EAST AFRICA REINSURANCE
COMPANY LIMITED

# ANNUAL REPORT AND FINANCIAL STATEMENTS

# 2023

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

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# ABBREVIATIONS

| | |
|---|---|
| **ARC** | Asset for Remaining Coverage |
| **CAR** | Capital Adequacy Ratio |
| **CSM** | Contractual Service Margin |
| **ESG** | Environmental, Social and Governance |
| **ECL** | Expected Credit Losses |
| **FVTPL** | Fair Value Through Profit or Loss |
| **FVOCI** | Fair Value Through Other Comprehensive Income |
| **IASB** | International Accounting Standards Board |
| **IFRS** | International Financial Reporting Standards |
| **LC** | Loss Component |
| **LGD** | Loss Given Default |
| **LIC** | Liability for Incurred Claims |
| **LRC** | Liability for Remaining Coverage |
| **PAA** | Premium Allocation Approach |
| **PD** | Probability of Default |
| **PV** | Present Value |
| **PVFCF** | Present Value of Future Cashflows |
| **RA** | Risk Adjustment |
| **REITs** | Real Estate Investment Trusts |
| **RLRC** | Reinsurance Loss Recovery Component |

## 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

**COMPANY 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
M.P. Chandaria (Dr.)* (Alt. M. Jha**) (Resigned on 27 November 2023 and 30 April 2023 respectively)
J.P.M. Ndegwa (Alt. A.S.M. Ndegwa)
P.K. Maina
D.G.M. Hutchison*
J.K. Kimeu
S.N. Adamali
P.K. Mugambi
D. Srivastava** (Resigned on 30 September 2023)
* 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**
Zamara Place, Ground Floor,
Chiromo Road
P.O. Box 52439 - 00200 City Square
Nairobi, Kenya

**PRINCIPAL BANKER**

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

## BOARD OF DIRECTORS

**A.K. Wainaina**
Chairman

**J.P.M. Ndegwa**
Director

**D.G.M. Hutchison**
Director

**P.K. Maina**
CEO

**P.K. Mugambi**
Director

**S.N. Adamali**
Director

**J.K. Kimeu**
Director

**A.S.M Ndegwa**
Alternate Director

**K.M. Ontiti**
Company Secretary

**P. Maina**
Chief Executive Officer

**C. Ogaye**
Head of Technical Business

**P. Mumbe**
Chief Finance Officer

**D. Wilson**
Country Manager
& Principal Officer
East Africa Re Tanzania

**B. Njoroge**
HR & Admin Manager

**D. Kaniaru**
Risk Consultant

**B. Chirchir**
IT Manager

# THREE YEARS' FINANCIAL HIGHLIGHTS
## COMBINED BUSINESS

| | 2021 Restated | 2022 Restated | 2023 |
|---|---|---|---|
| Insurance revenue | 4,217 | 4,386 | 5,191 |
| Insurance service expenses | 4,747 | 4,177 | 4,541 |
| Insurance service result | (523) | 348 | 312 |
| Investment income | 746 | 844 | 926 |
| Profit Before Tax | 173 | 1,054 | 1,267 |
| Profit After Tax | 208 | 789 | 891 |
| Dividend | 100 | 200 | 200 |
| Shareholders' Funds | 5,458 | 6,147 | 6,893 |
| Share Capital | 1,500 | 1,500 | 1,500 |
| Total Assets | 10,129 | 10,522 | 11,703 |

**Ratios**

| | 2021 Restated | 2022 Restated | 2023 |
|---|---|---|---|
| Claims Loss Ratio | 74% | 51% | 52% |
| Earnings Per Share (Shs) | 139 | 526 | 594 |
| Dividend Cover | 2 | 4 | 4 |
| Return on Equity Before Tax | 3% | 18% | 19% |
| Return on Equity After Tax | 4% | 13% | 13% |

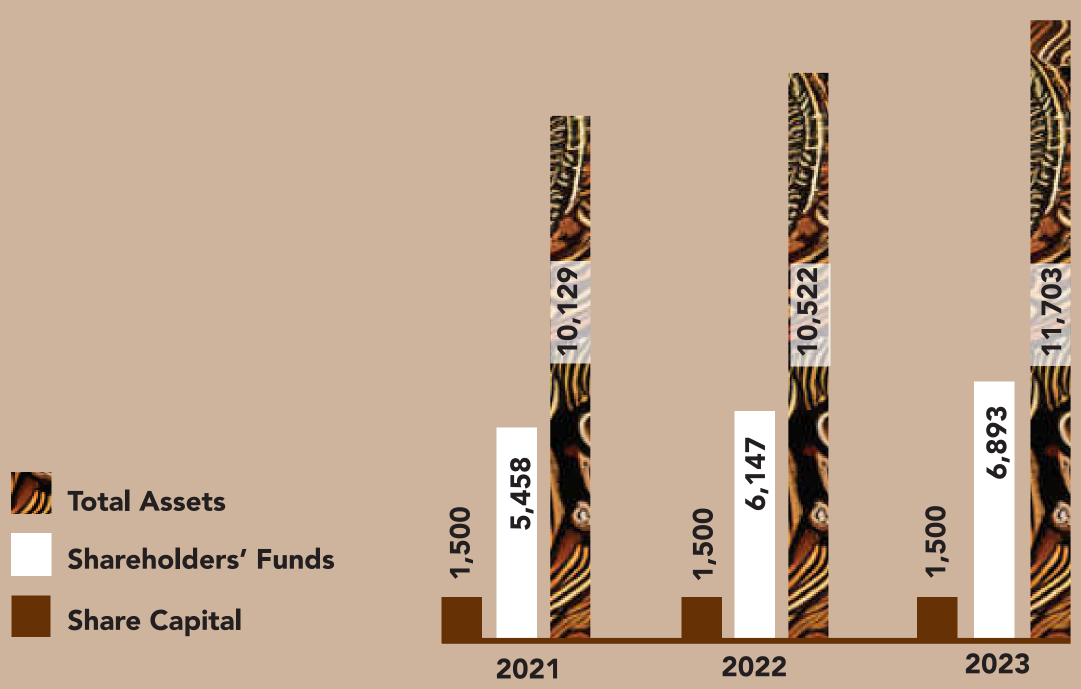
## Gross Written Premiums & Insurance Revenue (Kshs Millions)


## Insurance Service Result


## Investment Income

**Profit Before and After Tax (Kshs Millions)**


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



# NOTICE OF THE THIRTY FIRST ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT THE THIRTY FIRST ANNUAL GENERAL MEETING OF EAST AFRICA REINSURANCE COMPANY LIMITED WILL BE HELD ON FRIDAY, 10 MAY 2024, IN THE COMPANY'S TRAINING ROOM, EARe HOUSE, 98 RIVERSIDE DRIVE, NAIROBI, AT TWELVE NOON.**

**Agenda**

**Ordinary Business**

1. To read the Notice convening the meeting.
2. Confirmation of Quorum.
3. To confirm the minutes of the Annual General Meeting held on 9th May 2023.
4. To receive, consider and, if appropriate, adopt the financial statements for the year ended 31st December 2023 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 31 December 2023.
6. To re-elect Directors:
   (a) Mr D G M Hutchison 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) Mr J K Kimeu 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 Mr Leon Nyachae and Mr Ramaswamy Narayanan as directors of the Company effective from the date of the Meeting (10 May 2024).
8. To approve the remuneration of the Directors.
9. To reappoint KPMG as the Company's auditors under Section 719 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.

**Special Business**

To consider and, if thought fit, pass the following Resolution as a Special Resolution of the Company:

**"THAT** the Articles of Association of the Company be altered by deleting Article 80 (a) and substituting it with a new Article as follows:

The number of Directors shall not be less than five nor more than thirteen, unless and until otherwise determined by the Company in a General Meeting."

**K.M. Ontiti**
**Company Secretary**
**17 April 2024**

**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

On behalf of the Board of Directors of East Africa Reinsurance Company Limited, I am honoured to present the Company's Annual Report and Financial Statements for the year ended 31 December 2023.

**A.K. Wainaina**
**Chairman**

In 2023, the business environment in our primary market, Kenya, was characterised by steady economic recovery, heightened inflationary pressures and significant currency depreciation. These economic challenges were exacerbated by global economic uncertainties and difficult global financial conditions, resulting in high-interest rates and debt vulnerabilities. Despite these macroeconomic challenges, the Company registered an impressive performance and consistent profitable growth, reflecting its resilience and sustainability.

In 2023, the business made several significant developments, including developing a new strategic plan for the three years 2024 to 2026, establishing the Company's first subsidiary in Tanzania and reporting under new financial reporting standard for insurance companies - *IFRS 17 Insurance Contracts*. Additional details on these developments are contained in the respective sections of this report.

As a Board, we remain confident that, conditions allowing, we will continue to deliver sustainable and enhanced value to all our stakeholders.

## BUSINESS ENVIRONMENT

In 2023, global economic growth remained subdued compared to 2022, mainly due to elevated global inflationary pressures, tight financial conditions and persistent supply chain constraints exacerbated by international conflicts. Inflationary pressures resulted in hiked interest rates around the world and currency depreciation. On the other hand, the tight financial conditions aggravated the debt distress risks among the emerging and developing economies. Overall, global economic activity remained below the pre-pandemic levels, especially among the emerging and developing economies, widening global differences. According to the International Monetary Fund (IMF), the global economy is forecast to grow at 3.0% in 2023, down from 3.5% in 2022, mainly due to the tightening of macroeconomic policies.

The Kenyan economy is forecast to grow at 5.0% up in 2023 from 4.8% recorded in 2022, attributable mainly to a rebound in the agricultural sector and recovery in the services sector. However, the economy faced profound challenges such as high public debt, elevated inflation reflected in the cost of living, extreme exchange rate pressures, increased taxation, and other global economic uncertainties.

In 2023, the Kenya Shilling depreciated significantly against all the major currencies, i.e., the US Dollar, the Euro, the Sterling Pound, and the regional currencies. The average inflation rate also remained above the government's target range of between 2.5% and 7.5%, averaging 7.7% compared to 7.6% in 2022. This resulted in interest rate hikes to mitigate inflationary pressures.

## THE REINSURANCE INDUSTRY

The global reinsurance market is expected to report improved results in 2023, driven primarily by high pricing discipline and rate improvements, rising investment returns and increased demand for reinsurance protection due to high catastrophic losses. However, several offsetting factors exist, such as growing uncertainty around underlying risks, including climate-related catastrophes, geopolitical risks and evolving risk profiles. In particular, 2023 reported increased natural catastrophe losses relative to historic averages.

## EARe's PERFORMANCE

Our business has remained resilient and reported an impressive double-digit (18%) growth in insurance revenue, closing the year at Kshs 5.19 billion from Kshs 4.39 billion (restated position in 2022). The increase in insurance revenue was mainly driven by growth in key markets and an increase in facultative business in line with the Company's strategic plan.

*"Our business has remained resilient and reported an impressive double-digit (18%) growth in insurance revenue."*

Insurance service expenses increased by 9% in 2023 to Kshs 4.43 billion (2022 restated: Kshs 4.14 billion). The increase is in line with the growth in business volume, offset by the impact of discounting the claim liabilities in line with the new reporting requirements.

Investment income increased by 10% to Kshs 926 million in 2023 from Kshs 844 million in 2022. Improved returns from interest-bearing securities supported the growth in investment income. Investment funds increased by 11% to Kshs 9.43 billion in 2023 from Kshs 8.49 billion in 2022.

The Company reported a profit before tax of Kshs 1.27 billion, up from Kshs 1.05 billion (restated) in 2022.

The Company's total assets grew by 11% to Kshs 11.70 billion in 2023 from Kshs 10.52 billion (restated) in 2022, mainly due to growth in investment funds. Shareholders' funds increased to Kshs 6.89 billion from Kshs 6.15 billion (restated) reported in 2022, mainly due to increased profits offsets by dividends paid to shareholders.

The above robust performance reflects the resilience of our business model in difficult economic environments, and our commitment to be the risk partner of choice in our markets.

## OUR STRATEGY

2023 marked the end of the strategic period covering 2019 to 2023. During the past strategic period, the Company sustained profitability and growth in total assets and shareholder value in a challenging environment.

The new strategy for the period 2024 to 2026 focuses on delivering growth in uncertain times. The Company seeks to identify, create and pursue opportunities for growth in an environment characterised by geopolitical tensions, unfavourable economic conditions, and an evolving regulatory environment. We will remain relentless in our pursuit of operational excellence to deliver superior service to our clients.

We remain confident that the strategies we have put in place are robust and will deliver profitable growth. We also believe that our unwavering commitment to meeting and exceeding client needs will help the Company achieve its goals for the long-term success and benefit of all stakeholders.

## COMPANY'S EXPANSION INTO TANZANIA

In 2023, the Company expanded its operations and established its first subsidiary, East Africa Reinsurance (Tanzania) Company Limited in Tanzania. The Tanzania Insurance Regulatory Authority (TIRA) has licensed East Africa Reinsurance (Tanzania) as a local reinsurance company in Tanzania, effective 8 November 2023. This significant milestone marks a strategic step in increasing the Company's physical footprint in Africa and its commitment to offering exceptional service.

## IFRS 17 REPORTING

*IFRS 17 Insurance Contracts* became effective on 1 January 2023. Over the last three years, the Company made substantial investments in appropriate technology and human capital to ensure smooth implementation of the standard. I am pleased to announce that the Company successfully implemented the standard. The Annual Report and Financial Statements presented herein comply with the standard.

The business anticipates that IFRS 17 will result in positive business transformation and increased transparency on the business profitability drivers.

## DIVIDENDS

The Board of Directors recommends the payment of a total dividend of Kshs 200 million (2022: Kshs 200 million) to the Shareholders in the Register of Members on 31 December 2023. 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 405% and 256% for Non-Life and Life businesses, respectively (2022: 390% in the Non-Life and 218% in the Life). These are above the regulator's minimum and prescribed capital requirements of 100% and 200%, respectively.

## 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+". GCR Ratings ("GCR") also affirmed the Company's International Financial Strength rating of B and revised its National Financial Strength from AA- to AA+ with a Stable Outlook.

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 continues to embed Environmental, Social and Governance (ESG) considerations in its strategy implementation, operations, and decision-making process. In the year, we remained a signatory to both the Nairobi Declaration on Sustainable Insurance and the United Nations Environment Finance Initiative (UNEP FI) Principles for Sustainable Insurance (PSI).

A comprehensive update on the environmental and social initiatives undertaken during the year 2023 is contained in this annual report.

## BOARD AND GOVERNANCE

The Company has consistently embraced best practices in corporate governance, reflecting our belief that robust governance practices, processes, and culture are fundamental to inspiring investors' confidence, ensuring long-term shareholder value and protecting stakeholders' interests.

Several changes in board composition were made during the year. After almost 30 years of distinguished service as both Chairman and Vice Chairman, Dr. Manilal Premchand Chandaria resigned from the Board on 27 November 2023. He leaves a strong legacy of significant contribution to our organisation.

In addition, Mr. Devesh Srivastava and Mr. Mohan. Jha resigned as Director and Alternate Director, respectively, during the year. We are grateful for their contributions to the Company during their tenure.

## OUTLOOK

According to the January 2024 World Economic Outlook, the global economy is projected to grow at 3.1% in 2024 and 3.2% in 2025, below the pre-pandemic average of 3.8%. The global economy will continue to be characterised by higher central bank rates to curb inflationary pressure and reduced fiscal support.

On the other hand, the Kenyan economy is projected to grow at an average of 5.2% in 2024, higher than the 5.0% growth forecast for 2023, mainly supported by stable agricultural production and continued growth in the services sector. However, high debt levels, tight monetary policy, and elevated inflation and currency pressures are expected to persist.

As a Company, we will remain focused on the execution of our 2024-2026 strategic plan and operationalisation of the new Subsidiary, EARe Tanzania. We will also continue to review our operations to provide quality risk solutions, exceptional customer service and ultimately sustained value to all stakeholders.

**APPRECIATION**

I sincerely thank our customers and business partners for your continued support, loyalty and trust. We commit to adding value to your businesses by being responsive, agile, and flexible and offering exceptional service.

I also extend my appreciation to our Shareholders for their continued support and confidence in the Board of Directors, Management, our strategy and our future.

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

In conclusion, I thank the EARe staff for their loyalty, dedication, and consistently high outstanding standard of service delivery to our clients, stakeholders, and shareholders.
Thank you,

**A. K. Wainaina**
**Chairman**
**23 February 2024**

# REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2023, 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 891,128,000 (2022 restated: Kshs 788,512,000) has been added to retained earnings for the Non-life Business and to general reserve for the Life Business.

| | 2023 Kshs'000 | 2022 Kshs'000 |
|---|---|---|
| Profit before income tax | 1,267,186 | 1,054,460 |
| Income tax expense | (376,960) | (265,948) |
| **Profit after income tax** | **891,128** | **788,512** |

## 4. Dividends

The directors recommend the payment of a first and final dividend of Kshs 200,000,000 (2022: Kshs 200,000,000) representing a dividend of Kshs 133.33 (2022: Kshs 133.33) per share and a dividend payout ratio of 22% (2022: 25%).

## 5. Business review

The Company reported a profit before tax of Kshs 1,267,186,000 (2022 restated: Kshs 1,054,460,000). The significant performance improvement was primarily attributed to business growth and underwriting profitability in line with the Company's growth strategy.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 page 6.

IFRS 17 Insurance contracts became effective on 1 January 2023. The Company has restated the 2022 comparative. IFRS 17 brings 3 main changes to the Company's results i.e. the impact of discounting, risk adjustment for non financial risk and a loss component representing upfront recognition of loss on loss making contracts. However, the business fundamentals including corporate strategy remain unchanged.

The Company has strong capital adequacy ratios (CAR) at 405% and 256% for Non-life and Life 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 to the date of this report are shown on page 4.

**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 has 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 financial statements set out on pages 33 to 121, which have been prepared on the going concern basis, were approved and authorised for issue by the board of directors on 23 February 2024.

**By order of the Board**

**K.M. Ontiti**
**Company Secretary**
**23 February 2024**

# STATEMENT OF CORPORATE GOVERNANCE

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 Board recognizes that good corporate governance enhances the Company's performance, ensures business sustainability and maintains stakeholder confidence and support.

The Company has a binding Code of Business Conduct and Ethics in place for all employees to ensure its business is carried out in an ethical, fair, and transparent manner. The Board is guided by a Board Charter, which defines the constitution, roles, responsibilities and authorities of the Board of Directors.

The Board recognizes that the principles of corporate governance are continuously evolving. In this regard, the Board continues to monitor, anticipate and respond to global corporate governance developments and trends. In recent years, there has been a growing emphasis on considering environmental, social and governance (ESG) factors in corporate decision-making, calling for greater transparency in ESG and sustainability reporting. The "statement of social and environmental responsibilities" provides more information on the various initiatives supporting the Company's ESG agenda.

## 1. BOARD OF DIRECTORS

East Africa Reinsurance Company Limited is governed by a Board of Directors 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 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 strategic direction to the Company by exercising sound, objective and informed judgment;
- Monitoring the Company's performance and reporting on the same to shareholders;
- Setting appropriate policies, guidelines and governance structures for effective management of business operations; and
- Ensuring that the Company ethically conducts its business and complies with applicable laws and regulations.

The Board has established three Board Committees: the Finance, Investments and IT Committee; the Audit, Risk and Compliance Committee; and the 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 implementation of the strategy. However, the Board retains the 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 2023, nine directors served on the Board, eight of whom were non-executive and one executive, the Chief Executive Officer. The Directors have diverse experiences and competencies in various industries, including Insurance, Banking, Legal, Accounting and Auditing. This diversity provides the Board with a range of relevant skills in discharging its responsibilities. It brings 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 in office and are required to retire every three years with a provision for re-election, subject to attaining favourable performance evaluation by the Board.

**Board Meetings**

The Board meets at least four times in 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 to all the Directors beforehand with an agenda and accompanying Board papers 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 have 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 in board meetings, and appropriate actions are taken.

**Board Evaluation**

An independent evaluation of the performance of the Board, its Committees and the 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 and best practices.

## 2. REMUNERATION OF DIRECTORS

The Board is remunerated fairly and responsibly based on a compensation structure aligned with the Company's strategy. The Directors' remuneration reflects their roles and responsibilities and considers 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 32 (d) to the financial statements for the year ended 31 December 2023

## 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.

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 within their respective mandates. The Board may delegate some of its powers to any 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, Investment 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.

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

**b) Audit, Risk and Compliance Committee**

The Audit, Risk and Compliance (ARC) Committee is chaired by an independent non-executive Director with accounting and finance knowledge and experience. 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 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 the risk management processes, are properly established, monitored and reported on. The Committee receives reports and reviews the findings of 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 include non-executive appointees of the Board and the Chief Executive Officer. The Chief Finance Officer and Human Resource & Administration Manager are regular invitees to the 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 for evaluating the performance of the Board, its Committees, Directors and succession planning.

## 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.

The Board of Directors is responsible for establishing an effective Enterprise Risk Management (ERM) framework for systematically identifying, assessing, managing, monitoring and reporting all material risks that could adversely impact the achievement of the business strategy. An effective risk management framework ensures the alignment of the Company's vision, strategic and operational plans, processes, people, technology and resources. It also facilitates the evaluation and management of risks (threats and opportunities) in a structured and disciplined manner.

