depending on the duration of risk and as per the provisions of the Insurance Act.

i) Short-term reinsurance business

This represents the reinsurance business of any class or classes not being long term reassurance business.

Classes of short-term reinsurance include Aviation, Engineering, Fire (domestic risks, industrial and commercial risks), Liability, Marine, Motor (private vehicles and commercial vehicles), Personal Accident, Theft, Workmen's Compensation, Employer's Liability, Medical and Miscellaneous (i.e. class of business not included under those listed above). The Company's main classes, which account for over 60% of the income, are described below.

Fire reinsurance business comprises the business of effecting and carrying out contracts of reinsurance, otherwise than incidental to some other class of reinsurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.

Medical reinsurance comprises the business of effecting and carrying out contracts of reinsurance against payment of expenses relating to both inpatient and outpatient treatment in respect of corporate and individual clients.

1.3 Reinsurance contracts (continued)

(a) Classification (continued)

i) Short-term reinsurance business (continued)

Motor reinsurance business comprises the business of effecting and carrying out contracts of reinsurance against loss of, or damage to or arising out of or in connection with the use of, motor vehicles, inclusive of third party risks but exclusive of transit risks.

Miscellaneous reinsurance business comprises the business of effecting and carrying out contracts of reinsurance which are not principally or wholly of any types included in other classes of business but shall include reinsurance of bonds of all types, reinsurance of livestock and crop reinsurance.

ii) Long-term reassurance business

This includes reassurance business of all or any of the following classes, namely, ordinary life reassurance business, group life reassurance business and business incidental to any such class of business.

Ordinary life reassurance business comprises the business of, or in relation to, the issuing of, or the undertaking of liability to pay money on death (not being death by accident or in specified sickness only) or on the happening of any contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability reinsurance contract), and include a contract which is subject to the payment of premiums for a term dependent on the termination or continuance of human life.

Group life reassurance business comprises life reassurance business, being business of, or in relation to, the issuing of or the undertaking of liability under group life and permanent health reinsurance policy.

(b) Recognition and measurement

The Company incorporates actual results reported by cedant companies each year. Reinsurance income and expenditure transactions for the any unreported period of the year are based on estimates developed with the assistance of the actuaries.

The results of the reinsurance business are determined on an annual basis whereby the incurred cost of claims, commissions and related expenses are charged against the net earned proportion of premiums as follows:

i) Premium income

Gross earned premiums comprise gross premiums recorded,including accrued estimated pipeline premiums (being premiums written by cedants but not reported to the Company at the end of each reporting period) relating to risks assumed in the year after accounting for any movement in gross unearned premiums. Unearned premiums for the short- term business represent that proportion of premiums written in the period that is attributable to the subsequent accounting period and are estimated, based on the internationally acceptable eighths (8ths) method for treaty business and 365th method for facultative and non propotional business, net of deductions.

ii) Claims incurred

Claims incurred comprise actual claims paid as at the end of the year and accrued estimated pipeline claims (being claims paid by cedants but not reported to the Company at the end of each reporting period) and changes in the provision for reinsurance contract liabilities. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Reinsurance contract liabilities represent the ultimate cost of settling all claims arising from incidents occurring prior to the end of each reporting period but not settled at that date. They are determined annually by the Company's actuaries on the basis of the best information available at the time the records for the year are closed and include any provisions for claims incurred but not reported (IBNR).

1.3 Reinsurance contracts (continued)

iii) Acquisition costs

A proportion of total acquisition costs is deferred and amortized over the period in which the related premium is earned. Acquisition costs recoverable are recognized as income in the period in which they are earned.

iv) Deferred acquisition costs

Deferred acquisition costs represent a proportion of the acquisition costs incurred and revenue receivable that relate to policies that are in force at the yearend.

v) Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred risk premium rebates. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off risk premium rebates and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

Long-term reassurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

vi) Retrocession contracts held

Contracts entered into by the Company with retrocessionaires under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for reinsurance contracts are classified as retrocession contracts held.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss through profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for these financial assets.

vii) Receivables and payables related to reinsurance contracts

Receivables and payables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. These include amounts due to and from cedants and brokers. Subsequent to initial recognition, receivables related to reinsurance contracts are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment, with the impairment loss determined using the expected credit loss model, recorded in the statement of profit or loss.

1.4 Revenue recognition

i) Reinsurance premium revenue

The revenue recognition policy relating to reinsurance contracts is set out under note 1.3 (b) (i) above.

ii) Interest income

Interest income is recognized on a time proportion basis that takes into account the effective yield on the asset.

iii) Dividend income

Dividends are recognized as income in the period in which the right to receive payment is established.

iv) Rental income

Rental income is recognized as income in the period in which it is earned.

All investment income is stated net of investment expenses.

1.5 Property and equipment

All property and equipment are initially recorded at cost. Land and buildings are subsequently shown at revaluation value, based on periodic valuations by external independent valuers, less subsequent depreciation and any accumulated impairment losses. All other categories of property and equipment are stated at historical cost less depreciation and any accumulated impairment losses.

Increases in the carrying amount of land and buildings arising from revaluations are credited to other comprehensive income and accumulated in a revaluation reserve under a separate heading in the statement of changes in equity. Decreases that offset previous increases of the same asset are charged against other comprehensive income. All other decreases are charged to the profit or loss. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

Depreciation is calculated on 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 as follows:

• Buildings	28 years
• Motor vehicles	4 years
• Computer equipment and software	3 years
• Furniture, fittings and office equipment	8 years

Property and equipment values are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

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

1.6 Intangible assets - Computer software

Acquired computer software and related licenses are stated at cost less accumulated amortisation. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets.Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use, not exceeding 3 years.

1.7 Investment property

Investment property comprises land and buildings held to earn rentals and/or for capital appreciation. It is stated at its fair value, at the reporting date as determined through an annual revaluation by external valuers on the basis of the highest and best use. Gains or losses arising from changes in the fair value of the investment property are included in profit or loss in the period in which they arise.

The investment property is not subject to depreciation. Changes in the carrying amount between the ends of each reporting periods are recognised through profit or loss. On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

An investment property is derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no further economic benefit is expected from its disposal. On the retirement or disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss for the year.

1.8 Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(i) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

1.8 Financial assets (continued)

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Debts instruments are those instruments that meet the definition of financial liability from the issuer's perspective such as loans, government and corporate bonds. Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset:

Based on these factors, the Company classifies its debt instruments to amortised cost.

- At amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

- Business model: the business model reflected how the Company manages the assets in order to generate cash flows i.e. whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed.

- SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flow represent solely payments of principal and interest ('SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Equity instruments

The Company subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at FVTPL are recognised in other gains/ (losses) in the statement of profit or loss as applicable.

(iii) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on 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. This includes listed equity securities and quoted debt instruments on major exchanges (Nairobi Securities Exchange).The quoted market price used for financial assets held by the Company is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For example, a market is inactive when there is a wide bid-offer spread or a significant increase in the bid-offer spread, or there are few recent transactions.

1.8 Financial assets (continued)

(iii) Determination of fair value (continued)

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

(iv) Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
  a) An adverse changes in the payment status of issuers or debtors in the Company; or
  b) National or local economic conditions that correlate with defaults on the assets in the Company.

The expected credit loss impairment model applies to the following financial instruments that are not measured at FVTPL:

- Government securities measured at amortised cost;
- Receivables arising from reinsurance arrangements;
- Other receivables;
- Corporate bonds;
- Deposits with financial institutions; and
- Cash and bank balances.

No impairment loss is recognised on equity investments and financial assets measured at FVPL.

The Company recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

1.8 Financial assets (continued)

(iv) Impairment (continued)

The Company will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- Debt instruments that are determined to have low credit risk at the reporting date. The Company will consider a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in government securities; and
- Other financial instruments (other than trade receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for receivables arising from reinsurance arrangements and other receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- Assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- Incorporating forward-looking information into the measurement of ECLs.

Measurement of expected credit losses (ECL)

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract - e.g. a default or past-due event;
- A lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Expected credit losses

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of Default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

To determine lifetime and 12-month PDs, the Company uses the PD tables supplied by S&P based on the default history of obligors with the same credit rating. The Company adopts the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. The PDs are recalibrated based on current bond yields and CDS prices, and adjusted to reflect forward-looking information. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by mortgage property, loan-to-value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

1.8 Financial assets (continued)

(iv) Impairment (continued)

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

In applying the IFRS 9 impairment requirements, the Company follows one of the following approaches below:

- The general approach; and
- The simplified approach method.

The General Approach

Under the general approach, at each reporting date, the Company determines whether the financial asset is in one of three stages in order to determine both the amount of ECL to recognise as well as how interest income should be recognised.

- Stage 1 - where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Company will recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

- Stage 2 - where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, the Company will recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

- Stage 3 - where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Company will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

The Simplified approach

Under the simplified approach, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

Definition of default

The Company will consider a financial asset to be in default when:

- The counterparty or borrower is unlikely to pay their credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

- The counterparty or borrower is more than 90 days past due on any material credit obligation to the Company and 2 years for receivables arising from reinsurance arrangements. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Company; or

In assessing whether the counterparty or borrower is in default, the Company considers indicators that are:

- Qualitative: e.g. Breach of covenant and other indicators of financial distress;
- Quantitative: e.g. Overdue status and non-payment of another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

1.8 Financial assets (continued)

(iv) Impairment (continued)

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Significant increase in credit risk (SIICR)

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience, expert credit assessment and forward-looking information.

The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;
- Exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and forecast scenarios based on consideration of a variety of external actual and forecast information. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates.

The base case represents a best estimate and is aligned with information used by the Company for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

(v) Write off policy

The Company writes off financial assets, in whole or in part when it has exhausted all practical recovery effort and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity; and (ii) the Company is foreclosing on collateral and the value of the collateral is such as there is no reasonable expectation of recovering in full.

1.9 Impairment of other non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

1.10 Financial liabilities

Financial liabilities are initially recognized at fair value. After initial recognition, the Company measures all financial liabilities at amortized cost.

1.11 Cash and bank balances

Cash and bank balances are carried in the statement of financial position at amortised cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and government securities and deposits with financial institutions with original maturities of 90 days or less.

1.12 Dividends

Dividends on ordinary shares are charged to retained earnings in the year in which they are approved. Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the shareholders.

1.13 Employee benefits

i) Employee entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the end of each reporting period is recognized as an expense accrual.

ii) Retirement benefit obligations

The Company operates a defined contribution scheme for its employees. A defined contribution scheme is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Company and employees.

The Company's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.The Company and all its employees also contribute to the National Social Security Fund, which is a statutory defined contribution scheme.

