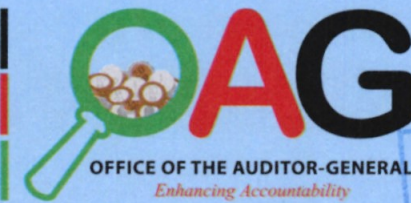


REPUBLIC OF KENYA



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THE NATIONAL ASSEMBLY  
MEMBERS LAID

REPORT

DATE: 12 FEB 2026 DAY: Thursday

TABLED BY:	OF	Hon George Mwangi
CLERK-AT THE TABLE:		On behalf of LOM Kanda Tilitei

**THE AUDITOR-GENERAL**

**ON**

**POLICYHOLDERS COMPENSATION FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2025**



POLICYHOLDERS COMPENSATION FUND

Dhamana Ya Bima Yako

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**POLICYHOLDERS COMPENSATION FUND**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**30<sup>TH</sup> JUNE 2025**

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Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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## 1.0 ACRONYMS AND DEFINITION OF KEY TERMS

### A: ACRONYMS

AGM	Annual General Meeting
ARC	Audit and Risk Committee
BoT	Board of Trustees
BSIC	Blue Shield Insurance Co. Ltd
CBK	Central Bank of Kenya
CMS	Claims Management System
CSR	Corporate Social Responsibility
EDRMS	Electronic Document Management System
ERP	Enterprise Resource Planning
FAC	Finance & Administration Committee
ICPAK	Institute of Certified Public Accountants of Kenya
ICT	Information and Communication Technology
IFIGS	International Forum of Insurance Guarantee Schemes
IL	In-liquidation
IPSAS	International Public Sector Accounting Standards
LCRMS	Levy Collection Reconciliation and Management system
MT	Managing Trustee
NT	National Treasury and Economic Planning
OAG	Office of the Auditor General
PCF	Policyholders Compensation Fund
PFM	Public Financial Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
RIL	Resolution Insurance Co. Ltd
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
SRC	Salaries and Remuneration Commission
TPC	Technical and Policy Committee
UIC	United Insurance Co. Ltd

### B: Definition of Key Terms

**Fiduciary Management** means members of management directly entrusted with the responsibility of financial resources of the Fund

**Comparative Year** means the prior period.

**Fund means** Policyholders Compensation Fund

## 2.0 KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background Information

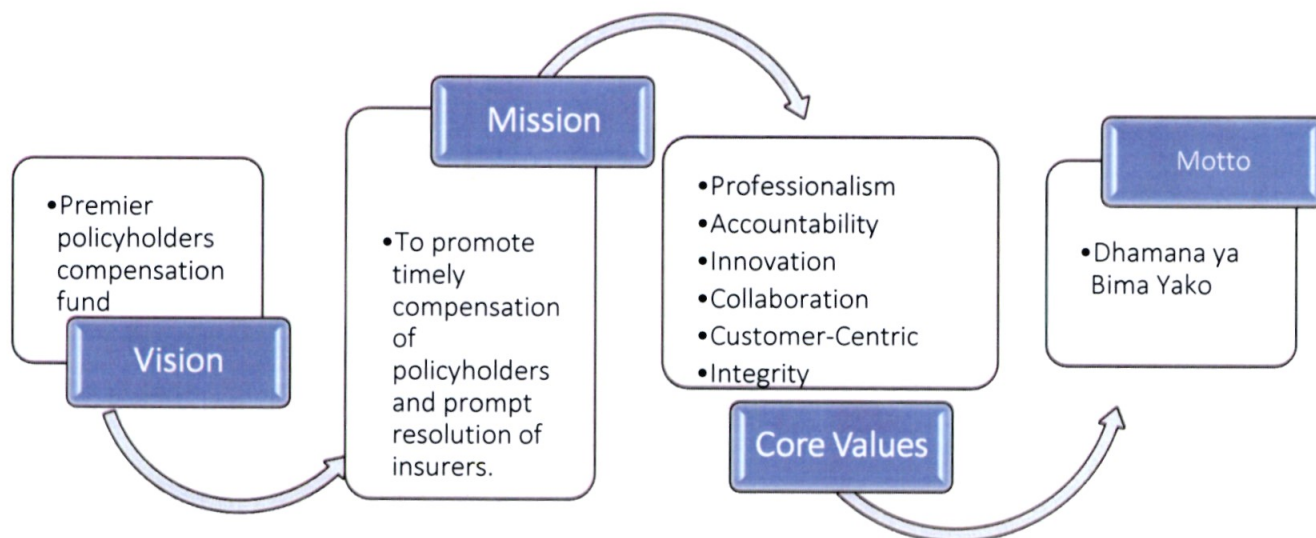
Policyholders Compensation Fund (PCF) is established under section 179 of the Insurance Act (Cap 487) and operationalized through Legal Notice No. 105 of 2004 and Insurance (Policyholders Compensation Fund) Regulations, 2010. The Fund was established for the primary purpose of providing compensation to policyholders and claimants of an insurer placed under a statutory manager or whose license has been cancelled.

### (b) Principal Activities

The principal activities of the Fund as provided in Section 179 (2A) of the Insurance Act are to;

- i. Provide compensation to policyholders of an insurer placed under a manager appointed under section 67C (2) or whose license has been cancelled under the Act.
- ii. Monitor, in consultation with the Commissioner where necessary, the risk profile of any insurer.
- iii. Advise the Cabinet Secretary in charge of finance matters on the National policy to be followed with regard to matters relating to compensation of policyholders and to implement all government policies relating thereto.
- iv. Participate in the statutory management of an insurer placed under statutory management by the regulator.
- v. Liquidate an insurer as may be ordered by a court.
- vi. Perform such other functions as may be conferred on it by this Act or by any other written law.

Figure 1. illustrates the Funds Strategic Direction



**Key Result Areas**

CF has identified three (3) key result areas in the 2020/2021 – 2024/2025 Revised Strategic Plan. The Key Result Areas (KRAs) include:

- i) Promote confidence in the insurance industry
- ii) Financial Stewardship
- iii) Strengthen Institutional Capacity

The Strategic Objectives are to:

- a) Enhance compensation of policyholders and claimants
- b) Prompt resolution of troubled insurers
- c) Early intervention in troubled insurers
- d) To enhance prudent financial management
- e) To Enhance Service Delivery
- f) Enhance Corporate Brand
- g) Enhance Corporate Governance

To achieve the strategic objectives, The Fund intends to implement the following strategies as presented in Table 1:

**Table 1. Strategic Objectives and Strategies**

<b>KEY RESULT AREA I : PROMOTE CONFIDENCE IN THE INSURANCE INDUSTRY</b>	
<b>Strategic Objective</b>	<b>Strategies</b>
Enhance compensation of policyholders and claimant	Timely and appropriate compensation of policyholders & claimants
	Review of the service charter
	Automation of compensation process
Prompt resolution of troubled insurers	Efficiency in Statutory Management processes
	Collaboration with appointed liquidator
Early intervention in troubled insurers	Enhance legislative framework

	Enhance risk Profiling of licensed insurers
<b>KEY RESULT AREA II : FINANCIAL STEWARDSHIP</b>	
<b>Strategic Objective</b>	<b>Strategies</b>
To enhance prudent financial management	Timely and compliant levy administration
	Resource mobilization policy
	Liquidity management
	Prudent Financial Management
<b>KEY RESULT AREA III : STRENGTHEN INSTITUTIONAL CAPACITY</b>	
<b>Strategic Objective</b>	<b>Strategies</b>
To Enhance Service Delivery	Staff Motivation
	Capacity Building
	Performance Management and Productivity
	Talent Management & Succession
	Operational Efficiency
	Value for Money in Supply Chain Management
	Knowledge Management
	Research and Advocacy
	Automation
Enhance Corporate Brand	Creation of Awareness
	Corporate Social Responsibility (CSR)
	Strategic Communication
Enhance Corporate Governance	Strengthen Internal Controls
	Enhance Corporate Governance Compliance
	Board Capacity Building

Figure 2. Strategy House



**(c) Key Management**

The Fund’s key management vests with the Board of Trustees whose powers are given through Section 179 (2B) of the Insurance Act and its composition prescribed in Section 179 (4) of the Insurance Act. The Board of Trustees is responsible for policy and strategic guidance and delegates its operational functions to the Managing Trustee who carries out the daily operations of the Fund supported by the management team.

The following were members of the management who held office during the financial year ended 30<sup>th</sup> June 2025 as enlisted in Table 2 below;

**Table 2. Key Management**

	<b>Designation</b>	<b>Name</b>
1.	Managing Trustee	Mr. Mohamed Sahal
2.	Director, Corporate Services	Mr. Abudo Mamo
3.	Director, Legal Services	Mr. James Njogu
4.	Deputy Director, Finance & Accounts	Ms. Hope Keah
5.	Deputy Director, Internal Audit	Mr. Martin Kamau
6.	Deputy Director, Compensation	Mr. Noel Zuma
7.	Deputy Director, Human Resources Management & Administration	Ms. Hilda Sang
8.	Deputy Director, Supply Chain Management	Mr. Mohamednur Khalif
9.	Deputy Director, Corporate Communications	Ms. Rosemary Kavili
10.	Deputy Director, Insurance Risk Monitoring	Mr. Moses Kiptoon

	Designation	Name
11.	Deputy Director, Statutory Management	Mr. Francis Kiarie
12.	Deputy Director, Research, Strategy & Planning	Ms. Hellen Karuiru
13.	Deputy Director, Information, Communication & Technology*	Mr. Benard Rotich

\*Exited the Fund on 10<sup>th</sup> March 2025

#### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were as shown in Table 3 below:

**Table 3. Composition of Fiduciary Management**

	Designation	Name
1.	Managing Trustee	Mr. Mohamed Sahal
2.	Director, Corporate Services	Mr. Abudo Mamo
3.	Deputy Director, Finance & Accounts	Ms. Hope Keah
4.	Deputy Director, Internal Audit	Mr. Martin Kamau
5.	Deputy Director, Supply Chain Management	Mr. Mohamednur Khalif

#### (e) Fiduciary Oversight Arrangements

##### Finance and Administration Committee

The Finance and Administration Committee of the Board is established as per *Mwongozo* code of governance for state corporations to assist the Board in fulfilling its responsibilities regarding the Fund's financial planning and management, investment decisions, financial risk management, operations, supply chain management, corporate communications, human resources management and information communications technology.

##### Audit and Risk Management Committee

The Audit and Risk Committee of the Board is established pursuant to section 73 of the PFM Act, section 174 of PFMR and *Mwongozo* code of governance for state corporations to provide to the Board of Trustees assurance on the integrity of the financial performance of the Fund, provides internal and external audit oversight and adequacy of the Enterprise Risk Management Framework (ERM).

##### Financial Management Standing Committee

This committee is established under section 19 of the PFMR, 2015 and is responsible for ; ensuring that there is prioritization on resources allocated to a national government entity for the smooth implementation of the entities mission, strategy, goals, risk policy plans and objectives; regularly reviewing, monitoring budget implementation and advice on the

**Policyholders Compensation Fund  
Annual Report and Financial Statements  
For the Year Ended 30<sup>th</sup> June 2025**

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entities accounts, major capital expenditures and reviewing performance and strategies at least on a quarterly basis; identifying risks and implementation of appropriate measures to manage such risks or anticipated changes impacting on the entity; reviewing on a regular basis the adequacy and integrity of the entity's internal control, acquisition and divestitures and management information systems including compliance with applicable laws, regulations, rules and guidelines; establishing and implementing a system that provides necessary information to the stakeholders including stakeholder communication policy for the entity in line with Article 35 of the Constitution; monitoring the effectiveness of the corporate governance practices under which the entity operates and propose revisions as may be required, from time to time; monitoring timely resolution of audit issues; and any other matter referred to it from time to time by the responsible Cabinet Secretary or in the case of Parliament, Judiciary, independent office and commissions, the accounting officer.

**Budget Implementation Committee**

The Budget Implementation Committee's key responsibility is to provide oversight on the entire budget process from annual budget estimates preparation, budget revisions and monitoring. The Committee is also required to regularly advise the accounting officer on the implementation of the Fund's budget.

**(f) Head office**

6<sup>th</sup> Floor, KWFT Centre,  
Kiambere/Masaba Road Junction, Upper Hill  
P.O. Box 24203 -00100  
Nairobi, Kenya

**(g) Contacts**

Telephone: 011 1121700/1/2/3  
Mobile: 0794 582 700  
Email: [info@pcf.go.ke](mailto:info@pcf.go.ke)  
Website: [www.pcf.go.ke](http://www.pcf.go.ke)

**(h) Bankers**

- 1) NCBA Bank Limited  
Standard/Wabera Streets  
P.O. Box 30457-00100  
Nairobi, Kenya
  
- 2) Co-operative Bank of Kenya  
Upper Hill  
P.O. Box 48231-00100  
Nairobi Kenya

- 3) KCB Bank Limited  
Moi Avenue  
P.O. Box 30081-00100  
Nairobi, Kenya

**(i) Independent Auditors**

The Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P. O. Box 30084 -00100  
Nairobi, Kenya

**(j) Principal Legal Advisor**

The Attorney General  
State Law Office  
Harambee Avenue  
P. O. Box 40112 - 00200  
Nairobi, Kenya

**3.0 THE BOARD OF TRUSTEES**



**Hon. Simon Mbugua**  
**Chairperson Board of Trustees**

Hon. Simon Mbugua was appointed as the Chairman of Policyholders Compensation Fund (PCF) on 19th May 2023.

Prior to the current appointment Hon. Mbugua was a Member of Parliament at the 4th Assembly of East Africa Legislative Assembly (EALA) in Arusha Tanzania where he served in the Committee of Accounts and the Legal Rules and Privileges Committee. Further, he was Chairman of all Members of Parliament at EALA representing Kenya and the Vice-President at the EALA Assembly.

Hon. Mbugua is an astute Legislator with vast experience in legislation and oversight role having served as a Member of the National Assembly for Kamukunji Constituency in the 10th Parliament in the Republic of Kenya, where he was a member of various house committees. Hon. Mbugua brings on board a wealth of experience of over 20 years in leadership and management, having served in both the public and the private sector.



**Mr. Godfrey Kiptum, MBS**  
**Trustee**

Mr. Godfrey Kiptum, MBS is the Commissioner of Insurance and Chief Executive Officer of the Insurance Regulatory Authority. He has a wealth of experience garnered from senior management roles held in various State Agencies over the last 20 years. He is an Associate of the Life Management Institute (ALMI) of USA and a member of the Chartered Insurance Institute of UK.

He serves as a member in both the Technical & Policy Committee and the Audit & Risk Committee of the Board.



**Dr. Ben Kajwang, MBS**  
Trustee

Dr. Ben Kajwang, MBS was appointed effective 21st February 2022 to represent insurance broker. He is the Director and Chief Executive officer of the College of Insurance and a Board member of the Africa Insurance Organization (AIO) Foundation.

He is also the immediate former President of African Insurance Organisation (AIO) and an Executive Board Member and Chairman of the Human Resource Committee of the Organization of East and Southern African Insurers (OESAI). He has had a distinguished career in the insurance industry spanning over two decades where he has held senior positions in Broking, Insurance and Reinsurance Companies.

He serves as the Chairperson of the Technical & Policy Committee and a member of the Finance & Administration Committee of the Board.



**Mr. Thomas Gichuhi**  
Trustee

Mr. Thomas Gichuhi was appointed effective 21st February 2022 to represent insurers. He is the Executive Director at Association of Kenya Insurers (AKI).

He serves as a Chairperson of the Audit & Risk committee and a member in the Technical & Policy committee of the Board.



**Mr. Deberious Sikuku**  
Trustee

Mr. Deberious Sikuku Wafula was appointed as an Independent Trustee representing the public on 18<sup>th</sup> May 2023.

He is a businessman and an entrepreneur in the transport and logistics sector. He has vast experience in public policy and administration as well as peace and conflict resolution. He has held various key positions among them being the Chairman of the African Sports and Talents Empowerment Program, a Non-Governmental Organization amongst others. His areas of interest are centred on good governance and policy formulation.

He serves in the Finance & Administration Committee as the Chairperson and as a member in the Technical & Policy Committee of the Board.



**Ms. Janet W. Kung'u HSC**  
Trustee

Ms. Janet W. Kung'u, HSC was appointed as the representative of the Hon. Attorney General to the Board of Trustees on 12<sup>th</sup> June 2023. She is a Deputy Chief State Counsel at the Office of the Attorney General & Department of Justice (OAG & DOJ), Acting as the Head of County Legal Services coordinating the thirteen County/Regional offices for the OAG&DOJ.

Ms. Kung'u is an accomplished Private and Public Sector Advocate with 17 years legal experience in Civil Litigation and management.

She serves as a member in both Finance & Administration Committee and the Audit & Risk Committee of the Board.



**Mr. Protus Sigei, EBS**  
**Trustee**

Mr. Protus Sigei, EBS was appointed to the Board of Trustees on 9th April 2025 as the alternate representative of the Cabinet Secretary, National Treasury & Economic Planning

He has built his career largely within the public sector in Kenya where he has worked with the National Treasury and Economic Planning in various capacities over the years. He is currently based in the National Treasury's Department of Government Investments and Public Enterprises - this being the Department that is responsible for the portfolio of Kenya's investments in state corporations.

Courtesy of the National Treasury, he has served in the boards of directors of several entities linked to the Government of Kenya - such as KCB (both in Kenya and Uganda), Kenya Reinsurance Corporation, Kenya Broadcasting Corporation (KBC), Competition Authority of Kenya and Kenya National Highways Authority (KeNHA) - during which he has served in various board committees and chaired the HR and Credit Committees.

He is a member of the Society for Benefit-Cost Analysis (SBCA), a professional society of academics and practitioners, headquartered at the University of Washington at Seattle, USA. He is also a Graduate of the Australian Institute of Company Directors (GAICD).

He holds a B.A (Hons) degree in Economics (with Mathematics) from the University of Nairobi and a Master of Science from the University of York, U.K. He is also an alumnus of Queen's University, Canada (Program on Investment Appraisal and Risk Analysis), and INSEAD (Competitive Strategy).



**Mr. Joseph Waruiru**  
Trustee

Mr. Joseph Waruiru served in the Board of Trustees from 29<sup>th</sup> June 2023 to 9<sup>th</sup> April 2025 as the alternate representative of the Cabinet Secretary, National Treasury & Economic Planning.

He is a Certified Public Accountant and currently works at the National Treasury and Economic Planning, Government Investment Public Enterprise Department. He has over 12 years' experience in Auditing and Finance in the Public Service.




He served as a member in both the Finance & Administration Committee and the Audit & Risk Committee of the Board.



**Mr. Mohamed Sahal**  
Managing Trustee

Mr. Mohamed Sahal is the Managing Trustee and Secretary to the Board of Trustees. He was appointed on 27<sup>th</sup> December 2023. He is a seasoned professional with a vast wealth of experience of over 15 years from both private and public sectors in various fields such as administration, corporate finance and planning, economics, health, project management among others.

**4.0 KEY MANAGEMENT TEAM**

 <p><b>Mr. Mohamed Sahal</b>  <b>Managing Trustee</b></p>	<p>Mr. Mohamed Sahal was appointed on 27<sup>th</sup> December 2023 as the Managing Trustee of the Fund. He holds a Master of Arts (Project Planning and Management) and a Bachelor of Business Management. He is a member of the Institute of Human Resource Management (IHRM) and Kenya Association of Project Managers.</p>
 <p><b>Mr. Abudo Mamo</b>  <b>Director Corporate Services</b></p>	<p>Mr. Abudo Mamo holds a Master of Business Administration in Finance, Bachelor of Science in Statistics &amp; Mathematics and a Higher Diploma in Human Resource Management. He is a member of the Institute of Human Resource Management (IHRM), ICIFA and Economists Society of Kenya (ESK).</p>
 <p><b>CS, James Njogu</b>  <b>Director, Legal Services</b></p>	<p>CS James Njogu holds a Bachelor of Laws (LLB) Hons. Degree, a Post Graduate Diploma in Legal Practice from the Kenya School of Law, Master of Laws (LLM) in Women’s Law and Human Rights, Master of Laws (LLM) in International Corporate Governance &amp; Financial Regulation. He is an Advocate of the High Court of Kenya, Commissioner for Oaths, Notary Public as well as a member of the Institute of Certified Secretaries of Kenya. Further, he is a member of the Chartered Institute of Arbitrators in London and Kenya and the Institute of Directors (Kenya).</p>



**CPA,CS Hope Keah  
Deputy Director, Finance & Accounts**

CPA, CS Hope Keah holds a Master of Business Administration in Finance, a Bachelor of Commerce in Financial Management, a Certified Public Accountant and a Certified Secretary. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Certified Secretaries of Kenya (ICS) and Association of Women Accountants (AWAK).



**CPA, Martin Kamau  
Deputy Director, Internal Audit**

CPA Martin Kamau holds a Master of Business Administration in Finance, a Bachelor of Commerce in Finance, and a Certified Public Accountant. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IIA).



**Mr. Noel Zuma  
Deputy Director, Compensation**

Mr Noel Zuma holds a Master of Business Administration in Project Planning & Management, a Bachelor of Arts in Economics and a Diploma in Banking & Financial Services. He is a Certified Expert in Risk Management, Corporate Governance and Compliance from Frankfurt School of finance and Management and is a member of the Kenya Institute of Bankers (KIB).

 <p><b>Ms. Hilda Sang</b> <b>Deputy Director, Human Resource &amp; Administration</b></p>	<p>Ms. Hilda Sang’ holds a Master of Science in Human Resource Management, a Bachelor of Arts in Community Development and a Higher Diploma in Human Resource Management. She is a member of the Institute of Human Resource Management (IHRM) and a Certified Human Resource Professional of Kenya (CHRPK).</p>
 <p><b>Mr. Mohamednur Khalif</b> <b>Deputy Director, Supply Chain Management</b></p>	<p>Mr. Mohamed Khalif holds a Master of Science in Procurement &amp; Contract Management, a Bachelor of Business Management in Purchasing &amp; Supply Chain Management and Diploma in Business Management. He is a member of the Kenya Institute of Supplies Management (KISM).</p>
 <p><b>Ms. Rosemary Kavili</b> <b>Deputy Director, Corporate Communications</b></p>	<p>Ms. Rosemary Kavili holds a Master of Arts in Communication Studies. She also holds a Bachelor of Arts degree in Journalism and Media Studies and a Diploma in Public Relations. In addition, she has attended several leadership trainings both locally and internationally.</p> <p>She is a Member of Public Relations Society of Kenya.</p>



**Mr. Moses Kiptoon  
Deputy Director, Insurance Risk  
Monitoring**

Mr. Moses Kiptoon holds a Master’s Degree in Actuarial Management and a Bachelor’s Degree in Actuarial Science. He is also an Associate of the Actuarial Society of Kenya, a member of the Institute and Faculty of Actuaries (UK).




**CPA Francis Kiairie  
Deputy Director, Statutory Management**

CPA Francis Kiairie extensive experience in Finance, Accounting and Risk Management gained from the insurance industry. He holds Master of Business Administration (MBA) and Bachelor of Commerce (BCOM) Degree. He is a member of the Institute of Certified Public Accountants (ICPAK) and Institute of Risk Management (IRM-UK).



**Ms. Hellen Karuiru  
Deputy Director, Research, Strategy and  
Planning**

Ms. Hellen Karuiru is an Economist and Finance Professional with experience in Strategy, Planning, Research, Project Management and Finance spanning from the Public and Private sectors. She holds a Master of Science in Finance and a Bachelor of Economics and Statistics Degree. She is a member of the Institute of Economic Affairs Kenya.

 <p><b>Mr. Bernard Rotich</b> <b>Deputy Director, ICT</b></p>	<p>Mr. Bernard Rotich holds a Master of Science in Information Science &amp; Technology, Bachelor of Science in Applied Business Computing and a Higher Diploma in Integrated Management Information Systems. He is a member of the Computer Society of Kenya (CSK). He exited the Fund from 10<sup>th</sup> March 2025.</p>
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## **5.0 CHAIRMAN'S STATEMENT**

It is with great privilege that I present the Policyholders Compensation Fund's (PCF) Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2025, as mandated by Section 81 of the Public Financial Management Act (PFM), 2012. On behalf of the Board of Trustees, Management, and Staff, this report highlights our collective efforts and achievements, reflecting our unwavering commitment to fulfilling our mandate.

PCF's vision to be the premier policyholders' compensation fund underscores our dedication to providing a robust safety net for policyholders, contributing to the nation's economic development. Our financial performance demonstrates prudent resource management, setting a benchmark for financial stewardship in the public sector.

Aligned with the Government's Bottom-Up Economic Transformation Agenda (BETA) for inclusive growth, our Strategic Plan FY 2020-2025 positions PCF as a leader in delivering essential services to policyholders, supporting socio-economic development through our core mandate. We are committed to:

- Understanding and meeting customers' needs and expectations.
- Upholding integrity, accountability, cost-effectiveness, and professional ethics.
- Recruiting, developing, and retaining highly skilled, motivated staff for quality service delivery.
- Fostering a culture of continuous improvement among employees.

