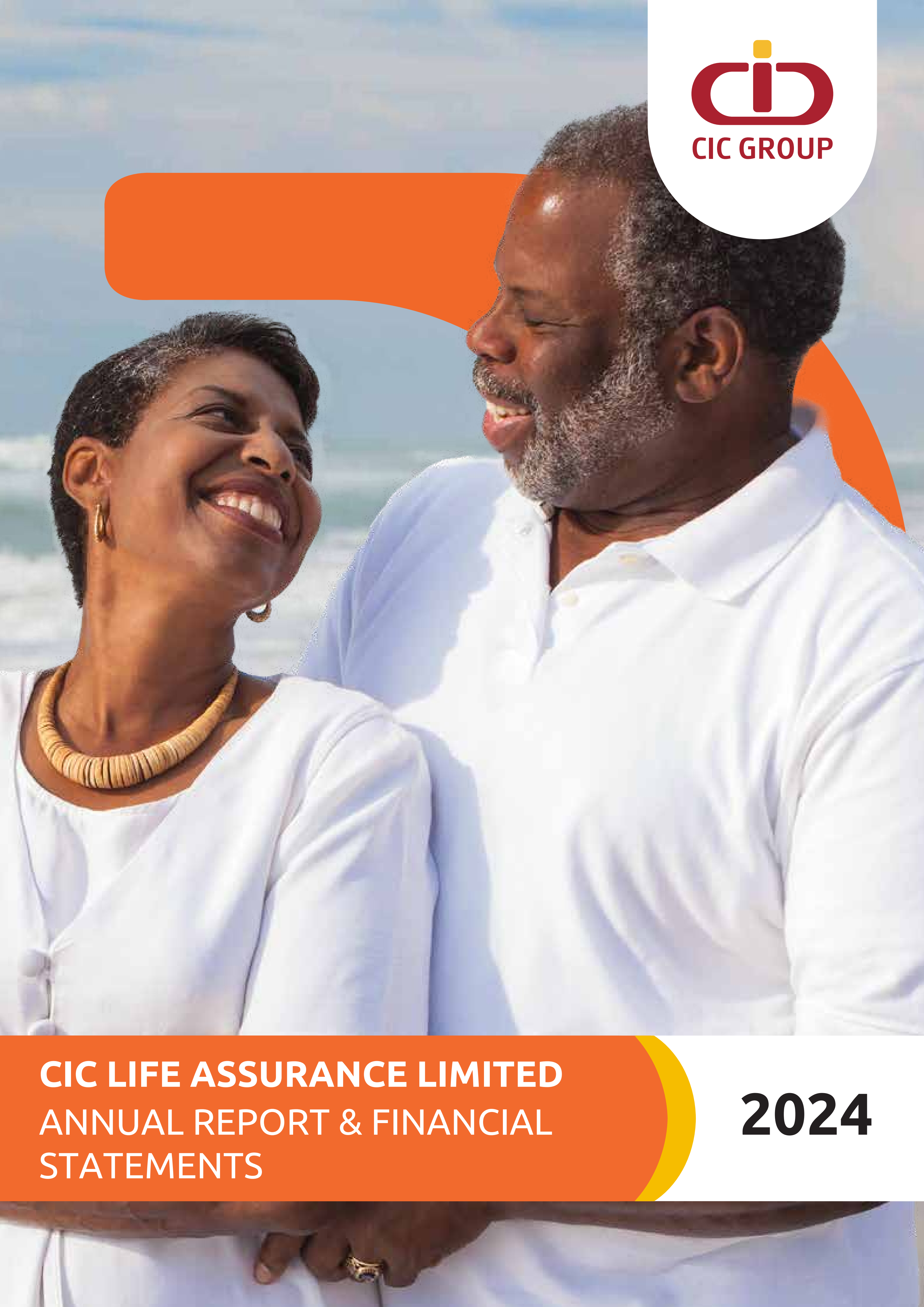


CIC GROUP

CIC LIFE ASSURANCE LIMITED
ANNUAL REPORT & FINANCIAL STATEMENTS

2024

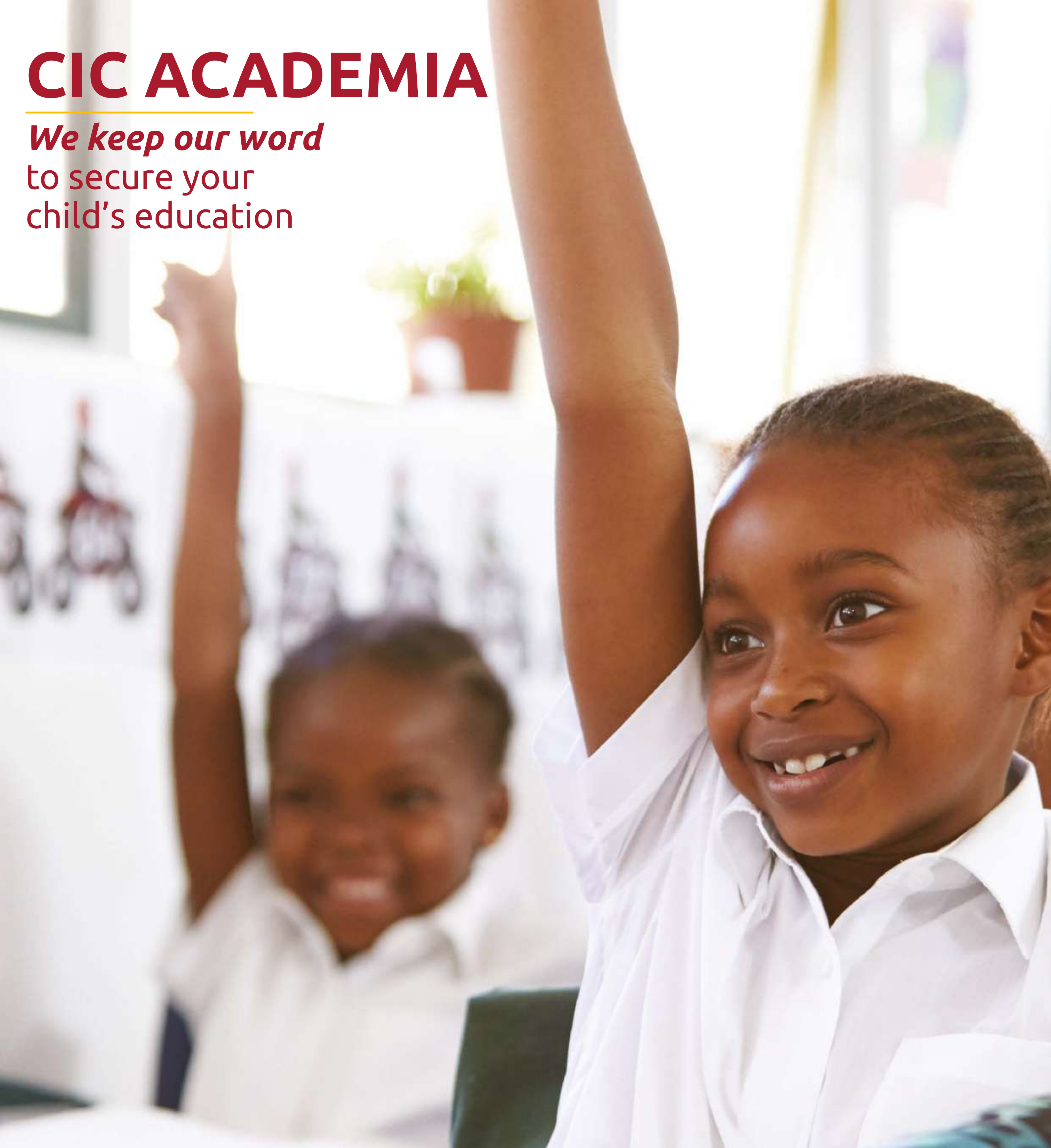


TABLE OF CONTENTS

GO FOR GROWTH

OUR PHILOSOPHIES AND VALUES

Vision

Enable people achieve financial security

Our Purpose (Mission)

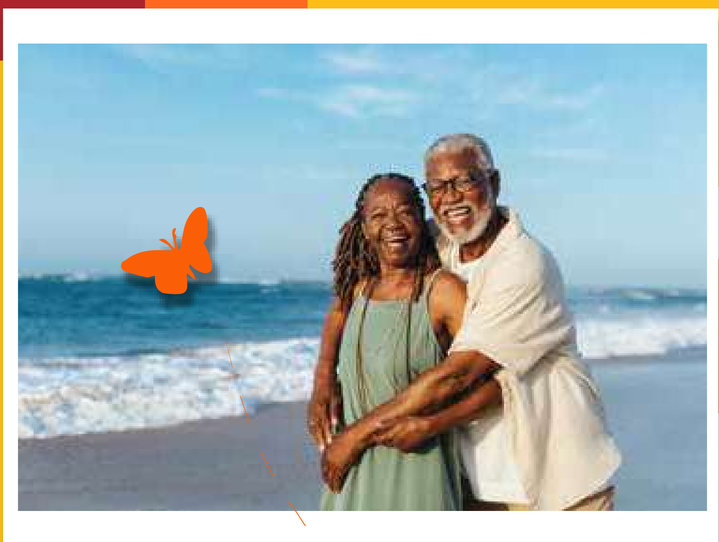
To be a world-class provider of insurance and other financial services

CIC Tagline/ Slogan

We keep our word"

We recognize that for our business to grow, we have a role to play in reversing the mistrust partly contributed by our industry players through various malpractices such as mis-selling or failure to honor claims thus undermining the growth we desire.

We shall honor our promises to all our stakeholders.



Our Values

Integrity - Be fair and transparent
Dynamism - Be passionate and innovative
Performance - Be efficient and results-driven
Cooperation - Live the cooperative spirit

Value Proposition

"To offer simple, flexible insurance and financial services built around our customers' needs."

Our approach to business growth shall be research-driven. We shall seek to understand our customers and their needs, and innovatively develop appropriate products that address their needs, wants and desires

CORPORATE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2024

DIRECTORS	Anthony Chege - Chairman Patrick Nyaga - Group MD and Chief Executive Officer Michael Wambia Gordon Owuor Anthony Munyao Fridaclare Katusya Meshack Miyogo
COMPANY SECRETARY	Mary Wanga Certified Public Secretary (Kenya) P. O. Box 59485 - 00200 Nairobi
REGISTERED OFFICE	CIC Plaza 7th Floor Upper Hill, Mara Road P. O. Box 59485 - 00200 Nairobi

SENIOR MANAGEMENT

Meshack Miyogo	- Managing Director
Tyrus Kanja	- Head of Life Operations
Mary Wanga	- Company Secretary
Susan Robi	- Director - Risk and Compliance
Muyesu Luvai	- Director - Internal Audit
Richard Nyakenongo	- Director - Cooperatives
Henry Njerenga	- Director - Branch Distribution
Salome Thinguri	- Group Actuary
Moses Chweya	- ICT Manager
Ben Kiprotich	- Finance Manager
Elizabeth Njuguna	- People and Culture Business Partner
Caroline Adhiambo	- Head - Life Claims
James Wamae	- Head - Life Underwriting
Vincent Ochoi	- Head - Retirement Benefits and Corporate
Fred Guchua	- Policy Administration & Servicing Manager
Grace Gichuru	- Business Development Manager - Alternative Channels

AUDITOR	PricewaterhouseCoopers LLP Certified Public Accountants PwC Towers, Waiyaki Way / Chiromo Road Westlands P. O. Box 43963 - 00100 Nairobi, Kenya
PRINCIPAL BANKER	The Co-operative Bank of Kenya Limited P. O. Box 67881 - 00100 Nairobi
CONSULTING ACTUARY	QED Actuaries & Consultants (Kenya) Limited Capital Registrars Royal Offices 1st Floor, No. 17 Mogotio Rd off Chiromo Lane, P.O. Box 101795-00101, Westlands, Nairobi Kenya

ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 13TH ANNUAL GENERAL MEETING OF CIC LIFE ASSURANCE LIMITED WILL BE CONDUCTED VIRTUALLY VIA ELECTRONIC COMMUNICATION ON THURSDAY 8th DAY OF MAY, 2025 AT NOON TO TRANSACT THE FOLLOWING BUSINESS AS SET OUT BELOW:

AGENDA

Constitution of the Meeting

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

Ordinary Business:

2. To confirm the Minutes of the 12th Annual General Meeting held on 28th May, 2024.
3. **Annual Report and Financial Statements for the year ended 31st December 2024.**

To receive, consider and if thought fit, adopt the Annual Report and Audited Financial Statements for the year ended 31st December 2024 together with the Chairman's, Director's and Auditor's Reports thereon.

4. **Dividend.**

To approve a first and final dividend pay-out of KShs 300 Million for the financial year ended 31st December 2024, to be paid on or before 8th June 2025 to the shareholder appearing on the Register of Members.

5. **Re-appointment and Remuneration of PricewaterhouseCoopers.**

To consider and if thought fit, re-appoint PricewaterhouseCoopers, Certified Public Accountants, as the Auditors of the Company for the year 2025, having expressed their willingness to continue in office in accordance with section 719 (2) of the Companies Act No.17 of 2015, and to authorize the Directors to fix their remuneration for the ensuing year.

6. **Rotation of Directors:**
   (i) To note the retirement of Mr. Anthony Kariuki Chege by rotation in accordance with Articles 106 of the Company's Articles of Association, and being eligible, offers himself for re-election.
   (ii) To note the retirement of Mrs. Fridaclare Katunge Katusya by rotation in accordance with Articles 106 of the Company's Articles of Association, and being eligible, offers herself for re-election.
   (iii) To note the retirement of Mr. Anthony Muthama Munyao by rotation in accordance with Articles 106 of the Company's Articles of Association, and being eligible, offers himself for re-election.
7. **Remuneration of Directors.**

To authorize the Board to fix the Directors Remuneration for the year ending 31st December 2025.

Special Business:

8. **Disposal of Land Assets**

To approve a special resolution authorizing the disposal of land assets, specifically L.R. No. Kajiado/Kisaju/6740 measuring 120 acres, and L.R No. Kajiado/Kisaju/8704 measuring 192 acres, both located in Kajiado County, subject to regulatory approval.

9. **Any Other Business.**

To transact any other business of the company for which due notice has been received by the Company Secretary forty-eight (48) hours prior.

Dated at Nairobi this 24th Day of March, 2025.

BY Order of the Board

MARY WANGA
COMPANY SECRETARY

NOTES:

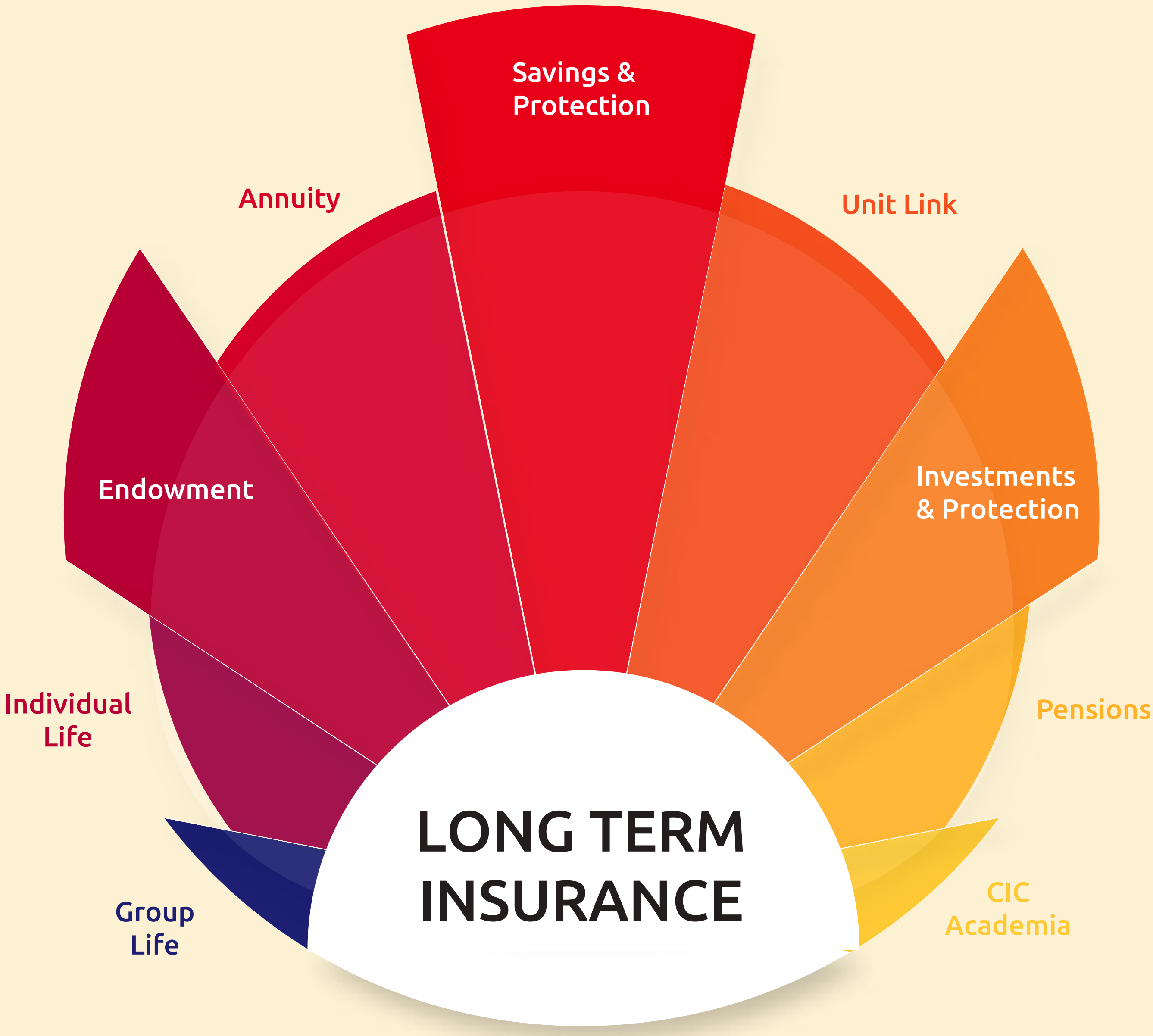
In accordance with section 298(1) of the Companies Act, 2015 (Laws of Kenya) every member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his behalf and the proxy need not be a member of the company.

2. A proxy form is provided with this notice. The instrument appointing the proxy must be delivered to the Secretary not less than forty-eight (48) hours before the meeting.

3. In accordance with section 283 (2) of the Companies Act, a copy of the entire Annual Report and Financial Statements of the Company, a copy of this Notice and the Proxy Form may be viewed at our Company's website www.cic.co.ke

OUR PRODUCTS

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



MESSAGE FROM OUR LEADERSHIP

CHAIRMAN'S STATEMENT

ECONOMIC AND BUSINESS ENVIRONMENT

As the Chair of the Board, I take this opportunity to present to you, the CIC Life Assurance Company Ltd Annual report and Financial Statements for the year ended 31st December 2024.

During the year under review, the Kenyan economy was characterized by high interest rates, exchange rate fluctuations, geopolitical tensions, climate disruptions, rising taxes and the rising cost of living that impacted consumer spending. Kenya's economy expanded at a rate of 4.0% in the third quarter of 2024, a deceleration from the 6.0% growth observed in the same period of 2023. This slowdown was primarily attributed to contractions in key sectors such as Construction and Mining.

The Central Bank of Kenya (CBK) monetary policy committee met in early December 2024 and lowered the policy rate further to 11.25% from 12%. It noted that its previous measures have lowered overall inflation to below the midpoint of the target range, stabilizing the exchange rate; noting that there is scope for further reductions. Headline inflation in December closed at 3.0%; largely on account of a significant decrease in fuel inflation with decreases in pump, electricity, and cooking gas/LPG prices. Overall, core inflation declined on account of lower consumer deman0064.

The Kenyan shilling appreciated by 22.1% against the Dollar to close the year at KShs 129.3; CBK continues to shore up the forex reserves to defend the shilling, which closed the year at 4.7 months of import cover.

Kenya's equity market in 2024 experienced a remarkable turnaround; marked by significant growth and renewed investor optimism. The Equity market performance was up in 2024 with The NSE All Share Index (NASI), NSE 20 Index & NSE 25 Index returning 34.06%, 33.9% and 43% respectively.

INSURANCE INDUSTRY PERFORMANCE

According to Insurance Regulatory Authority (IRA) Q3 2024 statistics, the long-term insurers registered a Gross premium income (GPI) of KShs 147 billion, a growth of 27% from the previous year. The total net premium income (NPI) reported by long-term reinsurance companies in Q3 2024 was KShs 3.07 billion compared to KShs 2.16 million reported in Q3 2023 representing an increase of 42.3%. Group Life contributed 68.7% of the total NPI recorded in the period under review.

The long-term insurers' asset base grew by 17.1% to KES 826.32 billion and was largely composed of income-generating investments of KES 784.25 billion (94.9%). Of the total assets, 10.0% (KES 82.32 billion) was funded through shareholders' funds (equity).

In 2024, Kenya's insurance uptake remained low, with the penetration rate increasing slightly to 2.4% from 2.3% in 2023. This figure is still well below the global average of 7% and the African average of 3.2%.

OVERALL PERFORMANCE

The Company registered a Profit before Tax for the period ended 31st December 2024 of KShs 1.16 billion which is a decline of 8% from a Profit before Tax of KShs 1.26 billion in 2023, impacted by growth in insurance finance expenses driven by the falling interest rates. Insurance revenue increased by 2% from KShs 6.69 billion in 2023 to KShs 6.85 billion in 2024. Total assets went up by 35% from KShs 24.3 billion to KShs 32.9 billion, signaling strong investment returns to both policyholders and shareholders.

FUTURE OUTLOOK

The Company's prospects remain promising since the Company has maintained industry leadership in Group Life business. There are concerted efforts to accelerate growth in the acquisition of individual life, pensions and annuity business to deliver sustainable growth and create lasting value for all our stakeholders.

Technology will continue to play a key role in our business by improving operational efficiency to achieve the desired customer experience and value for all stakeholders. The Company has invested in a new core system that will be operational in the year 2025. The Company will also develop digital, self-service and tailor-made products that will maximize policyholders' value.

We are committed to the core values embedded in our corporate governance framework ensuring that we operate with integrity, dynamism and cooperation.

APPRECIATION

I register my gratitude to the board of directors for your unwavering commitment, strategic guidance and support for our leadership team through your collective expertise and wisdom that has been instrumental in steering our organization through the past year with strength and purpose.

I want to thank the management team and members of staff for their commitment to deliver service and value, which has been pivotal in building a solid platform to navigate volatility and assure our shareholders' delivery of future growth.

To our clients and all stakeholders including the regulators and business partners, I appreciate your tremendous support. The Company will always endeavor to enable people to achieve financial security through the cooperative spirit.

ANTHONY CHEGE

Chairman

BOARD OF DIRECTORS

Anthony Chege: Chairman
Mr. Anthony Chege, aged 55, joined the board in 2022 as an independent Non-Creative Director. He holds an MBA in Strategic Management and Bachelor of Commerce, Marketing Option. He is a s a career banker and has undergone Corporate governance training from Centre for Corporate Governance and advanced Leadership training program from Wharton University of Pennsylvania. He is is currently the Managing director of Spread Capital Limited. Mr. Chege is a member of the Institute of Directors of Kenya.

Patrick Nyaga: Director and GMD & CEO
Mr. Patrick Nyaga, aged 57 is the Group MD and Chief Executive Officer. He holds a master of Business Administration from Strathmore Business School and a Bachelor of Commerce Degree in Accounting. He is a Certified Public Accountant (K) and a member of ICPAK. Mr. Nyaga has over 30 years working experience mainly financial services and auditing. He has worked in various senior positions in banking. Prior to joining CIC Group Ltd he was the Group Finance and Strategy Director at Co-operative Bank of Kenya Limited. He previously worked at Barclays Bank now (ABSA) as the Regional Head of Assurance and at KPMG (EA), with the main focus being audit of financial institutions in Kenya and the region. He is a member of the Institute of Directors of Kenya and has undertaken training in various disciplines among them Corporate Governance courses, Insurance, Banking, and Strategy among others.

Michael Wambia: Director
Mr. Michael Ondinya Wambia, aged 57, is a Non-Executive Director representing CIC Insurance Group Plc. The Director also holds a diploma in Education Management from KEMI (Kenya Educational Management Institute) and is a Member of the Institute of Directors Kenya. He is the Chairman Maanisha Xane Growers Co-operative society. Director Wambia has undertaken training in specialized Life Assurance Business Management conducted by LIMRA. He has also undergone extensive training on Corporate Governance by International Finance Corporation (IFC), Centre for Corporate Governance and Leadership Group Ltd.

Anthony Munyao: Director
Mr. Anthony Munyao, aged 57, joined the Board in 2022 as an Independent Non-Executive Director. He holds a Masters degree in Business Administration (MBA) in Strategic Management, Bachelor of Arts (Hons) Economics & Business Studies. He is a Certified Public Accountant of Kenya, CPA(K) and a Member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is a Certified Trustee through the Trustee Development Program – Kenya (TDPK), and also a Member of the Institute of Directors. Mr. Munyao is Chairman and Director in the board of Vivo Energy Provident Trust Limited and has previously served in the boards of Kenya Reinsurance Corporation Limited, Shell and Vivo Lubricants Kenya Limited, among other boards. He has significant exposure in business management and depth of competence in Strategic Management, Financial Management, Risk Management and Audit. Mr. Munyao has extensive experience in the oil industry and audit. He has previously worked for Kenya Shell Limited as Chief Finance Officer and also Ernst & Young where he served diverse clients. Mr. Munyao has undergone extensive training both international and local including the Corporate Governance Training.

BOARD OF DIRECTORS *(Continued)*

Gordon Owuor: Director

Mr. Gordon Ondiek Owuor, aged 69, is a Non-Executive Director and represents CIC Insurance Group Plc in the Board. He is the Chairman of Jumuika (formerly Chemelil) Sacco, a member of the Nyanza Provincial Co-operative Development Team and a Member of the Institute of Directors-Kenya. He previously worked with the East African Fresh Water Fisheries Research Organization and currently and the chairman of Loyalty Refined Limited. He holds an executive Diploma in Financial Management. The Director has undertaken training in specialized Life Assurance Business Management conducted by LIMRA and several corporate governance training courses from Centre for Corporate Governance and Leadership Group.

Fridaclare Katusya: Director

Director Fridaclare Katusya, aged 45, joined the board in 2022 as an Independent and Non-Executive Director. She holds a Masters degree in Business Administration (MBA), Bachelor of Commerce (Finance) and an advanced Diploma in Management Accounting from Chartered Institute of Management Accountants. Ms. Katusya is a Certified Public Accountant of Kenya (CPAK). She served as Group Chief Finance Officer (Britam Holdings Plc) & Senior Assurance Manager at PricewaterhouseCoopers – Kenya & South Africa. Ms. Katusya is trained in corporate governance by Center for Corporate Governance. She is a member of the Institute of Internal Auditors (IIA), Association of Women Accountants of Kenya (AWAK) and Institute of Directors of Kenya (IODK).

Meshack Miyogo: Managing Director

Mr. Meshack Miyogo, aged 42, holds a bachelor's degree in Education Arts (Major in Economics and Business Studies) from Egerton University. In addition, he holds a Senior Leadership Development Programme Certificate from the University of Stellenbosch Business School South Africa, Post Graduate Degree (MBA) in Marketing from Daystar University. He also holds a Diploma in Insurance (AIIK) from the College of Insurance. He is an Associate Member of the Institute of Insurance Kenya (IIK) in good standing. His experiences cut across Banking and Insurance on Matters of Sales Growth, Sales Management, business development, and Strategic Leadership. He currently serves as the Deputy Board Chair & Chair of Life Insurance Council in the Association of Kenya Insurers (AKI).

Mary Noel A. Wanga: Company Secretary

Mary Wanga, aged 57, is an Advocate of the High Court of Kenya with over 26 years of extensive experience spanning multiple industries and roles, including legal practice, insurance, capital markets, regulatory affairs, corporate governance leadership, and the Micro, Small, and Medium Enterprises (MSMEs) sector. She is a Certified Public Secretary (CPS-K) and holds an impressive array of academic qualifications: Master of Laws degree in Public Finance and Financial Services (LL.M) from the University of Nairobi and Bachelor of Law (LL. B) and a Bachelor of Social Legislation degrees from Aurangabad University, India, as well as a Postgraduate Diploma from the Kenya School of Law and a Diploma in Insurance (AIIK) from the College of Insurance-Kenya. Ms. Wanga is affiliated with several professional organizations, including the Institute of Directors-Kenya, the Insurance Institute of Kenya (IIK) as an Associate Member, the Law Society of Kenya, the Chartered Institute of Arbitrators (Kenya Branch) (ACIArb), and the Institute of Certified Secretaries (ICS-K).

MANAGING DIRECTOR'S STATEMENT

ECONOMIC AND POLITICAL ENVIRONMENT

The Kenyan economy growth decelerated to 4.5% in Q3 2024 lower than the 6% growth recorded in Q3 2023. The slowdown was reflected across all sectors of the economy with the construction and mining sectors recording contractions. Key service sectors, agriculture, and improved exports are expected to support growth in 2025. The main risks to the growth outlook relate to continued geopolitical tensions, which have the potential to disrupt supply chains and increase inflation.