The Risk Management Policy and Procedures establishes the Company's Enterprise Risk Management (ERM) framework to achieve business goals and strategic objectives. The ERM framework describes the overarching risk management principles, the governance structure, the risk management process, relevant risk reporting tools and templates, and the specific roles and responsibilities of all stakeholders involved. Ultimately, the risk management policy and procedures form the basis of the Company's risk management strategy, including the risk appetite framework outlining EARe's risk management philosophy and acceptable risk exposures across all business functions.

The Board of Directors regularly reviews the risk management policy and procedures to ensure they remain effective and aligned with regulatory requirements and international best practices. In addition, the Board and Management review the risk appetite annually through the ARC Committee and any proposed changes to the risk appetite are presented to the Board for approval.

The Risk and Compliance Function is responsible for monitoring the Company's day-to-day risk management activities, assessing the effectiveness of internal controls, and ensuring compliance with applicable laws and regulations.

Further, the Company has established adequate internal controls, which are reviewed by the Internal Audit function. All internal control improvements and recommendations arising from the audits are discussed, approved and monitored by the ARC Committee.

## 5. EMPLOYEE GROWTH AND DEVELOPMENT

The Company respects employee individuality within the practices of our corporate culture. The Company's performance-based culture is guided by the Balanced Score Card (BSC), a performance management system which focuses on 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 strategic learning and growth objectives in place 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 discussing or voting on matters of potential conflict of interest.

Further, a process of declaration of interest has been implemented, and all staff are required to declare any relevant interest where applicable. 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 32 to the financial statements for the year ended 31 December 2023.

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

To the best of its knowledge, the Board is satisfied that the Company has implemented 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. In addition, the Governance Risk & Compliance (GRC) system enhances compliance with relevant laws and regulations.

The Audit, Risk & Compliance Committee is responsible for monitoring compliance and ensuring that any breaches are promptly and 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, terrorism financing or any other activity in contravention with 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.

## 9. DIRECTORS' ATTENDANCE OF MEETINGS (Continued)

| a) BOARD | Position | 22 February | 09 May | 27 July | 30 October | 30 November |
|---|---|---|---|---|---|---|
| A.K. Wainaina | Chairman | Yes | Yes | Yes | Yes | Yes |
| Dr. M.P. Chandaria, OBE, EBS* | Vice-Chairman | No | No | Yes | - | - |
| P.K.Maina | C.E.O | Yes | Yes | Yes | Yes | Yes |
| J.P.M Ndegwa | Member | Yes | Yes | Yes | Yes | Yes |
| D.G.M Hutchison | Member | Yes | No | Yes | Yes | Yes |
| S.N.Adamali | Member | Yes | Yes | No | Yes | Yes |
| J.K.Kimeu | Member | Yes | Yes | Yes | Yes | Yes |
| P.K.Mugambi | Member | Yes | Yes | Yes | Yes | Yes |
| D. Srivastava** | Member | Yes | No | No | - | - |
| K. Ontiti | Company Secretary | Yes | Yes | Yes | Yes | Yes |

| b) FII | Position | 13 February | 04 May | 19 July | 01 November |
|---|---|---|---|---|---|
| P.K.Mugambi | Chairman | Yes | Yes | Yes | Yes |
| P.K.Maina | C.E.O | Yes | Yes | Yes | Yes |
| D.G.M Hutchison | Member | Yes | Yes | Yes | Yes |
| J.K.Kimeu | Member | Yes | Yes | Yes | Yes |
| M.Jha*** | Member | Yes | - | - | - |
| K. Ontiti | Company Secretary | Yes | Yes | Yes | Yes |

| c) ARC | Position | 13 February | 04 May | 19 July | 01 November |
|---|---|---|---|---|---|
| J.K.Kimeu | Chairman | Yes | Yes | Yes | Yes |
| P.K.Maina | C.E.O | Yes | Yes | Yes | Yes |
| D.G.M Hutchison | Member | Yes | Yes | Yes | Yes |
| P.K.Mugambi | Member | Yes | Yes | Yes | Yes |
| M.Jha*** | Member | Yes | - | - | - |
| K. Ontiti | Company Secretary | Yes | Yes | Yes | Yes |

| d) ENR | Position | 20 February | 11 October |
|---|---|---|---|
| J.P.M Ndegwa | Chairman | Yes | Yes |
| P.K.Maina | C.E.O | Yes | Yes |
| A.K. Wainaina | Member | Yes | Yes |
| P.K.Mugambi | Member | Yes | Yes |
| M. Jha*** | Member | Yes | - |
| K. Ontiti | Company Secretary | Yes | Yes |

*Resigned on 27 November 2023
**Resigned on 30 September 2023
*** Resigned on 30 April 2023

## 10. COMPANY SECRETARY

The Company Secretary is responsible for ensuring that Board procedures are followed and 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 used in the Company's audited financial statements and commented on the Company's Financial Condition via the Financial Condition Report (FCR).

## 12. SHAREHOLDERS

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

| | 2023 Number of Shares | % | 2022 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**
**23 February 2024**

**J.K.Kimeu**
**Director**
**23 February 2024**

**P.K.Maina**
**Director**
**23 February 2024**

# SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES STATEMENT

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

The Company has remained a signatory to both the Nairobi Declaration on Sustainable Insurance and the United Nations Environment Finance Initiative (UNEP FI) Principles for Sustainable Insurance (PSI). To this end, the Company has committed to join other global players in supporting the achievement of the UN Sustainable Development Goals and addressing major global sustainability challenges such as climate change, biodiversity loss, ecosystem degradation and pollution, human rights violations, poverty and social inequalities.


## ESG FOCUS AREAS

The Company's commitment to environmental, social and governance (ESG) issues has continued to evolve through its ongoing engagement with various stakeholders and participation in activities related to sustainable development areas as elaborated below.

## ENVIRONMENTAL FOCUS

### Afforestation and Reforestation

The Company continues to take deliberate actions that serve to combat the adversities of climate change through participation in activities that increase or restore lost forest cover and reduce the impact of carbon emissions on our environment. 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.

During the year, the Company joined hands with the Kenya Forestry Research Institute (KEFRI) towards enhancing the country's forest cover and addressing impact of climate change. A significant contribution was made to an initiative to establish a seedlings nursery of about 10,000 indigenous trees meant for distribution to schools and other stakeholders within the communities during the rainy seasons, at no cost. In addition, the Company partnered with the East African Wildlife Society (EAWLS), Kijabe Environment Volunteers (KENVO), and Kenya Forest Service (KFS) to champion the rehabilitation and restoration of key water catchment areas in Kenya during the 2023 Annual Forest Challenge at Kereita forest, which forms part of the larger Aberdare forest.


***Staff participating at the Annual Forest Challenge***

### Sustainable investments

In line with SDG 13 "Take urgent action to combat climate change and its impacts", the Company has invested in a solar-powered system at its Investment Property (Acorn House) which have served to conserve energy and reduce over-reliance on hydro and fuel power sources. In addition, the property is subjected to a comprehensive energy-audit every three years to identify opportunities for further energy-saving.

The Company's investment portfolio includes an investment in Acorn Green Bond (the first of its kind in Kenya) that was issued by Acorn Holding Limited to finance the development of environmentally friendly student accommodation in Nairobi and its environs. The investment in the green bond is an affirmation of the Company's commitment towards sustainable financing.

Further, as a responsible corporate citizen, the Company has instituted certain internal measures to preserve the natural environment, conserve energy, and reduce carbon emissions in its operations. These measures are aligned to both SDG 13 (climate action) and SDG 12 "Ensure sustainable consumption and production patterns" and includes nurturing and conserving indigenous trees within the office premises; implementing an electronic data management system which significantly reduces the use of paper and minimises carbon emission; installation of light-emitting diode (LED) bulbs in the office buildings; and implementation of server virtualisation technology in the data centre which significantly reduces the amount of energy required to run the physical servers.

During the year, the Company held an awareness campaign in partnership with Knight Frank to sensitize its employees on energy-saving measures and practices that could reduce energy consumption and have positive impact on the environment.

### Sustainable underwriting

In line with SDG 7 "Ensure access to affordable, reliable, sustainable and modern energy for all", the Company, in partnership with its clients, participates in a number of programmes that provide reinsurance support for infrastructure projects involved in the generation of clean and renewable energy in Kenya and other markets; specifically those involved in the generation of solar and geothermal energy.

Some of the major solar energy projects that the Company provides support include Garissa Solar Photovoltaic Power Plant (Kenya), the largest grid connected solar power plant in East and Central Africa, Helios BeauChamp Solar PV Park (Mauritius) and Farmers Choice Solar Power project (Kenya). Similarly, among the major geothermal energy projects in the Company's underwriting portfolio include Kenya Electricity Generation Company (Kengen) geothermal power plants (Kenya), Bantu Energy Project (Uganda), Sosian Energy Geothermal Power Plant (Kenya) and Geothermal Development Company (Kenya).

## SOCIAL FOCUS

### Education

The Company recognises that education is a fundamental human right and indispensable for sustainable development. During the year, the

***Students and staff enjoying fun activities during the annual mentorship day.***

education pillar was allocated about 55% of the annual ESG initiatives budget, demonstrating the Company's level of 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 a fair opportunity to access secondary education that has the potential to transform their lives and communities around them. The sponsorship includes tuition fees, accommodation, books, uniforms, shopping, and pocket money during their four years of secondary education. The Company is currently sponsoring 30 students; 23 directly and 7 in partnerships with Ghetto Classic, Palm House and the Street Children Association Network of Nakuru (SCANN).

Besides the push for academic excellence, the sponsored students are expected to maintain high levels of discipline and actively engage in extra-curricular activities. In addition, the Company organises annual mentorship sessions for the students, to motivate and provide essential life skills aimed at moulding them into productive and responsible members of the society.

The success of the education program is measured by the number of students that secure direct university admission. Over the last six years, over 65% of the students enrolled in the program have transitioned into various universities. Further, through its Student Holiday Internship Program, the Company offers internship opportunities to former beneficiaries of the secondary education sponsorship program to gain hands-on work experience in the course of their tertiary education.

# SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES STATEMENT continued

### Health

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 over the years made significant contributions to support cancer patients. During the year, the Company donated to Faraja Cancer Support Centre through their annual White Water Rafting event at Sagana and also participated in their fund drive dubbed "Go Bold Go Gold" whose purpose was to raise funds to support children living with cancer in Kenya.

Employees' wellbeing is of utmost priority to the Company. In this regard, the Company has in place several programs that support the holistic wellbeing of its employees. Employees have access to a fully furnished gym and enjoys the services of competent health and fitness trainers provided by the Company; the offices are furnished with ergonomic chairs that ensures employees maintain comfortable and healthy postures while working; the Company facilitates regular medical awareness sessions on topical health and wellbeing issues

### Social and Child Welfare

In line with SDG 1 "End poverty in all its forms everywhere", the Company remains committed to supporting the underprivileged in our communities to improve their welfare. During the year, the Company made donations to the Street Children Association Network of Nakuru (SCANN), a home for street boys in Nakuru, and St. Monica's Children Home for needy and orphaned girls in Kajiado. Besides the financial aid and mentorship, the Company also donated sanitary towels and books, in a bid to improve the welfare of the children.


*Staff visit to SCANN session*

*Staff Visit to St. Monica's Orphanage*

### Diversity, inclusivity and employee wellbeing

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 employees. This is well aligned with SDG 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all".

In its quest to support the holistic wellbeing of its employees, the Company ensures that its remuneration structure remains competitive; recognises and rewards good performance; and offers flexible working conditions to enhance productivity and promote a healthy work-life balance. In addition, the Company organises regular team-building activities to build a sense of oneness among employees and create a favourable working environment.

*Staff Planting Trees at EARe House on the International Day of Forests*

### Sustainable solutions

The Company's social agenda is an integral part of its underwriting and investment strategies. As part of the core underwriting business, the Company underwrites certain lines that directly address and support critical social needs such as medical, critical illness, and individual life covers. Beyond this technical support, the Company provides its clients with regular training on various health matters in a bid to promote healthy lifestyles within the community. Further, as part of its promise to its clients, the Company ensures timely payment of verified claims to fulfil its fiduciary and social responsibility of securing insurance cover for the ultimate policyholders. On the other hand, the investment portfolio includes a significant investment in various government securities that ultimately contribute directly or indirectly to the national macro-economic and social agendas that benefit the general public.

## GOVERNANCE FOCUS

### Corporate governance, Risk Management and Compliance

The Company is constituted and organised in accordance with the law and has in place a robust governance structure 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 and in line with best practices.

A key role of the Board of Directors is to establish appropriate policies, guidelines and governance structures for effective management of business operations. To this end, the Company has in place elaborate policies and procedures, duly approved by the Board, covering all critical business processes including: code of business conduct and ethics, underwriting, reinsurance management, investments, finance, human resources, procurement, occupational health and safety, information technology, business continuity, cybersecurity, data management, data privacy, anti-money laundering, and risk management, among others. These policies and procedures are reviewed and updated regularly to ensure they remain relevant and aligned with applicable laws and regulations and industry best practices.

The Board has established a Risk and Compliance Department that is responsible for ensuring compliance with internal policies and procedures which serves to mitigate the risk of non-compliance with applicable laws and regulations. The Risk and Compliance department reports directly to the Audit, Risk and Compliance Committee of the Board which facilitates effective oversight by the Board of Directors. Further, 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 developments in these areas.

The Company also engages and participates in various industry and regulatory forums that promote good corporate governance, policy development and effective risk management in the insurance industry.

# 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 33 to 121, which comprise the statement of financial position as at 31 December 2023, 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 material accounting policies.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 and profit or loss 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 IFRS Accounting 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 23 February 2024.

**A.K. Wainaina**
**Chairman**
**23 February 2024**

**J.K.Kimeu**
**Director**
**23 February 2024**

**P.K.Maina**
**Director**
**23 February 2024**

# REPORT OF THE CONSULTING ACTUARY

I have conducted an insurance liability valuation of the Non-life and an actuarial valuation of the Life businesses of East Africa Reinsurance Company Limited at 31 December 2023.

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 Non-life business of the Company was financially sound and insurance liabilities reserves of the Company were adequate at 31 December 2023.

- the Life business of the Company was financially sound and the actuarial value of the liabilities in respect of all classes of life business did not exceed the amount of funds of the life business at 31 December 2023.

**J. I. Olubayi**
**Zamara Actuaries, Administrators and Consultants Limited**
**Nairobi**
**23 February 2024**

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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 33 to 121, which comprise the statement of financial position as at 31 December 2023, 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 material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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.

| **Valuation of insurance and reinsurance contract liabilities** | |
|---|---|
| See notes 1.3, 1.4, 1.22, 24 and 25 to the financial statements. | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| At 31 December 2023, the Company held insurance and reinsurance contract liabilities as a result of its insurance operations. The Company applies IFRS 17 Insurance contracts (effective 1 January 2023) to insurance contracts and reinsurance contracts it issues, and reinsurance contracts it holds.<br><br>***Transition from IFRS 4 - Insurance contracts ('IFRS 4') to IFRS 17 - Insurance contracts ('IFRS 17'), effective 1 January 2023 (detailed in note 1.3 of the financial statements)***<br><br>With the transition to IFRS 17 Insurance contracts, the Company has restated insurance and reinsurance contract liabilities and disclosures to reflect the requirements of IFRS 17. | Our audit of the insurance and reinsurance contract liabilities, actuarial assumptions, models and methodologies applied in the valuation of material lines of the life and non-life insurance business included the following audit procedures, that were executed with the assistance of our actuarial specialists:<br><br>**Transition from IFRS 4 to IFRS 17**<br><br>• We obtained an understanding of the Company's chosen key accounting policies and methodologies and assessed whether these comply with the requirements of IFRS 17. This included an assessment of the appropriateness of management's elected transition approach applied (i.e., the full retrospective approach) for the groups of insurance contracts it issues and reinsurance contracts it holds; and |

***Key audit matters (continued)***

| **Valuation of insurance and reinsurance contract liabilities** | |
|---|---|
| See notes 1.3, 1.4, 1.22, 24 and 25 to the financial statements. | |
| **Key audit matter** | **How our audit addressed the key audit matter** |
| In doing so, the Company has made certain key judgments and assumptions to develop its accounting policies. The key judgments applied on transition were:<br><br>• The determination of the transition approach applied for the insurance contracts issued by the Company, being the full retrospective approach;<br>• The valuation of insurance and reinsurance contract liabilities including the related and resultant effect on opening retained earnings. This includes various assumptions made including best estimate assumptions regarding expected claims and lapses, expected premiums on insurance contracts, expected expenses, commissions and other charges. | • We assessed the appropriateness of management's data and assumptions applied in valuing insurance and reinsurance contract liabilities as at the transition date (being 1 January 2022) and related opening adjustment in retained earnings for groups of contracts for which the full retrospective approach was applied; |
| ***Determination of year-end insurance and reinsurance contract liabilities***<br><br>As at 31 December 2023, the value of insurance and reinsurance contract liabilities was KShs 3.8 Billion (2022 – KShs 3.6 Billion) for both life and non-life business. All contracts were accounted for under the simplified premium allocation approach. The insurance and reinsurance contract liabilities reflect, within the liability for remaining coverage component, the premiums received for which insurance cover should still be provided and outstanding premiums for which cover has already been provided. It also includes a liability for incurred claims element, which represents the estimate of unsettled claims for which the insured event has occurred plus a risk adjustment for non-financial risk.<br><br>In valuing insurance and reinsurance contract liabilities, management applies significant judgment. Various assumptions are made including best estimate assumptions regarding the expected claims, expected premiums on insurance contracts, expected expenses, commissions and other charges. Changes to these assumptions may result in material changes to the insurance and reinsurance contract liabilities.<br><br>The most significant assumptions made in the valuation of insurance and reinsurance contract liabilities arising from the Company's insurance contracts relate to:<br><br>• Discount rates<br>• Confidence levels applied in determining the risk adjustment for non-financial risk | ***Procedures over year-end insurance and reinsurance contract liabilities***<br><br>Our procedures over the year-end insurance and reinsurance contract liabilities included the following:<br><br>• With the assistance of our actuarial specialists, we assessed the valuation methodology and assumptions for compliance against the latest actuarial guidance, legislation, and approved Company accounting policies. We challenged key assumptions and the methodologies and processes used to determine and update these assumptions through comparison with externally observable data (discount rate and confidence levels applied in the determination of the risk adjustment) and our assessment of the Company's analysis of experience to date and allowance for future uncertainty. Our challenge focused on the assumptions around the discount rate (and associated illiquidity premium) and the confidence levels applied in the determination of the risk adjustment for non-financial risk.<br><br>• We assessed the appropriateness of management's allocation of groups of contracts into the various measurement buckets as required by IFRS 17. We assessed compliance of the chosen measurement method with the premium allocation approach (PAA) eligibility criteria in IFRS 17.<br><br>• For the valuation of the liability for incurred claims (LIC) for PAA contracts across the Company, we assessed management's valuation models. We assessed the adequacy of the assumptions applied by management, e.g., claims triangles, and assessed the adequacy of the year-end valuation with amongst others reference to prior years and key ratios.<br><br>• We evaluated whether the IFRS 17 specific disclosures in the financial statements are adequate and in accordance with IFRS Accounting Standards. |

***Key audit matters (continued)***

| **Valuation of insurance and reinsurance contract liabilities** | |
|---|---|
| See notes 1.3, 1.4, 1.22, 24 and 25 to the financial statements. | |
| **Key audit matter (continued)** | **How our audit addressed the key audit matter** |
| ***Determination of year-end insurance and reinsurance contract liabilities (continued)***<br><br>We considered the valuation of insurance and reinsurance contract liabilities (including the transition from IFRS 4 to IFRS 17) to be a key audit matter because of the following:<br><br>• The significant judgments and high degree of estimation uncertainty relating to the magnitude and timing of the projected cash flows and the use of significant unobservable assumptions applied in valuing it; and<br><br>• The material nature of the insurance and reinsurance contract liabilities on the Company's statement of financial position and the resultant impact on the statement of comprehensive income for the year ended 31 December 2023. | ***Procedures over year-end insurance and reinsurance contract liabilities (continued)***<br><br>• We evaluated the accuracy of the risk adjustment, including calculation method, and its related release by performing independent recalculation.<br><br>• We evaluated the adequacy of transition disclosures in accordance with IFRS 17 requirements. |

***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 2023*, 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 that 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 IFRS Accounting Standards and in the manner required by the Kenyan Companies Act, 2015 and for such internal controls, 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 (contnued)***

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 14 and 15 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, practicing certificate No. P/2172.*

*For and on behalf of:*

**KPMG Kenya**
**Certified Public Accountants**
**PO Box 40612 – 00100 GPO**
**Nairobi**

**Date: 28 March 2024**

# 2023 FINANCIAL STATEMENTS

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 | Life business restated Kshs '000 | Non-life business restated Kshs '000 | Total 2022 restated Kshs '000 |
|---|---|---|---|---|---|---|---|
| Insurance revenue | 3 | 981,774 | 4,208,981 | 5,190,755 | 960,223 | 3,425,339 | 4,385,562 |
| Insurance service expenses | 4 | (853,540) | (3,686,974) | (4,540,514) | (912,572) | (3,263,998) | (4,176,570) |
| Reinsurance recoveries | 5 | 103,170 | 52,659 | 155,829 | 439,007 | 80,886 | 519,893 |
| Reinsurance expenses | 5 | (146,185) | (348,228) | (494,413) | (183,191) | (197,480) | (380,671) |
| **Insurance service result** | | **85,219** | **226,438** | **311,657** | **303,467** | **44,747** | **348,214** |
| Net finance expenses from insurance contracts | 6 | (4,563) | (5,261) | (9,824) | (37,007) | (46,881) | (83,888) |
| Net finance income from reinsurance contracts | 6 | 784 | 6,118 | 6,902 | 7,987 | 9,150 | 17,137 |
| Investment income | 8 | 196,665 | 729,446 | 926,111 | 179,270 | 665,211 | 844,481 |
| **Net insurance and investment result** | | **278,105** | **956,741** | **1,234,846** | **453,717** | **672,227** | **1,125,944** |
| Other income/(expenses) | 7 | 16,273 | 16,067 | 32,340 | (7,280) | (64,204) | (71,484) |
| **Profit before tax** | | **294,378** | **972,808** | **1,267,186** | **446,437** | **608,023** | **1,054,460** |
| Income tax expense | 9 | (88,313) | (287,745) | (376,058) | (133,931) | (132,017) | (265,948) |
| **Profit after tax** | | **206,065** | **685,063** | **891,128** | **312,506** | **476,006** | **788,512** |
| **Other comprehensive income:** | | | | | | | |
| **Items that will not be reclassified to profit or loss:** | | | | | | | |
| Fair value gain on revaluation of land and buildings | 13 | - | 52,437 | 52,437 | - | - | - |
| Deferred tax on revaluation of land and buildings | | - | 3,000 | 3,000 | - | - | - |
| **Total other comprehensive income** | | **-** | **55,437** | **55,437** | **-** | **-** | **-** |
| **Total comprehensive income for the year** | | **206,065** | **740,500** | **946,565** | **312,506** | **476,006** | **788,512** |
| **Earnings per share (Basic and Diluted) Kshs** | **11** | | | **594.09** | | | **525.67** |

The accounting policies on pages 40 to 67 and the notes on pages 68 to 121 form an integral part of the annual report and financial statements.