During the period under review, the Fund marked its 20<sup>th</sup> anniversary, a significant milestone commemorated by hosting the Inaugural Africa Insurance Resolution Conference. This landmark event convened thought leaders from insurance guarantee schemes across the globe, African insurance regulators, local industry leaders, and other key stakeholders who engaged in dialogue on strategies and practical solutions for addressing insurance failures and enhancing insurance sector resilience. The conference not only facilitated valuable knowledge exchange but also reinforced the Fund's position as a leading authority in insurance guarantee scheme practices both within Africa and on the global stage.

In addition, the Fund, successfully developed draft PCF Bill (2025) and conducted public participation of key stakeholders and members of the Public during the Financial Year. The development of this bill is a key priority area for the Fund in its endeavor to strengthen the Fund's legislative framework.

PCF was admitted as an Associate Member of the Joint Financial Sector Regulators (JFSR) Forum – the umbrella body for financial sector regulators, established to foster collaboration in information sharing, crisis preparedness and response, and policy coherence. This milestone affirms the Fund's pivotal role as the financial safety net for the insurance industry, safeguarding policyholders' interests, promoting market confidence, and contributing to the stability of both the insurance sector and the broader financial system.

Robust corporate governance is central to PCF's long-term success and the execution of our strategy. The Board of Trustees ensures the Fund meets its obligations to stakeholders, maintains accountability to the Government through the National Treasury, and adheres the highest standards of ethics and legal compliance.

PCF embraced technology to streamline internal processes, enhance planning accuracy, ensure data reliability, and meet regulatory requirements. The Board's oversight has cultivated a positive work culture and quality service delivery, strengthened our corporate image and enhanced policyholder confidence.

This report outlines our achievements, challenges, and progress towards realizing our vision of a leading insurance guarantee scheme. These accomplishments reflect the successful execution of our strategic plan, reinforcing insurance as a cornerstone of national transformation. During the period under review, the Board diligently monitored the Fund's performance against the annual work plan, contributed to the strategic plan review, approved key reports, and participated in capacity-building workshops to enhance governance and oversight capabilities.

PCF continues to collaborate with key industry stakeholders to improve service delivery in alignment with Vision 2030 and the BETA Agenda. We are also investing in staff competency through training, coaching, and mentoring.

Looking forward, PCF remains steadfast in its mission and is optimistic about future progress. I extend heartfelt gratitude to my fellow Trustees, the Management Team, dedicated staff, stakeholders and partners for their unwavering support. Together, we anticipate a bright and successful future.



Hon. Simon Mbugua  
**CHAIRMAN, BOARD OF TRUSTEES**

## 6.0 REPORT OF THE MANAGING TRUSTEE

It is my pleasure to present to you the Annual Report and Financial Statements for the financial period ended 30<sup>th</sup> June 2025. This report provides stakeholders with an accurate and balanced view of the Fund 's strategies for implementation, past performance, and prospects; and addresses the material issues faced by the Fund.

In line with this strategic focus, the Fund enhanced its surveillance mechanism to safeguard and promote confidence in the insurance industry by instituting contingency planning and crisis preparedness simulation programs, and enhanced consultations with stakeholders. PCF continues to manage prudently the resources entrusted for policyholders' compensation, as guided by the prevailing government regulations; to ensure viability, robustness and adequacy of the Fund in the unlikely event of insurer failure.

To ensure the Fund remains focused on upholding the Constitution of Kenya Bill of Rights for every insurance consumer, the key result areas of the Fund's Strategic Plan remain modelled towards the development of a comprehensive and inclusive compensation framework, prudent financial management for sustainability and development of institutional capacity. Through the execution of its mandate, the Fund continues to contribute to the development of the Kenyan insurance and financial sectors, and the economy.

This report provides a glance of key activities and achievements by the Fund in the reporting period in comparison to prior financial period. The targets and accomplishments have been guided by the Fund's strategic plan FY 2020/2025.

### Performance Review

The Fund's asset base value has continued to record growth which is a key milestone in our endeavour to provide protection to policyholders of insurer placed under statutory management and for the purpose of increasing the general public's confidence in the insurance sector. Through strategic initiatives and prudent financial management practices, the Fund asset value increased to Kshs. 26.8 billion in the FY 2024/2025 from 22.4 billion reported in the FY 2023/2024.

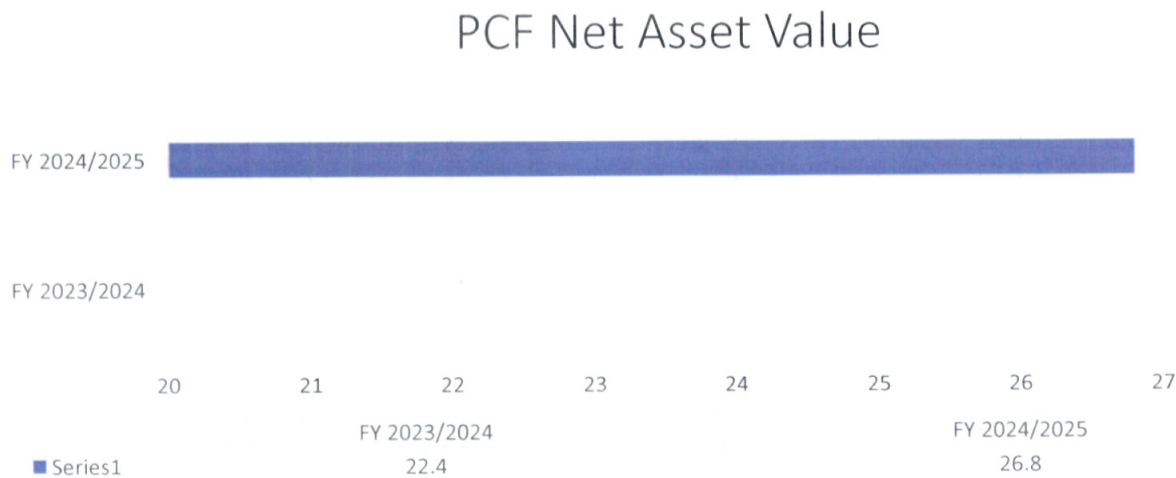
#### a) Fund Value

The Fund's asset base has continued to record growth which is a key milestone in providing compensation to policyholders of insurer put under statutory management and for the secondary purpose of increasing the general public's confidence in the insurance sector. This is informed by prudent financial management of resources bestowed to the Fund.

During the period under review, the Fund witnessed a growth of its asset base by 19% to Kshs. 26.8 billion in FY 2024/2025 from 22.4 billion reported in FY 2023/2024 as shown in Figure 8 below. This growth placed the Fund in a good position to fulfil its mandate

particularly that of payment of compensation to insurance claimants of an insurer placed under a manager appointed under section 67C (2) or whose license has been cancelled under the Insurance Act. This is in line with Article 46 of the Constitution of Kenya, 2010 which gives consumers the right to protection of their economic interests and to compensation for loss.

**Figure 3. PCF Asset base analysis**



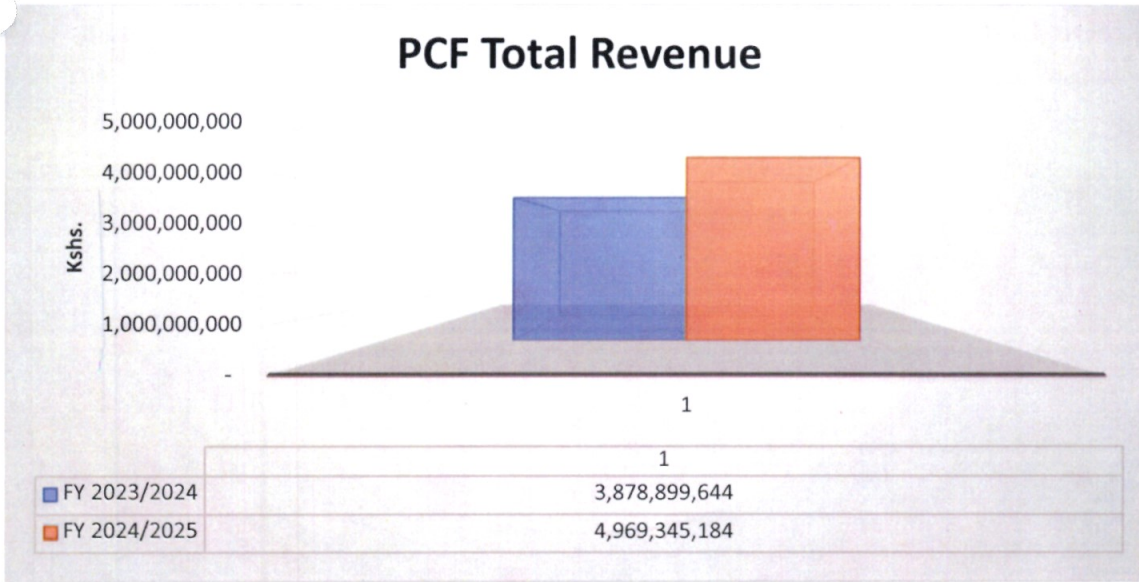
**b) Surplus**

The financial year 2024/2025 was marked by significant milestones in terms of core operations during which the Fund recorded an increase of 28% of total revenue collections compared to the same period in the last financial year. Net surplus earned by the Fund increased by 25% from Kshs. 3.5 billion in FY 2023/2024 to Kshs.4.4 billion in FY 2024/2025. Increased levy collections volumes and Investment interest income from government securities contributed significantly into boosting net surplus of the Fund. Below are details of the performance of the Fund;

**c) Total Revenue**

The Fund recorded an Increase of 28% of total revenue collections compared to same period in the last financial year as indicated in below figure;

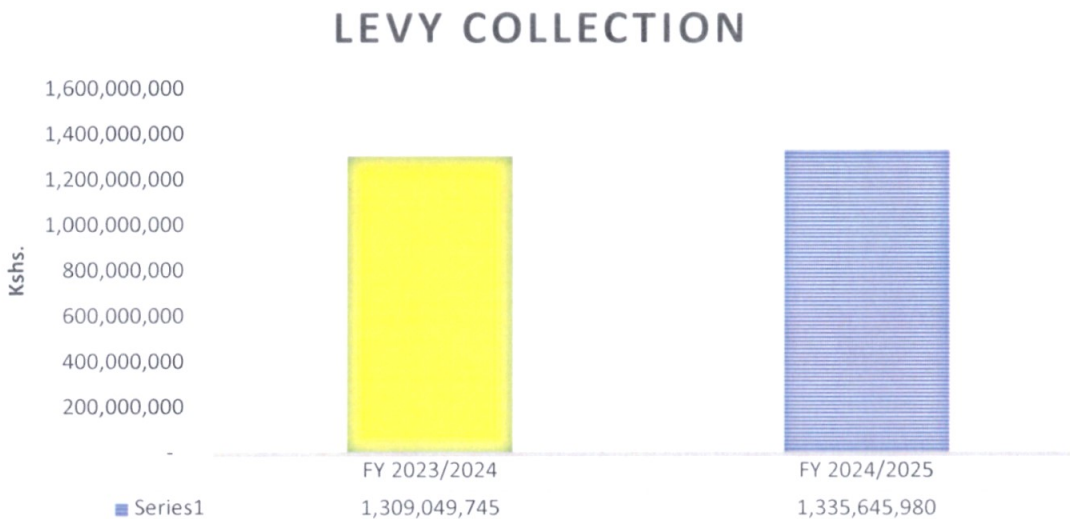
Figure 4. PCF Total Revenue



i) Levy Contribution

The key source of income for the Fund is a levy contribution of 0.5% of total insurance premiums received by insurers. During the period under review, the Fund’s levy contribution slightly increased by 2% compared to the same period last financial year. This is mainly attributed to increase in insurance premiums and growth in the insurance industry at large. Figure 4 below presents an analysis of levy contribution.

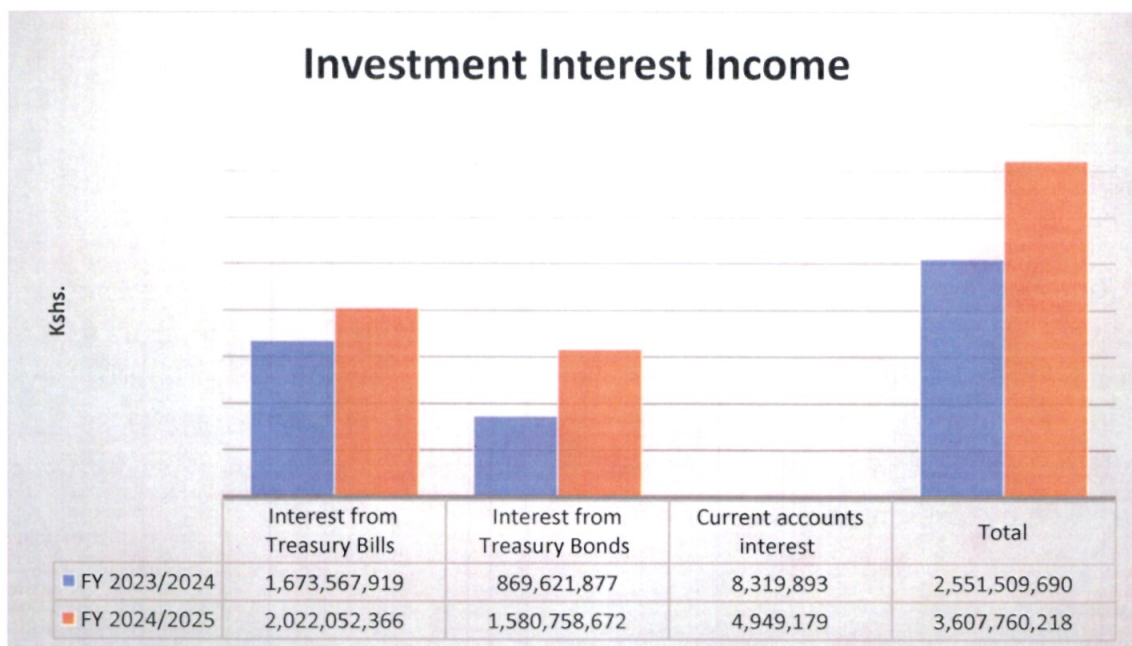
Figure 5. PCF Levy Contribution



**ii) PCF Investment Interest Income**

The Fund earns interest on the investments made from levy contributions collections, and from government securities at CBK. This investment interest income is used by the Fund to compensate policyholders of insurers placed under statutory management as well as finance the operations of the Fund. During the period under review, the Fund’s interest from investments grew by 41% compared to the previous financial year as a result of favourable interest rates secured on investments in Government securities and timely investments of revenue collections as depicted in Figure 6.

**Figure 6. Investment Income trend**



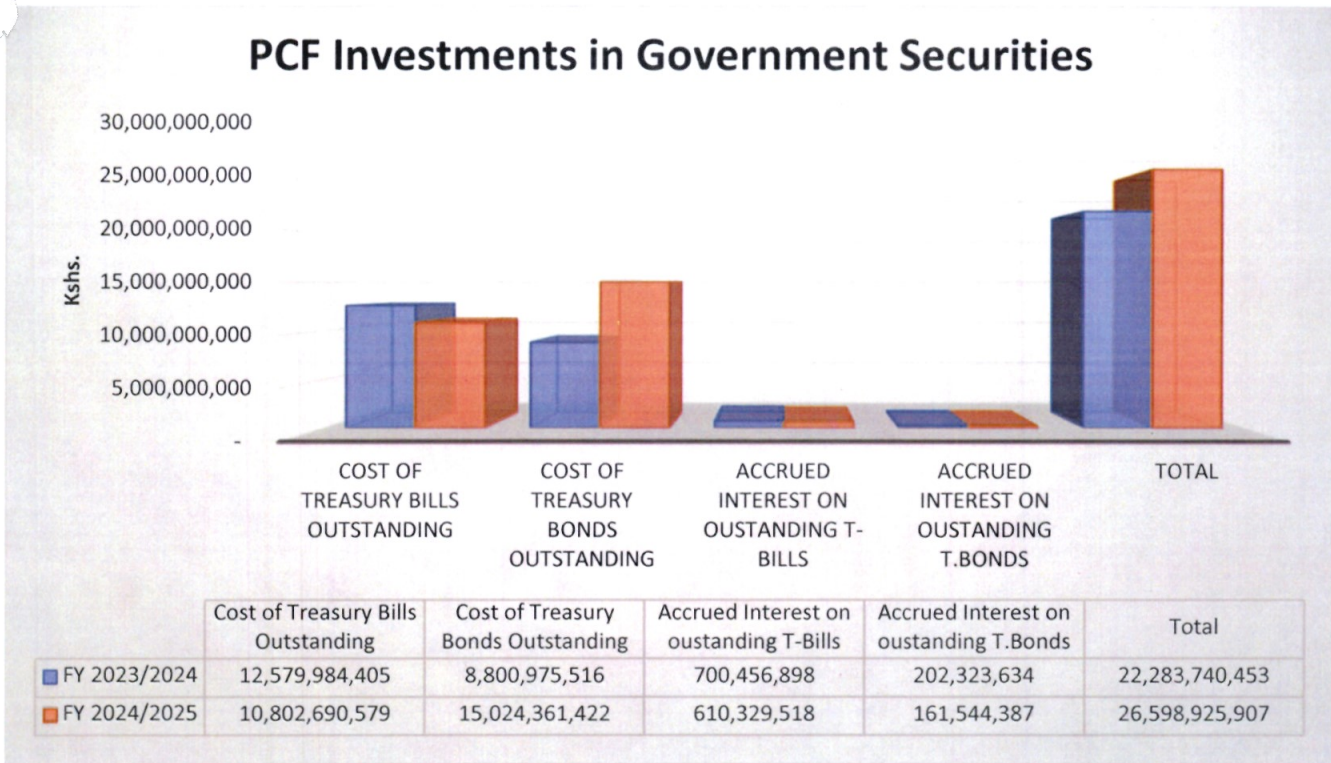
**iii) Penalties**

Penalties amounting to KShs. 25,595,043 were collected in the financial period under review for insurers who defaulted whereas in the previous financial year, the Fund collected KShs. 11,327,209. The 126% increase is attributed to increased enforcement actions by the Insurance Regulator and the Fund.

**d) PCF Investments**

The Insurance Act, Section 179 prescribes the investment of surplus funds in government securities or in any other securities approved by the National Treasury from time to time. At the closure of FY 2024/2025, the Fund’s total face value of investments held at CBK was KShs. 26.9 billion. The cost of these investments and the accrued interest on the outstanding investments stood at KShs. 26.6 billion compared to 22.3 billion reported in FY 2023/2024 as per figure 7 below.

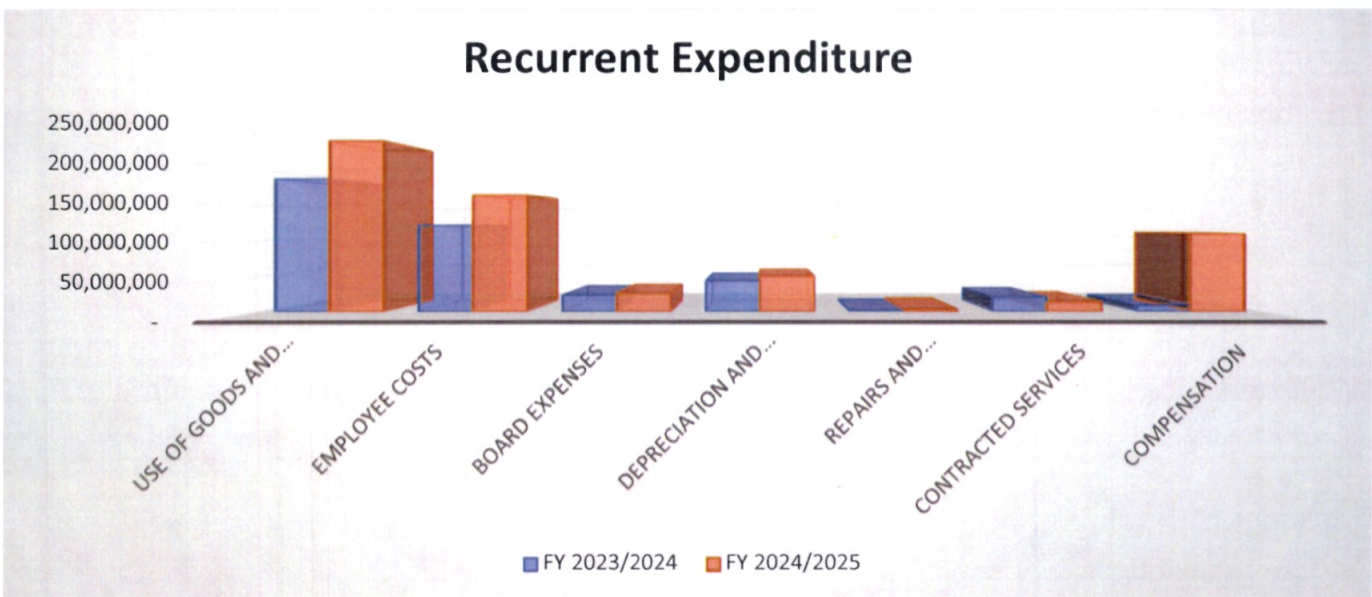
**Figure 7. PCF Investments in Government Securities**



**e) Recurrent Expenditure**

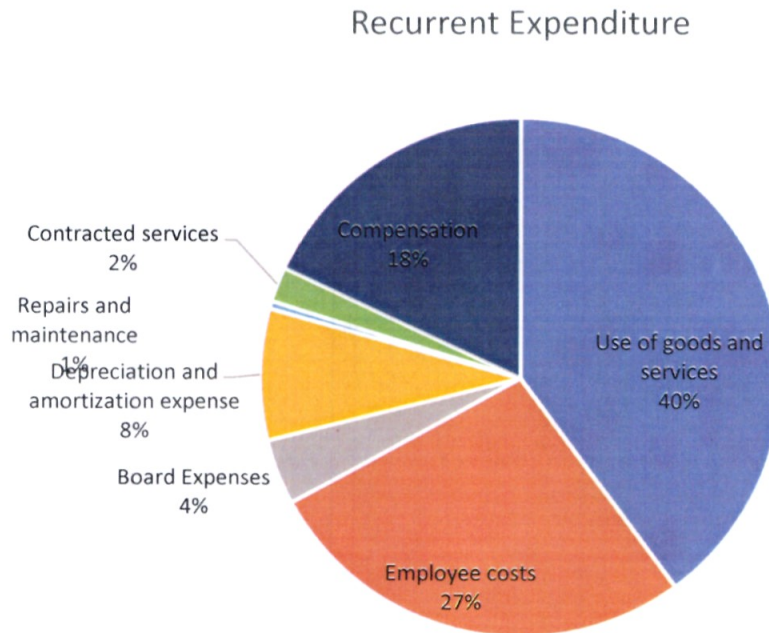
The Fund recurrent expenditure during the period under review are as distributed in the figure below;

**Figure 8. Recurrent expenditure**



FY 2024/2025 Recurrent expenditure is further analysed as indicated in the figure below;

**Figure 9. PCF Recurrent expenditure Distribution**



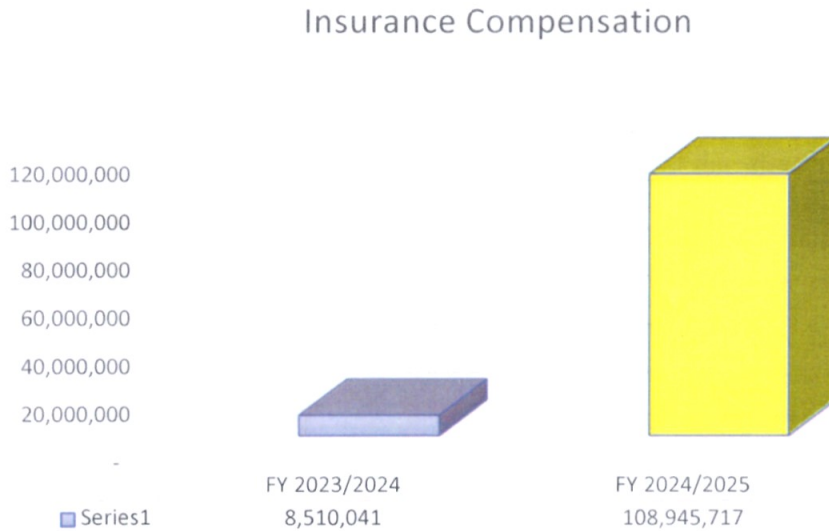
**f) Insurance Compensation**

The Fund is committed to undertaking its core mandate of compensating policyholders and claimants of insurers placed under statutory management or whose licenses have been cancelled. This is in line with Article 46 of the Constitution of Kenya, 2010 which gives consumers the right to protection of their economic interests and to compensation for loss.

During the period under review, the Fund commenced compensation to policyholders and claimants for two insurers namely Invesco Assurance and United Insurance Companies and continued undertaking compensation for five insurers namely; Resolution Insurance, BlueShield Insurance, Standard Assurance, Concord Insurance and Xplico Insurance Companies. Since the onset of compensation process in 2021, the Fund has cumulatively compensated 1278 claimants totalling to Kshs. 207.3 million.

Figure 10 below illustrates the Insurance compensation payout for the current reporting period against the previous comparable reporting period.