The Monetary Policy Committee in early December lowered the policy rate further to 11.25% from 12%. This has lowered inflation and stabilized the exchange rate. The short-term papers finished the quarter at 9.89%, 10.02% and 11.41% for the 91-, 182- and 365-day papers respectively.

Market performance was up in 2024 with The NSE All Share Index (NASI), NSE 20 Index & NSE 25 Index returning 34.06%, 33.9% and 43% respectively with a total turnover of USD 794.36 Million. Foreign investors remained net sellers withdrawing USD 124.05 Million from the market. We expect the bourse to maintain momentum on the back of earnings performance, attractive dividend yields and return of foreign investor demand.

Headline inflation in December closed at 3.0%, largely on account of a significant decrease in fuel inflation. Fuel inflation declined to -1%, mainly driven by decreases in pump, electricity, and cooking gas/LPG prices. Overall, core inflation declined on account of lower consumer demand – tight wallets & low market liquidity.

INDUSTRY UPDATES

Kenya's insurance penetration is still low at 2.4% which is lower than the African average of 3.2% and the global average of 7%; industry players strive to Increase penetration on the verge of tough economic conditions.

Notable efforts to increase penetration by widening the scope through Micro-Insurance as more players focus on this space and opportunities through the growth of bancassurance and the adoption of digital.

CIC Group has set its eyes on Micro-Insurance to increase penetration of insurance for the low-income segment through its new Subsidiary.

There is a big focus on Digital Transformation within the Insurance Sector as players target growth and Customer convenience. The use of AI is also taking shape.

On Industry Recognition, CIC Life received Industry recognition as Most Improved Life Company 2024 under the umbrella of AKI (Association of Kenya Insurers) among other notable accolades.

COMPANY PERFORMANCE

The company delivered value to all stakeholders through its steady and sustainable growth, operational efficiency, Excellent Customer experience and strategic positioning in the industry

CIC Life Assurance registered a Profit Before Tax of KShs 1.16 billion in the year 2024 compared to a profit before tax of KShs 1.26 billion in 2023.

Our Insurance Service Result grew by 124% from KShs 513M to KShs 1.15B in 2024 signaling a strong Underwriting Result on Core business. Overall, all lines of business posted positive growth.

New Deposit Administration Funds grew by KShs 4.6B a reflection of Clients' confidence in our Pension solution, which has had a competitive return of 10.75% in 2023 and Current 11% net in 2024.

We maintained a strong focus on Customer Experience with our key focus being to improve all our customer interactions, creating trust and value. We also pride ourselves on a proven record of accomplishment in settling claims within 5 working days.

Our Staff, Financial Advisors, Intermediaries and other stakeholders have played a key role in ensuring a positive trend and sustainable performance across our Touchpoints.

KEY FOCUS IN 2025

CIC Life will continue to drive and grow a profitable business through strategic initiatives that include product innovation, partnerships & alliances, improved customer experience, digitalization, sales force effectiveness, operational efficiency and cost optimization.

The Company is keen to continue the robust performance and scale in the industry focusing on Product Innovation to align with emerging Customer trends and align with the economic environment.

We will continue to develop and scale distribution channels, the key being Bancassurance and other Alternative Channels.

Fast Claims settlement continues to be our stronghold as we focus on delighting our customers as We Keep Our Word.

Our Focus is also grounded in creating a Supportive environment for our very engaged Staff and Salesforce as we increase our footprint across the country.

The Company will leverage data & analytics, increased automation, value chain disaggregation and disruptive technologies to connect with untapped markets including the diaspora markets.

We are rolling out a new core system to support our commitment to continuous improvement, innovation, and delivering greater value to our stakeholders. The new system is designed to streamline workflows, improve data accuracy, and provide real-time insights that will empower our teams to make faster and more informed decisions.

Through the Group we have put a focus on brand visibility through below and above-the-line media. Brand positioning in our market segments remains a key focus area to support our distribution channels in driving distribution of our solutions.

The Company guided by our purpose and core values, and supported by a committed team, continues to strengthen our financial position, optimize performance across all business units, and generate profitable growth.

ACKNOWLEDGEMENT

I take this opportunity to express my gratitude to the Board of Directors for their stewardship, expert oversight and support for our strategic plan. I commend the management, staff, Financial Advisors, Cooperative Movement, Brokers, Agents, Cooperative Bank and other banks for their invaluable support, loyalty and trust in our brand.

Much appreciation to our valued customers and key stakeholders being Government of Kenya, IRA, AKI, RBA among others.

MESHACK MIYOGO
Managing Director

> "Our Insurance Service Result grew by 124% from KShs 513M to KShs
>
> **1.15B**
>
> in 2024 signaling a strong Underwriting Result on Core business."

SENIOR MANAGEMENT

Meshack Miyogo - Managing Director

Mr. Meshack Miyogo, aged 42, holds a bachelor's degree in Education Arts (Major in Economics and Business Studies) from Egerton University. In addition, he holds a Senior Leadership Development Programme Certificate from the University of Stellenbosch Business School South Africa, Post Graduate Degree (MBA) in Marketing from Daystar University. He also holds a Diploma in Insurance (AIIK) from the College of Insurance. He is an Associate Member of the Institute of Insurance Kenya (IIK) in good standing. His experiences cut across Banking and Insurance on Matters of Sales Growth, Sales Management, business development, and Strategic Leadership. He currently serves as the Deputy Board Chair & Chair of Life Insurance Council in the Association of Kenya Insurers (AKI).

Tyrus Kanja - Head - Life Operations

Tyrus, aged 46 years, joined CIC Insurance Group in 2005 as an Accountant and is currently the Head, Life Operations for CIC Life Assurance Company Limited. He has over 20 years work experience within the Insurance industry and holds a BSc – International Business Administration from USIU(A) and a CPA (K). He is a member of Institute of Certified Public Accountants of Kenya (ICPAK). He was Senior Finance Manager until November 2021 before he took up the role. He has undergone through various leadership, governance, and high- performance culture trainings.

Ms. Mary Wanga - Company Secretary

Mary Wanga, aged 57, is an Advocate of the High Court of Kenya with over 26 years of extensive experience spanning multiple industries and roles, including legal practice, insurance, capital markets, regulatory affairs, corporate governance leadership, and the Micro, Small, and Medium Enterprises (MSMEs) sector. She is a Certified Public Secretary (CPS- K) and holds an impressive array of academic qualifications: Master of Laws degree in Public Finance and Financial Services (LL.M) from the University of Nairobi and Bachelor of Law (LL. B) and a Bachelor of Social Legislation degrees from Aurangabad University, India, as well as a Postgraduate Diploma from the Kenya School of Law and a Diploma in Insurance (AIIK) from the College of Insurance-Kenya. Ms. Wanga is affiliated with several professional organizations, including the Institute of Directors-Kenya, the Insurance Institute of Kenya (IIK) as an Associate Member, the Law Society of Kenya, the Chartered Institute of Arbitrators (Kenya Branch) (ACIArb), and the Institute of Certified Secretaries (ICS-K).

Ms. Susan Robi - Director - Risk and Compliance

Ms. Susan Robi, 46, serves as Director of Risk and Compliance. A High Court of Kenya Advocate, she holds an LLB from Makerere University and a Master›s in Law and Finance from Goethe University's Institute of Law and Finance in Frankfurt, Germany. Her credentials include a Post Graduate Diploma from Kenya School of Law, Risk Management Certification from the Institute for Risk Management (IRM), and Data Protection and Privacy Certification from PECB. With over 15 years of experience across local and international law practice, insurance, pensions, and fund management sectors, Ms. Robi is a recognized expert in risk management and data privacy protection. Ms. Robi joined CIC in 2011.

Muyesu Luvai - Director, Internal Audit

Mr. Muyesu Luvai aged 46, is the Director, Internal Audit. He is a Certified Public Accountant ("CPA (K)"), and a member of the Institute of Certified Public Accountants of Kenya ("ICPAK"), the Chartered Institute of Internal Auditors UK, the Institute of Internal Auditors, Kenya Chapter, as well as the Institute of Directors, Kenya. He holds a Bachelor of Commerce Degree from the University of Nairobi and a Master of Business Administration (MBA) Degree with a concentration in Employee Relations / Organisational Behaviour from the University of Leicester (UK).

Mr. Luvai acted as CIC's Group Chief Financial Officer between February 2020 and June 2021 during a period of change in executive management. Before joining CIC in 2008, Mr. Luvai worked for Deloitte in the Audit & Assurance Division auditing a range of multi-national and local institutions. Prior to joining Deloitte, Mr. Luvai had a stint in the oil and gas industry working in the Finance Department of Dalbit Petroleum Limited

SENIOR MANAGEMENT *(Continued)*

Richard Nyakenogo - Director, Co-operatives

Mr. Richard Nyakenogo aged 57, is the Director, Co-operatives. He holds a Bachelors of Commerce Degree from Egerton University and Masters in Business Administration from Mount Kenya University. He has a Diploma in Co-operative Management from the Co-operative College of Kenya and a certificate in Corporate Governance from Center for Corporate Governance. He also has LOMA-Associate & FLMI. Richard is an Associate Member of Insurance Institute of Kenya (AIIK), Member of Marketing Society of Kenya (MSK), Member of Institute of Directors of Kenya(IOD),a Certified Co- operative Professional (CCOP), and a Council Member of Kenya Society of Professional Cooperators(KSPC). He served as a member of the Taskforce on the implementation of the National Cooperative Policy. He was involved in the transformation of Sacco's form Back office to Front office (FOSA). He joined CIC in 1999.

Henry Njerenga - Director, Branch and Distribution

Mr. Henry Njerenga, 55, is the Director of Branch and Distribution at CIC Group Plc. With over 30 years of experience in the insurance industry, he has held various senior leadership roles, specializing in sales growth, sales management, business development, and leadership.

Since joining CIC Group in 1998, Henry has played a pivotal role in driving the company's growth, leveraging his extensive expertise in the sector. He holds an Executive Bachelor›s Degree in Business Management from The Management University of Africa and a Diploma in Marketing Management from the Kenya Institute of Management.

Henry is a full member of the Kenya Institute of Management (MKIM) and has completed extensive training in corporate governance. He has also served on the Audit, Risk & Governance Committee and the National Council of KIM for over six years.

A strategic leader with a deep understanding of the insurance landscape, Henry is committed to excellence in customer experience, business development, sales strategy, and organizational growth.

Salome Wambui - Group Actuary

Ms. Salome Wambui aged 38, is the Group Actuary. She holds a BSc (Hons) in Actuarial Science, Masters in Economics (Econometrics) and is a Fellow of the Institute and Faculty of Actuaries (IFoA) in the UK. She is also a member of The Actuarial Society of Kenya (TASK). Salome joined CIC Insurance Group in 2014

Moses Chweya - ICT Manager

Moses Chweya, 35, is the ICT Manager at CIC Life Assurance Limited, a position he has held since 2024. With over 11 years of experience in the insurance industry, he brings deep expertise in information and communication technologies, aiming to enhance operational efficiency and foster innovation. He holds a Bachelor of Science in Actuarial Science from the University of Nairobi and is certified in ITIL, project management, data analytics, and leadership. His key strengths include ICT management, insurance industry knowledge, strategic use of the ITIL framework, and team development. Moses is also a member of the Computer Society of Kenya (CSK).

Ben Kiprotich - Finance Manager

Ben aged 36, joined CIC Life Assurance Limited in 2016 as an Accountant. He is currently the Finance Manager. He has 12 years' work experience and holds a Master of Science (Finance) Degree from University of Nairobi and a Bachelor of Commerce – Finance from University of Nairobi. He is also a member of Institute of Certified Public Accountants of Kenya (ICPAK) and has undergone various leadership and corporate governance trainings.

SENIOR MANAGEMENT *(Continued)*

Elizabeth Njuguna - Human Resource Business Partner

Mrs. Elizabeth Njuguna, aged 49 years joined CIC in July 2012. She is the People Culture Business Partner, CIC Life, CIC Asset Management, CIC Micro & Branch Distribution. She holds an MBA in Human Resource Management from Moi University, Bachelor of Business Administration, a Post Graduate Diploma in Human Resource Management from the Institute of Human Resource Management (K) and a Diploma in Counselling Psychology from Kenya Institute of Professional Counselling. She has over 20 years of work experience in various sectors including Manufacturing and Information Technology. Elizabeth is a member of good standing with the Institute of Human Resource Management (IHRM).

Caroline A. Otieno - Head - Life Claims

Caroline aged 40, joined CIC Insurance Group in 2009 as a Management Trainee. She is currently the Head – Life Claims of CIC Life Assurance Company Limited and has been with the organization for the last 14 years. She holds a Bachelor of Science degree, a CII Diploma in Insurance, a CPA 1 certification and is a member of Insurance Institute of Kenya (IIK). She is currently pursuing an MSc in Development Finance.

James Wamae - Head - Life Underwriting

James aged 41, joined CIC Life in January 2016 as an Assistant Underwriting Manager - Group Life. He is currently the Head –Life Assurance Underwriting and has over 10 years' work experience within the Insurance Industry. He is a holder of a Bachelors' Degree in Business Administration from Maseno University, IIK Diploma in Insurance (Dip IIK), Certified Professional Mediator (CPM) certificate, and CPA 1 certification. He is a member of Insurance Institute of Kenya (IIK) and the Association of Kenya Insurers (AKI) Group Life Committee.

Vincent Ochoi - Head - Retirement Benefits

Vincent aged 36 joined CIC Life in 2022. He currently has over 12 years' work experience within the Insurance Industry. He holds a Bachelors' Degree in Actuarial Science from Jomo Kenyatta University of Agriculture and Technology, ACS, ALMI and FLMI Level 1 certifications from LOMA and a member of Insurance Institute of Kenya (IIK). He is a certified leadership coach by CDI Africa and is currently pursuing a Masters in Business Administration. He has led transformative initiatives that have significantly grown the Retirement Benefits, Annuity and Group Life portfolios; achieving remarkable revenue increases. He brings a unique blend of strategic vision, project management expertise, and deep industry knowledge; making him a driving force in aligning operational excellence with long-term business goals.

Fred Guchua - Policy Administration and Servicing Manager

Fred aged 37, joined CIC in 2010 and has over 10 years; working experience in varied roles including customer service, underwriting, claims and reinsurance. He holds a Bachelors' degree Actuarial Science from Jomo Kenyatta University. He is currently pursuing Msc. Entrepreneurship and Innovation. He is an Associate of Life Management Institute member (ALMI) and a member of the Association of Kenya Insurers (AKI) Individual Life committee.

Grace Gichuru - BDM Alternative Channels

Grace aged 39 joined CIC Life in 2022.She has 15 years' experience in the insurance and banking industry. She holds a Bachelors of Arts Degree in Economics from University of Nairobi and is currently pursuing MBA at Strathmore Business School. She is also a graduate of IESE Business School, Barcelona Spain in Advanced Management. Professionally, she is a CPA Finalist, Fellow Life Management institute (FLMI), a certified Pensions Trustee and LIMRA certified, Certified Professional Mediator.

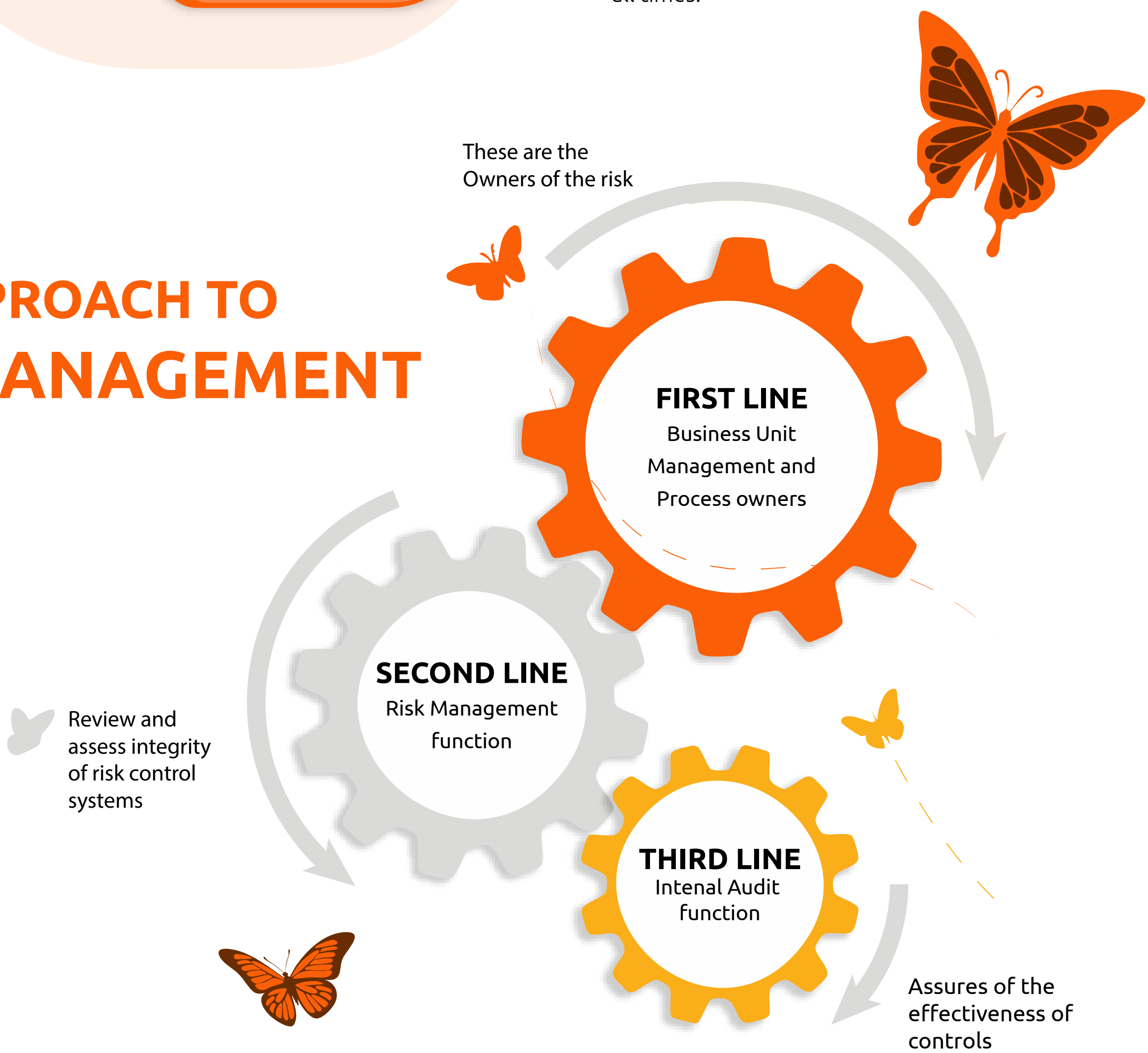
EMBEDDING A RISK MANAGEMENT CULTURE

CIC Life Assurance Ltd has identified risk management as a critical pillar in strategic implementation and success. The Board has laid a foundation to enable management entrench risk management as part of the culture.

Strategy setting, execution and operation are all driven by the risk governance ensuring that at all time there is awareness of the risk environment, risks are identified and adequately assessed. This ensures accurate measurement of risk, leading to the right treatment of the risks which are then monitored against well-established risk tolerance limits.

There are also well established risk reporting cycles to ensure ownership and accountability at all times.

OUR APPROACH TO RISK MANAGEMENT



Key Risk Description	Impact	Mitigation
Insurance Risk Context: Insurance Risk would be as a result of inappropriate reinsurance, reserving, underwriting, claims management, product design and pricing. Opportunity: This risk gives us insight into market development and gives us the opportunity for product development and pricing adjustment.	This impacts business performance since it results in poor core business outcome which in turn affects strategic objectives.	CIC has a detailed insurance risk policy which guides on the management of this risk. The above policy is framed within the risk tolerance and appetite. Insurance risk is strictly monitored using dynamic the Key Risk Indicators. Strong controls are in place to guide product design, pricing, rating and reinsurance arrangements.
Regulatory Risk Context: Being a regulated entity CIC is Subject to Changing regulatory and reporting requirements. Opportunity: We are keen on 100% compliance and by focusing on regulatory compliance we continue to strengthen our control environment to build a more resilient brand.	Our regulatory environment is complex and in the current year we experienced increased regulatory risk due to change in laws and regulation; the revised Anti Money Laundering and Counter Terrorism Financing (Amendment) Act 2023, The Data Protection Act implementation and International Financial Reporting Standards Changes. All these impact the way we do business.	CIC has built a compliance culture and compliance is monitored through a well-established compliance model. CIC has mapped out compliance requirement to anticipate regulatory deadlines and ensure full implementation and 100% compliance with new requirements.
Credit Risk Context: This is a risk that a counter party will be unable to pay amounts in full when due. These may arise out of insurance/reinsurance contracts, cash at bank, corporate bonds and deposits with financial institutions. Opportunity: Continuous engagement with customers and understanding the customer needs to form a long lasting partnership and retain business. The investment counter party risk has provided us the opportunity diversify the investment portfolio ensuring sustainable investment income.	High amount of Insurance premium receivables or reinsurance claims receivables impact business solvency negatively under the Insurance Risk based Capital Requirements. Any credit resulting in failure of the Investment counterparty has an impact of the Balance sheet.	CIC carries out its business on a "cash and Carry" basis and further has a strict credit risk management framework. CIC also minimizes its investment counter party risk through robust Investment Policy statement, that guides on investment grade assets / counter parties and give allowable ranges for all investment asset mix
Operational Risk Context: This is the risk that failure of Systems, processes and people. Opportunity: Building a resilient company through regular testing of control and hardening on virtual and physical environment.	The risk would leave the company exposed to financial losses, reputational risk and even regulatory penalties.	CIC has built a strong control environment for managing the risks and in addition there is a strong BCP framework for managing black swan events.
Market Risk: This is the risk of financial Losses in investment caused by adverse price movements. CIC has a focus to enhance the shareholder value by ensuring investment returns.	This exposes the company to fluctuation in value of its assets and impacts shareholder value while also reducing investment opportunities available in the market.	We manage our market risk by ensuring we have a diversified portfolio. To this end we have embedded a portfolio rebalancing strategy in our Investment policy statement to provide agility in responding to market movement. Our investment strategy in informed by our Asset Liability Matching model that ensures asset allocation correspond to liabilities to minimize our risk exposure

GO FOR GROWTH

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

1. INTRODUCTION

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

As a subsidiary of CIC Insurance Group Plc, the Board of CIC Life Assurance Limited is committed to upholding good corporate governance principles as outlined in relevant regulations and IRA guidelines. Adherence to good governance practices has been pivotal in ensuring the company's sustainability, strengthening its relationships with all stakeholders, and positioning it among the top-tier insurer's in the insurance industry.

This statement outlines the core elements of CIC Life Assurance Limited's corporate governance framework, offering direction to the Board, management, and employees by clarifying their roles, responsibilities, and expected conduct. Since its establishment, the Company has embedded a strong governance culture as the cornerstone of its operations, ensuring stability and fostering positive relationships across stakeholders.

2. OVERVIEW OF GOVERNMENT STATEMENT REGULATIONS AND COMPLIANCE

The Corporate Governance Regulations, which comprise, the Insurance Regulatory Authority Corporate Governance Guidelines for Insurance and Reinsurance Companies, 2011 (The "Guidelines"), Insurance Regulatory Authority Guidelines on Risk Management and Internal Controls, 2013, Guidelines on Market Conduct for Insurers, 2013, Consumer Protection Policy Guidelines, Insurance (Group-Wide Supervision) Regulations, 2019, all aligned with the objectives of the Insurance Act, Chapter 487 of the Laws of Kenya. Companies Act No.17 of 2015, Companies (General) (Amendment) No.2 Regulations, 2015, The Companies (Beneficial Ownership Information) Regulations, 2020 and emerging trends and best practices in corporate governance. In addition, the company abides by the tenets of the Constitution of Kenya 2010, and all other laws as a law-abiding corporate citizen.

The Code of Conduct emphasizes the necessity of establishing clear guidelines to define ethical standards and outline the expected behavior of both board, management and employees; Compliance with the Insurance Act to ensure policyholder protection, and promote transparency.

The company upholds its foundational constitution, including the Memorandum and Articles of Association, Board Charter, Committees' Terms of Reference, and various policies. These frameworks reflect the company's commitment to embracing the fundamental concepts and principles of good corporate governance, enabling it to fulfill the objectives outlined in The Insurance Act, Chapter 487 Laws of Kenya.

3. STATEMENT OF COMMITMENT TO GOOD CORPORATE GOVERNANCE

The Board and Management of CIC Life Assurance Limited remains committed to upholding good corporate governance, recognizing that it fosters ethical culture, competitive performance, effective control, and legitimacy—key drivers of sustainable value and long-term resilience. It emphasizes that strong governance is vital not only at the corporate level but also nationally, acknowledging its integral role in aligning risk management practices with the achievement of the Company's strategic objectives and performance.

The Board of Directors prioritizes the Company's long-term success by evaluating the impact of their decisions on employees, stakeholders, suppliers, customers, the community, and the environment, while maintaining a reputation for high standards of business conduct. Dedicated to upholding exemplary corporate governance, the Board demonstrates its commitment through robust internal policies and procedures. During the review period, the Board affirmed that the governance framework principles are well-integrated into the Company's culture, internal controls, and practices. The Board remains focused on continuous improvement to uphold and strengthen exemplary governance principles and their application in operations

Supported by management, the Board adopts a stakeholder-inclusive approach fostering relationships that provide valuable insights into expectations and drive ongoing improvement. Stakeholders are held to high standards of integrity and business ethics in their dealings with the Company. To support this, the Board has implemented a stakeholder engagement policy, which is periodically reviewed, with a tracking report assessed biannually.

CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

4. OUR KEY STAKEHOLDERS AND PARTNERS

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

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

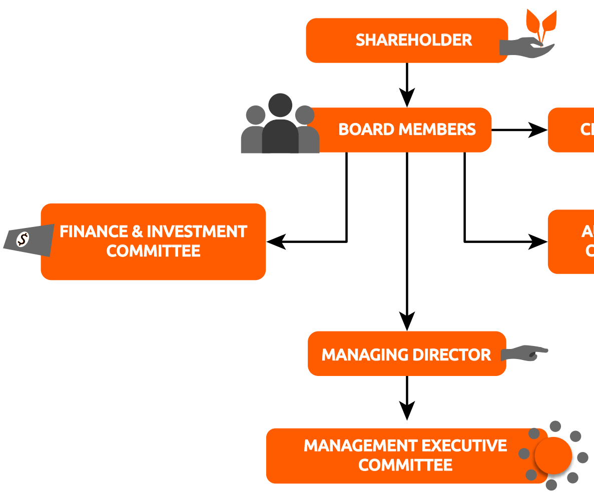
CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

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

5. GOVERNANCE STRUCTURE

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

Table 2. Overview of the Company's Corporate Structure



6. THE BOARD CHARTER

The Chairman provides overall direction and guidance to the Board, with roles and responsibilities clearly defined in the approved Board Charter for the Chairman, Directors, Managing Director, and Company Secretary.

The Board Charter plays a vital role in the company's governance framework, offering guidance on:

(i) Separation of roles, functions, responsibilities, and powers within the Board.
(ii) Delegated powers to Board Committees.
(iii) Matters reserved for final decision-making by the Board.
(iv) Corporate governance policies, declarations of conflict of interest, and the conduct of Board and Committee meetings.
(v) Nomination, appointment, induction, training, and performance evaluation of the Board and its Committees.

CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

The Board is satisfied that it has fulfilled its responsibilities as outlined in the charter for the reporting period. The board charter is reviewed every three years to reflect regulatory changes and best practices in corporate governance, the Board Charter complements—but does not replace—laws and regulations governing the company. The most recent review occurred in 2024.

7. BOARD COMPOSITION, SIZE AND APPOINTMENTS

The composition of the insurer's Board of Directors, as defined by the Company's Articles of Association, includes a minimum of five (5) and a maximum of nine (9) directors, comprising the Managing Director and the Group Chief Executive Officer. Currently, the Board consists of seven (7) directors constituted as follows:

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

The Directors are subject to retirement by rotation and must seek re-election by shareholder in the annual general meeting in accordance with the Articles of Association. Between annual general meetings, the board may appoint directors to serve until the next Annual General Meeting. Any such appointment must be ratified by the shareholder at the general meeting following their appointment.

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

A third of the board members are independent directors who do not hold office for more than two terms of three years each. The Managing Director is an ex-official member of the Board with no right to vote at the Board Meetings. For the financial period under review, the Board composition complied with this statutory requirement.

The Board composition is driven by the following principles:

(i) The Company's shareholding structure;
(ii) The board must comprise of a one third independent non-executive directors
(iii) Maintenance of the requisite independence on the board to ensure objectivity;
(iv) The sufficiency of the size of the Board as is necessary to attain the objectives of the company;
(v) Effective succession planning to ensure a seamless transition and continuous presence of appropriate talent;
(vi) Board diversity to ensure the desired mix of skills, knowledge, experience, gender, ethnicity and expertise relevant to the industry and the company's strategic objectives to enable the board to discharge its duties effectively and promote balanced decision-making and innovation.