# STATEMENT OF FINANCIAL POSITION

| | Notes | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 | Life business restated Kshs '000 | Non-life business restated Kshs '000 | Total 2022 restated Kshs '000 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Property and equipment | 13 | - | 428,591 | 428,591 | - | 390,204 | 390,204 |
| Investment in subsidiary | 23 | - | 289,611 | 289,611 | - | - | - |
| Investment properties | 15 | - | 735,000 | 735,000 | - | 735,000 | 735,000 |
| Intangible assets | 14 | - | 5,948 | 5,948 | - | 46,036 | 46,036 |
| Mortgage loans | 17 | - | 17,308 | 17,308 | - | 29,568 | 29,568 |
| Government securities at amortised cost | 20 | 1,256,352 | 3,744,487 | 5,000,839 | 1,277,117 | 3,988,821 | 5,265,938 |
| Corporate bonds at amortised cost | 19 | 28,608 | 29,118 | 57,726 | 37,632 | 38,142 | 75,774 |
| Insurance contract assets | 24 | 192,114 | 862,973 | 1,055,087 | 156,568 | 720,949 | 877,517 |
| Reinsurance contract assets | 25 | 178,450 | 420,300 | 598,750 | 145,207 | 459,577 | 604,784 |
| Real estate investments trusts (REITs) | 16 | - | 177,802 | 177,802 | - | 170,607 | 170,607 |
| Equity investments at fair value through profit or loss | 16 | 5,416 | 11,884 | 17,300 | 12,071 | 21,886 | 33,957 |
| Other receivables | 18 | 1,677 | 111,393 | 113,070 | 650 | 39,190 | 39,840 |
| Current income tax receivable | 10 | 52,468 | - | 52,468 | 52,468 | - | 52,468 |
| Deposits with financial institutions | 21 | 726,886 | 2,223,922 | 2,950,808 | 290,338 | 1,608,671 | 1,899,009 |
| Cash and bank balances | 28 | 38,586 | 164,594 | 203,180 | 46,939 | 254,289 | 301,228 |
| **Total assets** | | **2,480,557** | **9,222,931** | **11,703,488** | **2,018,990** | **8,502,940** | **10,521,930** |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Equity** | | | | | | | |
| Share capital | 22 | 500,000 | 1,000,000 | 1,500,000 | 500,000 | 1,000,000 | 1,500,000 |
| General reserve | 12 | 833,375 | - | 833,375 | 627,310 | - | 627,310 |
| Revaluation reserve | 12 | - | 243,885 | 243,885 | - | 206,777 | 206,777 |
| Retained earnings | 12 | - | 4,316,016 | 4,316,016 | - | 3,812,624 | 3,812,624 |
| **Total equity** | | **1,333,375** | **5,559,901** | **6,893,276** | **1,127,310** | **5,019,401** | **6,146,711** |

# STATEMENT OF FINANCIAL POSITION (continued)

| | Notes | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 | Life business restated Kshs '000 | Non-life business restated Kshs '000 | Total 2022 restated Kshs '000 |
|---|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | | |
| Insurance contract liabilities | 24 | 700,544 | 2,972,420 | 3,672,964 | 605,668 | 2,896,533 | 3,502,201 |
| Reinsurance contract liabilities | 25 | 61,762 | 31,981 | 93,743 | - | 43,966 | 43,966 |
| Current income tax payable | 10 | - | 117,968 | 117,968 | - | 40,477 | 40,477 |
| Other payables | 26 | 27,716 | 479,744 | 507,460 | 17,165 | 434,648 | 451,813 |
| Deferred income tax | 27 | 357,160 | 60,917 | 418,077 | 268,847 | 67,915 | 336,762 |
| **Total Liabilities** | | **1,147,182** | **3,663,030** | **4,810,212** | **891,680** | **3,483,539** | **4,375,219** |
| **Total Equity and Liabilities** | | **2,480,557** | **9,222,931** | **11,703,488** | **2,018,990** | **8,502,940** | **10,521,930** |

The accounting policies on pages 40 to 67 and the notes on pages 68 to 121 form an integral part of the annual report and financial statements.

The annual report and financial statements and the notes on pages 33 to 121, were approved and authorised for issue by the Board of Directors on 23 February 2024 and were signed on its behalf by:

**A.K. Wainaina**
**Chairman**
**23 February 2024**

**J.K. Kimeu**
**Director**
**23 February 2024**

**P.K. Maina**
**Principal Officer**
**23 February 2024**

# STATEMENT OF FINANCIAL POSITION (continued)

| | Notes | Life business 01.01.2022 restated Kshs '000 | Non-life business 01.01.2022 restated Kshs '000 | Total 01.01.2022 restated Kshs '000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Property and equipment | 13 | - | 414,659 | 414,659 |
| Investment properties | 15 | - | 730,000 | 730,000 |
| Intangible assets | 14 | - | 61,064 | 61,064 |
| Mortgage loans | 17 | - | 36,822 | 36,822 |
| Government securities at amortised cost | 20 | 1,091,339 | 3,634,856 | 4,726,195 |
| Corporate bonds at amortised cost | 19 | 29,532 | 29,532 | 59,064 |
| Insurance contract assets | 24 | 338,716 | 659,603 | 998,319 |
| Reinsurance contract assets | 25 | 278,998 | 343,249 | 622,247 |
| Real estate investments trusts (REITs) | 16 | - | 102,470 | 102,470 |
| Equity investments at fair value through profit or loss | 16 | 13,736 | 25,484 | 39,220 |
| Other receivables | 18 | 36,440 | 35,591 | 72,031 |
| Current income tax receivable | 10 | 52,468 | - | 52,468 |
| Deposits with financial institutions | 21 | 389,743 | 1,323,678 | 1,713,421 |
| Cash and bank balances | 28 | 141,974 | 359,129 | 501,103 |
| **Total Assets** | | **2,372,946** | **7,756,137** | **10,129,083** |
| | | | | |
| **Equity and Liabilities** | | | | |
| **Equity** | | | | |
| Share capital | 22 | 500,000 | 1,000,000 | 1,500,000 |
| General reserve | 12 | 314,804 | - | 314,804 |
| Revaluation reserve | 12 | - | 225,106 | 225,106 |
| Retained earnings | 12 | - | 3,418,289 | 3,418,289 |
| **Total Equity** | | **814,804** | **4,643,395** | **5,458,199** |

# STATEMENT OF FINANCIAL POSITION (continued)

| | Notes | Life business 01.01.2022 restated Kshs '000 | Non-life business 01.01.2022 restated Kshs '000 | Total 01.01.2022 restated Kshs '000 |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Insurance contract liabilities | 24 | 1,284,021 | 2,500,363 | 3,784,384 |
| Reinsurance contract liabilities | 25 | 139,205 | 53,082 | 192,287 |
| Current income tax payable | 10 | - | 16,356 | 16,356 |
| Other payables | 26 | - | 437,087 | 437,087 |
| Deferred income tax | 27 | 134,916 | 105,854 | 240,770 |
| **Total Liabilities** | | **1,558,142** | **3,112,742** | **4,670,884** |
| **Total Equity and Liabilities** | | **2,372,946** | **7,756,137** | **10,129,083** |

The accounting policies on pages 40 to 67 and the notes on pages 68 to 121 form an integral part of the annual report and financial statements.

The annual report and financial statements and the notes on pages 33 to 121, were approved and authorised for issue by the Board of Directors on 23 February 2024 and were signed on its behalf by:

**A.K. Wainaina**
**Chairman**
**23 February 2024**

**J.K. Kimeu**
**Director**
**23 February 2024**

**P.K. Maina**
**Principal Officer**
**23 February 2024**

# STATEMENT OF CHANGES IN EQUITY

| | Share capital Kshs'000 | Revaluation reserve Kshs'000 | General reserve Kshs'000 | Total reserves Kshs'000 | Retained earnings Kshs'000 | Total equity Kshs'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2022, as previously reported** | 1,500,000 | 225,106 | 339,304 | 564,410 | 3,344,174 | 5,408,584 |
| Adjustment on initial application of IFRS 17, net of tax | - | - | (24,500) | (24,500) | 74,115 | 49,615 |
| **Restated balance at 1 January 2022** | **1,500,000** | **225,106** | **314,804** | **539,910** | **3,418,289** | **5,458,199** |
| Profit for the year (restated) | - | - | 312,506 | 312,506 | 476,006 | 788,512 |
| Other comprehensive income (restated) | - | - | - | - | - | - |
| **Total comprehensive income for the year (restated)** | | | **312,506** | **312,506** | **476,006** | **788,512** |
| Transfer of excess depreciation | - | (26,183) | - | (26,183) | 26,183 | - |
| Deferred tax on excess depreciation | - | 7,854 | - | 7,854 | (7,854) | - |
| Dividends paid (Note 11) | - | - | - | - | (100,000) | (100,000) |
| **Restated Balance at 31 December 2022 and 1 January 2023** | **1,500,000** | **206,777** | **627,310** | **834,087** | **3,812,624** | **6,146,711** |
| Profit for the year | - | - | 206,065 | 206,065 | 685,063 | 891,128 |
| Other comprehensive income | - | 55,437 | - | 55,437 | - | 55,437 |
| **Total comprehensive income for the year** | **-** | **55,437** | **206,065** | **261,502** | **685,063** | **946,565** |
| Transfer of excess depreciation | - | (26,185) | - | (26,185) | 26,185 | - |
| Deferred tax on excess depreciation | - | 7,856 | - | 7,856 | (7,856) | - |
| Dividends paid (Note 11) | - | - | - | - | (200,000) | (200,000) |
| **Balance at 31 December 2023** | **1,500,000** | **243,885** | **833,375** | **1,077,260** | **4,316,016** | **6,893,276** |
| Note(s) | 22 | 12 | 12 | | 12 | |

The accounting policies on pages 40 to 67 and the notes on pages 68 to 121 form an integral part of the annual report and financial statements.

# STATEMENT OF CASH FLOWS

| | Notes | Total 2023 Kshs '000 | Total 2022 restated Kshs '000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 29 | 1,374,980 | 845,199 |
| Income tax paid | | (214,252) | (145,835) |
| **Net cash generated from operating activities** | 10 | **1,160,728** | **699,364** |
| **Cash flows from investing activities** | | | |
| Purchase of property and equipment | 13 | (17,367) | (5,442) |
| Disposal of intangible assets | 14 | 3,609 | |
| Proceeds from disposal of property and equipment | | 7 | 24 |
| Proceeds from disposal of equities | | 7,054 | - |
| Purchase of intangible assets | 14 | - | (17,738) |
| Purchase of REITs | 16 | - | (61,493) |
| Purchase of corporate bonds | 19 | (2,000) | (34,500) |
| Purchase of government securities | | | (886,751) |
| Purchase of deposits with financial institutions (maturing over 3 months) | | (4,004,659) | (3,726,860) |
| Investment in subsidiary | 23 | (289,611) | - |
| Proceeds from disposal of government securities | | 9,088 | 405,423 |
| Proceeds from disposal of deposits with financial institutions | | 5,337,581 | 2,904,205 |
| Proceeds from disposal of corporate bonds | 19 | 20,000 | 18,000 |
| Mortgage loans repaid | 17 | 12,260 | 7,254 |
| **Net cash generated from/(used in) investing activities** | | **1,075,962** | **(1,397,878)** |
| **Cash flows from financing activities** | | | |
| Dividends paid | | (200,000) | (100,000) |
| **Net increase/(decrease) in cash and cash equivalents** | | **2,036,690** | **(798,514)** |
| Cash and cash equivalents at 1 January | | 1,118,178 | 1,916,692 |
| **Cash and cash equivalents at 31 December** | | **3,154,868** | **1,118,178** |

The accounting policies on pages 40 to 67 and the notes on pages 68 to 121 form an integral part of the 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 4.

The Company is organised into two main divisions, Non-life business and Life business. Life business relates to the underwriting of life risks relating to insured persons. Non-life 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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) 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 Accounting Standards 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 1.22.

### 1.2. New and Amended Standards

#### 1.2.1. 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 2023:

#### (a) IFRS 17 Insurance Contracts

IFRS 17 standard replaced IFRS 4, which permitted a wide variety of practices in accounting for insurance contracts. IFRS 17 fundamentally changes the accounting of all entities that issue insurance contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for eligible groups of insurance contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Detailed disclosures on the impact of IFRS 17 on the Company are included under Notes 1.3 and 1.22.

## 1.2. New and Amended Standards (continued)

### 1.2.1. New and Amended Standards Adopted by the Company (continued)

**Other Amendments**

The amendments listed below did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods

**b) Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies**

The IASB amended *IAS 1 Presentation of Financial Statements* to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) 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.

**c) Amendments to IAS 8 Definition of Accounting Estimates**

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.

**d) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

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, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

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

IAS 12 did not previously address how to account for the tax effects of on balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

**e) Amendments to IAS 12 International Tax Reform Pillar Two Model Rules**

The amendments require large multinational enterprises within the scope of the rulels to calculate their GloBE (Global Anti-Base Erosion Proposal) effective tax rate for each jurisdiction where they operate. They will be liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate.

### 1.2. New and Amended Standards (continued)

#### 1.2.1. New and Amended Standards Adopted by the Company (continued)

**e) Amendments to IAS 12 International Tax Reform Pillar Two Model Rules (continued)**

In May 2023, the IASB made narrow-scope amendments to IAS 12 which provide a temporary relief from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments also require affected companies to disclose:

- the fact that they have applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes
- their current tax expense (if any) related to the Pillar Two income taxes, and
- during the period between the legislation being enacted or substantially enacted and the legislation becoming effective, known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar Two income taxes arising from that legislation. If this information is not known or reasonably estimable, entities are instead required to disclose a statement to that effect and information about their progress in assessing the exposure.

#### 1.2.2. New Standards and Interpretations Issued but not yet effective

**a) Amendments to IAS 1 Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants effective 1 January 2024**

Amendments made to *IAS 1 Presentation of Financial Statements* in 2020 and 2022 clarified 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 waiver or a breach of covenant).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as noncurrent and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability,
- information about the covenants, and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note.

The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

## 1.2. New and Amended Standards (continued)

### 1.2.2. New Standards and Interpretations Issued but no yet effective (continued)

#### b) Amendments to IFRS 16 Lease Liability in a Sale and Leaseback effective 1 January 2024

In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction.

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

#### c) Amendments to IAS 7 and IFRS 7 Supplier finance arrangements effective 1 January 2024

The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures falls short of meeting user information needs.

The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and exposure to liquidity risk. The new disclosures include information about the following:

The terms and conditions of SFAs.

- The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
- The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers
- The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
- Non-cash changes in the carrying amounts of financial liabilities in (b).
- Access to SFA facilities and concentration of liquidity risk with finance providers.

The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.

#### d) Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The IASB has made limited scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

In December 2015, the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

### 1.2. New and Amended Standards (continued)

#### 1.2.2 New Standards and Interpretations Issued but not yet effective (continued)

**e) Amendments to IAS 21 - Lack of Exchangeability effective 1 January 2025**

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include:

- the nature and financial impacts of the currency not being exchangeable;
- the spot exchange rate used;
- the estimation process; and
- risks to the company because the currency is not exchangeable.

### 1.3. Changes in Material Accounting Policies

**IFRS 17 Insurance Contracts**

The Company has initially applied IFRS 17 Insurance Contracts, including any consequential amendments to other standards, from 1 January 2023. This standard has brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

In applying IFRS 17 for the first time, at the time of transition as at 1 January 2022:

- all groups of insurance contracts are identified, recognised and measured in accordance with the requirements of IFRS 17;
- balances that would not exist in accordance with the requirements of IFRS 17 are derecognised; and
- the resulting net difference is recognised in equity.

Initial application of IFRS 17 had the following impacts on equity as at 1 January 2022

| | Life business Kshs '000 | Non-life business Kshs '000 | Total Kshs '000 |
|---|---|---|---|
| **Equity (IFRS 4) at 1 January 2022** | **339,304** | **3,344,174** | **3,683,478** |
| **Changes in equity** | | | |
| Discounting of future cash flows when measuring liabilities for incurred claims | 58,985 | 215,253 | 274,238 |
| Risk adjustment for non-financial risk | (52,720) | (76,556) | (129,276) |
| Loss component | (41,265) | (32,819) | (74,084) |
| **Total** | **(35,000)** | **105,878** | **70,878** |

## 1.3. Changes in Material Accounting Policies (continued)

### IFRS 17 Insurance Contracts (continued)

| | Life business Kshs '000 | Non-life business Kshs '000 | Total Kshs '000 |
|---|---|---|---|
| Deferred tax on initial application of IFRS 17 | 10,500 | (31,763) | (21,263) |
| Adjustment on initial application of IFRS 17, net of tax | (24,500) | 74,115 | 49,615 |
| **Equity (IFRS 17) at 1 January 2022** | **314,804** | **3,418,289** | **3,733,093** |

Except for the changes below, the Company has consistently applied the accounting policies as set out below to all periods presented in these financial statements.

The nature and effects of the key changes in the Company's accounting policies resulting from its adoption of IFRS 17 are summarised below.

**Recognition, Measurement and Presentation of insurance contracts**

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's 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 contractual service margin.

The Company has presented separately in the statement of financial position the carrying amount of portfolios of insurance contracts that are assets and those that are liabilities, and the portfolios of reinsurance contracts held that are assets and those that are liabilities.

The Company disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into an insurance service result sub-total that comprises insurance revenue and insurance service expenses and, separately from the insurance service result, the 'net insurance finance income or expenses and investment result' sub-total.

The Company includes any assets for insurance acquisition cash flows recognised before the corresponding groups of insurance contracts are recognised in the carrying amount of the related portfolios of insurance contracts issued. Further, the Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and nonfinancial portion. It includes the entire change as part of the insurance service result.

Under IFRS 17, insurance revenue in each reporting period 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.

Insurance finance income and expenses are presented separately from insurance revenue and insurance service expenses.

### 1.3. Changes in Material Accounting Policies (continued)

**IFRS 17 Insurance Contracts (continued)**

**Recognition, Measurement and Presentation of insurance contracts (continued)**

The Company applies the premium allocation approach (PAA) to simplify the measurement of reinsurance and retrocession contracts, when the coverage period of each contract in the group is one year or less or when the Company reasonably expects that the resulting measurement of the liability for remaining coverage would not differ materially from the result of applying the general measurement method. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from retrocession contracts other than insurance finance income and expenses are now presented separately in profit or loss. Similarly under IFRS 4, amounts recovered from reinsurers and reinsurance expenses were presented separately.

For an explanation of how the Company accounts for reinsurance and retrocession contracts under IFRS 17, see Note 1.4.

**Transition**

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022, the Company:

- identified, recognised and measured each group of reinsurance and retrocession contracts as if IFRS 17 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included deferred acquisition costs for reinsurance and retrocession contracts, and receivables and payables arising from retrocession arrangements. Under IFRS 17, they are included in the measurement of the insurance contracts; and
- recognised any resulting net difference in equity.

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item and earnings per share. The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the statement of changes in equity.