Figure 10. Insurance Compensation



To enhance protection of policyholders and claimants of insurers that have collapsed, the Fund commenced the development of enabling legal framework that will ensure an enhanced insurance compensation enhanced Insurance Compensation coverage in line with international best practices. At the closure of the financial year under review, the exercise was ongoing and shall continue in the upcoming financial year.

The Fund organized the Inaugural Africa Insurance Resolution Conference together with the PCF@20 Celebrations to mark the Fund's 20<sup>th</sup> anniversary during the financial year under review. This landmark event convened thought leaders from insurance guarantee schemes across the globe, African insurance regulators, local industry leaders, and other key stakeholders to engage in dialogue on strategies and practical solutions for addressing insurance failures and enhancing resilience within the sector. The conference not only facilitated valuable knowledge exchange but also reinforced the Fund's position as a leading authority in insurance guarantee scheme practices both within Africa and on the global stage.

#### g) Statutory Management

Policyholders Compensation Fund (PCF) is mandated under section 179 (2A) (d) to participate in statutory management of an insurer placed under statutory management by the regulator. During the period under review, the Fund was appointed by the regulator as the statutory manager of one (1) insurance company i.e. Invesco Assurance Company. Following the appointment of liquidators by the Court, the statutory management term for Blue Shield Insurance, United Insurance and Xplico Insurance Companies came to an end during the period under review.

#### h) Collaborations and Partnerships

The Fund collaborated with various key stakeholders and agencies such as The National Treasury, Insurance Regulatory Authority, Office of the Official Receiver, Office of the

Attorney General, Kenya Deposit Insurance Corporation, Commission of Administrative Justice and Unclaimed Financial Assets Authority among others.

In compliance with the Presidential directive towards an increase in forest and tree cover from 12% to 30% by 2032, the Fund sponsored tree growing at Geta forest in Nyandarua county and Sorget Forest Kericho County in partnership with the Kenya Forestry Service (KFS) and members of local communities. Further, the Fund sponsored annual conferences for the Insurance Institute of Kenya (IIK), Association of Kenya Insurers (AKI) and Association of Kenya Professional Insurance Agents (AKPIA).

The Fund's achievements above would not have been realized without the support of the highly skilled employees who executed their duties meticulously. It remains our resolve, as a Fund, to empower our staff with the requisite technical skills and competencies to aid them in executing their responsibilities through various capacity building initiatives. In addition, the Fund has in place various welfare policies and programs including car and mortgage schemes.

In conclusion, we thank the Government of Kenya, through our parent ministry, the National Treasury whose valued support has seen us grow; the Board of Trustees who have continuously provided the much-needed strategic policy direction and leadership; the management and staff whose commitment has resulted in the impressive performance, and our key stakeholders including the policyholders for their continuous support and contribution to the Fund's growth.



**Mr. Mohamed A. Sahal**  
**MANAGING TRUSTEE**

## **7.0 STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2024/2025**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the Policyholders Compensation Fund performance against predetermined objectives.

PCF has three (3) Key Result Areas in Strategic Plan 2020-2025 which guides the Fund for effective implementation of the Strategic Plan. The strategic Key Result Areas include:

- a. Promote confidence in the insurance industry
- b. Financial Stewardship
- c. Strengthen Institutional Capacity

To achieve the Key Result Areas, the following objectives will be pursued.

- a) Enhance compensation of policyholders and claimants
- b) Prompt resolution of troubled insurers
- c) Early intervention of troubled insurers
- d) Mobilize financial resources
- e) Enhance service delivery
- f) Enhance corporate brand
- g) Enhance corporate governance

The Fund develops its annual work plans based on the above three Key Result Areas. Assessment of the Fund's performance against its annual work plan is done on a quarterly basis. Policyholders Compensation Fund achieved its performance targets set for the FY 2024/2025 period for its three (3) Strategic Key Result Areas as indicated in the Table 4 below:

Table 4. Performance of the Fund against strategic objectives

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Promote Confidence in the Insurance industry.	Enhance compensation of policyholders and claimants	Compensation	Development & implementation the compensation policy	100% implemented
		% Compliance	Stakeholder engagement, validation and sensitization	100% implemented
		% Automation	Implementation of the Claims Management System	100% implemented
		% Automation	Provision of online services	100% implemented
	Prompt resolution of troubled insurers	% Compliance	Implementation of Statutory Management Guidelines	100% implemented
		% Compliance	Conduct simulation and contingency planning exercises	100% implemented

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		% Collaborations implemented	Information sharing with appointed liquidator	100% implemented
		Draft PCF Bill	Development of PCF Bill	100% implemented
	Early intervention in troubled insurers	% of Recommendations implemented	Implementation of Risk Profiling Guidelines	100% implemented
Pillar 2: Financial Stewardship	Mobilize financial resources	% Receipting	Undertake contribution levy collection	100% implemented
		% growth in contribution levy collection	Enforcement of contribution levy collection	2% Growth of Levy Contribution Collection from previous FY
		% Compliance	Develop a resource mobilization policy	To be implemented in the new strategic plan.
		% Fund cover- age ratio	Conduct Asset-Liability Management (ALM)	Fund Coverage Ratio at 17.47%
		% Growth of the Fund	Develop investment policy	19% Growth of the Fund size

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		% Growth of the Fund	Budget appropriation	19% Growth of the Fund size 87% Budget Absorption
		% Compliance to Statutory Timelines & Requirements	Financial reporting	100% Compliance
		% Compliance	Implementation of the Finance policy and procedure manual	100% Compliance
Pillar 3: Strengthen Institutional capacity	Enhance service delivery	% Employee Satisfaction Index	Develop and Implement Staff Welfare Policy	Staff welfare developed. Employee satisfaction survey to be undertaken 2025/2026
		% Employee Satisfaction Index	Develop and Implement training and development guidelines	To be developed in 2025/2026
		% Performance score	Implement performance, reward and recognition policy	Policy reviewed and implemented
		% of potential successors against critical identified positions	Implement Talent Management and Succession Planning Policy	Successors identified in the short term

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		% Compliance to Quality Management System	Quality Management System Institution	45% compliance
		% Satisfaction with Supply Chain Services	Implementation of Supply Chain Management Policy and Procedural Manual	
		% of compliance	Development of Knowledge Management Policy	To be developed next financial year.
		% Contribution of research findings to Organizational processing, Services and Management	Implementation of the Research Policy	100% implemented
		% Resource realized from Partnerships	Partnership Management	To be implemented in the next financial year.
		% Automation	Develop Internal Systems	100% implemented
		% Approval Ratings of ICT on business process improvement	Build ICT Infrastructure	100% implemented

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		% Compliance	Implementation of ICT Policy and Manuals	100% implemented
		% Compliance	Stakeholder Education	100% implemented
		% Compliance	Development of Communication Strategy	100% implemented
		% Compliance	Develop of CSR Policy	100% implemented
		% Compliance	Public Relations	100% implemented
		% Scope coverage	Social Media Engagements on two platforms	100% implemented
	Enhance corporate brand	% Compliance	Corporate Branding	100% implemented
	Enhance corporate governance	% of Risk Managed	Conduct Audit Assessments	Audit Assessments conducted and Work plan for 2024/2025 generated.
		% Compliance	Conduct Audit	14 Audit processes reviewed, and reports issued to management

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		% Compliance	Conduct Compliance Audits	14 Audit processes reviewed, and reports adopted by the Board.
		% Implementation	Development of Board Training Plan	Board training plan for FY2024-2025 approved and implemented.
		% Aggregated Board Score	Conduct Board Evaluation	Board performance evaluation for FY2023-2024 undertaken. The score was 93.80%.
		Approved Board Induction manual	Conduct Board Induction	Approved Board induction manual in place

## 8.0 CORPORATE GOVERNANCE STATEMENT

### 8.1. Introduction

In fulfilling its fiduciary responsibility to the stakeholders, the Board of Trustees maintains oversight control over the strategic, financial, operational and compliance issues of the Fund. Whilst the BoT provides oversight and remains responsible for establishing and maintaining overall internal control of the Fund, it has delegated the authority to the Managing Trustee to conduct the day-to-day business of the Fund. The Board of Trustees, nonetheless, retains responsibility for establishing and maintaining overall policy direction, internal controls, operational and compliance issues as well as implementing strategies for the long-term success of the Fund.

The Board meets at least once every quarter and has a formal schedule of matters reserved for it. Trustees are given sufficient, timely and appropriate information to perform their fiduciary duties. During the financial year under review, the Board of Trustees was fully constituted as per the Insurance Act (CAP 487).

### 8.2. Board Composition

The Board of Trustees comprises of seven (7) members drawn from different professional backgrounds with diverse competencies and skills required for the strategic leadership of the Fund.

The management of the Fund vests in the Board of Trustees, which is constituted as follows:

1. Chairman, appointed by the Cabinet Secretary.
2. The Commissioner of Insurance or a representative appointed in writing.
3. The Cabinet Secretary responsible for matters relating to finance or a representative appointed in writing.
4. The Attorney-General or a representative appointed in writing.
5. One person nominated by the body representing the interests of insurers.
6. One person nominated by insurance brokers.
7. One person representing the general public appointed by the Cabinet Secretary; and
8. The Managing Trustee as an ex officio member without a right to vote.

Members of the Board hold office for a period of up to three years and are eligible for re-appointment for a further one (1) term of three years.

The Board has established three (3) committees namely.

- ✓ The Finance & Administration Committee,
- ✓ The Technical & Policy Committee
- ✓ The Audit & Risk Committee

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The Board Charter grants the Board the liberty to establish such ad-hoc committees as required to deal with any ad-hoc matters requiring focused attention. Board committees are guided in their deliberations by the approved Charters and Terms of Reference. Deliberations and recommendations of the Committee are presented to the full Board for consideration.

Board Committees have been empowered to undertake their roles through delegated authority from the Board to enable them effectively to carry out their mandate and each has its own Terms of reference setting forth the purposes, goals and responsibilities as well as qualifications for membership and operational procedures. The Committees are required to meet at least four (4) times in a year. However, in the current financial year, due to the heavy work load, each Committee was scheduled to hold approximately six (6) meetings.

During the period under review, the composition of the Board was as follows:

**Table 5. Composition of the Board of Trustees**

<b>Name</b>	<b>Membership</b>	<b>Representation</b>
Hon. Simon Mbugua	Chairperson	Independent (appointed on 18 <sup>th</sup> May 2023)
Mr. Godfrey Kiptum, MBS	Trustee	Commissioner of Insurance
Dr. Ben Kajwang, MBS	Trustee	Representative of the insurance brokers. First appointed on 21 <sup>st</sup> February 2022 and re-appointed on 5 <sup>th</sup> May 2025.
Mr. Thomas Gichuhi	Trustee	Representative of the insurers. First appointed on 21 <sup>st</sup> February 2022 and re-pointed on 5 <sup>th</sup> May 2025.
Ms. Janet W. Kungú, HSC	Trustee	Representative of the Hon. Attorney General effective 12th June 2023
Mr. Deberious Sikuku	Trustee	Representative of general public effective 18 <sup>th</sup> May 2023.
Mr. Protus Sigei, EBS	Trustee	Representative of the Cabinet Secretary, National Treasury & Economic Planning effective 9 <sup>th</sup> April 2025
Mr. Joseph Waruiru	Trustee	Representative of the Cabinet Secretary, National Treasury & Economic Planning effective 29 <sup>th</sup> June 2023 to 8 <sup>th</sup> April 2025

As at 30<sup>th</sup> June 2025, the Board of Trustees was fully constituted. Trustees are required to disclose any conflict of interest in relation to matters that are brought before them for deliberation as stipulated in the Mwongozo Code of Governance and the Board Charter.

### **8.3.Roles and functions of the board**

The basic responsibility of the Board of Trustees is to exercise its best judgment and to act in a manner that it reasonably believes to be in the best interest of the Fund and its stakeholders. In discharging that obligation, the Board of Trustees shall be entitled to rely on the honesty and integrity of the Fund's staff and its external professional advisors and auditors.

In furtherance of its responsibilities, the Board of Trustees performs the following responsibilities:

- a) Provide compensation to claimants of insurers placed under statutory manager or whose licenses have been cancelled
- b) Monitor, in consultation with the Commissioner of Insurance where necessary, the risk profile of any insurer;
- c) Advise the Cabinet Secretary on the national policy to be followed regarding matters relating to compensation of policyholders and to implement all government policies relating thereto.
- d) Participate in statutory management of an insurer placed under management by the Commissioner of Insurance
- e) Liquidate an insurer as may be ordered by the court
- f) Perform such other functions as may be conferred on it by the Insurance Act or any other written law;
- g) Review, evaluate and approve, on a regular basis, long-term plans for the Fund;
- h) Review, evaluate and approve the Fund's budget and financial forecasts;
- i) Review, evaluate and approve major resource allocations and capital investments;
- j) Review the financial and operating performance of the Fund;
- k) Review, evaluate and approve the overall corporate organizational structure, the assignment of senior management responsibilities and plans for senior management development and succession.
- l) Review, evaluate and approve the remuneration strategy of the Fund.
- m) Adopt, implement and monitor compliance with the Fund's Code of Conduct.
- n) Review on a quarterly basis the attainment of targets and objectives set out in the agreed Performance Contract with the Government of Kenya.
- o) Review periodically the Fund's strategic objectives and policies; and
- p) Review, monitor and ensure that the Fund is effectively and consistently delivering on its statutory mandates.

#### **8.4. Board Induction, training, and development**

The Board continued to enhance capacity of its members through attending training sessions aimed at enhancing their oversight role. This was through participation in conferences and workshops. During these sessions, Committee members had the opportunity to meet with Board members from other organizations which largely enhanced their skills in execution of their oversight role over Management. There was no board induction done during the period under review.

#### **8.5. Board Performance**

The Board continued in its role of providing oversight of Management's role in managing resources of the Fund. This was done through review of work done by the periodic monitoring of performance, investment management, Human resource management and other technical matters.

The Board considered the following:

- a) Committee Work plans - the Board reviewed and approved its work Plan for 2024/2025 for implementation.
- b) Policies, procedures and guidelines that were processed through the Board Committees and subsequently approved by the Board of Trustees as follows:
  - i. Performance Management, Rewards & Recognition Policy.
  - ii. The Corporate Social Responsibility Policy
  - iii. The Communications Strategy; and
  - iv. The Brand Manual Book.
  - v. Revised Compensation guidelines and procedures manual
  - vi. Asset and Liabilities policies and guidelines
- c) Draft PCF Act of parliament
- d) The Fund Strategic Plan FY2025-2028
- e) Legal and governance audit reports
- f) Consolidated annual procurement and disposal plans - the Consolidated Annual Procurement and Disposal Plan for FY 2024/2025 and revisions thereof were considered by the Committee and subsequently approved by the Board of Trustees
- g) Internal Audit Reports
- h) Internal Audit Annual Workplan
- i) Audit & Risk Committee Workplan
- j) External Audit Report

#### **8.6. Board Meetings Attendance**

From the beginning of the financial year to the period ending 30<sup>th</sup> June 2025, the Board of Trustees held six (6) regular meetings whose attendance is as indicated below.

**Table 6. Full Board Meetings attendance**

	<b>Member</b>	<b>Number of Meetings Attended</b>
1.	Hon. Simon Mbugua	5
2.	Mr. Godfrey Kiptum, MBS	3
3.	Dr. Ben Kajwang, MBS	5
4.	Mr. Thomas Gichuhi	6
5.	Mr. Deberious Sikuku	6
6.	Ms. Janet Kung'u, HSC	6
7.	Mr. Joseph Waruiru	2
8.	Mr. Protus Sigei, EBS	2

### **8.7. Finance and Administration Committee**

The mandate of the FAC is to provide oversight over Management activities in financial stewardship. The FAC shall provide oversight over budgeting, financial reporting, investment planning, procurement planning, corporate communication, human resource management administration and Information Communication Technology.

The Terms of Reference of the FAC shall be as follows:

- a) Review and make recommendations to the Board of Trustees the Fund's financial strategy ensuring its adequacy and soundness in providing for the organization's operations and long-term stability.
- b) Review, discuss and make recommendations to the Board concerning significant financial planning, investment of the Fund's asset's management and reporting issues of the organization.
- c) Develop and make recommendations on the budget intended to enable the Fund effectively implement its strategic objectives.
- d) Review management accounts at regular intervals and make necessary recommendations to the Board.
- e) Review and make recommendations to the Board of financial issues arising from the Fund's annual financial statements.
- f) Develop and make recommendations on the human resource policy, recruitment management evaluation and terms of service of employees of the Fund.

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- g) Provide a general overview of the Fund's achievement of procurement plans.
- h) Monitor the Management's strategy toward ensuring efficiency and integrity of the Fund's procurement systems.
- i) Ensure that in all recommendations from Management, world-class standards are developed, practiced and leveraged at the Fund to create stakeholder value and ensure that statutory mandates are effectively fulfilled.
- j) Review and comment on technology budgets as well as major investments in new operational models and information technology platforms, partnerships and alliances.
- k) Oversee the mandate of the Legal Service

The Composition of the Committee was as follows during FY 2024/2025

- a) Mr. Deberious Sikuku
- b) Dr. Ben Kajwang , MBS
- c) Ms. Janet Kung'u, HSC
- d) Mr. Protus Sigei, EBS
- e) \*Mr. Joseph Waruiru

The Managing Trustee provided secretariat services and Mr Deberious chaired the sessions. During the reporting period, the Committee held five (5) regular meetings and members attended the sessions as shown below.

**Table 7. Meetings attendance of the Finance and Administration Committee**

	<b>Member</b>	<b>Number of Meetings Attended</b>
1.	Mr. Deberious Sikuku	5
2.	Dr. Ben Kajwang, MBS	5
3.	Mr. Joseph Waruiru	4
4.	Ms. Janet Kung'u, HSC	5
5.	*Mr. Protus Sigei, EBS	-

*\*Mr. Sigei was appointed towards the end of the period under review. No FAC meeting was held after his appointment.*

The Committee continued in its role of providing oversight over the prudent management resources of the Fund. This was done through periodic monitoring of the performance and investments activities. Specifically, the following reports were considered by the Committee and approved by the Board of Trustees:

- a) Quarterly Financial Reports for FY 2024/2025
- b) Annual Report and Financial Statements for FY 2023/2024
- c) Annual Budget Estimates for FY 2025/2026
- d) Revised Budget estimates for FY 2024/2025
- e) Quarterly Human Resource and Administration plans and reports for FY 2024/2025
- f) Board Committee Annual Work Plan for FY 2024/2025
- g) Board Annual Training Plan for FY 2024/2025
- h) Consolidated Annual Procurement and Disposal plans for FY 2024/2025
- i) Quarterly Supply Chain Management reports for FY 2024/2025

#### **8.8. Technical and Policy Committee**

The mandate of the TPC is to provide oversight in compensation, liquidation, statutory management, strategic planning, performance contracting and in the development of annual plans, policies, procedures and guidelines. The Terms of Reference of the TPC are as follows:

- a) Review the fundamental technical basis of the Fund's operations in order to enable the Board of Trustees to make informed, strategic operational decisions and vote on related matters.
- b) Review technical processes and procedures to ensure that the operational mandate of the Fund is met.
- c) Review compensation and protection trends, making appropriate recommendations to the Board of Trustees on policy development
- d) Review and monitor the Fund's research and development reports ensuring applicability to policy development.
- e) Review and make recommendations on significant emerging issues, policy briefs and regulatory improvements.
- f) Review and make recommendations on legal issues and institutional framework of the Fund.
- g) Facilitate the signing of an annual Performance Contract with the Government of Kenya and Monitor the implementation of executed Performance Contracts to ensure achievement of targets set out in the Contract.
- h) Develop and make recommendations on efficient Compensation Management Policy and Procedures to be used by the stakeholders.
- i) Develop and recommend an appropriate and effective Public Education Campaign and Awareness Policy.
- j) Make delegations of authority and responsibilities of the Technical & Policy Committee as it deems appropriate and periodically review such delegations.

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The Composition of the Committee was as follows during FY 2024/2025:

- a) Dr. Ben Kajwang, MBS
- b) Mr. Thomas Gichuhi
- c) Mr. Godfrey Kiptum, MBS
- d) Mr. Deberious Sikuku

Dr. Ben Kajwang, MBS chaired the committee while the Managing Trustee provided secretariat services in all the sessions. The Committee held four (4) regular meetings during the reporting period and members attended the sessions as shown below;

**Table 8. Meetings attendance of the Technical and Policy Committee**

	<b>Member</b>	<b>Number of Meetings Attended</b>
<b>1.</b>	Dr. Ben Kajwang, MBS	4
<b>2.</b>	Mr. Thomas Gichuhi	2
<b>3.</b>	Mr. Godfrey Kiptum, MBS	3
<b>4.</b>	Mr. Deberious Sikuku	4

During the FY 2024/2025, the TPC continued in its key mandate of providing oversight over Management in the compensation of policyholders of Standard Assurance, United Insurance, Resolution Insurance, Invesco Assurance, BlueShield Insurance and Xplico Insurance Companies. Status reports on compensation of the above insurers were monitored at each of the scheduled meetings of the Committee to provide assurance to the Board that the Fund was on track towards compensating the policyholders.

Other achievements of the committee in the financial year include the development of the draft PCF Bill. During the financial year, the Committee progressed well in its oversight role and ensured that the necessary structures were put in place to enhance effectiveness. At the end of FY 2024/2025, the following reports and policies were deliberated and approved by the Board:

- a) Quarterly reports on compensation of policyholders for FY 2024/2025
- b) Quarterly reports on statutory management for FY 2024/2025
- c) Quarterly reports on Insurance Risk Monitoring for FY 2024/2025
- d) Annual Budgets for insurers under statutory management
- e) Performance contract implementation for FY 2024/2025
- f) 2020 - 2025 Strategic Plan implementation

The 2024/2025 Performance Contract was developed, negotiated with National Treasury, reviewed by Public Service Performance Management Unit, and signed by the Cabinet Secretary for implementation. The Committee provided oversight in implementation of the Contract to enhance service delivery.

#### **8.9. Audit and Risk Committee**

The purpose of the ARC is to assist the Board in fulfilling its oversight role to ensure effectiveness and efficiency in the operation of the Fund and the effectiveness of governance, control and risk management.

The ARC plays a key role with respect to the integrity of the Fund's financial information, its system of internal controls, and the legal and ethical conduct of the Board and Management.

Depending upon circumstances affecting the Fund, the functions undertaken by the ARC generally encompass the following areas:

- a) Evaluating whether processes are in place to address key roles and responsibilities in relation to risk management.
- b) Evaluating the adequacy of the control environment to provide reasonable assurance that the systems of internal control are of a high standard and functioning as intended.
- c) Performing an independent review of the financial statements to ensure the integrity and transparency of the financial reporting process.
- d) Monitoring the effectiveness of the Fund's performance information and compliance with the performance management framework and performance reporting requirements.
- e) Evaluating the quality of the Internal Audit Directorate, particularly in the areas of planning, monitoring and reporting, structure and staffing of the function.
- f) Engaging with external audit and assessing the adequacy of Management's response to issues identified by the audit.
- g) Reviewing the effectiveness of how the Fund monitors compliance with relevant legislative and regulatory requirements and promoting a culture committed to lawful and ethical behaviour.
- h) Continuously review the risks and the mitigation measures relating to areas of operation they are responsible for.
- i) Reviewing the effectiveness of the system for monitoring compliance with policies, laws and regulations and the results of the Management's investigation and follow up of any instances of non-compliance.
- j) Providing oversight regarding risk management strategies and monitoring the effectiveness of the control processes.
- k) Ensuring continuous risk monitoring by the Management, following up on the implementation of appropriate risk management strategies and ensuring that risk events are managed within the set risk appetite.
- l) Ensuring that a risk assessment exercise is undertaken annually.

Trustees who served the Committee during this period were:

- a) Mr. Thomas Gichuhi, MBS
- b) Mr. Godfrey Kiptum, MBS
- c) Ms. Janet Kung'u, HSC
- d) Mr. Protus Sigei, EBS
- e) Mr. Joseph Waruiru

During the reporting period ending 30<sup>th</sup> June 2025, the Internal Audit Directorate offered Secretariat services to the Audit and Risk Committee (ARC). The Committee held Five (5) regular meetings and members attended the sessions as shown below.

**Table 9. Meetings attendance of the Audit and Risk Committee**

	<b>Member</b>	<b>Number of Meetings Attended</b>
1.	Mr. Thomas Gichuhi	5
2.	Mr. Godfrey Kiptum, MBS	4
3.	Mr. Joseph Waruiru	4
4.	Ms. Janet Kung'u, HSC	5
5.	Mr. Protus Sigei, EBS	1

#### **8.10. Succession plan**

The BoT commits to put in place a formal succession plan for its members and review the same regularly.

#### **8.11. Conflict of Interest of Board members**

The Board is guided and adheres to the Mwongozo Code of Governance for State Corporations, Board Charter, relevant legislations and circulars. Accordingly, it's a requirement that a Board member shall immediately report to the Chairman of the Board any conflict of interest or potential conflict of interest and shall provide all relevant information including information concerning his or her spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree in a matter where conflict of interest could arise. The Board member concerned shall not take part in the deliberations by the Board where a conflict of interest exists. Board members and management have been enlightened on the various provisions and at every meeting there is a requirement for members to declare any conflict of interest on agenda items presented for deliberation. This confirmation is recorded in a register.