8. THE BOARD'S FUNCTION AND RESPONSIBILITIES

The responsibilities of the Board are outlined in the Board Charter. The Board of Directors is collectively responsible for the governance of the Company, the Company's vision, strategic direction and its values. This includes setting goals and strategies necessary to operate the Company and monitoring implementation by Management. The Board has delegated certain responsibilities to its Committees that operate within the mandate as entrusted by the Board of Directors.

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

a. Leadership & Strategic Direction

- Providing ethical and effective leadership.
- Setting the company's vision, values, and strategic direction.
- Determining long-term success through objective and informed judgment.

b. Strategy Formulation & Execution

- Approving strategic and financial plans, including business strategies and annual budgets.
- Monitoring business performance against established targets and objectives.
- Ensuring integration of strategy, risk, performance, and sustainability.
- Having the right team for execution through succession planning.

c. Governance & Risk Management

- Establishing appropriate governance structures for business operations.
- Ensuring compliance with corporate governance best practices.
- Implementing and monitoring audit, risk management, and compliance systems.
- Maintaining a framework of controls to mitigate business risks.

d. Decision-Making & Oversight

- Bringing independent, informed, and effective judgment to material decisions.
- Monitoring and ensuring the implementation of

CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

board decisions, values, and policies.

- Overseeing the company's disclosure control processes for accuracy and transparency.

e. Ethical Conduct & Corporate Citizenship

- Setting the ethical tone of the company and ensuring ethical behavior.
- Ensuring the company operates as a responsible corporate citizen.
- Overseeing shareholder reporting on governance, performance, and direction.

f. Operational & Dispute Management

- Ensuring efficient and effective resolution of disputes.
- Overseeing management of business operations.

g. Board Administration

- Solely responsible for its agenda, with planning facilitated by the Chairman and Company Secretary.
- Delegating specific responsibilities to committees as necessary.

9. THE BOARD OF DIRECTORS DUTY OF TRUST

The Duty of Trust is a fundamental principle of corporate governance that requires the Board of Directors to act in the best interests of the company and its stakeholders. Each member of the Board of Directors owes a duty of due diligence, to avoid conflict of interest, to act in good faith, exercise confidentiality and to ensure compliance with laws and policies to the Company and adherence to responsibilities as defined in the Board Charter. The Duty of Trust emphasizes that directors act as fiduciaries, meaning they must exercise care, diligence, and loyalty in their oversight roles.

10. DIRECTOR INDEPENDENCE

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

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

11. SEPARATION OF ROLES AND RESPONSIBILITIES

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

12. DUTIES OF THE CHAIRMAN OF THE BOARD

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

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

The roles of the chair are as follows;

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

13. DUTIES OF THE MANAGING DIRECTOR

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

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

The Managing Director's performance review is conducted regularly, measured against the company's objectives and set targets, ensuring alignment with the organization's goals. These goals are defined by clear and measurable objectives in the strategic plan, encompassing financial results, operational efficiency, leadership effectiveness, and goal achievement. Throughout the reporting period, the Managing Director was appraised on this basis, and during the year under review, the Board evaluated the Managing Director's Key Performance Indicators (KPIs).

14. BOARD TENURE OF OFFICE

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

Table 1. Director Appointment

Director Appointment		
Director Appointed	Date of Appointment to the Board	Date of Last Re-Appointed
Gordon Owuor	28.03.2012	28.05.24
Michael Wambia	28.03.2012	04.05.23
Patrick Nyaga*	06.08.2020	-
Anthony Chege	21.06.2022	04.05.23
Fridaclare Katusya	21.06.2022	04.05.23
Anthony Munyao	01.09.2022	04.05.23
Meshack Miyogo*	22.06.2021	-

NOTE:
* Directors are ipso facto Executive Directors by virtue of their office.

15. DIRECTOR APPOINTMENT AND DUE DILIGENCE

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

Prior to the appointment of independent directors, the Governance and Nomination Committee defines the functions and core competencies for each vacant directorship role. It also develops suitable selection criteria for potential candidates, screens and interviews them.

All Directors have undergone the fit and proper due diligence assessment conducted by the regulator to access the fitness and propriety as Board Members including senior management and key persons in control functions and approvals granted. All Directors are in good standing and have a current certificate of good conduct from the Criminal Investigation Directorate and Credit Reference Bureau.

In 2024 all Directors submitted annual declaration forms confirming that the details provided during the fit and proper assessment remained unchanged.

16. DIRECTOR INDUCTION

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

CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

17. BOARD CAPACITY BUILDING

Directors are required to continuously enhance their skills to ensure effective performance, adhering to governance guidelines of twelve hours of annual board training. During the year under review, the Board participated in training sessions led by management and industry experts, covering topics such as Corporate Governance, Organizational Culture, Environmental, Social, and Governance (ESG), and Emerging Industry Trends. Additionally, the Finance and Investment Committee underwent external training on financial reporting, analysis, and interpretation of financial information.

18. CONFLICT OF INTEREST

Directors are prohibited from engaging, directly or indirectly, in any business activity that competes with or conflicts with the interests of CIC Life Assurance Ltd or its clients unless such interests are fully disclosed to all stakeholders. The Board is dedicated to ensuring that board members, management, and staff understand their responsibility to disclose any potential conflicts of interest and comply with this policy, thereby safeguarding the company's integrity.

A formal Board Conflict of Interest Policy is in place to assist directors in identifying, disclosing, and managing actual, potential, or perceived conflicts, whether financial or non-financial, to protect the company's integrity and mitigate risk. Directors are obligated to promptly notify the Chairman and the Company Secretary of any conflicts of interest as they arise.

Furthermore, the declaration of conflicts of interest is a standard agenda item addressed at the start of each Board and Committee meeting. Directors with material personal interests are required to abstain from voting on or participating in discussions regarding the matter.

For the year ended 2024, we confirm that no business transactions occurred between the company and its directors or their related parties.

19. CODE OF ETHICS AND CONDUCT

The company's Code of Ethics and Conduct continues to be in place and outlines the principles and standards of behavior expected within an organization. It serves as a guiding framework for employees, management, and stakeholders, ensuring that actions align with organization's values and ethical principles. Company directors and employees are expected to act with honesty, integrity and fairness in all their dealings with one another and with stakeholders.

Initiatives to ensure its application include training and awareness programs, ease of access to the code through company's intranet and requirement of every employee to sign the code upon joining the company, leadership commitment by serving as role model, integration into HR policies and practices, establishment of clear reporting mechanisms for whistle blowing, monitoring to asses adherence and disciplinary measures for non-compliance.

20. BOARD AND COMMITTEE MEETINGS HELD DURING THE YEAR

Aligned with its approved Board Calendar, the Board typically convenes quarterly to establish company objectives and strategies, review performance against targets, and approve both annual and interim financial statements. Guided by the Company's Strategic Plan 2022–2025, Board Charter, and Annual Board Work Plan, the Board demonstrated its unwavering commitment to effective governance and timely decision-making by convening four times during the year under review together with the Committees.

A summary of the attendance record of Board and Committee meetings is provided below while a record of attendance is kept with the Company Secretary and also noted in the minutes of the meeting.

Table 2 - Board Attendance

Directors	Board Meeting		Audit and Risk Committee Meeting		Finance and Investment Committee Meeting		AGM 28.5.24
	(a)	(b)	(a)	(b)	(a)	(b)	
Anthony Chege – Chairman	5	5	*	*	4	4	✓
Gordon Owuor	5	5	*	*	4	4	✓
Michael Wambia	5	5	5	5	*	*	✓
Patrick Nyaga*	5	4	5	5	4	3	✓
Meshack Miyogo*	5	5	5	5	4	4	✓
Fridaclare Katusya	5	5	5	5	4	3	✓
Anthony Munyao	5	5	5	5	*	*	✓
Joseph Maina **	*	*	5	5	*	*	-
Julius Mwatu**	*	*	*	*	4	4	-
Julius Nyaga**	*	*	*	*	4	1	-

NOTE:
(a). Number of meetings convened during year when the director was a member.

(b). Number of Meetings attended by the Director during the year.

* Not a Member.

** Audit and Risk Committee members drawn from affiliated companies.

21. CORPORATE SECRETARY TO THE BOARD

The Corporate Secretary to the Board serves as a central source of guidance and advice on statutory and regulatory compliance, as well as good governance practices. The function provides individual and collective legal and corporate governance advice to Board members on fulfilling their responsibilities in the company's best interest, including corporate governance disclosures required by law.

Key responsibilities include facilitating the induction of new directors and supporting their ongoing professional development. The Secretary maintains all Board meeting minutes and reports while ensuring effective communication between the Board, its committees, and senior management. This involves timely preparation and distribution of Board papers and minutes, communicating resolutions from meetings, keeping formal records of discussions, and monitoring the execution of agreed actions in consultation with the Managing Director and Chairman.

22. BOARD COMMITTEES

The Board has established two permanent standing committees with clearly defined and approved Terms of Reference (TORs) to support the effective discharge of its duties and responsibilities. However, the Board retains ultimate accountability and does not delegate this responsibility to the committees. Each committee provides a report to the Board on significant discussions and decisions at the next Board meeting, with decisions only binding when presented for the Board's consideration and ratification.

Transparency and full disclosure are fundamental principles governing these committees, which meet at least quarterly or as required by the respective committee chair, based on the urgency of matters. The Board periodically reviews the TORs to ensure alignment with current legislation and best practices, while equipping committees with necessary resources for effective operation. During the reporting period, the committees reviewed their Terms of Reference (TORs) in 2024.

Each committee primarily consists of non-executive directors, including independent non-executive directors, who play a critical role. The key functions of the committees are outlined in detail within this section.

A. AUDIT AND RISK COMMITTEE

The primary responsibility of the Audit and Risk Committee is to provide structured oversight of the institution's governance, risk management, and internal control practices. Its roles and responsibilities are categorized as follows:

(i) Risk Management and Internal Controls

- Assess the effectiveness of internal controls and address matters affecting financial performance and reporting, including IT security and controls.
- Review internal audit reports prepared by the internal auditor and risk and compliance manager, along with management's responses.
- Initiate and supervise special investigations when required.

(ii) Financial Reporting and Disclosure

- Evaluate audited financial statements and recommend their approval to the Board of Directors.
- Discuss significant events or transactions with Management and the external auditor that impact financial reporting.
- Review findings from external and internal auditors regarding material weaknesses in accounting and financial control systems.

(iii) External Auditor Oversight Responsibilities

- Evaluate the independence, objectivity, and effectiveness of the external auditor, including their quality control processes and adherence to evolving regulatory requirements.
- Review the scope and extent of both audit and non-audit services provided by the external auditor, along with associated fees and terms of engagement, ensuring the auditor's judgment and independence are not impaired.
- Require the external auditor to submit a formal statement detailing all relationships with the company.
- Collaborate with management and auditors to review preliminary results, interim reports, and annual financial statements.

(iv) Internal Audit Oversight Responsibilities

- Supervise the activities and qualifications of the internal audit department team, including reviewing the internal audit charter.

CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

- Recommend to the Board the appointment, replacement, or dismissal of the internal auditor.
- Approve the annual audit plan, ensuring alignment with the company's business objectives.
- Monitor the reports on the status of significant findings, recommendations, and management responses.

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

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

Audit and Risk Committee Members

1. Mr. Anthony Munyao - Chairman
2. Mr. Joseph Maina
3. Ms. Fridaclare Katusya
4. Mr. Micheal Wambia

B. FINANCE AND INVESTMENT COMMITTEE

The Finance and Investment Committee plays a critical role in ensuring the financial sustainability and long-term growth of the Company, and in doing so, has laid down an overall investment policy statement and operational framework for the investment operations of the insurer. By overseeing financial planning, investment strategies, risk management, and regulatory compliance, the committee helps maintain financial strength while protecting policyholder interests. The other key duties include;

(i) Financial Oversight & Planning

- Review and approve financial plans, budgets, and forecasts to ensure alignment with the insurer's strategic objectives.
- Monitor the financial performance of the insurer, including profitability, liquidity, and solvency.
- Ensure compliance with insurance financial reporting and accounting standards.
- Oversee the capital structure, ensuring appropriate debt and equity mix to support operations.

(ii) Investment Strategy & Portfolio Management

- Approve and monitor the investment policy to ensure alignment with the insurer's risk appetite, regulatory requirements, and long-term sustainability.
- Oversee the investment portfolio, ensuring proper asset allocation, diversification, and risk-adjusted returns.
- Review and approve major investment decisions, including fixed income, equities, real estate, and alternative investments.
- Ensure compliance with regulatory investment limits and risk management guidelines.
- Monitor the performance of investment managers and advisors.

(iii) Capital & Liquidity Management

- Oversee the company's capital adequacy and solvency, ensuring it meets regulatory requirements.
- Monitor and review the liquidity position, ensuring the insurer can meet its policyholder obligations.
- Assess and recommend strategies for capital raising, dividend policy, and profit distribution.
- Ensure a balance between short-term financial stability and long-term investment growth.

(iv) Financial Reporting & Disclosures

- Review and recommend approval of quarterly and annual financial statements before submission to the Board.
- Ensure the integrity, accuracy, and timeliness of financial disclosures to stakeholders, including policyholders, regulators, and investors.
- Oversee actuarial reports and assumptions used in financial statements and pricing decisions.

Members of the committee are conversant with requirements on investments as provided by the IRA Insurance (Investment Management) guidelines on investment of funds.

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

Finance and Investment Committee;

1. Mr. Gordon Owuor - Chairman
2. Mr. Anthony Chege
3. Ms. Fridaclare Katusya
4. Mr. Julius Mwatu

23. BOARD EVALUATION

The Board understands the importance of enhancing the performance of a company's board of directors' performance, and effectiveness of corporate governance in achieving the overall objectives and goals of the company.

The Board conducts an annual review of its collective performance, including that of the Board Committees, as well as peer-to-peer evaluations and assessments of the Chairman, Managing Director, and Company Secretary.

A comprehensive online evaluation tool, structured as a questionnaire, assesses the directors' balance of skills, expertise, and diversity, evaluates the practical functioning of the Board, examines the overall effectiveness of corporate governance, and identifies areas for improvement while suggesting actionable strategies.

The Board evaluation process for the year 2024, conducted by the independent consultant Wyne & Associates, highlighted the Board's strong performance, underpinned by effective leadership, diverse expertise, and robust governance practices. Notably, the Board cultivates a well-governed organization, ensuring long-term sustainability and success through its commitment to transparency, accountability, and integrity. The assessments further demonstrated that the Board and its Committees excel in achieving business objectives and fulfilling their oversight and leadership roles within a solid support framework.

24. BOARD REMUNERATION

The Governance and Nomination Committee plays a pivotal role in designing and implementing the Directors' remuneration policy to ensure it aligns with the company's broader governance framework and strategic goals. The policy is also a key driver of motivation, designed to attract and retain talented directors while incentivizing them to work towards the company's long-term sustainability and success.

The Committee establishes clear guidelines on directors' remuneration, ensuring it reflects their responsibilities, performance, and market standards. This includes determining sitting allowances, benefits, incentives, and other forms of compensation.

Details of the fees for the Directors paid in the financial year under review are set out in the financial statements, part of the annual report.

25. RISK MANAGEMENT FRAMEWORK

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

A. INSURANCE RISK

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

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

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

B. OPERATIONAL RISK

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

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

C. CREDIT RISK

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

D. INVESTMENT RISK

The Company manages investment risk by quantifying the risks associated with each investment and only investing in accordance with the Company's investment strategy and risk profile. Any proposed investment that is outside established

CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

limits must be approved by the Finance & Investment Committee.

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

E. MARKET RISKS

Market risks pose significant challenges affecting investment returns, liquidity, and ability to meet claims obligations. A well-structured risk management approach, including diversified investments and active monitoring of market trends, is essential to mitigate these risks effectively.

Long-term insurance underwriters face a complex landscape of market risks, including interest rate fluctuations, longevity risk, inflation, market volatility, and regulatory changes. Effective risk management strategies—such as diversification, reinsurance, asset-liability matching, and ongoing regulatory compliance—are essential for minimizing the impact of these risks. Insurers also need to stay adaptable, adjust pricing models, and ensure that they have robust financial reserves to meet the challenges posed by market conditions.

26. INTERNAL CONTROL FUNCTIONS.

The Board holds collective responsibility for establishing and managing effective systems of internal control, as well as reviewing their operational effectiveness. The implemented internal control system includes defined procedures incorporating operational and financial controls to safeguard assets, ensure timely and accurate authorization and recording of transactions, and prevent or promptly detect material errors and irregularities within a reasonable timeframe.

The Audit and Risk Committee, acting on behalf of the Board, is tasked with monitoring and assessing the effectiveness of the company's internal control functions. These functions include:

A. RISK & COMPLIANCE FUNCTION

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

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

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

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

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

B. INTERNAL AUDIT FUNCTION

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

C. THE ACTUARIAL FUNCTION

The company has established a robust and well-resourced actuarial function, authorized and staffed to operate effectively. This function supports the organization across key areas such as financial risk management, solvency assessments, asset valuation, reinsurance arrangements, premium adequacy, and the advancement of best practices within the company.

Actuarial support focuses on two primary functions: (i) reserving, to ensure adequate provisions for future liabilities; and (ii) pricing, to strategically evaluate and enhance business profitability.

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

The company has engaged QED Actuaries & Consultants (Kenya) Ltd as its statutory actuary to deliver an annual Financial Condition Report (FCR) to the Board, adhering to the 2013 guidelines on actuarial functions for insurance and reinsurance companies, and established actuarial standards.

27. EXTERNAL AUDITOR

At the Annual General Meeting held on 28th May 2024, the shareholders approved the reappointment of PricewaterhouseCoopers (PwC) as the Company's external auditors for the 2024 financial year, following the Board of Directors' recommendation. The appointment of the independent statutory auditor by shareholder reinforces financial integrity, regulatory compliance, and strong corporate governance, thereby enhancing transparency and accuracy in financial reporting. Audited financial reports are vital for decision-making, instilling confidence among investors, stakeholders, and regulatory bodies.

The Board Audit and Risk Committee oversees the independent statutory auditor, with responsibilities that include reviewing the auditor's independence, objectivity, and effectiveness, along with their quality control procedures. The Committee also assesses the scope and extent of audit and non-audit services provided, associated fees, and terms of engagement to ensure the auditor's judgment remains unbiased. Additionally, the external auditor is required to submit a formal written statement detailing all relationships with the Company, confirming their continued independence.

28. DISCLOSURE

The Company remains committed to meeting all regulatory disclosure requirements and ensuring timely and accurate financial reporting in full compliance with applicable standards. The Board of Directors ensures that all disclosures are precise and that financial reports align with relevant accounting guidelines. In the year under review the Company was IFRS17 compliant in its financial reporting.

Transparency is upheld through open communication channels, encouraging all stakeholders to share their views with the Company. The Managing Director serves as the designated spokesperson to maintain effective communication.

29. SHAREHOLDER RELATIONS

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

(a) Strong internationally recognized accounting principles

(b) Focus on clearly defined Board and management duties and responsibilities

(c) Focusing on compliance with relevant laws and upholding the highest levels of integrity in the Company's culture and practice

(d) Continuing to implement our strategy for the long-term prosperity of the business

(e) Timely and relevant disclosures and financial reporting to our shareholders and other stakeholders for a clear understanding of our business operations and performance

(f) Ensuring execution of strong audit procedures and audit independence.

30. WHISTLEBLOWING POLICY

A whistleblowing policy is essential for promoting ethical behavior, ensuring transparency, and protecting organizational integrity. Whistleblowing policy is a cornerstone of good governance and ethical corporate culture. The Company maintains a zero-tolerance approach to fraud, corruption, bribery, unethical behavior, regulatory non-compliance, or questionable accounting by employees, directors, customers, and contractors. Through its whistleblower policy, the Company provides a platform for employees, suppliers, dealers, and clients to report suspected wrongdoing, with clear procedures on addressing such concerns. Confidential and anonymous reporting channels are independently managed, and contact details are available on the Company's website, where the whistleblower policy is also published.

31. BOARD ACCESS TO INFORMATION

Directors are provided with timely, accurate, and comprehensive information, along with the necessary resources to effectively fulfill their duties and responsibilities. Full disclosure on organizational matters ensures they uphold accountability and meets their fiduciary obligations. The Board maintains transparency and accountability in financial reporting and overall business oversight. Directors also have access to external advisors for specialized expertise in complex or technical areas. Additionally, the company has implemented a supportive e-Board platform system, granting the Board seamless access to critical information, including the company's intranet, website, and other business portals.

32. SUCCESSION

Careful management of the board's succession planning is vital for the effective functioning of the board and therefore a succession plan has been put in place to guide the Board. Considering the company's strategy and future needs, as Directors retire, candidates with requisite attributes, skills and experience are identified to ensure that the board's competence and balance is maintained and enhanced. The Board has therefore put in place a succession policy to guide the process.

33. SUSTAINABILITY

The insurer recognizes that its business operations directly and indirectly impact the environment, reinforcing an inherent responsibility to uphold sustainable and ethical practices. As a long-term insurance underwriter, the company acknowledges that sustainability is not only a strategic imperative but also a moral obligation to future generations.

The insurer is committed to embedding environmental, social, and governance (ESG) principles into its operations, ensuring that underwriting, investment, and corporate decisions contribute positively to long-term sustainability. This commitment reflects a broader duty to safeguard the environment, promote societal well-being, and support responsible business practices.

CORPORATE GOVERNANCE REPORT *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

34. ESG AND BOARD OF DIRECTORS RESPONSIBILITIES.

Global trends in corporate performance evaluation have evolved from a singular focus on financial metrics to a more holistic perspective that includes both financial and non-financial performance. Modern investors and stakeholders in capital markets now demand comprehensive information, not only on financial results but also on governance, social, and environmental factors under the Environmental, Social, and Governance (ESG) framework. To adapt to this shift, CIC Insurance Group Plc has developed and implemented an ESG Framework to guide the operationalization and execution of ESG-related objectives across all its subsidiaries, including CIC Life Assurance Limited, one of its sister companies.

35. GOING CONCERN

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

36. SHARE-HOLDING STRUCTURE

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

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

The shareholding structure of the company is as follows:

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

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

Signed by Chairman on Behalf of CIC Life Assurance Limited

Dated 6th March 2025

CIC GROUP

CELEBRATING
AKI AWARDS 2024

1st runner up

Company
of the year

WINNER

Most
Improved Company

WINNER

Highest Growth in
Number of Life Policies

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2024

The directors submit their report together with the audited financial statements of CIC Life Assurance Limited "the Company" for the year ended 31 December 2024, which discloses the status of affairs of the company.

(1) INCORPORATION

The Company is domiciled in Kenya where it is incorporated as a private company limited by shares under the Companies Act, 2015. The address of the registered office is set out on page 1.

(2) DIRECTORATE

The directors who held office during the year and to the date of this report are set out on page 1.

(3) PRINCIPAL ACTIVITY

The principal activity of the company is the transaction of life insurance business and pension schemes administration.

(4) COMPANY RESULTS

The table below highlights some of the key performance indicators

	2024	2023
	KShs '000	KShs '000
Insurance revenue	6,847,229	6,698,153
Profit/(loss) before income tax	1,161,251	1,260,398
Total comprehensive income/(loss) for the year	1,626,251	313,354
Total assets	32,855,826	24,349,083
Total equity	3,154,449	1,528,198

(5) DIVIDENDS

Profit for the year of KShs 812,876,000 (2023 profit: KShs 872,939,000) has been added to the statutory reserve.

The directors recommend the payment of dividend of KShs 300,000,000 in respect of the year ended 31 December 2024 (2023: Nil).

(6) BUSINESS REVIEW

ECONOMIC AND BUSINESS ENVIRONMENT IN 2024

Gross Domestic Product growth decelerated to 4.5% in the third quarter of 2024 from 6% in a similar quarter of 2023. The slowdown was reflected across all sectors of the economy with the construction and mining sectors recording contractions. 2024 growth is projected at 5.1% and 5.5% in 2025. Key service sectors, agriculture, and improved exports are expected to support growth in 2025. The main risks to the growth outlook relate to continued geopolitical tensions, which have potential to disrupt supply chains and increase inflation.

In early December 2024, the Monetary Policy Committee lowered the policy rate further to 11.25% from 12%. It noted that its previous measures have lowered overall inflation to below the mid-point of the target range, stabilized the exchange rate; noting that there is scope for further reductions. The short-term papers finished the quarter at 9.89%, 10.02% and 11.41% for the 91, 182- and 365-day papers respectively.

Headline inflation in December closed at 3.0%; largely on account of a significant decrease in fuel inflation. Fuel inflation declined to -1%, mainly driven by decreases in pump, electricity, and cooking gas/LPG prices. Overall, core inflation declined on account of lower consumer demand – tight wallets & low market liquidity. In 2025, we expect inflation to remain below historical average on account of weak economic activity. Food inflation might increase amidst low agricultural output. Core inflation to remain range bound amidst weak consumer demand & tight bank lending standard.

The shilling saw a turnaround in 2024, appreciating by 22.1% to close at 129.3. CBK continues to shore up the forex reserves to defend the shilling, which closed the year at 4.7 months of import cover. Going forward, we expect the shilling to remain broadly stable and oscillate within the range that it has been operating at for the greater part of the year on the back of improved supply-demand.

Market performance was up in 2024 with The NSE All Share Index (NASI), NSE 20 Index & NSE 25 Index returning 34.06%, 33.9% and 43% respectively with total turnover at USD 794.36 Mn. Foreign investors remained net sellers withdrawing USD 124.05 Mn from the market. We expect the bourse to maintain momentum on the back of earnings performance, attractive dividend yields and return of foreign investor demand.

REPORT OF THE DIRECTORS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

THE COMPANY'S PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2024

In the period under review, CIC Life Assurance reported KShs 6.8B insurance revenue being 2% growth from prior year. This was as a result of increase in new business in the year which resulted to notable 14% growth in Group Credit portfolio especially the loan guard product. The profit before income tax was KShs 1.2B being 8% drop from prior year's profit before tax KShs 1.3B.

While the business reported growth on insurance revenue and investment income, the profit before tax was impacted by 950% increase in the insurance finance expense as a result interest rates falling. The insurance service expenses closed at KShs 5.1B being a 20% drop from prior year's KShs 6.4B. Total assets increased by 35% from prior year largely due to growth in our investment portfolio during the year. Total liabilities grew by 30% largely driven by growth in insurance contract liabilities to ensure adequate levels of reserves are maintained.

The Company is faced with various risks in its operations such as mortality risk, morbidity risk, longevity risk, investment return risk, expense risk, policyholder decision risk, credit risk, liquidity risk, currency risk, interest rate risk, equity price risk and operational risk. For each and every risk, different mitigating factors have been put in place to reduce the impact of these risks on the performance of the Company. These risks are discussed in note 34.

GOING FORWARD

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

(7) STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

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

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

(8) TERMS OF APPOINTMENT OF THE AUDITOR

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

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

BY ORDER OF THE BOARD

Secretary

24th March 2025

Nairobi

REPORT OF THE CONSULTING ACTUARY
FOR THE YEAR ENDED 31 DECEMBER 2024

I have conducted an actuarial valuation of the life business of CIC Life Assurance Limited (the "Company") as at 31 December 2024.

I certify that the liabilities in respect of the Company for the financial year ending 31 December 2024 do not exceed the amount of the admissible assets as shown in the statement of financial position and CIC Life Assurance Limited is solvent.

The valuation was conducted in accordance with IFRS 17, generally accepted actuarial principles and in accordance with the requirements of the Insurance Act, Cap. 487 of the Laws of Kenya.

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

In my opinion, the life insurance business of CIC Life Assurance Limited was financially sound and the actuarial value of the liabilities in respect of all classes of life insurance business did not exceed the amount of admissible assets as at 31 December 2024.

Name of Actuary: QED Actuaries & Consultants Kenya Ltd

24th March 2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

The Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Company keeps proper accounting records that: (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

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

i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii. Selecting suitable accounting policies and then applying them consistently; and

iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Having assessed the Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the board of directors on 24 March 2025 and signed on its behalf by:

....	....	....
Anthony Chege - Chairman	**Anthony Munyao - Director**	**Meshack Miyogo – Principal officer**

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

Report on the financial statements

Opinion

We have audited the accompanying financial statements of CIC Life Assurance Limited (the Company) set out on pages 11 to 110 which comprise the statement of financial position at 31 December 2024, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended and the notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of CIC Life Assurance Limited at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2015.

