PACIS INSURANCE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

PACIS INSURANCE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

CONTENTS	PAGE

PACIS INSURANCE COMPANY LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

BOARD OF DIRECTORS

Dr. Samuel Kiruthu - Chairman
Jean Moegi – Principal Officer
Rt. Rev. James Wainaina
Rev. Fr. Simon Ngángá
Charles Kanjama
Brian Omwenga
Miriam Wambui
Rev. Fr. Ferdinand Lugonzo
Edith Akoth Siddondo
James Theuri

REGISTERED OFFICE

Pacis Center, 4th Floor
Off Waiyaki Way, Westlands
P.O. Box 1870 - 00200
NAIROBI

PRINCIPAL PLACE OF BUSINESS

Pacis Center, 4th Floor
Off Waiyaki Way, Westlands
P.O. Box 1870 - 00200
NAIROBI

INDEPENDENT AUDITOR

Ernst & Young LLP
Kenya Re Towers, Off Ragati Road
P.O. Box 44286 - 00100
NAIROBI

COMPANY SECRETARIES

Emu Registrars
Green House, 3rd Floor, Suite 8
P.O. Box 61120 - 00200
NAIROBI

PRINCIPAL LEGAL ADVISORS

Nyiha, Mukoma and Company Advocates
Alta Towers, 7th Floor, Ring Road Kilimani
P.O. Box 28491- 00200
NAIROBI

PACIS INSURANCE COMPANY LIMITED
COMPANY INFORMATION (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

PRINCIPAL BANKERS

Absa Bank Kenya PLC
Absa Head Quarters, Waiyaki Way
P.O. Box 30120 - 00100
NAIROBI

Kenya Commercial Bank Limited
Kencom House, 8th Floor, Moi Avenue
P.O. Box 48400 - 00100
NAIROBI

NCBA Bank Kenya PLC
NCBA Center, Mara and Ragati Road, Upper Hill
P.O. BOX 30437-00100
NAIROBI

Equity Bank (Kenya) Limited
Equity Centre, Hospital Road, Upper Hill
P.O Box 75104-00200
NAIROBI

Stanbic Bank Kenya Limited
Stanbic Bank Centre, Westlands Road, Chiromo
P.O. Box 30550 - 00100
NAIROBI

Family Bank Limited
Family Bank Towers, Muindi Mbingu Street
P.O. Box 74145 - 00200
NAIROBI

The Co-operative Bank of Kenya Limited
Co-operative Bank House, Haile Selassie Avenue
P.O.Box 48231 - 00100
NAIROBI

Caritas Microfinance Bank
Cardinal Otunga Plaza, Kaunda Street
P.O.Box 15353 - 00100
NAIROBI

Smep Microfinance Bank
Kirichwa Road, Off Argwings Kodhek Road
P.O Box 64063 - 00620
NAIROBI

African Banking Corporation Limited
ABC Bank House, Woodvale Grove, Westlands
P.O.Box 13889 - 00800
NAIROBI

Sumac Microfinance Bank
Nginyo Towers, Ground Floor
P.O. Box 11687 - 00100
NAIROBI

National Bank of Kenya Limited
National Bank Building, Harambee Avenue
P.O. Box 72866 - 00200
NAIROBI

Bank of Africa
BOA House, Karuna Close, Off Waiyaki Way
Westlands
P.O. Box 69562 - 00400
NAIROBI

Diamond Trust Bank Kenya Limited
DTB Centre, Mombasa Road
P.O. Box 61711 - 00200
NAIROBI

CONSULTING ACTUARY

Zamara Actuaries, Administrators & Consultants Limited
Landmark Plaza, 10th Floor, Argwings Kodhek Road
P.O. BOX 52439 - 00200
NAIROBI

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

1. INCORPORATION

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

2. PRINCIPAL ACTIVITIES

The Company conducts all classes of general insurance business as defined by Section 31 of the Insurance Act (Cap 487), laws of Kenya with the exception of Aviation and Motor PSV (Matatu).

3. BUSINESS REVIEW

In the current year, the Company reported net earned premiums of KShs 1,470,250,000 (2021: KShs 1,291,358,000). The premiums underwritten in the period were mainly for motor commercial, motor private and medical classes.

The Company reported a loss after tax of KShs 22,078,000 (2021: loss of KShs 38,073,000).

As at 31 December 2022, the net asset position of the Company was KShs 821,720,000 (2020: KShs 793,929,000).

KEY PERFOMANCE INDICATORS	2022 KShs'000/%	2021 KShs'000/% Restated
Gross written premiums	1,965,147	1,667,830
Loss for the year	(22,078)	(38,073)
Claims ratio	59%	58%
Commission ratio	10%	10%
Expense ratio	33%	37%

4. PRINCIPAL RISKS AND UNCERTAINTIES

The overall business environment continues to remain challenging, and this has a resultant effect on overall performance of the Company. The Company's strategic focus is to enhance revenue growth whilst maintaining profit margins, the success of which remains dependent on overall market conditions, marketing strategies and innovativeness to obtain market share. The directors continue to monitor this situation closely with a view to assessing and mitigating its impact on the Company.

In addition to the business risks discussed above, the Company's activities expose it to a number of financial risks and insurance risks which are described in detail in Note 3 to the financial statements.

5. DIVIDEND

The directors do not recommend the declaration of a dividend for the year (2021: Nil).

6. DIRECTORS

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

In accordance with the Company's Articles of Association, three directors who were due for retirement by rotation in the year 2022 were re-elected into office during the Annual General Meeting held on 22 June 2022.

7. STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

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

(b) the director has taken all the steps that the director ought to have 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

Ernst & Young LLP continues in office in accordance Section 719 of the Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KShs 3,392,000 has been charged to profit or loss in the year as disclosed in note 7 to the financial statements.

BY ORDER OF THE BOARD

EMU REGISTRARS
Secretaries

....
COMPANY SECRETARY
Date

31st March 2023

PACIS INSURANCE COMPANY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022

The Kenyan 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 Kenyan Companies Act, 2015.

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

i. designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
ii. selecting and applying appropriate accounting policies; and
iii. making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of 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 responsibilities.

The financial statements were approved by the board of directors on 31 March 2023 and signed on its behalf by:

Dr. Samuel Kiruthu	Rev. Fr. Ferdinand Lugonzo	Jean Moegi
Director	Director	Principal officer

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Ernst & Young LLP
Certified Public Accountants
Kenya Re Towers
Upper Hill
Off Ragati Road
P.O. Box 44286 - 00100
Nairobi GPO, Kenya

Tel: +254 20 2886000
Email: info@ke.ey.com
www.ey.com
LLP/2015/52

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PACIS INSURANCE COMPANY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Pacis Insurance Company Limited (the "Company") set out on pages 10 to 67, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pacis Insurance Company Limited as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Kenyan Companies Act, 2015 and Section 56 of the Kenyan Insurance Act, Cap. 487.

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 Independent Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Notes 1 and 3.3 to the financial statements which indicate that the Company's Capital Adequacy Ratio (CAR) as at 31 December 2022 of 94% was below the minimum prescribed CAR of 100%. Section 4 of the Kenyan Insurance (Capital Adequacy) Guidelines, 2017 require Insurers maintain a capital adequacy ratio of at least 100%. Section 18 of the guidelines further stipulate that, where the Authority determines that an insurer has not met the provisions of the guidelines, the Authority may withdraw or impose conditions on the business license of the insurer. As stated in Notes 1 and 3.3, this condition indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. In addition to the matters described in the Material Uncertainty Related to Going Concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Partners: C O Atinda, A K Gichuhi, A M Muthusi, J M Ngong'a, F N M Kamau,
N M Muhoya, T O Nyakoe, C N Kirathe, H Nannyomo, D Mugisha.
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key Audit Matters (continued)

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Incurred but not reported claims reserves (IBNR), and provisions for unearned premiums and unexpired risks</td></tr>
<tr><td>
The valuation of the Company's incurred but not reported claims reserves (IBNR), and provisions for unearned premium and unexpired risks is dependent on a number of subjective assumptions and estimates about future experience. Management uses an external actuary to assist in the determination of the appropriate valuation of these liabilities.
The valuation involves determining the best estimates of IBNR, and provisions for unearned premium and unexpired risks using methodologies prescribed by the Kenyan Insurance Regulatory Authority.
The assumptions and estimates include expected ultimate cost of claims reported at the reporting date and the expected ultimate cost of claims incurred but not yet reported at the same date. In addition, past claims experience is used to project future claims development and hence ultimate claims costs.
The judgements, estimates and assumptions related to IBNR, and provisions for unearned premium and unexpired risks are disclosed in Notes 2, 26, 27 and 28 to these financial statements.
We focused on reviewing the reasonableness of the assumptions, the approach and methodology used in the computation of IBNR, and provisions for unearned premium and unexpired risks.
</td><td>
We involved internal actuarial specialists in performing the audit procedures in this area, which included among others:

Assessing of the appropriateness of assumptions used in the valuation of IBNR, and provisions for unearned premium and unexpired risks.
Evaluating the methodologies for the determination of best estimates of these liabilities with reference to the guidelines issued by the Kenyan Insurance Regulatory Authority.

Further key audit procedures included assessing the adequacy of IBNR, and provisions for unearned premium and unexpired risks in the financial statements by comparing the carrying amounts in the financial statements and the amounts as computed by the Company's external actuaries.
We also considered the adequacy of the Company's disclosures on IBNR and, provisions for unearned premium and unexpired risks.
</td></tr>
<tr><td>Valuation of investment properties</td><td></td></tr>
<tr><td>
As at 31 December 2022, the carrying amount of the Company's investment properties was KShs 792 million as disclosed in Note 13 to the financial statements.
The investment properties are measured at fair value in accordance with the International Accounting Standard (IAS) 40 Investment Property. The Company's policy is to revalue the investment properties annually with the assistance of an external valuer. The basis adopted in the valuation of investment properties was open market value assessed using the current replacement cost and market comparable approach.
Given that the fair valuation of investment properties involves significant estimation and assumptions (such as future rent rates, replacement cost and prices of similar properties in the neighbourhood), and the importance of the disclosures relating to the assumptions used in the valuation (Note 13 to these financial statements) we considered this as a key audit matter.
</td><td>
We performed the following audit procedures in response to this matter:

Evaluated the objectivity and independence of the external valuer.
Assessed whether the underlying assumptions applied in the determination of the fair value were justifiable in the context of the industry and nature of the investment properties.
Assessed whether the valuation methodologies and assumptions adopted in determining the fair values of the investment properties were in accordance with International Financial Reporting Standards.
Evaluated whether the determined fair values were in line with the market values for similar properties in similar locations.
Assessed the adequacy of the Company's disclosures in respect of the assumptions used in valuation as set out in Note 13 to the financial statements.

</td></tr>
</table>

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Other Information

The directors are responsible for the other information. The other information comprises the Report of the Directors and the Statement of Directors Responsibilities, as required by the Kenyan Companies Act, 2015. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015 and Section 56 of the Kenyan Insurance Act, Cap. 487, as set out below.

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

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the requirements of the Kenyan Companies Act, 2015 and Section 56 of the Kenyan Insurance Act, Cap. 487, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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 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 KENYAN COMPANIES ACT, 2015

In our opinion the information given in the report of the directors on pages 3 and 4 is consistent with the financial statements.

REPORT ON OTHER MATTERS REQUIRED BY SECTION 56 OF THE KENYAN INSURANCE ACT, CAP. 487

As required by section 56 of the Kenyan Insurance Act, Cap. 487 (the "Act"), we report to you based on our audit of the accompanying financial statements hereafter ("accounts and statements") that:

a) The accounts and statements in respect of the year ended 31 December 2022 for the Company appear to be in accordance with the Act.

b) The accounting records of the Company in respect of the year ended 31 December 2022 appear to have been properly kept and to record and explain correctly the transactions and financial position of the Company;

c) In respect of the year ended 31 December 2022, we obtained the information and explanations that we requested;

d) We are satisfied that the accounts and statements referred to in paragraph (a) above agree with the accounting records of the Company and represent the transactions and financial position of the Company in respect of the financial year ended 31 December 2022;

e) Amounts required by Section 53 of the Act to be apportioned have been equitably apportioned;

f) All management expenses wherever incurred in respect of the Company's business, whether directly or indirectly, have been fully debited in the revenue account or profit and loss account as expenses; and

g) Every reserve has been calculated in accordance with the method approved for the reserve by the Commissioner.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Denis Mugisha, Practising Certificate Number P/2773.