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

- assumptions about discount rates, because the Company had not been subject to any accounting or regulatory framework that required insurance contracts to be measured on a present value basis before; and

- assumptions about the risk adjustment for non-financial risk, because the Company had not been subject to any accounting or regulatory framework that required an explicit margin for non-financial risk before.

## 1.4. Insurance and Reinsurance Contracts

### a) Classification

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

Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as retrocession contracts. Reinsurance and retrocession contracts also expose the Company to financial risk.

The Company's reinsurance contracts are classified into two main categories, depending on the duration of risk and as per the provisions of the Insurance Act.

### i. Non-Life insurance business

This represents the insurance business of any class or classes not being life assurance business. Classes of Non-life insurance 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 insurance 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 insurance 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.

Motor insurance 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 insurance 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. Life assurance business

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

Ordinary life assurance 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 assurance 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.

### 1.4. Insurance and Reinsurance Contracts (continued)

#### b) Aggregation and Recognition of Insurance and Reinsurance Contracts

**Insurance Contracts**

Insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- 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.

For reinsurance contracts accounted for applying the PAA, the Company determines that contracts are not onerous on initial recognition, unless there are facts and circumstances indicating otherwise. The Company assesses the likelihood of changes in applicable facts and circumstances to determine whether contracts not onerous on initial recognition belong to a group with no significant possibility of becoming onerous in the future.

If facts and circumstances indicate that some contracts may be onerous at initial recognition or the group of contracts has become onerous, the Company performs a quantitative assessment to assess whether the carrying amount of the liability for remaining coverage determined applying the PAA is less than the fulfilment cash flows related to remaining coverage determined applying the General Model. If the fulfilment cash flows related to remaining coverage determined applying the General Model exceed the PAA carrying amount of the liability for remaining coverage, the difference is recognised in profit or loss and the liability for remaining coverage is increased by the same amount.

An insurance contract issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

When the 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 are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

**Reinsurance contracts**

The Company uses facultative and treaty retrocession programs to mitigate some of its risk exposures. Reinsurance contracts held are accounted for applying IFRS 17 when they meet the definition of an insurance contract. This includes the condition that the contract must transfer significant insurance risk.

Reinsurance contracts transfer significant insurance risk only if they transfer to the retrocessionaire substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts, even if a reinsurance contract does not expose the issuer (reinsurer) to the possibility of a significant loss.

Groups of reinsurance contracts are established such that each group comprises a single contract. Some retrocession contracts provide cover for underlying contracts that are included in different groups. However, the Company concludes that the retrocession contract's legal form of a single contract reflects the substance of the Company's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the retrocession contracts are not separated into multiple insurance components that relate to different underlying groups.

**1.4. Insurance and Reinsurance Contracts (continued)**

**b) Aggregation and Recognition of Insurance and Reinsurance Contracts (continued)**

**Reinsurance Contracts (continued)**

A group of reinsurance contracts is recognised on the following date:

- *Reinsurance contracts initiated by the Company that provide proportionate coverage:* The date on which any underlying insurance contract is initially recognised. This applies to the Company's quota share reinsurance contracts.

- *Other reinsurance contracts initiated by the Company:* The beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date (see '*Reinsurance of onerous underlying insurance contracts*' under (v)). This applies to the Company's excess of loss and stop loss reinsurance contracts.

- *Reinsurance contracts acquired:* The date of acquisition.

**c) Insurance acquisition cash flows**

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts (e.g. commissions), then they are allocated to that group. However, if insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

When the Company acquires insurance contracts in a transfer of contracts or a business combination, at the date of acquisition it recognises an asset for insurance acquisition cash flows at fair value for the rights to obtain:

- renewals of contracts recognised at the date of acquisition; and
- other future contracts after the date of acquisition without paying again insurance acquisition cash flows that the acquiree has already paid.

At each reporting date, the Company revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

**Recoverability assessment**

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company:

(a) recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
(b) if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a).

The Company reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

### 1.4. Insurance and Reinsurance Contracts (continued)

#### d) Contract Boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

**Insurance Contracts**

For insurance 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.

The reassessment of risks considers only risks transferred from cedants to the Company, which may include both insurance and financial risks, but exclude lapse and expense risks.

**Reinsurance 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.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

#### e) Measurement – Premium Allocation Approach

The Company uses the Premium Allocation Approach (PAA) to the measurement of groups of contracts when the following criteria are met at inception.

- Reinsurance contracts: The coverage period of each contract in the group is one year or less, or the Company reasonably expects that the resulting measurement of the liability for remaining coverage would not differ materially from the result of applying the general measurement method.

- Loss-occurring retrocession contracts: The coverage period of each contract in the group is one year or less.

- Risk-attaching retrocession 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 general measurement method. When comparing the different possible measurements, the Company considers the impact of the different release patterns of the asset for remaining coverage to profit or loss and the impact of the time value of money. If significant variability is expected in the fulfilment cash flows during the period before a claim is incurred, then this criterion is not met.

**1.4. Insurance and Reinsurance Contracts (continued)**

**e) Measurement - Premium Allocation Approach (continued)**

**Insurance contracts**

On initial recognition of each group of contracts, the Company measures the liability for remaining coverage at the amount of premiums received on less any acquisition cash flows paid and any amounts from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows under (c) above. The Company amortises insurance acquisition cash flows over the reinsurance coverage period.

Premiums due to the Company for insurance contract services already provided in the period but not yet received at the end of the reporting period are included in the Liability for Remaining Coverage (LRC)a. The carrying amount of the LRC at the end of each subsequent reporting period represents the carrying amount at the start of the reporting period adjusted for the premiums received in the period and the amount recognised as insurance revenue for insurance contract services provided in that period.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided (see (g)) and any insurance acquisition cash flows paid in the period or allocated after initial recognition. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in profit or loss and increases 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 are discounted (at current rates) if the liability for incurred claims is also discounted (see below).

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

**Reinsurance contracts**

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

For reinsurance contracts held, on initial recognition, the Company measures the asset for remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the retrocessionaire and any amounts arising from the derecognition of any other relevant pre-recognition cash flows. On subsequent measurement, the remaining coverage is increased for ceding premiums and broker fees paid in the period; and decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.

The Company does not adjust the remaining coverage for reinsurance contracts held for the effect of the time value of money, because insurance premiums are due within the coverage period of contracts, which is one year or less. Further, the Company adjusts the remaining coverage for reinsurance contracts held for the effect of the risk of reinsurer's non-performance.

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

**1.4. Insurance and Reinsurance Contracts (continued)**

**e) Measurement - Premium Allocation Approach (continued)**

**Reinsurance contracts (continued)**

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

The Company does not have any retrocession contracts held measured under the PAA with underlying contracts measured under the general measurement method.

**f) Derecognition and Modification**

The Company derecognizes a contract when it is extinguished (i.e., when the specified obligations in the contract expires or are discharged or cancelled.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

When a new contract is required to be recognised as a result of modification and it is within the scope of IFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, and contract aggregation requirements.

When a reinsurance contract accounted for under the PAA is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

a. if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;
b. if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or
c. if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

**g) Presentation**

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. 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 under (iii)) are included in the carrying amount of the related portfolios of contracts.

The Company disaggregates amounts recognised in the statement of profit or loss and other comprehensive into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Income and expenses from retrocession contracts are presented separately from income and expenses from reinsurance contracts. Income and expenses from retrocession contracts, other than insurance finance income or expenses, are presented separately.

The Company does not 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 are included in the insurance service result.

### 1.4. Insurance and Reinsurance Contracts (continued)

#### g) Presentation (continued)

Insurance revenue and insurance service expenses are recognised as follows.

**Insurance revenue**

Following the Company's policy to measure contracts under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Company allocates the expected premium receipts to each period based on the passage of time.

**Loss components**

If at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component of the liability for remaining coverage. The loss component is calculated as the difference between the carrying amount of the liability for remaining coverage and the fulfilment cash flows that relate to remaining coverage of the group. The loss component is recognised in profit or loss and a corresponding increase in the liability for remaining coverage.

**Insurance service expenses**

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They comprise the following items:

- Incurred claims and other insurance service expenses.
- Amortisation of insurance acquisition cash flows: The Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.
- Loss component on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein (risk adjustment for non-financial risk).
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

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

**Reinsurance Expense and Recoveries**

Reinsurance expenses comprise an allocation of reinsurance premiums paid while recoveries are the amounts recoverable from reinsurers.

The Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period. Further, ceding commissions that are not contingent on claims of the underlying contracts are presented as a deduction in the premiums to be paid to the reinsurer which is then allocated to profit or loss.

For a group of reinsurance contracts covering onerous underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts.

**1.4. Insurance and Reinsurance Contracts (continued)**

**g) Presentation (continued)**

**Reinsurance Expense and Recoveries (continued)**

**Insurance Finance Income and Expenses**

Insurance finance income and expenses comprise changes in the carrying amounts of groups of reinsurance and retrocession contracts arising from the effects of the time value of money, financial risk and changes therein. They key components within insurance finance income and expenses are:

a. interest accreted on the liability for incurred claims (LIC); and
b. the effect of changes in interest rates and other financial assumptions.

The Company has chosen not to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income (OCI). The Company presents insurance finance income or expenses in profit or loss, as the supporting assets are generally measured at fair value through profit or loss (FVTPL).

**h) Transition**

At 1 January 2022, the Company applied the full retrospective approach to all contracts on transition to IFRS 17.

**1.5. Revenue recognition**

**(i) Insurance revenue**

The revenue recognition policy relating to reinsurance contracts is set out under note 1.4 above.

**(ii) Investment income**

**Interest income:** Interest income is calculated by applying the effective interest method to the gross carrying amount of the financial assets measured at amortised cost. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees.

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

**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.

**1.6. 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 | Remaining lease period |
| Motor vehicles | 4 years |
| Computer equipment and software | 3 years |
| Furniture, fittings and office equipment | 8 years |

### 1.6. Property and equipment (continued)

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.

### 1.7. 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.

### 1.8. Investment property

Investment property comprises land and buildings held to earn rentals or for capital appreciation or both. Investment property, is initially recognised at cost including the transaction costs. Subsequently, investment property is carried at 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.

### 1.9. Financial assets

On initial recognition, the Company classifies a financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL), and
- Amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Consequently, financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

**1.9. Financial assets (continued)**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

All financial assets not classified as measured at amortised cost are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income (FVOCI) as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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.

**a. 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.

**b. 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.

**1.9. Financial assets (continued)**

**b. Measurement (continued)**

**Debt instruments (continued)**

- 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**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

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.

**c. 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.

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.

**d. 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.

**1.9. Financial assets (continued)**

**d. Impairment (continued)**

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 FVTPL.

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.

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.

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;

## 1.9. Financial assets (continued)

### d. Impairment (continued)

**Measurement of expected credit losses (ECL) (continued)**

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 Standard & Poors 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 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.

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 applies both the general approach; and the simplified approach.

**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.

### 1.9. Financial assets (continued)

#### d. Impairment (continued)

**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.

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.

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.

### 1.9. Financial assets (continued)

#### d. Impairment (continued)

**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.

### 1.10 Financial liabilities

Financial liabilities are initially recognized at fair value. After initial recognition, the Company measures all financial liabilities at amortized cost. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

**Offsetting financial assets and financial liabilities**

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 1.11. 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.

### 1.12. 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.

### 1.13. 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.

### 1.14. 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.

### 1.15. 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'.

### 1.16. Share capital

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

### 1.17. 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.

## 1.18. 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".

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.

## 1.19. 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.

## 1.20. Comparatives

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

## 1.21. Investment in Subsidiaries

Investments in subsidiaries are carried at cost less provisions for impairment losses. Where in the opinion of the Directors, there has been impairment in the value of the investment; the loss is recognised as an expense in the period in which the impairment is recognised.

## 1.22. Use of Judgements and Accounting Estimates

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that will have the most significant effect on the amounts recognised in financial statements:

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

The estimation of future benefit payments in relation to life reassurance and non-life 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 non-life reinsurance contracts and life reinsurance contracts is undertaken by the Company's consulting actuaries on an annual basis.

### 1.22. Use of Judgements and Accounting Estimates (continued)

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

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 24.

#### b) Transition to IFRS 17

Judgement was exercised in determining whether sufficient reasonable and supportable information is available to apply a full or modified retrospective approach.

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial 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 are discounted and weighted by the estimated probability of that outcome to derive an expected present value.

#### Estimates of future cash flows

In estimating future cash flows, the Company incorporates, 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 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 takes 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 are not taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract 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) cedants, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

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. Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- recurring commissions payable on instalment premiums receivable within the contract boundary;
- costs that the group will incur in providing investment services;

### 1.22. Use of Judgements and Accounting Estimates (continued)

#### Estimates of future cash flows (continued)

- costs that the group will incur in performing investment activities to the extent that the group performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs; and
- income tax and other costs specifically chargeable to the policyholders under the terms of the 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 are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. The Company's insurance acquisition cash flows comprises of commissions, deferred acquisition costs (DAC) and pipeline commissions. Commissions within each group are determined by actual bookings, while DAC and pipeline commissions are allocated proportionally to total premiums within each group. Additionally, maintenance and administration costs are assigned to each group based on their respective total premiums. Other costs are recognised in profit or loss as they are incurred.

The Company estimates the ultimate cost of settling claims incurred but unpaid at the reporting date and other expected recoveries by reviewing individual claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using a range of loss reserving techniques – e.g. the Chain-ladder and Bornhuetter- Ferguson methods. These techniques assume that the Company's own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The ultimate cost of settling claims is estimated separately for each line of business, except for large claims, which are assessed separately from other claims.

The assumptions used, including loss ratios and future claims inflation, are implicitly derived from the historical claims development data on which the projections are based, although judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.

#### Discount Rates

Cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Company generally determines the risk-free rates using the observed government bond yield curves. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are 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 safe. The illiquidity premium in this case is equal to the covered bond spread over the risk free rate. To compute the illiquidity premium, the Company will compare yield on government and corporate bonds of the same maturity profile. The difference determined constitute both credit and liquidity premiums. External rating agencies credit rating are used as the proxy for the credit risk factor and the balance is then considered to be illiquidity premium.

The tables below set out the yield curves used to discount the cash flows of insurance contracts

| At 31 December | 1 year | 2 years | 3 years | 4 years | 5 years | >5 years |
|---|---|---|---|---|---|---|
| **2023** | 16.3% | 17.9% | 18.0% | 17.9% | 17.4% | 16.8%-15.7% |
| **2022** | 10.3% | 12.2% | 12.7% | 13.1% | 13.5% | 13.6%-13.9% |

#### Risk Adjustments for Non-financial Risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

### 1.22. Use of Judgements and Accounting Estimates (continued)

#### c) Determining Fulfilment Cash Flows (continued)

**Risk Adjustments for Non-financial Risk (continued)**

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

#### d) Determination of the contract boundary

The measurement of a group of reinsurance contracts includes all the future cash flows arising within the contract boundary. In determining which cash flows fall within a contract boundary, the Company considers its substantive rights and obligations arising from the terms of the contract, from applicable law, regulation and customary business practices. Cash flows are considered to be outside of the contract boundary if the Company has the practical ability to reprice existing contracts to reflect their reassessed risks, and if the contract's pricing for coverage up to the date of reassessment only considers the risks until the next reassessment date. The Company applies its judgement in assessing whether it has the practical ability to set a price that fully reflects all the risks in the contract or portfolio.

#### e) Level of aggregation

The Company applies judgement when identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently.

#### f) Assessment of directly attributable cash flows

The Company uses judgement in assessing whether cash flows are directly attributable to a specific portfolio of reinsurance contracts. Insurance acquisition cash flows are included in the measurement of a group of insurance contracts only if they are directly attributable to the individual contracts in a group, or to the group itself, or the portfolio of insurance contracts to which the group belongs. When estimating fulfilment cash flows, the Company also allocates fixed and variable overheads fulfilment cash flows directly attributable to the fulfilment of insurance contracts.

#### g) Assessment of eligibility for Premium Allocation Approach (PAA)

For reinsurance contracts with a coverage period extending beyond one year, the Company has elected to apply the premium allocation approach (PAA), if at the inception of the group, the Company reasonably expects that it will provide a liability for remaining coverage that would not differ materially from the General Model. The Company exercises judgement in determining whether the PAA eligibility criteria are met at initial recognition.

#### h) Selecting a method of risk adjustments for non-financial risk and allocation of coverage units

IFRS 17 establishes a principle for determining coverage units, not a set of detailed requirements or methods. The selection of the appropriate method for determining the amount of coverage units is not an accounting policy choice. It involves the exercise of significant judgement in determining the techniques for estimating risk adjustments for non-financial risk and development of estimates of the coverage units provided under a contract considering individual facts and circumstances. The Company selects the appropriate method on a portfolio-by-portfolio basis.

#### i) Pipeline income and expense transactions

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

## 1.22. Use of Judgements and Accounting Estimates (continued)

### j) Measurement of expected credit losses on financial assets

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost 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.

### k) 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.

### l) 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 AND CAPITAL MANAGEMENT

Insurance and reinsurance contracts expose the Company to underwriting risk, which comprises insurance risk, and expense risk.

In addition, the Company is exposed to financial and operational risks from insurance and reinsurance contracts and financial instruments. Financial risks include credit risk, liquidity risk and market risk. Market risk comprises currency risk, interest rate risk, equity prices risk and other price risk.

This note presents information about the Company's risk exposures, and the Company's objectives, policies and processes for measuring and managing risks and for managing capital, in the sections below.

A. Risk management framework
B. Key risks arising from contracts issued
i. Life risk contracts
ii. Non-life contracts
C. Underwriting risk
i. Management of underwriting risk
ii. Concentrations of underwriting risk
iii. Sensitivity analysis
iv. Market risk
v. Management of market risk
vi. Currency risk
vii. Interest rate risk
viii. Equity price risk
D. Liquidity risk
E. Credit risk
F. Fair Value Estimation
G. Operational Risk
H. Capital management

### A. Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's Audit and Risk Committee is responsible for approving and monitoring the Company's risk management policies, and reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, set appropriate risk limits and controls, and monitor adherence to risk limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit & Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. It is assisted in its oversight role by internal audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company Audit & Risk Committee.

Under the risk management framework, the Company employs risk management programmes, including asset-liability matching (ALM) processes, and retrocession programmes.

### B. Key Risks Arising from Contracts Issued

The Company issues insurance contracts and the nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related retrocession contracts and the risks arising from financial assets held to fund the settlement of the liabilities. The extent to which profit or loss and equity in any period are sensitive to financial risks depends on the extent to which they are economically hedged or borne by contract holders and the extent of any mismatches inherent in the accounting policies adopted by the Company.

## 2. RISK MANAGEMENT (continued)

### B. Key Risks Arising from Contracts Issued (continued)

| Product | Key risks | Risk mitigation |
|---|---|---|
| **Life Contracts**<br>Term assurance and critical illness | • Mortality risk: death of policy holder earlier than expected<br>• Morbidity risk: diagnosis of critical illness earlier than expected | • Reinsurance with financially strong reinsurers |
| **Non-Life Contracts**<br>Property and casualty | • Extreme weather events Natural catastrophes<br>• Legislative changes giving rise to increased claims<br>• Emergence of long-tailed claims: e.g. latent disease type claims | • Diversification of types of risk, industries and geographic locations in which risks are written<br>• Extensive analysis of data to enhance risk selection, segmentation and profitability<br>• Reinsurance with financially strong reinsurers, including excess of loss catastrophe cover |

These key risks reflect only the downside risk to the Company. However, for most of these risks, there is also an upside risk.

**Life Contracts**

All life contracts expose the Company to significant insurance risk. Although mortality, morbidity and longevity experience may be affected by unexpected events (e.g. epidemics), the most significant changes to insurance risk factors (e.g. lifestyle changes, medical advances and improvements in social conditions) tend to occur over a long period of time. The longer the coverage period, the greater the Company's exposure to insurance risk.

Term assurance contracts provide policyholders with a fixed lump sum payable on death. Term assurance contracts provide coverage over a fixed term. Term assurance premiums may be level or increasing over time (for yearly renewable contracts).

Critical illness contracts are similar to term assurance but pay out a lump sum if the policyholder is diagnosed with an illness specified in the contract.

For details of the credit risk from reinsurance contract assets and investments, see section E.

**Non-Life contracts**

The key risks arising from non-life contracts are the unknown frequency and severity of claims, which are influenced by the nature of the risks covered and the geographic location in which the risks are written.

The frequency and severity of non-life claims is affected by the occurrence of extreme weather events (e.g. floods, wildfires and hurricanes) and other natural catastrophes (e.g. earthquakes). In particular, the cost of rebuilding or repairing a property, together with the cost of business interruption, is a significant feature in the overall value of claims in this portfolio. In addition, increasing climate risk could potentially introduce material uncertainty in assumptions and result in inaccurate pricing of insurance risk. In addition, the severity of claims is significantly affected by increases in the value of settlements awarded for latent diseases and inflation. The nature and frequency of claims may be affected by emerging trends and changes in legislation.

## 2 RISK MANAGEMENT (continued)

### C. Underwriting risk

Underwriting risk comprises insurance risk and expense risk.

- *Insurance risk:* the risk transferred from the client to the Company, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount or timing of claims.
- *Expense risk:* the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events).