Basis for opinion

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

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

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

Key audit matters

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

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu B Ngunjiri R Njoroge S O Norbert's B Okundi K Saiti

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

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities The valuation of insurance contract liabilities involves complex and subjective judgments about future events, both internal and external to the business. Small changes to these assumptions can result in material impacts to the valuation of the fulfillment cash flows, CSM and risk adjustment. The significant assumptions that we have determined to have the most significant impact are: The mortality assumptions used in the valuation of life risk; Longevity assumptions used in the valuation of the annuity business, Expense and inflation assumptions - The assumptions used require significant judgment which includes how expenses are allocated between maintenance and acquisition expenses as well as how the expenses are split between attributable and non-attributable costs under IFRS 17; Estimating the fulfillment cash flows representing all relevant cash flows that fall within the insurance contract boundaries involve significant judgement; Determination of the CSM involves complex calculations and sensitive assumptions which increase the risk of error. In addition, the amortisation of CSM requires significant judgment particularly in selecting the coverage units; Best estimate liabilities are valued by discounting expected future cash flows at an interest rate based on the most appropriate yield curve. The selection of appropriate discount rate involves judgment; and The methodology by which management determines that valuation of the risk adjustment requires them to carry out a number of calculations that involve significant degree of judgment.	• Our work to address the valuation of insurance contract liabilities included the following procedures: • Using our actuarial specialists, we compared the methodology, models and assumptions used against recognised actuarial practice. This included consideration of historical experience, and the appropriateness of any judgment applied, including if there was any indication of management bias; • Assessed whether the judgments, methodology and assumptions applied by management in determining the accounting policies are in accordance with IFRS 17; • Assessed the reasonableness of assumptions in the valuation of insurance contract liabilities such as mortality, longevity, fulfillment cash flows, risk adjustment and selection of discount rates. • For contracts measured under GMM, tested the reasonableness of coverage units and amortisation to statement of profit or loss; • Assessed the competence, capabilities and objectivity of the Company's Statutory Actuary; • On a sample basis, traced the insurance valuation input data to information contained in the administration and accounting systems and to policyholder information; • Reviewed management's process of extraction and reconciliation of the data used in the determination of the insurance contract liabilities; • Reviewed disclosures in the financial statements for compliance with IFRS 17.

OTHER INFORMATION

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

REPORT ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT, 2015

In our opinion the information given in the report of the directors on pages 2 to 4 is consistent with the financial statements.

CPA Bernice Kimacia, Practicing Certificate Number 1457

Engagement partner responsible for the audit

Bernice Kimacia

For and on behalf of PricewaterhouseCoopers LLP

Certified Public Accountants

Nairobi

_27th March **2025**

FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 KShs '000	2023 KShs '000
Insurance revenue	3 (a)	6,847,229	6,698,153
Insurance service expenses	3 (b)	(5,140,778)	(6,413,572)
Net (expense)/ income from reinsurance contracts held	3 (c)	(553,238)	229,146
Insurance service result		1,153,213	513,727
Interest revenue calculated using the effective interest method	4(a)	4,211,338	1,177,929
Other investment income	4(b)	61,520	62,629
Net gain/ (loss) on financial assets held at FVPTL	5	96,703	(74,608)
Other net gains	5	259,555	162,034
Allowance for expected credit losses	7(d)	11,728	9,938
Investment return		4,640,844	1,337,922
Finance expenses for insurance contracts issued	6(a)	(4,510,951)	(429,494)
Finance income for reinsurance contracts held	6(a)	91,381	35,771
Net investment result		221,274	944,199
Other operating expenses	7(a)	(213,236)	(197,528)
Profit before income tax		1,161,251	1,260,398
Income tax expense	8(a)	(348,375)	(387,459)
Profit for the year		812,876	872,939
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value gain/ (loss) on debt instruments at fair value through other comprehensive income	16	813,375	(559,585)
Other comprehensive gain/(loss) for the year		813,375	(559,585)
Total comprehensive income for the year		1,626,251	313,354

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Notes	2024 KShs '000	2023 KShs '000
ASSETS			
Property and equipment	9 (a)	56,442	44,344
Right of use assets	9 (b)	48,687	74,649
Investment properties	10	2,181,875	2,181,875
Intangible assets	11	56,184	28,380
Current income tax	8(c)	81,000	69,171
Financial assets at amortised cost- Corporate bonds	13	64,753	69,654
Financial assets at amortised cost- Government securities	14	9,532,730	9,296,636
Financial assets at amortised cost-Loans receivable	15	38,298	37,767
Financial assets at fair value through other comprehensive income- Government securities	16	11,036,080	6,977,677
Financial assets at fair value through profit or loss-Quoted equity instruments	17	631,691	435,210
Investments in collective investment schemes at fair value through profit or loss	18	334,445	713,169
Reinsurance contract assets	28	1,423,558	1,292,833
Other receivables	19	286,478	334,915
Due from related parties	20 (b)	123,257	495,655
Deposits with financial institutions	21	6,674,223	2,214,801
Cash and cash equivalents	30 (b)	286,125	82,347
TOTAL ASSETS		**32,855,826**	**24,349,083**
EQUITY AND LIABILITES			
Equity			
Share capital	23	800,000	800,000
Statutory reserve	24(a)	1,566,091	1,494,229
Fair value reserve	24(b)	(24,517)	(837,892)
Retained earnings	24(c)	812,875	71,861
Total equity		**3,154,449**	**1,528,198**
Liabilities			
Insurance contract liabilities	25	27,877,089	21,462,809
Investment contract liabilities	27	98,924	141,273
Other payables	29	637,832	454,942
Related party payables	20(b)	13,212	7,076
Lease liabilities	9(b)	59,434	88,274
Deferred income tax	12	1,014,886	666,511
Total liabilities		29,701,377	22,820,885
TOTAL EQUITY AND LIABILITIES		**32,855,826**	**24,349,083**

The financial statements on pages 11 to 111 were approved by the Board of Directors on 24th March 2025 and signed on its behalf by:

………………………………..	………………………………..	………………………………..
Anthony Chege	Anthony Munyao	Meshack Miyogo
Chairman	Director	Principal officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital KShs '000 (Note 23)	Statutory reserve KShs '000 (Note 24 (a)	Retained earnings KShs '000 (Note 24 (c)	Fair value reserve KShs '000 (Note 24(b)	Total KShs '000
At 1 January 2023	800,000	621,290	186,861	(278,307)	1,329,844
Profit for the year	-	872,939	-	-	872,939
Other comprehensive loss for the year	-	-	-	(559,585)	(559,585)
Dividends paid	-	-	(115,000)	-	(115,000)
At 31 December 2023	800,000	1,494,229	71,861	(837,892)	1,528,198
At 1 January 2024	800,000	1,494,229	71,861	(837,892)	1,528,198
Profit for the year	-	812,876	-	-	812,876
Other comprehensive gain for the year	-	-	-	813,375	813,375
At 31 December 2024	800,000	2,307,105	71,861	(24,517)	3,154,449

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024	2023
		KShs '000	KShs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30(a)	3,755,109	3,193,286
Income tax paid	8 (c)	(11,829)	(85,017)
Interest received on government securities at amortised cost	4(a)	2,882,519	125,448
Interest received on bank deposits	4(a)	355,709	103,631
Interest received on corporate bonds	4(a)	(91)	1,061
Interest received on staff loan receivables	4(a)	58,574	53,883
Interest received on government securities at fair value through OCI	4(a)	864,975	893,906
Interest paid on lease liabilities	9(b)	(8,045)	(8,506)
Dividend received	4(b)	18,818	23,777
Purchase of government securities at amortised cost	14	(537,355)	(2,980,580)
Proceeds from maturity of corporate bonds	13	1,408	1,252
Purchase of corporate bonds	13	(29)	-
Purchase of government securities at fair value through OCI	16	(3,716,678)	(1,590,000)
Proceeds of sale of government securities at fair value through OCI	16	473,770	10,000
Proceeds of maturity of government securities at amortised cost	14	328,823	222,750
Proceeds from maturity of investment in unit trust	18	565,344	196,733
Purchase of unit trusts at fair value through profit or loss	18	(171,705)	(221,940)
Proceeds from disposal of quoted equity investments at fair value through profit or loss	17	24,548	316,883
Purchase of quoted equity investments at fair value through profit or loss	17	(139,241)	(92,005)
Net (decrease)/ increase in deposit with financial institutions (excluding cash and cash equivalents)	22(b)	(510,710)	581,238
Net cash generated from operating activities		4,233,914	745,800
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	9 (a)	(30,941)	(13,361)
Sales proceeds on disposals of Plant Property and Equipment		-	112
Purchase of intangible assets	11	(28,091)	(27,315)
Net cash from investing activities		(59,032)	(40,564)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	31	-	(115,000)
Payment of principal portion of lease liability	9(b)	(22,392)	(12,032)
Net cash from financing activities		(22,392)	(127,032)
INCREASE IN CASH AND CASH EQUIVALENTS		4,152,490	578,204
CASH AND CASH EQUIVALENTS AT 1 JANUARY	30 (b)	2,297,148	1,718,944
CASH AND CASH EQUIVALENT AT 31 DECEMBER	30 (b)	6,449,638	2,297,148

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Statement of compliance with IFRS Accounting Standards

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

a) Basis of preparation

The measurement basis used is the historical cost basis, as modified by the carrying of certain property and equipment, investment property and certain investments at fair value, and actuarially determined liabilities at their present value. In addition, the calculation of Contractual Service Margin (CSM) on transition for some group of contracts has been done using fair value principles. The financial statements are presented in Kenya Shillings (KShs), rounded to the nearest thousand, which is also the functional currency.

The financial statements comprise the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the profit or loss as required or permitted by IFRS Accounting Standards. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the previous periods. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

The Company presents its statement of financial position in the general order of liquidity.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

b) New Standards, new Interpretations and amendments to standards adopted in the current period

The section below provides a summary of (i) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2024 (i.e. years ending 31 December 2024), and ii) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2024.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

b) New Standards, new Interpretations and amendments to standards adopted in the current period *(Continued)*

(i) New standards and amendments – applicable 1 January 2024

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2024:

International Financial Reporting Standards and amendments effective for the first time for December 2024 year-ends		
Number	**Effective date**	**Executive summary**
Amendments to IAS 1, 'Presentation of Financial Statements' - Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions
Amendment to IFRS 16, 'Leases' - sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
Amendments to Supplier Finance Arrangements (IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosure')	Annual periods beginning on or after 1 January 2024 (Published May 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

b) New Standards, new Interpretations and amendments to standards adopted in the current period *(Continued)*

(i) Forthcoming requirements

As at 31 December 2024, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2024.

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Number	**Effective date**	**Executive summary**
Amendments to IAS 21, 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or after 1 January 2025 (Published August 2023)	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.
Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" - Classification and Measurement of Financial Instruments	Annual periods beginning on or after 1 January 2026 (Published May 2024)	These amendments: • clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and • make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).
IFRS 18, 'Presentation and Disclosure in Financial Statements'	Annual periods beginning on or after 1 January 2027 (Published April 2024)	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 replaces IAS 1 'Presentation of Financial Statements' and focuses on updates to the statement of profit or loss with a focus on the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. Many of the other existing principles in IAS 1 are retained, with limited changes.
IFRS 19, 'Subsidiaries without Public Accountability'	Annual periods beginning on or after 1 January 2027 (Published May 2024))	The objective of IFRS 19 is to provide reduced disclosure requirements for subsidiaries, with a parent that applies the Accounting Standards in its consolidated financial statements would take place through a market or exchange mechanism that creates enforceable rights and obligations.

The above standards are not expected to have an impact on Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

c) Insurance contracts

Summary of measurement approaches

The Company uses the following measurement approaches depending on the type of contract:

	Product classification	Measurement model
Contracts issued		
Ordinary life business contracts	Insurance contracts	General Measurement Model (GMM)
Group life business contracts	Insurance contracts	Premium Allocation Approach (PAA)
Group credit annual premium contracts	Insurance contracts	Premium Allocation Approach (PAA)
Group credit single premium contracts	Insurance contracts	General Measurement Model (GMM)
Annuities business contracts	Insurance contracts	General Measurement Model (GMM)
Deposit administration contracts	Insurance contracts	Premium Allocation Approach (PAA)
Reinsurance contracts held		
Life business reinsurance contracts	Reinsurance contract held	Premium Allocation Approach (PAA)

(i) Classification of contracts

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

The Company issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Company's policy is to hold such investment assets.

An insurance contract with direct participation features is defined by the Company as one which, at inception, meets the following criteria:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

These criteria are assessed at the individual contract level based on the Company's expectations at the contract's inception, and they are not reassessed in subsequent periods, unless the contract is modified. All other insurance contracts originated by the Company, including investment contracts with DPF, are without direct participation features.

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

(ii) Separation of components of insurance contracts

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

- Cash flows relating to embedded derivatives that are required to be separated;
- Cash flows relating to distinct investment components; and
- Promises to transfer distinct goods or distinct non-insurance service.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

c) Insurance contracts *(Continued)*

(iii) Level of aggregation of insurance contracts

The company manages insurance contracts issued by product lines within an operating segment. Insurance contracts within a product line that are subject to similar risks and are managed together are aggregated into a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are;

(i) contracts that are onerous at initial recognition;
(ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
(iii) a group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

(iv) Recognition

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

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

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

The company recognises a group of proportionate reinsurance contracts held (quota share reinsurance) from the later of:

- The beginning of the coverage period of the group of reinsurance contracts held; and
- The date of initial recognition of any underlying contract

If the company recognises an onerous group of underlying contracts before the beginning of the coverage period of the group of reinsurance contracts held, then the group of proportionate reinsurance contracts held is recognised at the same time as the onerous group of underlying contracts.

The company recognises a group of non-proportionate reinsurance contracts held (such as group-wide catastrophe stop-loss reinsurance) from the beginning of the coverage period of the group of reinsurance contracts; this is typically the first period in which premiums are paid or reinsurance recoveries are received.

Reinsurance contracts are to be recognised in full for all underlying insurance contracts expected to be issued that fall within the boundary of the reinsurance contracts held. An insurance contract is derecognised when it is:

- Extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- The contract is modified and certain additional criteria are met.

(v) Modification

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

(a) if the modified terms had been included at contract inception and the company would have concluded that the modified contract:
  (i) is not in scope of IFRS 17;
  (ii) results in different separable components;
  (iii) results in a different contract boundary; or
  (iv) belongs to a different group of contracts;

(b) the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or

(c) the original contract was accounted for under the premium allocation approach (PAA), but the modification means that the contract no longer meets the eligibility criteria for that approach.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

c) Insurance contracts *(Continued)*

(vi) Derecognition

When an insurance contract not accounted for under the PAA is derecognised from within a group of insurance contracts, the Company:

(a) adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the Company;

(b) adjusts the contractual service margin (CSM) (unless the decrease in the FCF is allocated to the loss component of the liability for remaining coverage (LRC) of the Company) in the following manner, depending on the reason for the derecognition:

  (i) if the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service;

  (ii) if the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less the premium charged by the third party;

  (iii) if the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment in (a) adjusted for the premium the Company would have charged had it 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. When recognising the new contract in this case, the Company assumes such a hypothetical premium as actually received;

(c) adjusts the number of coverage units for the expected remaining coverage to reflect the number of coverage units removed.

When an insurance contract accounted for under the PAA is derecognised, adjustments to the FCF to remove related rights and obligations and 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;

(c) if the original contract is modified resulting in its derecognition, any net difference between the derecognized part of the LRC and the hypothetical premium the entity would have charged had it 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.

(vii) Measurement

Fulfilment cash flows (FCF)

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

The estimates of future cash flows:

(a) are based on a probability weighted mean of the full range of possible outcomes;

(b) are determined from the perspective of the Company, provided the estimates are consistent with observable market prices for market variables; and

(c) reflect conditions existing at the measurement date.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

c) Insurance contracts *(Continued)*

(vii) Measurement *(continued)*

Fulfilment cash flows (FCF) *(continued)*

In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts. The company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

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; and
- Costs that the Company will incur in performing investment activities to the extent that the Company 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;
- Income tax and other costs specifically chargeable to the policyholders under the terms of the contracts.

Contract boundary

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

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

(b) both of the following criteria are satisfied:

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

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

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender risk and expense risk, are not included.

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

Some insurance contracts issued by the Company provide policyholders with an option to buy an annuity upon the initially issued policies' maturity. The Company assesses its practical ability to reprice such insurance contracts in their entirety to determine if annuity-related cash flows are within or outside of the insurance contract boundary. As a result of this assessment, non-guaranteed annuity options are not measured by the Company until they are exercised.

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

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

The excess of loss reinsurance contracts held provides coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts may include mandatory or voluntary reinstatement reinsurance premiums, which are guaranteed per the contractual arrangements and are thus within the respective reinsurance contracts' boundaries.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

c) Insurance contracts *(Continued)*

(vii) Measurement *(continued)*

Risk adjustment for non-financial risk

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

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

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

Contractual service margin (CSM)

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Company will recognise as it provides coverage in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:

(a) the initial recognition of the FCF;

(b) the derecognition at the date of initial recognition of any asset or liability recognised for insurance acquisition cash flows; and

(c) cash flows arising from the contracts in the group at that date.

A negative CSM at the date of inception means the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately with no CSM recognised on the balance sheet on initial recognition.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Company recognises the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Company will recognise as a reinsurance expense as it receives reinsurance coverage in the future.

Subsequent measurement – Groups of contracts not measured under the PAA

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

(a) the LRC, comprising:
  (i) the FCF related to future service allocated to the group at that date; and
  (ii) the CSM of the group at that date; and

(b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

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

(a) the remaining coverage, comprising:
  (i) the FCF related to future service allocated to the group at that date; and
  (ii) the CSM of the group at that date; and

(b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For a group of contracts to which the premium allocation approach does not apply, the Company continues to treat the premiums receivable from the intermediary as future cash flows within the boundary of an insurance contract and, applying IFRS 17, includes them in the measurement of the group of insurance contracts until recovered in cash.

Changes in fulfilment cash flows

The FCF are updated by the Company for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

(a) changes that relate to current or past service are recognised in profit or loss; and

(b) changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

c) Insurance contracts *(Continued)*

(vii) Measurement *(continued)*

Subsequent measurement – Groups of contracts not measured under the PAA *(continued)*

For insurance contracts measured under the general measurement model (GMM), the following adjustments relate to future service and thus adjust the CSM:

(a) experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;

(b) changes in estimates of the present value of future cash flows in the LRC, except those relating to the effect of the time value of money and the effect of financial risk and changes thereof;

(c) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period;

(d) differences between any policyholder loan expected to become repayable (plus any insurance finance income or expenses related to that expected repayment before it becomes repayable in the period) and the actual policyholder loan that becomes repayable in the period; and

(e) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (a) to (d) are measured using the locked-in discount rates as described in the section Interest accretion on the CSM below.

For insurance contracts under the GMM, the following adjustments do not relate to future service and thus do not adjust the CSM:

(a) changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;

(b) changes in the FCF relating to the LIC; and

(c) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

For insurance contracts under the variable fee approach (VFA), the following adjustments relate to future service and thus adjust the CSM:

(a) changes in the Company's share of the fair value of the underlying items, except to the extent that the Company has applied the risk mitigation option to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items or fulfilment cash flows; and

(b) changes in the FCF that do not vary based on the returns of underlying items:
  - (i) changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
  - (ii) experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
  - (iii) changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
  - (iv) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period;
  - (v) differences between any policyholder loan expected to become repayable in the period and the actual policyholder loan that becomes repayable in the period; and
  - (vi) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (ii) to (vi) are measured using the current discount rates.

For insurance contracts under the VFA, the following adjustments do not relate to future service and thus do not adjust the CSM:

(a) changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;

(b) changes in the FCF that do not vary based on the returns of underlying items:
  - (i) changes in the FCF relating to the LIC; and
  - (ii) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

c) Insurance contracts *(Continued)*

(vii) Measurement *(continued)*

Subsequent measurement – Groups of contracts not measured under the PAA *(continued)*

Changes to the contractual service margin

For insurance contracts issued, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Company to reflect the effect of the following changes:

(a) the effect of any new contracts added to the group;

(b) for contracts measured under the GMM, interest accreted on the carrying amount of the CSM;

(c) changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM;

(d) the effect of any currency exchange differences; and

(e) the amount recognised as insurance revenue for services provided during the period determined after all other adjustments above.

For a group of reinsurance contracts held, the carrying amount of the CSM at the end of each reporting period is adjusted to reflect changes in the FCF in the same manner as a group of underlying insurance contracts issued, except that when underlying contracts are onerous and thus changes in the underlying FCF related to future service are recognised in insurance service expenses by adjusting the loss component, respective changes in the FCF of reinsurance contracts held are also recognised in the insurance service result.

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows (locked-in discount rates). If more contracts are added to the existing groups in the subsequent reporting periods, the Company revises the locked-in discount curves by calculating weighted-average discount curves over the period that contracts in the group are issued. The weighted-average discount curves are determined by multiplying the new CSM added to the group and their corresponding discount curves over the total CSM.

Adjusting the CSM for changes in the FCF relating to future service

The CSM is adjusted for changes in the FCF measured applying the discount rates as specified above in the Changes in fulfilment cash flows section.

Release of the CSM to profit or loss

The amount of the CSM recognised in profit or loss for services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

The total number of coverage units in a group is the quantity of coverage provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period end prospectively by considering:

(a) the quantity of benefits provided by contracts in the group;

(b) the expected coverage duration of contracts in the group; and

(c) the likelihood of insured events occurring, only to the extent that they affect the expected duration of contracts in the group.

For reinsurance contracts held, the CSM is released to profit or loss as services are received from the reinsurer in the period.

The company changes the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements and in the annual reporting period.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

c) Insurance contracts *(Continued)*

(vii) Measurement *(continued)*

Subsequent measurement – Groups of contracts not measured under the PAA *(continued)*

Changes to the contractual service margin

Onerous contracts – loss component

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the company recognises the excess in insurance service expenses and records it as a loss component of the LRC.

When a loss component exists, the company allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

(a) expected incurred claims and other directly attributable expenses for the period;

(b) changes in the risk adjustment for non-financial risk for the risk expired; and

(c) finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in (a) and (b) above reduce the respective components of insurance revenue and are not reflected in insurance service expenses.

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

Reinsurance contracts held – loss-recovery component

A loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held for the amount of income recognised in profit or loss when the company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts as presented in the Onerous contracts – loss component section above. The loss-recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the company expects to recover from the group of reinsurance contracts held.

The loss-recovery component determines the amounts that are presented as a reduction of incurred claims recovery from reinsurance contracts held and are consequently excluded from the reinsurance expenses determination.

Initial and subsequent measurement – groups of contracts measured under the PAA

The Company uses the PAA for measuring contracts with a coverage period of one year or less, or where it reasonably expects that such a simplification would produce a measurement of the liability for remaining coverage that would not differ materially from the one that would be produced by applying the General Measurement Model (GMM). The Company uses PAA for measuring reinsurance contracts held with a coverage period of one year or less. The reinsurance contracts held by the Company have coverage periods of one year or less, hence the Company uses PAA for measuring such reinsurance contracts held.

On initial recognition of insurance contracts issued, the company measures the LRC at the amount of premiums received, less any acquisition cash flows allocated to the group of contracts adjusted for any amounts arising from the derecognition of any prepaid acquisition cash flows asset.

On initial recognition of reinsurance contracts held, the company measures the remaining coverage at the amount of ceding premiums paid.

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

(a) the LRC; and

(b) the LIC, comprising the FCF related to past service allocated to the group of contracts at the reporting date.

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

(a) the remaining coverage; and

(b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

c) Insurance contracts *(Continued)*

(vii) Measurement *(continued)*

Initial and subsequent measurement – groups of contracts measured under the PAA *(continued)*

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

(a) increased for premiums received in the period;

(b) decreased for insurance acquisition cash flows paid in the period;

(c) decreased for the amounts of expected premiums received recognised as insurance revenue for the services provided in the period; and

(d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses (if applicable).

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

(a) increased for ceding premiums paid in the period; and

(b) decreased for the amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money where, at initial recognition, the entity expects the time between any premium becoming due and providing the related insurance contact services is one year or less.

If a group of contracts becomes onerous, the company increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses.

Subsequently, the company amortises the amount of the loss component within the LRC by decreasing insurance service expenses. The loss component amortisation is based on the passage of time over the remaining coverage period of contracts within an onerous group. If facts and circumstances indicate that the expected profitability of the onerous group during the remaining coverage has changed, then the company remeasures the FCF by applying the GMM and reflects changes in the FCF by adjusting the loss component as required until the loss component is reduced to zero.

(viii) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance 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) 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 income (OCI) into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Amounts recognised in comprehensive income

Insurance revenue

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

c) Insurance contracts *(Continued)*

(vii) Presentation *(continued)*

Insurance revenue *(continued)*

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

- Amounts relating to the changes in the LRC:

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

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

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

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

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

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

(e) other amounts, including any other pre-recognition cash flows assets derecognised at the date of initial recognition.

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

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

Loss components

For contracts not measured under the PAA, the company establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

Changes in fulfilment cash flows relating to future services and changes in the amount of the company's share of the fair value of the underlying items for direct participating contracts are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

Insurance service expenses

Insurance service expenses include the following:

- Incurred claims and other benefits;
- Other incurred directly attributable expenses;
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts
- Losses 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;
- 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

c) Insurance contracts *(Continued)*

(vii) Presentation *(continued)*

Net expenses from reinsurance contracts

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net income/expenses from reinsurance contracts' in the insurance service result.

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered 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 not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the company expects to pay consideration.

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.

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 recognized

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.

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

The company has chosen not to disaggregate insurance finance income and expenses between profit or loss and OCI. All insurance finance income and expenses for the period is presented in profit or loss.

The Company has chosen not to disaggregate the change in risk adjustment for non-financial risk between the insurance service result and the insurance finance result. The entire change is recognised in the insurance service result.

d) Income

(i) Investment income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate (EIR) method. Interest income is recognised using EIR method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at fair value through OCI is also recorded using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore the amortised cost of the financial asset) is calculated taking into account transaction costs and any discount or premium on acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Company recognises interest income using the EIR method.

The company calculates interest income on financial assets, other than those considered credit impaired, by applying the EIR to the gross carrying amount of the asset. Investment income also includes dividend income which is recognised when the right to receive the payment is established.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

d) Income *(Continued)*

(i) Rental income

Rental income is recognised on a straight-line basis over the lease term. The excess of rental income on a straight-line over cash received is recognised as an operating lease liability/asset. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(ii) Dividend income

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

(iii) Realised / unrealised gains and losses

Realised / unrealised gains and losses recorded in the statement of profit or loss on investments include gains and losses on financial assets measured at fair value through profit or loss and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transactions. More details on how the gains have been arrived has been discussed in the specific policies relating to the assets.

(e) Operating and other expenses

Expenses are recognised in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and is independent from transactions with equity participants. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

(i) When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in the statement of profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognising the equipment associated with the using up of assets such as property and equipment. In such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

(ii) An expense is recognised immediately in profit or loss when expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Operating and other expenses that are directly attributable to acquisition of insurance business are recognised in insurance service expenses as per note 1(viii) above. Other expenses not meeting the categories in note 1(viii) are included in other operating expenses in the statement of profit or loss.

(f) Taxation

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act. Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Current income tax assets or liabilities are based on the amount of tax expected to be paid or recovered in respect of the taxation authorities in the future. Tax is recognised in the profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date. The prevailing tax rate and the amount expected to be paid are highlighted in note 8 (b) of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

f) Taxation *(Continued)*

(ii) Rental income

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

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

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

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

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

Deferred income tax

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The deferred tax liability shall be recognised except when it arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales taxes and premium taxes

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

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

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

Outstanding net amounts of sales or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Property and equipment

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

Depreciation is calculated on 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:

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

Property and equipment are reviewed for impairment whenever there are any indications of impairment identified.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Gains and losses on de recognition of property and equipment are determined by reference to the difference of the carrying amounts and disposal proceeds. The date of disposal of an item of property, and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied.

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

(h) Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is initially recognised at cost including the transaction costs. Subsequently, the investment properties are carried at fair value representing the open market value at the reporting date determined by annual valuations carried out by independent valuers i.e. Crystal Valuers Limited as at 31 DECEMBER 2024. Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Investment properties are de recognised when either they have been disposed of (i.e., at the date the recipient obtains control) or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to profit or loss. The date of disposal of an item of investment property is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the company accounts for such property in accordance with the policy stated under plant and equipment to the date of change in use.

(i) Intangible assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(i) Intangible assets

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

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

Gains or losses arising from de recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised. The date of disposal of an item of intangible asset is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied. The amount of consideration to be included in the gain or loss arising from the de recognition of intangible is determined in accordance with the requirements for determining the transaction price in IFRS 15.

(j) Accounting for leases

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

Company acting as a lessee

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Employee benefits

Defined contributions provident fund

The Company operates a defined contribution post-employment provident fund for eligible employees. The fund is funded by contributions from the employees and the company. The assets of the fund are held and administered independently of the company's assets by a different pension administrator.

Statutory pension scheme

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

Leave

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

(l) Provisions

General provisions

Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contractsa

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceeds the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

(m) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication ≥, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(m) Impairment of non-financial assets

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss to the amount of an impairment already taken to profit or loss while the remainder will be a revaluation amount through other comprehensive income

(n) Other financial liabilities

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

Other liabilities are classified as financial liabilities and are carried at amortised cost.

Gains and loss on financial liabilities at fair value through profit or loss are recognised in the profit or loss.

(o) Fair value measurement

The company measures financial instruments classified as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss including investment properties at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(o) Fair value measurement *(Continued)*

For assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. External valuers are involved for valuation of significant assets, such as investment properties.

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

For fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Fair value related disclosures have been made in note 34.