For and on behalf of Ernst & Young LLP
Certified Public Accountants
Nairobi, Kenya

07 April 2023

PACIS INSURANCE COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs'000	2021 KShs'000
Gross written premiums	4(a)	1,965,147	1,667,830
Change in gross unearned premium reserve	4(a)	(185,002)	(68,603)
Gross earned premiums		1,780,145	1,599,227
Less: reinsurance premium ceded	4(b)	(309,895)	(307,869)
NET EARNED PREMIUMS		1,470,250	1,291,358
Interest revenue calculated using the effective interest method	5(a)	31,302	24,601
Investment income	5(b)	41,961	43,803
Other operating income/ (loss)	5(c)	59,397	(4,765)
Commission earned	6(b)	69,813	63,656
NET INCOME		1,672,723	1,418,653
Claims incurred	6(a)	(1,195,611)	(982,769)
Less: amounts recoverable from reinsurers	6(a)	330,927	231,214
NET CLAIMS INCURRED	6(a)	(864,684)	(751,555)
Commission expense	6(b)	(221,500)	(204,649)
Operating and other expenses	7	(530,633)	(491,219)
Net allowance for expected credit losses	3.2(g)	44,210	7,787
Finance costs		(17,601)	(23,234)
TOTAL COMMISSION AND EXPENSES		(725,524)	(711,315)
PROFIT/ (LOSS) BEFORE TAX		82,515	(44,217)
Tax (charge)/ credit	10(a)	(104,593)	6,144
LOSS AFTER TAX		(22,078)	(38,073)
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT			
Revaluation gain/(loss) on property and equipment	11	15,341	(524)
Deferred tax	14	(2,301)	-
Other comprehensive income for the year, net of tax		13,040	(524)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(9,038)	(38,597)

The notes on pages 14 to 67 form an integral part of these financial statements.

PACIS INSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs'000	2021 KShs'000
ASSETS			
Intangible assets	12	1,022	621
Deferred tax assets	14	33,471	140,365
Deferred acquisition costs	17	77,590	58,039
Right-of use assets	24	39,479	42,214
Property and equipment	11	133,265	82,629
Investment properties	13	792,801	774,348
Government securities - 'amortised cost'	15	230,242	207,184
Quoted equity investments at fair value through profit or loss	16	21,958	27,757
Reinsurers' share of insurance contract liabilities	18	491,272	405,513
Receivables arising out of reinsurance arrangements	19 (b)	419,751	341,989
Tax recoverable	10(b)	55,086	52,704
Receivables arising out of direct insurance arrangements	19 (a)	478,219	471,730
Receivable from related party	20	215,495	279,540
Other receivables	21	32,569	30,663
Deposits with financial institutions	22	135,216	87,519
Cash and bank balances	33	123,893	36,573
TOTAL ASSETS		3,281,329	3,039,388
EQUITY AND LIABILITIES			
EQUITY			
Share capital	23(a)	381,982	381,982
Share premium	23(a)	5,712	5,712
Shareholder's contribution pending allotment	23(b)	305,577	328,075
Revaluation reserve	23(c)	12,516	(524)
Retained earnings		77,397	99,475
TOTAL EQUITY		783,184	814,720
LIABILITIES			
Insurance contract liabilities	26	1,166,580	1,083,993
Unearned premium reserve	28	904,672	719,671
Borrowings	31	75,000	73,608
Lease liabilities	25	46,772	54,353
Payables arising out of reinsurance arrangements	30	70,846	90,253
Other payables	29	234,275	202,790
TOTAL LIABILITIES		2,498,145	2,224,668
TOTAL EQUITY AND LIABILITIES		3,281,329	3,039,388

The financial statements on pages 10 to 67 were approved and authorised for issue by the Board of Directors on 31 March 2023 and were signed on its behalf by:

Dr. Samuel Kiruthu Director	Rev. Fr. Ferdinand Lugonzo Director	Jean Moegi Principal officer

The notes on pages 14 to 67 form an integral part of these financial statements.

PACIS INSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital	Shareholders' contribution pending allotment	Share Premium	Revaluation reserve	Retained earnings	Total
		KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2021	23	381,982	268,687	5,712	-	240,601	896,982
Prior year adjustment		-	-	-	-	(103,053)	(103,053)
Restated balance - 1 January 2021		381,982	268,687	5,712	-	137,548	793,929
Loss for the year		-	-	-	-	(38,073)	(38,073)
Other comprehensive income	23	-	-	-	(524)	-	(524)
Total comprehensive income for the year		-	-	-	(524)	(38,073)	(38,597)
Shareholders' equity contribution	23	-	59,388	-	-	-	59,388
31 December 2021		381,982	328,075	5,712	(524)	99,475	814,720
At 1 January 2022	23	381,982	328,075	5,712	(524)	99,475	814,720
Loss for the year		-	-	-	-	(22,078)	(22,078)
Other comprehensive income	23	-	-	-	13,040	-	13,040
Total comprehensive income for the year		-	-	-	13,040	(22,078)	(9,038)
Transfer to receivables from related parties		-	(22,498)	-	-	-	(22,498)
31 December 2022		381,982	305,577	5,712	12,516	77,397	783,184

The notes on pages 14 to 67 form an integral part of these financial statements.

PACIS INSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs'000	2021 KShs'000
OPERATING ACTIVITIES			
Cash generated from operating activities	32	125,446	48,053
Tax paid	10(b)	(2,382)	(8,076)
Net cash generated from operating activities		123,064	39,977
INVESTING ACTIVITIES			
Dividend received	5(b)	1,122	699
Interest on government securities	5(a)	20,591	19,706
Interest on deposits with financial institutions	5(a)	10,710	4,887
Purchase of property and equipment	11	(12,805)	(6,542)
Purchase of intangible assets	12	(835)	-
Proceeds from disposal of property and equipment		82	547
Purchase of unquoted equity investments		-	(9,834)
Purchase of long-term deposits with financial institutions		(102,620)	-
Purchase of government securities		(33,500)	(181,703)
Proceeds from maturity of government securities		33,500	111,500
Net cash used in investing activities		(83,755)	(60,740)
FINANCING ACTIVITIES			
Proceeds from contributions pending allotment		53,784	5,300
Interest paid on borrowings		(11,296)	(15,271)
Interest paid on lease liabilities		(6,305)	(7,963)
Lease liabilities paid during the year	25	(18,617)	(18,778)
Net cash generated from/ (used in) financing activities		17,566	(36,712)
Movement in cash and cash equivalents			
Cash and cash equivalents at 1 January		56,810	114,285
Increase/ (decrease) in cash and cash equivalents		56,875	(57,475)
Cash and cash equivalents at 31 December	33	113,685	56,810

The notes on pages 14 to 67 form an integral part of these financial statements.

1. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements for Pacis Insurance Company Limited (the "Company") are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with the International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into consideration when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 impairment of assets

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

These financial statements comply with the requirements of the Kenyan Companies Act, 2015. The statement of profit or loss and the statement of other comprehensive income represents the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

The financial statements are presented in Kenya shillings (KShs), and all values are rounded to the nearest thousand - KShs'000, except when otherwise indicated.

Going concern

As disclosed in Note 3.3 to the financial statements, the Company's Capital Adequacy Ratio (CAR) of 94% was below the minimum required risk-based capital of 100% as at 31 December 2022.

The above conditions indicate a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and that therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The material uncertainty arises from the possibility that IRA may decide to withdrawal or impose conditions on the business licence of the Company in accordance with Section 18 of the Kenyan Insurance (Capital Adequacy) Guidelines, 2017.

The Company's directors have made an assessment of the Company's ability to continue as a going concern and concluded that despite the material uncertainty noted above, the Company will be able to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future. This assessment is based on the following:

- The Company's management and directors are actively pursuing injection of additional capital by the shareholders which will improve the capital adequacy ratio to meet and exceed the minimum regulatory capital requirements.

1. Significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern (continued)

- Subsequent to the reporting period, two shareholders committed to settle their outstanding balances amounting to KShs 191.1 million in form of land. The agreements between the Company and the two shareholders were signed on 30 January 2023 and the parties agreed that the property will be disposed of as soon as the transfer of ownership is complete to raise cash which will boast the Company's qualifying assets and hence the capital adequacy ratio.
- The Company's total assets exceed total liabilities by KShs 785 million (2021: KShs 814.7 million) and liquid assets exceed current liabilities (excluding unearned premium reserve) by KShs 694.5 million (2021: KShs 506.3 million) indicating that the Company has a reasonable liquidity position.
- The Company continues to implement strategic measures that are being pursued to restore the Company's capital position and increase the Company's profitability and liquidity as disclosed in Note 3.3.

The financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the risk based capital position will be rectified to the minimum regulatory requirements and that the IRA will not withdraw or impose conditions on the business license of the Company following the issuance of these financial statements which indicate that the Company's risk based capital was 94% and hence below the limit of 100% at which IRA may withdraw the insurer licence. The directors have therefore presumed that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

New standards, amendments and interpretations adopted by the Company

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The amendments are not expected to have a material impact on the Company.

The new and amended standards and interpretations effective as of 1 January 2022 are listed below:

	Effective for accounting period beginning on or after
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022
AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
AIP IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022

New standards, amendments and interpretations issued but not effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

IFRS 17 Insurance Contracts	1 January 2023
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2024
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023

1. Significant accounting policies (continued)

a) Basis of preparation (continued)

New standards, amendments and interpretations issued but not effective (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	1 January 2023
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Postponed indefinitely

The above new standards and amendments to existing standards issued but not yet effective up to the date of issuance of the Company's financial statements that are expected to have an impact on the Company are discussed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short- duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non- distinct investment components) are not presented in the income statement but are recognised directly on the statement of financial position
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted; provided the entity also applies IFRS 9 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a Company of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the change and is likely to have a significant impact on profit and total equity together with presentation and disclosure. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed.

1. Significant accounting policies (continued)

a) Basis of preparation (continued)

New standards, amendments and interpretations issued but not effective (continued)

IFRS 17 Insurance Contracts (continued)

The company has contracted an external consultant to assist with the implementation of the standard. A gap analysis has been finalized and the business embarked on the implementation process which will be completed by end of June 2023. The company has used the Premium Allocation Approach (PAA) as the measurement method for the short-term contracts. The PAA method does not require the estimation of Contractual Service Margin at transition. The unearned profit forms part of the unearned premium reserves computed as at the transition date under PAA. It therefore follows that the Full Retrospective Approach will be applied with the liability for remaining coverage comprising Unearned Premium Reserves with allowance for Deferred Acquisition Costs. The liability for incurred claims at transition will be determined as the fulfilment cashflows for incurred claims as required by the standard.

b) Revenue recognition

Premium revenue (IFRS 4)

Premium revenue is recognised on assumption of risk, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium. Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis.

Interest and dividends (IFRS 9)

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. The Company only includes interest on financial instruments at amortised cost. Other interest income includes interest on all financial assets measured at FVPL, using the contractual interest rate. The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

Dividend income is recognised when the right to receive the payment is established.

Rental income (IFRS 16)

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Fees and commission income (IFRS 15)

Reinsurers are charged a fee for business support and policy administration. These fees/commissions are recognised as revenue over the cover period of all reinsured contracts, a deferred commission income is quantified at end period end and deferred until it falls due.

1. Significant accounting policies (continued)

c) Claims expense

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date.

Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed and include provisions for claims incurred but not reported ("IBNR"). Outstanding claims are not discounted.

Reinsurance claims

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

d) Commissions incurred and deferred acquisition costs

Commissions incurred are based on the premium written and are recorded as an expense in the period in which they are incurred. Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalized as an asset and subsequently amortized over the life of the contracts. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end.

e) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any except for buildings (owner-occupied portion of the investment property), which is measured based on revalued amounts. Cost excludes the cost of day-to-day servicing. Replacement or major inspection cost are capitalized when incurred and if probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Buildings are shown at fair value on initial recognition, based on valuations by external independent valuers, less subsequent accumulated depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from 'other reserves' to retained earnings.

1. Significant accounting policies (continued)

e) Property and equipment (continued)

Depreciation is calculated on a straight-line basis to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

Motor vehicles	25%
Computer equipment	30%
Furniture, fittings and office equipment	12.5%
Buildings	32 years

The assets residual values and useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date and adjusted prospectively if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining (loss)/profit before tax.

f) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be four years.

g) Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property, which can include right-of-use assets, is initially recognized at cost including the transaction costs. Subsequently, investment property is carried at fair value representing the open market value at the reporting date determined by annual valuations carried out by external registered valuers/directors (Level 3). 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.

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other expenditure is recognised as an expense in the year which it is incurred.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

h) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs 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.

1. Significant accounting policies (continued)

h) Impairment of non-financial assets (continued)

Impairment losses of continuing operations are recognised in the income statement in those expenses categories consistent with the function of the impaired asset. For assets excluding goodwill, 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. Such assets are de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of profit or loss in the year the asset is derecognized.

A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

i) Financial instruments

Financial assets

Financial instruments are recognised when, and only when, the Company becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Company commits itself to the purchase or sale.

The Company classifies its financial assets into the following categories:

i. Amortised Cost:
Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and, Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

ii. Fair Value Through Profit or Loss (FVTPL):

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measure at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement.