### i. Management of underwriting risk

The Board of Directors sets the Company's strategy for accepting and managing underwriting risk. Specific underwriting objectives such as, aggregation limits, reinsurance protection thresholds and line of business diversification parameters, are prepared and reviewed by Management. The Board continuously reviews its underwriting strategy in the light of evolving market pricing and loss conditions and as opportunities present themselves.

#### Life Contracts

A key aspect of the underwriting process for life contracts is pricing contracts with regard to the insurance risks assumed. Prices charged for the cost of insurance risk are set through a generally accepted reinsurance pricing model which takes into account emerging trends in insurance risk factors.

Mortality, morbidity and longevity risks are mitigated by the use of retrocession programmes. The aggregation of risk ceded to individual reinsurers is monitored. Expense risk is managed through the annual budgeting process and regular expense analyses.

#### Non-life contracts

A key component of the management of underwriting risk for the Company's non-life products is a disciplined underwriting strategy that is focused on writing quality business. Product pricing is intended to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the Company's total exposure to specific risks, together with limits on geographic and industry exposures. The aim is to ensure that a diversified book is maintained, with no over-exposure in any one geographic region.

Non-life contracts are renewable annually and the ability to reprice contracts on renewal in response to changes in policyholder risk profiles, claims experience and market considerations is a significant mitigant to pricing risk. Contracts may also contain other features that constrain underwriting risk – e.g. the use of deductibles and capping on the maximum permitted loss or number of claims (subject to local regulatory and legislative requirements).

The Company uses various techniques to assess risk exposure and endeavour to optimise the pricing of non-life contracts. The possibility of weather-related calamities is built into pricing, considering trends in historical data and leading indicators of climate risk. In property, the Company leverages advanced analytics (e.g. flood mapping) for identifying properties most at risk and improving risk selection.

The Company uses reinsurance to mitigate the risk of incurring significant losses linked to single events, including excess of loss and stop loss reinsurance. Certain non-life businesses are required to protect against catastrophe events. Where an individual exposure exceeds the Company's risk appetite, additional facultative reinsurance is also purchased.

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.

## 2. RISK AND CAPITAL MANAGEMENT (continued)

### C. Underwriting risk (continued)

### i. Management of underwriting risk (continued)

**Non-life contracts (continued)**

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:

| Class Limit (Kshs) | 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 | Limit (Kshs) |
|---|---|
| | 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 non-life business increased by Kshs 78.47 billion in 2023 to Kshs 201.90 billion (2022: Kshs 123.43 billion). This is mostly due to increased underwriting limits in the Property classes which resulted in significant growth in facultative acceptances.

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:

## 2. RISK AND CAPITAL MANAGEMENT (continued)

### C. Underwriting risk (continued)

#### i. Management of underwriting risk (continued)

| Year ended 31 December 2023 | | TOTAL EXPOSURE<br>0–20 million<br>Kshs'000 | 20–250 million<br>Kshs'000 | 250–1000 million<br>Kshs'000 | Total<br>Kshs'000 |
|---|---|---|---|---|---|
| **Life & Non-life business** | | | | | |
| Ordinary life | Gross | 2,783,143 | 404,144 | - | 3,187,287 |
| | Net | 1,805,482 | 298,398 | - | 2,103,880 |
| Group life | Gross | 112,917,519 | 21,067,766 | - | 133,985,285 |
| | Net | 104,727,675 | 15,659,077 | - | 120,386,752 |
| Fire | Gross | 977,523 | 22,683,125 | 105,258,253 | 128,918,901 |
| | Net | 969,756 | 24,958,049 | 56,917,719 | 82,845,524 |
| Miscellaneous | Gross | 1,031,732 | 7,259,733 | 13,198,872 | 21,490,337 |
| | Net | 989,934 | 6,173,872 | 340,149 | 7,503,955 |
| Motor | Gross | 494,340 | 379,885 | - | 874,225 |
| | Net | 494,340 | 379,885 | - | 874,225 |
| Others | Gross | 3,934,603 | 24,111,176 | 22,572,953 | 50,618,732 |
| | Net | 3,942,103 | 24,279,121 | 13,033,204 | 41,254,428 |
| **Total** | **Gross** | **122,138,860** | **75,905,829** | **141,030,078** | **339,074,767** |
| **Total** | **Net** | **112,929,290** | **71,748,402** | **70,291,072** | **254,968,764** |

| Year ended 31 December 2022 | | TOTAL EXPOSURE<br>0–20 million<br>Kshs'000 | 20–250 million<br>Kshs'000 | 250–1000 million<br>Kshs'000 | Total<br>Kshs'000 |
|---|---|---|---|---|---|
| **Life & Non-life 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** |

The Company's earthquake exposure for the Nairobi zone is estimated at Kshs 74,209,904,000 (2022: Kshs 45,998,229,000).

## 2. RISK AND CAPITAL MANAGEMENT (continued)

### C. Underwriting risk (continued)

### ii. Concentrations of underwriting risk

The following table sets out the carrying amounts of the Company's insurance contracts (net of reinsurance) by type of product.

| Class | 2023 Kshs '000 | 2022 Kshs '000 |
|---|---|---|
| **Non- Life** | | |
| Aviation | 2,419 | 1,565 |
| Engineering | 329,520 | 271,996 |
| Fire | 884,669 | 897,418 |
| Liability | 11,667 | 6,934 |
| Marine | 191,740 | 180,994 |
| Motor | 422,061 | 460,764 |
| Personal Accident | 48,564 | 38,549 |
| Medical | 494,388 | 444,050 |
| Miscellaneous | 167,106 | 132,643 |
| Total | **2,552,134** | **2,434,913** |
| **Life** | **522,096** | **461,807** |

### iii. Sensitivity analysis

The table below analyses how the profit or loss and equity would have increased (decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by retrocession and assumes that all other variables remain constant.

| | Impact on P&L | | Impact on Equity | |
|---|---|---|---|---|
| | Gross Kshs '000 | Net Kshs '000 | Gross Kshs '000 | Net Kshs '000 |
| **Non-Life** | | | | |
| Best estimate insurance contract liabilities | | | | |
| Ultimate Claims (after 5% increase) | (51,564) | (37,887) | (51,564) | (37,887) |
| Ultimate Claims (after 5% decrease) | 51,564 | 37,887 | 51,564 | 37,887 |
| **Life** | | | | |
| Best estimate insurance contract liabilities | | | | |
| Ultimate Claims (after 5% increase) | (11,969) | (9,327) | (11,969) | (9,327) |
| Ultimate Claims (after 5% decrease) | 11,969 | 9,327 | 11,969 | 9,327 |

## 2. RISK AND CAPITAL MANAGEMENT (continued)

### C. Underwriting risk (continued)

### iii. Sensitivity analysis (continued)

| 2022 | Impact on P&L | | Impact on Equity | |
|---|---|---|---|---|
| | Gross Kshs '000 | Net Kshs '000 | Gross Kshs '000 | Net Kshs '000 |
| **Non-Life** | | | | |
| Best estimate insurance contract liabilities | | | | |
| Ultimate Claims (after 5% increase) | (51,934) | (37,887) | (51,934) | (37,887) |
| Ultimate Claims (after 5% decrease) | 51,934 | 37,887 | 51,934 | 37,887 |
| **Life** | | | | |
| Best estimate insurance contract liabilities | | | | |
| Ultimate Claims (after 5% increase) | (15,582) | (3,245) | (15,582) | (3,245) |
| Ultimate Claims (after 5% decrease) | 15,582 | 3,245 | 15,582 | 3,245 |

Changes in underwriting risk variables mainly affect the profit or loss and equity as follows. The effects on profit or loss and equity are presented net of the related income tax.

**a. Profit or loss**
- Changes in fulfilment cash flows relating to loss components.
- Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in profit or loss.

**b. Equity**
- The effect on profit or loss under (a) above.

### iv. Market risk

Market risk is the risk that changes in market prices, such as, foreign exchange rates, interest rates and equity prices, will affect the fulfilment cash flows of insurance and reinsurance contracts as well as the fair value or future cash flows of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimising the return on risk.

Market risk principally arises from the Company's interest-bearing financial assets and financial liabilities, financial assets and financial liabilities denominated in foreign currencies, and equity investments, but these exposures are largely offset by similar exposures arising from insurance and reinsurance contracts. The nature of the Company's business and asset liability matching processes means that it is exposed to market risk on net assets representing shareholders' equity.

### v. Management of market risk

The Board of Directors sets the Company's strategy for managing market risk. Management oversee the implementation of this strategy and the asset liability matching framework. The framework seeks to match the cash flows arising from the Company's financial investments with the cash flows arising from its insurance contracts while optimising long-term investment return on its financial investments representing shareholders' equity for an acceptable level of risk.

## 2. RISK AND CAPITAL MANAGEMENT (continued)

### C. Underwriting risk (continued)

### vi. Currency risk

**Exposure to currency risk**

The Company deals with cedants in a number of countries and writes business in various currencies. It is therefore exposed to foreign currency transaction risk to the extent that the currencies in which insurance and reinsurance contracts and financial instruments are denominated differ from the functional currency of Company. Foreign currency exposures exist with respect to the United States Dollar, Uganda Shilling and Tanzania Shilling.

Foreign currency transaction risk arising from insurance and reinsurance contracts is managed by holding cash and investing in assets denominated in currencies that match the related liabilities, to the extent that it is deemed to be both practical and appropriate. The Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Foreign currency gains and losses on insurance and reinsurance contracts and financial instruments are recognised in profit or loss.

At 31 December 2023, 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 118,420,000 (2022:Kshs 70,675,000) 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 2% (2022: 0.66%) of the Company's net assets.

### vii. Interest rate risk

**Exposure to interest rate risk**

Interest rate risk on financial instruments arises primarily from the Company's investments in debt securities. These investments are exposed to the risk of adverse changes in fair values or future cash flows because of changes in market interest rates.

The Company manages interest rate risk by closely monitoring of the asset positions.The Board of Directors monitors the interest rate risk, assisted by risk management in its day-to day monitoring activities.

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

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 2023 Kshs '000 | Effect on Equity 2023 Kshs '000 | Effect on Profit 2022 Kshs '000 | Effect on Equity 2022 Kshs '000 |
|---|---|---|---|---|
| +5 percentage point movement | 7,747 | 5,232 | 9,318 | 6,523 |
| -5 percentage point movement | (7,747) | (5,232) | (9,318) | (6,523) |

Besides the effect of interest rates on financial assets above, interest rates also impact the insurance finance income or expenses recognised in profit or loss for insurance and reinsurance contracts as a result of discounting future cash flows at a revised current rate.

## 2. RISK AND CAPITAL MANAGEMENT (continued)

### C. Underwriting risk (continued)

### vii. Interest rate risk (continued)

**Exposure to interest rate risk (continued)**

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

| | Impact on P&L 2023 Kshs '000 | Impact on Equity 2023 Kshs '000 | Impact on P&L 2022 Kshs '000 | Impact on Equity 2022 Kshs '000 |
|---|---|---|---|---|
| **Non-Life** | | | | |
| +5% increase in discount rate | 17,243 | 12,070 | 13,084 | 9,159 |
| -5% decrease in discount rate | (17,677) | (12,367) | (13,346) | (9,342) |
| **Life** | | | | |
| +5% increase in discount rate | 2,390 | 1,673 | 1,908 | 1,336 |
| -5% decrease in discount rate | (2,433) | (1,703) | (1,934) | (1,354) |

### viii. Equity price risk

**Exposure to equity price risk**

The Company's exposure to equity price risk arises from its investments in equity securities classified at fair value through profit or loss. To manage its price risk 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 2023 investments in equities constituted only 0.15% (2022: 0.29%) of the total assets.

The Company's Board regularly monitors equity price risk and manages material investments on an individual basis. Investment limits require business units to hold diversified portfolios of assets and restrict concentrations to geographies and industries. The Company does not have a significant concentration of equity price risk.

At 31 December 2023, if the share prices at the NSE had increased/decreased by 10% (2022: 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 1,730,000 (2022: Kshs 3,396,000) higher/lower, and equity would have been Kshs 1,730,000 (2022: Kshs 3,396,000) higher/lower.

At 31 December 2023, 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 17,780,000 (2022:Kshs 17,061,000) higher/lower, and equity would have been Kshs 17,780,000 (2022: Kshs 17,061,000) higher/lower.

### D. 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.

## 2. RISK AND CAPITAL MANAGEMENT (continued)

### D. Liquidity risk (continued)

The table below presents a maturity analysis of the portfolio of insurance contracts and reinsurance contracts held that are in a liability position based on estimated timing of the remaining contractual undiscounted cashflows. The amounts presented do not include those relating to liability for remaining coverage of insurance and reinsurance contracts.

| | 1 year or less | 1 -2 years | 2-3 years | 3-4 years | 4-5 years | >5 years | Total Kshs '000 |
|---|---|---|---|---|---|---|---|
| **At 31 December 2023** | | | | | | | |
| **Non-life** | | | | | | | |
| Insurance contract Liabilities | 1,103,373 | 415,100 | 214,332 | 127,467 | 71,058 | 76,840 | 2,008,170 |
| Reinsurance contract liabilities | (211,868) | (45,191) | (22,071) | (42,535) | (4,950) | (2,352) | (328,967) |
| **Total** | **891,505** | **369,909** | **192,261** | **84,932** | **66,108** | **74,488** | **1,679,203** |
| **Life** | | | | | | | |
| Insurance contract Liabilities | 249,883 | 73,930 | 22,465 | 6,869 | 1,312 | - | 354,459 |
| Reinsurance contract liabilities | (55,171) | (16,323) | (4,960) | (1,517) | (290) | - | (78,261) |
| **Total** | **194,712** | **57,607** | **17,505** | **5,352** | **1,022** | **-** | **276,198** |

## 2. RISK AND CAPITAL MANAGEMENT (continued)

### E. 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

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a life time expected loss allowance for all receivables.

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 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.

#### (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.

## 2. RISK AND CAPITAL MANAGEMENT (continued)

### E. Credit risk (continued)

#### 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 2023 | Gross Amounts Kshs' 000 | Expected Net Credit Loss (ECL) Kshs'000 | Net Kshs'000 |
|---|---|---|---|
| Government securities (Note 20) | 5,005,845 | (5,006) | 5,000,839 |
| Corporate bonds (Note 19) | 57,750 | (24) | 57,726 |
| Deposits with financial institutions (Note 21) | 2,966,583 | (15,775) | 2,950,808 |
| Reinsurance contract assets | 369,686 | (1,784) | 367,902 |
| Bank balances (Note 28) | 204,550 | (1,370) | 203,180 |
| Mortgage loans (Note 17) | 17,308 | - | 17,308 |
| Other receivables (excluding prepayments) (Note 18) | 87,541 | -- | 87,541 |
| | **9,883,113** | **(184,512)** | **9,698,601** |

| Movement of ECLs 2023 | At 1 January Kshs' 000 | Credit/ (Charge) for the year Kshs'000 | At 31 December Kshs'000 |
|---|---|---|---|
| Government securities (Note 20) | (5,271) | 265 | (5,006) |
| Corporate bonds (Note 19) | (32) | 8 | (24) |
| Deposits with financial institutions (Note 21) | (11,801) | (3,974) | (15,775) |
| Reinsurance contract assets | (2,333) | 549 | (1,784) |
| Bank balances (Note 28) | (2,190) | 820 | (1,370) |
| | **(216,214)** | **31,702** | **(184,512)** |

## 2. RISK AND CAPITAL MANAGEMENT (continued)

### E. Credit risk (continued)

| At 31 December 2022 | Gross Amounts Kshs' 000 | Expected Credit Loss (ECL) Kshs'000 | Net Kshs'000 |
|---|---|---|---|
| Government securities (Note 20) | 5,271,209 | (5,271) | 5,265,938 |
| Corporate bonds (Note 19) | 75,806 | (32) | 75,774 |
| Deposits with financial institutions (Note 21) | 1,910,810 | (11,801) | 1,899,009 |
| Reinsurance contract assets | 446,893 | (2,333) | 444,560 |
| Bank balances (Note 28) | 303,418 | (2,190) | 301,228 |
| Mortgage loans (Note 17) | 29,568 | - | 29,568 |
| Other receivables (excluding prepayments) (Note 18) | 32,135 | - | 32,135 |
| | **9,040,250** | **(216,214)** | **8,824,036** |

| Movement of ECLs 2022 | At 1 January Kshs' 000 | Credit/ (Charge) for the year Kshs'000 | At 31 December Kshs'000 |
|---|---|---|---|
| Government securities (Note 20) | (4,727) | (544) | (5,271) |
| Corporate bonds (Note 19) | (24) | (8) | (32) |
| Deposits with financial institutions (Note 21) | (10,406) | (1,395) | (11,801) |
| Reinsurance contract assets | (4,997) | 2,664 | (2,333) |
| Bank balances (Note 28) | (3,234) | 1,044 | (2,190) |
| | **(226,137)** | **9,923** | **(216,214)** |

The following table sets out information about the credit quality of reinsurance contract assets:

| Based on AM BEST Ratings | 2023 Kshs'000 | 2022 Kshs'000 |
|---|---|---|
| Reinsurers rated above A- | 182,830 | 223,484 |
| Reinsurers rated above BBB | 185,072 | 221,076 |
| **Total** | **367,902** | **444,560** |

## 2. RISK AND CAPITAL MANAGEMENT (continued)

### F. 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 2023 is estimated at Kshs 4,534,511,000 (2022: Kshs 5,126,495,000) compared to their carrying value of Kshs 5,058,565,000 (2022: Kshs 5,341,712,000).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 AND CAPITAL MANAGEMENT (continued)

### F. 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.

| Assets | Fair Value as at 31 December 2023 Kshs'000 | Fair Value as at 31 December 2022 Kshs'000 | Fair value hierarchy | Valuation technique(s) and key inputs | Significant unobservable inputs |
|---|---|---|---|---|---|
| Equity investments (Note 16 (a)) | 17,300 | 33,957 | Level 1 | Quoted bid prices in an active market | Not applicable |
| Real estate investment trusts (Note 16 (b)) | 177,802 | 170,607 | Level 1 | Quoted bid prices in an active market | Not applicable |
| Investment property (Note 15) | 735,000 | 735,000 | Level 3 | External professional valuation | Not applicable |
| Land and buildings (Note 13) | 420,000 | 386,415 | Level 3 | External professional valuation | Not applicable |
| **Total** | **1,350,102** | **1,325,979** | | | |

There were no transfers between levels during the year (2022: Nil).

### G. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as the risks of mis-selling of products, modelling errors and non-compliance with legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective in managing operational risk is to balance the avoidance of financial losses and damage to the Company's reputation with overall cost-effectiveness and innovation. In all cases, Company policy requires compliance with all applicable legal and regulatory requirements.

## 2. RISK AND CAPITAL MANAGEMENT (continued)

### G. Operational risk (continued)

The Board Audit & Risk Committee is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- IT, data security and cyber risks; and
- risk mitigation.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by the internal audit function. The results of internal audit reviews are discussed with management and submitted to the Audit and Risk Committee and the Board of Directors.

### H. Capital Management

The Company's capital management strategy defines the framework for determining the optimal level and the use of capital. The capital management strategy takes into consideration the Company's business profile, approved strategic plan, risk appetite, prevailing market conditions and existing regulatory capital requirements. The strategy seeks to maintain a strong capital base to maintain market confidence and to sustain future business development.

The Company's capital comprises mainly shareholders' funds. 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:

- Non-life: Kshs 1 billion and Life: Kshs 500 million; or
- Risk based capital determined by the authority from time to time; or
- Non-life 20% (Life 5%) of net earned premiums of the preceding financial year.

The Company's share capital meets the minimum capital requirements at 31 December 2023.