(p) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition

Financial assets and liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of other receivables and amount due from related parties, which do not contain significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. For financial assets at fair value through profit and loss, transaction costs are recognised directly in the statement of profit or loss.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortized cost;
- Financial assets at fair value through OCI; and
- Financial assets at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(p) Financial instruments *(Continued)*

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include cash and cash equivalents, other receivables, deposits with financial institutions, deposits and commercial paper, government securities at amortised cost, staff loans, mortgages, policy loans, corporate bonds and due from related parties.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange gains and losses and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company's financial assets classified as debt instruments at fair value through OCI, include government securities.

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

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Financial assets at fair value through profit or loss comprise investment in collective investment scheme i.e. CIC Unit Trust, quoted equity investments and government securities.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(p) Financial instruments *(Continued)*

Financial assets *(Continued)*

De-recognition other than for substantial modification

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

De recognition due to substantial modification of terms and conditions

The company derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as de recognition gain or loss. When assessing whether or not to derecognise an instrument, amongst others, the Company considers the following factors: introduction of an equity feature, change in counterparty and if the modification is such that the instrument would no longer meet the SPPI criterion.

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

Impairment of financial assets

Overview of ECL principles

IFRS 9 requires the recognition of a forward-looking expected credit loss (ECL) for all financial assets at amortised cost and at fair value through OCI other than equity investments.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (LTECL)). unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

(p) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(continued)*

Overview of ECL principles (continued)

Based on the above process, the Company groups its financial assets into Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired (POCI) as described below.

Stage 1: When financial assets are purchased or originated, the Company recognises an allowance based on 12mECLs. For financial assets, interest income is calculated on the gross carrying amount.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for LTECLs. The calculation of interest income is on the gross carrying amount of the financial asset.

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

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The calculation of ECLs

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

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

PD: - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD: - The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

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

The Company does not have financial guarantees, loan commitments, letters of credit and financial assets which are purchased or originated credit impaired (POCI).

When estimating the ECLs, the Company considers three scenarios (a base case, optimistic (upside) and pessimistic (downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the staff loans and mortgages will cure and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial asset at amortised cost unless the Company has the legal right to call it earlier.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(p) Financial instruments *(Continued)*

Financial assets *(Continued)*

Forward looking information

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Company 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 a representative range of other possible forecast scenarios based on advice from the Company risk committee and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

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. The Company also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

Collateral valuation

To mitigate its credit risk on financial assets, the Company seeks to use collateral, where possible. The collateral is in form of real estate or motor vehicles. Collateral, unless repossessed, is not recorded on the Company's statement of financial position. However, the fair value of collateral affects the calculations of ECLs for staff loans. It is generally assessed, at a minimum, at inception and reassessed on annual basis. Collaterals such as real estate, are valued based on data provided by third parties such as real estate valuers.

Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for internal operations are transferred to their relevant asset category at the lower of the repossessed value or the carrying amount of the original secured asset. Assets for which selling is determined to be the better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Company's policy.

In its normal course of business, the Company does not physically repossess properties or motor vehicles but engages its procurement department to auction the asset to settle the outstanding debt. Any surplus funds are returned to the obligors. As a result of this practice, the real estate properties and motor vehicles under legal repossession processes are not recorded in the balance sheet.

Write offs

Financial assets are written off either partially or in entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount Any subsequent recoveries are credited to credit loss expense. There were no write offs over the period reported in these financial statements.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(p) Financial instruments *(Continued)*

Financial liabilities *(continued)*

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

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

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

Other payables

After initial recognition, payables are subsequently measured at amortised cost using the EIR method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the carrying amount on initial recognition. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

De-recognition

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

Offsetting of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(q) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investment comprising of fixed deposits with financial institutions with original maturities of three months or less and are subject to an insignificant risk of changes in value.

(r) Dividends

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investment comprising of fixed deposits with financial institutions with original maturities of three months or less and are subject to an insignificant risk of changes in value.

(s) Events after the reporting date.

Dividends on ordinary shares are charged directly to equity in the period in which they are declared and approved. Dividends for the year that are approved after the reporting date are not recognised as a liability at the reporting date.

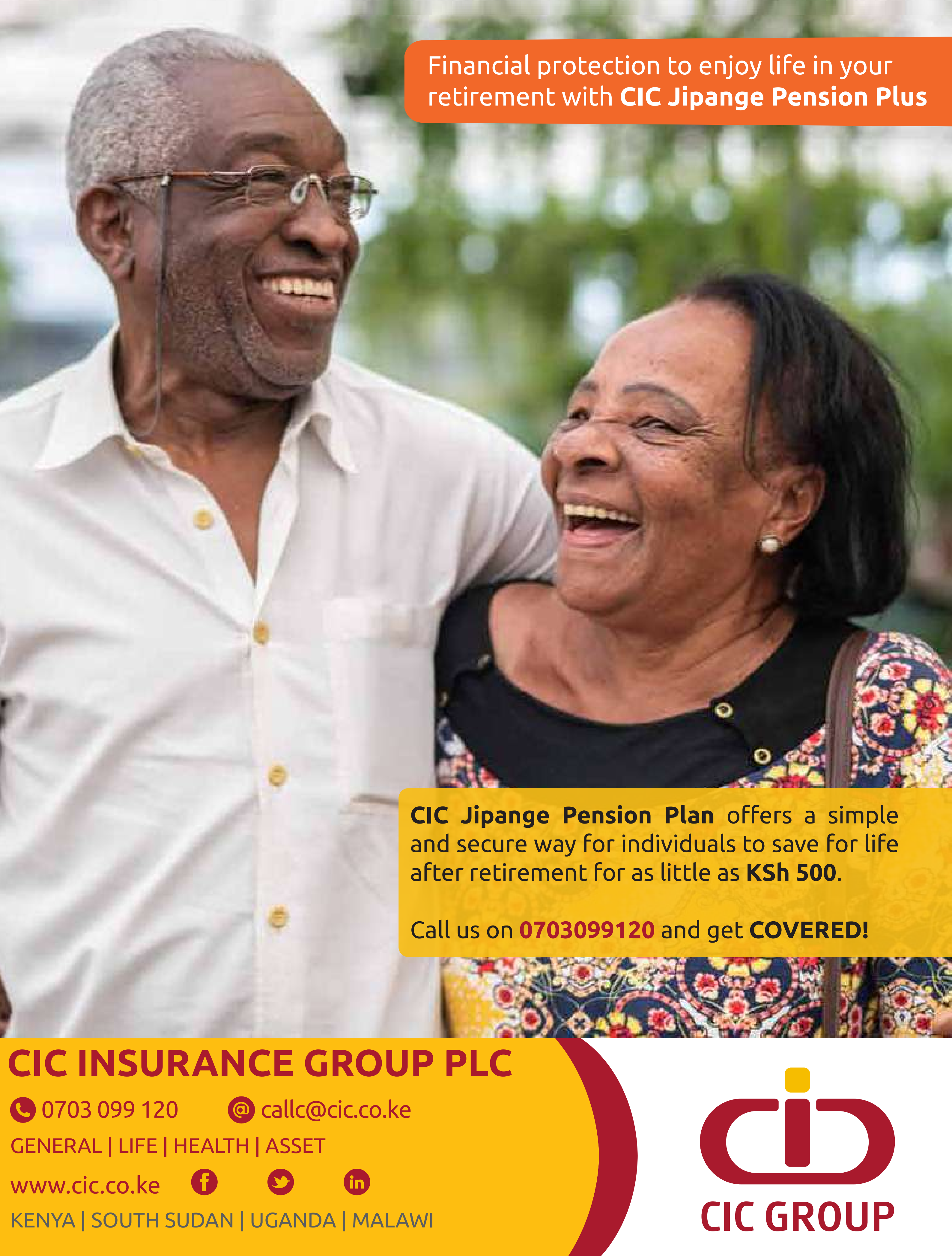
(t) Share capital

If the Company receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Company will assess if the information affects the amounts that it recognises in the Company's financial statements. The Company will adjust the amounts recognised in its financial statements to reflect any adjusting events even after the reporting period and update the disclosures that relate to those conditions in the light of the new information.

For non-adjusting events after the reporting period, the Company will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable. The entity's owners have no power to amend the financial statement after issue.

(u) Policy loans

Policy loans, considered part of the insurance contract under IFRS 17, have been incorporated in insurance contract liabilities. IFRS 17 requires an entity to present separately in the statement of financial position the carrying amount of portfolios of insurance contracts issued that are liabilities. Prior to the adoption of IFRS 17, loans to policyholders were classified as IFRS 9 loans and receivables under Loans receivable (i.e. separately from the insurance contract). However, these loans do not meet the requirements in IFRS 17 to be treated as separate IFRS 9 investment components and have been considered within insurance contract liabilities.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NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

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

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the assets and liabilities of the Company. Management applies judgement in determining the best estimate of future experience. Judgements are based on historical experience and management's best estimate expectations of future events, taking into account changes experienced historically. Estimates and assumptions are regularly updated to reflect actual experience. Actual experience in future financial years can be materially different from the current assumptions and judgements and could require adjustments to the carrying values of the affected assets and liabilities.

The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the company. Such changes are reflected in the assumptions when they occur.

A. Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations, 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) Assessment of significance of insurance risk

The Company applies judgement in assessing whether a contract transfers to the issuer significant insurance risk. A contract transfers significant insurance risk only if an insured event could cause the company to pay additional amounts that are significant in any single scenario and only if there is a scenario that has commercial substance in which the issuer has a possibility of a loss on a present value basis upon an occurrence of the insured event. The assessment of whether additional amounts payable on the occurrence of an insured event are significant and whether there is any scenario with commercial substance in which the issuer has a possibility of a loss on a present value basis involves significant judgement and is performed at initial recognition on a contract-by-contract basis. The type of contracts where this judgement is required are those that transfer financial and insurance risk and result in the latter being the smaller benefit provided. All contracts issued by the company accept significant insurance risk and the reinsurance contracts held transfer significant insurance risk and therefore no judgement was involved.

(b) Combination of insurance contracts

Determining whether it is necessary to treat a set or series of insurance contracts as a single contract involves significant judgement and careful consideration. In assessing whether a set or series of insurance contracts achieve, or are designed to achieve, an overall commercial effect, the company determines whether the rights and obligations are different when looked at together compared to when looked at individually and whether the company is unable to measure one contract without considering the other. No respective judgement is applicable to the company.

(c) Separation of insurance components of an insurance contract

The company issues some insurance contracts that combine protection for the policyholder against different types of insurance risks in a single contract. IFRS 17 does not require or permit separating insurance components of an insurance contract unless the legal form of a single contract does not reflect the substance of its contractual rights and obligations. In such cases, separate insurance elements must be recognised. Overriding the 'single contract' unit of account presumption involves significant judgement and is not an accounting policy choice. When determining whether a legal contract reflects its substance or not, the company considers the interdependency between different risks covered, the ability of all components to lapse independently, and the ability to price and sell the components separately. No respective judgement is applicable to the company.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

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

A. Critical judgements in applying the company's accounting policies *(Continued)*

(d) Determination of the contract boundary

The measurement of a group of insurance 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. For the Deposit Administration contracts, the Company has determined that it has the ability to reprice risks every year. As a result, these contracts have been measured using PAA.

For CIC Life business, the date of initial recognition will be the start of the coverage period for the group of insurance and reinsurance contracts. In some contracts, the company has the practical ability to reprice upon renewal. The contract boundary ends at the end of the coverage period (e.g., maturity date/expiry date of the contract, or renewal date).

(e) Identification of portfolios

The company defines a portfolio as insurance contracts subject to similar risks and managed together. Contracts within the same product line are expected to be in the same portfolio as they have similar risks and are managed together. The assessment of which risks are similar and how contracts are managed requires the exercise of judgement. This is not an area of significant judgement for the company since the company is a multi-line insurer where each product line is monitored and managed on its own.

The company applies the same assessment for the group of reinsurance contracts held.

(f) Level of aggregation

The company applies judgement when determining the contract sets within portfolios and whether the company has reasonable and supportable information to conclude that all contracts within a set would fall into the same group.

(g) Assessment of loss component

Insurance contracts issued on initial recognition are aggregated into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous and groups of other contracts. Similar grouping assessment for reinsurance contracts held is done. For contracts measured under the PAA, management has applied judgement to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is applied to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required. The Company uses loss ratios to identify onerous contracts. The Company did not identify any facts or circumstances that might have indicated that a group of contracts measured under the PAA had become onerous.

(h) Assessment of directly attributable cash flows

The company uses judgement in assessing whether cash flows are directly attributable to a specific portfolio of insurance 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. The company performs regular expenses analysis and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts.

(i) Assessment of eligibility for PAA

For short term (re)insurance contracts with a coverage period extending beyond one year, the company elects to apply the 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. The company carried out PAA eligibility assessment for the investment contract liabilities with DPF portfolio, and assessed that the coverage period is one year or less, given the ability to reprice the portfolio annually.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES *(Continued)*
A. Critical judgements in applying the company's accounting policies *(Continued)*

(j) Assessment of the eligibility for meeting the criteria for direct participating contracts

Direct participating contracts are considered to be sufficiently different from other participating contracts due to the enforceable link to the underlying items, the significance of policyholders' share in the pool and the significance of those returns to the overall policyholder payments. The Company assesses whether a contract meets the definition of a direct participating contract using the Company's expectations existing at inception of the contract. This assessment is performed, on a contract-by-contract basis, for all insurance contracts with direct participating features. In assessing the significance of the policyholder's share of returns from the underlying items and the degree of variability in total payments to the policyholder, the Company applies significant judgement.

The Company applies significant judgement in determining the policyholder share of returns. The Company considers that variable annual charges applied to the policyholder amount reduce the policyholder share of fair value returns. The company having reviewed the returns for the unit linked products, the management has resolved to discontinue with the remaining active policies and refund the policy holders or provide alternative solutions. In 2023, the Company discovered an error in calculating the carrying value of unit-linked contracts. Material unit-linked contracts were settled in the prior years, but the settlements were not reflected in the unit-linked liabilities. The error resulted in a material understatement of claims expenses recognised for 2022 and prior financial years and a corresponding overstatement of unit-linked liabilities of KShs 414 million. The remaining balance of KShs 133 million was deemed immaterial and therefore measured under IFRS 9. See note 27 (b) for more details.

(k) Impairment of financial assets

The company recognizes an allowance for expected credit losses (ECLs) across relevant financial assets through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Therefore, the Company tracks changes in credit risk and recognizes a loss allowance based on lifetime ECLs at each reporting date. See note 34 or financial assets that are subject to impairment assessment.

(l) Income taxes

The Company is subject to income taxes in Kenya. Significant judgement is required in determining the Company's provision for income taxes and to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies. The Company uses judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision is based on which approach provides better predictions of the resolution of the uncertainty. The Company assumes that the taxation authority will examine amounts reported to it and will have full knowledge of all relevant information when doing so. Where the Company concludes that it is probable that a particular tax treatment will be accepted, it determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Company concludes that it is not probable that a particular tax treatment will be accepted, it uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

Particularly, the Company has applied judgement in concluding that on initial adoption of IFRS 17, the transition adjustments are subject to income tax charge/credit. In addition, the existing income tax laws are based on IFRS 4 and therefore, judgment has been applied in calculating the current income tax charge for the year based on IFRS 17 numbers. To the best of the directors' knowledge, the calculated tax obligations are reflective of the tax liability at 31 December 2024.

(m) IFRS 16 'Leases'

Estimates are made in determining the carrying values of the right of use asset and lease liability.

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay'. The Company estimates the IBR using observable inputs (such as market interest rates).

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term (see note 10(b)) if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

(n) Valuation of investment property

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

Management monitors the investment property market and economic conditions that may lead to significant change in values and conducts formal an independent property valuation every year and adjusts the recorded fair values accordingly for any significant change.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

B. Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(a) Insurance contract assets and liabilities and reinsurance contract assets and liabilities

By applying IFRS 17 to measurement of insurance contracts issued and reinsurance contracts held, the company has made estimations in the following key areas. They form part of the overall balances of insurance contract assets and liabilities and reinsurance contract assets and liabilities:

- Future cash flows, including liability for Incurred claims
- Discount rates
- Allocation rate for insurance finance income or expenses
- Risk adjustment for non-financial risk
- Allocation of asset for insurance acquisition cash flows to current and future groups of contracts
- Determination of coverage units and amortization of CSM
-

At 31 December 2024, the Company's total carrying amount of:

- Insurance contract issued that are liabilities was KShs 27.9 billion (2023: KShs 21.5 billion)
- Reinsurance contract issued that are assets was KShs 1.4 billion (2023: KShs 1.3 billion)

Sensitivity analysis to underwriting risk variables

The following tables present information on how reasonably possible changes in assumptions made by the company with regard to underwriting risk variables impact insurance liabilities and profit or loss and equity before and after risk mitigation by reinsurance contracts held.

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. No changes were made by the company in the methods and assumptions used in preparing the below analysis.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

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

B. Key sources of estimation uncertainty *(Continued)*

Sensitivity analysis to underwriting risk variables *(Continued)*

Group life contracts – short-term contracts

	As at 31 December 2024				As at 31 December 2023			
	Total	Impact on insurance contract liabilities	Impact on profit before income tax	Impact on equity	Liability for incurred claims (LIC)	Impact on LIC	Impact on profit before income tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Insurance contract liabilities	782,314				856,464			
Reinsurance contract assets	(266,848)				(125,136)			
Net insurance contract liabilities	515,466				731,328			
Average claim cost - 10% increase								
Insurance contract liabilities		39,032	(39,032)	(39,032)		57,732	(57,732)	(40,412)
Reinsurance contract assets		(11,767)	11,767	11,767		(3,587)	3,587	2,511
Net insurance contract liabilities		27,265	(27,265)	(27,265)		54,145	(54,145)	(37,901)
Expense rate - 10% increase								
Insurance contract liabilities		922	(922)	(922)		551	(551)	386
Reinsurance contract assets		(36)	36	36		(44)	44	(31)
Net insurance contract liabilities		886	(886)	(886)		507	(507)	355
Discount rate - 1% increase								
Insurance contract liabilities		(4,906)	4,906	4,906		(7,563)	7,563	5,294
Reinsurance contract assets		1,472	(1,472)	(1,472)		962	(962)	(673)
Net insurance contract liabilities		(3,434)	3,434	3,434		(6,601)	6,601	4,621

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

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

B. Key sources of estimation uncertainty *(Continued)*

Sensitivity analysis to underwriting risk variables *(Continued)*

Ordinary life

	2024							
	Fulfilment cash flows (FCF)	CSM	Total	Impact on FCF	Impact on CSM	Total impact	Impact on profit before tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Insurance contract liabilities			3,267,748					
Reinsurance contract assets			-					
Net insurance contract liabilities			3,267,748					
Mortality rate - 10% increase								
Insurance contract liabilities				10,303	17,858	28,161	(28,161)	(28,161)
Reinsurance contract assets				-	-	-	-	-
Net insurance contract liabilities				10,303	17,858	28,161	(28,161)	(28,161)
Morbidity rate - 10% increase								
Insurance contract liabilities				10,303	17,858	28,161	(28,161)	(28,161)
Reinsurance contract assets				-	-	-	-	-
Net insurance contract liabilities				10,303	17,858	28,161	(28,161)	(28,161)
Lapse/surrender rates - 10% increase								
Insurance contract liabilities				1,225	26,005	27,230	(27,230)	(27,230)
Reinsurance contract assets				-	-	-	-	-
Net insurance contract liabilities				1,225	26,005	27,230	(27,230)	(27,230)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

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

B. Key sources of estimation uncertainty *(Continued)*

Sensitivity analysis to underwriting risk variables *(Continued)*

Ordinary life *(Continued)*

	2024							
	Fulfilment cash flows (FCF)	CSM	Total	Impact on FCF	Impact on CSM	Total impact	Impact on profit before tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Expenses - 10% increase				90,650	(17,378)	73,272	(73,272)	(73,272)
Insurance contract liabilities				-	-	-	-	-
Reinsurance contract assets				90,650	(17,378)	73,272	(73,272)	(73,272)
Net insurance contract liabilities								
Discount rate - 10% increase								
Insurance contract liabilities				(292,359)	53,457	(238,902)	238,902	238,902
Reinsurance contract assets				-	-	-	-	-
Net insurance contract liabilities				(292,359)	53,457	(238,902)	238,902	238,902

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

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

B. Key sources of estimation uncertainty *(Continued)*

Sensitivity analysis to underwriting risk variables *(Continued)*

Annuities

	As at 31 December 2024							
	Fulfilment cash flows (FCF)	CSM	Total	Impact on FCF	Impact on CSM	Total impact	Impact on profit before tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Insurance contract liabilities	2,426,743	59,515	2,486,258					
Reinsurance contract assets	-	-	-					
Net insurance contract liabilities	2,426,743	59,515	2,486,258					
Longevity rate - 10% increase								
Insurance contract liabilities				23,697	(2,317)	21,380	(21,380)	(21,380)
Reinsurance contract assets				-	-	-	-	-
Net insurance contract liabilities				23,697	(2,317)	21,380	(21,380)	(21,380)
Lapse/surrender rates - 10% increase								
Insurance contract liabilities				-	-	-	-	-
Reinsurance contract assets				-	-	-	-	-
Net insurance contract liabilities				-	-	-	-	-
Expenses - 10% increase				-	-	-	-	-
Insurance contract liabilities				(1,408)	50,137	48,730	(48,730)	(48,730)
Reinsurance contract assets				-	-	-	-	-
Net insurance contract liabilities				(1,408)	50,137	48,730	(48,730)	(48,730)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

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

B. Key sources of estimation uncertainty *(Continued)*

Annuities *(Continued)*

	As at 31 December 2024							
	Fulfilment cash flows (FCF)	CSM	Total	Impact on FCF	Impact on CSM	Total impact	Impact on profit before tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Discount rate - 1% increase								
Insurance contract liabilities				(162,441)	531	(161,910)	161,910	161,910
Reinsurance contract assets				-	-	-	-	-
Net insurance contract liabilities				(162,441)	531	(161,910)	161,910	161,910

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

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

B. Key sources of estimation uncertainty *(Continued)*

Sensitivity analysis to underwriting risk variables (continued)

Annuities (continued)

As at 31 December 2023								
	Fulfilment cash flows (FCF)	CSM	Total	Impact on FCF	Impact on CSM	Total impact	Impact on profit before tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000		KShs'000
Insurance contract liabilities	1,838,929	21,155	1,860,084					
Reinsurance contract assets	-	-	-					
Net insurance contract liabilities	1,838,929	21,155	1,860,084					
Longevity rate - 10% increase								
Insurance contract liabilities				15,377	(685)	14,692	(14,692)	(10,284)
Reinsurance contract assets				-	-	-	-	-
Net insurance contract liabilities				15,377	(685)	14,692	(14,692)	(10,284)
Lapse/surrender rates - 10% increase								
Insurance contract liabilities				19,944	(1,075)	18,869	(18,869)	(13,208)
Reinsurance contract assets				-	-	-	-	-
Net insurance contract liabilities				19,944	(1,075)	18,869	(18,869)	(13,208)
Discount rate - 10% increase								
Insurance contract liabilities				(136,712)	305,318	168,606	(168,606)	(118,024)
Reinsurance contract assets				-	-	-	-	-
Net insurance contract liabilities				(136,712)	305,318	168,606	(168,606)	(118,024)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

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

B. Key sources of estimation uncertainty *(Continued)*

Sensitivity analysis to underwriting risk variables (continued)

Group credit

	As at 31 December 2024							
	Fulfilment cash flows (FCF)	CSM	Total	Impact on FCF	Impact on CSM	Total impact	Impact on profit before tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000		KShs'000
Insurance contract liabilities	4,825,613	2,733,098	7,558,711					
Reinsurance contract assets	(515,374)	9,141	(506,233)					
Net insurance contract liabilities	4,310,239	2,742,239	7,052,478					
Expenses - 10% increase								
Insurance contract liabilities				(65,166)	1,674	(63,492)	63,492	63,492
Reinsurance contract assets				570	(9)	561	(561)	(561)
Net insurance contract liabilities				(64,596)	1,665	(62,931)	62,931	62,931
Discount rate - 10% increase								
Insurance contract liabilities				73,288	(53,884)	19,404	(19,404)	(19,404)
Reinsurance contract assets				(777)	285	(492)	492	492
Net insurance contract liabilities				72,511	(53,599)	18,912	(18,912)	(18,912)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

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

B. Key sources of estimation uncertainty *(Continued)*

Sensitivity analysis to underwriting risk variables (continued)

Group credit (continued)

	As at 31 December 2023								
	Fulfilment cash flows (FCF)	CSM	Total	Impact on FCF	Impact on CSM	Total impact	Remaining CSM	Impact on profit before tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000		KShs'000
Insurance contract liabilities	5,059,468	1,746,900	6,806,368						
Reinsurance contract assets	(1,167,697)	-	(1,167,697)						
Net insurance contract liabilities	3,891,771	1,746,900	5,638,671						
Assumed default rate - 10% increase									
Insurance contract liabilities				(597)	(4,956)	(5,553)	1,741,944	5,553	3,887
Reinsurance contract assets				5	-	5	-	(5)	(4)
Net insurance contract liabilities				(592)	(4,956)	(5,548)	1,741,944	5,548	3,883
Expenses - 10% increase									
Insurance contract liabilities				1,586	(3,428)	(1,842)	1,743,472	1,842	1,289)
Reinsurance contract assets				(805)	-	(805)	-	805	563
Net insurance contract liabilities				781	(3,428)	(2,647)	1,743,472	2,647	1,852
Discount rate - 10% increase									
Insurance contract liabilities				(618,147)	75,427	(542,720)	1,822,327	542,720	379,904
Reinsurance contract assets				304,437	-	304,437	-	(304,437)	(213,106)
Net insurance contract liabilities				(313,710)	75,427	(238,283)	1,822,327	238,283	166,798
Average claim cost - 10% increase									
Insurance contract liabilities				60,294	-	60,294	-	(60,294)	(42,206)
Reinsurance contract assets				(29,008)	-	(29,008)	-	29,008	20,306
Net insurance contract liabilities				31,286	-	31,286	-	(31,286)	(21,900)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

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

B. Key sources of estimation uncertainty *(Continued)*

Sensitivity analysis to underwriting risk variables (continued)

Investment contracts with DPF – short-term contracts

	As at 31 December 2024				As at 31 December 2023			
	Liability for incurred claims (LIC)	Impact on LIC	Impact on profit before income tax	Impact on equity	Liability for incurred claims (LIC)	Impact on LIC	Impact on profit before income tax	Impact on equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Insurance contract liabilities	14,289,571				9,992,130			
Reinsurance contract assets	-				-			
Net insurance contract liabilities	14,289,571				9,992,130			
Withdrawals – 10% increase								
Insurance contract liabilities		(116,083)	116,083	116,083		49,896	(49,896)	(34,927)
Reinsurance contract assets		-	-	-		-	-	-
Net insurance contract liabilities		(116,083)	116,083	116,083		49,896	(49,896)	(34,927)
Average return on underlying assets– 10% increase								
Insurance contract liabilities		-	-	-		60,711	(60,711)	(42,498)
Reinsurance contract assets		-	-	-		-	-	-
Net insurance contract liabilities		-	-	-		60,711	(60,711)	(42,498)
Expenses - 10% increase								
Insurance contract liabilities		(9,366)	9,366	9,366		-	-	-
Reinsurance contract assets		-	-	-		-	-	-
Net insurance contract liabilities		(9,366)	9,366	9,366		-	-	-
Discount rate - 10% increase								
Insurance contract liabilities		242,599	(242,599)	(242,599)		-	-	-
Reinsurance contract assets		-	-	-		-	-	-
Net insurance contract liabilities		242,599	(242,599)	(242,599)		-	-	-

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

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

B. Key sources of estimation uncertainty *(Continued)*

(b) Technique for estimation of future cash flows

In estimating fulfilment cash flows included in the contract boundary, the company considers the range of all possible outcomes in an unbiased way specifying the amount of cash flows, timing and probability of each scenario reflecting conditions existing at the measurement date, using a probability-weighted average expectation. The probability weighted average represents the probability-weighted mean of all possible scenarios. In determining possible scenarios, the company uses all the reasonable and supportable information available to them without undue cost and effort, which includes information about past events, current conditions and future forecasts.

Cash flow estimates include both market variables directly observed in the market or derived directly from markets and non-market variables such as morbidity rates, accident rates, average claim costs, probabilities of severe claims. The company maximises the use of observable inputs for market variables and utilises internally generated company-specific data.

(c) Method of estimating discount rates

In determining discount rates for different products, the company uses the bottom-up approach for cash flows of nonparticipating contracts that do not depend on underlying items. Applying this approach, the discount rate is determined as the risk-free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an illiquidity premium).

To derive the risk-free yield curve, the company uses the published Nairobi Securities Exchange (NSE) yield curve. This yield curve is published monthly and is based on the current yields of government securities issued by the Central Bank of Kenya.

The Company will apply an illiquidity premium of zero to its risk-free yield curve. This is due to lack of sufficiently deep corporate bond market for which to derive the illiquidity premium. In addition, the groups of contracts are short-term, liquid and cancellable by providing a specified notice period.