Notwithstanding the above, the Company may:
-on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are in line with the business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company has not identified a change in its business models.

1. Significant accounting policies (continued)

i) Financial instruments (continued)

Financial assets (continued)

ii. Fair Value Through Profit or Loss (FVTPL) (continued)

The measurement category and the carrying amount of financial assets and liabilities in accordance with IFRS 9 are as follows:

Description	Classification Under IFRS 9	2022 KShs' 000	2021 KShs' 000
Receivables arising out of direct insurance arrangements	Amortised cost	478,219	471,730
Receivables arising out of reinsurance arrangements	Amortised cost	419,751	341,989
Other receivables	Amortised cost	32,569	30,663
Amounts due from related party	Amortised cost	215,495	279,540
Deposits with financial institutions	Amortised cost	135,216	87,519
Cash and bank balances	Amortised cost	123,893	36,573
Government securities	Amortised cost	230,242	207,184
Borrowings	Amortized cost	75,000	73,608
Quoted shares	FVTPL	21,954	27,757

Derecognition /write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Company has transferred substantially all risks and rewards of ownership, or when the Company has no reasonable expectations of recovering the asset. Write off of financial assets measured at amortized costs is done through the profit and loss. No such write-off has been done by the company.

Default

The expect credit losses are estimated through making reference to past default experience of the counterparties involved in the various classes of financial assets. For receivables arising out of direct insurance arrangements, default is assumed to have occurred when the debt is past due by more than 90 days. This is guided by the insurance revenue authority. For other financial assets, probabilities of default are guided by the counterparty's rating with accredited rating agencies.

Impairment

The Company recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost or at fair value through other comprehensive income (FVTOCI):

- Receivables arising out of direct insurance arrangements
- Receivables arising out of reinsurance arrangements
- Amounts due from related parties
- Other receivables
- Government securities
- Deposits with financial institutions
- Cash and cash equivalents

No impairment loss is recognised on investments measured at FVTPL.

1. Significant accounting policies (continued)

i) Financial instruments (continued)

Financial assets (continued)

Impairment (continued)

The loss allowance is measured at an amount equal to the lifetime expected credit losses for receivables and for financial instruments for which:
-the credit risk has increased significantly since initial recognition; or
-there is observable evidence of impairment (a credit-impaired financial asset).

If, at the reporting date, the credit risk on a financial asset other than a receivable arising from direct insurance arrangements or reinsurance arrangements has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the reporting date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

Financial liabilities

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

- All other financial liabilities are classified and measured at amortised cost.
- 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.
- All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the company's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

Derecognition

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

1. Significant accounting policies (continued)

i) Financial instruments (continued)

Offsetting financial instruments

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

j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

k) Translation of foreign currencies

Foreign currency transactions are translated into the functional currency using the prevailing exchange rates at the transaction date. Gains and losses resulting from such transactions and from the translation at yearend rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Changes in the fair value of monetary assets denominated in foreign currency classified as amortised cost are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, are recognised in other comprehensive income.

Translation differences on financial assets and liabilities held at fair value through profit or loss are reported as part of the fair value gain or loss.

l) Accounting for leases

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

Company as a lessee

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

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, an estimate of costs to be incurred to restore the underlying asset back to its original state; and lease payments made at or before the commencement date less any lease incentives received. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Currently, the Company's leases have a term of between 4 to 6 year.

1. Significant accounting policies (continued)

l) Accounting for leases (continued)

Company as a lessee (continued)

ii) Lease liabilities

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

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

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

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

m) Employee benefits

Retirement benefit obligations
The Company operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Company and employees. The employees of the Company are also members of the National Social Security Fund ("NSSF"). The Company's contribution to the defined contribution scheme and NSSF are charged to profit or loss in the year they relate to.

Other entitlements
The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

1. Significant accounting policies (continued)

n) Income tax

Income tax expense is the aggregate amount charged/ (credited) in respect of current tax in determining the profit or loss for the year. Tax is recognised in the income statement 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.

i) 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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

ii) Deferred income tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than when the deferred income tax liability arises from the initial recognition of goodwill or of 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 tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than when the deferred income tax liability arises from the initial recognition of goodwill or of 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 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 carrying amount of deferred income tax assets is reviewed at each statement of financial position 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 tax asset to be utilised.

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

o) Dividends

Dividends on ordinary shares are recognised as a liability in the year in which they are declared. Proposed dividends are accounted for as a separate component of equity until they have been declared at an annual general meeting. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date, whereby, disclosure is made in the financial statements as appropriate.

1. Significant accounting policies (continued)

p) Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies.

The Company also assumes reinsurance risk in the normal course of business for general insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

The company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. The company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets (Note 1 (i)).

q) Insurance contract receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method.

Insurance receivables are de-recognised when the de-recognition criteria for financial assets, as described in Note 1(i) above have been met.

Insurance receivables are impaired after efforts to recover the receivable through various means detailed in the credit control policy have failed to materialize. The receivables are subsequently written off through expensing in the profit or loss statement.

r) Insurance contract liabilities

General insurance contract liabilities comprise known outstanding claims provision and a provision for incurred but reported claims. This is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

1. Significant accounting policies (continued)

r) Insurance contract liabilities (continued)

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

At each reporting date the Company reviews its unexpired risk and a liability adequacy test is performed as laid out under IFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for liability adequacy. The estimates used in calculation of the liability are discussed in note 26.

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalized as an asset and subsequently amortized over the life of the contracts. All other costs are recognized as expenses when incurred.

s) Provisions

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

t) Share capital and share premium

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity.

u) Comparatives

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

v) Share capital

Ordinary shares are recognized at par value and classified as 'share capital' in equity. Revenue reserve relates to retained earnings and revaluation differences on financial instruments carried at fair value through other comprehensive income.

2. Significant accounting judgements, estimates and assumptions

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the company will ultimately pay for such claims.

Judgement is also applied in the estimation of future contractual cash flows in relation to reported losses and losses incurred but not yet reported. There are several sources of uncertainty that need to be considered in the estimate of the ability that the company will ultimately pay for such claims. Case estimates are computed on the basis of the best information available at the time the records for the year are closed. Note 28 contains further details on this process.

b) Measurement of expected credit losses (ECL)

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD). The ECL model applied for financial assets other than trade receivables and contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

2. Significant accounting judgements, estimates and assumptions (continued)

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

- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.
- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The company uses these guidelines in determining the staging of its assets unless there is persuasive evidence available to rebut these presumptions.

For receivables arising out of direct insurance arrangements, the company has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

The carrying amounts of the company's financial assets that are subject to impairment assessment are disclosed in note 3.

c) Useful lives and residual values of property and equipment, intangible assets and right-of-use assets

Management reviews the useful lives, depreciation methods and residual values of the items of property and equipment, intangible assets and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values. The carrying amounts of property and equipment, intangible assets and right-of-use assets are disclosed in notes 11, 12 and 24, respectively.

d) Accounting for leases under IFRS 16

Management has made various judgements and estimates under IFRS 16 as detailed below:

Incremental borrowing rate
To determine the incremental borrowing rate, the company:
- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease term/period
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

2. Significant accounting judgements, estimates and assumptions (continued)

d) Accounting for leases under IFRS 16 (continued)

For leases of office space, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in office leases have not been included in the lease liability, because the company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The carrying amounts of right-of-use and lease liabilities assets are disclosed in notes 24 and 25, respectively.

3. Management of insurance and financial risk

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

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

3.1 Insurance risk

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

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

3. Management of insurance and financial risk (continued)

3.1 Insurance risk (continued)

i) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increase in the number of cases coming to court that have been inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry, and geography.

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 a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

The reinsurance arrangements include excess, surplus and quota coverage. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses of more than set limits per class of business in any one year. In addition to the overall Company reinsurance programme, individual business units are permitted to purchase additional reinsurance protection.

The Company has specialised claims units dealing with the mitigation of risks surrounding known claims. This unit investigates and adjusts all claims. The claims are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Claims on all insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, claims are settled over a long period of time and a large element of the claims provision relates to incurred but not reported claims (IBNR). The compensation paid on these contracts is the monetary awards granted for bodily injury suffered and damage or loss to property.

The tables below disclose the concentration of insurance liabilities by the class of business in which the contract holder operates and by the maximum insured loss limit included in the terms of the policy. The amounts are the carrying amounts of the insurance liabilities (gross and net of reinsurance) arising from insurance contracts:

3. Management of insurance and financial risk (continued)

3.1 Insurance risk (continued)

ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts (continued)

Concentration by class of business and maximum insured loss Year ended 31 December 2022

		Maximum insured loss			
		KShs 0 - KShs 15M - KShs '000	KShs 15- KShs 250M KShs '000	Above KShs 250M KShs '000	Total KShs 250M KShs '000
Engineering	Gross	4,271	13,659	5,702	23,632
	Net	4,505	8,765	2,806	16,076
Fire domestic	Gross	2,912	8,645	3,469	15,026
	Net	2,912	6,814	207	9,933
Fire industrial	Gross	15,051	47,971	74,002	137,024
	Net	16,587	25,925	20,814	63,326
Liability	Gross	34,448	473	-	34,921
	Net	34,330	473	-	34,803
Marine	Gross	1,951	220	-	2,171
	Net	1,143	86	-	1,229
Motor private	Gross	373,217	51,151	11,183	435,551
	Net	370,429	49,933	10,763	431,125
Motor commercial	Gross	312,634	39,750	12,351	364,735
	Net	309,493	38,807	12,349	360,649
Personal accident	Gross	23,755	-	-	23,755
	Net	21,206	-	-	21,206
Medical	Gross	-	-	-	-
	Net	-	-	-	-
Theft	Gross	23,406	11,309	2,682	37,397
	Net	23,403	10,463	2,682	36,548
WCA	Gross	107,084	-	-	107,084
	Net	107,084	-	-	107,084
Miscellaneous	Gross	2,001	154	-	2,155
	Net	945	86	-	1,031
Total	Gross	900,730	173,332	109,389	1,183,451
	Net	892,037	141,352	49,621	1,083,010

The concentration by sector or maximum insured loss at the end of the year is broadly consistent with the prior year.

3. Management of insurance and financial risk (continued)

3.1 Insurance risk (continued)

ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts (continued)

Concentration by class of business and maximum insured loss Year ended 31 December 2021

		Maximum insured loss			
		KShs 0 - KShs 15M - KShs '000	KShs 15- KShs 250M KShs '000	Above KShs. 250M KShs '000	Total KShs. 250M KShs '000
Engineering	Gross	1,094	7,070	23,343	31,507
	Net	1,094	3,612	22,733	27,439
Fire domestic	Gross	1,498	6,121	1,131	8,750
	Net	1,498	5,014	130	6,642
Fire industrial	Gross	6,308	46,283	43,366	95,957
	Net	2,862	24,458	9,450	36,770
Liability	Gross	3,241	6,345	570	10,156
	Net	1,229	95	4	1,328
Marine	Gross	139	1,325	-	1,464
	Net	128	170	-	298
Motor private	Gross	19,413	74	-	19,487
	Net	16,616	8	-	16,624
Motor commercial	Gross	11,826	104	-	11,930
	Net	7,355	6	-	7,361
Personal accident	Gross	698	2,248	695	3,641
	Net	412	64	4	480
Medical	Gross	-	-	-	-
	Net	-	-	-	-
Theft	Gross	3,226	5,424	1,338	9,988
	Net	1,540	75	8	1,623
WCA	Gross	2,000	19,880	798	22,678
	Net	905	404	4	1,313
Miscellaneous	Gross	109	109	-	218
	Net	68	2	-	70
Total	Gross	49,552	94,983	71,241	215,776
	Net	33,707	33,908	32,333	99,948

iii) Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

3. Management of insurance and financial risk (continued)

3.1 Insurance risk (continued)

iii) Sensitivities (continued)

The assumptions are as follows:

	Insurance contract liabilities	Re-insurance liabilities	Net
31 December 2022			
Average claim cost (KShs)	309,710	93,069	216,641
Average number of claims	2,455	242	2,213
31 December 2021			
Average claim cost (KShs)	146,712	28,183	118,529
Average number of claims	5,515	242	5,273

31 December 2022	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
Average claim cost (KShs)	+/ 10%	+/- 30,971	+/- 21,664	+/- 21,664	+/- 15,165
Average number of claims	+/-10%	+/- 246	+/- 221	+/- 221	+/- 221
31 December 2021					
Average claim cost (KShs)	+/ 10%	+/- 47,162	+/- 47,162	+/- 47,162	+/- 191,374
Average number of claims	+/-10%	+/- 615	+/- 615	-/+ 615	-/+ 785

The sensitivity analysis includes all components of the insurance liability including IBNR, claims provision as well as any unearned premiums.