#### **8.0.1 Board Remuneration**

The Board is remunerated in accordance with the approved terms and conditions of service prescribed under Government Circular Number OP/CAB.2/21/2A /LII/43 of 2<sup>nd</sup> November 2004. The remuneration of all Trustees is subject to the terms and conditions of service provided under the guidelines by the State Corporations Advisory Committee issued in 2004 and the Salaries and Remuneration Commission (SRC). Apart from their remuneration, Board members are reimbursed for all reasonable costs incurred in connection with their attendance of meetings.

#### **8.0.2 Ethics and Conduct**

The BoT conducts its oversight role in adherence to the existing code of conduct and ethics, and maintains a conflict of interest register that is regularly updated.

#### **8.0.3 Governance Audit**

The BoT undertook an annual governance audit which was aimed at ensuring the Fund conforms to the highest standards of good corporate governance.

#### **8.0.4 Communication policy**

The Fund has in place an approved communications strategy that establishes robust channels for engagement, dialogue and dissemination of information with key stakeholders including policyholders, insurers, regulators and public.

#### **8.0.5 Board Oversight**

The Board is responsible for the formulation, implementation and monitoring of the Fund's Strategic Plan, therefore providing appropriate strategic direction for the Fund. In addition, the Board defines Vision, Mission and Core Values that enable the realization of the Fund's mandate. The day-to-day operations of the Fund have been delegated to the Management which is headed by the Managing Trustee. Periodically, the Board monitors and evaluates the implementation of its plans and strategies through reports received from Management through its Committees.

#### **8.0.6 Board Evaluation**

The performance of the Board and its Trustees is evaluated annually. During the year a Board evaluation exercise was carried out under the guidance of the State Corporations Advisory Committee (SCAC). The individual performance of the Trustees was discussed with the Board Chairperson and areas of improvement noted for action.

#### **8.0.7 Secretary to the Board**

The Managing Trustee is the Secretary to the Board and co-ordinates the Board's activities by ensuring, in conjunction with the Chairman, that the Board meetings are held procedurally. In addition, the Secretary links the flow of information between the Board and management as well as ensuring the Board receives adequate and timely information.

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All Trustees have direct access to the Secretary who is also responsible for implementing and monitoring good corporate governance practices, ensuring that Board business meets all statutory requirements, keeps all legal and regulatory requirements under review and briefs the Board accordingly about these developments.



**Mr. Mohamed A. Sahal**  
**MANAGING TRUSTEE**

## 9.0 MANAGEMENT DISCUSSION AND ANALYSIS

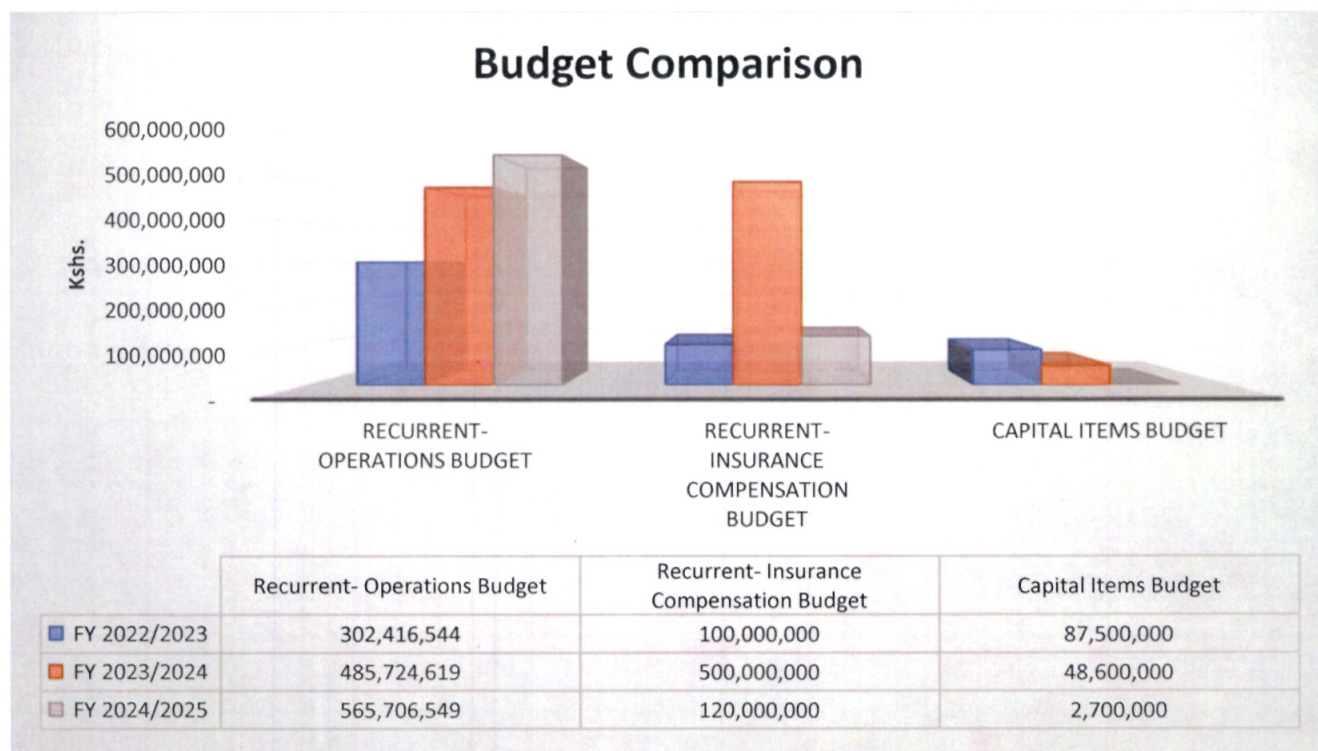
### 9.1.Operational and Financial Performance

The Fund continued executing its mandate through implementation of the Strategic Plan and Performance Contract during the period under review. Below are the summaries of operational and financial performance of the Fund.

#### 9.1.1 Budgeting

The Fund’s financial year 2024/2025 total original approved revenue budget was Kshs. 3,156,000,000 which was enhanced through budget revisions 1 and 2 to Kshs. 4,991,000,000 while the original approved recurrent expenditure budget was Kshs. 647,522,012.70 which was revised upwards by Kshs. 38,184,536.00 to Kshs. 685,706,549 comprising of recurrent budget of Kshs. 565,706,549 for operations, Kshs. 120,000,000 for compensation. Non-recurrent (capital Items) original approved budget was Kshs. 8,200,000 which was revised downwards to Kshs. 2,700,000 as indicated below figure;

Figure 11. PCF Budgets



#### 9.1.2 Summary of Revenues and Expenditure

The overall goal of resource mobilization is to strengthen PCF’s funding through diversification of revenue streams. In this regard, PCF will continue to lobby and mobilize financial resources for its activities as follows:

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- a) Collect and consolidate all funds from all the identified sources;
- b) Explore alternative sources of funds; and
- c) Foster partnerships with development partners;

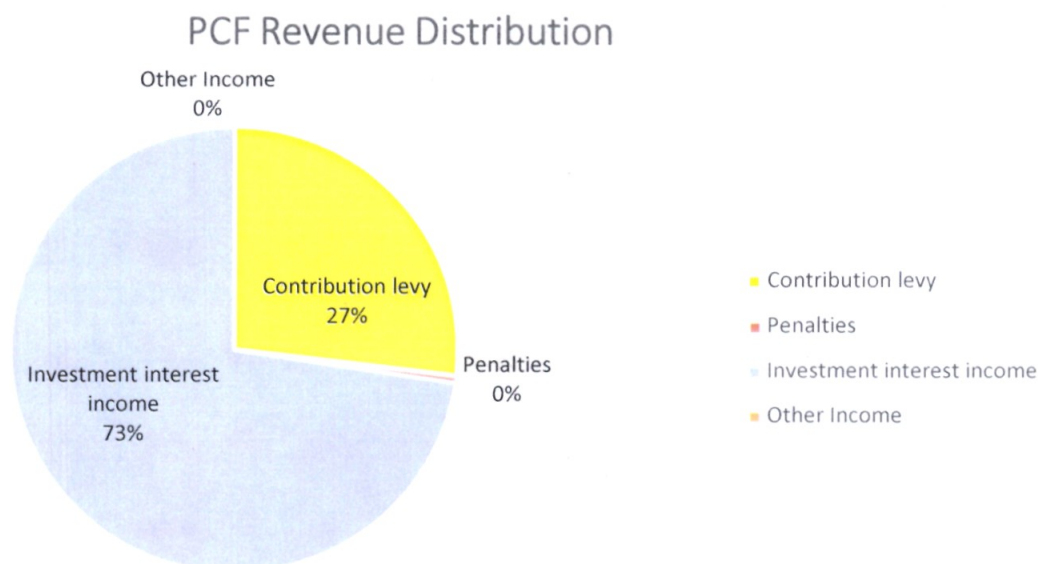
During the period ended 30<sup>th</sup> June 2025, PCF's total revenue amounted to Kshs. 4.9 billion compared to Kshs. 3.9 billion in the same period of the previous financial year as indicated in Table 10 below;

**Table 10. Revenue Collection Analysis**

Revenue	FY 2024/2025	FY 2023/2024	FY 2022/2023
Contribution levy	1,335,645,980	1,309,049,745	1,143,466,589
Penalties	25,595,043	11,327,209	13,996,633
Investment interest income	3,607,760,218	2,551,509,690	1,745,895,233
Other Income	343,943	7,013,000	4,289,460
<b>Total</b>	<b>4,969,345,184</b>	<b>3,878,899,644</b>	<b>2,907,647,916</b>

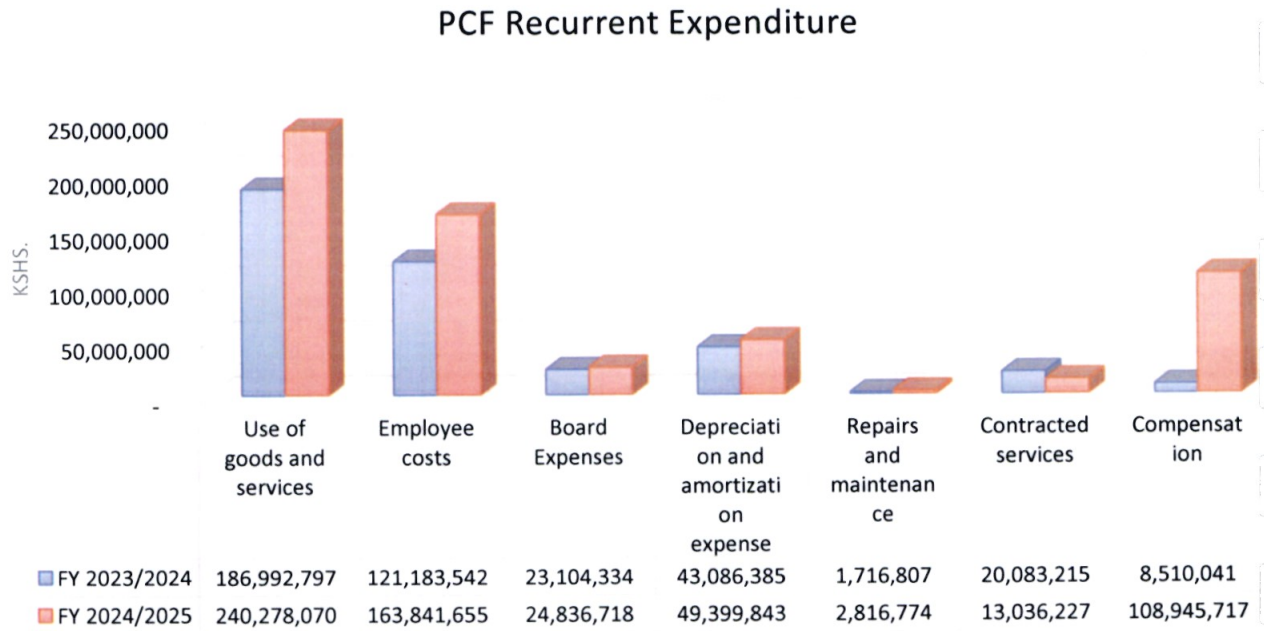
The 28% growth in total revenue is attributable to favourable interest rates from investment in Government securities and increase in insurance levy collection. Figure 12 below illustrates the revenue distribution analysis by source.

**Figure 12. Revenue distribution analysis**



Total recurrent expenditure stood at Kshs. 616.8 million compared to Kshs. 404.7 million in the previous financial year. Cumulative capital expenditure as at 30<sup>th</sup> June 2025 was Kshs. 2.5 million. Figure 13 below shows an analysis of the expenditure composition.

**Figure 13. PCF Total Recurrent Expenditure**

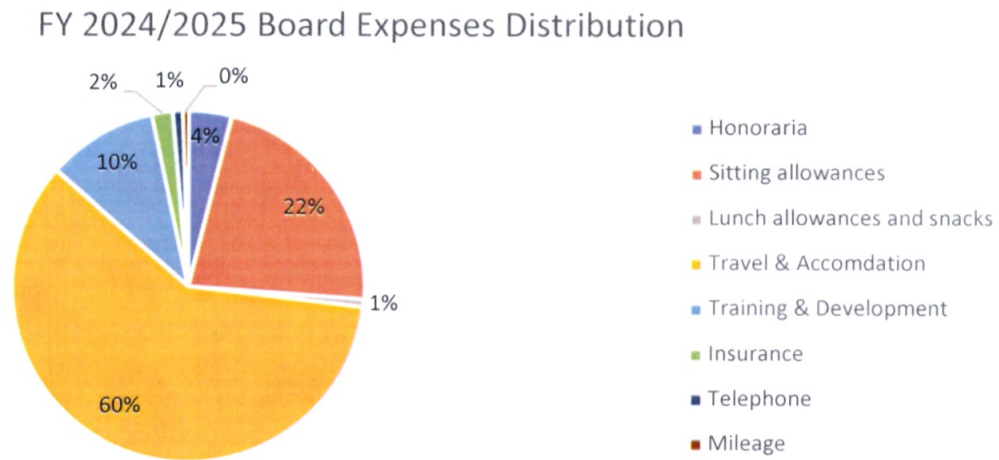


Board expenses at the end of the financial period under review stood at Kshs. 24.8 million as indicated in figures 14 and 15.

**Figure 14. PCF Board expenses analysis**

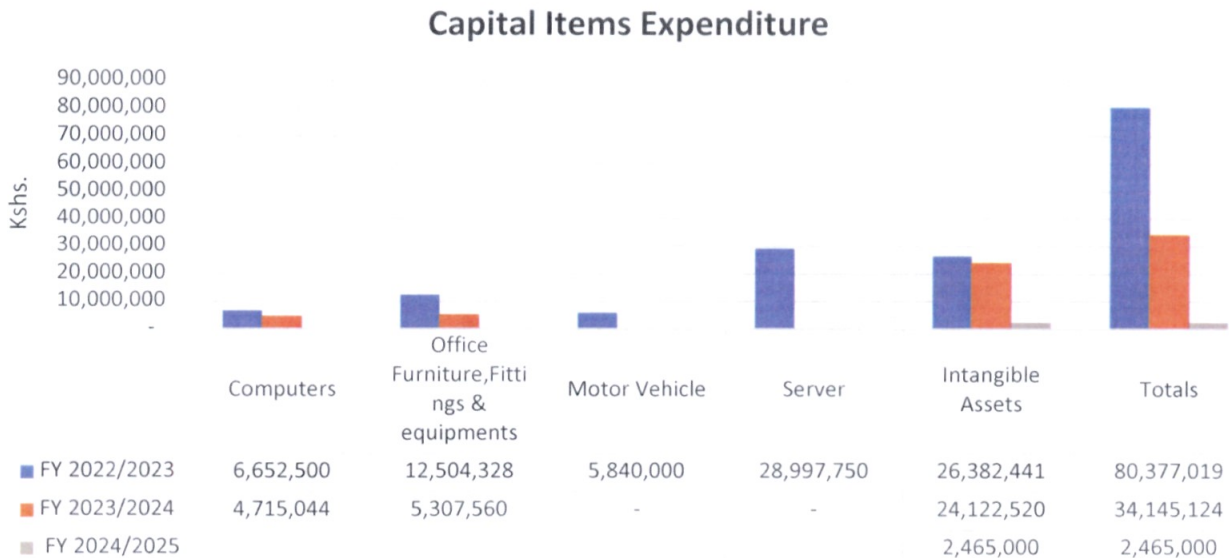


**Figure 15. FY 2024/2025 PCF Board expenses Distribution**



Capital Expenditure incurred by the Fund during the period was Kshs. 2.5 million while in the previous year, the Fund incurred Kshs. 34.1 million as analysed in figure 16 below.

**Figure 16. Capital expenditure analysis**



**9.1.3 Compensation**

The core mandate of the Fund is to protect policyholders through the payment of compensation to the claimants of insurers placed under statutory management under section 67C (2) or whose license has been cancelled under the Insurance Act.

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During the year under review, the Fund commenced compensation for policyholders and claimants for two (2) insurance companies namely: Invesco Assurance Co. Ltd and United Insurance Company. The Fund also continued undertaking compensation for five (5) insurers namely: Resolution Insurance Co. Ltd; Standard Assurance Co. Ltd; Xplico Insurance Co. Ltd; Concord Insurance Ltd; and BlueShield Insurance Co. Ltd.

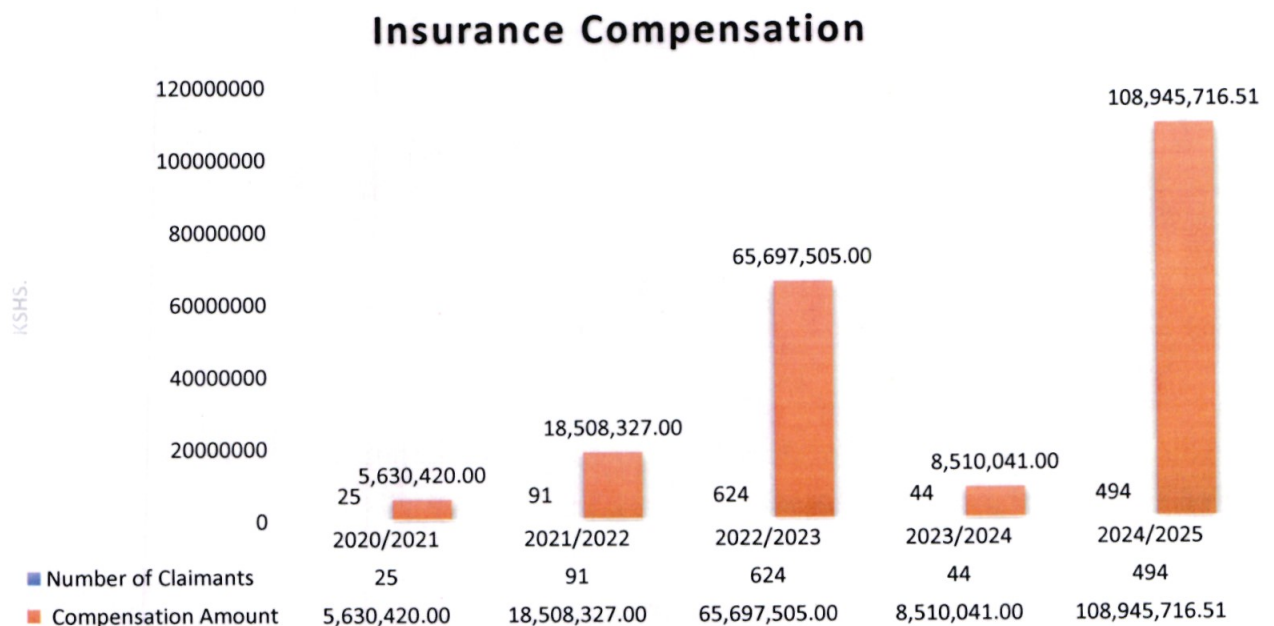
A total of four hundred and ninety-four (494) claims totaling KShs. 108,945,717 were approved for payment by the Board of Trustees during the financial year under review as detailed in Table 11 below:

**Table 11: FY 2024/2025 Compensation Payment Analysis**

No.	Insurer	No. of Claims approved	Amount Compensated
1.	Resolution Insurance Co. Ltd	23	4,482,368
2.	Standard Assurance Co. Ltd	8	1,681,011
3.	Xplico Insurance Co. Ltd	282	63,661,078
4.	BlueShield Insurance Co. Ltd	53	9,746,967
5.	United Insurance Co. Ltd	6	772,246
6.	Invesco Assurance Co. Ltd	122	28,602,026
Total		<b>494</b>	<b>108,945,717</b>

Since the onset of compensation process in 2021, the Fund has cumulatively compensated 1278 claimants totalling to Kshs. 207.3 million as illustrated in Table 12 below.

**Table 12. Summary of Insurance Compensation carried out by the Fund since commencement**



During the same period, a review of the Compensation Guidelines and Procedures was undertaken to strengthen internal processes and ensure best practices in the handling of claims. In addition, the Fund has also successfully onboarded the Claims Management system to the Ecitizen service delivery portal.

#### **9.1.4 Statutory Management**

The Fund is mandated under section 179 (2A) (d) to participate in statutory management of an insurer placed under statutory management by the Regulator. During the period under review, the Fund was appointed by the regulator as the statutory manager of one (1) insurance company i.e. Invesco Assurance Company. Following the appointment of liquidators by the Court, the statutory management term for Blue Shield Insurance, United Insurance and Xplico Insurance Companies came to an end during the period under review. The following activities were undertaken by the Fund under the Statutory Management function during the year under review;

- Completed the handover of BlueShield Insurance Company, United Insurance Company and Xplico Insurance Company to the appointed liquidators.
- Completed the takeover of Invesco Assurance Company Limited which was placed under statutory management on 14<sup>th</sup> August 2024.
- Declared and obtained extension of moratorium declarations for all companies under statutory management.
- Prepared quarterly statutory management reports for submission to the Board and Commissioner of Insurance.
- Attended to all legal matters relating to the Statutory Manager for companies under statutory management and provided representation for policyholders where necessary.
- Undertook reinvestment of surplus funds for companies under statutory management.
- The Statutory Manager continues to monitor implementation of approved budgets for companies under statutory management.
- Submitted the final report on Statutory Management of Xplico Insurance Company Limited and Invesco Assurance Company Limited to the Commissioner of Insurance with recommendations.

#### **9.1.5 Liquidation**

The Fund continues to engage with the office of the Official Receiver who are the official liquidators for Concord and Standard Assurance Co. Ltd and other private liquidators appointed by the Court for Blueshield Insurance Company, United Insurance Company and Xplico Insurance Company.

### **9.1.6 Insurance Risk Monitoring**

Pursuant to Section 179(2A)(b) of the Insurance Act, the Fund is mandated to monitor the risk profiles of all licensed insurers. This function supports resolution planning and preparedness in the event of insurer failure. During the reporting period, the Fund undertook Risk Profiling and Capital Adequacy Analysis of all licensed Insurers. The Fund undertook quarterly assessments of the Fund's potential exposure in the event of insurer failure or systemic market collapse.

During the period under review, the Fund conducted monthly reviews of insurers' compliance with contribution levy requirements under Section 179(6) of the Insurance Act and Regulation 9(1) of the Insurance (Policyholders Compensation Fund) Regulations. In cases of non-compliance, the Fund issued demand letters and penalty notices in accordance with the law.

Additionally, the Fund continued to operationalize and administer the system during FY 2024/2025. The system facilitates online submission of contribution levy returns by licensed insurers and is designed to enhance efficiency in the verification, reconciliation, and analysis of levy payments.

### **9.1.7 Research, Strategy and Planning**

The Fund developed FY 2024/2025 Performance Contract, negotiated with the National Treasury and vetted by the Public Service Performance Management Unit (PSPMU). The Fund's scheduled activities for FY 2024/2025 PC were undertaken and requisite reports submitted to the PSPMU and specialised Agencies as per the 21<sup>st</sup> Performance Contracting Guidelines.

The Fund implemented the Revised Strategic Plan 2020-2025 through the Corporate Annual Workplan and Individual Performance Targets as set by staff. Additionally, the Fund developed 2025-2028 Strategic Plan in alignment with the Revised Fifth Generation 2023-2027 Strategic Plan Guidelines and submitted to the State Department for Economic Planning for review and approval.

The Fund implemented scheduled activities for FY 2024/25 Annual Work Plan and developed the Corporate Annual Work Plan for FY 2025/2026 derived from the 2025-2028 Strategic Plan.

The Fund collaborated with the Kenya Bureau of Standards (KEBS) for the ISO Certification process. The Fund is in the process of application for the ISO certification process.

The Fund developed Corporate and departmental risk registers approved by the Board of Trustees. The identified risks both at departmental and Corporate Level are continuously monitored through implementation of identified risk mitigation strategies. Additionally, the

Fund is currently implementing the recommendations of the Actuarial Study as presented to the Board of Trustees.

### 9.1.8 Human Resource & Administration

The Human Resource & Administration supports the achievement of the Fund's mandate by attracting, developing and retaining qualified, skilled and motivated staff.