Discount rates applied for discounting of future cash flows are listed below:

Period	1 year	2 years	3 years	4 years	5 years	6years	7 years	8 years	9 years	10 years	>10years
31 December 2024											
Insurance contracts issued	11.41%	12.30%	13.44%	14.16%	14.14%	13.87%	13.60%	13.47%	13.61%	13.60%	13.60%
31 December 2023											
Insurance contracts issued	16.10%	17.92%	17.96%	17.87%	17.45%	16.79%	16.32%	15.97%	15.73%	15.70%	15.70%

(d) Method of determining risk adjustment

Liability for incurred claims (LIC) – Group Life and Group Credit

The Company uses stochastic methods known as quantile techniques to estimate risk adjustment for incurred claims for short-term contracts. Under this approach, the frequency and severity assumptions used in the computation of the liability of incurred claims, is fitted onto various statistical distributions. The data used is the ultimate average cost of claims and ultimate number of claims as determined through the reserving triangles. In addition, a smoothing is applied to the losses to ensure that accident periods that have unusually large or small average claims are not considered. This is done to ensure that that other drivers of claims do not skew the distributions, such as unusual growth in exposure. The smoothing is applied by standardising claims with mean and standard deviation and removing all claims outside the 95% of the normal distribution.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

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

B. Key sources of estimation uncertainty *(Continued)*

(e) Method of determining risk adjustment (continued)

Liability for Remaining Coverage (LRC) – Group Life

A risk adjustment would need to be applied on the LRC for onerous short-term contracts to allow for the compensation required for carrying the uncertainty of unknown amounts and timing arising from contracts where premiums are determined to be insufficient. A risk adjusted and discounted ultimate loss ratio shall be applied on the Unearned Premium Reserve to determine the expected claims.

The Company will produce results at various confidence intervals and select the most appropriate risk margin for its own experience. Currently the confidence level for life insurance business is set at 75% to ensure consistency with regulatory requirements and general market practice.

Liability for Remaining Coverage (LRC) – Group Credit, Ordinary Life and Annuities

For the LRC, the present value of future cashflows is determined at a policy level. The projection assumptions are set using analyses of prior experience, where available, or relying on industry experience. Choosing a technique that maximises the usage of this information and calculation approach is desirable.

The company applied the Provision for Adverse Deviation ("PRAD") technique to determine the risk adjustment for this portfolio of contracts. This technique requires the addition of explicit margins applied to the relevant best-estimate assumptions used within the actuarial cashflow projection model for the ordinary life and annuity business. The risk adjustment is then the difference between this liability including the margins and the best estimate liability. The margins selected reflect the compensation the entity requires for uncertainty related to financial risk.

CIC has thus determined that the insurance contract liability for the ordinary life and annuity business including margins should equate to an 75% confidence level, i.e. It is recommended that this level is continued to be used for IFRS 17 for the risk adjustment.

To determine the LRC risk adjustment, the prospective reserves are recalculated for each group and the combination of the groups, five times. This includes the base valuation (with standard valuation methodology), and a recalculated reserve for each of the above categories where a valuation assumption is stressed. The stresses are based on the RBC parameters, CIC's confidence level and adjusted for the size of the group. The differences between each of the stressed reserves and the base reserve are determined and aggregated as the risk adjustment using the square root of the sum of the squares of sum of differences thereby not allowing for any diversification.

(f) Determination of contractual service margin (CSM)

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

The Company determines the quantity of the benefits provided under each contract as follows;

- Term life insurance contracts - Expected present value of claims
- Annuity contracts - Annuity amount payable in each period

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

3. INSURANCE SERVICE RESULT

(a) Insurance revenue

The breakdown of insurance revenue by major product lines is presented below:

	2024					
	Contracts not measured under the PAA				Insurance revenue from contracts measured under the PAA	Total insurance revenue
	Expected incurred claims and other directly attributable expenses	Changes in risk adjustment for non-financial risk for expired risk	CSM recognised for the services provided	Insurance acquisition cash flows recovery		
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	248,846	19,003	115,066	100,401	-	483,316
Annuities	34,883	1,610	2,159	723	-	39,375
Group credit	898,749	44,055	556,998	76,861	3,482,642	5,059,305
Group life	-	-	-	-	1,265,233	1,265,233
Total	1,182,478	64,668	674,223	177,985	4,747,875	6,847,229

	2023					
	Contracts not measured under the PAA				Insurance revenue from contracts measured under the PAA	Total insurance revenue
	Expected incurred claims and other directly attributable expenses	Changes in risk adjustment for non-financial risk for expired risk	CSM recognised for the services provided	Insurance acquisition cash flows recovery		
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	244,408	14,101	80,892	49,969	-	389,370
Annuities	26,993	1,036	726	335	-	29,090
Deposit Administration	-	-	-	-	598,632	598,632
Group Credit	863,189	27,396	313,431	51,738	3,158,071	4,413,825
Group life	-	-	-	-	1,267,236	1,267,236
Total	1,134,590	42,533	395,049	102,042	5,023,939	6,698,153

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

3. INSURANCE SERVICE RESULT *(Continued)*

(b) Insurance service expenses

2024						
	Incurred claim expense	Directly attributable expenses	Losses on onerous contracts and reversals of those losses	Amortisation of insurance acquisition cash flows	Expected release of risk adjustment over the period to loss component	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	(74,520)	327,227	(23,316)	100,401	(1,063)	328,729
Annuities	17,696	25,575	4,552	(1,520)	(129)	46,174
Deposit adminis-tra-tion	-	179,406	-	-	-	179,406
Group life	(175,264)	227,247	(6,032)	866,552	(15,112)	897,391
Group credit	117,482	990,437	(49,031)	2,680,377	(50,187)	3,689,078
Total	(114,606)	1,749,892	(73,827)	3,645,810	(66,491)	5,140,778

2023						
	Incurred claim expense	Directly attributable expenses	Losses on onerous contracts and reversals of those losses	Amortisation of insurance acquisition cash flows	Expected release of risk adjustment over the period to loss component	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	20,958	279,752	6,616	49,969	(468)	356,827
Annuities	18,347	22,148	22,669	335	-	63,499
Deposit administration	463,043	143,278	-	-	-	606,321
Group life	915,330	217,079	21,195	119,949	-	1,273,553
Group credit	2,813,945	907,423	97,566	294,438	-	4,113,372
Total	4,231,623	1,569,680	148,046	464,691	(468)	6,413,572

(c) Net expenses from reinsurance contracts held

The analysis of net income / (expense) from reinsurance contracts by major product lines is presented below:

2024						
	Reinsurance premium	Reinsur-ance com-mission	Amounts recover-able for incurred claims	Risk adjust-ment on claim recoveries	Loss recovery on oner-ous underlying con-tracts and adjustments	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	12,514	-	(3,383)	-	-	9,131
Group life	440,980	(101,759)	(127,866)	2,014	357	213,726
Group credit	1,177,873	(306,629)	(538,789)	7,962	(10,036)	330,381
Total	1,631,367	(408,388)	(670,038)	9,976	(9,679)	553,238

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

3. INSURANCE SERVICE RESULT *(Continued)*

(c) Net expenses from reinsurance contracts held

2023						
	Reinsurance premium	Reinsurance commission	Amounts recoverable for incurred claims	Risk adjustment on claim recoveries	Loss recovery on onerous underlying contracts and adjustments	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	13,112	(6,635)	(3,218)	-	-	3,259
Group life	387,901	(69,753)	(339,949)	2,103	(1,680)	(21,378)
Group credit	1,218,720	(292,679)	(1,126,343)	4,920	(15,645)	(211,027)
Total	1,619,733	(369,067)	(1,469,510)	7,023	(17,325)	(229,146)

(e) Expected recognition of the contractual service margin

An analysis of the expected recognition of the CSM for insurance contracts issued remaining at the end of the reporting period in profit or loss is provided in the following table

Number of years until expected to be recognised	Ordinary life	Annuities	Group credit single premium	Total CSM for insurance contracts issued
	KShs'000	KShs'000	KShs'000	KShs'000
As at 31 Dec 2024				
1	120,412	3,012	542,088	665,512
2	101,966	2,981	488,942	593,889
3	89,889	2,946	449,867	542,702
4	82,560	2,908	411,603	497,071
5	76,781	2,866	364,542	444,189
6 – 10	286,764	13,532	474,534	774,830
>10	104,598	31,269	1,522	137,389
Total	862,970	59,514	2,733,098	3,655,582
As at 31 Dec 2023				
1	81,241	1,059	325,983	408,283
2	71,535	1,049	291,841	364,425
3	64,719	1,038	274,104	339,861
4	59,441	1,025	256,733	317,199
5	54,833	1,011	239,574	295,418
6 – 10	200,551	4,791	358,602	563,944
>10	74,370	11,182	63	85,615
Total	606,690	21,155	1,746,900	2,374,745

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

4. INVESTMENT INCOME	2024 KShs '000	2023 KShs '000
(a) Interest revenue calculated using the effective interest method		
Interest on financial assets at amortised cost – Government securities	2,882,519	125,448
Amortisation of financial assets at amortised cost	49,652	-
Interest on financial assets at amortised cost - corporate bonds	(91)	1,061
Interest on bank deposits	355,709	103,631
Interest on financial assets at fair value through other comprehensive income – Government securities	864,975	893,906
Interest on staff loan receivables	58,574	53,883
	4,211,338	1,177,929
(b) Other investment income		
Rental income from investment properties	42,702	38,852
Dividend income	18,818	23,777
	61,520	62,629
Total investment income	4,272,858	1,240,558

5. OTHER GAINS AND LOSSES

	2024 KShs '000	2023 KShs '000
Net gains/ (losses) on financial assets held at FVPTL		
Fair value gain/(loss) on quoted equity investments at fair value through profit or loss (Note 12)	81,788	(78,218)
Fair value gain on investments in collective investment schemes (note 18)	14,915	3,610
	96,703	(74,608)
Other gains		
(Loss) on disposal of disposal of property and equip-ment	-	(20)
Fees on deposit administration contracts	192,826	132,500
Miscellaneous income*	66,729	29,554
	259,555	162,034
Total other gains	356,258	87,426

*Miscellaneous income includes sundry income arising from replacement of lost policy documents.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

6. NET INSURANCE FINANCE EXPENSES

(a) Net finance income for insurance contracts held

2024									
	Finance expenses from insurance contracts issued				Finance income from reinsurance contracts held				
	Interest accreted on CSM	Changes in interest rates on insurance contract liabilities	Changes in interest rates on risk adjustment to insurance contract liabilities	Finance expenses from insurance contracts issued	Interest accreted on CSM	Changes in interest rates on present value to insurance contract liabilities	Changes in interest rates on risk adjustment to insurance contract liabilities	Finance income from reinsurance contracts held	Net insurance finance expenses
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	134,999	738,757	11,522	885,278	-	-	-	-	885,278
Annuities	8,070	586,776	4,800	599,646	-	-	-	-	599,646
Group life	-	74,658	-	74,658	-	(15,507)	-	(15,507)	59,151
Group credit	362,991	728,067	19,444	1,110,502	(77,125)	1,443	(192)	(75,874)	1,034,628
Deposit administration	1,840,867	-	-	1,840,867	-	-	-	-	1,840,867
Total	2,346,927	2,128,259	35,766	4,510,951	(77,125)	(14,064)	(192)	(91,381)	4,419,570

2023									
	Finance expenses from insurance contracts issued				Finance income from reinsurance contracts held				
	Interest accreted on CSM	Changes in interest rates on insurance contract liabilities	Changes in interest rates on risk adjustment to insurance contract liabilities	Finance expenses from insurance contracts issued	Interest accreted on CSM	Changes in interest rates on present value to insurance contract liabilities	Changes in interest rates on risk adjustment to insurance contract liabilities	Finance income from reinsurance contracts held	Net insurance finance expenses
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	58,697	(60,130)	5,784	4,351	-	-	-	-	4,351
Annuities	5,358	(16,159)	-	(10,801)	-	-	-	-	(10,801)
Group life	-	24,746	-	24,746	-	(4,321)	2	(4,319)	20,427
Group credit	219,904	182,374	8,920	411,198	3,089	(34,525)	(16)	(31,452)	379,746
Total	283,959	130,831	14,704	429,494	3,089	(38,846)	(14)	(35,771)	393,723

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

6. NET INSURANCE FINANCE EXPENSES *(Continued)*

(a) Analysis of net investment income and net insurance finance expenses by product line

2024	Ordinary Life	Annuity	Deposit Administration	Group Life	Group Credit	Total
Net investment income (expenses) - underlying assets						
Interest revenue from financial assets not measured at FVTPL	371,081	253,944	2,650,198	936,115	-	4,211,338
Net losses on FVTPL investments	38,114	17,888	-	7,920	32,781	96,703
Other investment income	7,585	3,242	-	1,555	6,436	18,818
Net credit impairment reversals	3,239	95	-	1,633	6,761	11,728
Net losses on investments in debt securities measured at FVOCI	209,054	149,348	-	88,538	366,435	813,375
Net investment income - underlying assets	629,073	424,517	2,650,198	1,035,761	412,413	5,151,962
Net investment income (expenses)						
- other						
Income from deposit administration contracts	-	-	192,826	-		192,826
Net income from investment property				8,310	34,392	42,702
Net investment income (expenses)	10,607	(96)	-	10,940	45,278	66,729
- other	10,607	(96)	192,826	19,250	79,670	302,257
Total net investment income	639,680	424,421	2,843,024	1,055,011	492,083	5,454,219
Finance income (expenses) from insurance contracts issued						
Finance expenses from insurance contracts issued						
Finance income (expenses) from reinsurance contracts held	(885,278)	(599,646)	(1,840,867)	(74,658)	(1,110,502)	(4,510,951)
Finance income from reinsurance contracts held	-	-	-	15,507	75,874	91,381
Net insurance finance expenses	(885,278)	(599,646)	(1,840,867)	(59,151)	(1,034,628)	(4,419,570)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

6. NET INSURANCE FINANCE EXPENSES *(Continued)*

(a) Analysis of net investment income and net insurance finance expenses by product line (continued)

2024	Ordinary Life	Annuity	Deposit Administration	Group Life	Group Credit	Total
Summary of the amounts recognized in profit or loss						
Net investment income - underlying assets	416,780	275,074	2,650,198	945,590	39,217	4,326,859
Net investment income - other investments	-	-	-	-	-	-
Net investment income (expenses) - other	10,607	(96)	192,826	19,250	79,670	302,257
Net insurance finance expenses	(885,278)	(599,646)	(1,840,867)	(59,151)	(1,034,628)	(4,419,570)
	(457,891)	(324,668)	1,002,157	905,689	(915,741)	209,546
Summary of the amounts recognized in OCI						
Net investment income - other investments	209,054	149,348	-	88,538	366,435	813,375
Net investment income - underlying assets	3,239	95	-	1,633	6,761	11,728
	212,293	149,443	-	90,171	373,196	825,103
Summary of the amounts recognised						
Insurance service result	145,455	(6,799)	(179,406)	154,143	1,039,820	1,153,213
Net investment income	(457,891)	(324,669)	1,002,157	905,689	(915,488)	209,546
Net insurance finance income	212,293	149,443	-	90,171	373,196	825,103
Net insurance and investment result	(100,143)	(182,025)	822,751	1,150,003	497,528	2,187,862

2023	Ordinary Life	Annuity	Deposit Administration	Group Life	Group Credit	Total
Net investment income (expenses)						
underlying assets						
Interest revenue from financial assets not measured at FVTPL	277,751	207,286	-	135,133	557,759	1,177,929
Net losses on FVTPL investments	(27,725)	(13,598)	-	(6,350)	(26,935)	(74,608)
Net income on FVTPL investments	9,289	5,171	-	1,777	7,520	23,757
Net credit impairment losses	2,202	1,673	-	1,157	4,906	9,938
Net losses on investments in debt securities measured at FVOCI	(101,657)	(126,336)	-	(63,258)	(268,334)	(559,585)
Net investment income - underlying assets	159,860	74,196	-	68,459	274,916	577,431
Net investment income (expenses)						
- other						
Other investment income	-	-	132,500	-	-	132,500
Net income from investment property	-	-	-	7,412	31,440	38,852
Miscellaneous income	-	-	-	-	-	-
Net investment income (expenses)						
- other	21,155	2,375	132,500	8,561	36,315	200,906
Total net investment income	181,015	76,571	132,500	77,020	311,231	778,337

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

6. NET INSURANCE FINANCE EXPENSES *(Continued)*

2024	Ordinary Life	Annuity	Deposit Administration	Group Life	Group Credit	Total
Finance income (expenses) from insurance contracts issued						
Finance expenses from insurance contracts issued	(4,351)	10,801	-	(24,746)	(411,198)	(429,494)
Finance income (expenses) from reinsurance contracts held						
Finance income from reinsurance contracts held	-	-	-	4,319	31,452	35,771
Net insurance finance expenses	(4,351)	10,801	-	(20,427)	(379,746)	(393,723)

2023	Ordinary Life	Annuity	Deposit Administration	Group Life	Group Credit	Total
Summary of the amounts recognised in profit or loss						
Net investment income - underlying assets	259,315	198,859	-	130,560	538,344	1,127,078
Net investment income - other investments	-	-	-	-	-	-
Net investment income (expenses) - other	21,155	2,375	132,500	8,561	36,315	200,906
Net insurance finance expenses	(4,351)	10,801	-	(20,427)	(379,746)	(393,723)
	276,119	212,035	132,500	118,694	194,913	934,261
Summary of the amounts recognised in OCI						
Net investment income - other investments	(101,657)	(126,336)	-	(63,258)	(268,334)	(559,585)
Net investment income - underlying assets	2,202	1,673	-	1,157	4,906	9,938
	(99,455)	(124,663)	-	(62,101)	(263,428)	(549,647)
Summary of the amounts recognised						
Insurance service result	22,651	(34,408)	(7,688)	54,833	478,339	513,727
Net investment income	276,119	212,035	132,500	118,694	194,913	934,261
Net insurance finance expenses	(99,455)	(124,663)	-	(62,101)	(263,428)	(549,647)
Net insurance and investment result	199,315	52,964	124,812	111,426	409,824	898,341

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

7. (a) OPERATING AND OTHER EXPENSES

	2024	2023
	KShs '000	KShs '000
Staff costs (note 7(b))	811,636	767,564
Auditor's remuneration	12,478	10,915
Directors' fees and emoluments (note 20(e))	34,986	34,200
Depreciation of property and equipment (note 9(a))	18,843	16,690
Amortisation on the right of use (note 9(b))	16,071	16,580
Amortisation of intangible assets (note 11)	287	472
Professional fees	128,398	81,610
Printing and stationery	13,751	17,226
Software licence costs	125,651	113,419
Premium tax	76,476	11,264
Business advertising and promotion	202,706	171,332
Statutory returns	26,795	84,038
Professional subscription	13,205	7,374
Utilities	63,308	69,016
Staff welfare	149,116	128,058
Other expenses*	180,564	237,450
Total	1,874,271	1,767,208
Represented by:		
Insurance service expenses	1,661,035	1,569,680
Other operating expenses	213,236	197,528
Total	1,874,271	1,767,208

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

(b) Staff costs

Staff costs include the following:	2024	2023
	KShs'000	KShs'000
- Salaries	632,251	627,703
- Restructuring costs	-	34,613
-Defined contribution expenses	46,743	33,789
- Bonus pay	41,671	36,765
- Termination benefits expenses	78,779	20,985
- Leave pay	12,192	13,709
	811,636	767,564

The average number of employees during the year was 240 (2023: 204)

(c) Staff bonus provision movement	2024	2023
	KShs'000	KSshs'000
As at 1 January	41,671	33,207
-Charge through profit and loss	41,671	36,765
-Payments during the year	(40,442)	(28,301)
-As at 31 December	42,900	41,671

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

7. (a) OPERATING AND OTHER EXPENSES *(Continued)*

(d) Charge/ (reversal) of allowance for expected credit losses:	2024	2023
	KShs'000	KSshs'000
-Corporate bonds – note 34 (b)	3,013	(144)
-Deposit with financial institutions – note 34 (b)	(13,153)	9,331
-Due from related party – note 34 (b)	(1,980)	(458)
-Loan receivables – note 34 (b)	74	(82)
-Government securities at amortised cost- treasury bonds- note 34 (b)	639	(19)
-Government securities at FVOCI – note 34 (b)	(2,120)	-
-Cash and bank – note 34(b)	1,799	1,310
	(11,728)	9,938

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

8. INCOME TAX EXPENSE	2024	2023
	KShs '000	KShs '000
(a) Income tax expense		
Current income tax	-	9,340
Deferred tax charge/(credit) (Note 12)	348,375	378,119
	348,375	387,459
(b) Reconciliation of income tax expense to tax on accounting profit		
Profit before income tax	1,161,250	1,260,398
Tax calculated at a tax rate of 30% (2023: 30%)	348,375	378,119
Tax effects of:		
Excess of management expenses over permitted ex-penses	-	9,340
Taxation charge for the year	348,375	387,459

The applicable tax rate during the year was 30% (2023: 30%).

The current income tax charge is made up of:	2024	2023
	KShs '000	KShs '000
Tax on excess of management expenses**	-	9,340
	-	9,340
Total management expenses	2,614,543	2,441,685
Permitted management expenses	(3,045,258)	(2,337,908)
Surplus	(430,715)	103,777
30% of surplus	(129,215)	31,133
Tax thereon	-	9,340

** The tax charge for the Company is derived by subjecting to tax only 30% management fees in excess of the amount allowed in Section 19 (5) of the Kenyan Income Tax Act as well as on the transfer from the statutory reserves to shareholders as per the recommendation of the statutory actuary. The tax rate of 30% on the current tax was applied and the tax liability for 2024 is Nil (2023: KShs 9,340,000)

The applicable tax rate during the year was 30% (2023: 30%).

(c) Current income tax	2024	2023
	KShs '000	KShs '000
At start of year	69,171	(6,506)
Current income tax	-	(9,340)
Paid during the year	11,829	85,017
At end of year	81,000	69,171

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

9. (a) PROPERTY AND EQUIPMENT

	Motor vehicles	Computers	Furniture, fittings equipment	Total
	KShs '000	KShs '000	KShs '000	KShs '000
COST OR VALUATION				
At 1 January 2024	8,389	121,506	299,326	429,221
Additions	17,108	10,050	3,783	30,941
Disposals				
At 31 DECEMBER 2024	25,497	131,556	303,109	460,162
ACCUMULATED DEPRECIATION				
At 1 January 2024	5,923	107,207	271,747	384,877
Charge for the year	4,236	6,613	7,994	18,843
At 31 DECEMBER 2024	10,159	113,820	279,741	403,720
CARRYING AMOUNT				
At 31 DECEMBER 2024	15,338	17,736	23,368	56,442
COST OR VALUATION				
At 1 January 2023	8,389	111,669	295,974	416,032
Additions	-	10,009	3,352	13,361
Disposals	-	(172)	-	(172)
At 31 December 2023	8,389	121,506	299,326	429,221
ACCUMULATED DEPRECIATION				
At 1 January 2023	3,826	102,831	261,663	368,320
Charge for the year	2,097	4,509	10,084	16,690
Elimination on disposal	-	(133)	-	(133)
At 31 December 2023	5,923	107,207	271,747	384,877
CARRYING AMOUNT				
At 31 December 2023	2,466	14,299	27,579	44,344

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

9. (b) LEASES

The Company's leases include Office space. Lease payments have an escalating clause to reflect market rentals. Information about leases for which the Company is a lessee is presented below.

	2024	2023
	KShs'000	KShs'000
Right of use asset		
At start of the year	74,649	55,587
Additions	8,217	49,788
Lease remeasurement	(30,555)	(18,945)
Amortisation charge	(16,071)	(16,580)
Accumulated amortization on disposal	12,447	4,799
At end of year	48,687	74,649
Lease liability		
At start of the year	88,274	64,664
Additions	8,217	49,788
Accretion of interest	8,045	8,506
Payment of interest	(8,045)	(8,506)
Payment of principal portion of lease liabilities	(22,392)	(12,032)
Lease remeasurement	(14,665)	(14,146)
At end of year	59,434	88,274

Amounts recognised in profit or loss	2024	2023
	KShs'000	KShs'000
Interest on lease liabilities	8,045	8,506
Amortisation of right of use assets	16,071	16,580
Amounts recognised in cash flows:		
Payment of principal portion of lease liabilities	22,392	12,032
Payment of interest on lease liability	8,045	8,506
Total cash outflow for leases	30,437	20,538

Lease liability maturity analysis – undiscounted basis

2024	Due on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Lease liabilities	-	5,569	16,214	52,581	1,073	75,437
2023						
Lease liabilities	-	6,747	19,113	70,891	-	96,751

10. INVESTMENT PROPERTIES

	CIC Plaza I	Kisaju Land	Kajiado Land	TOTAL
	KShs'000	KShs'000	KShs'000	KShs'000
2024				
At 1 January and 31 December	1,115,875	680,000	386,000	2,181,875
2023				
At 1 January and 31 December	1,115,875	680,000	386,000	2,181,875

There are no contractual commitments in respect of the investment properties.
The repairs and maintenance expenses on investment property for the year amounted to KShs 6.1M (2023: KShs 7.7M)
Net rental income on CIC Plaza I arising from operating lease arrangements has been disclosed in note 4 of the financial statements.

CIC Plaza I was valued on 31 December 2024 by registered valuers, Crystal Valuers Limited, on the basis of open market value. Crystal Valuers Limited are industry specialists in valuing these types of investment properties. In arriving at the value of the investment properties, the valuers used capitalization of the rental income using the year purchase method. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Generally, a change in the assumption made for the estimated rental value is accompanied by:
i) a directionally similar change in the rent growth per annum and discount rate (and exit yield)
ii) an opposite change in the long-term vacancy rate

Description of valuation techniques used and key inputs to valuation on investment properties:

		2024	2023
		KShs'000	KShs'000
Valuation technique	Significant unobservable Inputs	Average	Average
Capitalized rent income (year purchase) method	Net annual rent	42,702	38,852
	Annual rent growth rate	5%	5%
	Discounting rate	18.5%	16%

Considering the physical economic parameters in the country and the trends in property markets, management is of the opinion that there will be no significant changes in the inputs to the valuation method during the year. Valuations are performed on an annual basis and the fair value gains and losses are recorded within the profit or loss. The fair valuation basis takes into account the existing use and the tenancies and also considers the normal lease structure for similar buildings.

On the other hand, Kisaju and Kajiado plots are based on market value, that is, price at which an interest in a property might reasonably be expected to be sold by a private treaty at the date of valuation assuming:

(a) a willing buyer, willing seller;
(b) a reasonable period within which to negotiate the sale by taking into account the nature of the property;
(c) values will remain static throughout the period;
(d) the property will be freely exposed to the market within reasonable publicity;
(e) no account is taken of an individual bid by a special purchaser.

The investment properties are included in level 3 of the fair value hierarchy. The fair value disclosures have been set out in note 35.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

11. INTANGIBLE ASSETS

2024	Computer Software	Work in progress	Total
	KShs '000	KShs '000	KShs '000
COST			
At 1 January	110,760	28,203	138,963
Additions	413	27,678	28,091
At 31 December	111,173	55,881	167,054
ACCUMULATED AMORTISATION			
At January	110,583	-	110,583
Charge for the year	287	-	287
At 31 December	110,870	-	110,870
CARRYING AMOUNT			
At 31 December	303	55,881	56,184

2023	Computer Software	Work in progress	Total
	KShs '000	KShs '000	KShs '000
COST			
At 1 January	110,760	888	111,648
Additions	-	27,315	27,315
At 31 December	110,760	28,203	138,963
ACCUMULATED AMORTISATION			
At January	110,111	-	110,111
Charge for the year	472	-	472
At 31 December	110,583	-	110,583
CARRYING AMOUNT			
At 31 December	177	28,203	28,380

The intangible assets relate to costs incurred in the acquisition of software in use by the company. The cost is amortised on a straight-line basis over the estimated useful lives of four years.

12. DEFERRED INCOME TAX	2024	2023
	KShs'000	KShs'000
Deferred tax liability	1,014,886	666,511
The movement in the deferred tax account is as follows:		
At 1 January		
Deferred tax recognised through profit or loss (note 8 (a))	(666,511)	(288,392)
Under-provision in the prior year	(348,375)	(378,119)
At 31 December		
	(1,014,886)	(666,511)

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2023: 30%).
Amounts recognised in current income tax relate to tax on transfers from statutory reserves to shareholders.

There is no deferred tax on temporary differences arising from property and equipment and also arising from the investment property because life insurance companies are taxed differently (refer to note 8 (b)) where deferred tax is only calculated on the life fund surplus that is not transferred to retained earnings for distribution at any point in time.

13. FINANCIAL ASSETS AT AMORTISED COST - CORPORATE BONDS

The credit quality of each corporate bond is assessed and is acceptable within the parameters used to measure and monitor credit risk.