Sensitivity analysis - motor claims

The Company derives a substantial portion of its revenue from motor insurance. The claims payable under third party motor claims are most sensitive to changes in the average claims awarded to claimants.

These claims are influenced by changes in the inflation rates and the level of general claims awarded by the courts. In the opinion of the directors, the claims provisions as at 31 December 2022 were adequate.

iv) Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each reporting date, together with cumulative payments to date.

3. Management of insurance and financial risk (continued)

3.1 Insurance risk (continued)

iv) Claims development table (continued)

Claims development table

	2018 KShs'000	2019 KShs'000	2020 KShs'000	2021 KShs'000	2022 KShs'000	Total KShs'000
Claims Outstanding as at the end of year:	49,207	76,230	75,244	142,657	253,628	596,966
Accident Year	18,244	76,687	50,818	73,152	253,628	472,529
One year later	50,996	76,245	54,384	142,657	-	324,282
Two years later	65,169	75,783	75,244	-	-	216,196
Three years later	52,808	76,230	-	-	-	129,038
Four years later	49,207	-	-	-	-	49,207
Five years later	-	-	-	-	-	-
Total claims liability	49,207	76,230	75,244	142,657	253,628	596,966

Outstanding claims for accident year 2017 and prior year	159,904
Outstanding claims for medical class as at 31 December 2022	93,370
Incurred but not reported claims	316,340
Total gross claims liabilities	1,166,580

3.2 Financial risk

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

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. It manages these positions with an Asset Liability Management (ALM) framework that has been developed to achieve investment returns in excess of obligations under insurance contracts. The Company produces regular reports at portfolio and asset and liability class level that are circulated to the Company's key management personnel. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. The Company's ALM is also 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 (in particular, borrowings). The Company does not use hedge accounting.

The Company has not changed the processes used to manage its risks from previous periods. The notes below explain how financial risks are managed using the categories utilised in the Company's ALM framework.

3. Management of insurance and financial risk (continued)

3.2 Financial risk (continued)

a) Short-term insurance contracts

The Company engages in short term insurance contracts and funds the insurance liabilities with a portfolio of equity investments, debt securities and deposits with financial institutions exposed to market risk. An analysis of the Company's financial assets and its short term insurance liabilities is presented below;

	2022	2021
Financial assets	KShs'000	KShs'000
Armotised cost:		
- Government securities - treasury bonds	80,000	33,500
- Government securities - treasury bills	149,200	173,684
Fair value through profit or loss:		
- Quoted equity investments	21,954	27,757
- Investment in unquoted shares	-	-
Receivables from direct insurance contracts	478,219	471,730
Reinsurance share of insurance liabilities and reserves	491,271	405,513
Receivables arising out of reinsurance arrangements	419,751	341,989
Receivable from related party	215,495	279,541
Other receivables (excluding non-financial assets)	32,569	30,663
Cash and bank balances	123,893	36,573
Deposits with financial institutions	135,216	87,519
Total	2,147,568	1,888,469
Short - term insurance liabilities		
Insurance contracts	1,166,580	1,083,993
Provisions for unearned premiums and unexpired risks	904,673	719,671
Payables arising from reinsurance arrangements	70,846	90,253
Total	2,142,099	1,893,917

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing. However, due to the time value of money and the impact of interest rates on the level of loss incurred by the Company's policyholders (where a reduction of interest rate would normally produce a higher insurance liability), the Company matches the cash flows of assets and liabilities in this portfolio by estimating their mean duration.

The mean duration of liabilities is calculated using historical claims data to determine the expected settlement pattern for claims arising from the insurance contracts in force at the statement of financial position date (both incurred claims and future claims arising from the unexpired risks at the statement of financial position date). The mean durations are:

	2022	2021
Net short term insurance liabilities - property risk	0.30 years	0.30 years
Net short term insurance liabilities - casualty risk	0.06 years	0.06 years
Financial assets (excluding equity securities)	1 year	1 year

3 Management of insurance and financial risk (continued)

3.2 Financial risk (continued)

a) Short-term insurance contracts (continued)

The table below shows the contractual timing of cash flows arising from assets and liabilities included in the Company's Asset Liability Management (ALM) framework for management of short-term insurance contracts as of 31 December 2022:

			Contractual cash flows (undiscounted)			
	Carrying Amount KShs'000	No stated maturity KShs'000	0-1 year KShs'000	1-2 years KShs'000	2-3 years KShs'000	> 5 years KShs'000
Armotised cost:						
- Investments in Government securities	230,242	-	158,200	9,000	27,000	147,500
Fair value through profit or loss:						
- Quoted equity investments	21,954	21,954	-	-	-	-
Receivables from direct insurance contracts	478,219	-	399,586	78,633	-	-
Receivables arising out of reinsurance arrangements	419,751		419,751			
Reinsurance share of insurance liabilities and reserves	491,271	-	491,271	-	-	-
Receivable from related party	215,495	-	-	215,495	-	-
Other receivables	32,569	-	32,569	-	-	-
Cash and bank balances	123,893	-	123,893	-	-	-
Deposits with financial institutions	135,216	-	135,216	-	-	-
	2,148,610	21,954	1,760,486	303,128	27,000	147,500
Short term insurance liabilities:						
Insurance contracts	1,166,580	-	946,608	158,170	52,723	9,079
Provisions for unearned premiums and unexpired risks	904,673	-	904,673	-	-	-
Payables arising out of reinsurance contracts	70,846	-	70,846	-	-	-
	2,142,099	-	1,922,127	158,170	52,723	9,079
Difference in contractual cash flows	6,511	21,954	(161,641)	144,958	(25,723)	138,421

3 Management of insurance and financial risk (continued)

3.2 Financial risk (continued)

a) Short-term insurance contracts (continued)

The table below shows the contractual timing of cash flows arising from assets and liabilities included in the Company's ALM framework for management of short-term insurance contracts as of 31 December 2021:

	Carrying Amount KShs'000	No stated maturity KShs'000	Contractual cash flows (undiscounted) 0-1 year KShs'000	1-2 years KShs'000	2-5 years KShs'000	> 5 years KShs'000
Armotised cost:						
- Investments in Government securities	207,184	-	137,200	9,000	27,000	156,500
Fair value through profit or loss:						
- Quoted equity investments	27,757	27,757	-	-	-	-
Receivables from direct insurance contracts	471,730	-	392,182	79,548	-	-
Receivables arising out of reinsurance arrangements	341,989		341,989			
Reinsurance share of insurance liabilities and reserves	405,513	-	405,513	-	-	-
Receivable from related party	279,541	-	180,967	98,574	-	-
Other receivables	30,663	-	30,663	-	-	-
Cash and bank balances	36,573	-	36,573	-	-	-
Deposits with financial institutions	87,519	-	87,519	-	-	-
	1,888,469	27,757	1,612,606	187,122	27,000	156,500
Short term insurance liabilities:						
Insurance contracts	1,083,993	-	836,532	110,940	45,566	90,955
Provisions for unearned premiums and unexpired risks	719,671	-	719,671	-	-	-
Payables arising out of reinsurance contracts	90,253	-	90,253	-	-	-
	1,893,917	-	1,646,456	110,940	45,566	90,955
Difference in contractual cash flows	(5,448)	27,757	(33,850)	76,182	(18,566)	65,545

The insurance contract liabilities presented are not based on contractual cash flows, but rather on expected cash flows due to the uncertainties involved in estimating the amount and timing of the liability.

3 Management of insurance and financial risk (continued)

3.2 Financial risk (continued)

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk that affects the Company is interest rate risk, equity price risk and currency risk.

i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. 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. For financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.
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. These particular exposures illustrate the Company's overall exposure to interest rate sensitivities included in the Company's ALM framework and its impact on the Company's profit or loss by business.

	Percentage increase or decrease in interest rate	Effect on profit before tax 2022 KShs'000	Effect on equity 2022 KShs'000	Effect on profit before tax 2021 KShs'000	Effect on equity 2021 KShs'000
Treasury bills	2%	2,275	1,593	2,100	1,470
Treasury bonds	2%	1,632	1,142	1,715	515
Deposits with financial institutions	2%	2,460	1,722	2,379	1,665
Borrowings	4%	3,000	2,100	1,074	752
Lease liabilities	2%	1,410	987	1,092	764

ii) Equity price risk

The Company is exposed to equity securities price risk as a result of its holdings in equity investments, classified as financial assets fair value through profit or loss. Exposure to equity shares in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the Nairobi Stock Exchange.

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 securities.

If equity market indices had increased/ decreased by 10%, 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 2,195,363 (2021: KShs 2,210,150).

3 Management of insurance and financial risk (continued)

3.2 Financial risk (continued)

b) Market risk (continued)

iii) 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 not exposed to material currency risk.

c) Legal risk

Laws and regulations:

Management considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The management facilitates the compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Compliance with investment mandates:

Management reviews compliance with investment mandates on a monthly basis. When a possible breach is detected, management ensure that immediate remedial action is taken.

The capital is invested in equities and interest-bearing instruments that are valued at fair value and are therefore susceptible to market fluctuations. Management assesses the trend in the equity market prices and the interest rates and ensures a smoothening effect by balancing the portfolios, without contravening investment mandates, in order to ensure investment income growth as well as stability in equities.

d) Operational risk

The Company mitigates this risk through its culture and values, a comprehensive system of internal controls and other measures such as back-up facilities, contingency planning and insurance. The initiation of transactions and their administration is conducted on the basis of the segregation of duties, designed to ensure the accuracy, completeness and validity of all transactions.

e) Reputational risk

Actions with a potential reputational impact are escalated to the appropriate level of senior management. The Board of Directors are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups.

f) Concentration risk

The Company writes a diverse mix of business, and continually monitors this risk and the opportunities for mitigating actions through reinsurance. All insurance products that the company offers are focused on different market segments, resulting in a mix of individual and institutional clients, as well as entry-level, middle market and high net worth clients.

3 Management of insurance and financial risk (continued)

3.2 Financial risk (continued)

g) Credit risk

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

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

Key areas where the Company is exposed to credit risk are:
- receivables arising out of direct insurance arrangements;
- receivables arising out of reinsurance arrangements;
- receivable from related company;
- deposits with financial institutions;
- cash and bank balances; and
- Investment in government securities.

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

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder.

In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. The exposure to individual counterparties is also managed through other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the directors include details of provisions for impairment on receivables and subsequent write offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the management.

The table below shows the carrying amounts of assets bearing credit risk.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed below:

3 Management of insurance and financial risk (continued)

3.2 Financial risk (continued)

g) Credit risk (continued)

Financial assets	2022 KShs'000	2021 KShs'000
Investments in Government securities	230,242	207,184
Receivables from direct insurance contracts	478,219	471,730
Reinsurance share of insurance liabilities and reserves	491,271	405,513
Receivable from related party	215,495	279,540
Other receivables (excluding non-financial assets)	32,569	30,663
Bank balances	123,893	36,573
Receivables arising out of reinsurance arrangements	419,751	341,989
Deposits with financial institutions	135,216	87,519
	2,126,656	1,860,711

Reinsurance share of insurance liabilities and reserves and other receivables are all performing and no impairment losses have been recognised for them. There has been no significant change in credit risk for any of the financial assets. For bank and deposits with financial institutions, determination of credit risk is guided by the institution's rating with accredited rating agencies. The credit rating of government securities is based on Standard & Poor's credit rating for Kenya which currently stands at B with stable outlook. The company has measured the loss allowance for financial assets at an amount equal to the 12-month expected credit losses for stage 1 assets, and lifetime expected credit losses for stage 2 and 3 financial assets.

As at 31 December, the ageing analysis of receivables from direct insurance contracts is, as follows:

2022

Age band	Gross carrying amount Kshs'000'	ECL rate %	ECL Kshs'000'	Net carrying amount Kshs'000'
0 - 30 days	71,468	13%	9,452	62,016
31 - 60 days	52,010	16%	8,345	43,665
61 - 90 days	31,604	19%	5,958	25,646
Over 90 days	441,311	21%	94,419	346,892
	596,393	20%	118,174	478,219

2021

Age band	Gross carrying amount Kshs'000'	ECL rate %	ECL Kshs'000'	Net carrying amount Kshs'000'
0 - 30 days	84,126	15%	12,498	71,628
31 - 60 days	60,672	17%	10,416	50,256
61 - 90 days	24,028	21%	5,162	18,866
Over 90 days	455,728	27%	124,748	330,980
	624,554	24%	152,824	471,730

3 Management of insurance and financial risk (continued)

3.2 Financial risk (continued)

g) Credit risk (continued)

Management believes that neither past due nor impaired amounts are fully recoverable, since the Company continues to deal with the vast majority of the customers and most of the covers run for 12 months.