#### a) Staff Establishment

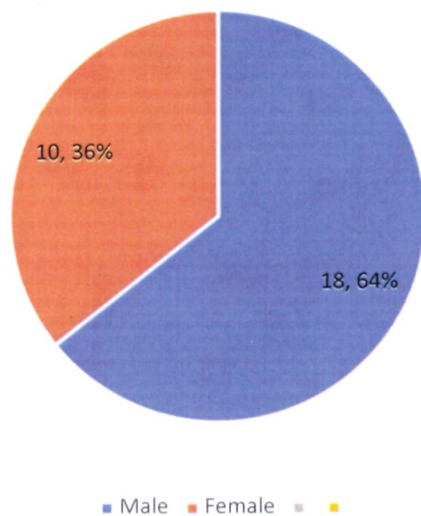
As of 30<sup>th</sup> June 2025, the structure had been populated to twenty-eight (28) against the approved establishment of thirty-one (31). An additional one (1) personnel (Assistant Director, ICT) was deployed to the Fund from the National Treasury to complement the staff establishment in the ICT department. Further, the Fund maintained one (1) Young Professionals and six (6) interns (three each from the Public Service Internship Program and Presidential Digital Internship program). The Fund complied with applicable legal requirements on staffing as follows:

#### b) Gender Rule

No more than two-thirds of the in-post staff were of the same gender as presented in figure 17:

Figure 17. Gender Distribution

PCF Staff Gender Distribution

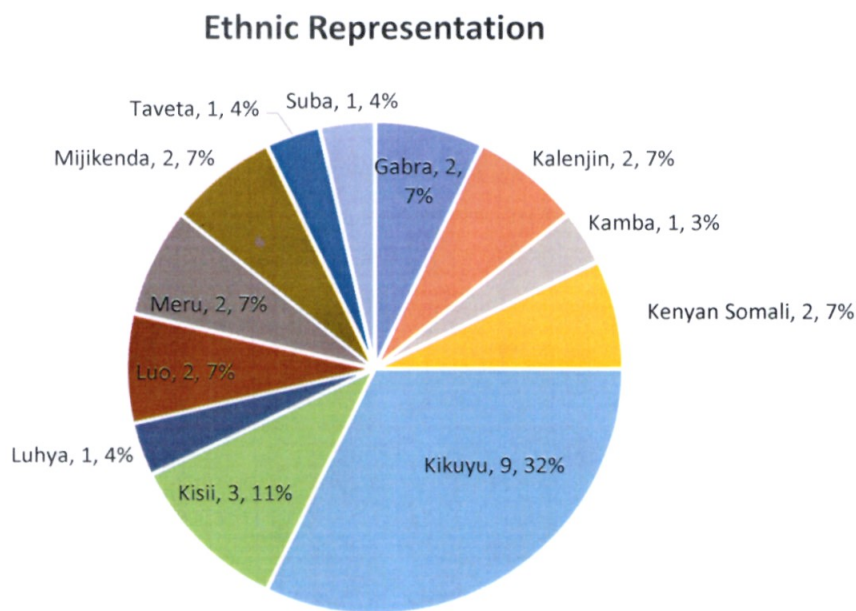


#### c) Ethnic Representation

Section 7(1) and 7(2) of the National Cohesion and Integration Act 2008 provides that all public establishments shall seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

As at 30<sup>th</sup> June 2025, the Fund fully complied with this legal requirement with a representation of thirteen (13) ethnic communities. No single community had more than 33.33% as presented in the figure 18:

**Figure 18. PCF Ethnic Representation**



**d) Capacity Building**

As at 30<sup>th</sup> June 2025, the Fund implemented the training projections for FY2024/2025 thus improving the skills inventory at the Fund to 85%. It remains our resolve, as a Fund, to empower our staff with the requisite technical skills and competencies to aid them in executing their responsibilities.

**e) Performance Management**

Productivity and performance being recognized and accepted as fundamental components for competitiveness and drivers of organization and economic growth have been fully adopted by the Fund. The performance and productivity management framework in the Fund is anchored on the Strategic Plan, Performance Contract and the Corporate Annual Work Plan. During the year under review, the Fund signed a performance contract with the National Treasury which was cascaded to every member of staff in form of annual targets.

During the period, the Fund reviewed its Performance, Reward and Recognition Policy in consultation with the Salaries and Remuneration Commission. Additionally, productivity improvement strategy for the identified metrics in regard to productivity mainstreaming was developed and shared with the National Productivity and Competitiveness Center.

**f) Staff Mortgage and Car Loan Scheme**

During the period under review, the Fund continued to administer the staff mortgage and car loan schemes at concessionary interest rate of 3%. This initiative is aimed at enhancing staff welfare in terms of home ownership and transport and to enhance employee retention.

**9.1.9 Information and communication technologies (ICT)**

During the financial period under review, the Fund continued implementation of key automation projects. These projects are part of the Fund's broader digital transformation strategy aimed at enhancing operational efficiency, data security, and service delivery. The Fund continues to maintain various systems including Claims Management System, ERP, Levy Contribution & Reconciliation, EDRMS, Bulk SMS, IT Security Management Solution and Off-Site Backup Solution.

The Fund successfully registered with the Office of the Data Protection Commissioner (ODPC) as both a Data Controller and a Data Processor, in compliance with the Data Protection Act, 2019. This initiative supports the Fund's commitment to regulatory compliance in data handling.

The Fund remains committed to delivering value through reliable, secure, and compliant ICT services. The achievement during the period reflects progress toward strengthening ICT infrastructure and enhancing data protection and operational resilience.

**9.1.10 Supply Chain Management**

The Fund undertook the procurement of goods, services, and works as per the approved consolidated Annual Procurement and Disposal plan. A market survey was conducted to ensure the Fund achieved value for money for all procurements. Submission of all the quarterly reports to the relevant authorities was adhered to.

The Fund conducted continuous registration of suppliers including AGPO as stipulated in the Public Procurement & Asset Disposal Act 2015 and conducted sensitization training targeting AGPO category.

**9.1.11 Internal Audit**

Internal Audit provides independent and objective assurance on the effectiveness of governance, risk management and controls designed to add value and improve the Fund's operations. Internal Audit conducted various activities as per the Internal Audit workplan in FY2024/2025. And generated a total of Thirty (35) reports, comprising twenty-one (21) internal audit reports, three (3) follow-up reports, one (1) external audit report, two (2) Risk reports, and eight (8) other reports.

Internal Audit also offered secretarial services to the Board Audit and Risk Committee whose role is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to internal control systems, accounting policies and practices, internal and external audit functions, tax matters, as well as relevant Fund financial reporting and the management of risk within the Fund.

Internal Audit also spearheaded corruption prevention and integrity assurance by facilitating training of integrity assurance officers on corruption mitigation strategies and developed Corruption Risk Assessment and Mitigation strategies.

### **9.1.12 Corporate Communications**

The Fund is committed to promoting confidence in the Insurance industry and creating awareness to the public of its mandate and contribution to the Insurance Sector. During the year, the Fund undertook various stakeholder's sensitization initiatives through different channels of communications to reach a wider audience and enhance its visibility.

During the FY2024/2025, the Fund conducted a county-based sensitization program dubbed *PCF Mtaani* in Kajiado, Meru, Garissa and Narok counties targeting various groups. In addition, the Fund collaborated with other key government agencies such as UFAA, KDIC and IRA in various outreach programs. Additionally, the Fund participated and sponsored various events including Association of Kenya Insurance (AKI) agents awards, Insurance Institute of Kenya (IIK) and Association of Kenya Professional Insurance Agents (AKPIA).

In line with the Presidential directive to increase forest and tree cover from 12% to 30% by the year 2032, the Fund partnered with the National Treasury and Kenya Forest Service (KFS) in planting a total of one hundred and five thousand (105,000) trees in Geta forest in Nyandarua county and Sorget Forest in Kericho county. In addition, the Fund funded the installation of a five thousand (5000) megawatts Solar Power Systems in Balambala Secondary School in Garissa.

The Fund conducted various media engagements such as advertisement and informercials in electronic and print media, social media and webinars. In addition, the Fund received and resolved enquiries touching on its mandate.

### **9.1.13 Legal and Governance**

In fulfilling its responsibilities, the Fund undertook several key activities, including defending both the Fund and the Insurers placed under Statutory Management in nine (9) Court matters; providing legal opinions and advice on various legal issues to the departments within the Fund and to PCF clients; coordinating the finalization of the Governance and Legal Audits and their presentation to the Board and management; and drafting, reviewing, and executing multiple Service Level Agreements and Contracts between the Fund and various Service Providers.

The Fund successfully embarked on the development of the draft PCF Bill (2025), and conducted public participation in various counties and engaged key stakeholders and relevant government agencies. Progress on the PCF Bill (2025) marked a key step in strengthening the Fund's legislative framework. These efforts contributed to enhanced legal compliance across departments and ensured timely handling of litigation matters. Further, the Fund facilitated various capacity building activities for the Board of Trustees to enhance their oversight role.

### **9.2.Fund's compliance with statutory requirements**

The Fund's operations are legally guided by The Constitution of Kenya, 2010, the provisions of the Insurance Act Chapter 487 of the Laws of Kenya, The Insurance (Policyholders' Compensation Fund) (Amendment) Regulations, 2019, the State Corporation Act, Chapter 446 of the Laws of Kenya and by the principles of good corporate governance. The Fund continues to comply with all statutory requirements relevant to its operations as a body corporate and complies with relevant Government circulars issued from time to time.

The financial statements have been prepared in accordance with Accrual-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB). This Accrual basis of accounting has been supplemented to account for receivables and payables as indicated below as and for when they occur.

- a) Receivables include Levy Contribution, penalties and outstanding imprests.
- b) Payables that include sundry suppliers' provisions made as at the end of the financial year for ongoing contracts.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

### **9.3.Key projects and investment decisions the Fund is planning/implementing.**

The Fund continued with its operations and investments of the levy collections from insurers with the aim of increasing the Fund's financial sustainability. The levy collections are invested at the Central Bank of Kenya and at the end of the financial period under review, the Fund's investments face value at CBK was Kshs. 26.9 billion. Investment interest income is regenerated from investments to finance the Funds operations.

### **9.4.Major risks facing the Fund**

In pursuit of its vision, the Fund faces several risks that may affect the approach to, and achievement of, its objectives and therefore needs to have an effective risk management system.

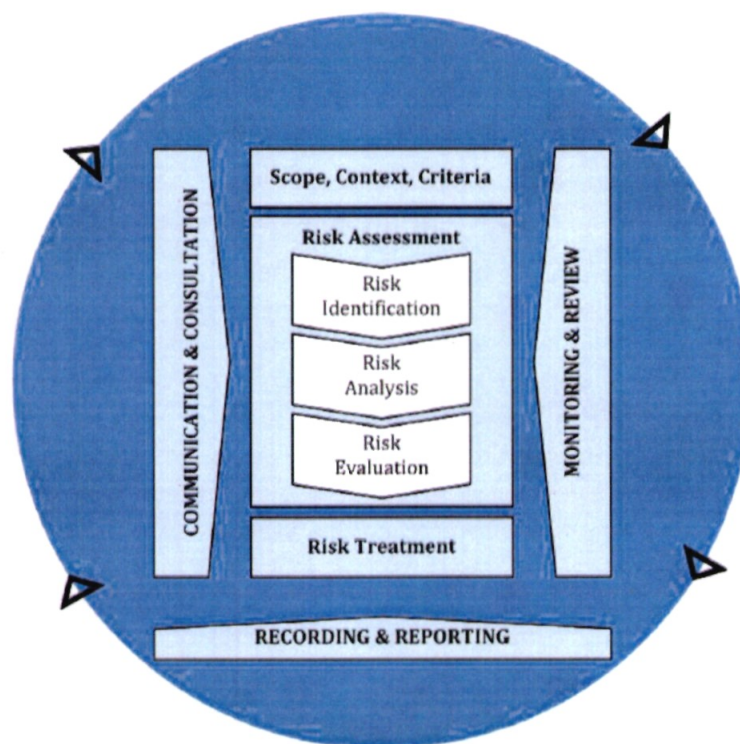
Policyholder Compensation Fund (PCF) is exposed to financial claims following inadvertent collapse and failure of insurers. Further, changes in the risk environment occasioned by internal and external risk factors continue to exert pressure on financial viability and soundness of insurers thus increasing the likelihood of failure.

The risk management process adopted by the Fund shall be as per ISO 31000:2018 - Risk management involves the following;

- a) Communication and consultation;
- b) Establishing the scope, the context and criteria for risk management;
- c) Risk assessment (identification, analysis and evaluation);
- d) Risk treatment;
- e) Monitoring and review; and
- f) Recording and reporting.

The risk management process is illustrated in the diagram below and is iterative.

**Figure 19. Risk Management Process (Source: ISO 31000:2018)**



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During the FY 2024/2025, the Fund identified and mitigated major risks as indicated in the Table 13 below;

**Table 13. Major Risks Faced by the Fund**

Potential Risk	Risk Drivers	Risk Rating	Risk Mitigation Strategies	Strategic Objective Affected
Liquidity	<ul style="list-style-type: none"> <li>• Low allocation of funds</li> <li>• Failure to collect projected revenue</li> <li>• Unprecedented claims from policyholders</li> </ul>	Medium	<ul style="list-style-type: none"> <li>• Enhance resource mobilization</li> <li>• Review compensation policy</li> </ul>	<ul style="list-style-type: none"> <li>• To protect policyholder's interest</li> <li>• To promote confidence and stability in the Insurance industry</li> <li>• To mobilise financial resources</li> </ul>
Litigations	<ul style="list-style-type: none"> <li>• Failure to comply with legal provisions</li> <li>• Inadequate policy, legal and regulatory framework</li> <li>• Failure to adhere to regulations, honour contracts and MOUs</li> </ul>	Low	<ul style="list-style-type: none"> <li>• Undertake legal and governance audit</li> <li>• Continuous engagement of stakeholders</li> <li>• Continuous consultation with the AG's Office</li> <li>• Sensitisation of policyholders</li> <li>• Address public complaints</li> <li>• Implement contracts and MoUs as negotiated</li> </ul>	<ul style="list-style-type: none"> <li>• To protect policyholder's interest</li> <li>• To promote confidence and stability in the Insurance industry</li> </ul>
Fraud	Fraudulent claim for compensation	Medium	<ul style="list-style-type: none"> <li>• Automation</li> <li>• Sensitisation and public awareness</li> </ul>	<ul style="list-style-type: none"> <li>• To mobilise financial resources</li> </ul>

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Potential Risk	Risk Drivers	Risk Rating	Risk Mitigation Strategies	Strategic Objective Affected
Loss of assets	<ul style="list-style-type: none"> <li>Failure to secure assets</li> <li>Non adherence to internal control measures</li> </ul>	Low	<ul style="list-style-type: none"> <li>Implement internal controls</li> <li>Develop asset register</li> <li>Tag Fund assets</li> <li>Strengthen risk transfer agreements</li> </ul>	To strengthen internal systems and processes
Reputation	<ul style="list-style-type: none"> <li>Delay in compensation payment to claimants</li> </ul>	High	<ul style="list-style-type: none"> <li>Timely compensation to claimants through automation</li> <li>Continuous engagement of stakeholders</li> <li>Improve access to PCF services and information</li> <li>Increased publicity on service delivery</li> </ul>	<ul style="list-style-type: none"> <li>To protect policyholder's interest</li> <li>To promote confidence and stability in the Insurance</li> </ul>
Loss of data	<ul style="list-style-type: none"> <li>Inadequate information and data management systems</li> <li>Lack of business continuity and disaster recovery plans</li> <li>Lack of succession and knowledge management systems</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Contingency plans</li> <li>Implement a risk management framework</li> </ul>	Enhance Fund's governance

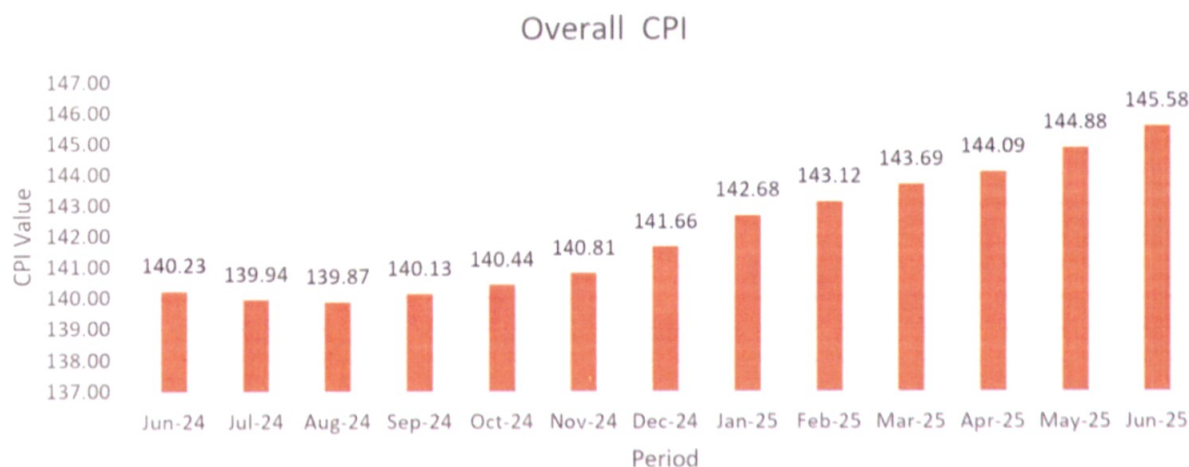
Potential Risk	Risk Drivers	Risk Rating	Risk Mitigation Strategies	Strategic Objective Affected
Cyber insecurity	<ul style="list-style-type: none"> <li>Lack of adequate cyber security systems</li> <li>Lack of business continuity and disaster recovery plans</li> <li>Lack of succession and knowledge management systems</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Implement ICT security systems</li> <li>Implementation of Information Security Management System</li> <li>Training on emerging security issues</li> </ul>	To mobilise financial resources

**9.5. Review of the economy, Insurance industry and future developments**

**Inflation Rate**

Inflation is a general rise in the price level of an economy. It reflects a reduction in the purchasing power per unit of money. The consumer price index (CPI) is used to determine an economy’s inflation rate; it measures changes in the price level of consumer goods and services purchased by households in each period relative to a base period.

**Figure 20. Consumer Price Index(CPI)**

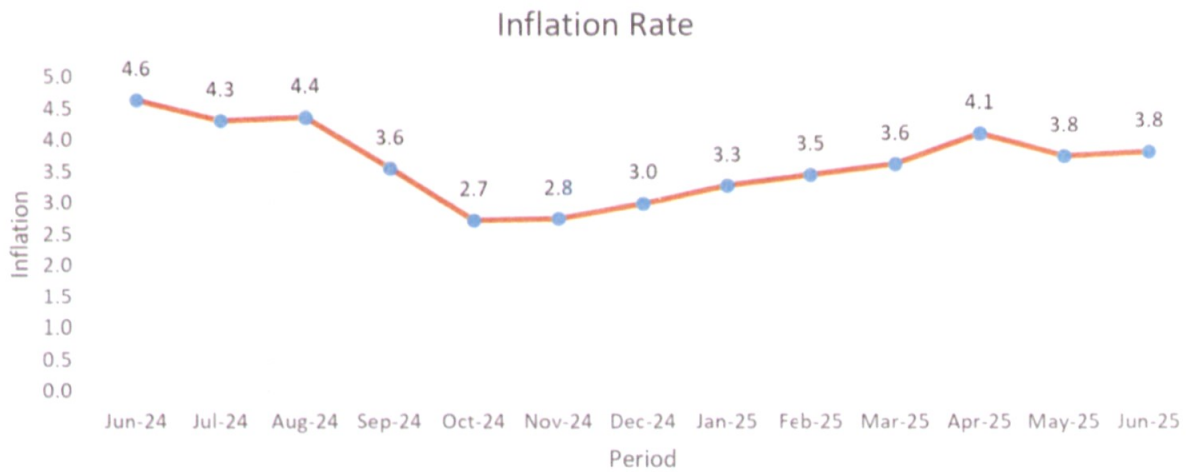


Source: Kenya National Bureau of Statistics

In the current macro-economic environment, one of the major concerns for the insurance market is the significant increase in inflation. High inflation impacts consumers by eroding the value of their savings, deepens the protection gap and influences financial decisions. This has a direct impact on the way consumers deal with the insurance purchasing process.

Figure below shows the inflation trend during the financial year under review;

**Figure 21. Inflation Trend**



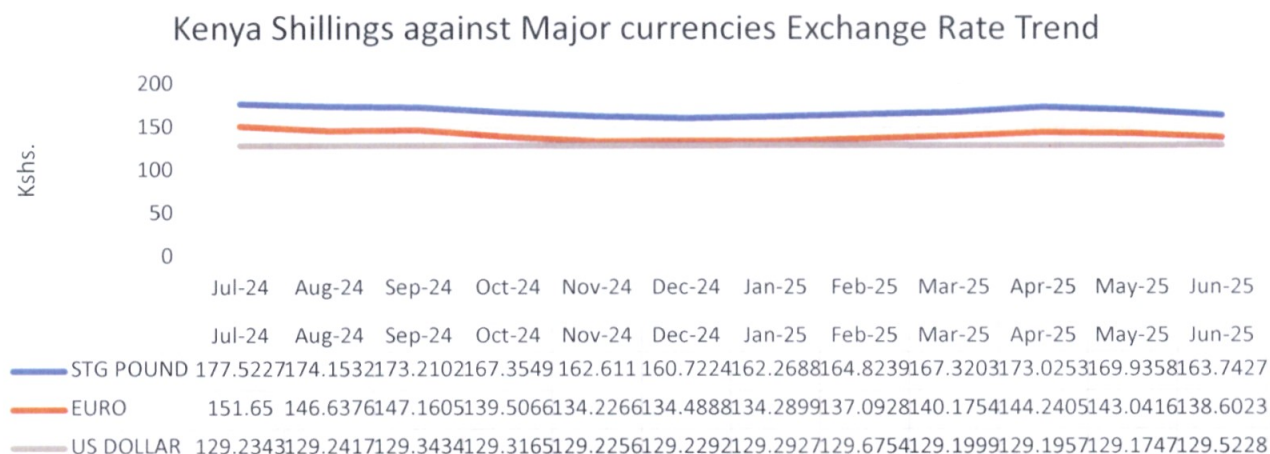
*Source: Kenya National Bureau of Statistics*

### **Exchange Rates**

Fluctuations in exchange rates can significantly impact the insurance industry, creating both opportunities and challenges. Exchange rate volatility can affect premium income, claims payments, investment performance, and overall profitability. Insurers, especially those with international operations, need robust risk management strategies to mitigate these effects.

The volatility in the foreign exchange rate can become a source of risk for insurance firms. The risk is that adverse volatility in exchange rates may result in a loss to an insurer, especially those which trade their shares on the money market and those engaging in international business as they are naturally exposed to currency rate jeopardies. Below is the trend extract of some of the major currencies exchange rate to the Kenya shilling during the period under review;

**Figure 22. Exchange Rates trend**



Source: Central Bank of Kenya

### Interest Rate

The interest rate as a price of money reflects market information regarding expected changes in the purchasing power of money in future. Economic environments have an intense consequence on the growth of the insurance companies. A strong insurance industry promotes a developed contractual saving sector which contributes to a more resilient economy that would be less vulnerable to interest rates and demand shocks while creating a more stable business environment, including macroeconomic stability.

The balance sheets of insurers give an indication of how they react to macroeconomic developments over time. The capital position of insurers is impacted by the high inflation coupled with an increase in interest rates through the market consistent valuation of assets and liabilities and through the assumptions made in the calculation of the liabilities. The current and future profitability of insurers is a key element for the financial stability of the sector. Insurers might face liquidity risks due to high inflation and volatility in interest rates.

### 9.6. Material arrears in statutory/financial obligations

At the end of the financial year 2024/2025, the Fund did not have any material arrears in statutory / financial obligations.

## 10.0 ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The environmental and sustainability report covers the environmental, social and governance (ESG) impacts on the Fund activities. It addresses the impact of a Fund's activities on the environment, society at large and identifies the risks and opportunities that the Fund faces. Below is a brief highlight of our achievements in regard to environmental and sustainability report.

### 10.1 Sustainability Strategy and Profile

Through the execution of its mandate, the Fund continues to contribute to the development of the Kenyan insurance and financial sectors, and the economy. Multi-stakeholder partnership for sustainability are collaborative arrangements in which actors from different sectors of society work together towards a sustainability goal. Within such partnerships, multi-stakeholder collaboration (MSC) refers to the interactive process in which actors with diverse points of view work together, implementing collective action, and sharing risks, resources, and responsibilities.

The Fund is a member of the International Forum for Insurance Guarantee Schemes (IFIGS) and is the pioneer Insurance Guarantee Scheme (IGS) in Africa. The key objectives of IFIGS is the sharing of knowledge and experience in insurance guarantee schemes with the aim of adopting best practices in compensation and resolution of troubled insurers for the ultimate protection of policyholders. The Fund subscribes to international core principles of IFIGS in carrying out its mandate.