The Company's Capital Adequacy Ratio (CAR) stood at 405% and 256% for Non-Life and Life 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. INSURANCE REVENUE

| | 2023 Kshs '000 | 2022 restated Kshs '000 |
|---|---|---|
| **Contracts measured under the PAA** | | |
| **Life business** | | |
| Ordinary life | 94,920 | 82,603 |
| Group life | 886,854 | 877,620 |
| | **981,774** | **960,223** |
| **Non-life business** | | |
| Aviation | 5,357 | 3,430 |
| Engineering | 412,850 | 309,901 |
| Fire | 1,747,733 | 1,548,761 |
| Liability | 38,629 | 18,377 |
| Marine | 249,462 | 203,683 |
| Motor | 246,968 | 207,311 |
| Personal accident | 127,405 | 88,385 |
| Medical | 820,873 | 630,924 |
| Miscellaneous | 559,704 | 414,567 |
| | **4,208,981** | **3,425,339** |
| **Total insurance revenue** | **5,190,755** | **4,385,562** |

## 4. INSURANCE SERVICE EXPENSES

The tables below show an analysis of insurance service expenses recognised in the period.

| | Life 2023 Kshs '000 | Non-life 2023 Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| Claims and benefits incurred | 528,567 | 2,077,300 | 2,605,867 |
| Change in risk adjustment for incurred claims (Note 24) | (7,653) | (4,423) | (12,076) |
| Amortisation of acquisition cash flows (Note 24) | 245,546 | 1,105,490 | 1,351,036 |
| Losses on onerous contracts and reversal of such losses (Note 24) | 3,822 | (8,279) | (4,457) |
| Attributable expenses (Note 7) | 83,258 | 516,886 | 600,144 |
| **Total** | **853,540** | **3,686,974** | **4,540,514** |

| | Life 2022 restated Kshs '000 | Non-life 2022 restated Kshs '000 | Total 2022 restated Kshs '000 |
|---|---|---|---|
| Claims and benefits incurred | 672,928 | 1,875,350 | 2,548,278 |
| Change in risk adjustment for incurred claims (Note 24) | (42,068) | 9,422 | (32,646) |
| Amortisation of acquisition cash flows (Note 24) | 237,323 | 931,426 | 1,168,749 |
| Losses on onerous contracts and reversal of such losses (Note 24) | (404) | 23,285 | 22,881 |
| Attributable expenses (Note 7) | 44,793 | 424,515 | 469,308 |
| **Total** | **912,572** | **3,263,998** | **4,176,570** |

## 5. INCOME OR EXPENSES FROM REINSURANCE CONTRACTS HELD

| | Life 2023 Kshs '000 | Non-life 2023 Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| Amounts recoverable for incurred claims | 103,443 | 58,157 | 161,600 |
| Change in risk adjustment for incurred claims (Note 25) | 353 | (3,843) | (3,490) |
| Change in non-performance risk (Note 25) | (38) | 587 | 549 |
| Change in reinsurance loss recovery component (Note 25) | (588) | (2,242) | (2,830) |
| **Reinsurance recoveries** | **103,170** | **52,659** | **155,829** |
| Reinsurance expenses (Note 25) | (146,185) | (348,228) | (494,413) |
| **Net expenses from reinsurance contracts** | **(43,015)** | **(295,569)** | **(338,584)** |

| | Life 2022 restated Kshs '000 | Non-life 2022 restated Kshs '000 | Total 2022 restated Kshs '000 |
|---|---|---|---|
| Amounts recoverable for incurred claims | 439,334 | 67,364 | 506,698 |
| Change in risk adjustment for incurred claims (Note 25) | (5,459) | 4,000 | (1,459) |
| Change in non-performance risk (Note 25) | 307 | 2,357 | 2,664 |
| Change in reinsurance loss recovery component (Note 25) | 4,825 | 7,165 | 11,990 |
| **Reinsurance recoveries** | **439,007** | **80,886** | **519,893** |
| Reinsurance expenses (Note 25) | (183,191) | (197,480) | (380,671) |
| **Net recoveries/(expenses) from reinsurance contracts** | **255,816** | **(116,594)** | **139,222** |

## 6. FINANCE INCOME AND EXPENSES

Finance income and expenses from insurance and reinsurance contracts are recognised in profit or loss.

| | Life 2023 Kshs '000 | Non-life 2023 Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| **Net finance expenses from insurance contracts:** | | | |
| Interest accreted | (17,751) | (96,605) | (114,356) |
| Effect of changes in interest rates and other financial assumptions | 13,188 | 91,344 | 104,532 |
| **Total (Note 24)** | **(4,563)** | **(5,261)** | **(9,824)** |
| **Net finance income from reinsurance contracts:** | | | |
| Interest accreted | 3,696 | 20,122 | 23,818 |
| Effect of changes in interest rates and other financial assumptions | (2,912) | (14,004) | (16,916) |
| **Total (Note 25)** | **784** | **6,118** | **6,902** |

## 6. FINANCE INCOME AND EXPENSES (continued)

| | Life 2022 restated Kshs '000 | Non-life 2022 restated Kshs '000 | Total 2022 restated Kshs '000 |
|---|---|---|---|
| **Net finance expenses from insurance contracts:** | | | |
| Interest accreted | (41,378) | (77,491) | (118,869) |
| Effect of changes in interest rates and other financial assumptions | 4,371 | 30,610 | 34,981 |
| **Total (Note 24)** | **(37,007)** | **(46,881)** | **(83,888)** |
| **Net finance income from reinsurance contracts:** | | | |
| Interest accreted | 8,894 | 13,946 | 22,840 |
| Effect of changes in interest rates and other financial assumptions | (907) | (4,796) | (5,703) |
| **Total (Note 25)** | **7,987** | **9,150** | **17,137** |

## 7. EXPENSES

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| Employee benefits expense | 35,160 | 193,701 | 228,861 |
| Auditor's remuneration | 1,453 | 9,082 | 10,535 |
| Directors' fees (Note 32 (d)) | 1,293 | 8,086 | 9,379 |
| Depreciation of property and equipment (Note 13) | - | 31,417 | 31,417 |
| Amortisation of intangible assets (Note 14) | - | 36,479 | 36,479 |
| Provision for expected credit losses arising from investments | 1,310 | 1,568 | 2,878 |
| Net foreign exchange gains | (29,229) | (111,527) | (140,756) |
| Other expenses | 56,998 | 332,013 | 389,011 |
| **Total** | **66,985** | **500,819** | **567,804** |

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| **Represented by** | | | |
| Attributable expenses (Note 4) | 83,258 | 516,886 | 600,144 |
| *Other incomes | (16,273) | (16,067) | (32,340) |
| **Total** | **66,985** | **500,819** | **567,804** |

*Other income/expenses mainly relate to foreign currency changes, impairment of financial assets and investment related expenses.

## 7. EXPENSES (continued)

**Employee benefits expense comprise the following:**

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| Salaries and wages | 33,891 | 183,018 | 216,909 |
| Retirement benefit cost | 1,200 | 10,404 | 11,604 |
| National social security benefit cost | 69 | 279 | 348 |
| **Total** | **35,160** | **193,701** | **228,861** |

| | Life business restated Kshs '000 | Non-life business restated Kshs '000 | Total 2022 restated Kshs '000 |
|---|---|---|---|
| Employee benefits expense | 33,209 | 171,555 | 204,764 |
| Auditor's remuneration | 278 | 4,238 | 4,516 |
| Directors' fees (Note 32(d)) | 492 | 3,608 | 4,100 |
| Depreciation of property and equipment (Note 13) | - | 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) |
| Amortisation of intangible assets (Note 14) | - | 32,766 | 32,766 |
| Other | 26,416 | 270,993 | 297,409 |
| **Total** | **52,073** | **488,719** | **540,792** |

| | Life business restated Kshs '000 | Non-life business restated Kshs '000 | Total 2022 restated Kshs '000 |
|---|---|---|---|
| Represented by | | | |
| Attributable expenses (Note 4) | 44,793 | 424,515 | 469,308 |
| Other expenses | 7,280 | 64,204 | 71,484 |
| **Total** | **52,073** | **488,719** | **540,792** |

**Employee benefits expense comprise the following:**

| | | | |
|---|---|---|---|
| Salaries and wages | 31,369 | 162,038 | 193,407 |
| Retirement benefit cost | 1,829 | 9,469 | 11,298 |
| National social security benefit cost | 11 | 48 | 59 |
| **Total** | **33,209** | **171,555** | **204,764** |

## 7. EXPENSES (continued)

The average number of employees in 2023 and 2022 by category were:

| | 2023 | 2022 |
|---|---|---|
| Management | 5 | 5 |
| Other staff | 24 | 20 |
| **Total** | **29** | **25** |

## 8. INVESTMENT INCOME

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| **Investments held at amortised cost** | | | |
| Interest income on government securities | 150,821 | 446,581 | 597,402 |
| Interest income on bank deposits | 44,418 | 194,460 | 238,878 |
| Interest income on corporate bonds | 4,263 | 4,325 | 8,588 |
| Interest income on staff loans | - | 1,945 | 1,945 |
| | **199,502** | **647,311** | **846,813** |
| **Investments at fair value through profit or loss** | | | |
| Unrealised fair value loss on equity investments | (3,588) | (6,934) | (10,522) |
| Dividend income from equity investments | 291 | 533 | 824 |
| Realised gain on sale of equity investments | 460 | 460 | 920 |
| Unrealised fair value gain on REITs | - | 7,195 | 7,195 |
| Dividend income from REITs | - | 6,203 | 6,203 |
| | **(2,837)** | **7,457** | **4,620** |
| **Investment properties** | | | |
| Rental income | - | 74,615 | 74,615 |
| | **-** | **74,615** | **74,615** |
| **Other income** | | | |
| Miscellaneous income | - | 63 | 63 |
| | **-** | **63** | **63** |
| **Total** | **196,665** | **729,446** | **926,111** |

## 8. INVESTMENT INCOME (continued)

Employee benefits expense comprise the following:

| | Life business restated Kshs '000 | Non-life business restated Kshs '000 | Total 2022 restated Kshs '000 |
|---|---|---|---|
| **Investments held at amortised cost** | | | |
| Interest income on government securities | 147,779 | 460,067 | 607,846 |
| Interest income on bank deposits | 28,116 | 111,614 | 139,730 |
| Interest income on corporate bonds | 4,164 | 4,189 | 8,353 |
| Interest income on staff loans | - | 2,173 | 2,173 |
| | **180,059** | **578,043** | **758,102** |
| **Investments at fair value through profit or loss** | | | |
| Unrealised fair value loss on equity investments | (1,664) | (3,598) | (5,262) |
| Dividend income from equity investments | 875 | 1,659 | 2,534 |
| Unrealised fair value gain on REITs | - | 6,644 | 6,644 |
| Dividend income from REITs | - | 4,074 | 4,074 |
| | **(789)** | **8,779** | **7,990** |
| **Investment properties** | | | |
| Fair value gain on investment property | - | 5,000 | 5,000 |
| (Note 15) | - | 73,062 | 73,062 |
| **Rental income** | **-** | **78,062** | **78,062** |
| Other income | - | 327 | 327 |
| Miscellaneous income | - | 327 | 327 |
| **Total** | **179,270** | **665,211** | **844,481** |

## 9. INCOME TAX EXPENSE

The Company's current tax charge is computed in accordance with income tax rules applicable to Kenyan non-life and life insurance and reinsurance companies.

**a) Tax expense**

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| Current income tax | - | 291,743 | 291,743 |
| Deferred income charge/(credit) (Note 27) | 88,313 | (3,998) | 84,315 |
| **Income tax expense** | **88,313** | **287,745** | **376,058** |

## 9. INCOME TAX EXPENSE (continued)

### a) Tax expense (continued)

| | Life business restated Kshs '000 | Non-life business restated Kshs '000 | Total 2022 restated Kshs '000 |
|---|---|---|---|
| Current income tax | - | 169,956 | 169,956 |
| Deferred income tax charge/(credit) (Note 27) | 133,931 | (37,939) | 95,992 |
| **Income tax expense** | **133,931** | **132,017** | **265,948** |

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

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| Profit before income tax | 294,378 | 972,808 | 1,267,186 |
| Tax at the applicable tax rate of 30% (2022: 30%) | 88,313 | 291,842 | 380,155 |
| **Tax effect of adjustments on taxable income** | | | |
| Tax effect of income not subject to tax | - | (54,114) | (54,114) |
| Tax effect of expenses not deductible for tax purposes | - | 10,841 | 10,841 |
| Ineligible depreciation | - | 8,351 | 8,351 |
| Tax effect of changes in accounting policy | - | 30,825 | 30,825 |
| **Income tax expense** | **88,313** | **287,745** | **376,058** |

| | Life business restated Kshs '000 | Non-life business restated Kshs '000 | Total 2022 restated Kshs '000 |
|---|---|---|---|
| Profit before income tax | 446,437 | 608,023 | 1,054,460 |
| Tax at the applicable tax rate of 30% (2021: 30%) | 133,931 | 182,407 | 316,338 |
| **Tax effect of adjustments on taxable income** | | | |
| Tax effect of income not subject to tax | | (39,748) | (39,748) |
| Tax effect of 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) |
| Capital gains tax on land and buildings | - | 55,125 | 55,125 |
| **Income tax expense** | **133,931** | **132,017** | **265,948** |

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 and REITs, income from infrastructure bonds.

## 10. CURRENT INCOME TAX

| | Life business restated Kshs '000 | Non-life business restated Kshs '000 | Total 2023 restated Kshs '000 |
|---|---|---|---|
| At 1 January | 52,468 | (40,477) | 11,991 |
| Tax expense for the year | - | (291,743) | (291,743) |
| At 31 December | (52,468) | 117,968 | 65,500 |
| **Income tax paid** | **-** | **(214,252)** | **(214,252)** |

| | Life business restated Kshs '000 | Non-life business restated Kshs '000 | Total 2022 restated 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)** |

## 11. 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:

| | Total 2023 | Total 2022 restated |
|---|---|---|
| **At 31 December** | | |
| Profit attributable to the shareholders (Kshs '000) | 891,128 | 788,512 |
| Weighted average number of shares ('000') | 1,500 | 1,500 |
| **Kshs** | **594.09** | **525.67** |

There were no potentially dilutive shares outstanding as at 31 December 2023 and 31 December 2022. Diluted earnings per share is therefore the same as basic earnings per share.

### Dividends

First and final dividend amounting to Kshs 200,000,000 and Kshs 100,000,000 with respect to 2022 and 2021 was paid in 2023 and 2022 respectively. For the year ended 31 December 2023, the directors recommend the payment of a first and final dividend of Kshs 200,000,000 (2022: Kshs 200,000,000) representing a dividend per share of Kshs 133.33 (2022: Kshs 133.33) subject to approval at the annual general meeting.

## 12. RESERVES

### a) 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.

### b) 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.

### c) 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.

## 13. PROPERTY AND EQUIPMENT

| 2023 | Cost/or Valuation Kshs '000 | Accumulated depreciation Kshs '000 | Carrying value Kshs '000 |
|---|---|---|---|
| Land | 400,000 | - | 400,000 |
| Buildings | 20,000 | - | 20,000 |
| Furniture and fixtures | 22,580 | (16,943) | 5,637 |
| Computers | 16,205 | (13,251) | 2,954 |
| **Total** | **458,785** | **(30,194)** | **428,591** |

**Reconciliation of property and equipment 2023**

| 2023 | Opening balance Kshs'000' | Additions Kshs'000' | Revaluation Kshs'000' | Depreciation Kshs'000' | Closing balance Kshs'000' |
|---|---|---|---|---|---|
| Land | 356,941 | - | 68,785 | (25,726) | 400,000 |
| Buildings | 29,474 | 9,460 | (16,348) | (2,586) | 20,000 |
| Furniture and fixtures | 2,575 | 4,750 | - | (1,688) | 5,637 |
| Computers | 1,214 | 3,157 | - | (1,417) | 2,954 |
| **Total** | **390,204** | **17,367** | **52,437** | **(31,417)** | **428,591** |

## 13. PROPERTY AND EQUIPMENT (continued)

| 2022 | Cost/or Valuation Kshs '000 | Accumulated depreciation Kshs '000 | Carrying value Kshs '000 |
|---|---|---|---|
| Land | 410,000 | (53,059) | 356,941 |
| Buildings | 33,612 | (4,138) | 29,474 |
| Furniture and fixtures | 17,419 | (14,844) | 2,575 |
| Motor vehicles | 6,078 | (6,078) | - |
| Computers | 13,460 | (12,246) | 1,214 |
| **Total** | **480,569** | **(90,365)** | **390,204** |

**Reconciliation of property and equipment 2022**

| 2022 | Opening balance Kshs'000' | Additions Kshs'000' | Revaluation Kshs'000' | Closing balance 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 |
| Computers | 963 | 1,111 | (860) | 1,214 |
| **Total** | **414,659** | **5,442** | **(29,897)** | **390,204** |

The leasehold land and buildings were revalued as at 31 December 2023 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.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets 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 2023 | - | - | 420,000 | 420,000 |
| At 31 December 2022 | - | - | 386,415 | 386,415 |

Using the cost model the carrying amount for land and buildings at 31 December 2023 would be Kshs 53,363,000 (2022: Kshs 46,031,000).

## 13. PROPERTY AND EQUIPMENT (continued)

| Excess Depreciation | Total 2023 Kshs'000' | Total 2022 Kshs'000' |
|---|---|---|
| Revaluation value 1 January | 340,385 | 366,568 |
| Revaluation value 31 December | (314,200) | (340,385) |
| Excess depreciation | 26,185 | 26,183 |
| Tax on excess depreciation at 30% | (7,856) | (7,854) |
| | **18,329** | **18,329** |

## 14. INTANGIBLE ASSETS

| 2023 | Cost Kshs '000 | Accumulated amortisation Kshs '000 | Carrying value Kshs '000 |
|---|---|---|---|
| Computer software | 132,438 | (126,490) | 5,948 |
| **Total** | **132,438** | **(126,490)** | **5,948** |

**Reconciliation of Intangible Assets 2023**

| 2023 | Opening balance Kshs'000' | *Adjustments Kshs'000' | Depreciation Kshs'000' | Closing balance Kshs'000' |
|---|---|---|---|---|
| Computer software | 46,036 | (3,609) | (36,479) | 5,948 |
| **Total** | **46,036** | **(3,609)** | **(36,479)** | **5,948** |

*This relates to adjustments to the cost of software overcapitalised in the prior period.

| 2022 | Cost Kshs '000 | Accumulated amortisation Kshs '000 | Carrying value Kshs '000 |
|---|---|---|---|
| Computer software | 136,047 | (90,011) | 46,036 |
| **Total** | **136,047** | **(90,011)** | **46,036** |

**Reconciliation of Intangible Assets 2022**

| 2023 | Opening balance Kshs'000' | Additions Kshs'000' | Depreciation Kshs'000' | Closing balance Kshs'000' |
|---|---|---|---|---|
| Computer software | 61,064 | 17,738 | (32,766) | 46,036 |
| **Total** | **61,064** | **17,738** | **(32,766)** | **46,036** |

## 15. INVESTMENT PROPERTIES

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| **At 1 January and 31 December** | **-** | **735,000** | **735,000** |

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|---|
| At 1 January | - | 730,000 | 730,000 |
| Fair value gain | - | 5,000 | 5,000 |
| **At 31 December** | **-** | **735,000** | **735,000** |

Investment properties are carried at fair value and were revalued at December 2023, 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 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 2023 | - | - | 735,000 | 735,000 |
| At 31 December 2022 | - | - | 735,000 | 735,000 |

**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.

## 15. INVESTMENT PROPERTIES (continued)

### 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.

| Assumption | % change | Fair Value Kshs '000 | Change in Fair Value Kshs '000 |
|---|---|---|---|
| Gross rental income | +5 | 772,000 | 37,000 |
| Gross rental income | -5 | 698,000 | (37,000) |
| Discount rate | +2 | 737,000 | 2,000 |
| Discount rate | -2 | 733,000 | (2,000) |

### i. Amounts recognised in profit or loss for investment properties

| | 2023 Kshs '000 | Total Kshs'000' |
|---|---|---|
| Rental income from operating leases | 74,615 | 73,062 |
| Fair value gain | - | 5,000 |
| | **74,615** | **78,062** |

### ii. Leasing arrangements

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

| | 2023 Kshs '000 | 2022 Kshs '000 |
|---|---|---|
| Within one year | 67,809 | 73,209 |
| Between one (1) and five (5) years | 176,842 | 206,358 |
| More than five (5) years | 30,373 | 18,884 |
| | **275,024** | **298,451** |

## 16. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

### (a) Equity Investments

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| At 1 January | 12,071 | 21,886 | 33,957 |
| Disposal | (3,067) | (3,068) | (6,135) |
| Fair value losses | (3,588) | (6,934) | (10,522) |
| **At 31 December** | **5,416** | **11,884** | **17,300** |

## 16. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

### (a) Equity Investments (continued)

| | Life business Kshs '000 | Non-life 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** |

### (b) Real estate investment trusts (REITs)

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| At 1 January | - | 170,607 | 170,607 |
| Fair value gains | - | 7,195 | 7,195 |
| **At 31 December** | **-** | **177,802** | **177,802** |

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|---|
| At 1 January | - | 102,470 | 102,470 |
| Additions | - | 61,493 | 61,493 |
| Fair value gains | - | 6,644 | 6,644 |
| **At 31 December** | **-** | **170,607** | **170,607** |

## 17. MORTGAGE LOANS

### (a) Mortgage loans

| | Total 2023 Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|
| At 1 January | 29,568 | 36,822 |
| Loans repayments | (12,260) | (7,254) |
| **At 31 December** | **17,308** | **29,568** |

## 17. MORTGAGE LOANS (continued)

### (a) Mortgage loans (continued)

| Maturity profile of mortgage loans: | Total 2023 Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|
| Loans maturing: | | |
| 1 to 5 years | 8,713 | 10,813 |
| Over 5 years | 8,595 | 18,755 |
| **At 31 December** | **17,308** | **29,568** |

This represents mortgage loans extended to members of staff. The loans are fully secured and are charged interest at the rate 5% p.a. (2022: 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 2023 and 31 December 2022.

**Lending commitments:**

There were loans amounting to KShs 64,000,000 approved but not advanced at 31 December 2023 (2022: Nil).

## 18. OTHER RECEIVABLES

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| Due from life to non-life (Note 26) | - | 23,604 | 23,604 |
| Prepayments | - | 25,529 | 25,529 |
| Other receivables (Including receivables from subsidiary | 1,677 | 54,868 | 56,545 |
| Car loans (staff)* | - | 7,392 | 7,392 |
| | **1,677** | **111,393** | **113,070** |

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|---|
| Due from life to non-life (Note 26) | - | 14,838 | 14,838 |
| Prepayments | - | 7,705 | 7,705 |
| Other receivables | 650 | 12,777 | 13,427 |
| Car loans (staff)* | - | 3,870 | 3,870 |
| | **650** | **39,190** | **39,840** |

*These are car loans extended to members of staff. There were no impairment losses recorded against car loans in 2023 (2022: Nil). The car and staff benefits act as collateral for the loans extended.