1.14 Leases

The Company is a lessor, and its investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include periodic escalation rates, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Company may obtain bank guarantees or security deposits for the term of the lease.

Although the Company is exposed to changes in the residual value at the end of the current leases, the Company typically enters into new operating leases and, therefore, will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

The Company determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'investment income'.

1.15 Share capital

Ordinary shares are recognized at par value and classified as 'share capital' in equity.

1.16 Current and deferred income tax

Income tax expense represents the sum of the current tax payable and the deferred income tax. Tax is recognized as an expense/(income) and included in the profit or loss except to the extent that the tax arises from a transaction which is recognized in other comprehensive income.

(i) Current income tax

Current tax is computed in accordance with the Kenyan income tax laws applicable to insurance companies.The current income tax charge is calculated on the basis of the tax rates enacted or substantively enacted at the statement of financial position date.Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting or taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets attributable to tax losses are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.17 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Kenya shillings, which is the Company's presentation currency. The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest thousand.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for differences arising on translation of non-monetary financial assets carried at fair value through other comprehensive income, which are recognised in other comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss account within "finance income or costs". All other foreign exchange gains and losses are presented in the statement of profit or loss for the year within "other gains/losses-net".

1.17 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

1.18 Provisions

Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation.

1.19 Comparatives

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

1.20 Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

a) The ultimate liability arising from claims payable under reinsurance contracts

The estimation of future benefit payments in relation to long-term reassurance and short-term reinsurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for such claims. The determination of the liabilities under short-term reinsurance contracts and long-term reinsurance contracts is undertaken by the Company's consulting actuaries on an annual basis.

The main assumption applied in the estimation of the ultimate claims liability is the expectation that the Company's past claims experience can be used to project future claims development and hence ultimate claims costs. Actuarial methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by event years.Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) 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. A margin for adverse deviation may also be included in the liability valuation.

Further details on this process are disclosed in Note 23.

b) Pipeline income and expense transactions

At each reporting period, estimates are made for; premium revenue earned but not reported by the Company's cedants, claims, insurance benefits incurred and other related expenses. Retrocession premiums payable, commissions receivable and acquisition costs are estimated by application of the appropriate ratios to the annualised reinsurance premiums receivable.

Outstanding claims have been projected using chain ladder techniques. Further details of this are presented in Note 23.

1.20 Critical accounting estimates and judgements in applying accounting policies (continued)

c) Impairment losses on financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of cedants defaulting and the resulting losses). A number of significant judgements are required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings for a forward-looking scenarios for each type of product/market and associated ECL;
- Establishing groups of similar assets for the purposes of measuring ECL; and
- Determining the appropriate business models and assessing the "solely payments of principal and interest (SPPI)" requirements for financial assets.

The Company uses historical data to project the possibility of default. Further, the Company uses the possibility of default tables supplied by S&P based on the default history of a particular company with the same credit rating. This also applies to unrated investments which are mapped to the equivalent external credit ratings. Any change in the counterparty leads to a change in the estimated possibility of default.

Note 2 sets out information about the impairment of financial assets and the Company's exposure to credit risk.

d) Valuation of investment property, land and buildings

Estimates are made in determining valuations of investment properties, land and buildings. The Company management uses experts in determination of the values to adopt. The current use of the investment properties equates to the highest and best use.

e) Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

Other areas of judgement

Management exercises critical judgment in determining the classification of debt and equity instruments and considers the substance of the contractual terms of the various instruments.

2. RISK MANAGEMENT

REINSURANCE RISK MANAGEMENT

The risk under any one reinsurance contract is the possibility that the reinsured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of a reinsurance contract, this risk is random and therefore unpredictable.

For a portfolio of reinsurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its reinsurance contracts is that the actual claims and benefit payments may exceed the carrying amount of the reinsurance liabilities and the pricing is inadequate to meet its obligations. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar reinsurance contracts, the smaller the relative variability about the expected outcome will be. 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 reinsurance underwriting strategy to diversify the type of 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 reinsurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The Company minimizes its exposure by purchasing retrocession protection from credible counter parties.

The Company's retention (net exposure) is protected by retrocession treaties as follows:

Short term business	**Limit (Kshs)**
Property	3,440 Million in excess of 60 million facultative facility limit: 600 million
Marine	1,035 Million in excess of 15 million
Miscellaneous accident	70 Million in excess of 30 million
Terrorism and political risks	Quota share limit: 904 million
Life business	Warranted minimum number of victims: 3
	Company's Catastrophe (CAT) retention: 6 million
	Reimbursable portion: 100%
	Reinsurer's max liability: 2 million per life,
	400 million per CAT and 800 million per period.
	Quota Share & Surplus – Quota Share limit: 1.2 million (Kenindia Business)
	Credit Life 30% Quota Share

The concentration for the short term business increased by 62% in 2022 to Kshs 123.43 billion (2021: Kshs 76.32 billion). This is mostly due to increased underwriting limits in the Property classes which resulted in significant growth in facultative acceptances. Long term business exposures showed marginal increases due to increased business volumes from a few select cedants.

2. RISK MANAGEMENT (continued)

REINSURANCE RISK MANAGEMENT (continued)

The tables below provide disclosure of the concentration of reinsurance exposure by the main classes of business in which the Company operates. The amounts are the carrying amounts of the reinsurance exposure (gross and net of retrocession) arising from reinsurance contracts:

Year ended 31 December 2022 Class of business		TOTAL EXPOSURE 0–20 million Kshs'000	20–250 million Kshs'000	250–1000 million Kshs'000	Total Kshs'000
Long term & Short-term business					
Ordinary life	Gross	2,747,155	399,747	-	3,146,902
	Net	1,782,136	295,151	-	2,077,287
Group life	Gross	111,688,941	20,795,346	-	132,484,287
	Net	103,588,204	15,456,595	-	119,044,799
Fire	Gross	2,043,561	22,529,291	57,704,983	82,277,835
	Net	2,035,795	23,423,602	29,905,164	55,364,561
Miscellaneous	Gross	1,480,542	4,924,476	6,839,435	13,244,453
	Net	1,371,889	303,641	1,003,844	2,679,374
Motor	Gross	1,004,870	670,720	-	1,675,590
	Net	1,004,870	670,720	-	1,675,590
Others	Gross	2,107,484	14,379,494	9,749,714	26,236,692
	Net	2,107,484	14,816,918	5,997,166	22,921,568
Total	**Gross**	**121,072,553**	**63,699,074**	**74,294,132**	**259,065,759**
Total	**Net**	**111,890,378**	**54,966,627**	**36,906,174**	**203,763,179**

Year ended 31 December 2021 Class of business		TOTAL EXPOSURE 0–20 million Kshs'000	20–250 million Kshs'000	250–1000 million Kshs'000	Total Kshs'000
Long term & Short-term business					
Ordinary life	Gross	2,711,633	395,398	-	3,107,031
	Net	1,759,092	291,940	-	2,051,032
Group life	Gross	110,473,730	20,526,450	-	131,000,180
	Net	102,461,132	15,256,732	-	117,717,864
Fire	Gross	2,121,788	15,062,722	33,840,952	51,025,462
	Net	2,121,788	15,062,722	16,973,198	34,157,708
Miscellaneous	Gross	1,102,720	1,832,292	-	2,935,012
	Net	1,102,720	1,832,292	-	2,935,012
Motor	Gross	999,165	845,536	-	1,844,701
	Net	999,165	845,536	-	1,844,701
Others	Gross	1,969,003	11,000,601	7,545,922	20,515,526
	Net	1,750,816	8,947,875	2,901,726	13,600,417
Total	**Gross**	**119,378,039**	**49,662,999**	**41,386,874**	**210,427,912**
Total	**Net**	**110,194,713**	**42,237,097**	**19,874,924**	**172,306,734**

The Company's earthquake exposure for the Nairobi zone is estimated at Kshs 45,998,229,000 (2021: Kshs 30,536,839,000).

2. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risk through its financial assets, retrocession assets and reinsurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its reinsurance and investment contracts. The most important types of risk are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency risk, interest rate risk, equity price risk and other price risks.

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.

The Company strives to manage these positions within an asset-liability management framework to ensure that the liabilities arising from reinsurance and investment contracts are adequately covered.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. The Company is exposed to daily calls on its available cash for claims settlement and other expenses. The Company maintains adequate cash resources to meet all of these needs and does not require overdraft facilities. Management monitors the level of call deposits to ensure their adequacy to cover expenditure at unexpected levels of demand. These call deposits are placed at competitive interest rates.

The table below presents the cash flows payable by the Company under financial liabilities and assets respectively by remaining contractual maturities at the end of the reporting period.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2022	Up to 1 year Kshs'000	1-5 years Kshs'000	Over 5 years Kshs'000	Total Kshs'000
Liabilities				
Reinsurance contract liabilities	2,224,229	-	-	2,224,229
Payables arising out of retrocession arrangements	104,133	-	-	104,133
Payables arising out of reinsurance arrangements	500,932	-	-	500,932
Other payables	518,396	-	-	518,396
Total financial liabilities (contractual maturity dates)	**3,347,690**	**-**	**-**	**3,347,690**

At 31 December 2021	Up to 1 year Kshs'000	1-5 years Kshs'000	Over 5 years Kshs'000	Total Kshs'000
Liabilities				
Reinsurance contract liabilities	2,617,940	-	-	2,617,940
Payables arising out of retrocession arrangements	200,452	-	-	200,452
Payables arising out of reinsurance arrangements	543,679	-	-	543,679
Other payables	508,627	-	-	508,627
Total financial liabilities (contractual maturity dates)	**3,870,698**	**-**	**-**	**3,870,698**

2. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Fair Value Estimation

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

(i) Financial instruments not measured at fair value

The fair value of investment securities held at amortised cost (government securities and corporate bonds) at 31 December 2021 is estimated at Kshs 5,126,495,000 (2021: Kshs 4,870,381,000) compared to their carrying value of Kshs 5,341,712,000 (2021: Kshs 4,785,260,000).The fair values of the Company's other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates.

(ii) Fair value hierarchy

The Company's financial assets measured at fair value are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the financial reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of real estate investment trust (REITs) is based on the computed net asset value, which is based on applying market rates on the underlying investor's units held. Other techniques, such as discounted cash flow analysis and market comparables, are used to determine the fair value for the remaining financial instruments. Note that all of the resulting fair value estimates are included in level 2.
- Other techniques such as discounted cash flow analysis and market comparables are used to determine fair value for the remaining financial instruments.

2 RISK MANAGEMENT (continued)

Fair Value Estimation (continued)

(ii) Fair value hierarchy (continued)

The following table gives information about how the fair values of the financial assets are determined (in particular, the valuation technique(s) and inputs used) as well as the analysis by level of the fair value hierarchy.