### 10.2 Environmental Performance

PCF acknowledges a responsibility to the environment, and we express our commitment towards implementing practices which will promote environmental sustainability. The Fund commits to have an environmental policy in place in the subsequent financial year with specific focus on the conservation of resources and the reduction of waste. The Fund engaged in environmental sustainability initiatives during the financial year through activities such as; transfer of ICT assets to the ICT Authority for proper disposal, contracting NEMA licensed waste management service provider for waste disposal, migration to EDRMS to reduce on printing and paper waste, use reusable waste bags and reusable beverage containers.

The Fund consistently strives to raise awareness in the community, encourage participation and train employees in environmental matters. In addition, the Fund is in full compliance with national environmental regulations and participation in government sustainability programs.

### 10.3 Employee Welfare

- a) **Recruitment** - Recruitment is anchored on the Fund's human resource instruments including the HR policy & Procedures Manual, organization structure, staff establishment as well as the career guidelines. In conducting the recruitment, the Fund

adheres to the relevant constitutional requirements on gender, youth, PWDs and diversity.

- b) **Improving skills:** To establish the competency level and implement appropriate intervention measures, the Fund implemented the recommendations of the skills gap audit analysis conducted in FY 2022/2023. Through the various interventions, the skills and competency levels grew to 85% as at 30<sup>th</sup> June 2025.
- c) **Managing Careers** - The Fund has in place a career guideline which provides clearly defined job descriptions and specifications with clear delineation of duties and responsibilities at all levels within the career structure. During the year, the Fund continues to implement the talent and management policy by identifying coaches and mentors and building their capacity.
- d) **Appraisal and Reward Systems** - The Fund continues to implement a performance management system and a rewards and sanctions framework to enhance staff performance and productivity.
- e) **Compliance with Occupational Safety and Health Act of 2007, (OSHA.)** - In compliance with the requirements of Occupational Safety and Health Act and to enhance the staff and stakeholders' confidence regarding their safety, the Fund undertook a comprehensive safety and fire audit as well as risk assessment. Staff were trained on safety at work and emergency evacuation procedures while the safety officers were trained on first aid and fire prevention and fighting.

#### 10.4 Market Place Practices

To enhance proper marketplace practises, the Fund initiated the following measures:

- a) **Responsible competition practice** - There's an ethics and anti-corruption committee set by the Fund to ensure responsible practices while delivering services to stakeholders and adherence to equity and fairness to all policyholders.
- b) **Responsible Supply chain and supplier relations** - The Fund adheres to the approved the Supply Chain Policy & Procedure Manual in conduct of its procurement activities. The Fund also undertook training of AGPO categories. All procurement opportunities were advertised on the Public Procurement Information Portal (PPIP) and the Fund's website. The Fund ensured that all suppliers are paid within 30 days of the delivery of goods, services and works. Good supplier relationships were maintained during the financial period in review. In addition, through the automation of internal processes and the use of ERP system has enhanced efficiency levels in service delivery. The procurement is done in compliance with the PPDA,2015 and all relevant government regulations and circulars issued from time to time.

- c) **Responsible marketing and advertisement** - The Fund publicize its mandate in appropriate communication channels. To ensure that the content is fit for dissemination to the public, the Fund has in place a consumer education committee whose responsibility is to review marketing and advertisement content to ensure it complies to acceptable ethical standards.
- d) **Product stewardship** - The Fund has in place an approved complaints management policy that guides on resolution on consumer complaints in a timely manner and also provides channels to consumers to lodge their complaints or feedback. The consumers have been sensitized to enhance their capacity in reporting and also while seeking recourse. In addition, the Fund has established a Complaints handling committee to provide oversight on all complaints raised. During the year, the Fund was certified as a data handler by obtaining a certificate from the office of the Data Protection Commissioner.
- e) **Corporate Social Responsibility / Community Engagements** - During the financial year, the Fund in its Corporate Social Responsibility (CSR) initiatives undertook various CSR activities including
- i) In line with the Presidential directive to increase forest and tree cover from 12% to 30% by the year 2032, the Fund partnered with the National Treasury and Kenya Forest Service (KFS) in planting a total of one hundred and five thousand (105,000) trees in Geta forest in Nyandarua county and Sorget Forest in Kericho county.
  - ii) The Fund funded the installation of a five thousand (5000) megawatts Solar Power Systems in Balambala Secondary School in Garissa
  - iii) In addition, the Fund sponsored the following insurance professional bodies: -
    - Insurance Institute of Kenya (IIK)-Annual Conference
    - Association of Kenya Professional Insurance Agents (AKPIA)-Annual Conference
    - Association of Kenya Insurers (AKI) Agents awards

## **11.0 REPORT OF THE BOARD OF TRUSTEES**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of Policyholders Compensation Fund affairs.

### **11.1 Establishment**

Policyholders Compensation Fund is a State corporation established under Section 179 of the Insurance Act and commenced its operations on 1<sup>st</sup> January 2005.

### **11.2 Principal Activities**

The principal activities of the Fund are to protect the policyholders of an insurer placed under a manager appointed under section 67C (2) or whose license has been cancelled under the Act through provision of compensation for unpaid claims, participation in statutory management and liquidation of a wound-up insurer.

### **11.3 Results**

The results for the year ended 30<sup>th</sup> June 2025 are set out from page 1 of this report.

### **11.4 Board of Trustees**

The Trustees who served during the current year are as follows:

**Table 14: Board of Trustees Membership**

<b>Name</b>	<b>Membership</b>	<b>Representation</b>
Hon. Simon Mbugua	Chairperson	Independent (appointed on 18 <sup>th</sup> May 2023)
Mr. Godfrey Kiptum, MBS	Trustee	Commissioner of Insurance
Dr. Ben Kajwang', MBS	Trustee	Representative of the insurance brokers with effect from 21 <sup>st</sup> February 2022
Mr. Thomas Gichuhi	Trustee	Representative of the insurers effective 21 <sup>st</sup> February 2022
Mr. Joseph Waruiru	Trustee	Representative of the Cabinet Secretary, National Treasury & Economic Planning effective 29 <sup>th</sup> June 2023 to 8 <sup>th</sup> April 2025
Ms. Janet W. Kungú, HSC	Trustee	Representative of the Hon. Attorney General effective 12 <sup>th</sup> June 2023
Mr. Deberious Sikuku	Trustee	Representative of general public effective 18 <sup>th</sup> May 2023.
Mr. Protus Sigei, EBS	Trustee	Representative of the Cabinet Secretary, National Treasury & Economic Planning effective 9 <sup>th</sup> April 2025

**Policyholders Compensation Fund  
Annual Report and Financial Statements  
For the Year Ended 30<sup>th</sup> June 2025**

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<b>Name</b>	<b>Membership</b>	<b>Representation</b>
Mr. Joseph Waruiru	Trustee	Representative of the Cabinet Secretary, National Treasury & Economic Planning effective 29th June 2023 to 8th April 2025

**11.5 Auditors**

The Office of the Auditor General (OAG) is responsible for the statutory audit of the Policyholders Compensation Fund in accordance with Section 35 of the Public Audit Act 2015 (Cap.134).

**By Order of the Board**



**Mr. Mohamed Sahal**

**MANAGING TRUSTEE/SECRETARY TO THE BOARD**

## **12.0 STATEMENT OF THE BOARD OF TRUSTEES RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act and the Insurance Act, Cap 470, require the Board of Trustees to prepare financial statements in respect of Policyholders Compensation Fund (PCF), which give a true and fair view of the state of affairs of the PCF at the end of the financial year and the operating results of the PCF for the period ended June 30, 2025. The Trustees are also required to ensure that the PCF keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Trustees are also responsible for safeguarding the assets of the Fund.

The Trustees are responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes:

- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) Safeguarding the assets of the Fund;
- v) Selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

The Trustee accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) and the Insurance Act, Cap 470. The Trustees are of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2025, and of the Fund's financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Trustees have assessed the Fund's ability to continue as a going concern (disclose, as applicable, matters relating to the use of going concern basis of preparation of the financial statements) or;

Nothing has come to the attention of the Trustees to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Policyholders Compensation Fund financial statements were approved by the Board of Trustees on .....29<sup>th</sup> August 2025..... and signed on its behalf by:



-----  
**Hon. Simon Mbugua**  
**CHAIRMAN, BOARD OF TRUSTEES**



-----  
**Mr. Mohamed Sahal**  
**MANAGING TRUSTEE**

# REPUBLIC OF KENYA

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Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON POLICYHOLDERS COMPENSATION FUND FOR THE YEAR ENDED 30 JUNE, 2025**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on the Financial Statements should be read together with the Report on Lawfulness and Effectiveness in Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Policyholders Compensation Fund set out on pages 1 to 49, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of

Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Policyholders Compensation Fund as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Insurance Act, Cap 487 and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Policyholders Compensation Fund Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.4,991,000,000 and Kshs.4,969,345,184 respectively resulting to an underfunding of Kshs.21,654,816. Similarly, the Fund spent Kshs.603,155,004 against an approved budget of Kshs.685,706,549 resulting to an under expenditure of Kshs.82,551,545 or 12% of the budget.

In the circumstances, the under expenditure may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. I have determined that there were no key audit matters to communicate in my report.

### **Other Information**

The Directors are responsible for the Other Information set out on page v to lxxv which comprise of Key Entity Information and Management, The Board of Trustees, Key Management Team, Chairman's Statement, Report of the Managing Trustee, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Trustees and Statement the Board of Trustees Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Failure to Onboard Revenue Collections into the E-Citizen Platform**

During the year the under review, the Fund collected contribution levy from insurance companies and penalty amounting to Kshs.1,335,645,980 and Kshs.25,595,043. However, it was noted that all the collections were not done on the E-Citizen platform contrary to Treasury Circular No. 02/2024 on Policy Measures to Enhance State Corporation's Revenue Generation and Expenditure Rationalization in Line with the Government's Fiscal Consolidation Efforts.

In the circumstances, Management was in breach of the Circular.

#### **2. Payment of Unauthorized Allowances**

The statement of financial performance reflects employee costs amounting to Kshs.163,841,655 as disclosed in Note 19.10 to the financial statements. This amount includes staff salaries and allowances totalling Kshs.131,904,357. Examination of the payroll for the year under review, however, revealed that Management paid allowances that were not part of the remuneration structure approved by the Salaries and Remuneration Commission (SRC) through letter ref. SRC/TS/24/4 VOL.II(97) dated 29 May, 2023. The approved structure relates to the remuneration cycle for the financial years 2021/2022 to 2024/2025. Contrary to this approval, Management paid extraneous allowance, domestic servant allowance, entertainment allowance and responsibility allowance all totalling Kshs.33,978,466. These allowances were not authorized by the Commission.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1. Lack of a Policy Guideline on Charging of Statutory Management Fees**

As reported in the previous year, the Fund had not developed a policy guideline on charging statutory management fees. During the year under review, the Fund did not collect any statutory management fee even though there was an insurance company under statutory management during the period.

The absence of a clear and comprehensive policy guideline for charging statutory management fees poses a significant risk of inconsistent application, potential revenue loss and non-compliance with regulatory requirements.

#### **2. Weaknesses in Management of Imprest**

As previously reported, review of records on management of imprest revealed that one Board Member was issued with imprest amounting to Kshs.72,800 on 17 April, 2023 vide warrant no.4456112. However, the imprest was still outstanding two and a half years later.

In the circumstances, the effectiveness of controls over temporary imprest could not be confirmed.

#### **3. Understaffing of the Internal Audit Function**

As previously reported, review of the Internal Audit Function revealed that it had a staff establishment of only one staff during the year under review. In order to comprehensively offer assurance, advisory and secretarial service, Management indicated that the Fund engaged a consultant to help in carrying out internal audit services.

In the circumstances, this limited staffing capacity in the Internal Audit Function may hinder the timely identification and mitigation of risks, potentially compromising internal controls and governance.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of the Management and Board of Trustees**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund'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 Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Trustees is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs 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.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

02 December, 2025

Policyholders Compensation Fund  
Annual Report and Financial Statements  
For the Year Ended 30<sup>th</sup> June 2025

14.0 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH  
JUNE 2025

	Notes	2024-2025	2023-2024
		KShs	KShs
<b>REVENUE</b>			
Revenue from non-exchange transactions			
Contribution levy	19.5	1,335,645,980	1,309,049,745
Penalties	19.6	25,595,043	11,327,209
		<b>1,361,241,023</b>	<b>1,320,376,954</b>
Revenue from exchange transactions			
Investment interest income	19.7	3,607,760,218	2,551,509,690
Other Income	19.8	343,943	7,013,000
		<b>3,608,104,161</b>	<b>2,558,522,690</b>
<b>TOTAL REVENUE</b>		<b>4,969,345,184</b>	<b>3,878,899,644</b>
<b>EXPENSES</b>			
Use of goods and services	19.9	240,278,070	186,992,797
Employee costs	19.10	163,841,655	121,183,542
Board Expenses	19.11	24,836,718	23,104,335
Depreciation and amortization expense	19.12	49,399,843	43,086,385
Repairs and maintenance	19.13	2,816,774	1,716,807
Contracted services	19.14	13,036,227	20,083,215
Compensation	19.15	108,945,717	8,510,041
<b>TOTAL EXPENSES</b>		<b>603,155,004</b>	<b>404,677,122</b>
<b>SURPLUS FOR THE PERIOD</b>		<b>4,366,190,180</b>	<b>3,474,222,522</b>

**Policyholders Compensation Fund  
Annual Report and Financial Statements  
For the Year Ended 30<sup>th</sup> June 2025**

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The notes set out on pages 12 to 42 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 11 were signed on behalf of the Board of Trustees by:

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Ms. Hope Keah  
**Deputy Director, Finance  
& Accounts**

-----  
Mr. Mohamed Sahal  
**Managing Trustee**

-----  
Hon. Simon Mbugua  
**Chairman, Board of  
Trustees**

ICPAK No.10775

Date: ...10/11/2025.....

Date: ...10/11/2025.....

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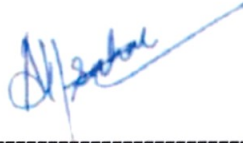
15.0 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2025

	Notes	2024-2025	2023-2024
		KShs	KShs
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash equivalents	19.16	84,510,282	26,369,431
<b>Receivable from non-exchange transaction</b>			
Receivable Income	19.17	-	2,540,387
<b>Receivable from exchange transactions</b>			
Investments - Short Term	19.18	11,413,020,097	13,280,441,303
<b>Total Current Assets</b>		<b>11,497,530,379</b>	<b>13,309,351,121</b>
<b>NON-CURRENT ASSETS</b>			
Investments - Long Term	19.18	15,185,905,810	9,003,299,150
Property, plant and equipment	19.19	68,096,933	96,067,021
Intangible Assets	19.20	30,118,050	49,082,805
<b>Total Non-Current Assets</b>		<b>15,284,120,793</b>	<b>9,148,448,976</b>
<b>TOTAL ASSETS (A)</b>		<b>26,781,651,172</b>	<b>22,457,800,097</b>
<b>CURRENT LIABILITIES</b>			
Retention Monies	19.21	2,457,790	5,752,422
Current Provision	19.22	315,182	11,607,497
<b>Total Current Liabilities</b>		<b>2,772,972</b>	<b>17,359,919</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current employee benefit obligation	19.23	-	27,752,158
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>27,752,158</b>
<b>TOTAL LIABILITIES (B)</b>		<b>2,772,972</b>	<b>45,112,077</b>
<b><u>NET ASSETS (A-B)</u></b>		<b><u>26,778,878,200</u></b>	<b><u>22,412,688,020</u></b>
<b>REPRESENTED BY:</b>			
<b>RESERVES</b>			
Government Grant	19.30	35,000,000	35,000,000
Accumulated surplus	19.30	26,743,878,200	22,377,688,020
<b>NET ASSETS</b>		<b><u>26,778,878,200</u></b>	<b><u>22,412,688,020</u></b>

**Policyholders Compensation Fund  
Annual Report and Financial Statements  
For the Year Ended 30<sup>th</sup> June 2025**

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The Financial Statements set out on pages 1 to 11 were signed on behalf of the Board of Trustees by:



-----  
**Ms. Hope Keah**  
**Deputy Director, Finance**  
**& Accounts**

-----  
**Mr. Mohamed Sahal**  
**Managing Trustee**

-----  
**Hon. Simon Mbugua**  
**Chairman, Board of**  
**Trustees**

ICPAK No.10775

Date: ...10/11/2025.....

Date: Date: ...10/11/2025

Date: Date: 10/11/2025...

16.0 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2025

Description	Notes	Accumulated Surplus/Retained Earnings	Government Grant	Total Fund Reserves
As at July 1, 2023		<u>18,903,465,498</u>	<u>35,000,000</u>	<u>18,938,465,498</u>
Surplus/ Deficit for the year		3,474,222,522	-	3,474,222,522
As at 30 <sup>th</sup> June 2024	19.30	<u>22,377,688,020</u>	<u>35,000,000</u>	<u>22,412,688,020</u>
As at July 1, 2024		<u>22,377,688,020</u>	<u>35,000,000</u>	<u>22,412,688,020</u>
Surplus/ Deficit for the year		4,366,190,180	-	4,366,190,180
As at 30 <sup>th</sup> June 2025	19.30	<u>26,743,878,200</u>	<u>35,000,000</u>	<u>26,778,878,200</u>

**Note:**

The accumulated surplus reserves represent funds held in trust for payment of compensation to the claimants of insurers placed under statutory management or whose licenses have been cancelled in line with section 179 (1) of the Insurance Act (CAP 487).

The Financial Statements set out on pages 1 to 11 were signed on behalf of the Board of Trustees by:

Ms. Hope Keah  
Deputy Director, Finance  
& Accounts

ICPAK No.10775

Date: ...10/11/2025...

Mr. Mohamed Sahal  
Managing Trustee

Date: ...10/11/2025.....

Hon. Simon Mbugua  
Chairman, Board of  
Trustees

Date: ...10/11/2025.....

17.0 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2025

	Notes	2024-2025	2023-2024
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Contribution levy	19.5a	1,337,438,367	1,316,350,386
Penalties	19.6	25,595,043	11,327,209
Other Income	19.8a	1,091,943	6,265,000
<b>Total Receipts</b>		<b>1,364,125,353</b>	<b>1,333,942,595</b>
<b>Payments</b>			
Use of goods and services	19.9a	241,879,102	185,571,765
Employee costs	19.10a	194,625,995	109,414,184
Board Expenses	19.11	24,836,718	23,104,335
Repairs and maintenance	19.13a	2,816,774	2,531,807
Contracted services	19.14a	19,192,153	15,422,289
Compensation	19.15a	109,448,892	8,360,041
<b>Total Payments</b>		<b>592,799,634</b>	<b>344,404,421</b>
<b>Net cash flows from operating activities</b>	19.24	<b>771,325,719</b>	<b>989,538,174</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE	19.27		-10,022,604
Purchase of intangible assets	19.28a	-5,759,632	-21,664,730
Purchase of Investments (Net settlements)	19.29	-707,425,236	-1,094,690,032
<b>Net cash flows used in investing activities</b>		<b>-713,184,868</b>	<b>-1,126,377,366</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>58,140,851</b>	<b>-136,839,192</b>
<b>Cash and cash equivalents at 1<sup>st</sup> July</b>	19.16	26,369,431	163,208,623
<b>Cash and cash equivalents at 30<sup>th</sup> June</b>	19.16	<b>84,510,282</b>	<b>26,369,431</b>

Note: The Cash Flow Statement has been prepared using the Direct method of cashflow presentation as prescribed by PSASB for all entities under the IPSAS Accrual basis of accounting.

**Policyholders Compensation Fund  
Annual Report and Financial Statements  
For the Year Ended 30<sup>th</sup> June 2025**

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The Financial Statements set out on pages 1 to 11 were signed on behalf of the Board of Directors by:

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**Ms. Hope Keah  
Deputy Director, Finance  
& Accounts**

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**Mr. Mohamed Sahal  
Managing Trustee**

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**Hon. Simon Mbugua  
Chairman, Board of  
Trustees**

ICPAK No.10775

Date: ...10/11/2025.....

Date: ...10/11/2025.....

Date: ...10/11/2025....

18.0 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR  
THE YEAR ENDED 30TH JUNE 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	(a)	(b)	( c=a+b)	d	e=c-d	f=d/c *100
<b>REVENUE</b>						
Contribution levy	1,219,000,000	152,000,000.00	1,371,000,000	1,335,645,980	35,354,020	97%
Investment Interest Income	1,908,000,000	1,686,650,000	3,594,650,000	3,607,760,218	-13,110,218	100%
Penalties	20,000,000	5,000,000	25,000,000	25,595,043	-595,043	102%
Other Income	9,000,000	(8,650,000)	350,000	343,943	6,057	98%
<b>TOTAL INCOME</b>	<b>3,156,000,000</b>	<b>1,835,000,000</b>	<b>4,991,000,000</b>	<b>4,969,345,184</b>	<b>21,654,816</b>	<b>100%</b>
<b>EXPENSES</b>						
Use of goods and services	275,487,965	(14,559,464)	260,928,501	240,278,070	20,650,431	92%
Employee costs	181,235,271	(1,400,000)	179,835,271	163,841,655	15,993,616	91%
Board Expenses	29,818,777	-	29,818,777	24,836,718	4,982,059	83%
Depreciation and amortization expense	60,000,000	-	60,000,000	49,399,843	10,600,157	82%
Repairs and maintenance	4,580,000	-	4,580,000	2,816,774	1,763,226	62%
Contracted services	26,400,000	4,144,000	30,544,000	13,036,227	17,507,773	43%
<b>Sub-Total (Operations)</b>	<b>577,522,013</b>	<b>(11,815,464)</b>	<b>565,706,549</b>	<b>494,209,287</b>	<b>71,497,262</b>	<b>87%</b>
Compensation	70,000,000	50,000,000	120,000,000	108,945,717	11,054,283	91%
<b>TOTAL EXPENDITURE</b>	<b>647,522,013</b>	<b>38,184,536</b>	<b>685,706,549</b>	<b>603,155,004</b>	<b>82,551,545</b>	<b>88%</b>
<b>SURPLUS FOR THE PERIOD</b>				<b>4,366,190,180</b>		

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Capital Expenditure	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs	%
	(a)	(b)	c=a+b	d	e=c-d	g=d/c*100
Computer Software-Specialized ICT Security, Architecture, System Software and Equipment	8,200,000	(5,500,000)	2,700,000	2,465,000	235,000	91%
<b>Total Capital</b>	<b>8,200,000</b>	<b>5,500,000</b>	<b>2,700,000</b>	<b>2,465,000</b>	<b>235,000</b>	<b>91%</b>

**Policyholders Compensation Fund  
Annual Report and Financial Statements  
For the Year Ended 30<sup>th</sup> June 2025**

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Budget notes

- a) The Fund's financial year 2024/2025 total original approved revenue budget was Kshs. 3,156,000,000 which was enhanced through budget revisions 1 and 2 to Kshs. 4,991,000,000 while the original approved recurrent expenditure budget was Kshs. 647,522,012.70 which was revised upwards by Kshs. 38,184,536.00 to Kshs. 685,706,549 comprising of recurrent budget of Kshs. 565,706,549 for operations, Kshs. 120,000,000 for compensation. Non-recurrent (capital Items) original approved budget was Kshs. 8,200,000 which was revised downwards by Kshs. 5,500,000.00 to Kshs. 2,700,000.00
- b) The Fund achieved its revenue collection targets during the financial year as a result of increased volumes of insurance premiums, favorable interest rates from Central Bank of Kenya on investments on government securities, full remittances of the statutory management fees and increased enforcement action on compliance.
- c) Use of goods and Services improved during the financial year under review due timely implementation of the activities as per the annual workplan.
- d) Employees' Costs were optimally implemented as per the approved budget allocation. Following restrictions on payment of staff bonuses, absorption of the full budget could not be achieved.
- e) Under Board expenses, the Fund had budgeted for board activities (both local and foreign) for the entire financial year. Following restrictions on payment of Board bonuses, absorption of the full budget could not be achieved.
- f) Amortization expenses allocation was envisioned for ICT systems. There was a delay in implementation of one system which affected the completion duration thus the amortization charge which had been budgeted for the whole financial year could not be absorbed.
- g) Repairs and maintenance especially on computers were minimal during the year under review resulted in savings of the allocation.
- h) Contracted Services - Implementation of service level contract for offsite backup solution, Consultancies on outsourced legal services, internal audit, development of Strategic plan and public relations consultancy were not completed at the closure of the financial year which affected the actual expenditure budget absorption.
- i) Insurance Compensation increased in comparison with the previous financial year. This is attributable to commencement of compensation for three (3) new insurers and enhanced public awareness of the Fund's mandate which led to an increased number of claims lodged at the Fund.

**Policyholders Compensation Fund  
Annual Report and Financial Statements  
For the Year Ended 30<sup>th</sup> June 2025**

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- j) Capital Expenditure -Intangible Assets (Systems) was incurred for supply, delivery, integration, configuration, testing, training and commissioning of Bulk SMS System which was completed in the period under review.

The Financial Statements set out on pages 1 to 11 were signed on behalf of the Board of Trustees by:



-----  
Ms. Hope Keah  
**Deputy Director, Finance  
& Accounts**

ICPAK No.10775

Date: ...10/11/2025.....