## 19. CORPORATE BONDS AT AMORTISED COST

### 2023

**Movement during the year**

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| At 1 January | 37,632 | 38,142 | 75,774 |
| Additions | 1,000 | 1,000 | 2,000 |
| Maturities | (10,000) | (10,000) | (20,000) |
| Movement in accrued interest | (29) | (27) | (56) |
| | **28,603** | **29,115** | **57,718** |
| Movement in expected credit losses | 5 | 3 | 8 |
| **At 31 December** | **28,608** | **29,118** | **57,726** |

**Movement for expected credit losses**

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| At 1 January | (16) | (16) | (32) |
| Credit for the year | 5 | 3 | 8 |
| **At 31 December** | **(11)** | **(13)** | **(24)** |

**Corporate bonds maturity profile**

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| - 1 to 5 years | 28,619 | 29,131 | 57,750 |
| - Provision for expected credit losses | (11) | (13) | (24) |
| | **28,608** | **29,118** | **57,726** |

### 2022

**Movement during the year**

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|---|
| At 1 January | 29,532 | 29,532 | 59,064 |
| Additions | 17,000 | 17,500 | 34,500 |
| Maturities | (9,000) | (9,000) | (18,000) |
| Movement in accrued interest | 104 | 114 | 218 |
| | 37,636 | 38,146 | 75,782 |
| Movement in expected credit losses | (4) | (4) | (8) |
| **At 31 December** | **37,632** | **38,142** | **75,774** |

## 19. CORPORATE BONDS AT AMORTISED COST (continued)

### Movement for expected credit losses

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|---|
| At 1 January | (12) | (12) | (24) |
| Charge for the year | (4) | (4) | (8) |
| **At 31 December** | **(16)** | **(16)** | **(32)** |

### Corporate bonds maturity profile

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|---|
| - 1 to 5 years | 37,648 | 38,158 | 75,806 |
| - Provision for expected credit losses | (16) | (16) | (32) |
| | **37,632** | **38,142** | **75,774** |

## 20. GOVERNMENT SECURITIES AT AMORTISED COST

### 2023

### Movement during the year

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| At 1 January | 1,277,117 | 3,988,821 | 5,265,938 |
| Maturities (Treasury bills) | (20,000) | (200,000) | (220,000) |
| Maturities and disposals (Treasury bonds) | (4,544) | (49,544) | (54,088) |
| Movement in accrued interest | 328 | (585) | (257) |
| Movement in unearned interest (Treasury bills) | 72 | 712 | 784 |
| Movement in unearned interest (Treasury bonds) | 3,359 | 4,838 | 8,197 |
| | **1,256,332** | **3,744,242** | **5,000,574** |
| Movement in expected credit losses | 20 | 245 | 265 |
| **At 31 December** | **1,256,352** | **3,744,487** | **5,000,839** |

### Movement for expected credit losses

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| At 1 January | (1,278) | (3,993) | (5,271) |
| Credit for the year | 20 | 245 | 265 |
| **At 31 December** | **(1,258)** | **(3,748)** | **(5,006)** |

## 20. GOVERNMENT SECURITIES AT AMORTISED COST (continued)

### Maturity profile

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| **Treasury bonds maturing:** | | | |
| - within 90 days | - | - | - |
| - In 1 to 5 years | 673,838 | 1,551,056 | 2,224,894 |
| - Over 5 years | 583,772 | 2,197,179 | 2,780,951 |
| | **1,257,610** | **3,748,235** | **5,005,845** |
| - Provision for expected credit losses | (1,258) | (3,748) | (5,006) |
| **Total** | **1,256,352** | **3,744,487** | **5,000,839** |

Included above are Treasury bonds amounting to Kshs 790,000,000 (2022: Kshs 715,000,000) 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.

### 2022
### Movement during the year

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|---|
| At 1 January | 1,091,339 | 3,634,856 | 4,726,195 |
| Additions (Treasury bills) | 20,000 | 200,000 | 220,000 |
| Additions (Treasury bonds) | 225,000 | 710,000 | 935,000 |
| Maturities (Treasury bills) | - | (250,000) | (250,000) |
| Maturities and disposals (Treasury bonds) | (72,066) | (333,357) | (405,423) |
| Movement in accrued interest | 8,705 | 18,767 | 27,472 |
| Movement in unearned interest (Treasury bills) | (72) | 4,275 | 4,203 |
| Movement in unearned interest (Treasury bonds) | 4,397 | 4,638 | 9,035 |
| | **1,277,303** | **3,989,179** | **5,266,482** |
| Movement in expected credit losses | (186) | (358) | (544) |
| **At 31 December** | **1,277,117** | **3,988,821** | **5,265,938** |

### Movement for expected credit losses

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|---|
| At 1 January | (1,092) | (3,635) | (4,727) |
| Charge for the year | (186) | (358) | (544) |
| **At 31 December** | **(1,278)** | **(3,993)** | **(5,271)** |

## 20. GOVERNMENT SECURITIES AT AMORTISED COST (continued)

### Maturity profile

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|---|
| **Treasury bills** | | | |
| - Within 90 days | 19,929 | 199,288 | 219,217 |
| | 19,929 | 199,288 | 219,217 |
| **Treasury bonds maturing:** | | | |
| - within 90 days | - | 48,249 | 48,249 |
| - In 1 to 5 years | 604,875 | 1,188,471 | 1,793,346 |
| - Over 5 years | 653,591 | 2,556,806 | 3,210,397 |
| | **1,258,466** | **3,793,526** | **5,051,992** |
| - Provision for expected credit losses | (1,278) | (3,993) | (5,271) |
| **Total** | **1,277,117** | **3,988,821** | **5,265,938** |

## 21. DEPOSITS WITH FINANCIAL INSTITUTIONS AT AMORTISED COST

### 2023

### Movement during the year

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| At 1 January | 290,338 | 1,608,671 | 1,899,009 |
| Additions | 1,455,716 | 4,951,968 | 6,407,684 |
| Disposals | (1,014,770) | (4,322,811) | (5,337,581) |
| Movement in accrued interest | (2,927) | (11,403) | (14,330) |
| | **728,357** | **2,226,425** | **2,954,782** |
| Movement in expected credit losses | (1,471) | (2,503) | (3,974) |
| **At 31 December** | **726,886** | **2,223,922** | **2,950,808** |

### Movement for expected credit losses

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| At 1 January | (1,716) | (10,085) | (11,801) |
| Charge for the year | (1,471) | (2,503) | (3,974) |
| **At 31 December** | **(3,187)** | **(12,588)** | **(15,775)** |

## 21. DEPOSITS WITH FINANCIAL INSTITUTIONS AT AMORTISED COST (continued)

**Deposits maturity profile**

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| - Within 90 days | 713,808 | 2,236,510 | 2,950,318 |
| - In 91 days to 1 year | 16,265 | - | 16,265 |
| - Provision for expected credit losses | (3,187) | (12,588) | (15,775) |
| | **726,886** | **2,223,922** | **2,950,808** |

**2022**

**Movement during the year**

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|---|
| At 1 January | 389,743 | 1,323,678 | 1,713,421 |
| Additions | 580,982 | 3,145,879 | 3,726,860 |
| Disposals | (672,560) | (2,851,693) | (3,524,253) |
| Movement in accrued interest | (8,073) | (7,552) | (15,625) |
| | **290,092** | **1,610,312** | **1,900,404** |
| Movement in expected credit losses | 246 | (1,641) | (1,395) |
| **At 31 December** | **290,338** | **1,608,671** | **1,899,009** |

**Movement for expected credit losses**

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|---|
| At 1 January | (1,962) | (8,444) | (10,406) |
| Credit/(charge) for the year | 246 | (1,641) | (1,395) |
| **At 31 December** | **(1,716)** | **(10,085)** | **(11,801)** |

**Deposits maturity profile**

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|---|
| - Within 90 days | 67,087 | 480,207 | 547,294 |
| - In 91 days to 1 year | 224,967 | 1,138,549 | 1,363,516 |
| - Provision for expected credit losses | (1,716) | (10,085) | (11,801) |
| | **290,338** | **1,608,671** | **1,899,009** |

## 21. DEPOSITS WITH FINANCIAL INSTITUTIONS AT AMORTISED COST (continued)

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

| | Total 2023 Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|
| Investment types | | |
| Government securities | 11.63% | 11.71% |
| Corporate bonds | 12.25% | 12.25% |
| Deposits with financial institutions (Kshs) | 15.80% | 9.93% |
| Deposits with financial institutions (USD) | 6.00% | 3.24% |
| Mortgage loans | 5.00% | 5.00% |

## 22. SHARE CAPITAL

| | Number of ordinary shares | Life business Kshs '000 | Non-life business Kshs '000 | Total Kshs '000 |
|---|---|---|---|---|
| Balance at 1 January 2022, 1 January 2023 and 31 December 2023 | 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.

## 23. INVESTMENT IN SUBSIDIARY

In 2023, the Company established a subsidiary, East Africa Reinsurance (Tanzania) Company Limited (the "Subsidiary). The Subsidiary was incorporated on 11th July 2023 and commenced business in January 2024, hence it was not consolidated in these financial statements.

| Subsidiary | Nature of business | Country of Incorporation | Beneficial Ownership |
|---|---|---|---|
| East Africa Reinsurance (Tanzania) Company Limited | Reinsurance | Tanzania | 99.99% |

| Movement during the year | Total 2023 Kshs '000 |
|---|---|
| At 1 January | - |
| Capital contribution during the year | 289,611 |
| **At 31 December** | **289,611** |

The subsidiary commenced operations in 2024, and its financial statements will be consolidated with the Company's effective 1 January 2024.

## 24. INSURANCE CONTRACTS

### A) Non-Life insurance contracts

The outstanding claims reserve for the non-life 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) Life assurance contracts

### a) Valuation methodology

The Company underwrites three types of life 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 Life assurance contracts 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.

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 claim 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 claim 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 2023 are summarized below. The same assumptions were used in 2022.

### 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.

### 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.

## 24. INSURANCE CONTRACTS (continued)

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

| Life | 2020 Kshs '000 | 2021 Kshs '000 | 2022 Kshs '000 | 2023 Kshs '000 | Total Kshs '000 |
|---|---|---|---|---|---|
| Accident Year | 437,156 | 726,810 | 277,754 | 386,751 | 1,828,471 |
| One year later | 1,012,647 | 782,603 | 691,957 | - | 2,487,207 |
| Two years later | 969,758 | 817,217 | - | - | 1,786,975 |
| Three years later | 372,339 | - | - | - | 372,339 |
| **Current estimate of cumulative claims** | **372,339** | **817,217** | **691,957** | **386,751** | **2,268,264** |
| Gross cumulative payments to date | 367,064 | 782,174 | 591,326 | 174,107 | 1,914,671 |
| Gross liabilities | 5,275 | 35,043 | 100,631 | 212,644 | 353,593 |
| Gross liability in respect to prior years | | | | | 866 |
| **Total gross liability** | | | | | **354,459** |
| Effect of discounting | | | | | (45,630) |
| **Liability for Incurred Claims** | | | | | **308,829** |

| Non-life | 2018 Kshs '000 | 2019 Kshs '000 | 2020 Kshs '000 | 2021 Kshs '000 | 2022 Kshs '000 | 2023 Kshs '000 | Total Kshs '000 |
|---|---|---|---|---|---|---|---|
| Accident Year | 873,579 | 1,055,731 | 887,874 | 916,112 | 1,198,053 | 1,242,584 | 6,173,933 |
| One year later | 1,741,409 | 1,753,600 | 1,497,072 | 1,600,158 | 1,803,120 | - | 8,395,359 |
| Two years later | 1,754,934 | 1,739,339 | 1,574,358 | 1,770,737 | - | - | 6,839,368 |
| Three years later | 1,813,759 | 1,740,347 | 1,588,024 | - | - | - | 5,142,130 |
| Four years later | 1,805,977 | 1,741,434 | - | - | - | - | 3,547,411 |
| Five years later | 1,826,979 | - | - | - | - | - | 1,826,979 |
| **Current estimate of cumulative claims** | **1,826,979** | **1,741,434** | **1,588,024** | **1,770,737** | **1,803,120** | **1,242,584** | **9,972,878** |
| Gross cumulative payments to date | 1,780,650 | 1,657,094 | 1,445,480 | 1,531,055 | 1,287,574 | 615,490 | 8,317,343 |
| Gross liabilities | 46,329 | 84,340 | 142,544 | 239,682 | 515,546 | 627,094 | 1,655,535 |
| Gross liability in respect to prior years | | | | | | | 352,635 |
| **Total gross liability** | | | | | | | **2,008,170** |
| Effect of discounting | | | | | | | (383,113) |
| **Liability for Incurred Claims** | | | | | | | **1,625,057** |

## 24. INSURANCE CONTRACTS (continued)

| | Life business Kshs '000 | Non-life business Kshs '000 | Total Kshs '000 |
|---|---|---|---|
| **31 December 2023** | | | |
| **Insurance contract liabilities:** | | | |
| Insurance contract balance | 700,544 | 2,972,420 | 3,672,964 |
| | **700,544** | **2,972,420** | **3,672,964** |
| **Insurance contract assets:** | | | |
| Insurance contract balances | 192,114 | 862,973 | 1,055,087 |
| | **192,114** | **862,973** | **1,055,087** |
| **31 December 2022 restated** | | | |
| **Insurance contract liabilities:** | | | |
| Insurance contract balance | 605,668 | 2,896,533 | 3,502,201 |
| | **605,668** | **2,896,533** | **3,502,201** |
| **Insurance contract assets:** | | | |
| Insurance contract balances | 156,568 | 720,949 | 877,517 |
| | **156,568** | **720,949** | **877,517** |

## 24. INSURANCE CONTRACTS (continued)

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

**NON-LIFE**
**Movements in insurance contract balances**

| | | | Liability for Incurred Claims Contracts under the PAA | | |
|---|---|---|---|---|---|
| | Liabilities for Remaining Coverage excluding Loss Component | Loss Component | Estimates of PV of future cash flows | Risk adjustment for non-financial risk | Total 2023 Kshs '000 |
| Opening assets | 720,949 | - | - | - | 720,949 |
| Opening liabilities | (1,109,715) | (65,968) | (1,622,112) | (98,738) | (2,896,533) |
| **Net opening balance** | **(388,766)** | **(65,968)** | **(1,622,112)** | **(98,738)** | **(2,175,584)** |
| **Changes in the statement of profit or loss** | | | | | |
| Insurance revenue (Note 3) | 4,208,981 | - | - | - | 4,208,981 |
| **Insurance service expenses** | | | | | |
| Incurred claims and other insurance service expenses | - | - | (1,544,730) | 36,410 | (1,508,320) |
| Amortisation of insurance acquisition cash flows (Note 4) | (1,105,490) | - | - | - | (1,105,490) |
| Adjustment to liabilities for incurred claims | - | - | (1,049,456) | (31,987) | (1,081,443) |
| Losses and reversals of losses on onerous contracts (Note 4) | - | 8,279 | - | - | 8,279 |
| **Total insurance service expenses (Note 4)** | **(1,105,490)** | **8,279** | **(2,594,186)** | **4,423** | **(3,686,974)** |
| **Insurance service result** | **3,103,491** | **8,279** | **(2,594,186)** | **4,423** | **522,007** |
| Insurance finance expenses (Note 6) | - | - | (5,261) | - | (5,261) |
| **Total changes in profit or loss** | **3,103,491** | **8,279** | **(2,599,447)** | **4,423** | **516,746** |
| **Cash flows** | | | | | |
| Premiums received | (4,171,625) | - | - | - | (4,171,625) |
| Insurance acquisition cash flows paid | 1,124,514 | - | - | - | 1,124,514 |
| Claims and other insurance service expenses paid | - | - | 2,596,502 | - | 2,596,502 |
| **Total cash flows** | **(3,047,111)** | **-** | **2,596,502** | **-** | **(450,609)** |
| **Net closing balance** | **(332,386)** | **(57,689)** | **(1,625,057)** | **(94,315)** | **(2,109,447)** |
| Closing assets | 862,973 | - | - | - | 862,973 |
| Closing liabilities | (1,195,359) | (57,689) | (1,625,057) | (94,315) | (2,972,420) |
| **Net closing balance** | **(332,386)** | **(57,689)** | **(1,625,057)** | **(94,315)** | **(2,109,447)** |

## 24. INSURANCE CONTRACTS (continued)

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

**NON-LIFE**
**Movements in insurance contract balances**

| | | | Liability for Incurred Claims Contracts under the PAA | | |
|---|---|---|---|---|---|
| | Liabilities for Remaining Coverage excluding Loss Component | Loss Component | Estimates of PV of future cash flows | Risk adjustment for non-financial risk | Total 2022 Kshs '000 |
| Opening assets | 659,603 | - | - | - | 659,603 |
| Opening liabilities | (898,478) | (42,683) | (1,469,886) | (89,316) | (2,500,363) |
| **Net opening balance** | **(238,875)** | **(42,683)** | **(1,469,886)** | **(89,316)** | **(1,840,760)** |
| **Changes in the statement of profit or loss** | | | | | |
| Insurance revenue (Note 3) | 3,425,339 | - | - | - | 3,425,339 |
| **Insurance service expenses** | | | | | |
| Incurred claims and other insurance service expenses | - | - | (1,630,830) | 34,750 | (1,596,080) |
| Amortisation of insurance acquisition cash flows (Note 4) | (931,426) | - | - | - | (931,426) |
| Adjustment to liabilities for incurred claims | - | - | (669,035) | (44,172) | (713,207) |
| Losses and reversals of losses on onerous contracts (Note 4) | - | (23,285) | - | - | (23,285) |
| **Total insurance service expenses (Note 4)** | **(931,426)** | **(23,285)** | **(2,299,865)** | **(9,422)** | **(3,263,998)** |
| **Insurance service result** | **2,493,913** | **(23,285)** | **(2,299,865)** | **(9,422)** | **161,341** |
| Insurance finance expenses (Note 6) | - | - | (46,881) | - | (46,881) |
| **Total changes in profit or loss** | **2,493,913** | **(23,285)** | **(2,346,746)** | **(9,422)** | **114,460** |
| **Cash flows** | | | | | |
| Premiums received | (3,643,385) | - | - | - | (3,643,385) |
| Insurance acquisition cash flows paid | 999,581 | - | - | - | 999,581 |
| Claims and other insurance service expenses paid | - | - | 2,194,520 | - | 2,194,520 |
| **Total cash flows** | **(2,643,804)** | **-** | **2,194,520** | **-** | **(449,284)** |
| **Net closing balance** | **(388,766)** | **(65,968)** | **(1,622,112)** | **(98,738)** | **(2,175,584)** |
| Closing assets | 720,949 | - | - | - | 720,949 |
| Closing liabilities | (1,109,715) | (65,968) | (1,622,112) | (98,738) | (2,896,533) |
| **Net closing balance** | **(388,766)** | **(65,968)** | **(1,622,112)** | **(98,738)** | **(2,175,584)** |

## 24. INSURANCE CONTRACTS (continued)

### NON-LIFE
### Movements in insurance contract balances

| | | | Liability for Incurred Claims Contracts under the PAA | | |
|---|---|---|---|---|---|
| | Liabilities for Remaining Coverage excluding Loss Component | Loss Component | Estimates of PV of future cash flows | Risk adjustment for non-financial risk | Total 2023 Kshs '000 |
| Opening Assets | 156,568 | - | - | - | 156,568 |
| Opening Liabilities | (232,257) | (49,121) | (300,268) | (24,022) | (605,668) |
| **Net opening balance** | **(75,689)** | **(49,121)** | **(300,268)** | **(24,022)** | **(449,100)** |
| **Changes in the statement of profit or loss** | | | | | |
| Insurance revenue (Note 3) | 981,774 | - | - | - | 981,774 |
| **Insurance service expenses** | | | | | |
| Incurred claims and other insurance service expenses | - | - | (423,317) | 17,469 | (405,848) |
| Amortisation of insurance acquisition cash flows (Note 4) | (245,546) | - | - | - | (245,546) |
| Adjustment to liabilities for incurred claims | - | - | (188,508) | (9,816) | (198,324) |
| Losses and reversals of losses on onerous contracts (Note 4) | - | (3,822) | - | - | (3,822) |
| **Total insurance service expenses (Note 4)** | **(245,546)** | **(3,822)** | **(611,825)** | **7,653** | **(853,540)** |
| **Insurance service result** | **736,228** | **(3,822)** | **(611,825)** | **7,653** | **128,234** |
| Insurance finance expenses (Note 6) | - | - | (4,563) | - | (4,563) |
| **Total changes in profit or loss** | **736,228** | **(3,822)** | **(616,388)** | **7,653** | **123,671** |
| **Cash flows** | | | | | |
| Premiums received | (1,078,141) | - | - | - | (1,078,141) |
| Insurance acquisition cash flows paid | 287,313 | - | - | - | 287,313 |
| Claims and other insurance service expenses paid | - | - | 607,827 | - | 607,827 |
| **Total cash flows** | **(790,828)** | **-** | **607,827** | **-** | **(183,001)** |
| **Net closing balance** | **(130,289)** | **(52,943)** | **(308,829)** | **(16,369)** | **(508,430)** |
| Closing assets | 192,114 | - | - | - | 192,114 |
| Closing liabilities | (322,403) | (52,943) | (308,829) | (16,369) | (700,544) |
| **Net closing balance** | **(130,289)** | **(52,943)** | **(308,829)** | **(16,369)** | **(508,430)** |