	2024 KShs '000	2023 KShs '000
Kenya Mortgage Refinancing Corporation (KMRC)	10,409	11,843
Family Bank Limited	45,378	45,345
Real People Limited	3,126	3,629
East African Breweries Limited	8,997	8,981
Gross	67,910	69,798
Allowance for expected credit loss	(3,157)	(144)
Carrying amount	64,753	69,654
Movement of the cost of the corporate bonds in the year:		
At 1 January	69,798	144,361
Additions	29	-
Maturities	(1,408)	(1,252)
Write off	-	(73,545)
Amortization	(509)	234
At 31 December	67,910	69,798
Allowance for expected credit loss	(3,157)	(144)
Carrying amount	64,753	69,654

Maturity analysis of the corporate bond has been disclosed in Note 34 (b) of the financial statements

14. FINANCIAL ASSETS AT AMORTISED COST – GOVERNMENT SECURITIES

	2024 KShs '000	2023 KShs '000
At 1 January		
Additions	9,296,754	6,530,684
Maturities	537,355	2,980,580
Amortisation	(328,823)	(222,750)
Accrued interest	3,385	2,013
Reclassification from fair value through OCI	24,816	6,227
Gross amount	9,533,487	9,296,754
Allowance for expected credit loss	(757)	(118)
At 31 December	9,532,730	9,296,636

Government securities at amortised cost of KShs 9.5 Billion (2023 - KShs 9.2 Billion) includes treasury bonds held by the Central Bank of Kenya under lien to the Commissioner of Insurance in accordance with the Kenyan Insurance Act.

Maturity analysis of the government securities held at amortized cost has been disclosed in Note 34 (b) of the financial statements

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

15. FINANCIAL ASSETS AT AMORTISED -LOANS RECEIVABLE

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

	2024 KShs '000	2023 KShs '000
(a) MORTGAGE LOANS:		
At 1 January	31,778	32,793
Interest accrued during the year	2,590	2,590
Repayments in the year	(2,256)	(3,605)
At 31 December	32,112	31,778
(b) OTHER LOANS:		
Staff loans	6,186	5,989
At 31 December	38,298	37,767

An analysis of changes in the gross carrying amount and corresponding ECL allowances loans receivables at amortised cost has been disclosed in note 34 (b).
Maturity analysis of the loans receivable has been disclosed in Note 34 (b) of the financial statements.
The following table shows the maximum exposure to credit risk of staff loans, the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk:

31 December 2024	Maximum exposure to credit risk	Total collateral	Net exposure	ECLs
	KShs '000	KShs '000	KShs '000	KShs '000
Mortgage loans	32,112	55,438	-	-
Other loans	7,590	6,186	1,404	1,404
	39,702	62,033	1,404	1,404
31 December 2023				
Mortgage loans	31,778	55,438	-	-
Other loans	5,754	5,989	1.330	1.330
	39,097	61,427	1.330	1.330

The property is charged on the company and it's able to sell the property in case of default. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In its normal course of business, the company does not physically repossess properties or other assets in its portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt.

The collateral held for other loans include share certificates and joint charge on car logbooks.

The mortgage loans to collateral ratio as at the end of the year stood at 174% (2023: 174%)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – GOVERNMENT SECURITIES

	2024	2023 (restated)
	KShs '000	KShs '000
At 1 January	6,979,797	5,959,382
Additions	3,716,678	1,590,000
Disposals	(473,770)	(10,000)
Fair value loss	813,375	(559,585)
Gross amount	11,036,080	6,979,797
Allowance for expected credit loss	-	(2,120)
At 31 December	11,036,080	6,977,677

Maturity analysis of the government securities held at FVOCI has been disclosed in Note 34(b) of the financial statements.
An analysis of changes in the gross carrying amount and corresponding ECL allowances debt instruments at fair value through OCI and at amortised cost has been disclosed in note 33 (b). Refer to note 34 for fair value disclosures.

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

	2024	2023
	KShs '000	KShs '000
At 1 January	435,210	738,305
Additions during the year	139,241	92,005
Disposals	81,788	(316,882)
Fair value gain/ (loss) (note 5)	(24,548)	(78,218)
At 31 December	631,691	435,210

At the reporting date, these are valued at the closing price at the Nairobi Securities Exchange on the last day of trading in the year. Refer to note 35 for fair value disclosures.

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

	2024	2023
	KShs '000	KShs '000
At 1 January	713,16	684,352
Additions	171,705	221,940
Maturities	(565,344)	(196,733
Fair value gain	14,915	3,610
At 31 December	334,445	713,169

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

19. OTHER RECEIVABLES

	2024 KShs '000	2023 KShs '000
Staff advances	6,711	5,073
Prepayments	9,045	1,307
Advances for agents	8,436	4,403
Accrued rental income	28,383	46,567
Lease rental deposits	2,491	2,491
Receivable from deposit administration	146,082	169,511
Other receivables	85,330	105,563
	286,478	334,915

An analysis of changes in the gross carrying amount and corresponding ECL allowances in other receivables has been disclosed in note 34 (b).

The carrying amounts of the other receivables approximate their fair values.

Other receivables are largely relating to administration fees and funds receivable from pension business.

20 RELATED PARTY BALANCES

The company is a subsidiary of The CIC Insurance Group PLC, incorporated in Kenya, which owns 100% shares of the company. The ultimate parent company is Co-operative Insurance Society Limited. CIC Asset Management Limited, CIC Life Assurance Limited and CIC General Insurance Limited are related through common shareholding. The provisions for expected credit losses made on related party balances during the year was KShs 0.65 million (2023: 2.61 million). The amounts due from related parties are non- interest bearing and the balances are not secured. There were no commitments made between the company and any related party.

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

	2024	2023
(a) Transactions with related parties *	**KShs '000**	**KShs '000**
(i) Receipts from related parties		
The Co-operative Bank of Kenya Limited	1,753,312	1,789,136
The CIC Insurance Group PLC	361,891	398,960
CIC General Insurance Limited	563,640	327,858
CIC Asset Management Limited	51,818	35,767
	2,730,661	2,551,721
(ii) Payments to related parties		
The Co-operative Bank of Kenya Limited	534,607	479,439
The CIC Insurance Group PLC	784,195	439,781
CIC General Insurance Limited	515,714	354,915
CIC Asset Management Limited	57,954	36,135
	1,892,470	1,310,270

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

20 RELATED PARTY BALANCES *(Continued)*

(b) Due from related parties	2024 KShs '000	2023 KShs '000
The CIC Insurance Group PLC	12,396	434,700
CIC General Insurance Limited	111,491	63,565
Allowance for expected credit loss	(630)	(2,610)
	123,257	495,655
Due to related parties		
CIC Asset Management Limited	13,212	7,076

An analysis of changes in the gross carrying amount and corresponding ECL allowances in due from related parties has been disclosed in note 34 (b). The carrying amounts of the related party balances approximates their fair values.

(c) Loans to directors of the company

The company did not advance loans to its directors in 2024 (2023: Nil).

(d) Investment property

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

(e) Key management remuneration

Key management	2024 KShs '000	2023 KShs '000
Short-term employment benefits:		
Leave allowance	1,284	1,413
Salaries	116,817	106,156
National Social Security Fund (NSSF)	291	145
Gratuity	-	7,728
Pension contribution	4,396	4,788
Housing Levy	1,378	-
	124,166	120,230

* Included in the key management remuneration is the executive director's (Managing Director) expenses of KShs 41.9M (2023– 38M)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

20. RELATED PARTY BALANCES *(Continued)*

(e) Key management remuneration *(Continued)*

	2024	2023
Directors:	**KShs '000**	**KShs '000**
Directors 'emoluments – fees	11,301	8,668
Other fees:		
Sitting allowances	16,402	15,844
Insurance	181	580
Honoraria	5,427	4,959
Retreats and training	598	2,180
Exits / Retirement	-	861
Christmas token	1,077	1,108
	34,986	34,200
Total short term employment benefits	159,152	154,430

(f) Deposits placed with related parties

The company holds bank balances and deposits with related parties (Co-operative Bank and Kingdom Bank). See note 21

	2024	2023
	KShs '000	**KShs '000**
TheC o-operative Bank of Kenya Limited	3,111,28	1,271,515
Kingdom Bank	-	24,600
	3 111,283	1,296,115

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024
20. RELATED PARTY BALANCES *(Continued)*

(e) Key management remuneration ***(Continued)***

21. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2024 KShs '000	2023 KShs '000
The Co-operative Bank of Kenya Limited	2,973,589	1,206,549
The Co-operative Bank of Kenya Limited*	137,694	64,966
Family Bank Limited	102,660	10,329
Kenya Women's Micro Finance Bank	-	42,668
Kingdom Bank	-	24,600
Equity Bank	778,332	75,078
Credit Bank	132,341	60,263
NCBA Bank Limited	584,101	34,080
Stanbic Bank	14,870	272,476
I & M Bank Limited	1,080	-
KCB Bank Kenya Limited	556,253	-
KCB Bank Kenya Limited*	285,425	381,428
Development Bank of Kenya Limited	25,392	57,122
SBM Bank Kenya Limited	306,798	-
Bank of Africa Kenya Limited	759,560	-
National Bank of Kenya Limited	17,733	-
	6,675,828	2,229,559
Allowance for expected credit loss	(1,605)	(14,758)
	6,674,223	2,214,801
Maturity analysis:		
Maturing within three months	6,163,513	2,214,801
Maturing between 3-6 months	510,710	-
	6,674,223	2,214,801

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

21. DEPOSITS WITH FINANCIAL INSTITUTIONS *(Continued)*

* With the exception of deposits with the Co-operative Bank of Kenya Limited of KShs 138 million and KCB Bank Kenya Limited of KShs 285 million, which are under lien for staff loan collaterals, all the other deposits are available for use by the Company and have no lien conditions attached to them. The weighted average interest rate earned on the deposits with the Co-operative Bank of Kenya Limited and KCB Bank Kenya Limited under lien during the year was 2.5 % (2023: 2.5%).
Deposits maturing after three months are assessed from the placement date. The carrying amounts of the fixed deposits approximate their fair values.

Deposits maturing after three months are assessed from the placement date. The carrying amounts of the fixed deposits approximate their fair values.

An analysis of changes in the gross carrying amount and corresponding ECL allowances in deposits with financial institutions has been disclosed in note 34 (b).

22. WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

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

	2024	2023
	%	%
Government securities	13.46	13.03
Corporate bonds	12.57	12.57
Staff loans	6.00	6.00
Deposits with financial institutions, other than the Co-op Bank and KCB Bank disclosed	15.39	13.05
Other deposits and commercial paper	-	13.00

23. SHARE CAPITAL

	31 December 2024		31 December 2023	
	Number of shares	Share Capital	Number of shares	Share capital
	(in '000)	KShs '000	(in'000)	KShs '000
Authorised ordinary shares of KShs 20 each:				
At 1 January and at 31 December	40,000	800,000	40,000	800,000
Issued and fully paid up share capital:				
At 1 January and at 31 December	40,000	800,000	40,000	800,000

24. (a) STATUTORY RESERVE

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

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

(b) FAIR VALUE RESERVE

The fair value reserve represents fair value gains/(loss) arising from financial assets at fair value through other comprehensive income and fair value gains or losses on revaluation of building. This reserve is not distributable as dividends.

(c) RETAINED EARNINGS

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

25. COMPOSITION OF THE BALANCE SHEET - INSURANCE AND INVESTMENT CONTRACTS
An analysis of the amounts presented on the balance sheet for insurance contracts is included in the table below

	2024			2023		
	Insurance contract liabilities	Reinsurance contract assets	Investment contracts liabilities	Insurance contract liabilities	Reinsurance contract assets	Investment contracts liabilities
				*Restated	*Restated	
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	(2,759,815)	(2,105)	-	(2,017,763)	(3,713)	-
Annuities	(2,486,259)	-	-	(1,860,084)	-	-
Group life	(782,729)	191,973	-	(856,464)	254,658	-
Group Credit	(7,558,711)	1,233,690	-	(6,806,368)	1,041,888	-
Life insurance contract liabilities	(13,587,514)	1,423,558	-	(11,540,679)	1,292,833	-
Investment contracts with DPF (deposit administration)	(14,289,575)	-	-	(9,922,130)	-	-
Total insurance contract liabilities	(27,877,089)	1,423,558	-	(21,462,809)	1,292,833	
Unit-linked contracts	-	-	(98,924)	-	-	(141,273)
Total as per statement of financial position	(27,877,089)	1,423,558	(98,924)	(21,462,809)	1,292,833	(141,273)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

26. INSURANCE CONTRACTS LIABILITIES

(a) Reconciliation of the liability for remaining coverage (LRC) and liability for incurred claims (LIC) – Insurance contracts issued (continued)

Ordinary life

	2024				2023			
	Liability for remaining coverage		Liability for incurred claims		Liability for remaining coverage		Liability for incurred claims	
	Excl. loss component	Loss component	PV of future cash flows	Total	Excl. loss component	Loss component	PV of future cash flows	Total
	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000	KShs'000	KShs'000	KShs'000
Net insurance contract liabilities / (assets) at 1 Jan	1,893,055	93,803	30,905	2,017,763	1,999,379	82,900	23,269	2,105,548
Insurance revenue	(483,316)	-	-	(483,316)	(389,370)	-	-	(389,370)
Insurance service expenses	100,401	(45,610)	273,938	328,729	55,778	1,380	299,669	356,827
Investment components	(823,167)	-	823,167	-	(828,785)	-	828,785	-
Insurance service result	(1,206,082)	(45,610)	1,097,105	(154,587)	(1,162,377)	1,380	1,128,454	(32,543)
Insurance finance expenses	870,286	14,992	-	885,278	(5,172)	9,523	-	4,351
Total changes in the comprehensive income	(335,796)	(30,618)	1,097,105	730,691	(1,167,549)	10,903	1,128,454	(28,192)
Cash flows:								
Premiums received	1,328,535	-	-	1,328,535	1,180,960	-	-	1,180,960
Claims and other expenses paid	-	-	(1,105,631)	(1,105,631)			(1,120,818)	(1,120,818)
Insurance acquisition cash flows	(211,544)	-		(211,544)	(119,735)			(119,735)
Total cash flows	1,116,991		(1,105,631)	11,360	1,061,225		(1,120,818)	(59,593)
Net insurance contract liabilities / (assets) at 31 Dec	2,674,250	63,185	22,379	2,759,814	1,893,055	93,803	30,905	2,017,763

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

(a) Reconciliation of the liability for remaining coverage (LRC) and liability for incurred claims (LIC) – Insurance contracts issued (continued)

Annuities	2024				2023			
	Liability for remaining coverage		Liability for incurred claims		Liability for remaining coverage		Liability for incurred claims	
	Excl. loss component	Loss component	PV of future cash flows	Total	Excl. loss component	Loss component	PV of future cash flows	Total
	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Net insurance contract liabilities / (assets) at 1 Jan	1,826,270	33,814	-	1,860,084	1,914,716	10,651	-	1,925,367
Insurance revenue	(39,375)	-	-	(39,375)	(29,090)	-	-	(29,090)
Insurance service expenses	723	2,180	43,270	46,173	335	21,949	41,215	63,499
Investment components	(284,740)	-	284,740	-	(247,957)		247,957	-
Insurance service result	(323,392)	2,180	328,010	6,798	(276,712)	21,949	289,172	34,409
Insurance finance expenses	594,493	5,154	-	599,647	(12,015)	1,214	-	(10,801)
Total changes in the comprehensive income	271,101	7,334	328,010	606,445	(288,727)	23,163	289,172	23,608
Cash flows:								
Premiums received	354,526	-	-	354,526	204,220	-	-	204,220
Claims and other expenses paid	-	-	(328,010)	(328,010)	-	-	(289,172)	(289,172)
Insurance acquisition cash flows	(6,787)	-	-	(6,787)	(3,939)	-	-	(3,939)
Total cash flows	347,739	-	(328,010)	19,729	200,281	-	(289,172)	(88,891)
Net insurance contract liabilities /(assets) at 31 Dec	2,445,110	41,148	-	2,486,258	1,826,270	33,814	-	1,860,084

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

(a) Reconciliation of the liability for remaining coverage (LRC) and liability for incurred claims (LIC) – Insurance contracts issued (continued)

Group life	2024					2023				
	Liability for remaining coverage		Liability for incurred claims			Liability for remaining coverage		Liability for incurred claims		
	Excl. loss component	Loss component	PV of future cash flows	Risk adjustment	Total	Excl. loss component	Loss component	PV of future cash flows	Risk adjustment	Total
	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Net insurance contract liabilities / (assets) at 1 Jan	158,927	21,196	655,243	21,098	856,464	212,616	-	553,326	17,815	783,757
Insurance revenue										
Insurance service expenses	(1,265,233)	-	-	-	(1,265,233)	(1,267,236)	-	-	-	(1,267,236)
Insurance service result	95,936	(6,032)	815,456	(7,969)	897,391	119,949	21,196	1,128,995	3,413	1,273,553
Insurance finance expenses	(1,169,297)	(6,032)	815,456	(7,969)	(367,842)	(1,147,287)	21,196	1,128,995	3,413	6,317
Total changes in the comprehensive income	-	-	74,465	194	74,659	-	-	24,876	(130)	24,746
Cash flows:	(1,169,297)	(6,032)	889,921	(7,775)	(293,183)	(1,147,287)	21,196	1,153,871	3,283	31,063
Premiums received										
Claims and other expenses paid	1,260,876	-	-	-	1,260,876	1,210,924	-	-	-	1,210,924
Insurance acquisition cash flows	(91,365)	-	(950,346)	-	(1,041,711)	-	-	(1,051,954)	-	(1,051,954)
Total cash flows	-	-	-	-	-	(117,326)	-	-	-	(117,326)
	1,169,511	-	(950,346)	-	219,165	1,093,598	-	(1,051,954)	-	41,644
Net insurance contract liabilities / (assets) at 31 Dec										
	159,141	15,164	594,818	13,323	782,446	158,927	21,196	655,243	21,098	856,464

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

(a) Reconciliation of the liability for remaining coverage (LRC) and liability for incurred claims (LIC) – Insurance contracts issued (continued)

Group credit	2024					2023				
	Liability for remaining coverage		Liability for incurred claims			Liability for remaining coverage		Liability for incurred claims		
	Excl. loss component	Loss component	PV of future cash flows	Risk adjustment	Total	Excl. loss component	Loss component	PV of future cash flows	Risk adjustment	Total
	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Net insurance contract liabilities / (assets) at 1 Jan	4,541,992	99,048	2,106,748	58,580	6,806,368	3,642,445	58,221	1,587,498	29,580	5,317,744
Insurance revenue	(5,059,305)	-	-	-	(5,059,305)	(4,413,825)	-	-	-	(4,413,825)
Insurance service expenses	356,620	(67,199)	3,405,121	(5,464)	3,689,078	316,613	37,111	3,730,614	29,034	4,113,372
Insurance service result	(4,702,685)	(67,199)	3,405,121	(5,464)	(1,370,227)	(4,097,212)	37,111	3,730,614	29,034	(300,453)
Insurance finance expenses	904,284	4,886	200,870	462	1,110,502	325,457	3,716	82,059	(34)	411,198
Total changes in the comprehensive income	(3,798,401)	(62,313)	3,605,991	(5,002)	(259,725)	(3,771,755)	40,827	3,812,673	29,000	110,745
Cash flows:										
Premiums received	5,221,014	-	-	-	5,221,014	5,144,136	-	-	-	5,144,136
Claims and other expenses paid	-	-	(3,795,552)	-	(3,795,552)	-	-	(3,293,423)	-	(3,293,423)
Insurance acquisition cash flows	(413,396)	-	-	-	(413,396)	(472,834)	-	-	-	(472,834)
Total cash flows	4,807,618	-	(3,795,552)	-	1,012,066	4,671,302	-	(3,293,423)	-	1,377,879
Net insurance contract liabilities / (assets) at 31 Dec	5,551,209	36,735	1,917,187	53,578	7,558,709	4,541,992	99,048	2,106,748	58,580	6,806,368

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

a) Reconciliation of the liability for remaining coverage (LRC) and liability for incurred claims (LIC) – Insurance contracts issued (continued)

Investment components with DPF	**2024**			**2023**		
	Liability for remaining coverage	**Liabilities for incurred claims**	**Total**	**Liability for remaining coverage**	**Liabilities for incurred claims**	**Total**
	KShs'000'			**KShs'000**		
Net investment contracts liabilities at 1 January	9,922,130	-	9,922,130	7,312,508	-	7,312,508
Insurance revenue	-	-	-	598,632		598,632
Insurance service expenses	-	-	-		(606,321)	(606,321)
Investment component	-	-	-	(606,321)	606,321	-
Total changes in comprehensive income	-	-	-	(7,689)	-	(7,689)
Cash flows:						
Contributions received	4,608,342	-	4,608,342	2,605,695	-	2,605,695
Investment income received	2,650,198	-	2,650,198	598,632	-	598,632
Insurance acquisition cash flows	-	-	-	-	-	-
Withdrawals and other expenses paid	(2,916,779)	-	(2,916,779)	(679,010)	-	(679,010)
Total cash flows	4,341,761	-	4,341,761	2,525,317	-	2,525,317
Other movements						
Cost of guarantee	25,684	-	25,684	91,994	-	91,994
Net investment contracts liabilities at 31 December	14,289,575	-	14,289,575	9,922,130	-	9,922,130

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

(b) Reconciliation of the measurement components of insurance contract balance

Ordinary Life	2024				2023			
	PV of future cash flows	Risk adjustment	CSM	Total	PV of future cash flows	Risk adjustment	CSM	Total
	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Net insurance contract liabilities / (assets) at 1 Jan	1,368,956	42,117	606,690	2,017,763	1,723,123	37,882	344,543	2,105,548
Changes that relate to current service								
CSM recognised in profit or loss for the services provided	-	-	(115,066)	(115,066)	-	-	(80,892)	(80,892)
Change in the risk adjustment for non- financial risk	-	(20,066)	-	(20,066)	-	(14,571)	-	(14,571)
Experience adjustments	3,862	-	-	3,862	56,301	-	-	56,301
	3,862	(20,066)	(115,066)	(131,270)	56,301	(14,571)	(80,892)	(39,162)
Changes that relate to future service								
Changes in estimates that adjust the CSM	(130,113)	42,478	87,635	-	(412,443)	36,422	376,021	-
Changes in estimates that do not adjust the CSM	(192,575)	8,988	-	(183,587)	5,539	5,696	-	11,235
Experience adjustments	419,995	(63,018)	(223,277)	133,700	306,168	(47,321)	(291,635)	(32,788)
Contracts initially recognised in the period	(374,863)	29,444	371,989	26,570	(190,009)	18,225	199,956	28,172
Total changes	(273,694)	(2,174)	121,281	(154,587)	(234,444)	(1,549)	203,450	(32,543)
Insurance finance expenses	738,757	11,522	134,999	885,278	(60,130)	5,784	58,697	4,351
Total changes in the comprehensive income	465,063	9,348	256,280	730,691	(294,574)	4,235	262,147	(28,192)
Cash flows:								
Premiums received	1,328,535	-	-	1,328,535	1,180,960	-	-	1,180,960
Claims and other expenses paid	(1,105,631)	-	-	(1,105,631)	(1,120,818)	-	-	(1,120,818)
Insurance acquisition cash flows	(211,544)	-	-	(211,544)	(119,735)	-	-	(119,735)
Total cash flows	11,360	-	-	11,360	(59,593)	-	-	(59,593)
Net insurance contract liabilities /(assets) at 31 Dec	1,845,379	51,465	862,970	2,759,814	1,368,956	42,117	606,690	2,017,763

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

(b) Reconciliation of the measurement components of insurance contract balances (continued)

Annuities	2024				2023			
	PV of future cash flows	Risk adjust-ment	CSM	Total	PV of future cash flows	Risk adjustment	CSM	Total
	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Net insurance contract liabilities / (assets) at 1 Jan	1,812,099	26,830	21,155	1,860,084	1,864,285	21,121	39,961	1,925,367
Changes that relate to current ser-vice								
CSM recognised in profit or loss for the services provided	-	-	(2,159)	(2,159)	-	-	(726)	(726)
Change in the risk adjustment for non- financial risk	-	(1,740)	-	(1,740)	-	(1,081)	-	(1,081)
Experience adjustments	(37,125)	-	-	(37,125)	(27,668)	-	-	(27,668)
Claims paid	43,271	-	-	43,271	41,215	-	-	41,215
	6,146	(1,740)	(2,159)	2,247	13,547	(1,081)	(726)	11,740
Changes that relate to future service								
Changes in estimates that adjust the CSM	(376)	4,071	(3,695)	-	29,937	16,182	(46,119)	-
Changes in estimates that do not adjust the CSM	(8,639)	36,154	-	27,515	17,616	10,647	-	28,263
Changes in estimates that result in onerous con-tract losses	-	-	-	-	-	-	-	-
Contracts initially recognised in the period	(33,341)	2,987	33,420	3,066	(7,838)	2,541	9,210	3,913
Experience adjustments	4,124	(32,877)	2,724	(26,029)	2,042	(25,020)	13,471	(9,507)
	(38,232)	10,335	32,449	4,552	41,757	4,350	(23,438)	22,669
Changes that relate to past service								
Changes that relate to past service	-	-	-	-	-	-	-	-
Insurance finance expenses	586,776	4,800	8,070	599,646	(18,599)	2,440	5,358	(10,801)
Total changes in the comprehensive income	554,690	13,395	38,360	606,445	36,705	5,709	(18,806)	23,608
Cash flows:								
Premiums received	354,526	-	-	354,526	204,220	-	-	204,220
Claims and other expenses paid	(328,010)	-	-	(328,010)	(289,172)	-	-	(289,172)
Insurance acquisition cash flows	(6,787)	-	-	(6,787)	(3,939)	-	-	(3,939)
Total cash flows	19,729	-	-	19,729	(88,891)	-	-	(88,891)
Net insurance contract liabilities /(assets) at 31 Dec	2,386,518	40,225	59,515	2,486,258	1,812,099	26,830	21,155	1,860,084

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2023

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

(b) Reconciliation of the measurement components of insurance contract balances (continued)

Group credit	2024				2023			
	PV of future cash flows	Risk adjust-ment	CSM	Total	PV of future cash flows	Risk adjustment	CSM	Total
	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Net insurance contract liabilities / (assets) at 1 Jan	2,171,714	95,703	1,746,900	4,014,317	2,180,490	63,975	955,933	3,200,398
Changes that relate to current service								
CSM recognised in profit or loss for the ser-vices provided	-	-	(556,998)	(556,998)	-	-	(313,431)	(313,431)
Expected claims and other expenses-Excluding loss component	(916,091)	-	-	(916,091)	(879,758)	-	-	(879,758)
Claims Paid	733,928	-	-	733,928	763,851	-	-	763,851
Change in the risk adjustment for non- financial risk	-	(44,881)	-	(44,881)	-	(27,907)	-	(27,907)
Experience adjustments	-	-	-	-	-	-	-	-
	(182,163)	(44,881)	(556,998)	(784,042)	(115,907)	(27,907)	(313,431)	(457,245)
Changes that relate to future service								
Changes in estimates that adjust the CSM	(345,677)	79,068	266,609	-	(5,793)	53,171	(47,378)	-
Changes in estimates that result in onerous contract losses	(26,592)	5,815		(20,777)	(4,398)	42,533	-	38,135
Contracts initially recognised in the period	(864,872)	25,068	839,804	-	(953,065)	22,890	930,175	-
Experience adjustments	14,879	(95,335)	73,792	(6,664)	15,129	(67,913)	23,014	(29,770)
	(1,222,262)	14,616	1,180,205	(27,441)	(948,127)	50,681	905,811	8,365
Changes that relate to past service								
Changes that relate to past service - adjust-ments to the LIC	-	-	-	-	-	-	-	-
Total changes	(1,404,425)	(30,265)	623,207	(811,483)	(1,064,034)	22,774	592,380	(448,880)
Insurance finance expenses	526,734	19,444	362,991	909,169	101,315	8,954	198,587	308,856
Total changes in the comprehensive income	(877,691)	(10,821)	986,198	97,686	(962,719)	31,728	790,967	(140,024)
Cash flows:								
Premiums received	1,547,611	-	-	1,547,611	1,895,053	-	-	1,895,053
Claims and other expenses paid	(733,928)	-	-	(733,928)	(763,851)	-	-	(763,851)
Insurance acquisition cash flows	(126,888)	-	-	(126,888)	(177,259)	-	-	(177,259)
Total cash flows	686,795	-	-	686,795	953,943	-	-	953,943
Net insurance contract liabilities /(assets) at 31 Dec	1,980,818	84,882	2,733,098	4,798,798	2,171,714	95,703	1,746,900	4,014,317

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

(c) CSM by transition method

Ordinary Life	2024			2023		
	Contracts under the full retrospective approach at transition	Contracts under the fair value approach at transition	Total	Contracts under thefull retrospective approach at transition	Contracts under the fair value approach at transition	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
CSM as at 1 January	542,831	63,859	606,690	315,376	29,167	344,543
Changes that relate to current service						
CSM recognised in profit or loss	(115,066)	-	(115,066)	(67,136)	(13,756)	(80,892)
Changes that relate to future service						
Experience adjustments	(6,006)	(217,270)	(223,276)	17,971	(309,607)	(291,636)
Changes in estimates that adjust the CSM	(58,381)	146,016	87,635	21,174	354,848	376,022
Contracts initially recognised in the period	371,988	-	371,988	199,956	-	199,956
Total changes	192,535	(71,254)	121,281	171,965	31,485	203,450
Insurance finance expenses	127,604	7,395	134,999	55,490	3,207	58,697
Total amounts recognised in comprehensive income	320,139	(63,859)	256,280	227,455	34,692	262,147
CSM as at 31 December	862,970	-	862,970	542,831	63,859	606,690