Financial assets/ liabilities	Fair Value as at 31 December 2022 Kshs'000	Fair Value as at 31 December 2021 Kshs'00	Fair Value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs
Equity investments (Note 14)	33,957	39,220	Level 1	Quoted bid prices in an active market	Not applicable
Real estate investments trusts (Note 14)	170,607	102,470	Level 1	Quoted bid prices in an active market	Not applicable
Investment property (Note 13)	735,000	730,000	Level 2	External professional valuation	Not applicable
Land and buildings (Note 11)	386,415	410,332	Level 2	External professional valuation	Not applicable
Total	**1,325,979**	**1,282,022**			

There were no transfers between levels during the year (2021: Nil).

MARKET RISK

(i) Foreign exchange risk

The Company deals with cedants in a number of countries, and therefore it writes business in various currencies. Consequently, it is exposed to foreign exchange risk arising from these currency exposures, primarily with respect to the US dollar, Uganda Shilling, Tanzania Shilling, and Indian Rupee.

Therefore, the Company's obligations to cedants and receivables from cedants are in these original currencies. The Company's net assets are mainly dominated in the base currency (Kenya Shillings).

The Company mitigates its currency risk by ensuring that the net exposure to this risk is maintained within acceptable levels by regularly reviewing the level of a mismatch for key currencies. In the opinion of the directors, the Company's foreign currency exposure has been adequately managed to minimise potential adverse effects.

At 31 December 2022, if the Kenya Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, the net assets for the year would have been Kshs 70,675,000 (2021: Kshs 35,728,000) higher/ lower, mainly as a result of translation differences on US Dollar denominated trade receivables, trade payables and bank balances. This is insignificant as the portion of US Dollar denominated net assets constitute only 0.66% (2022: 0.60%) of the Company's net assets.

At 31 December 2022, if the Kenya Shilling had weakened/strengthened by 10% against the Indian Rupee with all other variables held constant, the net assets for the year would have been Kshs 5,383,000 (2021: Kshs 3,582,000) higher/ lower, mainly as a result of translation differences on Indian Rupee denominated trade receivables and trade payables. This is insignificant as the portion of Indian Rupee denominated net assets constitute only 0.07% (2022: 0.07%) of the Companys net assets.

2 RISK MANAGEMENT (continued)

(ii) Price risk

The Company is exposed to equity securities price risk because of investments in equities classified as at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity and tradable bonds securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the board and in accordance with the Insurance Act of Kenya. All quoted shares held by the Company are traded on the Nairobi Securities Exchange (NSE) and the management of the equity portfolio is done in house with consultations with various approved stock brokers and is diversified across industries. The Company has a conservative investment policy with regard to equities. At 31 December 2022 investments in equities constituted only 0.29% (2021: 0.50%) of the total assets.

At 31 December 2022, if the share prices at the NSE had increased/decreased by 10% (2021: 10%) with all other variables held constant and all the Company's equity instruments moved according to the historical correlation to the index, post tax profit for the year would have been Kshs 3,396,000 (2021: Kshs 3,922,000) higher/lower, and equity would have been Kshs 3,396,000 (2021: Kshs 3,922,000) higher/lower.

At 31 December 2022, if the share prices for real estate investments trusts (REITS) had increased/decreased by 10% with all other variables held constant, post tax profit for the year would have been Kshs 17,061,000 (2021:Kshs 10,247,000) higher/lower, and equity would have been Kshs 17,061,000 (2021: Kshs 10,247,000) higher/lower.

(iii) Interest rate risk

The principal risk to which financial assets and liabilities are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. The board of directors is the monitoring body for compliance with these limits and is assisted by risk management in its day-to-day monitoring activities.

The interest earning financial assets that the Company holds include investments in government securities, mortgage loans, deposits with financial institutions and corporate bonds.

The sensitivity analysis presented below shows how profit and equity would change if the interest rates had increased/(decreased) on the reporting date with all other variables held constant.

	Effect on profit 2022 Kshs'000	Effect on equity 2022 Kshs'000	Effect on profit 2021 Kshs'000	Effect on equity 2021 Kshs'000
+5 percentage point movement	9,318	9,318	8,712	8,712
-5 percentage point movement	(9,318)	(9,318)	(8,712)	(8,712)

2. RISK MANAGEMENT (continued)

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas that the Company is exposed to credit risk are:

- Receivables arising out of reinsurance arrangements both inward and outward;
- Retrocessionaires' share of outstanding claims;
- Deposits and cash balances held with banks and other financial institutions; and
- Investments in government securities.

The Company manages its exposure in the following ways:

- placing its retrocession programme with rated securities – investment grade and above;
- dealing with only credit-worthy counterparties;
- placing limits on the Company's exposure to a single counterparty or group of counterparties while placing investments.

In respect of its exposure from receivables arising out of reinsurance arrangements the Company manages this through regular analysis of the ability of the existing and potential clients to meet premium obligations and by reviewing signed treaty shares where appropriate, having close relations with cedants and intermediaries to enhance timely settlement of premiums, offsetting of outstanding premiums against claims and avoiding renewal of treaties with cedants who have poor underwriting and credit history.

For banks and financial institutions, only reputable well established financial institutions are accepted. For reinsurance receivables, the credit controller assesses the credit quality of each cedant, taking into account its financial position, past experience and other factors.

(i) Receivables arising out of reinsurance arrangements

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables arising from reinsurance arrangements.

The expected loss rates are based on the provision matrix for the receivables balances over a period of two to five years and the corresponding development of the balances within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the cedants to settle the receivables. The company has assessed the impact of macroeconomic factors and the impact has been incorporated in the model.

Receivables arising out of reinsurance arrangements are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a cedant to engage in a repayment plan with the company and where the cedant has been declared insolvent.

Debts that are considered to be non-performing are impaired at 100%.

(ii) Related party receivables

Related party receivable balances are assessed for impairment based on the counterparty's ability to settle on demand.

(iii) Cash and cash equivalents

For cash at bank, management assesses the expected credit loss based on probability of default attached to the various banks by external rating agencies.

2. RISK MANAGEMENT (continued)

(iv) Government securities

Management assesses the expected credit loss on government securities based on the probability of default attached to the Government of Kenya by external rating agencies.

(v) Corporate bonds

Management assesses the expected credit loss on corporate bonds based on the probability of default attached to the corporate entities by external rating agencies.

For instances where the external agencies ratings do not reflect the country prevailing financial conditions, ratings per the internal counterparty model developed are applied.

(vi) Deposits with financial institutions

For term and call deposits, management assesses the expected credit loss based on the probability of default attached to the various banks by external rating agencies.

The table below details the maximum exposure to credit risk:

At 31 December 2022	Gross Amounts Kshs'000	Expected Credit Loss Kshs'000	Net Kshs'000
Receivables arising out of reinsurance arrangements	1,471,340	(194,587)	1,276,753
Government securities	5,271,209	(5,271)	5,265,938
Corporate bonds	75,806	(32)	75,774
Deposits with financial institutions	1,910,810	(11,801)	1,899,009
Bank balances	301,688	(460)	301,228
Mortgage loans	29,568	-	29,568
Other receivables (excluding prepayments)	201,406	-	201,406
Receivables arising out of retrocession arrangements	61,166	-	61,166
Retrocessionaires' share of reinsurance liabilities	641,259	-	641,259
	9,964,252	**(212,151)**	**9,752,101**

At 31 December 2021	Gross Amounts Kshs'000	Expected Credit Loss Kshs'000	Net Kshs'000
Receivables arising out of reinsurance arrangements	1,649,662	(202,749)	1,446,913
Government securities	4,730,922	(4,727)	4,726,195
Corporate bonds	59,088	(24)	59,064
Deposits with financial institutions	1,723,827	(10,406)	1,713,421
Bank balances	504,337	(3,234)	501,103
Mortgage loans	36,822	-	36,822
Other receivables (excluding prepayments)	186,415	-	186,415
Receivables arising out of retrocession arrangements	8,166	-	8,166
Retrocessionaires share of reinsurance liabilities	654,635	-	654,635
	9,553,874	**(221,140)**	**9,332,734**

2. RISK MANAGEMENT (continued)

Movement in Expected Credit Loss 2022

	At 1 January 2022 Kshs'000	Credit/(Charge for the year) 2022 Kshs'000	At 31 December 2022 Kshs'000
Receivables arising out of reinsurance arrangements	(202,749)	8,162	(194,587)
Government securities	(4,727)	(544)	(5,271)
Corporate bonds	(24)	(8)	(32)
Deposits with financial institutions	(10,406)	(1,395)	(11,801)
Bank balances	(3,234)	2,774	(460)
	(221,140)	**8,989**	**(212,151)**

Movement in Expected Credit Loss 2021

	At 1 January 2021 Kshs'000	Credit/(Charge for the year) 2021 Kshs'000	At 31 December 2021 Kshs'000
Receivables arising out of reinsurance arrangements	(212,262)	9,513	(202,749)
Government securities	(4,058)	(669)	(4,727)
Corporate bonds	(107)	83	(24)
Deposits with financial institutions	(11,766)	1,360	(10,406)
Bank balances	(1,898)	(1,336)	(3,234)
	(230,091)	**8,951**	**(221,140)**

CAPITAL MANAGEMENT

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the statement of financial positions, are:

- To comply with the capital requirements as set out in the Insurance Act;
- To comply with regulatory solvency requirements as set out in the Insurance Act;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- To provide an adequate return to shareholders by pricing reinsurance and investment contracts commensurately with the level of risk;
- To safeguard the Company's capital by arranging adequate cover with credible securities; and
- To have an adequate level of risk based capital.

The Insurance Act requires each reinsurance Company to hold the minimum level of capital as follows:

- Short-term Kshs 1 billion (Long-term Kshs 500 million); or
- Risk based capital determined by the authority from time to time; or
- Short-term 20% (Long-term 5%) of net earned premiums of the preceeding financial year.

The Company's share capital meets the minimum capital requirements at 31 December 2022.

The Company's Capital Adequacy Ratio (CAR) stood at 390% and 218% for Short term and Long term businesses, respectively. The Insurance Regulatory Authority requires all insurance companies to hold a minimum and prescribed capital of 100% and 200% respectively. The Company, therefore, complies with these requirements. The Company's level of CAR underscores the strength and resilience of its capital position.

3. GROSS WRITTEN, GROSS EARNED AND RETROCESSION PREMIUMS

The gross written premiums (GWP), gross earned premiums (GEP) and gross retrocession premiums (Retro) of the Company can be analysed between the main classes of business as shown below.