The net allowance for expected credit losses, increase/ (decrease) charged to profit and loss is as below:

Financial Assets	2022 KShs'000	2021 KShs'000
Receivables arising out of direct insurance arrangements (Note 19(a)	34,649	13,257
Receivables arising out of reinsurance arrangements (Note 19(b))	10,843	(11,185)
Receivable from related party (Note 20)	12,237	2,772
Other receivables (Note 21)	(1,140)	(169)
Deposits with financial institutions (Note 22)	(6,228)	2,674
Cash and bank balances (Note 33)	(3,775)	283
Investment in Government securities (Note 15)	(2,376)	155
	44,210	(7,787)

h) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. The Company is exposed to daily calls on its available cash for claims settlement and other expenses. The Company does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. On large claims arrangements are in place to obtain cash calls from reinsurers.

The table below presents the undiscounted cash flows payable by the Company under financial liabilities by remaining contractual maturities (other than insurance contract liabilities which are based on expected maturities) at the reporting date. All figures are in Kenya Shillings.

31 December 2022	0-1 year KShs'000	1-2 years KShs'000	2-5 years KShs'000	Over 5years KShs'000	Total KShs'000
Liabilities					
Insurance contract liabilities	946,608	158,170	52,723	9,079	1,166,580
Payables arising out of reinsurance arrangements	70,846	-	-	-	70,846
Other payables	234,274	-	-	-	234,274
Borrowings	75,000	-	-	-	75,000
					-
Total financial liabilities	1,326,728	158,170	52,723	9,079	1,546,700
31 December 2021					
Liabilities					
Insurance contract liabilities	758,795	162,599	65,040	97,559	1,083,993
Payables arising out of reinsurance arrangements	90,253	-	-	-	90,253
Other payables	202,791	-	-	-	202,791
Borrowings	73,608	-	-	-	73,608
Total financial liabilities	1,125,447	162,599	65,040	97,559	1,450,645

3 Management of insurance and financial risk (continued)

3.3 Capital management

The Company's objectives when managing capital, which is a broader concept than the 'shareholders' funds' on the financial position are to:

- to comply with the capital requirements as set out in the Kenyan Insurance Act;
- to comply with regulatory solvency requirements as set out in the Kenyan Insurance Act;
- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The Insurance (Capital Requirements) Regulations 2015 under Section 180 of the Insurance Act require that a Company, should maintain risk-based capital determined by its size and risk profile. Such a Company should achieve the prescribed capital requirement and maintain a capital adequacy ratio which shall at all times be at least 100%. The Company's capital adequacy ratio as at the reporting date was below the regulatory minimum requirement as indicated below:

	2022 KShs'000	2021 KShs'000
Tier-1 Capital	783,179	814,713
Tier-2 Capital	-	-
Deductions	(210,176)	(277,398)
Total Capital Available (TCA)	573,003	537,315
Absolute Amount Minimum 1	600,000	600,000
Volume of Business Minimum 2	258,271	220,748
Risk Based Capital Minimum	608,655	591,404
Minimum Required Capital	608,655	600,000
Capital Adequacy Ratio	94%	90%

The Insurance Guidelines stipulate that the level of supervisory intervention by IRA to address a breach or potential breach of Capital Adequacy will be determined by the extent of the breach or potential breach as indicated by the capital adequacy ratio. The sanctions stated in the Insurance Guidelines are that IRA may:

- require the insurer to invest in a specified manner;
- restrict or prohibit the insurer from investing in certain asset classes or individual assets to safeguard insurance funds;
- suspend, dismiss, disqualify or revoke the appointment of an officer of the insurer in a position as a board member, member of the senior management or key person in control function;
- impose additional reporting requirements on the insurer;
- restrict declaration and payment of dividends by the insurer;
- withdraw or impose conditions on the business license of the insurer; and
- take any other action as may be deemed necessary.

Management of the Company is actively pursuing the following to ensure that capital is at least 100%:

- Injection of additional capital by the shareholders.

3 Management of insurance and financial risk (continued)

3.3 Capital management (continued)

- Repayment of amounts due from related parties. Subsequent to the reporting period, two shareholders committed to settle their outstanding balances amounting to KShs 191.1 million in form of land. The agreements between the Company and the two shareholders were signed on 30 January 2023 and the parties agreed that the property will be disposed of as soon as the transfer of ownership is complete to raise cash which will boast the Company's qualifying assets and hence the capital adequacy ratio.
- Profitable business growth: Monitoring the business and ensuring balanced portfolio by increasing non motor classes and minimizing on loss making accounts on the motor class, recruitment of new intermediaries and balancing growth within the various underwriting classes of business to ensure business volumes are optimally distributed while prioritizing profitability.
- Management of operational risk: Disposal of the idle property and investing the funds in liquid assets.

4.(a). Gross written premiums

The gross earned premium of the Company can be analysed between the principal classes of business as shown below:

	2022 KShs'000	2021 KShs'000
Fire	166,205	132,050
Motor	787,493	719,687
Engineering	23,650	26,903
Liabilities	34,953	27,138
Marine	2,201	3,296
Group Personal Accident (GPA)	23,793	35,219
Medical	781,689	548,069
Theft	35,502	46,370
Workmen's compensation.	107,507	126,581
Miscellaneous	2,154	2,517
Gross written premiums	1,965,147	1,667,830
Change in unearned premium reserve	(185,002)	(68,603)
	1,780,145	1,599,227

4.(b). Reinsurance premiums ceded

	2022 KShs'000	2021 KShs'000
Fire	109,746	73,938
Motor	11,031	8,799
Engineering	9,720	2,562
Liabilities	444	1,007
Marine	943	1,396
Group Personal Accident (GPA)	2,973	6,778
Medical	158,338	217,153
Theft	-	4,430
Workmen's compensation	1,523	7,464
Miscellaneous	1,125	907
Gross reinsurance premiums ceded	295,843	324,434
Change in unearned premium reserve (note 28)	14,052	(16,565)
	309,895	307,869

5.(a) Interest revenue calculated using the effective interest method	2022 KShs'000	2021 KShs'000
Interest from Government securities	20,591	19,706
Interest from bank deposits and current accounts	10,710	4,887
Interest on staff loans	1	8
	31,302	24,601

5. (b) Investment income		
Rental income from investment properties	46,639	42,550
Dividend income from quoted equity investments	1,122	699
(Loss)/ gain on valuation of quoted shares	(5,800)	554
	41,961	43,803

5. (c) Other operating income/ (loss)		
Medical fund management fee and tender fees	6,406	4,510
Gain on disposal of property and equipment	921	179
Gain/ (loss) arising from changes in the fair value of investment properties (Note 13)	52,129	(13,126)
Miscellaneous income	14	(48)
Foreign exchange (loss)/ gain	(73)	3,720
	59,397	(4,765)

6.(a) Net claims incurred		
Fire	61,873	42,941
Motor	645,656	523,957
Engineering	3,575	(1,350)
Liabilities	16,711	17,429
Marine	1,907	100
Group Personal Accident (GPA)	7,635	7,340
Medical	426,751	357,412
Theft	2,803	1,647
Workmen's compensation Miscellaneous	28,700	33,293
	1,195,611	982,769
Reinsurance share of incurred liabilities	(330,927)	(231,214)
	864,684	751,555

6.(b) Commission expense and commission earned

31 December 2022	Commission expense KShs'000	Commission earned KShs'000	Net commission KShs'000
Fire	36,639	25,211	11,428
Motor	76,671	-	76,671
Engineering	4,828	2,438	2,390
Liabilities	6,939	29	6,910
Marine	361	257	104
Group Personal Accident (GPA)	4,263	106	4,157
Medical	75,365	35,726	39,639
Theft	7,065	-	7,065
Workmen's compensation.	22,953	-	22,953
Miscellaneous	206	286	(80)
Gross commission	235,290	64,053	171,237
Change in unearned commission reserve	(13,790)	5,760	(19,550)
Net commission	221,500	69,813	151,687
31 December 2021			
Fire	30,947	21,894	9,053
Motor	69,958	-	69,958
Engineering	5,896	3,159	2,737
Liabilities	5,340	-	5,340
Marine	606	547	59
Group Personal Accident (GPA)	7,226	147	7,079
Medical	53,521	54,807	(1,286)
Theft	8,465	-	8,465
Workmen's compensation.	33,317	-	33,317
Miscellaneous	276	243	33
Gross commission	215,552	80,797	134,755
Change in unearned commissions reserve	(10,903)	(17,141)	6,238
Net commission	204,649	63,656	140,993

7. Operating and other expenses

	2022 KShs'000	2021 KShs'000
Staff costs (Note 8)	274,739	219,863
Directors' fees (note 34)	8,679	10,382
Bank charges	3,753	2,748
Depreciation on right-of-use assets (Note 24)	16,631	17,940
Amortisation of intangible assets (Note 12)	434	4,497
Stationery	31,460	23,991
Marketing	54,992	53,528
Depreciation on equipment (Note 11)	11,165	9,826
Auditors' remuneration	3,392	3,200
Stamp duty	645	3,236
Premium tax	19,609	15,722
Repairs and maintenance expenditure	6,827	5,976
Donations and social responsibility	-	180
Licenses	3,091	12,312
Motor vehicles expenses	1,158	144
Motor vehicles insurance certificates	3,477	2,371
Office expenses	19,639	14,896
Policyholders' compensation fund	4,902	3,930
Professional and legal fees	37,115	14,329
Telephone and postage	18,561	17,784
Miscellaneous expenses*	10,126	54,268
Investment properties expenses	238	96
	530,633	491,219

* Miscellaneous expenses for 2021 relate to additional provision for commission payable to intermediaries.

8. Staff costs

	2022 KShs'000	2021 KShs'000
Salaries and wages	213,982	166,685
Staff medical covers	23,823	20,746
Staff welfare	27,508	24,692
Retirement benefit costs - defined contribution scheme	9,426	7,740
	274,739	219,863

The average number of persons employed during the period, by category, were:

	2022 Number	2021 Number
- Underwriting	17	26
- Marketing	27	34
- Claims	10	19
- Management, administration and finance	66	39
Total	120	118

9. Loss)/profit before tax

	2022 KShs'000	2021 KShs'000
The (loss)/profit before tax is arrived at after charging:		
Staff costs (note 8)	274,739	219,863
Depreciation on equipment (Note 11)	11,165	9,826
Amortisation of intangible assets (Note 12)	434	4,497
Depreciation on right of use assets (Note 24)	16,631	17,940
Directors' remuneration (Note 34)	8,679	10,382
Auditors' remuneration (Note 7)	3,392	3,200

10. Tax

a) Income tax expense

Deferred tax charge	62,728	-
Prior year deferred tax losses overprovision on overstated tax losses	-	-
relating to origination and reversal of temporary differences	41,865	10,966
Adjustments in respect of current income tax of previous year	-	(17,110)
Tax (charge)/ credit	104,593	(6,144)
Profit/ (loss) before tax	82,515	(44,217)
Tax calculated at the rate of 30%	24,755	(13,265)
Tax effect of:		
Expenses not deductible for tax purposes	(7,257)	24,896
Non-taxable income	-	(665)
Deferred tax on fair value reserve for property 15%/5%	45,230	-
Adjustments in respect of current income tax of previous year	-	(17,110)
Prior year deferred tax losses overprovision on overstated tax losses	41,865	-
Tax charge/ (credit)	104,593	(6,144)

b) Tax recoverable

At 1 January	52,704	44,628
Income tax paid	2,382	8,076
At 31 December	55,086	52,704

Tax recoverable relates to advance tax paid by the Company. The increase relates to payments during the year.