Annuities	2024			2023		
Insurance contracts issued	**Contracts under the full retrospective approach at transition**	**Contracts under the fair value approach at transition**	**Total**	**Contracts under thefull retrospective approach at transition**	**Contracts under the fair value approach at transition**	**Total**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
CSM as at 1 January	21,155	-	21,155	13,828	26,133	39,961
Changes that relate to current service						
CSM recognised in profit or loss	(2,159)	-	(2,159)	(726)	-	(726)
Changes that relate to fu-ture service						
Experiences	2,724	-	2,724	(592)	14,063	13,471
Changes in estimates that ad-just the CSM	(3,695)	-	(3,695)	(3,050)	(43,069)	(46,119)
Contracts initially recognised in the period	33,420	-	33,420	9,210	-	9,210
Total changes	30,290		30,290	4,842	(29,006)	(24,164)
Insurance finance expenses	8,070	-	8,070	2,485	2,873	5,358
Total amounts recognised in com-prehensive income	38,360	-	38,360	7,327	(26,133)	(18,806)
CSM as at 31 December	59,515	-	59,515	21,155	-	21,155

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

(c) CSM by transition method (continued)

Group Credit	2024			2023		
Insurance contracts issued	Contracts under the full retrospective approach at transition	Contracts under the fair value approach at transition	Total	Contracts under thefull retrospective approach at transition	Contracts under the fair value approach at transition	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Insurance revenue						
CSM as at 1 January	1,746,900	-	1,746,900	955,933	-	955,933
Changes that relate to current service						
CSM recognised in profit or loss	(556,998)	-	(556,998)	(313,431)		(313,431)
Changes that relate to future service						
Experiences	73,792	-	73,792	23,014	-	23,014
Changes in estimates that adjust the CSM	266,609	-	266,609	(47,378)	-	(47,378)
Contracts initially recognised in the period	839,804	-	839,804	930,175	-	930,175
Total changes	623,207	-	623,207	592,380	-	592,380
Insurance finance expenses	362,991	-	362,991	198,587	-	198,587
Total amounts recognised in comprehensive income	986,198	-	986,198	790,967	-	790,967
CSM as at 31 December	2,733,098	-	2,733,098	1,746,900	-	1,746,900

(d) Impact of contracts recognised in the year

Ordinary life	2024			2023		
Insurance contracts issued	Non-onerous contracts originated	Onerous contracts originated	Total	Non-onerous contracts originated	Onerous contracts originated	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Estimates of the present value of future cash outflows						
- Insurance acquisition cash flows	(177,269)	(75,740)	(253,009)	107,885	(49,254)	58,631
- Claims and other attributable expenses	(226,994)	(99,275)	(326,269)	169,145	(89,466)	79,679
Estimates of the PV of future cash outflows	(404,263)	(175,015)	(579,278)	277,030	(138,720)	138,310
Estimates of the PV of future cash inflows	801,703	152,438	954,141	(492,051)	113,709	(378,342)
Risk adjustment for non-financial risk	(25,451)	(3,993)	(29,444)	15,065	(3,160)	11,905
CSM	(371,989)	-	(371,989)	199,956	-	199,956
Increase in insurance contract liabilities	-	(26,570)	(26,570)	-	(28,171)	(28,171)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

26. INSURANCE CONTRACTS LIABILITIES *(Continued)*

(d) Impact of contracts recognised in the year (continued)

Annuities	2024			2023		
Insurance contracts issued	Non-onerous contracts originated	Onerous contracts originated	Total	Non-onerous contracts originated	Onerous contracts originated	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Estimates of the PV of future cash outflows						
- Insurance acquisition cash flows	(6,391)	(700)	(7,091)	(2,223)	(1,885)	(4,108)
- Claims and other attributable expenses	(56,851)	(14,099)	(70,950)	(5,907)	(23,413)	(29,320)
Estimates of the PV of future cash outflows	(63,242)	(14,799)	(78,041)	(8,130)	(25,298)	(33,428)
Estimates of the PV of future cash inflows	98,782	12,600	111,382	17,821	23,446	41,267
Risk adjustment for non-financial risk	(2,120)	(868)	(2,988)	(481)	(2,061)	(2,542)
CSM	(33,420)	-	(33,420)	(9,210)	-	(9,210)
Increase in insurance contract liabilities	-	(3,067)	(3,067)	-	(3,913)	(3,913)

Group credit	2024	2023
Insurance contracts issued	Non-onerous contracts originated	Non-onerous contracts originated
	KShs'000	KShs'000
Estimates of the present value of future cash outflows		
- Insurance acquisition cash flows	(115,779)	(150,668)
- Claims and other attributable expenses	(570,262)	(779,609)
Estimates of the PV of future cash outflows	(686,041)	(930,277)
Estimates of the PV of future cash inflows	1,550,913	1,883,342
Risk adjustment for non-financial risk	(25,068)	(22,890)
CSM	(839,804)	(930,175)
Increase in insurance contract liabilities	-	-

(e) Unit linked contracts

	2024	2023
	KShs '000	KShs '000
Investment contract liabilities at 1 January	141,273	137,021
Contributions	5,719	21,940
Withdrawals	(65,886)	(27,753)
Fair value gain	17,818	10,065
Net investment contract liabilities at 31 December	98,924	141,273

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

28. REINSURANCE CONTRACTS ASSETS

Reconciliation of the remaining coverage and incurred claims – Reinsurance contracts held

Combined	2024					2023				
	Amounts recoverable on incurred claims		Amounts recoverable on incurred claims		Total	Assets for remaining coverage		Amounts recoverable on incurred claims		Total
	Excl. loss recovery component	Loss recovery component	PV of future cash flows	Risk adjustment	Total	Excl. loss recovery component	Loss recovery component	PV of future cash flows	Risk adjustment	Total
	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Net reinsurance contract assets/(liabilities) at 1 Jan	194,675	18,322	1,064,845	14,991	1,292,833	244,971	2,928	327,093	949	575,941
Net income/ (expense) from reinsurance contracts held	(1,183,646)	(5,699)	644,472	(8,365)	(553,238)	(1,225,728)	16,262	1,424,496	14,116	229,146
Reinsurance finance income	6,652	(2,286)	86,889	126	91,381	97	(868)	36,616	(74)	35,771
Total changes in the comprehensive income	(1,176,994)	(7,985)	731,361	(8,239)	(461,857)	(1,225,631)	15,394	1,461,112	14,042	264,917
Cash flows:										
Reinsurance premiums paid	2,116,502	-	-	-	2,116,502	1,641,072	-	-	-	1,641,072
Reinsurance receipts	(563,232)	-	(960,688)	-	(1,523,920)	(449,296)	-	(739,801)	-	(1,189,097)
Total cash flows	1,553,270	-	(960,688)	-	592,582	1,191,776	-	(739,801)		451,975
Net reinsurance contract assets/(liabilities) at 31 Dec	570,951	10,337	835,518	6,752	1,423,558	211,116	18,322	1,048,404	14,991	1,292,833

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

29. OTHER PAYABLES

	2024 KShs '000	2023 KShs '000
Sundry payables*	547,534	259,246
Premium received in advance	12,249	95,777
Staff liabilities	55,360	70,338
Life agents bond	14,478	12,704
Restructuring costs payable**	-	8,666
Rent deposits	8,211	8,211
	637,832	454,942

All amounts are payable within one year.

*The sundry payables relate to professional fees payable, unit linked contracts due for settlement, accrued cost of software payable, audit fees payable, stamp duty accrued, excise duty accrued and withholding taxes accrued.

**Restructuring costs payable relates to severance pay for employees who opted to retire/exit under the voluntary early retirement/exit programme in the year, and their payments are due in the subsequent year.

The carrying amounts of the other payables approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

30. STATEMENT OF CASH FLOWS

	Notes	2024 KShs '000	2023 KShs '000
a) Reconciliation of profit before tax to cash generated from operations:			
Profit/(loss) before tax		1,161,251	1,260,398
Interest on bank deposits	4(a)	(355,709)	(103,631)
Interest on staff loan receivables	4(a	(58,574)	(53,883)
Interest on government securities at amortised cost	4(a	(232,321)	(125,448)
Interest on government securities at fair value through other comprehensive income	4(a	(864,975)	(893,906)
Dividend income	4(a	(18,818)	(23,777)
Gain on investment on collective investments	5	(14,915)	(3,610)
Gain on disposal of property and equipment	5	-	20
Depreciation on property and equipment	9 (a)	18,843	16,690
Amortisation of intangible assets	11	287	472
Amortisation of financial assets at amortised cost	133	567	-
Amortisation on right of use asset	9(b)	16,071	16,580
Interest on lease liabilities	9(b)	8,045	8,506
Accrued interest on corporate bonds		91	(1,061)
Fair value (gain) / loss on quoted equity investments at FVTPL	5	(81,788)	78,218
Accrued interest on government securities at amortised cost		(24,816)	(6,227)
(Decrease)/Increase in allowances for expected credit losses		1,532	(9,938)
Working capital changes;			
Increase in reinsurance contract assets		(130,725)	(716,892)
Increase in insurance contract liabilities		6,414,280	4,017,885
(Decrease) / Increase in investment contract liabilities		(42,349)	4,252
(Increase) / Decrease in loan receivables		(531)	780
Increase in other receivables		48,437	(28,291)
Increase in related party balances		378,534	(66,830)
Increase in other payables		182,890	(177,021)
Net cash used in operations		6,405,307	3,193,286
a) Cash and cash equivalents*			
Bank and cash balances		286,125	82,347
Deposits with banks maturing within 3 months	21	6,163,513	2,214,801
		6,449,638	2,297,148

*The carrying amounts approximate the fair values.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

31. DIVIDENDS

	2024 KShs'000	2023 KShs'000
Paid during the year	-	115,000

Dividend on ordinary shares

1. a) Dividend per share is arrived at by dividing the total dividends by the weighted average number of shares in issue during the year.
2. b) Payment of dividend is subject to withholding tax at the rate of 5% for resident and 10% for non-resident shareholders respectively.

32. CONTINGENCIES AND COMMITMENTS

a) Legal proceedings and regulations

The company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

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

b) Capital commitments, operating leases and bank guarantees

Capital expenditure committed at the end of the reporting period but not recognised in the financial statements is as follows:

	2024 KShs '000	2023 KShs '000
Committed but not contracted for	211,433	225,088

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

32. CONTINGENCIES AND COMMITMENTS *(Continued)*

b) Capital commitments, operating leases and bank guarantees *(continued)*

Operating leases

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

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

	2024 KShs '000	2023 KShs '000
Within one year	21,783	13,012
After one year but not more than two years	20,849	4,436
After two years but not more than five years	32,804	3,726
Total operating lease rentals receivable	75,436	21,174

33. RISK MANAGEMENT FRAMEWORK

a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a company policy framework which sets out the risk profiles for the company, risk management, control and business conduct standards for the company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The board of directors approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

33. RISK MANAGEMENT FRAMEWORK

b) Capital management objectives, policies and approachz

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

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

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

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

The company had capital adequacy ratio of 155% as compared to 100% which is the minimum as per IRA requirements. This is based on the size and the risk of profile of the company. The risks considered are insurance risk, market risk, credit risk and operational risk.

The Company's capital management policy for its insurance and non–insurance business is to hold sufficient capital to cover the statutory requirements based on the Insurance Regulatory Authority (IRA) directives, including any additional amounts required by the regulator.

Approach to capital management

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics. An important aspect of the Company's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Company is focused on the creation of value for shareholders.

The primary source of capital used by the Company is total equity. The Company also utilises, where it is efficient to do so, sources of capital such as reinsurance and securitisation, in addition to more traditional sources of funding.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

33. RISK MANAGEMENT FRAMEWORK *(continued)*

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

Approach to capital management *(continued)*

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

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

	2024	2023
	KShs '000	KShs '000
Share capital	800,000	800,000
Statutory reserve	2,307,104	1,494,229
Fair value reserve	(24,517)	(837,892)
Retained earnings	71,861	71,861
Equity	3,154,448	1,528,198

The company had no external financing at 31 December 2023 and 31 December 2022.

c) Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

As at 31 December 2024 the company reported Capital Adequacy Ratio of 155% (2023: 73%) which was higher than the minimum of 100% as per IRA requirements but below the prescribed limit of 200%.

We are actively addressing this shortfall through strategic financial planning, including balance sheet optimization. Our strategies involve re-evaluating our asset allocations, including the sale of idle assets, and improving our liability management to enhance financial efficiency and stabilize our capital structure.

d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces, due to the nature of its investments and liabilities, is interest rate risk. The Company manages these positions within an ALM framework that has been developed to achieve long–term investment returns in excess of its obligations under insurance. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities as an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

34. INSURANCE AND FINANCIAL RISK

a) Insurance risk

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

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.
The Company purchases reinsurance as a part of its risk's mitigation programme. Reinsurance ceded is placed on both a proportional and a non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

Life insurance contracts

Life insurance contracts offered by the Company include: whole life and term assurance.
Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value. This includes group life and ordinary life premiums.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

34. INSURANCE AND FINANCIAL RISK *(continued)*

Life insurance contracts *(continued)*

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

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

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

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

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

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis.

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

	2024			2023		
	Insurance contract liabilities	Reinsurance contract assets	Investment contracts liabilities	Insurance contract liabilities	Reinsurance contract assets	Investment contracts liabilities
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary life	(2,759,815)	(2,105)	-	(2,017,763)	(3,713)	-
Annuities	(2,486,259)	-	-	(1,860,084)	-	-
Deposit Administration	(14,289,575)	-	-	(9,922,130)	-	-
Unit linked	-	-	(98,924)	-	-	(141,273)
Group life	(782,729)	191,973	-	(856,464)	254,658	-
Group Credit	(7,558,711)	1,233,690	-	(6,806,368)	1,041,888	-
Total as per statement of financial position	(27,877,089)	1,423,558	(98,924)	(21,462,809)	1,292,833	(141,273)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

34. INSURANCE AND FINANCIAL RISK *(continued)*

Life insurance contracts *(continued)*

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

Key assumptions

Mortality and morbidity rates

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

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

Longevity

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

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

Investment return

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

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

Lapse and surrender rates

Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

Discount rate

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

34. INSURANCE AND FINANCIAL RISK *(continued)*

Sensitivities

The insurance claim liabilities are sensitive to the key assumptions that could result in material adjustment to the carrying amounts of assets and liabilities within the next fi-nancial year. The sensitivity analysis is presented on note 2 (B).

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

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

- A Company credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or group of counterparties, and industry segment (i.e., limits are set for investments and cash deposits, and minimum credit ratings for investments that may be held).
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The credit risk in respect of customer balances incurred on non–payment of premiums or contributions will only persist during the grace period of 120 days specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2024 and 31 December 2023 is the carrying amounts as presented in the statement of financial position.

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

The Company's internal rating process

The Company's investment team prepares internal ratings for financial instruments in which counterparties are rated using internal grades. These are used to determine whether an instrument has had a significant increase in credit risk and to estimate the ECL's.

The company reassess the internal credit rating of the financial instruments at every reporting period and considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due as well as other forward-looking information. This would result in change in the internal credit rating.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

34. INSURANCE AND FINANCIAL RISK *(continued)*

b) Financial risks (continued)

Credit risk (continued)

The Company's internal credit rating grades is as follows:

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

Significant increase in credit risk, default and cure

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

34. INSURANCE AND FINANCIAL RISK *(continued)*

b) Financial risks (continued)
i) Credit risk (continued)

Debt instruments measured at FVOCI

The table below shows the fair values of the Company's debt instruments at FVOCI by credit risk, based on the Company's internal credit rating system.

Government securities measured at FVOCI

	2024 KShs '000	2023 KShs '000
Stage 1	11,036,080	6,979,797
Stage 2	-	-
Stage 3	-	-
Gross government securities at FVOCI	11,036,080	6,977,677
Less: Loss allowance (ECL)	-	(2,120)
Net carrying amount		
	11,036,080	6,977,677

Debt instruments at amortized cost

The tables below show the credit quality and maximum exposure to credit risk based on the Company's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's grading system are explained above.

Corporate bonds at amortized cost

	2024 KShs '000	2023 KShs '000
Stage 1	64,784	66,169
Stage 2	-	-
Stage 3	3,126	3,629
Gross corporate bonds at amortized cost	67,910	69,798
Less: Loss allowance (ECL)	(3,157)	(144)
Net carrying amount	64,753	69,654

Government Securities at amortized cost

	2024 KShs '000	2023 KShs '000
Stage 1	9,533,486	9,296,754
Stage 2	-	-
Stage 3	-	-
Gross government securities at amortized cost	9,533,486	9,296,754
Less: Loss allowance (ECL)	(757)	(118)
Net carrying amount	9,532,729	9,296,636

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2024

34. INSURANCE AND FINANCIAL RISK *(continued)*

b) Financial risks (continued)
i) Credit risk (continued)

Debt instruments at amortized cost (continued)

Loans receivable at amortized cost

	2024	2023
	KShs '000	KShs '000
Stage 1	39,702	39,097
Stage 2	-	-
Stage 3	-	-
Gross loan receivables	39,702	39,097
Less: Loss allowance (ECL)	(1,404)	(1,330)
Net carrying amount	38,298	37,767

Deposits with financial institutions

	2024	2023
	KShs '000	KShs '000
Stage 1	6,675,828	2,229,559
Stage 2	-	-
Stage 3	-	-
Gross deposits	6,675,828	2,229,559
Less: Loss allowance (ECL)	(1,605)	(14,758)
Net carrying amount	6,674,223	2,214,801

Due from related parties

	2024	2023
	KShs '000	KShs '000
Stage 1	123,888	498,265
Stage 2	-	-
Stage 3	-	-
Gross due from related parties	123,888	498,265
Less: Loss allowance (ECL)	(630)	(2,610)
Net carrying amount	123,258	495,655

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

34. INSURANCE AND FINANCIAL RISK *(continued)*

b) Financial risks (continued)
i) Credit risk (continued)

Cash and bank balances

	2024	2023
	KShs '000	KShs '000
Stage 1		83,551
Stage 2	-	-
Stage 3	-	-
Gross	286,720	83,551
Less: Loss Allowance (ECL)	(595)	(1,204)
Net carrying amount	286,125	82,347

Reconciliation of loss allowance accounts year 2024

	At 1 January 2024	(Increase)/decrease in loss allowance in the year	At 31 December 2024
	KShs'000	KShs'000	KShs'000
Government securities at amortized cost	(118)	(639)	(757)
Corporate bonds	(144)	(3,013)	(3,157)
Loans receivable	(1,330)	(74)	(1,404)
Deposits with financial institutions	(14,758)	13,153	(1,605)
Due from related parties	(2,610)	1,980	(630)
Cash and bank balances	1,204	(1,799)	(595)
Government securities at FVOCI	(2,120)	2,120	-
	(19,876)	11,728	(8,148)

Reconciliation of loss allowance accounts year 2023

	At 1 January 2023	Write off	(Increase)/decrease in loss allowance in the year	At 31 December 2024
	KShs'000		KShs'000	KShs'000
Government securities at amortized cost	(99)	-	(19)	(118)
Corporate bonds	(73,685)	73,685	(144)	(144)
Government Securities at FVOCI	(1,248)	-	(82)	(1,330)
Loans receivable	(24,089)	-	9,331	(14,758)
Deposits with financial institutions	(2,152)	-	(458)	(2,610)
Due from related parties	(106)	-	1,310	1,204
Other receivables	(2,120)	-	-	(2120)
Cash and bank balances	(103,499)	73,685	9,938	(19,876)

Collateral

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

Financial assets neither past due nor impaired

There were no financial assets that are neither impaired nor past due as at 31 December 2024.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

34. INSURANCE AND FINANCIAL RISK *(continued)*

b) Financial risks (continued)

ii) Liquidity risk

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

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

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

Maturity profiles

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

34. INSURANCE AND FINANCIAL RISK *(continued)*

b) Financial risks (continued)

ii) Liquidity risk (continued)

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

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

31 December 2024	No stated maturity	6 months or on demand	Between 6 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years	More than 5 year	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Financial assets:							
Government securities at amortised cost	-	184,655	53,233	474,583	2,715,352	17,217,102	20,644,925
Financial assets at amor-tised cost Corporate bonds	-	-	-	67,513	15,168	-	82,681
Government securities at fair value through other comprehensive income	-	-	-	-	-	-	-
Equity investments: - At fair value through profit or loss	-	77,685	209,388	50,869	3,007,352	21,080,655	24,425,949
Other receivables	631,691	-	-	-	-	-	631,691
Loans receivable	-	286,478	-	-	-	-	286,478
Insurance Contract Assets	334,445	-	-	-	-	-	334,445
Reinsurance contract as-sets	-	1,423,558	-	-	-	-	1,423,558
Deposit with financial In-stitutions	-	6,674,223	-	-	-	-	6,674,223
Due from related party	-	-	-	-	-	-	-
Cash and cash equivalents	-	286,125	-	-	-	-	286,125
Total financial assets	966,136	8,932,724	262,621	592,965	5,737,872	38,297,757	54,790,075
Financial liabilities:							
Insurance contract liabili-ties	-	-	-	-	-	-	-
Other payables	-	(637,833)	-	-	-	-	(637,833)
Lease liabilities	-	(10,925)	(10,859)	(20,849)	(31,731)	(1,073)	(75,437)
Total financial liabilities	-	(648,758)	(10,859)	(20,849)	(31,731)	(1,073)	(713,270)
Net liquidity gap	966,136	8,283,966	251,762	572,116	5,706,141	38,296,684	54,076,805

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

34. INSURANCE AND FINANCIAL RISK *(continued)*

b) Financial risks (continued)

ii) Liquidity risk (continued)

31 December 2023	No stated maturity	6 months or on demand	Between 6 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years	More than 5 year	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Financial assets:	-		198,700	254,936	3,107,134	17,673,409	21,234,179
Government securities at amortised cost	-		-	-	74,486	18,695	93,181
Financial assets at amor-tised cost Corporate bonds	-		20,315	183,467	1,636,998	17,096,447	18,937,227
Government securities at fair value through other comprehensive income	-		-	-	-	-	
Equity investments: - At fair value through profit or loss	435,210		-	-	-	-	
Other receivables	-	140,607	-	-	-	-	140,607
Loans receivable	-		-	-	-	-	
Insurance Contract Assets	713,169		-	-	-	-	
Reinsurance contract as-sets	-	1,713,944	-	-	-	-	1,713,944
Deposit with financial In-stitutions	-	2,019,510	-	-	-	-	2,019,510
Due from related party	-	-	-	-	-	-	
Cash and cash equivalents	-	35,029	-	-	-	-	35,029
Total financial assets	1,148,379	3,909.090	219.015	438.403	4.818,618	34.788,551	45,322.056
Financial liabilities:	-	-	-	-	-	-	
Insurance contract liabili-ties	-		-	-	-	-	
Other payables		(375,362)	-	-	-	-	
Lease liabilities	-	(11.086)	19,704)	36,854)	17,695)	-	85,339)
Total financial liabilities	-	386,448)	19,704)	36,854)	17,695)	-	460.701)
Net liquidity gap	1,148,379	3,522,642	199 311	401,549	4 800,923	34 788 551	44,861,355

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

34. INSURANCE AND FINANCIAL RISK *(continued)*

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The company's market risk policy sets out the assessment and determination of what constitutes market risk for the company. Compliance with the policy is monitored and exposures and breaches are reported to the company's risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.

The company stipulates diversification benchmarks by type of instrument and geographical area, as the company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.

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

(i) Currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The company primarily transacts in Kenya shilling and its assets and liabilities are denominated in the same currency. The company is therefore not exposed to significant currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is re–priced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The Financial assets at amortised cost- Deposits and commercial papers and staff loans are not affected by interest rate risk because the rates are agreed at the beginning of the contract financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the capitalising amounts of the latter are not directly affected by changes in market risks.

The company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement in all yield curves of financial assets and financial liabilities. The Company is exposed to interest rate risk through its investment in the government securities at fair value through other comprehensive income.

Government securities at fair value through other comprehensive income represents 54% of total government securities investments. If the bond market interest rate had increased/ decreased by 1%, with all other variables held constant, and all the other factors held constant, the comprehensive income for the year would increase/decrease by KShs 107,030,694.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

34. INSURANCE AND FINANCIAL RISK *(continued)*

c) Market risk (continued)

(iii) Equity price risk

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

The company is exposed to equity securities price risk as a result of its holdings in investments, classified as financial assets at fair value through profit or loss as well as financial assets classified as available for sale. Exposure to equity securities in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Equity price risk is as a result of fluctuation of prices at the Nairobi Securities Exchange Limited (NSE).

The company has a defined investment policy which sets limits on the company's exposure to equities both in aggregate terms and by industry. This policy of diversification is used to manage the company's price risk arising from its investments in equity investments.

Investment management meetings are held monthly. At these meetings, senior managers meet to discuss investment return and concentration of the equity investments.

Equity investment through profit or loss represents 100% (2023: 100%) of total equity investments. If equity market indices had increased/ decreased by 5%, with all other variables held constant, and all the company's equity investments moving according to the historical correlation with the index, the profit for the year would increase/decrease by KShs 31,584,554 (2023: KShs 21,760,480).

(iv) Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

35. FAIR VALUE MEASUREMENT

The company specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Securities Exchange Limited.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components, property, equipment and investment property

This hierarchy requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

There were no transfers between Level 1 and level 2 during the year.
The table below shows an analysis of the fair value of assets by level in the fair value hierarchy, however, it does not include instruments whose fair value approximates the carrying amount.

	Level 1	Level 2	Level 3	Total	Carrying amount
31st December 2024	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Recurring fair value measurements:					
Equity investments classified:					
-At fair value through profit or loss	631,691	-	-	631,691	631,691
-At fair value through other comprehensive income	11,036,080	-	-	11,036,080	11,036,080
Investments in collective investment schemes at fair value through profit or loss	-	334,445	-	334,445	334,445
Government securities at fair value through other comprehensive income	-	-	-	-	-
*Investment properties**	-	-	2,182,353	2,182,353	2,182,353
The fair value of financial assets not held at fair value is as follows:					
Non-recurring fair value measurements:					
Corporate bonds	-	69,654	-	69,654	69,654
Government securities at amortised cost	9,532,730	-	-	9,532,730	9,296,636
Loan receivables	-	37,767	-	37,767	62,033
Total assets at fair value	21,200,501	441,866	2,182,353	23,824,720	23,612,892

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

35. FAIR VALUE MEASUREMENT *(continued)*

	Level 1	Level 2	Level 3	Total	Carrying amount
31st December 2023	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	
Assets:					
Recurring fair value measurements:					
Equity investments classified:					
-At fair value through profit or loss	435,210	-	-	435,210	435,210
-At fair value through other comprehen-sive income	-	-	-	-	-
Investments in collective investment schemes at fair value through profit or loss	-	713,169	-	713,169	713,169
Government securities at fair value through other comprehensive income	6,977,677	-	-	6,977,677	6,977,677
*Investment properties**	-	-	2,181,875	2,181,875	2,181,875
The fair value of financial assets not held at fair value is as follows:					
Non-recurring fair value measurements:					
Corporate Bonds	-	69,654	-	69,654	69,654
Government securities at amortised cost	9,296,636	-	-	9,296,636	9,296,636
Loan receivables	-	37,767	-	37,767	61,427
Total assets at fair value	16,709,523	820,590	2,181,875	19,711,988	19,735,648

The gains/ (losses) arising from revaluation of investment property have been disclosed in the statement of profit or loss. Refer note 10 for further details.*

Valuation techniques used in determining carrying value/fair value of financial assets and liabilities

Instrument	Level	Valuation basis	Inputs
Investments in collective investments schemes at fair value through profit or loss	2	Net asset value	Current unit price of underlying unitised assets.
Deposits and commercial paper	2	Discounted cash flow	Implied yield to ma-turity
Corporate bonds	2	Discounted cash flow	Implied yield to ma-turity
Mortgages and other loans	2	Discounted cashflow (DCF)	Average market inter-est rates 13%

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2024

35. FAIR VALUE MEASUREMENT *(continued)*

The significant unobservable inputs used in the fair value measurements categorised in level 3 of the fair value hierarchy as at 31 December 2023 and 31 December 2022 are as shown below.

Instrument	Level	Valuation basis	Sensitivity of input to the fair value
Investment properties*	3	Capitalised rent income method	Increase/(decrease) in discount of 5% would decrease/(increase) fair value by KShs 109.1 Mil-lion. Increase/(decrease) in annual rent of 5% would (decrease)/increase the fair value by KShs 8.6 Million Increase/(decrease) in annual growth rate of 5% would (decrease)/increase the fair value by KShs 2.1 million

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

Reconciliation of fair value measurement under Level 3 hierarchy

2023	At 1 January	Contributions/ Additions /Transfer from level 2	Disposals/ Settlements	Fair value gain/ (loss) recognised in profit or loss	At 31 December
Investment property	2,181,875	-	-	-	2,181,875
2022					
Investment property	2,181,875	-	-	-	2,181,875

36. ULTIMATE CONTROLLING PARTY

The parent company is CIC Insurance Group PLC which is ultimately owned by Co-operative Insurance Society Limited. Both are incorporated and domiciled in Kenya.

37. INCORPORATION

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

38. CURRENCY

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

NOTES

NOTES

CIC OFFICES

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'Go for Growth'

CIC LIFE ASSURANCE LIMITED

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