	Gross written premiums 2022 Kshs '000	Gross earned premiums 2022 Kshs'000	Gross retrocession premiums 2022 Kshs '000	Gross written premiums 2021 Kshs'000	Gross earned premiums 2021 Kshs'000	Gross retrocession premiums 2021 Kshs'000
Long-term business						
Ordinary life	70,628	82,602	20,206	27,956	27,841	5,712
Group life	750,383	877,621	216,930	1,140,697	1,138,518	256,797
	821,011	**960,223**	**237,136**	**1,168,653**	**1,166,359**	**262,509**
Short-term business						
Aviation	333	3,430	3	(6,726)	5,807	(43)
Engineering	351,082	309,901	96,920	235,446	242,566	21,439
Fire	1,732,187	1,548,761	119,129	1,265,630	1,234,289	118,442
Liability	21,299	18,377	187	15,131	17,599	96
Marine	209,401	203,683	15,157	246,257	214,909	12,620
Motor	206,721	207,311	1,817	243,250	247,612	1,869
Personal accident	94,534	88,385	831	78,305	64,120	496
Medical	697,207	630,924	6,129	674,636	653,288	4,274
Miscellaneous	391,984	414,567	3,111	403,905	370,189	53,817
	3,704,748	**3,425,339**	**243,284**	**3,155,834**	**3,050,379**	**213,010**
Total	**4,525,759**	**4,385,562**	**480,420**	**4,324,487**	**4,216,738**	**475,519**

4. INVESTMENT INCOME

	Long term business 2022 Kshs'000	Short term business 2022 Kshs'000	Total 2022 Kshs'000	Long term business 2021 Kshs'000	Short term business 2021 Kshs'000	Total 2021 Kshs'000
Investments held at amortised cost						
Interest income on Government Securities	147,779	460,067	607,846	121,834	399,996	521,830
Interest income on Corporate Bonds	4,164	4,189	8,353	5,458	15,291	20,749
Interest income on Loans	-	2,173	2,173	-	2,818	2,818
Interest income on Bank deposits	28,116	111,614	139,730	35,734	114,697	150,431
	180,059	**578,043**	**758,102**	**163,026**	**532,802**	**695,828**
Investments at fair value through profit or loss						
Unrealized fair value (loss)/gain on equity investments	(1,664)	(3,598)	(5,262)	896	2,836	3,732
Dividend income from equity investments	875	1,659	2,534	646	1,455	2,101
Realised gain on sale of equity investments	-	-	-	2,094	3,272	5,366
Unrealized fair value gain on REITs	-	6,644	6,644	-	2,470	2,470
Dividend income from REITs	-	4,074	4,074	-	1,330	1,330
	(789)	**8,779**	**7,990**	**3,636**	**11,363**	**14,999**
Investment properties (Note 13)						
Fair value gain/(loss) on investment property	-	5,000	5,000	-	(30,954)	(30,954)
Rental income	-	73,062	73,062	-	66,302	66,302
	-	**78,062**	**78,062**	**-**	**35,348**	**35,348**
Other income						
Miscellaneous income	-	327	327	-	14	14
Total	**179,270**	**665,211**	**844,481**	**166,662**	**579,527**	**746,189**

5. GROSS CLAIMS INCURRED

	2022 Kshs'000	2021 Kshs'000
Long-term business		
Gross claims paid		
Ordinary Life	24,378	10,694
Group Life	1,213,722	738,870
Movement in reassurance contract liabilities:		
Ordinary Life	(8,732)	176
Group Life	(434,783)	557,090
	794,585	**1,306,830**
Short term business		
Gross claims paid and movement in contract liabilities		
Aviation	7,955	(5,005)
Engineering	159,703	82,103
Fire	855,588	745,322
Liability	982	8,109
Marine	157,350	96,048
Motor	159,281	172,799
Personal accident	25,427	19,427
Medical	531,934	563,900
Miscellaneous accident	46,257	153,256
	1,944,477	**1,835,959**
Long term	794,585	1,306,830
Short term	1,944,477	1,835,959
	2,739,062	**3,142,789**

6. OPERATING AND OTHER EXPENSES

The following are included in operating and other expenses:

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000
Employee benefits expense	33,209	171,555	204,764
Auditor's remuneration	278	4,238	4,516
Directors' fees	492	3,608	4,100
Depreciation of property and equipment (Note 11)	-	29,897	29,897
Provision for expected credit losses arising from investments	(570)	1,475	905
Net foreign exchange gains	(7,752)	(25,813)	(33,565)
Provision for expected credit losses arising from reinsurance receivables	787	14,522	15,309
Amortisation of intangible assets (Note 12)	-	32,766	32,766
Other expenses	23,281	239,959	263,240
Total	**49,725**	**472,207**	**521,932**

6. OPERATING AND OTHER EXPENSES (continued)

	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
Employee benefits expense	29,307	115,413	144,720
Auditor's remuneration	482	4,173	4,655
Directors' fees	598	5,182	5,780
Depreciation of property and equipment (Note 11)	-	32,997	32,997
Provision for expected credit losses arising from investments	236	326	562
Net foreign exchange (gains)/loss	(2,452)	(7,314)	(9,766)
Provision for expected credit losses arising from reinsurance receivables	1,118	(10,630)	(9,512)
Amortisation on intangible assets (Note 12)	-	33,580	33,580
Other expenses	19,714	160,684	180,398
Total	**49,003**	**334,411**	**383,414**

Employee benefit expense comprise the following:

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000
Salaries and wages	31,369	162,038	193,407
Retirement benefit cost	1,829	9,469	11,298
National social security benefit costs	11	48	59
	33,209	**171,555**	**204,764**

	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
Salaries and wages	26,915	105,649	132,564
Retirement benefit cost	2,381	9,717	12,098
National social security benefit costs	11	47	58
	29,307	**115,413**	**144,720**

7. INCOME TAX EXPENSE

The Company's current tax charge is computed in accordance with income tax rules applicable to Kenyan short-term and long-term insurance companies

a) Tax expense

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000
Current income tax	-	169,956	169,956
Deferred income charge/(credit)	130,704	(37,017)	93,687
Income tax expense	**130,704**	**132,939**	**263,643**

	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
Current income tax	-	129,783	129,783
Deferred income tax (credit)	(125,032)	(39,684)	(164,716)
Income tax (credit)/expense	**(125,032)**	**90,099**	**(34,933)**

b) Reconciliation of tax expense to expected tax based on accounting profit

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000
Profit before income tax	435,679	611,095	1,046,774
Tax at the applicable tax rate of 30% (2021: 30%)	130,704	183,329	314,033
Tax effect of:			
Income not subject to tax	-	(39,748)	(39,748)
Expenses not deductible for tax purposes	-	11,996	11,996
Ineligible depreciation	-	8,291	8,291
Prior year deferred tax over provision	-	(86,054)	(86,054)
Change in capital gains tax rate	-	55,125	55,125
Income tax expense	**130,704**	**132,939**	**263,643**

7. INCOME TAX EXPENSE (continued)

	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
Profit before income tax	(413,002)	515,457	102,455
Tax at the applicable tax rate of 30% (2020: 30%)	(123,901)	154,637	30,736
Tax effect of:			
Income not subject to tax	-	(27,340)	(27,340)
Expenses not deductible for tax purposes	-	3,611	3,611
Ineligible depreciation	-	8,827	8,827
Prior year deferred tax over provision	(1,131)	(49,636)	(50,767)
Income tax (credit)/expense	**(125,032)**	**90,099**	**(34,933)**

Key expenses not deductible for tax purposes include depreciation, bad debts written off and excess pension contribution while incomes not subject to tax include fair value gain on investment property, income from infrastructure bonds and fair value movement on REITs.

8. CURRENT INCOME TAX

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000
At 1 January	52,468	(16,356)	36,112
Tax expense for the year	-	(169,956)	(169,956)
At 31 December	(52,468)	40,477	(11,991)
Income tax paid	**-**	**(145,835)**	**(145,835)**

	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
At 1 January	52,468	(13,492)	38,976
Tax expense for the year	-	(129,783)	(129,783)
At 31 December	(52,468)	16,356	(36,112)
Income tax paid	**-**	**(126,919)**	**(126,919)**

9. EARNINGS PER SHARE AND DIVIDENDS

Earnings per share

Earnings per ordinary share of Kshs 1,000 each are calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares issued as follows:

At 31 December	2022	2021
Profit attributable to the shareholders (Kshs '000')	783,131	137,388
Weighted average number of shares ('000')	1,500	1,500
Kshs	**522.09**	**91.59**

There were no potentially dilutive shares outstanding as at 31 December 2022 and 31 December 2021. Diluted earnings per share is therefore the same as basic earnings per share.

Dividends

First and final dividend amounting to Kshs 100,000,000 with respect to 2021 was paid in the year. The directors recommend the payment of a first and final dividend of Kshs 200,000,000 (2021: Kshs 100,000,000) representing a dividend per share of Kshs 133.33 (2021: Kshs 66.67) subject to approval at the annual general meeting.

10. RESERVES

a) FAIR VALUE RESERVE

The fair value reserve represents the cumulative surplus or deficit arising from revaluation of investment based on the market values of the investments at the end of the reporting period. This reserve is not distributable.

b) REVALUATION RESERVE

The revaluation surplus is not distributable and represents the surplus arising from the revaluation of property and equipment, net of related deferred taxation.

c) GENERAL RESERVE

The general reserve represents the accumulated profit for the life business after transfer to shareholders and provision of deferred tax. Distribution of the fund is restricted by the Insurance Act.

d) RETAINED EARNINGS

Retained earnings represent accumulated profit retained by the Company after payment of dividends to the shareholders. The amount is available for distribution to shareholders.

11. PROPERTY AND EQUIPMENT

	2022			2021		
	Cost or valuation Kshs'000	Accumulated depreciation Kshs'000	Carrying value Kshs'000	Cost or valuation Kshs'000	Accumulated depreciation Kshs'000	Carrying value Kshs'000
Land	410,000	(53,059)	356,941	410,000	(27,333)	382,667
Buildings	33,612	(4,138)	29,474	29,755	(2,090)	27,665
Furniture and fixtures	17,419	(14,844)	2,575	17,258	(13,894)	3,364
Motor vehicles	6,078	(6,078)	-	6,078	(6,078)	-
Computers	13,460	(12,246)	1,214	12,342	(11,379)	963
Total	**480,569**	**(90,365)**	**390,204**	**475,433**	**(60,774)**	**414,659**

Reconciliation of property and equipment 2022

	Opening balance Kshs'000	Additions Kshs'000	Depreciation Kshs'000	Total Kshs'000
Land	382,667	-	(25,726)	356,941
Buildings	27,665	3,856	(2,047)	29,474
Furniture and fixtures	3,364	475	(1,264)	2,575
Computer Equipment	963	1,111	(860)	1,214
	414,659	**5,442**	**(29,897)**	**390,204**

Reconciliation of Property and Equipment 2021

	Opening balance Kshs'000	Additions Kshs'000	Depreciation Kshs'000	Total Kshs'000
Land	410,000	-	(27,333)	382,667
Buildings	30,000	(245)	(2,090)	27,665
Furniture and fixtures	4,575	-	(1,211)	3,364
Motor vehicles	1,472	-	(1,472)	-
Computer equipment	547	1,307	(891)	963
	446,594	**1,062**	**(32,997)**	**414,659**

The leasehold land and buildings were last revalued as at 31 December 2020 by Lloyd Masika Limited, independent valuers on the basis of open market value for existing use. The valuation which conforms to International Valuation Standards was determined by reference to open market values. The Company revalues its land and buildings every 3 years.