11. Property and equipment

31 December 2022	Buildings	Motor vehicles	Computer equipment	Furniture and fittings	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost					
At January 2022	55,852	131	32,887	103,769	192,639
Additions	-	-	2,730	10,075	12,805
Transfer from investment property	33,676	-	-	-	33,676
Elimination of depreciation during the year	(4,570)				(4,570)
Revaluation gain	15,341	-	-	-	15,341
Disposals	-	-	(111)	(368)	(479)
At 31 December 2022	100,299	131	35,506	113,476	249,412
Accumulated depreciation					
At January 2022	1,745	25	28,258	79,982	110,010
On disposal	-	-	(89)	(369)	(458)
Charge for the year	2,825	33	2,720	5,587	11,165
Elimination of depreciation during the year	(4,570)	-	-	-	(4,570)
At 31 December 2022	-	58	30,889	85,200	116,147
Net carrying amount at 31 December 2022	100,299	73	4,617	28,276	133,265

31 December 2021	Buildings	Motor vehicles	Computer equipment	Furniture and fittings	Total
Cost					
At January 2021	56,376	131	30,611	100,871	187,989
Additions	-	-	2,616	3,926	6,542
Revaluation loss	(524)	-	-	-	(524)
Disposals	-	-	(340)	(1,028)	(1,368)
At 31 December 2021	55,852	131	32,887	103,769	192,639
Accumulated depreciation					
At January 2021	1,708	20	25,980	73,477	101,185
On disposal	-	-	(173)	(828)	(1,001)
Charge for the year	37	5	2,451	7,333	9,826
At 31 December 2021	1,745	25	28,258	79,982	110,010
Net carrying amount at 31 December 2021	54,107	106	4,629	23,787	82,629

12. Intangible assets

	Computer software KShs'000	Total KShs'000
31 December 2022		
Cost		
At 1 January 2022	96,944	96,944
Additions	835	835
At 31 December 2022	97,779	97,779
Amortisation		
At 1 January 2022	96,323	96,323
Charge for the year	434	433
At 31 December 2022	96,757	96,756
Net carrying amount at 31 December 2022	1,022	1,023
31 December 2021		
Cost		
At 1 January 2021	96,944	96,944
At 31 December 2021	96,944	96,944
Amortisation		
At 1 January 2021	91,826	91,826
Charge for the year	4,497	4,497
At 31 December 2021	96,323	96,323
Net carrying amount at 31 December 2021	621	621

13. Investment properties

At 1 January	774,348	787,474
Transfer to property and equipment (Note 11)	(33,676)	-
Net gain/ (loss) from fair value remeasurement	52,129	(13,126)
At 31 December	792,801	774,348

The Company's investment properties consist of the following:

13. Investment properties (continued)

Property description	Type	Land	Developments	2022 Totals	2021 Totals
		KShs'000	KShs'000	KShs'000	KShs'000
Pacis Centre Office Building - Nairobi	Commercial	300,000	384,701	684,701	670,148
Luna Gardens - Vila at Lavington	Residential	-	65,000	65,000	80,000
Land at Kwale/Diani	Land	13,800	-	13,800	8,500
Land at Mbeti/Gachuriri - Mbeere South District-156/157	Land	29,300	-	29,300	15,700
		343,100	449,701	792,801	774,348

	2022	2021
	KShs'000	KShs'000
Rental income derived from investment properties (Note 5(b))	46,639	42,550
Direct operating expenses (including repairs and maintenance) generating rental income (included in other operating and administrative expense)	157	96

The valuation of investment properties was performed by Knight Frank Limited, registered valuers and an industry specialist in valuing these types of investment properties, based on an open market valuation as at 31 December 2022. The valuation takes into account recent prices of similar properties with adjustments made to reflect any changes in economic conditions since the date of the transactions at those prices. Based on the valuer's opinion the values of the undeveloped lands at Kwale/Diani and Mbeti/Gachuriri have risen following positive changes on demand and supply factors as evidenced by recent transactions in the respective locations. This has led to a revaluation gain of KShs 18,900,000 (2021: gain of KShs 350,000). The total market value of Pacis center increased by KShs 10,000,000 (2021: decline of KShs 4,000,000) following rent escalations and a more stable economic outlook. The Luna gardens villa however declined in value by KShs 15,000,000 (2021: decline of KShs 10,000,000) due to a drop in demand for residential space in the location.

The fair value of investment property is determined using recognised valuation techniques. These techniques comprise both the Market Value (MV) method and current replacement cost method. Under the MV method, a property's fair value is the price received to sell an asset in an orderly transaction between market participants at the measurement date under current market conditions. The current replacement cost method reflects the amount that would be required currently to replace the service capacity of an asset. The fair value of investment properties is included within Level 3 of the fair value hierarchy.

Description of valuation techniques used and key inputs to valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Residential property	Market Approach of Comparable	Prices of the residential properties in the neighbourhood	KShs 65 million - KShs 70 million
Land - Kwale/Diani	Market Approach of Comparable	Price per acre	KShs 8 million - KShs 10 million
Land - Mbeti/Gachuriri	Market Approach of Comparable	Price per acre	KShs 481,250 - KShs 500,000
Commercial property -building	Discounted cash flow method	Capital expenditure adjusted for depreciation	KShs 700 million- KShs 736 million

14. Deferred tax

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30%. The movement on the deferred income tax account is as follows:

	2022 KShs'000	2021 KShs'000
At 1 January	140,365	134,221
Charge/ (credit) to profit or loss (Note 10)	(104,593)	6,144
Charge/ (credit) to OCI	(2,301)	-
At 31 December	33,471	140,365

Deferred tax are attributable to the following items:

31 December 2022	1 January 2021 KShs'000	Charge /(credit) to profit or Loss KShs'000	Charge/ (credit) OCI KShs'000	31 December 2022 KShs'000
Property and equipment	8,400	(3,549)		4,851
Intangible assets	1,672	(585)	-	1,087
Leave pay provision	2,148	(258)	-	1,890
Other provisions	1,069	(1,069)	-	-
Allowance for expected credit loss	59,474	(13,262)	-	46,212
Tax losses carried forward	82,665	(39,186)	-	43,479
Lease liabilities	3,642	(1,454)	-	2,188
Revaluation of investment properties	(18,705)	(45,230)	-	(63,935)
Revaluation of buildings (owner occupied)	-	-	(2,301)	(2,301)
Net deferred tax asset	140,365	(104,593)	(2,301)	33,471

31 December 2021	1 January 2020 KShs'000	Charge/ (credit)to profit or Loss KShs'000	Charge/ (credit) OCI KShs'000	31 December 2021 KShs'000 *Restated
Property and equipment	5,985	2,415	-	8,400
Intangible assets	942	730	-	1,672
Leave pay provision	899	1,249	-	2,148
Other provisions	-	1,069	-	1,069
Allowance for expected credit loss	61,811	(2,337)	-	59,474
Tax losses carried forward	76,060	6,605	-	82,665
Lease liabilities	4,504	(862)	-	3,642
Revaluation of investment properties	(15,980)	(2,725)	-	(18,705)
Net deferred tax asset	134,221	6,144	-	140,365

15. Investments in Government securities

	2022 KShs'000	2021 KShs'000
Armotised cost financial assets		
Treasury bonds	89,713	80,000
Treasury bills	143,921	128,200
	233,634	208,200
Expected credit loss	(3,392)	(1,016)
	230,242	207,184
The movement in expected credit loss is as shown below:		
At 1 January	1,016	1,171
Increase/ (decrease) in expected credit loss (Note 3.2(g))	(2,376)	155
At 31 December	3,392	1,016
Treasury bills and bonds maturing:		
Within 91 days	21,000	-
Within 91 days to 1 year	122,921	128,200
Maturing within 2 to 25 years	89,713	80,000
	233,634	208,200

Treasury bonds and bills are debt securities issued by the Government of Kenya and are classified as held at amortized cost. The effective interest rate realised on these securities for the year ended 31 December 2022 was 9% (2021: 11%).

Included in Government securities are treasury bonds and treasury bills with Central Bank of Kenya amounting to KShs 182.7 million (2021: KShs 182.7 million) which are under lien as required by the Insurance Regulatory Authority. The Company has the intention and ability to hold the securities until maturity.

16. Quoted equity investments at fair value through profit or loss

	2022 KShs'000	2021 KShs'000
At 1 January	27,757	27,202
Remeasurement recognised in profit or loss	(5,799)	554
At 31 December	21,958	27,757

The Company's quoted equity investments at fair value through profit or loss comprise investments in equity instruments of companies listed on the Nairobi Securities Exchange.

17. Deferred acquisition costs

	2022 KShs'000	2021 KShs'000
At 1 January	58,039	64,277
Acquisition costs deferred	98,847	72,157
Amortisation	(79,296)	(78,395)
At 31 December	77,590	58,039

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalized as an asset and subsequently amortized over the life of the contracts. All other costs are recognized as expenses when incurred.

18. Reinsurers' share of insurance contract liabilities

	2022 KShs'000	2021 KShs'000
Reinsurers' share of:		
- Outstanding claims (Note 27)	325,667	235,535
- claims incurred but not reported (Note 27)	67,475	57,795
	393,142	293,331
- Unearned premium (Note 28)	98,130	112,182
	491,272	405,513

19.(a) Receivables arising out of direct insurance arrangements

	2022 KShs'000	2021 KShs'000
Gross receivables arising out of direct insurance arrangements	596,394	624,554
Expected credit loss	(118,175)	(152,824)
Net receivables arising out of direct insurance arrangements	478,219	471,730
The movement in expected credit loss is as shown below:		
At 1 January	152,824	166,081
Decrease in expected credit loss (Note 3.2(g))	34,649	13,257
At 31 December	118,175	152,824

(b) Receivables arising out of reinsurance arrangements

	2022 KShs'000	2021 KShs'000
At 1 January	341,989	225,899
Claims recoverable	89,356	138,527
Expected credit loss	(11,594)	(22,437)
	419,751	341,989
Impairment of unrecoverable claims	-	-
At 31 December	419,751	341,989
The movement in expected credit loss is as shown below:		
At 1 January	22,437	11,252
(Decrease)/ increase in expected credit loss (Note 3.2(g))	10,843	(11,185)
At 31 December	11,594	22,437

Receivables arising out of reinsurance arrangements relates to claims actually incurred for which the Company is awaiting payment from the reinsurer.

20. Receivable from related party

	2022 KShs'000	2021 KShs'000
Receivable from sale of unquoted shares	218,732	295,014
Expected credit loss	(3,237)	(15,474)
	215,495	279,540
The movement in expected credit loss is as shown below:		
At 1 January	15,474	18,246
Decrease in expected credit loss (Note 3.2(g))	12,237	2,772
At 31 December	3,237	15,474

The carrying amounts of receivable from related party approximate their fair value.

21. Other receivables

	2022 KShs'000	2021 KShs'000
Interest receivable	16,266	13,701
Staff loans and advances	1,872	2,117
Prepayment	1,827	1,993
Rental deposits	10,322	10,322
Other receivables and deposits with various institutions	3,595	2,703
Expected credit loss	(1,313)	(173)
	32,569	30,663
The movement in expected credit loss is as shown below:		
At 1 January	173	4
Increase in expected credit loss (Note 3.2(g))	(1,140)	(169)
At 31 December	1,313	173

Staff loans are unsecured and their weighted average effective interest rate is 8% (2021: 8%)

22. Deposits with financial institutions

	2022 KShs'000	2021 KShs'000
Deposits with commercial banks	126,945	75,834
Deposits with related party (Note 34)	20,814	10,000
Other deposits*	-	8,000
	147,759	93,834
Expected credit loss on deposits with commercial banks	(8,709)	(4,728)
Expected credit loss on deposits with related party	(3,834)	(1,587)
	(12,543)	(6,315)
	135,216	87,519
The movement in expected credit loss is as shown below:		
At 1 January	6,315	8,989
Increase/ (decrease) in expected credit loss (Note 3.2(g))	(6,228)	2,674
At 31 December	12,543	6,315

Deposits with financial institutions have an average effective maturity period of three months. Deposits with related party relates to deposits with Caritas Microfinance Bank. Both Caritas Microfinance Bank and the Company are owned by the Catholic Church in Kenya.

*Other deposits relate to treasury bonds with the Central Bank of Kenya which were under lien that had matured as at year end but was yet to be rolled over.

The effective interest rate realised on the deposits during the year ended 31 December 2022 was 7.9% (2021: 7.6%).

Included in deposits with financial institutions are deposit with Bank of Africa amounting to KShs 30 million (2021: KShs 22.8 Million) which are under lien as a security for an overdraft facility the Company has entered with the bank

23(a). Share capital

	2022 KShs'000	2021 KShs'000
Authorised capital:		
8,000,000 (2021: 8,000,000) ordinary shares of KShs 100 each	800,000	800,000
Issued and fully paid capital:		
3,819,823 (2021: 3,819,823) ordinary shares of KShs 100 each	381,982	381,982

The movement in share capital is as shown below:

	Number of Shares		Share premium		Share capital	
	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000	2022 KShs'000	2021 KShs'000
At 1 January and 31 December	3,820	3,820	5,712	5,712	381,982	381,982

23(b). Shareholders' contribution pending allotment

	2022 KShs'000	2021 KShs'000
At 1 January	328,075	268,687
Additional share capital	-	59,388
Transfer to receivables from related parties	(22,498)	-
At 31 December	305,577	328,075

This is share capital contribution by the shareholders to the Company pending allotment of the Company shares. The allotment will be completed once the requisite documents have been filed with the registrar of Companies and share certificate issued to the shareholder.