-----  
Mr. Mohamed Sahal  
**Managing Trustee**

Date: ...10/11/2025.....



-----  
Hon. Simon Mbugua  
**Chairman, Board of  
Trustees**

Date: ...10/11/2025.....

## 19.0 NOTES TO THE FINANCIAL STATEMENTS

### 19.1 General Information

Policyholders Compensation Fund (PCF) is established by and derives its authority and accountability from Insurance Act (Cap 487). The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. PCF also known as 'the Fund' is a State Corporation under the National Treasury and Planning that was established through the Legal Notice No.105 of 2004 and commenced its operations in January 2005. The Fund was established for the primary purpose of providing compensation to claimants of an insurer that has been put under Statutory Management and for the secondary purpose of increasing the general public's confidence in the insurance sector. The decision to establish the Fund was informed by the collapse of several insurers prior to the year 2005. The Fund is governed by section 179 of the Insurance Act (Cap 487) and the Insurance (Policyholders Compensation Fund) Regulations, 2010.

Policyholders Compensation Fund as stated in the Insurance Act is mandated to:

- a) Provide compensation to policyholders of an insurer placed under statutory management or whose license has been cancelled;
- b) Monitor, in consultation with the Commissioner of Insurance where necessary, the risk profile of any insurer;
- c) Advise the Cabinet Secretary in charge of finance matters on the national policy to be followed regarding matters relating to compensation of policyholders and to implement all government policies relating thereto;
- d) Participate in the statutory management of an insurer placed under statutory management by the regulator;
- e) Liquidate an insurer as may be ordered by a court; and
- f) Perform such other functions as may be conferred on it by this Act or by any other written law.

### 19.2 Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value.

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the PCF's accounting policies and procedures. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Policyholders Compensation Fund.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, section 179 of the Insurance Act (Cap 487) and the Insurance (Policyholders Compensation Fund) (Amendment) Regulations, 2019 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### **19.3 Adoption of new and revised standards**

The Fund did not early-adopt any new or amended standards in the financial year.

### **19.4 Summary of Significant Accounting Policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below.

#### **19.4.1 Revenue recognition**

##### **a) Revenue from non-exchange transactions**

###### **Levy Contribution and Penalties**

The Fund recognizes revenues from levies and penalties when the event occurs, and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to PCF and the fair value of the asset can be measured reliably.

##### **b) Revenue from exchange transactions**

###### **Other Income**

The Fund recognizes revenue from rendering of statutory management services to insurers placed under statutory management by the insurance regulator by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to the monthly fee set by the Insurance regulator.

###### **Interest Income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

#### **19.4.2 Budget information**

The original budget for the FY 2024/2025 was approved by the National Treasury and Economic Planning on 30<sup>th</sup> June 2024. Subsequent revisions or additional appropriations

**Policyholders Compensation Fund  
Annual Report and Financial Statements  
For the Year Ended 30<sup>th</sup> June 2025**

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were made to the approved budget in accordance with specific approvals from the Board of Trustees and the National Treasury and Economic Planning. The additional appropriations are added to the original budget of the Fund upon receiving the respective approvals to conclude the final budget.

The Fund's financial year 2024/2025 total original approved revenue budget was Kshs. 3,156,000,000 which was enhanced through budget revisions 1 and 2 to Kshs. 4,991,000,000 while the original approved recurrent expenditure budget was Kshs. 647,522,012.70 which was revised upwards by Kshs. 38,184,536.00 to Kshs. 685,706,549 comprising of recurrent budget of Kshs. 565,706,549 for operations, Kshs. 120,000,000 for compensation. Non-recurrent (capital Items) original approved budget was Kshs. 8,200,000 which was revised downwards by Kshs. 5,500,000.00 to Kshs. 2,700,000.00

PCF's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

#### **19.4.3 Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items to bring the asset to its location and condition ready for its intended use. When significant parts of property, plant and equipment are required to be replaced at intervals, the Fund recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation for property, plant and equipment is calculated on the cost of each asset on a straight-line basis at annual rates estimated to write off the cost of the asset over its estimated useful life.

The Depreciation rates used are as follows:

<b>No.</b>	<b>Description</b>	<b>Rate per annum</b>
1.	Computers	33.33%
2.	Server	20%
3.	Office Furniture, Fittings & Equipment	12.5%
4.	Motor Vehicle	25%

#### **19.4.4 Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at a cost less than any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as finite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

The Fund intangible asset acquisition during the period ended 30<sup>th</sup> June 2025 was only Bulk SMS System for supply, delivery, integration, configuration, testing, implement training and commissioning of Bulk SMS System whose implementation was on going in the previous financial year and completed during the period under review.

These assets have been recorded in the intangible asset register under intangible assets category and amortized at 33.33%.

#### **19.4.5 Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. PCF does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Fund's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Financial assets and financial liabilities are recognized in the Fund's statement of financial position when the Fund becomes a party to the contractual provisions of the instrument.

**a) Financial Assets**

**Classification of financial assets**

PCF classifies its financial assets as subsequently measured at amortized cost, fair value through net assets/ equity or fair value through surplus and deficit based on both the Fund's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for investments in equity instruments.

The Fund financial assets are measured at amortized cost when the financial assets are held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

**Subsequent measurement**

Based on the operational business model of the Fund and the cash flow characteristics, the Fund classifies its financial assets into amortized cost for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method

**Government securities held-to-maturity.**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity and are stated at amortized cost. The Fund's Government securities comprise Treasury Bills and Treasury Bonds which are debt securities issued by the Government of Kenya. For the period ending 30<sup>th</sup> June 2025, the Fund held government

securities at the Central Bank of Kenya had a total face value of Kshs. 26,870,100,000 comprising of Kshs. 12,098,900,000 Treasury Bills and Kshs. 14,771,200,000 Treasury Bonds.

#### **Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund charges for management fees on insurers which have been placed under management by the regulator, levy contribution and penalties as per section 179 of the Insurance Act (Cap 487). As at 30<sup>th</sup> June 2025, the Fund did not have trade receivables.

#### **b) Financial liabilities**

##### **Classification**

The Fund classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss. The Fund determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

#### **19.4.6 Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of PCF as the Fund procures stationery and other inventories as and when need arises and are expensed in the period it relates.

#### **19.4.7 Provisions**

Provisions are recognized when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of financial performance. In the financial year 2024/2025, the Fund made some provisions amounting to KShs. 13,919,736 which have been disclosed under note 19.22 in the notes to the financial statements. These have been reported using the contract price as anchored in the contractual agreements.

#### **19.4.8 Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The Fund recognizes a social benefit as an expense for the social benefit scheme at the same time that it recognizes a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the Fund will incur in fulfilling the present obligations represented by the liability. At the closure of the financial year 2024/2025, the Fund did not have any social liability.

#### **19.4.9 Contingent liabilities**

The Fund does not recognize contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Insurance compensation allocation for insurance companies placed under statutory management is unpredictable in nature. The insurers risk exposure levels increase the Fund's contingent liability and it's probable that in future, there might be outflow of resources.

#### **19.4.10 Contingent assets**

The Fund does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs. There was no contingent asset at the closure of the financial year under review.

#### **19.4.11 Nature and Purpose of the Fund reserve**

The Fund creates and maintains reserves to compensate claimants of an insurers placed under a statutory manager appointed under section 67C (2) or whose license has been cancelled under the Insurance Act.

#### **19.4.12 Changes in accounting policies and estimates**

The Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

#### **19.4.13 Employee benefits**

##### **Retirement benefit plans**

The Fund provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Fund pays fixed contributions into a separate Pension Scheme (Zamara Fanaka Retirement Fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

#### **19.4.14 Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

#### **19.4.15 Related parties**

The Fund regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Those regarded as related parties include:

- a) The Board of Trustees, in exercise of the powers given to them through Section 179 (2B) of the Insurance Act;
- b) Management and staff in exercise of their fiduciary duties;
- c) The Commissioner of Insurance as the appointing authority of Statutory Managers;
- d) The Insurance Regulatory Authority as the Industry Regulator
- e) Retirement Benefit Authority as the immediate former Managing Trustee of the Fund

#### **19.4.16 Trade payables**

During the financial year under review, the Fund did not have any pending bill/outstanding payables from exchange transactions such as sundry creditors. Trade payables are current and are stated at their nominal value when they occur.

#### **19.4.17 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term temporary imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

#### **19.4.18 Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

#### **19.4.19 Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2025.

#### **19.4.20 Significant Judgments and Sources of Estimation Uncertainty**

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

Assumptions made include.

- a. Receivable levy contributions shall be received as per regulations
- b. Receivable statutory management fee shall be received as per regulations
- c. Current provisions for various services shall be paid after services have been rendered
- d. Liabilities shall be paid off in subsequent periods
- e. Investments in government securities shall be held to maturity

#### **Estimates and assumptions.**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Fund based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the

control of the Fund. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

### Useful lives and residual value

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the Fund.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

### 19.5 Contribution Levy

Section 179 (6) of the Insurance Act requires Insurers to pay a monthly contribution to the Fund in such amount and time as may be prescribed by the Cabinet Secretary in consultation with the Board. The rate is currently set at 0.5%.

	2024-2025 (KShs.)	2023-2024 (KShs.)
Quarter 1	327,353,521	304,150,672
Quarter 2	255,632,850	272,027,762
Quarter 3	431,355,851	421,546,485
Quarter 4	321,303,758	311,324,827
<b>Total</b>	<b><u>1,335,645,980</u></b>	<b><u>1,309,049,745</u></b>

During the reporting period, the Fund collections on levy increased by 2% compared to same reporting period, previous financial year. This is mainly attributed to increased gross direct premiums volumes which may signal a slight growth in the insurance industry at large. An amount of KShs. 1,792,387 was receivable in FY 2023/2024 which was collected in FY 2024/2025.

#### 19.5 a Contribution Levy

	2024-2025 (KShs.)	2023-2024 (KShs.)
Levy collection for the period	1,335,645,980	1,309,049,745
Receivable Collected	1,792,387	9,093,028
Receivables at the end of the period (Note 19.17)		(1,792,387)
<b>Total amount to cashflow Statement</b>	<b>1,337,438,367</b>	<b>1,316,350,386</b>

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**19.6 Penalties**

The Insurance Act empowers both the Insurance Regulatory Authority (IRA) and the Policyholders Compensation Fund (PCF) to charge penalties for non-compliance of various sections of the Act. These penalties are to be paid into the Policyholders Compensation Fund. During the financial period under review, penalties were charged and collected as per below note. In the previous financial year, same period, more penalties were received.

	<b>2024-2025 (KShs.)</b>	<b>2023-2024 (KShs.)</b>
Quarter 1	5,989,000	408,025
Quarter 2	3,203,269	412,357
Quarter 3	6,792,484	1,740,990
Quarter 4	9,610,289	8,765,837
<b>Total</b>	<b><u>25,595,043</u></b>	<b><u>11,327,209</u></b>

The 126% increase in the penalty amount is mainly attributed to increased enforcement actions by the Insurance Regulator and the Fund.

**19.7 Investment Interest Income**

The investment Interest income was generated by interest earned on Treasury Bills, Treasury Bonds and on current accounts held in the Fund's commercial bank.

	<b>2024-2025 (KShs.)</b>	<b>2023-2024 (KShs.)</b>
Interest income from Treasury Bills	2,022,052,366	1,673,567,920
Interest income from Treasury Bonds	1,580,758,673	869,621,877
Current accounts interest	4,949,179	8,319,893
<b>Total</b>	<b><u>3,607,760,218</u></b>	<b><u>2,551,509,690</u></b>

The increase is attributed to the volumes of insurance levy contributions collections and the favorable CBK average interest rates during the period under review which have steadily increased during the financial year. In the previous financial year, the Fund had invested in treasury bonds worth 8.7 billion in face value thus lower accrued interest income compared to current financial period where the Fund has invested 14.8 billion in face value in treasury bonds. FY 2024/2025 Investment interest income is further analysed quarterly as follows;

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	<b>Total Interest from Treasury Bills &amp; Bonds</b>	<b>Current Accounts Interest</b>	<b>Total</b>
Quarter 1	884,921,431	776,504	885,697,935
Quarter 2	918,107,540	1,314,889	919,422,429
Quarter 3	907,202,499	1,258,145	908,460,644
Quarter 4	892,579,569	1,599,641	894,179,210
<b>Total</b>	<b>3,602,811,039</b>	<b>4,949,179</b>	<b>3,607,760,218</b>

In the previous financial year 2023/2024, the Fund's quarterly investment interest performance was as follows;

	<b>Total Interest from Treasury Bills &amp; Bonds</b>	<b>Current Accounts Interest</b>	<b>Total</b>
Quarter 1	546,842,400	3,261,542	550,103,942
Quarter 2	589,589,825	1,341,909	590,931,734
Quarter 3	641,383,512	835,161	642,218,673
Quarter 4	765,374,060	2,881,281	768,255,340
<b>Total</b>	<b><u>2,543,189,797</u></b>	<b><u>8,319,893</u></b>	<b><u>2,551,509,690</u></b>

**19.8 Other Income**

For the financial period under review, the Fund received insurance refund on premiums from staff exits. There was no statutory management fee collections from the insurance company under statutory management during the reporting period. In the previous financial year ended 30<sup>th</sup> June 2024, the Fund collected Kshs. 7,013,000 from Blue Shield Insurance Company and United Insurance Company Ltd which had been placed under statutory management under Section 179 (2A) of the Insurance Amendment Act, 2019 by the Insurance Regulator as indicated in the table below.

	<b>2024-2025 (KShs.)</b>	<b>2023-2024 (KShs.)</b>
Blue Shield Insurance Co.Ltd	-	4,956,500
United Insurance Co.Ltd	-	2,026,500
Miscellaneous Income	343,943	30,000
<b>Total</b>	<b><u>343,943</u></b>	<b><u>7,013,000</u></b>

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These amounts were received in the quarter periods;

	<b>2024-2025 (KShs.)</b>	<b>2023-2024 (KShs.)</b>
Quarter 1		838,500
Quarter 2		838,500
Quarter 3		1,309,500
Quarter 4	343,943	4,026,500
<b>Total</b>	<b><u>343,943</u></b>	<b><u>7,013,000</u></b>

An amount of Kshs. 748,000 was receivable from United Insurance Company for statutory management fee relating to the previous financial year which was collected during the financial year under review.

**19.8a. Other Income**

	<b>2024-2025</b>	<b>2023-2024</b>
	Kshs.	Kshs.
Total for the period	343,943	7,013,000
Receivable Statutory Management fee Collected	748,000	
Accrued Statutory Management fee		(748,000)
<b>Total amount to cashflow Statement</b>	<b>1,091,943</b>	<b>6,265,000</b>

**19.9 Use of Goods and Services**

	<b>2024-2025</b>	<b>2023-2024</b>
	Kshs.	Kshs.
Traveling & Accommodation	65,029,078	54,014,709
Seminars,Conference,Workshops	14,691,655	13,736,541
Printing & Stationery	6,398,078	4,033,379
Memberships		280,016
Refined Fuel, Oil and Lubricants	1,417,060	1,720,292
Hospitality and Office Refreshments	4,336,011	3,145,596
Telephone, Mobile and Internet Services(Postage & Telephone)	2,662,913	2,296,472
Rental Expenses	19,479,300	17,800,380
Newspapers and Periodicals	850,460	748,595
Custodial fees		3,500
Software Licences, Renewals and Connectivity	5,988,792	5,998,819

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	<b>2024-2025</b>	<b>2023-2024</b>
	Kshs.	Kshs.
Bank Charges	484,927	387,094
Audit Fees	400,000	400,000
Advertisement, promotions & Publicity	1,414,458	5,888,494
Corporate Social Responsibility	3,701,721	1,997,241
Electricity	875,431	672,363
Insurances and Medical	16,000,328	13,730,141
Staff Welfare-Staff Uniform	99,100	49,400
Staff Welfare-General	1,680,460	567,137
Staff Welfare-Safety & Health	779,773	1,215,990
Staff Welfare-Staff Award & Honoraria	200,000	200,000
Staff Welfare-Extra Curricular (Team Building) Activities	5,006,172	3,038,925
Staff Welfare-Year End Staff Party	2,482,716	635,000
ISO Certification Costs	3,046,900	10,001,980
Dissemination & Publicity	23,218,129	24,284,885
Postage Courier	589,415	374,231
General Office Supplies	500,620	96,984
Tender Processing costs	1,480,250	900,220
Collaborations and Partnerships	9,417,598	4,434,363
Engagement of Partners, communication to stakeholders		2,670,800
Development of Legislation	26,137,487	6,985,750
Research Expenses		112,000
Research, Training and Development		4,571,500
Service Charter Delivery-Statutory Management Expenses	7,118,683	
Capacity Building	14,790,555	
<b>Total</b>	<b><u>240,278,070</u></b>	<b><u>186,992,797</u></b>

The differences were due to:

- **Travel & Accommodation**—relates to travel costs and conference expenses to attend and hosting of industry events, various consumer education sensitization forums held in collaboration with other key industry players, local and foreign travel costs for staffs attending trainings and international capacity building of staffs and other industry

related activities. Increased costs because of increased operational activities of the Fund during the period under review.

- **Seminars, Workshops & Conferences**-More costs were incurred in the period under review because of increased operational activities of the Fund during the period under review.
- **Printing & Stationery** - Attributed to acquisition of stationery and increased printing to support stakeholders engagement on the proposed PCF Bill and strategic plan.
- **Fuel** - Fuel cost reduced due to general reduction and stabilized global fuel prices and utilization of pooled transport for group activities.
- **Hospitality** - Increase attributed to increased stakeholder engagements
- **Telephone** - Optimal population of the structure and increased stakeholder follow-ups on compensation.
- **Rental Expenses** - Increased as per the terms of the lease agreement
- **Newspapers and Periodicals** - Change in prices of newspapers and optimal population of the structure
- **Bank Charges** - Increased transactions on compensation
- **Corporate Social Responsibility** costs relate to tree planting exercise costs as per the presidential directive.
- **Insurances and medical expenses** - Increased due to optimal population of the structure and additional acquisition of assets.
- **Staff Welfare** - Implementation of planned welfare strategies such as staff barazas and annual wellness programs.
- **Team building and year end staff party** - increased during the period under review as a result of increased number of both primary and secondary employees of the Fund.
- **Postage & Courier** - Increased communication to stakeholders during the Resolution Conference and PCF@20 celebrations.
- **Capacity Building** relates to expenses incurred on tuition fees for staff while attending various trainings both professional and skilled training in addition to industry related trainings. The previous year did not have an allocation under this budget line. Increase in costs as a result of increase efforts of the Fund to capacity build its staff for better delivery service to the public.
- **Rental Expenses & Electricity costs** -These are rental costs of Fund's office premises at KWFT building and also utility costs. Increased due to increased rent and parking space charge.
- **Software Licenses**- Slight decrease on License renewals costs of licenses for the intangible assets acquired by the Fund. It also catered for Integrated security solution, Provision of internet connectivity services and Supply, Delivery, Installation & Support Services for Renewal of Microsoft 365 E3 and E5.
- **Advertisement, promotions and Publicity** decreased because of decrease in number of advertisements, public notices for companies placed under statutory management and recruitment advertisement.
- **Dissemination & Publicity expenses** relate to dissemination of the Fund Mandate through different media platforms and also media monitoring services costs. Increase

due to increased publicity activities such as PCF Mtaani across the various counties for purposes of disseminating and publicizing the Fund core mandate to the public.

- **Collaborations and Partnerships** - Increased due to expenses incurred by the Fund when collaborating with other financial sector regulators (JFSR), key industry players, attending FIGS annual general meeting and undertaking crisis preparedness exercise. During the year, the Fund became an associate member of JFSR and equally incurred the cost of hosting the forum. In addition, the Fund for the first time hosted the MFS forum.
- **Development of Legislation** .The increase in Development of Legislation costs during the year was primarily driven by the development of the PCF Bill. Additional costs were incurred in facilitating public participation forums held across the country to raise awareness of the proposed Bill and gather stakeholder feedback, in line with legal requirements. Furthermore, the Fund hosted the Inaugural Africa Insurance Resolution Conference, which brought together global policymakers and stakeholders for sessions aimed at informing policy and legislative best practices in the implementation of Insurance Guarantee Schemes.
- **Service Charter Delivery; Statutory Management Expenses** incurred by the Fund during take over exercises for insurers placed under statutory management. Prior period had no allocation. The increase is due to the increased number of take over activities for insurers placed under statutory management.
- **Corporate Social Responsibility** costs relate to tree planting exercise costs, support to school for purchase of solar system. Increased planned activities led to the increase in the cost.
- **Tender Processing costs** - relates to costs incurred during evaluation of various tenders floated during the period under review. Increased due to increased activities related to tender processes of the supply chain management.
- **ISO Costs** relates to **ISO Certification costs** of Quality Management Systems (QMS) Documentation and lead auditors trainings. The process which had began in previous comparable period continued to be implemented in the current period and the major activities were implemented in the previous reporting period leading to the decrease in costs.
- **Bank Charges:** There's an increase as a result of increase in number of transactions(volume).
- **Staff Welfare**
- **Memberships & Subscription, Research Expenses, Engagements of Partners, Research Training & Development** , Memberships and Custodial services-No budget allocation in the current period under review.

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**19.9 a Use of Goods and Services**

	2024-2025	2023-2024
	Kshs.	Kshs.
Total for the period	240,278,070	186,992,797
Paid Accruals from previous period	1,601,032	180,000
Accrued during the period		(1,601,032)
<b>Total amount to cashflow Statement</b>	<b>241,879,102</b>	<b>185,571,765</b>

**19.10 Employee Costs**

These costs were incurred with respect to staff personnel emoluments which include salaries, allowances, pension, NITA, NSSF, Club Memberships, gratuity, housing levy, Young Professional Programmes and internship stipends.

	2024-2025	2023-2024
	Kshs.	Kshs.
Staff Salaries and allowances	131,904,357	91,037,172
Employer Contribution to NITA	21,650	18,800
Employer Contribution to Staff Pensions Scheme-NSSF	1,052,548	518,400
Employer Contribution to Staff Pensions Scheme-Gratuity	17,265,089	16,420,562
Employer Contribution to Staff Pensions Scheme-Pension	4,962,358	3,251,127
Employer Contribution to AHL	1,975,188	1,372,156
Club Memberships		1,100,000
Staff Bonus		4,538,490
Young Professional Programme (YPP)	3,393,407	2,872,661
Internship Stipend	363,859	54,174
Fringe Benefit Tax	2,903,199	
<b>Total</b>	<b><u>163,841,655</u></b>	<b><u>121,183,542</u></b>

Further, the personnel emoluments were incurred as follows;

	2024-2025 (KShs.)	2023-2024 (KShs.)
Quarter 1	41,428,116	26,551,025
Quarter 2	41,560,635	24,401,731
Quarter 3	41,225,490	30,480,228
Quarter 4	39,627,416	39,750,558
<b>Total</b>	<b>163,841,655</b>	<b>121,183,542</b>

The differences were due to:

- The Increase in staff **personnel emoluments** is as a result of full population of the structure and full implementation of approved salaries and allowances.
- **Employer Contribution to NSSF**-Following review of government rates payable by both the employee and employer, there was an increase in cost.
- **Gratuity provision was transferred during the FY 2024/2025** for staffs who are on contract in line with government circular issued. The increase is because of increased basic salaries for eligible staff.
- **Employer contribution to pension** scheme also increased during the period because of review in basic salaries.
- **Club Membership** was not incurred during the period under review following the issuance of circular on austerity measures from the Government. This non-cash employee benefits was applicable to PCF Level 1 to 3 with ceilings set out in the approved Human Resource instruments.
- **Employer Contribution to Affordable Housing Levy (AHL)** increased as a result of increase in gross income for staff.
- **Staff Bonus** was not paid to staffs following the non-approval by the SRC
- **Young Professional Programme (YPP) and Interns** increased in the period under review as a result of increase in number of young professionals, interns and attachees.

19.10 a Employee Costs

	2024-2025	2023-2024
	Kshs.	Kshs.
Total Employee Costs	163,841,655	121,183,542
Accrued paid during the period	31,099,523	6,200,067
Accrued Gratuity/Salaries during the period gratuity	(315,182)	(17,969,426)
<b>Total amount to cashflow Statement</b>	<b>194,625,995</b>	<b>109,414,184</b>

19.11 Board Expenses

These are expenses incurred in the execution of Board of Trustees related activities.

	2024-2025	2023-2024
	Kshs.	Kshs.
Honoraria	974,400	973,200
Sitting allowances	5,520,000	6,600,000
Lunch allowances	172,000	268,000
Travel & Accommodation	14,819,980	7,646,859
Training & Development	2,514,781	4,422,575
Insurance	471,093	207,492
Telephone	226,632	231,584
Mileage	137,834	292,197
Board Bonus		2,462,428
<b>Total</b>	<b><u>24,836,718</u></b>	<b>23,104,335</b>

Board expenses is further explained as follows;

- **Honoraria-** Relates to chairperson's monthly allowance and employer contribution to affordable housing levy charged on honoraria.
- **Sitting allowances** - The decrease is attributed to decrease in number of meetings held compared to previous year, same period. Sitting allowances were paid for trustees attending capacity building workshops, regular and special meetings and performance evaluation exercise which was undertaken in the financial period under review.
- **Lunch allowance-**Lunch allowance costs were lower in the period under review compared to the previous period because less number of meetings held.
- **Travel & Accommodation, Capacity Building,-** The combined increase is attributed to increase in travel activities by the trustees who mostly attended local trainings in the previous year as a result of austerity measures issued by Government while in the reporting period, approvals were sought and granted for the Trustees to attend foreign capacity building initiatives.
- **Board Insurance expenses** increased as a result of increase of insurance premiums cost

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- **Telephone expenses**-Incurred to support the Board of Trustees in efficient communication.
- **Board Bonus** was not paid to Trustees following the non-approval by the SRC.
- **Mileage** - Decreased in number of mileage claims for Trustees using their own means of transport while attending official functions outside the registered office of the Fund.