11. PROPERTY AND EQUIPMENT (continued)

The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets (land and buildings) or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 1 Kshs'000	Level 2 Kshs'000	Level 3 Kshs'000	Total Kshs'000
At 31 December 2022	-	386,415	-	386,415
At 31 December 2021	-	410,332	-	410,332

Using the cost model the carrying amount for Buildings at 31 December 2022 would be Kshs 46,031,000 (2022: Kshs 43,765,000).

Excess Depreciation

	Total 2022 Kshs'000	Total 2021 Kshs'000
Revaluation value 1 January	366,568	392,751
Revaluation value 31 December	(340,385)	(366,568)
Excess depreciation	26,183	26,183
Tax on excess depreciation at 30%	(7,854)	(7,855)
	18,329	**18,328**

12. INTANGIBLE ASSETS

	2022			2021		
	Cost Kshs'000	Accumulated amortisation Kshs'000	Carrying value Kshs'000	Cost Kshs'000	Accumulated amortisation Kshs'000	Carrying value Kshs'000
Computer software	136,047	(90,011)	46,036	118,310	(57,246)	61,064

Reconciliation of intangible assets 2022

	Opening balance Kshs'000	Additions Kshs'000	Amortisation Kshs'000	Total Kshs'000
Computer software	61,064	17,738	(32,766)	46,036

12. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets 2021

	Opening balance Kshs'000	Additions Kshs'000	Amortisation Kshs'000	Total Kshs'000
Computer software	3,049	91,595	(33,580)	61,064

13. INVESTMENT PROPERTIES

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000
At 1 January	-	730,000	730,000
Additions during the year	-	-	-
Fair value gain	-	5,000	5,000
At 31 December	**-**	**735,000**	**735,000**

	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
At 1 January	-	760,000	760,000
Additions during the year	-	954	954
Fair value loss	-	(30,954)	(30,954)
At 31 December	**-**	**730,000**	**730,000**

Investment properties are carried at fair value and were last revalued in December 2022, by Lloyd Masika, independent valuers, on investment basis. The resultant change in fair value has been accounted for in the statement of profit or loss and other comprehensive income.

The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets (investment properties) or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 1 Kshs'000	Level 2 Kshs'000	Level 3 Kshs'000	Total Kshs'000
At 31 December 2022	-	735,000	-	735,000
At 31 December 2021	-	730,000	-	730,000

13. INVESTMENT PROPERTIES (continued)

Valuation technique used to derive level 2 fair values

Level 2 fair value of investment property has been derived using the investment approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size.

Sensitivity analysis

The sensitivity analysis below is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and a change in some assumptions may be correlated.

Assumptions	% change	Fair Value Kshs'000	Change in Fair Value Kshs'000
Gross rental income	+5	803,000	68,000
Gross rental income	-5	667,000	(68,000)
Discount rate	+2	727,000	(8,000)
Discount rate	-2	743,000	8,000

(i) Amounts recognised in profit or loss for investment properties

	2022 Kshs'000	2021 Kshs'000
Rental income from operating leases	73,062	66,302
Fair value gain/(loss)	5,000	(30,954)
	78,062	**35,348**

(ii) Leasing arrangements

Minimum lease payments receivable on leases of investment properties are as follows:

	2022 Kshs'000	2021 Kshs'000
Within one year	73,209	73,203
Between one (1) and five (5) years	206,358	120,046
More than five (5) years	18,884	2,098
	298,451	**195,347**

14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Equity Investments

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000
At 1 January	13,736	25,484	39,220
Fair value losses	(1,665)	(3,598)	(5,263)
At 31 December	**12,071**	**21,886**	**33,957**

	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
At 1 January	17,040	34,256	51,296
Disposals	(4,200)	(11,608)	(15,808)
Fair value gains	896	2,836	3,732
At 31 December	**13,736**	**25,484**	**39,220**

(b) Real estate investment trusts (REITs)

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000
At 1 January	-	102,470	102,470
Additions	-	61,493	61,493
Fair value gain	-	6,644	6,644
At 31 December	**-**	**170,607**	**170,607**

	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
At 1 January	-	-	-
Additions	-	100,000	100,000
Fair value gains	-	2,470	2,470
At 31 December	**-**	**102,470**	**102,470**

15. MORTGAGE LOANS

(a) Mortgage loans

	2022 Kshs'000	2021 Kshs'000
At 1 January	36,822	41,853
Loans repayments	(7,254)	(5,031)
At 31 December	**29,568**	**36,822**

15. MORTGAGE LOANS – STAFF (continued)

	2022 Kshs'000	2021 Kshs'000
Maturity profile of mortgage loans:		
Loans maturing:		
1 to 5 years	10,813	4,475
Over 5 years	18,755	32,347
	29,568	**36,822**

This represents mortgage loans extended to members of staff. The loans are fully secured and are charged interest at the rate 5% p.a. (2021: 5% p.a.). The Company pays fringe benefit tax since the rate is below the prescribed rate.There were no impairment losses recorded against mortgage loans for the years ended 31 December 2022 and 31 December 2021.

Lending commitments:

There were no mortgage loans approved but not advanced at 31 December 2022 (2021: Nil).

16. RETROCESSIONAIRES' SHARE OF REINSURANCE LIABILITIES

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000
Retrocessionaires' share of:			
Unearned premiums	82,265	98,788	181,053
Reinsurance contract liabilities	69,609	390,597	460,206
	151,874	**489,385**	**641,259**

	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
Retrocessionaires' share of:			
Unearned premiums	93,884	52,632	146,516
Reinsurance contract liabilities	194,275	313,844	508,119
	288,159	**366,476**	**654,635**

Amounts due from retrocessionaires in respect of claims already paid by the Company on contracts that are reinsured are included in receivables arising out of reinsurance arrangements in the statement of financial position. Movements in the above retrocession assets are shown in Notes 22 and 23.

DEFERRED ACQUISITION COSTS

	Gross 2022 Kshs'000	Retro 2022 Kshs'000	Net 2022 Kshs'000	Gross 2021 Kshs'000	Retro 2021 Kshs'000	Net 2021 Kshs'000
Short term	447,752	29,475	418,277	379,595	15,518	364,077
Long term	74,810	22,543	52,267	106,306	15,739	90,567
At 31 December	**522,562**	**52,018**	**470,544**	**485,901**	**31,257**	**454,644**

17. OTHER RECEIVABLES

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000
Due from long-term to short-term (Note 24)	-	14,838	14,838
Due from related companies (Note 30)	39,221	129,050	168,271
Prepayments and other receivables	650	20,481	21,131
Car loans (staff)*	-	3,870	3,870
	39,871	**168,239**	**208,110**

	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
Due from long-term to short-term (Note 24)	-	-	-
Due from related companies (Note 30)	911	165,710	166,621
Prepayments and other receivables	36,440	28,410	64,850
Car (loans) staff*	-	7,181	7,181
	37,351	**201,301**	**238,652**

*These are car loans extended to members of staff. There were no impairment losses recorded against car loans in 2022 (2021: Nil). The car and staff benefits act as collateral for the loans extended.

18. CORPORATE BONDS AT AMORTISED COST

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000
Corporate bonds maturing:			
1 to 5 years	37,648	38,158	75,806
Provision for expected credit losses	(16)	(16)	(32)
	37,632	**38,142**	**75,774**

	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
Corporate bonds maturing:			
1 to 5 years	29,544	29,544	59,088
Provision for expected credit losses	(12)	(12)	(24)
	29,532	**29,532**	**59,064**

18. CORPORATE BONDS AT AMORTISED COST (continued)

Movement during the year

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
At 1 January	29,544	29,544	59,088	61,174	208,322	269,496
Additions	17,000	17,500	34,500	15,000	15,000	30,000
Maturities	(9,000)	(9,000)	(18,000)	(45,400)	(187,300)	(232,700)
Movement in accrued interest	104	114	218	(1,230)	(6,478)	(7,708)
	37,648	38,158	75,806	29,544	29,544	59,088
Provision for expected credit losses	(16)	(16)	(32)	(12)	(12)	(24)
At 31 December	**37,632**	**38,142**	**75,774**	**29,532**	**29,532**	**59,064**

Movement in expected credit losses

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
At 1 January	(12)	(12)	(24)	(24)	(83)	(107)
(Charge)/credit for the year	(4)	(4)	(8)	12	71	83
At 31 December	**(16)**	**(16)**	**(32)**	**(12)**	**(12)**	**(24)**

19. GOVERNMENT SECURITIES AT AMORTISED COST

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
Treasury bills maturing:						
Within 90 days	19,929	199,288	219,217	-	245,013	245,013
	19,929	**199,288**	**219,217**	**-**	**245,013**	**245,013**

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
Treasury bonds maturing:						
Within 90 days	-	48,249	48,249	40,644	223,940	264,584
In 1 to 5 years	604,875	1,188,471	1,793,346	524,201	888,480	1,412,681
Over 5 years	653,591	2,556,806	3,210,397	527,586	2,281,058	2,808,644
	1,258,466	3,793,526	5,051,992	1,092,431	3,393,478	4,485,909
Provision for expected credit losses	(1,278)	(3,993)	(5,271)	(1,092)	(3,635)	(4,727)
At 31 December	**1,277,117**	**3,988,821**	**5,265,938**	**1,091,339**	**3,634,856**	**4,726,195**

19. GOVERNMENT SECURITIES AT AMORTISED COST (continued)

Included above are Treasury bonds amounting to Kshs 755,000,000 (2021: Kshs 725,000,000) held under lien by the Central Bank of Kenya in compliance with the requirements of section 32 of the Insurance Act (CAP 487). These securities cannot be transferred or sold by the Company without the approval of the Commissioner of Insurance.