## 24. INSURANCE CONTRACTS (continued)

### LIFE
**Movements in insurance contract balances**

| | Liabilities for Remaining Coverage excluding Loss Component | Loss Component | Liability for Incurred ClaimsContracts under the PAA | | Total |
|---|---|---|---|---|---|
| | | | Estimates of PV of future cash flows | Risk adjustment for non-financial risk | 2022 restated Kshs'000 |
| Opening Assets | 338,716 | - | - | - | 338,716 |
| Opening Liabilities | (339,973) | (49,525) | (828,433) | (66,090) | (1,284,021) |
| **Net opening balance** | **(1,257)** | **(49,525)** | **(828,433)** | **(66,090)** | **(945,305)** |
| **Changes in the statement of profit or loss** | | | | | |
| Insurance revenue (Note 3) | 960,223 | - | - | - | 960,223 |
| **Insurance service expenses** | | | | | |
| Incurred claims and other insurance service expenses | - | - | (307,785) | 50,432 | (257,353) |
| Amortisation of insurance acquisition cash flows (Note 4) | (237,323) | - | - | - | (237,323) |
| Adjustment to liabilities for incurred claims | - | - | (409,936) | (8,364) | (418,300) |
| Losses and reversals of losses on onerous contracts (Note 4) | - | 404 | - | - | 404 |
| **Total insurance service expenses (Note 4)** | **(237,323)** | **404** | **(717,721)** | **42,068** | **(912,572)** |
| **Insurance service result** | **722,900** | **404** | **(717,721)** | **42,068** | **47,651** |
| Insurance finance expenses (Note 6) | - | - | (37,007) | - | (37,007) |
| **Total changes in profit or loss** | **722,900** | **404** | **(754,728)** | **42,068** | **10,644** |
| **Cash flows** | | | | | |
| Premiums received | (1,003,159) | - | - | - | (1,003,159) |
| Insurance acquisition cash flows paid | 205,827 | - | - | - | 205,827 |
| Claims and other insurance service expenses paid | - | - | 1,282,893 | - | 1,282,893 |
| **Total cash flows** | **(797,332)** | **-** | **1,282,893** | **-** | **485,561** |
| **Net closing balance** | **(75,689)** | **(49,121)** | **(300,268)** | **(24,022)** | **(449,100)** |
| Closing assets | 156,568 | - | - | - | 156,568 |
| Closing liabilities | (232,257) | (49,121) | (300,268) | (24,022) | (605,668) |
| **Net closing balance** | **(75,689)** | **(49,121)** | **(300,268)** | **(24,022)** | **(449,100)** |

## 25. REINSURANCE CONTRACTS

| | Life business Kshs '000 | Non-life business Kshs '000 | Total Kshs '000 |
|---|---|---|---|
| **31 December 2023** | | | |
| **Reinsurance contracts** | | | |
| Reinsurance contract assets | 178,450 | 420,300 | 598,750 |
| Reinsurance contract liabilities | (61,762) | (31,981) | (93,743) |
| **31 December 2022 restated** | | | |
| **Reinsurance contracts** | | | |
| Reinsurance contract assets | 145,207 | 459,577 | 604,784 |
| Reinsurance contract liabilities | - | (43,966) | (43,966) |

Reinsurance contract assets include: claim recoveries, asset for remaining coverage, risk adjustment for non financial risk and the reinsurance loss recovery component as shown in the movements in reinsurance contract balances below:

**NON-LIFE**

**Movements in reinsurance contract balances**

| | | | Assets for Incurred claims | | |
|---|---|---|---|---|---|
| | Assets for Remaining Coverage | Asset for Remaining Coverage RLRC | Assets for Incurred Claims PVFCF | Risk Adjustment for Non-Financial Risk' | Total 2023 Kshs '000 |
| Opening assets | 69,391 | 17,028 | 352,369 | 20,789 | 459,577 |
| Opening liabilities | (43,966) | - | - | - | (43,966) |
| **Net opening balance** | **25,425** | **17,028** | **352,369** | **20,789** | **415,611** |
| Changes in statement of profit or | | | | | |
| Reinsurance premium cost (Note 5) | (348,228) | - | - | - | (348,228) |
| **Amounts recoverable from reinsurance** | | | | | |
| Recoveries for incurred claims | - | - | 149,258 | (11,908) | 137,350 |
| Adjustments to assets for incurred claims | - | - | (91,101) | 8,065 | (83,036) |
| Change in risk of non-performance (Note 5) | - | - | 587 | - | 587 |
| Change in reinsurance loss recovery component (Note 5) | - | (2,242) | - | - | (2,242) |
| **Net expenses from reinsurance contracts (Note 5)** | **(348,228)** | **(2,242)** | **58,744** | **(3,843)** | **(295,569)** |
| Cash flows | | | | | |
| Reinsurance premiums paid | 405,853 | - | - | - | 405,853 |
| Reinsurance recoveries | - | - | (143,694) | - | (143,694) |
| **Total cash flows** | **405,853** | **-** | **(143,694)** | **-** | **262,159** |
| **Net closing balance** | **83,050** | **14,786** | **273,537** | **16,946** | **388,319** |
| Closing assets | 115,031 | 14,786 | 273,537 | 16,946 | 420,300 |
| Closing liabilities | (31,981) | - | - | - | (31,981) |
| **Net closing balance** | **83,050** | **14,786** | **273,537** | **16,946** | **388,319** |

## 25. REINSURANCE CONTRACTS (continued)

### NON-LIFE

**Movements in reinsurance contract balances**

| | | | Assets for Incurred claims | | |
|---|---|---|---|---|---|
| | Assets for Remaining Coverage | Asset for Remaining Coverage RLRC | Assets for Incurred Claims PVFCF | Risk Adjustment for Non-Financial Risk' | Total 2022 Kshs '000 |
| Opening Assets | 37,193 | 9,863 | 279,404 | 16,789 | 343,249 |
| Opening Liabilities | (53,082) | - | - | - | (53,082) |
| **Net opening balance** | **(15,889)** | **9,863** | **279,404** | **16,789** | **290,167** |
| Changes in statement of profit or loss and OCI | | | | | |
| Reinsurance premium cost (Note 5) | (197,480) | - | - | - | (197,480) |
| **Amounts recoverable from reinsurance** | | | | | |
| Recoveries for incurred claims | - | - | 32,339 | 2,098 | 34,437 |
| Adjustments to assets for incurred claims | - | - | 35,025 | 1,902 | 36,927 |
| Change in risk of non-performance (Note 5) | - | - | 2,357 | - | 2,357 |
| Change in reinsurance loss recovery component (Note 5) | - | 7,165 | - | - | 7,165 |
| **Net expenses from reinsurance contracts (Note 5)** | **(197,480)** | **7,165** | **69,721** | **4,000** | **(116,594)** |
| Reinsurance finance expenses through P&L (Note 6) | - | - | 9,150 | - | 9,150 |
| **Total changes to profit or loss** | **(197,480)** | **7,165** | **78,871** | **4,000** | **(107,444)** |
| **Cash flows** | | | | | |
| Reinsurance premiums paid | 238,794 | - | - | - | 238,794 |
| Reinsurance recoveries | - | - | (5,906) | - | (5,906) |
| **Total cash flows** | **238,794** | **-** | **(5,906)** | **-** | **232,888** |
| **Net closing balance** | **25,425** | **17,028** | **352,369** | **20,789** | **415,611** |
| Closing assets | 69,391 | 17,028 | 352,369 | 20,789 | 459,577 |
| Closing liabilities | (43,966) | - | - | - | (43,966) |
| **Net closing balance** | **25,425** | **17,028** | **352,369** | **20,789** | **415,611** |

## 25. REINSURANCE CONTRACTS (continued)

### LIFE

#### Movements in reinsurance contract balances

| | Assets for Remaining Coverage | Asset for Remaining Coverage RLRC | Assets for Incurred claims: Assets for Incurred Claims PVFCF | Assets for Incurred claims: Risk Adjustment for Non-Financial Risk' | Total 2023 Kshs '000 |
|---|---|---|---|---|---|
| Opening assets | 60,719 | 13,086 | 62,523 | 8,879 | 145,207 |
| Opening liabilities | - | - | - | - | - |
| **Net opening balance** | **60,719** | **13,086** | **62,523** | **8,879** | **145,207** |
| **Changes in statement of profit or loss** | | | | | |
| Reinsurance premium cost (Note 5) | (146,185) | - | - | - | (146,185) |
| **Amounts recoverable from reinsurance** | | | | | |
| Recoveries for incurred claims | - | - | 97,231 | (1,814) | 95,417 |
| Adjustments to assets for incurred claims | - | - | 6,212 | 2,167 | 8,379 |
| Change in risk of non-performance (Note 5) | - | - | (38) | - | (38) |
| Change in reinsurance loss recovery component (Note 5) | - | (588) | - | - | (588) |
| **Net expenses from reinsurance contracts (Note 5)** | **(146,185)** | **(588)** | **103,405** | **353** | **(43,015)** |
| Reinsurance finance expenses through P&L (Note 6) | - | - | 784 | - | 784 |
| **Total changes to profit or loss** | **(146,185)** | **(588)** | **104,189** | **353** | **(42,231)** |
| **Cash flows** | | | | | |
| Reinsurance premiums paid | 112,237 | - | - | - | 112,237 |
| Reinsurance recoveries | - | - | (98,525) | - | (98,525) |
| **Total cash flows** | **112,237** | **-** | **(98,525)** | **-** | **13,712** |
| **Net closing balance** | **26,771** | **12,498** | **68,187** | **9,232** | **116,688** |
| Closing assets | 88,533 | 12,498 | 68,187 | 9,232 | 178,450 |
| Closing liabilities | (61,762) | - | - | - | (61,762) |
| **Net closing balance** | **26,771** | **12,498** | **68,187** | **9,232** | **116,688** |

## 25. REINSURANCE CONTRACTS (continued)

### LIFE

### Movements in reinsurance contract balances

| | Assets for Remaining Coverage | Asset for Remaining Coverage RLRC | Assets for Incurred claims: Assets for Incurred Claims PVFCF | Assets for Incurred claims: Risk Adjustment for Non-Financial Risk' | Total 2023 Kshs '000 |
|---|---|---|---|---|---|
| Opening assets | 78,145 | 8,261 | 178,254 | 14,338 | 278,998 |
| Opening liabilities | (139,205) | - | - | - | (139,205) |
| **Net opening balance** | **(61,060)** | **8,261** | **178,254** | **14,338** | **139,793** |
| **Changes in statement of profit or loss** | | | | | |
| Reinsurance premium cost (Note 5) | (183,191) | | - | - | (183,191) |
| **Amounts recoverable from reinsurance** | | | | | |
| Recoveries for incurred claims | - | - | 214,352 | (7,201) | 207,151 |
| Adjustments to assets for incurred claims | - | - | 224,982 | 1,742 | 226,724 |
| Change in risk of non-perfomance (Note 5) | - | - | 307 | - | 307 |
| Change in reinsurance loss recovery component (Note 5) | - | 4,825 | - | - | 4,825 |
| **Net expenses from reinsurance contracts (Note 5)** | **(183,191)** | **4,825** | **439,641** | **(5,459)** | **255,816** |
| Reinsurance finance expenses through P&L (Note 6) | - | - | 7,987 | - | 7,987 |
| **Total changes to profit or loss** | **(183,191)** | **4,825** | **447,628** | **(5,459)** | **263,803** |
| **Cash flows** | | | | | |
| Reinsurance premiums paid | 304,970 | - | - | - | 304,970 |
| Reinsurance recoveries | - | - | (563,359) | - | (563,359) |
| **Total cash flows** | **304,970** | **-** | **(563,359)** | **-** | **(258,389)** |
| **Net closing balance** | **60,719** | **13,086** | **62,523** | **8,879** | **145,207** |
| Closing assets | 60,719 | 13,086 | 62,523 | 8,879 | 145,207 |
| Closing liabilities | - | - | - | - | - |
| **Net closing balance** | **60,719** | **13,086** | **62,523** | **8,879** | **145,207** |

## 26. OTHER PAYABLES

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| Accrued expenses and other liabilities | 4,112 | 479,744 | 483,856 |
| Due to non-life business from life (Note 18) | 23,604 | - | 23,604 |
| | **27,716** | **479,744** | **507,460** |

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|---|
| Accrued expenses and other liabilities | 2,327 | 434,648 | 436,975 |
| Due to non-life business from life (Note 18) | 14,838 | - | 14,838 |
| | **17,165** | **434,648** | **451,813** |

## 27. 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 (2022: 30% and 15%).The movement on the deferred income tax account is as follows:

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| At 1 January | 268,847 | 67,915 | 336,762 |
| Credit to other comprehensive income | - | (3,000) | (3,000) |
| Charge/(credit) to profit or loss | 88,313 | (3,998) | 84,315 |
| | **357,160** | **60,917** | **418,077** |
| **Deferred income tax liability** | | | |
| Deferred tax on land and buildings | - | 52,125 | 52,125 |
| Unrealised exchange gains | - | - | - |
| Life surplus | 357,160 | - | 357,160 |
| Insurance and reinsurance contracts | - | 61,666 | 61,666 |
| | **357,160** | **113,791** | **470,951** |
| **Deferred income tax asset** | | | |
| Provisions | - | (20,943) | (20,943) |
| Unrealised exchange losses | - | (18,169) | (18,169) |
| Excess depreciation over capital allowance | - | (13,762) | (13,762) |
| | - | (52,874) | (52,874) |
| **Net deferred tax liability/(asset)** | **357,160** | **60,917** | **418,077** |

## 27. DEFERRED TAX (continued)

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| At 1 January | 145,416 | 74,091 | 219,507 |
| Adjustment on initial application of IFRS 17 | (10,500) | 31,763 | 21,263 |
| **Restated balance at 1 January** | **134,916** | **105,854** | **240,770** |
| Prior year deferred tax over provision | - | (86,054) | (86,054) |
| Charge to profit or loss | 133,931 | 48,115 | 182,046 |
| | **268,847** | **67,915** | **336,762** |

| | Life business Kshs '000 | Non-life 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 |
| Insurance and reinsurance contracts | (7,273) | 30,841 | 23,568 |
| | **268,847** | **91,944** | **360,791** |
| 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 | **268,847** | **67,915** | **336,762** |

## 28. CASH AND BANK BALANCES

Cash and bank balance consist of:

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| Cash and Bank Balances | 38,836 | 165,714 | 204,550 |
| Less: Provision for expected credit losses | (250) | (1,120) | (1,370) |
| | **38,586** | **164,594** | **203,180** |
| **Cash and Cash equivalents consist of:** | | | |
| Cash and Bank Balances | 38,836 | 165,714 | 204,550 |
| Deposits with financial institutions maturing within 90 days (Note 21) | 713,808 | 2,236,510 | 2,950,318 |
| | **752,644** | **2,402,224** | **3,154,868** |

| **Movement for expected credit losses** | Life business Kshs '000 | Non-life business Kshs '000 | Total 2023 Kshs '000 |
|---|---|---|---|
| At 1 January | (460) | (1,730) | (2,190) |
| Credit for the year | 210 | 610 | 820 |
| **At 31 December** | (250) | (1,120) | (1,370) |

**2022**

| | Life business Kshs '000 | Non-life business Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|---|
| 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 20) | 19,929 | 247,537 | 267,466 |
| Deposits with financial institutions maturing within 90 days (Note 21) | 67,087 | 480,207 | 547,294 |
| | **134,415** | **983,763** | **1,118,178** |

## 28. CASH AND BANK BALANCES (continued)

| Movement for expected credit losses | Life business Kshs '000 | Non-life business Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|---|
| At 1 January | (900) | (2,334) | (3,234) |
| Credit for the year | 440 | 604 | 1,044 |
| **At 31 December** | **(460)** | **(1,730)** | **(2,190)** |

## 29. CASH GENERATED FROM OPERATIONS

| Movement for expected credit losses | Total 2023 Kshs '000 | Total 2022 restated Kshs '000 ' |
|---|---|---|
| Profit before income tax | 1,267,186 | 1,054,460 |
| Adjustments for: | | |
| Depreciation on property and equipment (Note 13) | 31,417 | 29,897 |
| Gain on disposal of equipment | (7) | (24) |
| Gain on disposal of equities | (919) | - |
| Change in fair value of equity investments (Note 16) | 10,522 | 5,263 |
| Changes in fair value of investment property (Note 15) | - | (5,000) |
| Change in insurance contract liabilities | 170,763 | (282,183) |
| Change in reinsurance contract liabilities | 49,777 | (156,486) |
| Change in other payables | 55,646 | (56,814) |
| Change in insurance contract assets | (177,570) | 25,719 |
| Change in reinsurance contract assets | 6,035 | 25,630 |
| Change in other receivables | (73,230) | 198,812 |
| Movement in accrued interest | 3,195 | (21,100) |
| Amortisation of intangible assets (Note 14) | 36,479 | 32,766 |
| Loss on impairment of financial assets (excluding trade receivables) | 2,881 | 903 |
| Change in fair value of REITs (Note 16) | (7,195) | (6,644) |
| | **1,374,980** | **845,199** |

## 30. CAPITAL COMMITMENTS

**Authorised capital expenditure**

| | Total 2023 Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|
| Approved capital expenditure | 6,250 | 10,200 |

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.

## 31. CONTINGENT LIABILITIES

The Kenya Revenue Authority (KRA) audited the Company's corporate income tax records until 2021 and issued an assessment which the Company objected to. At the date of this report, this matter is pending hearing at the High Court. The Company, in conjunction with its tax advisors, continues to engage KRA on resolving this matter.

The resulting obligation if any, arising from the audit cannot be measured with sufficient reliability and thus its quantum has not been disclosed.

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.

## 32. RELATED PARTIES

The Company is controlled by First Chartered Securities Limited, a company incorporated and domiciled in Kenya, which is its immediate parent company. The Company's ultimate holding company is Asset Managers Limited. There are several other companies, which are related to the Company through common shareholdings or common directorships.

In the normal course of business, the Company issues reinsurance policies and has banking relationships with its related parties. All transactions with related parties are at arm's length. The terms and conditions of the reinsurance and banking related party transactions are equivalent to those available to other customers.

Transactions with related parties during the year and related outstanding balances are disclosed below:

| | Total 2023 Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|
| **a) Transactions with related parties during the year** | | |
| Insurance revenue | 1,883,591 | 1,578,893 |
| Interest earned on bank deposits | 10,106 | 34,647 |
| **Total** | **1,893,697** | **1,613,540** |
| **b) Balances with related parties** | | |
| **i. Receivable balances with related parties** | | |
| ICEA LION Holdings Limited and subsidiaries | 37,533 | 74,524 |
| GA Insurance Limited and subsidiaries | 49,909 | 40,217 |
| Kenindia Assurance Limited | 9,423 | 25,530 |
| Apollo Investments and subsidiaries | 5,962 | 28,000 |
| East Africa Reinsurance (Tanzania) Company Limited | 42,643 | - |
| **Total** | **145,470** | **168,271** |

**32. RELATED PARTIES (continued)**

| | Total 2023 Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|
| **ii. Payable balances with related parties** | | |
| ICEA LION Holdings Limited and subsidiaries | 15,949 | 10,577 |
| Kenindia Assurance Limited | 19,231 | 15,483 |
| GA Insurance Limited and subsidiaries | 17,317 | 28,039 |
| Apollo Investments and subsidiaries | 8,540 | 12,481 |
| **Total** | **61,037** | **66,580** |
| **iii. Investments balances with related parties** | | |
| Staff mortgages, Fixed deposits and Bank balances | | |
| Fixed deposits with NCBA Bank Limited | 766,046 | 542,689 |
| Bank balances with NCBA Bank Limited | 199,426 | 295,969 |
| Staff mortgages | 17,308 | 29,568 |
| Total | **982,780** | **868,226** |

Mortgages are in respect of loans extended to the Company's staff at terms prescribed in the Company policy. Additional details on the terms of the mortgage loans are disclosed under Note 17.

| | Total 2023 Kshs '000 | Total 2022 Kshs '000 |
|---|---|---|
| **d) Directors' fees** | | |
| Directors' emoluments | **9,379** | **4,100** |
| **e) Key management personnel remuneration** | | |
| Salaries | 108,894 | 82,727 |
| National social security benefit cost | 36 | 8 |
| Retirement benefit costs | 6,378 | 6,301 |
| Other benefits | 1,282 | 1,778 |
| **Total** | **116,590** | **90,814** |

Key management personnel remuneration comprises salaries, non-cash benefits and contributions to the retirement benefits scheme.

f**) Loans to Directors and Key management of the Company**

The Company did not advance loans to its non-executive directors in 2023 (2022: Nil). Loans to Key management staff amounted to Kshs 518,000 (2022: Kshs 2,886,000).

**33. 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.

# 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 Thirty First Annual General Meeting of the Company to be held on Friday, 10 May 2024, at twelve noon and at any adjournment thereof.**

Signed this ______________ day of ______________ 2024

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 2023 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)*


**EAST AFRICA REINSURANCE COMPANY LIMITED**

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