**19.12 Depreciation & Amortization Expense**

This amount relates to the depreciation charged to the Fixed Assets of the Fund and amortization charge for intangible asset of the Fund.

	2024-2025	2023-2024
	Kshs.	Kshs.
Fixed assets charge- Computers	4,001,554	5,392,046
Fixed assets charge- Office Furniture, Fittings &Equipment	9,511,111	8,968,530
Fixed assets charge-Motor Vehicle	8,657,872	9,284,892
Fixed Assets-Others-Server	5,799,550	5,799,550
Amortization -Intangible asset (Amortization)	21,429,756	13,641,367
<b>Total</b>	<b>49,399,843</b>	<b>43,086,385</b>

The increase in depreciation and amortization charge is due to the cumulative increase in number of intangible assets acquisitions by the Fund.

**19.13 Repairs & Maintenance**

These are costs incurred to maintain or repair office equipment, computers and motor vehicles.

	2024-2025	2023-2024
	Kshs.	Kshs.
Motor Vehicles repairs & Service	930,418	1,234,587
Office furniture & Equipment repairs	754,956	172,000
Computer maintenance	1,131,400	310,220
<b>Total</b>	<b><u>2,816,774</u></b>	<b><u>1,716,807</u></b>

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19.13 a Repairs & Maintenance

	2024-2025	2023-2024
	Kshs.	Kshs.
Total for the period	2,816,774	1,716,807
Accrued paid during the period	-	815,000
<b>Total amount to cashflow Statement</b>	<b><u>2,816,774</u></b>	<b><u>2,531,807</u></b>

There was an decrease in motor vehicle repairs and service costs because of decrease in wear and tear and maintenance costs. Increase in repairs and maintenance of computers because the increased need for repairs servicing services of the ICT office equipment's. Increased maintenance costs on office furniture and equipment's was as a result of increase in number of assets acquired in previous financial years due to increased staffing levels.

19.14 Contracted Services

Contracted services are made up of two components: Outsourced services and Consultancy services. During the financial year in review, the Fund contracted various service providers and consultants to provide various services to the Fund as indicated below;

	2024-2025	2023-2024
	Kshs.	Kshs.
Outsourced Services-Transport	1,066,181	1,280,487
Outsourced Services-Cleaning	1,625,220	1,735,600
Outsourced Services- Legal Services	590,000	1,600,950
Consultancy- Human Resource		2,594,850
Consultancy - Public Relations	2,300,000	5,415,660
Contracted Professional Services -Internal Audit Consultancy	1,581,776	3,954,440
Contracted Professional Services - Specialized - Monitoring and Evaluation		3,501,228
Contracted Services-Development of Strategic Plan	1,432,310	
Service Level Contract-Internet & Software Support	2,148,000	
Contracted Technical Services-System Improvements Contracts	2,292,740	
<b>Total</b>	<b><u>13,036,227</u></b>	<b><u>20,083,215</u></b>

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**19.14 a Contracted Service**

	2024-2025	2023-2024
	Kshs.	Kshs.
Total for the period	13,036,227	20,083,215
Add accruals paid during the period	6,155,926	1,495,000
Less accruals during the period		(6,155,926)
<b>Total amount to cashflow Statement</b>	<b>19,192,153</b>	<b>15,422,289</b>

**19.15 Compensation**

This relates to compensation payments made to claimants and one provision made for compensation.

	2024-2025	2023-2024
	(KShs.)	(KShs.)
Compensation	<u>108,945,717</u>	8,510,041

During the financial period under review, the Fund verified and approved for payment claims from claimants of Invesco Insurance Company, Resolution Insurance Company, Standard Assurance, Xplico Insurance, Blueshield Insurance and United Insurance who lodged their claims.

**19.15.a Compensation**

	2024-2025	2023-2024
	Kshs.	Kshs.
Total Compensation	108,945,717	8,510,041
Accrual paid	503,175	100,000
Compensation accrued for the period	-	(250,000)
<b>Total amount to cashflow Statement</b>	<b><u>109,448,892</u></b>	<b><u>8,360,041</u></b>

### 19.16 Cash and Cash Equivalents

		2024-2025	2023-2024
		Kshs.	Kshs.
NCBA	Operational Account No. 6492580017	19,812,240	3,970,139
	Fund Account No. 6492580025	64,625,242	22,252,992
Imprests		72,800	146,300
		<b><u>84,510,282</u></b>	<b><u>26,369,431</u></b>

*Fund Account – The amounts relate to levy collections awaiting investment.*

### 19.17 Receivables

Section 179 (6) of the Insurance Act requires Insurers to pay a monthly contribution to the Fund in such amount and time as may be prescribed by the Cabinet Secretary in consultation with the Board. The law requires that all contribution levy is paid within one month after the period to which it relates ends. At the closure of the financial period under review, there was no receivables. During the previous financial year, the Fund had receivables on levy contribution and statutory management fee from insurance companies which had been placed under statutory management by the insurance regulator.

	2024-2025	2023-2024
	Kshs.	Kshs.
Levy	-	1,792,387
Management fees	-	748,000
<b>Total</b>	<b>=</b>	<b><u>2,540,387</u></b>

### 19.18 Investments

The Fund invests its surplus assets in Government Securities at the Central Bank of Kenya CDS Account No. 103903-0004. During the year under review, the Fund's investments were placed in Treasury Bills and Treasury Bond that yielded an average interest rate of 13.03% and coupon rates of 15.11% respectively as at 30<sup>th</sup> June 2025. The Fund's investments are measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding i.e Treasury bills and Treasury Bonds are stated at cost plus accrued interest.

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**Treasury bills & Treasury Bonds**

	2024-2025			2023-2024		
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
	Treasury Bills (Current Assets)	Treasury Bonds (Non-Current Asset)	Total	Treasury Bills Current Assets	Treasury Bonds Non- Current Asset	Total
Acquisition Cost	10,802,690,579	15,024,361,422	25,827,052,001	12,579,984,405	8,800,975,516	21,380,959,921
Accrued Interest	610,329,518	161,544,387	771,873,905	700,456,898	202,323,634	902,780,532
Total	<u>11,413,020,097</u>	<u>15,185,905,810</u>	<u>26,598,925,906</u>	<u>13,280,441,303</u>	<u>9,003,299,150</u>	<u>22,283,740,453</u>

There was increase in the period ending 30<sup>th</sup> June 2025 is due to the additional surplus for investment from revenue collections and favourable interest rates on treasury bills secured from previous financial year and also favourable interest rates on treasury bonds.

The Funds Face Value of the Investments held at the Central Bank of Kenya was as follows.

	Face Value as at 30 <sup>th</sup> June 2025	Face Value as at 30 <sup>th</sup> June 2024
Treasury Bills	12,098,900,000	14,585,450,000
Treasury Bonds	14,771,200,000	8,661,200,000
	<u>26,870,100,000</u>	<u>23,246,650,000</u>

The Face value of the investments held at CBK for FY 2024/2025 are supported by the bank balance certificate issued on 14<sup>th</sup> July 2025.

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**19.19 Property, Plant & Equipment**

During the financial period under review, the Fund did not acquire new assets or incur capital expenditure under tangible assets category. However, there was disposal of ICT assets and furniture which were approved for disposal as indicated in the fixed asset schedule below.

	<b>Computer</b>	<b>Office Furniture, Fittings &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Server</b>	<b>Total</b>
	<b>33.3%</b>	<b>12.5%</b>	<b>25.0%</b>	<b>20%</b>	
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>Cost</b>					
<b>At 1 July 2024</b>	<b>22,576,525</b>	<b>76,473,031</b>	<b>37,139,569</b>	<b>28,997,750</b>	<b>165,186,875</b>
Additions	-	-	-	-	-
Disposals	(1,394,471)	(18,100)			(1,412,571)
<b>At 30<sup>th</sup> June 2025</b>	<b>21,182,054</b>	<b>76,454,931</b>	<b>37,139,569</b>	<b>28,997,750</b>	<b>163,774,304</b>
<b>Depreciation</b>					
<b>At 1 July 2024</b>	<b>(16,004,298)</b>	<b>(19,656,730)</b>	<b>(23,309,613)</b>	<b>(10,149,213)</b>	<b>(69,119,854)</b>
Charge	(4,001,554)	(9,511,111)	(8,657,872)	(5,799,550)	(27,970,087)
Disposals	1,394,471	18,100			1,412,571
<b>At 30<sup>th</sup> June 2025</b>	<b>(18,611,382)</b>	<b>(29,149,741)</b>	<b>(31,967,486)</b>	<b>(15,948,763)</b>	<b>(95,677,371)</b>
<b>Net Book Value</b>					
<b>As at 30<sup>th</sup> June 2024</b>	<b>6,572,227</b>	<b>56,816,301</b>	<b>13,829,956</b>	<b>18,848,537</b>	<b>96,067,021</b>
<b>At 30<sup>th</sup> June 2025</b>	<b>2,570,672</b>	<b>47,305,190</b>	<b>5,172,084</b>	<b>13,048,987</b>	<b>68,096,933</b>

### 19.20 Intangible Assets

During the financial year in review, the Fund completed the implementation of one intangible asset supply, delivery, integration, configuration, testing, implement training and commissioning of Bulk SMS System which was on going at the closure of the previous financial year and entered into the asset register as indicated in the schedule below.

Cost	INTANGIBLE ASSETS	CAPITAL WORK PROGRESS	IN	TOTAL
<b>Cost</b>				
At 1 July 2024	62,627,585	2,465,000		65,092,585
Additions	2,465,000		-	2,465,000
Transfer	2,465,000	(2,465,000)		-
<b>At 30<sup>th</sup> June 2025</b>	<b>67,557,585</b>		<b>-</b>	<b>67,557,585</b>
				-
<b>Amortization</b>				-
At 1 July 2024	(16,009,780)		0	(16,009,780)
Charge	(21,429,756)		-	(21,429,756)
<b>At 30<sup>th</sup> June 2025</b>	<b>(37,439,536)</b>		<b>0</b>	<b>(37,439,536)</b>
				-
<b>Net Book Value</b>				-
At 30 <sup>th</sup> June 2024	46,617,805	2,465,000		49,082,805
At 30 <sup>th</sup> June 2025	30,118,050		0	30,118,050

### 19.21 Retention

The Fund retained monies for two systems implemented: Levy Reconciliation Management System (LRMS) and Electronic document and records management system (EDRMS). Retention monies shall be paid upon lapse of the defect's liability period and user sign offs.

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Appkings Solutions Ltd-ERP	-	1,345,600
Appkings Solutions Ltd-CMS	-	1,949,032
Asmaal Investment Company Limited-LRMS	978,000	978,000
Kleptica Limited (EDRMS)	1,479,790	1,479,790
<b>Total</b>	<b>2,457,790</b>	<b>5,752,422</b>

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**19.22 Current Provisions**

This relates to allocations provided for a service relating to the period under review but yet to be established. At the end of the financial year 2024/2025 the Fund had an outstanding provision as per below table analysis supported by explanatory notes.

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Consultancies	-	6,155,926
Compensation		503,175
Personnel Emoluments	315,182	3,347,364
ISO Certification Costs	-	1,601,032
<b>Total</b>	<b><u>315,182</u></b>	<b><u>11,607,497</u></b>

- **Personnel Emoluments**-Relates to a provision for net pay for staff who exited the Fund.

Below is the summary of the current provision ledger;

Description	2024-2025	2023-2024
	Kshs.	Kshs.
<b>Balance B/F</b>	11,607,497	2,843,175
Additional provisions	315,182	11,354,322
Provision utilised	(11,607,497)	(2,590,000)
<b>Balance C/F</b>	<b><u>315,182</u></b>	<b><u>11,607,497</u></b>

**19.23 Non-Current Provisions**

This particular provision is for gratuity provision made monthly for services rendered by staff to the Fund as required in the employment terms of service. During the period under review, the Fund transferred the gratuity provisions to Zamara Vuna Pension Plan following a Service Level Agreement which the Fund entered with Zamara Group for management of staff gratuity in line with The National Treasury and Economic Planning Circular Ref. No. TNT/ZZ/09"H" (16) dated 10th July 2024.

	2024-2025	2023-2024
	Kshs.	Kshs.
Gratuity Provision	-	27,752,158
<b>Total</b>	<b>=</b>	<b><u>27,752,158</u></b>

Below is an analysis of the non-current provisions;

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Balance B/F	27,752,158	19,330,164
Additional provisions	-	14,622,061
Provision utilised	(27,752,158)	(6,200,067)
Balance C/F	=	27,752,158

#### 19.24 Cash Generated from Operations

	Note	2024-2025	2023-2024
		Kshs.	Kshs.
Surplus for the period		4,366,190,180	3,474,222,522
Adjusted for:			
Depreciation & Amortization	19.19 & 19.20	49,399,843	43,086,385
Investments Interest Income	19.7	(3,607,760,218)	(2,551,509,690)
<b>Working Capital adjustments</b>			
Increase/Decrease in receivables	19.25	2,540,387	6,552,641
Increase/ Decrease in Payables	19.26	(39,044,474)	17,186,317
<b>Net cash flow from operating activities</b>		<b>771,325,719</b>	<b>989,538,174</b>

#### 19.25 Changes in Operational Receivables

	2024-2025	2023-2024
	Kshs.	Kshs.
Receivables at the Beginning	2,540,387	9,093,028
Receivables at the End	-	2,540,387
Changes (Increase/Decrease)	<u>2,540,387</u>	<u>6,552,641</u>

### 19.26 Changes in Operational Payables

	2024-2025	2023-2024
	Kshs.	Kshs.
Payables at the Beginning	39,359,656	22,173,339
Payables at the End	315,182	39,359,656
Changes (Increase/Decrease)	<u>(39,044,474)</u>	<u>17,186,317</u>

### 19.27 Purchase of Property, Plant and Equipment

	2024-2025	2023-2024
	Kshs.	Kshs.
Computers	-	4,715,044
Office Furniture, Fittings & Equipment	-	5,307,560
Total	=	<u>10,022,604</u>

### 19.28 Purchase of Intangible Assets

This vote analyses the various expenditure incurred in acquisition of intangible assets as analysed in the table below;

Name of Intangible Asset	2024-2025	2023-2024
	Kshs	Kshs
Levy Collection and Reconciliation Management System (LCRMS)	-	7,824,000
Electronic Documents and Records Management System (EDRMS)	-	11,838,320
Integrated Security System	-	1,995,200
Bulk SMS	2,465,000	2,465,000
Total	<u>2,465,000</u>	<u>24,122,520</u>

19.28.a Purchase of Intangible Assets

	2024-2025	2023-2024
Purchase of Intangible Assets	2,465,000	24,122,520
Accrued Retention paid (ERP, CMS, Bulk SMS)	3,294,632	-
Retention Monies Accrued (Bulk SMS)		(2,457,790)
<b>Total Purchase of Fixed Assets Paid</b>	<b>5,759,632</b>	<b>21,664,730</b>

19.29 Purchase of Investments (Net Settlements)

	2024-2025	2023-2024
	Kshs.	Kshs.
Inflow Payments-Redemptions/net settlements	958,898,127	2,960,141,321
Outflow Payment-Investment payments	1,666,323,363	4,054,831,353
Changes (Increase/Decrease)	-707,425,236	-1,094,690,032

19.30 Fund Reserves

The Fund reserves comprises of accumulated surpluses of the Fund since the Fund's inception and Government grant of Kshs.35 million which was provided by the Government of Kenya as a seed capital. The grant was funded in two financial years, Kshs. 15 million in 2005/2006 and Kshs 20 million in 2006/2007. The grant was not refundable and was immediately invested.

	2024-2025
	Kshs.
<b>As at July 1, 2024</b>	<b>22,412,688,020</b>
Add Cumulative Surplus/ Deficit	4,366,190,180
<b>As at 30<sup>th</sup> June 2025</b>	<b>26,778,878,200</b>
<b>Less Government Grant</b>	<b>35,000,000</b>
<b>Accumulated Surplus</b>	<b>26,743,878,200</b>

### 19.31 Capital Commitments Disclosure

During the financial year 2023/2024, the Fund had one outstanding capital commitments for development, installation, deployment, commissioning and maintenance of Bulk SMS Portal, USSD and short code which was cleared as of 30<sup>th</sup> June 2025 as indicated below;

		2024-2025	2023-2024
Supplier	Description	Kshs.	Kshs.
<b>Authorised and contracted for;</b>			
Dignity Traders Limited	Bulk SMS System	-	2,465,000
	<b>Total</b>	-	<b>2,465,000</b>

### 19.32 Transfer to Staff Mortgage & Car Loan Schemes disclosure

During the Financial year 2022/2023, the Fund transferred seed capital to finance the two schemes as indicated in the table below. No seed capital was transferred during the financial year 2024/2025 period ended 30<sup>th</sup> June 2025. Annual Report and Financial Statements for the two schemes are prepared separately. Below are details of the schemes administrators and seed capital amounts.

Description	Scheme Administrator and Account No.	2022-2023
		Kshs.
Staff Mortgage	Cooperative Bank A/C No.01141162765000	151,000,000
Staff Car Loans	KCB Bank A/C No.1304427439	32,000,000
	<b>Total</b>	<b>183,000,000.00</b>

Below table provides further details of the PCF Car Loan and Staff Mortgage Schemes Net Asset Value whose detailed financial information is presented in the separate financial statements.

Net assets	FY 2024-2025	FY 2023-2024	FY 2022-2023
Car loan revolving fund	32,000,000	32,000,000	32,000,000
Mortgage revolving fund	151,000,000	151,000,000	151,000,000
Accumulated surplus	12,106,954	8,941,468	3,558,386
<b>Total net assets for the PCF Schemes</b>	<b>195,106,954</b>	<b>191,941,468</b>	<b>186,558,386</b>

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APPENDIX I: IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S  
RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor for the financial year ended 30<sup>th</sup> June 2024.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	<p><b>Budget Control and Performance:</b> The statement of comparison of budget and actual amounts reflects the final revenue budget and actual on a comparable basis of Kshs.2,969,000,000 and Kshs.3,876,359,257 respectively, resulting in an overfunding of Kshs.907,359,257 or 31 % of the budget. Similarly, the statement reflects final budget and actual expenditure amounts on a comparable basis of Kshs.985,724,619 and Kshs.393,322,800, respectively, resulting in an under-expenditure of Kshs.592,401,819 or 60% of the budget. In the circumstances, the under-expenditure affected the planned activities for the year and may have impacted negatively on service delivery to the public. The opinion of the OAG is not modified in respect of this matter.</p> <p><b>Recommendation:</b></p>	<p>The Fund implemented the activities as per the approved annual work plan within the financial year. Recurrent Budget absorption during FY 2024/2025 stood at 88%.</p>	MT	Resolved	Done

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Management should ensure a realistic and accurate budget is prepared which contributes to the realisation of the required output and desired policy outcome.				
2.	<p><b>Non-compliance with Fringe Benefit Tax:</b> Review of the Fund's records revealed that the Fund, through its Car and Mortgage Scheme, disbursed an amount of Kshs.29,184,745 to staff being staff car and mortgage loans consisting of Kshs.18,720,000 in respect of mortgage loans to three (3) employees and Kshs.10,464,745 in respect of car loans to five (5) employees. However, no evidence was provided by the Fund to show that the Management complied with Fringe Benefit Tax (FBT) provisions as required under Section 128(1) of the Income Tax Act, Cap 470 laws of Kenya, which requires every employer to pay Fringe Benefit Tax in respect of a loan provided at an interest rate lower than the market interest rate, to an individual who is a director or an employee. In the circumstances, Management was in breach of the law.</p> <p><b>Recommendation</b> Management to strictly adhere to the provisions of the law.</p>	The concern has been addressed. Effective 1 <sup>st</sup> July 2024, the Fund fully complied with the fringe benefit tax and will continue complying	MT	Resolved	Done
3.	<p><b>Unauthorized Board Meetings:</b> The statement of financial performance reflects Board expenses of Kshs. 23,104,335, which includes an amount of Kshs. 6,600,000 in respect of sitting allowances as disclosed in Note 19.11 to the financial statements. However, it was noted that during the year under review, the Board held eleven (11)</p>	The Board of Trustees noted the extra meetings were necessitated by increased board assignments including, recruitment of senior management and disciplinary hearings	MT	Resolved	Done

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>full Board meetings contrary to Paragraph A (2) and (3) of Circular NO.OP/CAB 9 1A of 11 March 2020 which states that for avoidance of doubt, Board meetings shall be restricted to a minimum of four (4) and capped at a maximum of six (6) for each financial year, or as may be specified in the enabling legal documents and that approval for any extra Board meetings shall require a justification by the Board. Further, no evidence was provided to indicate whether the Board sought approval from the Cabinet Secretary, the National Treasury for the four (4) extra Board meetings as provided in the circular. In the circumstances, Management was in breach of the law.</p> <p><b>Recommendation</b></p> <p>The Fund's Board should adjudicate all its matters in regular meetings and in the event of unavoidable circumstances, it should seek for approval from the relevant authority.</p>	<p>under the Board's purview. However, the Board noted the observation and resolved to seek approval for extra meetings beyond the maximum number approved.</p> <p>All the Board meetings during the FY2024/2025 are within the statutory limit.</p>			
4.	<p><b>Underutilisation of motor vehicles:</b> The statement of financial position reflects property, plant and equipment balance of Kshs.96,067,021 which as disclosed in Note 19.19 to the financial statements, includes a net book value of Kshs.13,829,956 in respect of four (4) motor vehicles owned by the Fund. However, at the time of audit in November 2024, the Fund had only two drivers against the four (4) motor vehicles. This meant that two (2) vehicles were always idle and not in use despite an amount of Kshs.1,276,743 being paid for their insurance services during</p>	<p>The Board of Trustees recommended the review of HR instruments and the same is currently on-going with an aim of correcting the driver establishment (and all other singularly established functions) to be in tandem with the number of vehicles.</p>	MT	Not resolved	June 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>the year. Further, Management continued using taxis despite the availability of the two extra vehicles.</p> <p><b>Recommendation</b></p> <p>It is recommended that the Accounting Officer should take full responsibility and ensure that proper control systems exist for assets and preventative mechanisms are in place to eliminate wastage and misuse. Management should employ an efficient fleet management system for the Fund in order to meet its transportation needs.</p>				
5.	<p><b>Low rate of Implementation of the Fund's Core Mandate:</b> The Policyholders Compensation Fund was established for the primary purpose of providing compensation of policyholders of an insurer placed under a statutory manager or whose license had been cancelled. During the year under review, it was noted that the Fund had a budget provision of Kshs.500,000,000 for compensation to policyholders. However, only an amount of Kshs. 8,260,041 was paid out to policyholders, which is equivalent to 1.7% budget utilisation.</p> <p>In the circumstances, the inadequate compensation of policyholders demonstrates a lack of effectiveness in the Fund's mandate and risks eroding public confidence in the insurance sector.</p>	<p>The Fund's insurance compensation budgeting process is based on a conditional probability that the regulator will place one or several insurers under Statutory Management or have their licenses cancelled as stipulated in the Insurance Act and hence relies on its internal assessment of insurance risk monitoring reports to estimate a probable compensation payout. However, this action may or may not crystallize as envisioned due to other early intervention and prompt corrective actions undertaken by the</p>	MT	Resolved	Done



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>totalling Kshs.7,013,000 paid by different insurance companies as statutory management fees and miscellaneous income. However, the basis for charging the fees was not provided. Further, the Fund failed to collect management fees from two insurers placed under statutory management.</p> <p>In circumstances, the absence of a clear and comprehensive policy guideline for charging statutory management fees poses a significant risk of inconsistent application, potential revenue loss and non-compliance with regulatory requirements.</p> <p>Recommendation                      The Management to put in place a policy guideline on charging statutory management fees.</p>	<p>during the FY2024/2025 and is undergoing consideration by the Board</p>			
8.	<p><b>Understaffing of the Internal Audit Function:</b> Review of the Internal Audit Function revealed that it had a staff establishment of only one staff during the year under review. In order to comprehensively offer assurance, advisory and secretarial services, Management indicated that the Fund engaged a consultant to help in the carrying out of internal audit services.</p>	<p>The Board of Trustees directed the review of the HR Policy instruments, an exercise that is currently on-going. The review is aimed at addressing the staff establishment for all singularly established functions including Internal Audit function</p>	MT	Not Resolved	June 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, this limited staffing capacity in the Internal Audit Function may hinder the timely identification and mitigation of risks, potentially compromising internal controls and governance.				

Mr. Mohamed Sahal  
**MANAGING TRUSTEE**