Movement during the year

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
At 1 January	1,092,431	3,638,491	4,730,922	1,006,960	3,053,911	4,060,871
Additions (Treasury bills)	20,000	200,000	220,000	-	250,000	250,000
Additions (Treasury bonds)	225,000	710,000	935,000	430,000	1,150,000	1,580,000
Maturities (Treasury bills)	-	(250,000)	(250,000)	-	(200,000)	(200,000)
Maturities and disposals (Treasury bonds)	(72,066)	(333,357)	(405,423)	(342,250)	(632,800)	(975,050)
Movement in accrued interest	8,705	18,767	27,472	(1,527)	9,601	8,074
Movement in unearned interest (Treasury bills)	(72)	4,275	4,203	-	9,703	9,703
Movement in unearned interest (Treasury bonds)	4,397	4,638	9,035	(752)	(1,924)	(2,676)
	1,278,395	3,992,814	5,271,209	1,092,431	3,638,491	4,730,922
Provision for expected credit losses	(1,278)	(3,993)	(5,271)	(1,092)	(3,635)	(4,727)
At 31 December	**1,277,117**	**3,988,821**	**5,265,938**	**1,091,339**	**3,634,856**	**4,726,195**

Movement in expected credit losses

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
At 1 January	(1,092)	(3,635)	(4,727)	(1,006)	(3,052)	(4,058)
Charge for the year	(186)	(358)	(544)	(86)	(583)	(669)
At 31 December	**(1,278)**	**(3,993)**	**(5,271)**	**(1,092)**	**(3,635)**	**(4,727)**

20. DEPOSITS WITH FINANCIAL INSTITUTIONS AT AMORTISED COST

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000
Deposits maturing:			
Within 90 days	67,087	480,207	547,294
In 91 days to 1 year	224,967	1,138,549	1,363,516
	292,054	1,618,556	2,183,810
Provision for expected credit losses	(1,716)	(10,085)	(11,801)
	290,338	**1,608,671**	**1,899,009**

20. DEPOSITS WITH FINANCIAL INSTITUTIONS AT AMORTISED COST (continued)

	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
Deposits maturing:			
Within 90 days	289,504	877,838	1,167,342
In 91 days to 1 year	102,201	454,284	556,485
	391,705	1,332,622	1,723,827
Provision for expected credit losses	(1,962)	(8,444)	(10,406)
	389,743	**1,323,678**	**1,713,421**

Movement during the year

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
At 1 January	391,705	1,332,122	1,723,827	454,811	1,655,491	2,110,302
Additions	580,982	3,145,878	3,726,860	596,200	1,963,971	2,560,171
Disposals	(672,560)	(2,851,693)	(3,524,253)	(654,031)	(2,254,986)	(2,909,017)
Movement in accrued interest	(8,073)	(7,552)	(15,625)	(5,275)	(32,354)	(37,629)
	292,054	1,618,755	1,910,809	391,705	1,332,122	1,723,827
Provision for expected credit losses	(1,716)	(10,085)	(11,801)	(1,962)	(8,444)	(10,406)
At 31 December	**290,338**	**1,608,670**	**1,899,008**	**389,743**	**1,323,678**	**1,713,421**

Movement in expected credit losses

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
At 1 January	(1,962)	(8,444)	(10,406)	(2,401)	(9,365)	(11,766)
Credit/(charge) for the year	246	(1,641)	(1,395)	439	921	1,360
At 31 December	(1,716)	(10,085)	(11,801)	(1,962)	(8,444)	(10,406)

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

	2022	2021
Investment types		
Government securities	11.71 %	11.51 %
Corporate bonds	12.25 %	12.25 %
Deposits with financial institutions (Kshs)	9.93 %	7.66 %
Deposits with financial institutions (USD)	3.24 %	2.37 %
Mortgage loans	5.00 %	5.00 %

21 SHARE CAPITAL

	Number of ordinary shares	Long term business Kshs'000	Short term business Kshs'000	Total Kshs'000
Balance at 1 January 2021, 1 January 2022 and 31 December 2022	1,500,000	500,000	1,000,000	1,500,000

The total authorised number of ordinary shares is 1,500,000 with a par value of Kshs 1,000. All issued shares are fully paid. All ordinary shares rank equally with regards to the Company's residual assets.

The rights of the shareholders' are as below:

- Right to vote at the Annual General Meeting (AGM);
- Right to attend or be represented by a proxy at the AGM;
- Right to receive dividends when declared and approved at the AGM;
- Right to receive information regarding the Company's performance and strategic direction.

22. PROVISION FOR UNEARNED PREMIUMS

The provision represents the liability for contracts where the Company's obligations are not expired at the year end. The Company uses the 8ths method to compute UPR in respect of the proportional business and 365ths method in respect of the facultative and non-proportional business. Movement in the reserves is shown below:

	Gross 2022 Kshs'000	Retro 2022 Kshs'000	Net 2022 Kshs'000	Gross 2021 Kshs'000	Retro 2021 Kshs'000	Net 2021 Kshs'000
Long term						
At 1 January	446,279	93,884	352,395	443,985	103,936	340,049
(Decrease)/increase in the year	(139,213)	(11,619)	(127,594)	2,294	(10,052)	12,346
At 31 December	**307,066**	**82,265**	**224,801**	**446,279**	**93,884**	**352,395**

	Gross 2022 Kshs'000	Retro 2022 Kshs'000	Net 2022 Kshs'000	Gross 2021 Kshs'000	Retro 2021 Kshs'000	Net 2021 Kshs'000
Short term						
At 1 January	1,278,072	52,632	1,225,440	1,172,617	43,528	1,129,089
Increase in the year	279,408	46,156	233,252	105,455	9,104	96,351
At 31 December	**1,557,480**	**98,788**	**1,458,692**	**1,278,072**	**52,632**	**1,225,440**

23. REINSURANCE OR REASSURANCE CONTRACT LIABILITIES

	2022 Kshs'000	2021 Kshs'000
(a) Long term		
Gross claims reported, claim handling expense provision and incurred but not reported claims (IBNR)	334,290	902,472
	334,290	**902,472**
(b) Short-term		
Gross claims reported, claim handling expense provision and incurred but not reported claims (IBNR	1,889,939	1,715,468
	1,889,939	**1,715,468**
	2,224,229	**2,617,940**

The tables below illustrate how the Company's estimates of total reinsurance contract liabilities for each underwriting year has changed at successive year ends.

	2020 Kshs'000	2021 Kshs'000	2022 Kshs'000	Total Kshs'000
Long term				
Accident year	437,156	726,810	277,754	1,441,720
One year later	1,012,647	782,603	-	1,795,250
Two years later	969,758	-	-	969,758
Current estimate of cumulative claims	**969,758**	**782,603**	**277,754**	**2,030,115**
Cumulative payments to date	899,416	646,722	157,918	1,704,056
IBNR reserve	70,342	135,881	119,835	326,058
Reserve in respect to prior years				8,230
Total gross liability				334,290
Retrocessionaires' share of reinsurance liabilities				(69,609)
Total net liability				**264,681**

23. REINSURANCE OR REASSURANCE CONTRACT LIABILITIES (continued)

	2017 Kshs'000	2018 Kshs'000	2019 Kshs'000	2020 Kshs'000	2021 Kshs'000	2022 Kshs'000	Total Kshs'000
Short term							
Accident Year	971,273	873,579	1,055,731	887,874	916,112	1,198,053	5,902,622
One year later	1,661,865	1,741,409	1,753,560	1,497,072	1,600,158	-	8,254,064
Two years later	1,651,264	1,754,934	1,739,339	1,574,358	-	-	6,719,895
Three years later	1,632,223	1,813,758	1,740,347	-	-	-	5,186,328
Four years later	1,651,454	1,805,977	-	-	-	-	3,457,431
Five years later	1,644,174	-	-	-	-	-	1,644,174
Current estimate of cumulative claims	**1,644,174**	**1,805,977**	**1,740,347**	**1,574,358**	**1,600,158**	**1,198,053**	**9,563,067**
Cumulative payments to date	1,598,123	1,724,439	1,605,789	1,378,143	1,214,536	561,562	8,082,592
IBNR reserve	46,051	81,538	134,558	196,214	385,622	636,491	1,480,474
Reserve in respect to prior years							409,465
Gross reinsurance liability							1,889,939
Retrocessionaires' share of reinsurance liabilities							(390,597)
Net reinsurance liability							**1,499,342**

A) Short-term reinsurance contracts

The outstanding claims reserve for the short-tern business consists of an Incurred but Not Reported (IBNR) reserve, a reserve for large losses and an unallocated loss adjustment expenses (ULAE) reserve.

The Company's external actuaries use a combination of chain-ladder, expected loss ratio and Bornhuetter Ferguson techniques to estimate the IBNR reserve for attritional claims. Chain ladder techniques are used for mature underwriting years that have a relatively stable development pattern while expected loss ratio and Bornhuetter Ferguson techniques are used for recent underwriting years. Development factors and loss ratios assumptions, based on historical claims development factors, are selected and applied to cumulative claims data for each underwriting year that is not fully developed to produce an estimated ultimate claims cost for each underwriting year. The IBNR reserve is the difference between the ultimate cost of claims and the cumulative claims paid to the reserving date.

The ULAE reserve is determined at a class of business level by applying class-wise expenses assumptions to determine the expenses that would be incurred to run off claims liabilities. The large losses reserve is an explicit reserve held in respect of outstanding claims that are expected to exceed the Company's retention.

B) Long-term reassurance contracts

a) Valuation methodology

The Company underwrites three types of long-term reassurance contracts, namely ordinary life, supplementary benefits under ordinary life and group life business. Ordinary life business is written on a 'risk premium' basis. This type of business can thus be viewed as a series of one year renewable term assurances reinsured on guaranteed risk premium rates on a specific cohort of business and hence valued as such. Supplementary benefits under ordinary life business are written on a similar basis as ordinary life business. Group life business is also written on a 'risk premium' basis but with less guarantees as the risk premium rates used at each policy anniversary date can change.