23(c). Revaluation reserves

Revaluation reserves represent gain or loss arising from changes in the fair value of property and equipment and is made up as below;

	2022 KShs'000	2021 KShs'000
At 1 January	(524)	-
Net gain/ (loss) arising from changes in the fair value of property and equipment (Note 5(c))	13,040	(524)
	12,516	(524)

24. Right-of use assets

At 1 January	42,214	63,229
Additions	17,929	5,468
Reversal of right-of use asset on lease cancellation (Note 25)	(4,033)	(8,543)
Depreciation charge for the year (Note 9)	(16,631)	(17,940)
At 31 December	39,479	42,214

The Company leases various offices. The leases of offices are typically for periods of between 4 and 6 years, with no options to renew. None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee

25. Lease liabilities

	2022 KShs'000	2021 KShs'000
At start of year	54,353	78,243
Additions	17,929	5,468
Interest charged to profit or loss	6,305	7,963
Reversal of lease liability on lease cancellation	(6,893)	(10,580)
Cash flows:		
- Payments under leases (interest)	(6,305)	(7,963)
- Payments under leases (principal)	(18,617)	(18,778)
At end of year	46,772	54,353

The leases expiring within one year are subject to review at various dates during the next financial year. Below is the maturity analysis of lease liabilities based on contractual discounted payments:

	2022 KShs'000	2021 KShs'000
6 months or less	-	12,340
6 - 12 months	6,755	9,055
1 - 5 years	40,017	32,958
	46,772	54,353

Weighted average effective interest rates at the reporting date was 13%.

The carrying amounts of the Company's lease liabilities are denominated in Kenya shillings.

Maturity analysis of the repayment structure of lease liabilities based on contractual undiscounted cashflows is as follows:

	2022 KShs'000	2021 KShs'000
Gross lease liabilities - minimum lease payments		
Not later than 1 year	22,814	24,224
Later than 1 year and not later than 5 years	58,219	42,530
Total gross lease	81,033	66,754

The following are the amounts recognised in profit or loss:

	2022	2021
Depreciation expense of right of use assets	16,631	17,940
Interest expense on lease liabilities	6,305	7,963
Total amount recognized in profit or loss	22,936	25,903

26. Insurance contract liabilities	2022 KShs'000	2021 KShs'000
Short term non-life insurance contracts:		
- claims reported and claims handling expenses	850,240	847,485
- claims incurred but not reported (IBNR)	316,340	236,508
	1,166,580	1,083,993

Movements in insurance liabilities and reinsurance assets are shown in note 27.

Gross claims reported, claims handling expenses and the liability for claims incurred but not reported (IBNR) are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2022 and 2021 were not material. The computation of IBNR in Kenya is as per the prescribed actuarial valuation methodologies.

The Company uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.

Short-term insurance contracts- assumptions, change in assumptions and sensitivity

The risks associated with these insurance contracts are subject to a number of variables. The exposure of the Company to claims is described in this section. This exposure is geographically concentrated in Kenya. Geographic concentration implies that the Company has many different contracts where the risks are located in close proximity to each other. A single event could result in simultaneous losses to many policies.

Claims provision

The Company uses a case-by-case method to quantify its outstanding claims provision. Individual estimates are obtained from skilled claims assessors and reviewed as and when new information regarding a claim becomes available. For each class of business, the claims provision includes the cost of indemnity (expected claim cost) and the associated handling costs. For each contract, the estimated claims provision is compared to the maximum loss payable under the terms of the policy and reduced to such amount if lower than the estimated loss.

IBNR (Incurred But Not Reported)

The Chain Ladder method in combination with the Bornheutter Ferguson (BF) method and Loss Ratio method is used to calculate the IBNR provision where sufficiently detailed claims estimate and payment data is available.

Calculations have been based on 31 December 2022 data. An implicit assumption is that the loss experience will be the same as that experienced in the past. However, adjustments are made should claims experience deviate significantly to yearend - that is if there is a catastrophe or similar type of event after 31 December 2022. The confidence level used in setting the IBNR will provide some protection should either of the above assumptions not be borne out in practice.

The Company's IBNR provision is determined by taking into account various factors per class of business underwritten, including the actual and expected claims experience; the actual and expected reporting patterns and premium volumes.

These factors affect the sensitivity of the IBNR and ensure the provision's adequacy.

27. Movements in insurance liabilities and reinsurance assets

	2022 Gross KShs '000	2022 Reinsurance KShs '000	2022 Net KShs '000	2021 Gross KShs '000	2021 Reinsurance KShs '000	2021 Net KShs '000
Notified claims	847,485	(235,535)	611,950	852,309	(275,732)	576,577
Incurred but not reported	236,508	(57,795)	178,713	206,966	(54,732)	152,234
	1,083,993	(293,330)	790,663	1,059,275	(330,464)	728,811
At 1 January	1,083,993	(293,330)	790,663	1,059,275	(330,464)	728,811
Less: claims settled in the year	(1,113,023)	231,115	(881,908)	(958,051)	268,348	(689,703)
Add: increase in liabilities during the year	879,271	(263,452)	615,819	746,261	(173,419)	572,842
At 31 December	850,241	(325,667)	524,574	847,485	(235,535)	611,950
Notified claims	850,241	(325,667)	524,574	847,485	(235,535)	611,950
Incurred but not reported	316,340	(67,475)	248,865	236,508	(57,795)	178,713
	1,166,581	(393,142)	773,439	1,083,993	(293,330)	790,663

28. Unearned premiums reserve

The movement in unearned premiums and unexpired risks are as shown below:

	2022 Gross KShs '000	2022 Reinsurance KShs '000	2022 Net KShs '000	2021 Gross KShs '000	2021 Reinsurance KShs '000	2021 Net KShs '000
At 1 January	719,671	(112,182)	607,489	651,068	(95,617)	555,451
Written during the year	1,965,147	(295,843)	1,669,304	1,667,830	(329,745)	1,338,084
Earned during the year	(1,780,145)	309,895	(1,470,250)	(1,599,227)	313,180	(1,286,046)
Change in unearned premium reserve expensed (Note 4)	(185,002)	(14,052)	(199,054)	(68,603)	16,565	(52,038)
At 31 December	904,673	(98,130)	806,543	719,671	(112,182)	607,489

29. Other payables

	2022 KShs'000	2021 KShs'000
Leave accrual	6,302	7,160
Customers' rent deposit	26,656	26,756
Commissions payable	74,416	71,820
Trade creditors	85,515	73,390
Dividend payable	1,120	1,120
Other payables*	40,266	22,544
	234,275	202,790

*Other payables represent accrued expenses as at year end.

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

30. Payables arising out of reinsurance arrangements

	2022 KShs'000	2021 KShs'000
Amounts due to reinsurers	70,846	90,253

Payables arising from reinsurance arrangements are non-interest bearing and are generally on 30-90 days terms.

31. Borrowings

	2022 KShs'000	2021 KShs'000
Overdraft facility/term loan: Due within one year	75,000	73,608

The borrowings are secured by the following:

i) First legal charge over villa number A3 erected on property reference number 6863/82 registered in the name of the Company for the sum of KShs 75,000,000.

ii) Pledged deposits KShs 20,000,000 held in the name of the Company for the duration of the facility.

iii) Fire insurance cover over villa number A3 erected on property reference number 6863/82 from an insurer approved by the bank with the interest of bank duly noted on policy.

The interest rate for the overdraft facility is 13.25% (2021: 13.25%). The interest accrued on borrowings for 2022 amounted to Ksh.11,296,000(2021: 15,271,000) and the interest paid for 2022 amounted to 11,296,000 (2021: 15,271,000).

A reconciliation from opening to closing balance of the borrowings can be found in note 32.

32. Operating activities

	2022 KShs'000	2021 KShs'000
Profit/ (loss) before tax	82,515	(44,217)
Adjustments for:		
Dividend income from quoted equity investments (Note 5(b))	(1,122)	(699)
Interest on government securities (Note 5(a))	(20,591)	(19,706)
Interest on deposits with financial institutions (Note 5(a))	(10,710)	(4,887)
(Gain)/ loss on valuation of quoted shares (Note 5(b))	5,800	(554)
Fair value loss on revaluation of investment properties (Note 5(c))	(52,129)	13,126
Allowance for expected credit losses (Note 3.2(g))	(44,210)	(7,787)
(Gain)/ loss on disposal of property and equipment (Note 5(c))	(921)	(179)
Depreciation on right-of-use assets (Note 25)	16,631	17,940
Depreciation on property and equipment (Note 11)	11,166	9,826
Amortization of intangible assets (Note 12)	433	4,497
Interest on lease liabilities (Note 25)	6,305	7,963
Reversal of lease liability and right-of-use assets	(1,999)	(2,037)
(Increase)/ decrease in deferred acquisition costs	(19,550)	6,238
Interest on borrowings (Note 31)	11,296	15,271
Operating loss before working capital changes	(17,086)	(5,205)
Changes in working capital:		
Decrease in provision for unearned premium reserve	185,002	68,603
Increase in receivables arising out of reinsurance arrangements	(66,920)	(127,275)
(increase)/ decrease in other receivables	(12,613)	6,394
Decrease in receivables arising out of direct insurance arrangements	28,160	40,690
Increase in payables arising out of reinsurance arrangements	(19,408)	516
Decrease in insurance contract liabilities	82,588	24,718
(Increase)/ decrease reinsurers' share of insurance contract liabilities	(85,759)	20,569
Increase in other payables	31,482	19,043
Cash generated from operating activities	125,446	48,053
Reconciliation of liabilities arising from financing activities (Note 31)		
At start of year	73,608	(74,599)
Interest charged during the year (Note 31)	11,296	15,271
Interest paid (Note 31)	(11,296)	(15,271)
Repayments and transfers into account	(332,173)	(655,089)
Proceeds from bank and transfers from account	333,565	654,098
	75,000	(73,608)

33. Cash and bank balances

	2022 KShs'000	2021 KShs'000
Cash at bank and in hand	127,679	36,584
Expected credit loss	(3,786)	(11)
	123,893	36,573

33. Cash and bank balances (continued)	2022 KShs'000	2021 KShs'000
The movement in expected credit loss is as shown below:		
At 1 January	11	294
(Increase)/ decrease in expected credit loss (Note 3.2(g))	(3,775)	283
At 31 December	3,786	11

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

	2022 KShs'000	2021 KShs'000
Cash at bank and in hand (Note 33)	127,679	36,584
Bank overdraft (Note 31)	(75,000)	(73,608)
Investments in Government securities maturing within 91 days (Note 15)	21,000	-
Deposits with financial institutions maturing within 90 days	40,006	93,834
	113,685	56,810

34 Related parties' transactions and balances

The Company is owned by the Catholic Church in Kenya through the various Archdioceses, Dioceses, the Catholic Missionary Priests, and the Association of the Catholic Nuns together with affiliated institutions of the Church. In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered in the ordinary course of business.

Transactions with related parties and outstanding balances with related parties arise from the normal sale of insurance contracts and other transactions to the various Catholic Church Archdioceses, Dioceses, the Catholic Missionary Priests, and the Association of the Catholic Nuns together with affiliated institutions.

a) Transactions with related parties	2022 KShs'000	2021 KShs'000
Sale of insurance contracts	145,314	733,845
Claims paid	62,038	432,418
Interest from bank deposits and current accounts	2,044	5,028
Issue of share capital	-	63,919
Depreciation on right-of-use assets	5,918	7,168
Lease liabilities interest	2,821	4,289
b) Outstanding balances with related parties:		
Receivables arising out of direct insurance arrangements	123,524	151,497
Receivable from sale of unquoted shares and issue of share capital	218,732	295,014
Insurance contract liabilities	65,421	401,077
Right-of-use assets	35,510	31,513
Lease liabilities	18,513	38,190
c) Loans to related parties		
Key management	-	(1,016)

34. Related parties (continued)

	2022 KShs'000	2021 KShs'000
d) Key management compensation:		
Short term employee benefits:		
- key management compensation	52,211	47,091
e) Shareholder contribution pending allotment	305,577	327,773
f) Directors' fees	8,679	10,382
Fees for services as a director	8,679	10,382
g) Deposits with financial institutions (Note 22)	20,814	10,000

Outstanding balances at the reporting date are unsecured and settlement will take place in cash. No specific impairment on outstanding balances with related parties has been recognised. However, the receivables are covered by the general impairment provision.

Depreciation on right-of-use assets and lease liabilities interest relate to depreciation and interest charged on the lease contracts with various lessors for spaces occupied at branches.

35. Fair value of financial instruments

a) Comparison by class of the carrying amount and fair values of the financial instruments

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

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

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Management has assessed that investment in Government securities- treasury bills, deposits with financial institutions, cash and bank balances, other receivables, receivables arising out of direct insurance arrangements, receivables arising out of reinsurance arrangements trade receivables, trade payables, other payables, borrowings and payables arising out of reinsurance arrangements approximate their carrying amounts largely due to the short-term maturities of these instruments.

35. Fair value of financial instruments (continued)

a) Comparison by class of the carrying amount and fair values of the financial instruments (continued)

The table below sets out the Company's classification of each class of financial assets and liabilities, and comparison of the carrying amount and their fair values:

	Carrying amount		Fair values	
	2022	2021	2022	2021
	KShs'000	KShs'000	KShs'000	KShs'000
Financial assets:				
Quoted equity investments at FVTPL	21,954	27,757	21,954	27,757

All other financial instruments not carried at fair value. Their carrying amounts approximate their fair value due to the short-term nature of the balances.

b) Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

In valuing level 2 assets, inputs derived from market factors are taken into account. For investment in government securities, amortization of total cashflows is done based on the internal rate of return at the time of purchase of the security for long term bonds. Treasury bills are valued using discount methods.