23. REINSURANCE OR REASSURANCE CONTRACT LIABILITIES (continued)

a) Valuation methodology (continued)

The Company's life business is predominantly short-term group life business and short-term valuation methodologies are used, in line with the Insurance Act. The Company's external actuaries use a combination of chain-ladder, expected loss ratio and Bornhuetter Ferguson techniques to estimate the IBNR reserve for attritional claims. Chain ladder techniques are used for mature underwriting years that have a relatively stable development pattern while expected loss ratio and Bornhuetter Ferguson techniques are used for recent underwriting years. Development factors and loss ratios assumptions, based on historical claims development factors, are selected and applied to cumulative claims data for each underwriting year that is not fully developed to produce an estimated ultimate claims cost for each underwriting year. The IBNR reserve is the difference between the ultimate cost of claims and the cumulative claims paid to the reserving date.

b) Valuation assumptions

The significant valuation assumptions for the actuarial valuation as at 31 December 2022 are summarized below. The same assumptions were used in 2021.

i) Loss ratio assumptions

The loss ratio assumption in respect of recent underwriting years is based on historical ultimate loss ratios. The group life business is renewable annually and premium rates are adjusted appropriately, with no mortality guarantees.

ii) Investments returns

The rate of return achieved over the year to the valuation date, calculated using the method set out in the Insurance Regulations of the Insurance Act is 12.50% per annum.

iii) Expenses and expense inflation

The current level of management expenses is taken to be an appropriate expense base. The actuarial method used does not make explicit assumptions on the level of expenses and expense inflation.

c) Sensitivity analysis

Reinsurance contract liabilities are determined at best estimate. A sensitivity analysis was done to determine how the insurance contract liabilities balance would change when the ultimate loss ratio (ULR) per class of business was increased and reduced by 5%. The underwriting profit under each scenario is also shown. The effects of these changes are as follows:

Short-term	Reinsurance contract liabilities Kshs' 000	Impact on profit before tax Kshs' 000
Best estimate reinsurance contract liabilities (net)	1,499,341	-
Net reserve after 5% increase in ULR	1,561,022	(61,680)
Net reserve after 5% decrease in ULR	1,437,663	61,680

Long-term	Reassurance contract liabilities Kshs' 000	Impact on profit before tax Kshs 000
Best estimate reinsurance contract liabilities (net)	264,681	-
Net reserve after 5% increase in ULR	277,018	(12,337)
Net reserve after 5% decrease in ULR	252,343	12,337

Reinsurance contract liabilities (net) represent the gross reinsurance/reassurance contract liabilities as per Note 23 net of retrocessionaires' share of reinsurance liabilities as per Note 16.

24. OTHER PAYABLES

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000
Due to related parties (Note 30)	2,069	64,511	66,580
Accrued expenses and other liabilities	2,329	434,649	436,978
Due to short-term business from long-term (Note 17)	14,838	-	14,838
	19,236	**499,160**	**518,396**

	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
Due to related parties (Note 30)	-	71,538	71,538
Accrued expenses and other liabilities	-	437,089	437,089
	-	**508,627**	**508,627**

25. DEFERRED TAX

Deferred income tax is calculated using the enacted tax rate of 30% except for capital gains, for which the enacted tax rate of 15% is used (2021: 30% and 5%).The movement on the deferred income tax account is as follows:

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000
At 1 January	145,416	74,091	219,507
*Prior year deferred tax over provision	-	(86,054)	(86,054)
Charge/(credit) to profit or loss	130,704	49,037	179,741
	276,120	**37,074**	**313,194**

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000
Deferred income tax liability			
Deferred tax on land and buildings	-	55,125	55,125
Unrealised exchange gains	-	5,978	5,978
Life surplus	276,120	-	276,120
	276,120	**61,103**	**337,223**
Deferred income tax asset			
Provisions	-	(15,281)	(15,281)
Excess depreciation over capital allowance	-	(8,748)	(8,748)
	-	**(24,029)**	**(24,029)**
Net deferred tax liability	**276,120**	**37,074**	**313,194**

25. DEFERRED TAX (continued)

	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
At 1 January	270,448	113,775	384,223
*Prior year deferred tax over provision	(1,131)	(49,636)	(50,767)
Credit/(charge) to profit or loss	(123,901)	9,952	(113,949)
	145,416	**74,091**	**219,507**

	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
Deferred income tax liability			
Unrealised exchange gains	-	1,201	1,201
Life surplus	146,547	-	146,547
*Prior year over provision of deferred tax liability	-	135,690	135,690
*Release of prior year over provision of deferred tax liability	(1,131)	(49,636)	(50,767)
	145,416	**87,255**	**232,671**
Deferred income tax asset			
Provisions	-	(7,423)	(7,423)
Excess depreciation over capital allowance	-	(5,741)	(5,741)
	-	**(13,164)**	**(13,164)**
Net deferred tax liability	**145,416**	**74,091**	**219,507**

*Relates mainly to the effect of computation of deferred tax on capital appreciation of land and buildings at the corporate income tax rate of 30% instead of the applicable capital gains tax rate of 5% in prior years. The amount released of KShs 49,636,000 in 2021 relates to temporary differences other than the valuation of land and buildings.

26. CASH AND BANK BALANCES

	Long term business Kshs'000	Short term business Kshs'000	Total 2022 Kshs'000
Cash and Bank Balances consist of:			
Cash and Bank Balances	47,399	256,019	303,418
Less: Provision for expected credit losses	(460)	(1,730)	(2,190)
	46,939	**254,289**	**301,228**
Cash and Cash Equivalents consist of:			
Cash and Bank balances	47,399	256,019	303,418
Treasury bills and bonds maturing within 90 days (Note 19)	19,929	247,537	267,466
Deposits with financial institutions maturing within 90 days (Note 20)	67,087	480,207	547,294
	134,415	**983,763**	**1,118,178**

26. CASH AND BANK BALANCES (continued)

	Long term business Kshs'000	Short term business Kshs'000	Total 2021 Kshs'000
Cash and Bank Balances consist of:			
Cash and Bank balances	142,874	361,463	504,337
Less: Provision for expected credit losses	(900)	(2,334)	(3,234)
	141,974	**359,129**	**501,103**
Cash and Cash Equivalents consist of:			
Cash and Bank balances	142,874	361,463	504,337
Treasury bills and bonds maturing within 90 days (Note 19)	-	245,013	245,013
Deposits with financial institutions maturing within 90 days (Note 20)	289,504	877,838	1,167,342
	432,378	**1,484,314**	**1,916,692**

27. CASH GENERATED FROM OPERATIONS

	2022 Kshs'000	2021 Kshs'000
Profit before income tax	1,046,774	102,455
Adjustments for:		
Depreciation on property and equipment (Note 11)	29,897	32,997
Gain on disposal of equipment	(24)	-
Change in fair value of equity investments (Note 14)	5,263	(3,732)
Changes in fair value of investment property (Note 13)	(5,000)	30,954
Change in reinsurance and reassurance contract liabilities	(393,711)	816,743
Change in unearned premium reserves and deferred acquisition costs	160,957	103,529
Change in reinsurance and other payables	(182,997)	258,201
Change in reinsurance and other receivables	178,114	(685,803)
Investment income	(838,098)	(770,941)
Amortisation of intangible assets (Note 12)	32,766	33,580
Loss on impairment of financial assets (excluding trade receivables)	905	563
Change in fair value of REITs (Note 14)	(6,644)	(2,470)
	28,202	**(83,924)**

28. CAPITAL COMMITMENTS

Authorised capital expenditure

	2022 Kshs'000	2021 Kshs'000
Approved capital expenditure	10,200	34,800

The above relates to capital expenditure authorised but not contracted for at the end of the year. It has not been recognised in the financial statements.

29. CONTINGENT LIABILITIES

In 2020 and 2021, the Kenya Revenue Authority (KRA) audited the Company's corporate income tax records and issued an assessment. The Company objected to the assessment, and the matter was heard at the Tax Appeals Tribunal in 2022. As at the date of this report, this matter is pending determination at the Tax Appeals Tribunal. The Company, in conjunction with its tax advisors, continues to engage KRA on resolving this matter.

Having sought the advice of the Company's tax advisors, the Directors are of the opinion that the possibility of an outflow of resources on the above-mentioned contingency is remote and will not have a material effect on the financial position or performance of the Company.

The Company is also subject to insurance solvency regulations and has complied with the solvency regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

30. RELATED PARTIES

The Company is controlled by First Chartered Securities Limited, a company incorporated and domiciled in Kenya, which is the immediate parent company. The ultimate holding company is Asset Managers Limited. There are several other companies, which are related to East Africa Reinsurance Company Limited through common shareholdings or common directorships. In the normal course of business, reinsurance policies are sold to related parties. Transactions with related parties during the year and related outstanding balances are disclosed below:

	2022 Kshs'000	2021 Kshs'000
a) Transactions with related parties during the year		
Net earned premiums	1,425,139	1,385,333
Net claims incurred	816,614	1,080,175
Interest earned on bank deposits	34,647	50,847
Total	**2,276,400**	**2,516,355**
b) Reinsurance balances with related parties		
(i) Reinsurance balances with related parties (Note 17)		
ICEA Lion Holdings Limited and subsidiaries	74,524	84,704
GA Insurance Limited and subsidiaries	40,217	51,002
Kenindia Assurance Limited	25,530	16,344
Apollo Investments and subsidiaries	28,000	14,571
Total	**168,271**	**166,621**

30. RELATED PARTIES (continued)

	2022 Kshs'000	2021 Kshs'000
(ii) Payable balances (Note 24)		
ICEA Lion Holdings Limited and subsidiaries	10,577	4,026
Kenindia Assurance Limited	15,483	34,472
GA Insurance Limited and subsidiaries	28,039	21,050
Apollo Investments and subsidiaries	12,481	11,990
Total	**66,580**	**71,538**
c) Investments balances with related parties		
Mortgages, fixed deposits and bank balances		
Fixed deposits with NCBA Bank	542,689	499,241
Bank balance with NCBA Bank	295,969	502,646
Mortgages (staff)	29,568	36,822
	868,226	**1,038,709**

Mortgage loan balances and movements thereon are in respect of loans extended to the Company's officers at terms prescribed in the Company policy. Additional details on the terms of the mortgage loans are disclosed under Note 15.

d) Loans to directors of the Company

The Company did not advance loans to its directors in 2022 (2021: Nil).

e) Directors' fees	2022 Kshs'000	2021 Kshs'000
Directors' emoluments	**4,100**	**5,780**
f) Key management personnel remuneration		
Salaries	82,727	86,289
National social security benefit cost	8	9
Retirement benefit costs	6,301	6,642
Other benefits	1,778	1,930
	90,814	**94,870**

31. EVENTS SUBSEQUENT TO YEAR END

There were no material subsequent events after the reporting date requiring disclosure in these financial statements as at the date of the financial statements approval.

LONG-TERM BUSINESS REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

	Ordinary Life business Kshs'000	Group Life business Kshs'000	Total 2022 Kshs'000
Gross written premiums	70,628	750,383	821,011
Change in gross UPR	11,974	127,238	139,212
Gross earned premiums	**82,602**	**877,621**	**960,223**
Retrocession premiums	(19,216)	(206,301)	(225,517)
Change in retro UPR	(990)	(10,629)	(11,619)
Net earned premiums	**62,396**	**660,691**	**723,087**
Investment income	15,464	163,806	179,270
Acquisition costs recoverable from retrocessionaires	4,439	47,158	51,597
Net Income	**82,299**	**871,655**	**953,954**
Gross Claims	24,378	1,213,723	1,238,101
Recoveries	-	(563,358)	(563,358)
Change in long-term liabilities	(8,733)	(434,783)	(443,516)
Net claims payable and treaty benefits payable	**15,645**	**215,582**	**231,227**
Operating and other expenses	4,290	45,435	49,725
Acquisition costs	20,312	217,011	237,323
Total expenses	**40,247**	**478,028**	**518,275**
Profit before tax	**42,052**	**393,627**	**435,679**
Income tax expense	(11,243)	(119,461)	(130,704)
Profit after tax	**30,809**	**274,166**	**304,975**

The supplementary information presented does not form part of the financial statements and is unaudited.

LONG TERM BUSINESS REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021

	Ordinary Life business Kshs'000	Group Life business Kshs'000	Total 2021 Kshs'000
Gross written premium	27,956	1,140,697	1,168,653
Change in gross UPR	(115)	(2,179)	(2,294)
Gross earned premiums	**27,841**	**1,138,518**	**1,166,359**
Retrocession premiums	(4,869)	(247,588)	(252,457)
Change in retro UPR	(844)	(9,208)	(10,052)
Net earned premiums	**22,128**	**881,722**	**903,850**
Investment income	7,350	159,312	166,662
Acquisition costs recoverable from retrocessionaires	1,873	34,097	35,970
Net Income	**31,351**	**1,075,131**	**1,106,482**
Gross claims	10,695	738,869	749,564
Recoveries	(5,856)	(113,196)	(119,052)
Change in long-term liabilities	176	557,090	557,266
Net claims and treaty benefits payable	**5,015**	**1,182,763**	**1,187,778**
Operating and other expenses	7,162	41,841	49,003
Acquisition costs	6,187	276,516	282,703
Total expenses	**18,364**	**1,501,120**	**1,519,484**
Profit before tax	**12,987**	**(425,989)**	**(413,002)**
Income tax expense	2,964	122,068	125,032
Profit after tax	**15,951**	**(303,921)**	**(287,970)**

The supplementary information presented does not form part of the financial statements and is unaudited.

SUPPLEMENTARY INFORMATION

SHORT-TERM BUSINESS REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

Class of Reinsurance Business	Aviation Kshs'000	Engineering Kshs'000	Fire Kshs'000	Liability Kshs'000	Marine Kshs'000	Motor Kshs'000	Personal Accident Kshs'000	Medical Kshs'000	Miscellaneous Accident Kshs'000	2022 Total Kshs'000
Gross written premiums	**333**	**351,082**	**1,732,187**	**21,299**	**209,401**	**206,721**	**94,534**	**697,207**	**391,984**	**3,704,748**
Change in gross UPR	(3,097)	41,181	183,426	2,922	5,718	(590)	6,149	66,283	(22,583)	279,409
Gross earned premiums	**3,430**	**309,901**	**1,548,761**	**18,377**	**203,683**	**207,311**	**88,385**	**630,924**	**414,567**	**3,425,339**
Retrocession premiums	3	96,920	108,940	187	15,157	1,817	831	6,129	59,455	289,439
Change in retro UPR	-	-	(10,190)	-	-	-	-	-	56,345	46,155
Net earned premiums	**3,427**	**212,981**	**1,429,631**	**18,190**	**188,526**	**205,494**	**87,554**	**624,795**	**411,457**	**3,182,055**
Gross claims paid	7,944	122,235	687,069	373	148,166	172,732	19,732	519,160	92,595	1,770,006
Changes in gross outstanding claims	11	37,468	168,519	609	9,184	(13,450)	5,694	12,773	(46,339)	174,469
Retrocession claims	-	491	1,091	-	-	-	-	-	4,323	5,905
Change in Retro outstanding claims	-	-	76,754	-	-	-	-	-	-	76,754
Net claims incurred	**7,955**	**159,212**	**777,743**	**982**	**157,350**	**159,282**	**25,426**	**531,933**	**41,933**	**1,861,816**
Acquisition costs recoverable from retrocessionaires	-	25,946	2,572	-	-	-	-	-	750	29,268
Acquisition costs	714	87,335	477,887	4,269	59,155	19,267	28,547	134,758	119,508	931,440
Technical profit/(loss)	**(5,242)**	**(7,620)**	**176,573**	**12,939**	**(27,979)**	**26,945**	**33,581**	**(41,896)**	**250,766**	**418,067**
Total expenses	383	30,956	145,086	1,983	20,744	18,501	11,491	79,042	55,791	363,977
Total expenses & net acquisition costs	**1,097**	**92,345**	**620,401**	**6,252**	**79,899**	**37,768**	**40,038**	**213,800**	**174,549**	**1,266,149**
Underwriting profit/(loss)	**(5,625)**	**(38,576)**	**31,487**	**10,956**	**(48,723)**	**8,444**	**22,090**	**(120,938)**	**194,975**	**54,090**
Net loss ratio	232.1 %	74.8 %	54.4 %	5.4 %	83.5 %	77.5 %	29.0 %	85.1 %	10.2 %	58.5 %
Net risk acquisition ratio	214.4 %	32.3 %	27.7 %	20.0 %	28.2 %	9.3 %	30.2 %	19.3 %	30.7 %	25.9 %
Total expense ratio	329.4 %	26.3 %	35.8 %	29.4 %	38.2 %	18.3 %	42.4 %	30.7 %	44.5 %	34.2 %

The supplementary information presented does not form part of the financial statements and is unaudited.

SUPPLEMENTARY INFORMATION

SHORT-TERM BUSINESS REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021

Class of Reinsurance Business	Aviation Kshs'000	Engineering Kshs'000	Fire Kshs'000	Liability Kshs'000	Marine Kshs'000	Motor Kshs'000	Personal Accident Kshs'000	Medical Kshs'000	Miscellaneous Accident Kshs'000	2021 Total Kshs'000
Gross written premium	**(6,726)**	**235,446**	**1,265,630**	**15,131**	**246,257**	**243,250**	**78,305**	**674,636**	**403,905**	**3,155,834**
Change in gross UPR	(12,533)	(7,120)	31,341	(2,468)	31,348	(4,362)	14,185	21,345	33,719	105,455
Gross earned premiums	**5,807**	**242,566**	**1,234,289**	**17,599**	**214,909**	**247,612**	**64,120**	**653,291**	**370,186**	**3,050,379**
Retrocession premiums	(43)	19,040	126,104	96	12,620	1,869	496	4,274	57,656	222,112
Change in retro UPR	-	(2,398)	7,661	-	-	-	-	-	3,839	9,102
Net earned premiums	**5,850**	**221,128**	**1,115,846**	**17,503**	**202,289**	**245,743**	**63,624**	**649,017**	**316,369**	**2,837,369**
Gross claims paid	2,408	105,508	705,072	8,793	99,891	200,215	16,405	475,022	132,058	1,745,372
Changes in gross outstanding claims	(7,413)	(23,021)	40,914	(681)	11,726	(29,913)	3,030	68,166	27,779	90,587
Retrocession claims	-	-	(3)	-	-	-	-	-	(1)	(4)
Change in Retro outstanding claims	-	-	104,348	-	-	-	-	-	-	104,348
Net claims incurred	**(5,005)**	**82,487**	**641,641**	**8,112**	**111,617**	**170,302**	**19,435**	**543,188**	**159,838**	**1,731,615**
Acquisition costs recoverable from retrocessionaires	-	867	9,168	-	-	26	-	-	15,096	25,157
Acquisition costs	1,618	73,256	407,813	3,189	62,146	24,033	27,152	141,493	119,871	860,571
Technical profit/(loss)	**9,237**	**66,252**	**75,560**	**6,202**	**28,526**	**51,434**	**17,037**	**(35,664)**	**51,756**	**270,340**
Total expenses	8,390	57,451	66,401	5,505	23,102	47,724	19,683	(35,168)	51,408	244,496
Total expenses & net acquisition costs	**10,008**	**129,840**	**465,046**	**8,694**	**85,248**	**71,731**	**46,835**	**106,325**	**156,183**	**1,079,910**
Underwriting profit/(loss)	**847**	**8,801**	**9,159**	**697**	**5,424**	**3,710**	**(2,646)**	**(496)**	**348**	**25,844**
Net loss ratio	(85.6)%	37.3 %	57.5 %	46.3 %	55.2 %	69.3 %	30.5 %	83.7 %	50.5 %	61.0 %
Net risk acquisition ratio	(24.1)%	31.5 %	32.9 %	21.1 %	25.2 %	9.9 %	34.7 %	21.0 %	33.4 %	28.1 %
Total expense ratio	(148.8)%	55.1 %	36.7 %	57.5 %	34.6 %	29.5 %	59.8 %	15.8 %	38.7 %	34.2 %

The supplementary information presented does not form part of the financial statements and is unaudited.

NOTES

PROXY FORM
EAST AFRICA REINSURANCE COMPANY LIMITED

We (name in full) ______________________________

of (address) ______________________________

being members of East Africa Reinsurance Company Limited, hereby appoint ______________________________

____

of (address) ______________________________

and e-mail address______________________________

and failing him/her ______________________________

of (address) ______________________________

as our proxy to vote for us on our behalf at the Thirtieth Annual General Meeting of the Company to be held on Tuesday, 9 May 2023, at twelve noon and at any adjournment thereof.

Signed this ________________ day of ________________ 2023

Signature(s) ______________________________

If a member however wishes to indicate their vote prior to the Annual General Meeting, please tick in the appropriate box:

Ordinary Business		For	Against
1	To adopt the financial statements for the year ended 31 December 2022 and the Chairman's, Directors', Actuary's and Auditors' reports thereon.	☐	☐
2	To approve the payment of a dividend.	☐	☐
3	To re-elect Directors.	☐	☐
4	To ratify the appointment directors.	☐	☐
5	To approve the remuneration of the Directors.	☐	☐
6	To reappointment of KPMG as the Company's auditors.	☐	☐
7	To authorize the Directors to fix their remuneration.	☐	☐

IMPORTANT NOTES

1. *This proxy form must be under the hand of a director or Attorney duly authorized in writing in that behalf and properly attested or witnessed, as each of the members of the company is a corporate member.*
2. *A person appointed to act as proxy need not be a member of the company.*
3. *This proxy shall be deemed to confer authority to demand a poll.*
4. *To be valid, proxy forms should be completed and returned to the Company Secretary, East Africa Reinsurance Company Limited, P.O. Box 20196, 00200 City Square, Nairobi to reach him not later than forty-eight hours before the time appointed for holding the Meeting or adjourned Meeting and in default, the instrument of the proxy shall not be treated as valid, and no proxy form shall be valid twelve months from the date of its execution. An advance copy of the proxy should be e-mailed to the Company Secretary (kennedy.ontiti@fcs.co.ke)*

OUR PEOPLE

EAST AFRICA
REINSURANCE
COMPANY
LIMITED

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