31 December 2022	Level 1	Level 2	Level 3	Total
Quoted equity investments (Note 16)	21,954	-	-	21,954
Investments in Government securities (Note 15)	-	233,634	-	233,634
Investment properties (Note 13)	-	-	792,801	792,801

31 December 2021	Level 1	Level 2	Level 3	Total
Quoted equity investments (Note 16)	27,757	-	-	27,757
Investments in Government securities (Note 15)	-	208,200	-	208,200
Investment properties (Note 13)	-	-	774,348	774,348

The valuation techniques and inputs for the level 3 – investment properties have been disclosed in note 13.

36. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

31 December 2022	Within 12 months KShs'000	After 12 months KShs'000	Total KShs'000
Assets			
Intangible assets	-	1,023	1,023
Deferred tax asset	-	33,471	33,471
Deferred acquisition costs	77,589	-	77,589
Right-of use assets	-	39,479	39,479
Property and equipment	-	133,265	133,265
Investment properties	-	792,801	792,801
Government securities - 'Amortised cost'	149,200	81,042	230,242
Quoted equity investments at fair value through profit or loss	-	21,954	21,954
Reinsurers' share of insurance contract liabilities	491,271	-	491,271
Receivables arising out of reinsurance arrangements	419,751	-	419,751
Tax recoverable	55,086	-	55,086
Receivables arising out of direct insurance arrangements	399,586	78,633	478,219
Receivable from related party	-	215,495	215,495
Other receivables	32,569	-	32,569
Deposits with financial institutions	135,216	-	135,216
Cash and bank balances	123,893	-	123,893
	1,884,161	1,397,163	3,281,324
Liabilities			
Insurance contract liabilities	946,608	158,170	1,104,778
Unearned premium reserve	904,673		904,673
Borrowings	75,000	-	75,000
Lease liabilities	6,755	40,017	46,772
Payables arising out of reinsurance arrangements	70,846	-	70,846
Other payables	234,274	-	234,274
	2,238,156	198,187	2,436,343
Net (liabilities)/ assets	(353,995)	1,198,976	844,981

31 December 2021	Within 12 months KShs'000	After 12 months KShs'000	Total KShs'000
Assets			
Intangible assets	-	621	621
Deferred tax asset	-	140,365	140,365
Deferred acquisition costs	58,039	-	58,039
Right-of use assets	-	42,214	42,214
Property and equipment	-	82,629	82,629
Investment properties	-	774,348	774,348
Government securities - 'Amortised cost'	94,700	112,484	207,184
Quoted equity investments at fair value through profit or loss	-	27,757	27,757
Reinsurers' share of insurance contract liabilities	405,513	-	405,513
Receivables arising out of reinsurance arrangements	341,989	-	341,989
Tax recoverable	52,704	-	52,704
Receivables arising out of direct insurance arrangements	392,182	79,548	471,730
Receivable from related party	180,967	98,573	279,540
Other receivables	30,663	-	30,663
Deposits with financial institutions	87,519	-	87,519
Cash and bank balances	36,573	-	36,573
	1,680,849	1,358,539	3,039,388

36. Maturity analysis of assets and liabilities (continued)

31 December 2021 (continued) *Liabilities*	Within 12 months KShs'000	After 12 months KShs'000	Total KShs'000
Insurance contract liabilities	836,532	247,461	1,083,993
Unearned premium reserve	719,671	-	719,671
Borrowings	73,608	-	73,608
Lease liabilities	21,395	32,958	54,353
Payables arising out of reinsurance arrangements	90,253	-	90,253
Other payables	202,790	-	202,790
	1,944,249	280,419	2,224,668
Net (liabilities)/ assets	(263,400)	1,078,120	814,720

37. Operating leases

Operating lease commitments - the Company as a lessor

The Company has entered into operating leases on its investment property portfolio consisting of certain office buildings (see Note 13). These leases have terms of between 5 and 6 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties. Rental income recognised by the Company during the year is KShs 45,444,000 (2021: KShs 42,550,000).

The future minimum lease payments receivable under non-cancellable operating leases as at 31 December are as follows:

	2022 KShs'000	2021 KShs'000
Not later than 1 year	41,887	42,550
Later than 1 year and not later than 5 years	125,663	36,681
Later than 5 years	-	-
	167,550	79,231

38. Contingent liabilities and commitments

Contingent liabilities

In common with the insurance industry in general, the Company is subject to litigation arising in the normal course of insurance business. The directors are of the opinion that any outstanding litigation in this respect will not have a material effect on the financial position or (loss)/profits of the Company.

Commitments	2022 KShs'000	2021 KShs'000
Guarantees	20,000	20,000
Bid bond	5,000	5,000

The guarantees facility relates to the documents written by the bank to support performance by the Company to third parties in the ordinary course of the Company's business.

The bid bond facility is utilized by the bank for issuance of bid bonds in favour of third parties in the ordinary course of the Company's business.

39. Events after the reporting date

The estimates and judgements applied to determine the financial position at 31 December 2022, most specifically as they relate to the calculations of impairment, were based on a range of forecast economic conditions as at that date.

The directors are not aware of any other event after the reporting date, as defined by IAS 10 Events after the Reporting Period, that require disclosure in or adjustments to the financial statements as at the date of this report.

PACIS INSURANCE COMPANY LIMITED
Supplementary information (Unaudited)
FOR THE YEAR ENDED 31 DECEMBER 2022
GENERAL INSURANCE BUSINESS REVENUE ACCOUNT

2022	Contractors	Domestic		Public		Motor	Motor				Workmen's'		
Class of insurance business	All Risk	Package	Fire	Liability	Marine	Private	Commercial	GPA	Medical	Theft	Compensation	Miscellaneous	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Gross premiums written	23,650	15,026	151,179	34,953	2,201	429,965	357,529	23,793	781,689	35,502	107,507	2,153	1,965,147
Change in gross unearned premiums	2,298	(606)	(11,885)	(12,021)	76	(16,283)	(41,378)	556	(107,531)	353	1,346	73	(185,002)
Gross premiums earned	25,948	14,420	139,294	22,932	2,277	413,682	316,151	24,349	674,158	35,855	108,853	2,226	1,780,145
Less: reinsurers premiums ceded	(11,080)	(5,157)	(100,963)	(381)	(1,257)	(4,968)	(5,909)	(2,979)	(174,642)	(9)	(1,523)	(1,027)	(309,895)
Net premiums earned	14,868	9,263	38,331	22,551	1,020	408,714	310,242	21,370	499,516	35,846	107,330	1,199	1,470,250
Gross claims incurred	3,575	884	60,990	16,711	1,907	422,719	222,937	7,635	426,751	2,803	28,594	105	1,195,611
Less: reinsurance recoverable	(11,171)	(125)	(43,289)	(7,693)	(1,510)	(58,655)	(94,157)	(4,032)	(112,753)	3,420	(962)	-	(330,927)
Net claims incurred	(7,596)	759	17,701	9,018	397	364,064	128,780	3,603	313,998	6,223	27,632	105	864,684
Commissions earned	(2,866)	(1,298)	(23,543)	(16)	(424)	-	-	(120)	(41,283)	(3)	-	(260)	(69,813)
Commissions payable	5,702	2,869	32,465	6,118	418	41,054	31,130	4,537	64,633	7,147	25,196	231	221,500
Expenses of management	7,438	4,725	47,545	10,992	692	135,221	112,440	7,483	114,234	11,165	33,810	678	486,423
Total expenses and commissions	10,274	6,296	56,467	17,094	686	176,275	143,570	11,900	137,584	18,309	59,006	649	638,110
Underwriting profit/(loss)	12,190	2,208	(35,837)	(3,561)	(63)	(131,625)	37,892	5,867	47,934	11,314	20,692	445	(32,544)

PACIS INSURANCE COMPANY LIMITED
Supplementary information (Unaudited)
FOR THE YEAR ENDED 31 DECEMBER 2022
GENERAL INSURANCE BUSINESS REVENUE ACCOUNT

2021	Contractors	Domestic		Public		Motor	Motor				Workmen's'		
Class of insurance business	All Risk	Package	Fire	Liability	Marine	Private	Commercial	GPA	Medical	Theft	Compensation	Miscellaneous	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Gross premiums written	26,903	13,691	118,359	27,138	3,296	425,000	294,687	35,219	548,069	46,370	126,581	2,517	1,667,830
Change in gross unearned premiums	2,344	(427)	(2,844)	1,809	(277)	(11,961)	(8,538)	(2,449)	(31,354)	(2,914)	(9,944)	(2,048)	(68,603)
Gross premiums earned	29,247	13,264	115,515	28,947	3,019	413,039	286,149	32,770	516,715	43,456	116,637	479	1,599,227
Less: reinsurers premiums ceded	(2,761)	(3,738)	(64,194)	(1,022)	(1,117)	(8,496)	(3,055)	(7,299)	(203,412)	(4,058)	(7,671)	(1,047)	(307,869)
Net premiums earned	26,486	9,526	51,321	27,926	1,902	404,543	283,094	25,471	313,303	39,398	108,966	(578)	1,291,358
Gross claims incurred	(1,350)	599	42,342	17,429	100	450,809	73,148	7,340	357,412	1,648	33,290	2	982,769
Less: reinsurance recoverable	2,746	352	(17,729)	(1,384)	-	(26,487)	(41,125)	(2,809)	(142,965)	(201)	(1,612)	-	(231,214)
Net claims incurred	1,396	951	24,613	16,045	100	424,322	32,023	4,531	214,447	1,447	31,678	2	751,555
Commissions earned	(3,365)	(873)	(18,899)	-	(564)	308	221	(225)	(40,090)	13	(11)	(171)	(63,656)
Commissions payable	6,503	2,105	29,150	5,380	611	43,308	27,166	6,578	45,303	7,892	30,345	308	204,649
Expenses of management	9,471	4,821	41,670	9,554	1,160	149,630	103,750	12,400	89,198	16,325	44,565	887	483,432
Total expenses and commissions	12,609	6,053	51,921	14,934	1,207	193,246	131,137	18,753	94,411	24,230	74,899	1,024	624,424
Underwriting profit/(loss)	12,481	2,522	(25,213)	(3,053)	595	(213,025)	119,934	2,187	4,445	13,721	2,389	(1,604)	(84,621)

PACIS INSURANCE COMPANY LIMITED
SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2022

GENERAL INSURANCE BUSINESS REVENUE ACCOUNT

2020	Contractors	Domestic		Public		Motor	Motor				Workmen's'		
Class of insurance business	All Risk	Package	Fire	Liability	Marine	Private	Commercial	GPA	Medical	Theft	Compensation	Miscellaneous	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Gross premiums written	32,938	12,889	106,968	27,313	2,968	402,491	265,820	30,277	449,553	38,837	73,703	2,137	1,445,893
Change in gross unearned premiums	(3,486)	274	1,066	11,598	38	(69,028)	(20,742)	8,963	(4,959)	265	(618)	1,037	(75,593)
Gross premiums earned	29,451	13,163	108,034	38,911	3,006	333,464	245,078	39,239	444,593	39,103	73,085	3,174	1,370,300
Less: reinsurers premiums ceded	(11,879)	(4,386)	(30,850)	(1,353)	-	(10,087)	(8,404)	(4,960)	(176,966)	(10,678)	(5,352)	(1,645)	(266,561)
Net premiums earned	17,572	8,777	77,184	37,558	3,006	323,377	236,674	34,279	267,627	28,425	67,733	1,529	1,103,738
Gross claims incurred	17,655	2,511	25,652	6,058	-	291,689	114,489	9,687	286,274	17,216	17,741	-	788,972
Less: reinsurance recoverable	(8,370)	(963)	(17,001)	(1,994)	-	(41,177)	(39,981)	(911)	(114,510)	(6,283)	(1,677)	-	(232,864)
Net claims incurred	9,285	1,548	8,652	4,064	-	250,512	74,508	8,776	171,764	10,933	16,065	-	556,108
Commissions earned	(4,455)	(1,273)	(18,041)	(728)	(228)	-	-	(270)	(41,229)	(791)	(264)	(351)	(67,674)
Commissions payable	6,802	2,579	28,160	4,507	660	32,889	24,180	7,656	43,026	7,150	15,711	288	173,607
Expenses of management	12,875	5,038	51,829	18,206	1,160	126,498	117,208	11,835	83,029	15,182	28,811	836	472,508
Total expenses and commissions	15,222	6,344	61,948	21,985	1,592	159,387	141,388	19,221	84,826	21,541	44,258	773	578,486
Underwriting profit/(loss)	(6,935)	885	6,584	11,509	1,414	(86,522)	20,778	6,282	11,037	(4,049)	7,410	756	(30,852)