



ANNUAL REPORT 2022





WHO WE ARE

Corporate Vision

A leading partner in securing the future.

Corporate Mission

To provide sustainable risk and financial solutions.

Statement of Purpose

Seamless stability

Core Values

To enable the Corporation, achieve its vision and mission and to re-focus itself to customer excellence, the Corporation's core values are:

- Teamwork
- Agility
- Probity
- Professionalism
- Service Excellence

TABLE OF CONTENT

| CONTENTS | Page |
|--|-------------|
| Group Information | 4 |
| Five Year Performance Trend..... | 5 |
| Notice of the 2023 Annual General Meeting..... | 6 - 9 |
| Report of the Directors | 10 - 12 |
| Chairman's Statement | 13 - 15 |
| Board of Directors | 16 - 20 |
| Managing Director's Statement | 21 - 25 |
| Management Profiles..... | 26 - 29 |
| Sustainability Report..... | 30 - 41 |
| Statement on Corporate Governance | 42- 46 |
| Statement of Directors' Responsibilities | 47 |
| Report of the Consulting Actuary | 48 |
| Directors' Remuneration Report | 49 - 51 |
| Independent Auditors' Report | 52 - 64 |
| Financial statement | |
| Statement of Profit or Loss and Other Comprehensive Income..... | 65 - 66 |
| Statement of Financial Position..... | 67 - 68 |
| Statement of Changes in Equity..... | 69 - 70 |
| Statement of Cash Flows..... | 71 - 72 |
| Notes to the Financial Statements..... | 73 - 148 |
| Kenya Reinsurance Corporation Limited Short Term Revenue Account Appendix I..... | 149 |
| Kenya Reinsurance Corporation Limited Long Term Revenue Account Appendix II..... | 150 |
| Proxy Forms..... | 154-157 |

GROUP INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS

Hon. Catherine Ngima Kimura - Chairman (elected on 17th June 2022)

Dr. Hillary M. Wachinga - Managing Director

Professor Njuguna Ndung'u, CBS - Cabinet Secretary, The National Treasury

Amb. Peter O. Ole Nkuraiyia

David Muthusi

Michael O. Monari

Eric Gumbo

Thamuda Hassan

James Irungu Kirika

Eunice Atieno Nyala

Robert Kariuki Waruiru

Hon. Nasra Ibren

Elected on 17th June 2022

Elected on 17th June 2022

Resigned on 8th February 2022

Retired on 17th June 2022

Retired on 17th June 2022

Jennifer Karina

Gitonga Mugambi

SECRETARY

Charles Kariuki

Registration No. R/CPS B/2305

Certified Public Secretary (Kenya)

Reinsurance Plaza, Taifa Road

P.O. Box 30271 – 00100 GPO

Nairobi, Kenya

REGISTERED OFFICE

Reinsurance Plaza

Taifa Road

P.O. Box 30271 – 00100 GPO

Nairobi, Kenya

BANKERS

KCB Bank Kenya Limited

Moi Avenue

P.O. Box 30081 – 00100 GPO

Nairobi, Kenya

Citibank NA

Citibank House, Upper Hill

P.O. Box 3071 - 00100

Nairobi, Kenya

Bank of Africa

BOA House, Karuna Close, Off Waiyaki Way, Westlands,

Nairobi.

P.O. Box 69562-00400,

Nairobi, Kenya

Citibank Zambia Limited

Citibank House

Stand 4646 Addis Ababa Roundabout

P.O. Box 30037 – 10101, Lusaka Zambia

ACTUARIES

QED Actuaries & Consultants

Nairobi Garage, Watermark Business Park,

Nairobi, Kenya

T +27 11 038 3742

Actuarial Services (East Africa) Limited

10th Floor Victoria Towers

Kilimanjaro Avenue, Upper hill

P.O. Box 10472 – 00100 GPO

Nairobi, Kenya

SHARE REGISTRARS

Image Registrars Limited

Absa Towers, Loita Street, 5th Floor

P.O. Box 9287 – 00100 GPO

Nairobi, Kenya

ADVOCATES

M.A Otega and Company Advocates,

Anniversary Towers, Mezzanine 2,

South Tower

P.O. Box 46630-00100, Nairobi, Kenya

Akide and Company Advocates, Blue

Violet Plaza, 6th Floor, Kindaruma

Road, Kamburu Drive, Off Ngong

Road,

P.O. Box 34004-00100, Nairobi, Kenya

SUBSIDIARIES

Kenya Reinsurance Corporation

Côte d'Ivoire

01 Bp 7539 Abidjan 01

Immeuble Sayegh; 3ème étage

Rue des Jardins en face de Nice

Cream

Cocody VALON

Kenya Reinsurance Corporation

Zambia Limited

D.G Office Park, No. 1 Chila Road

Kabulonga, Lusaka

P.O. Box 30578 10101, Zambia

Kenya Reinsurance Corporation

Uganda-SMC LIMITED

Redstone House, 1st Floor,

Bandali Rise,

Bugolobi, Kampala

P.O Box 34988

Kampala, Uganda

AUDITORS

Auditor General

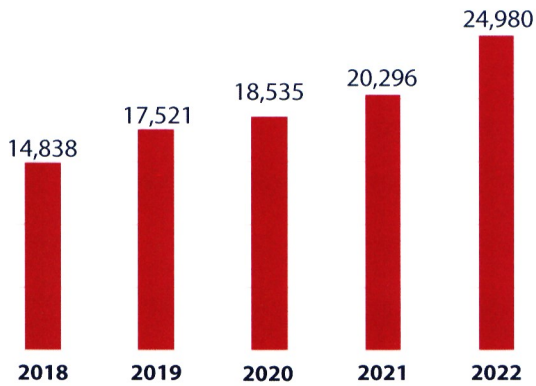
Office of the Auditor General

P.O. Box 30084 – 00100 GPO

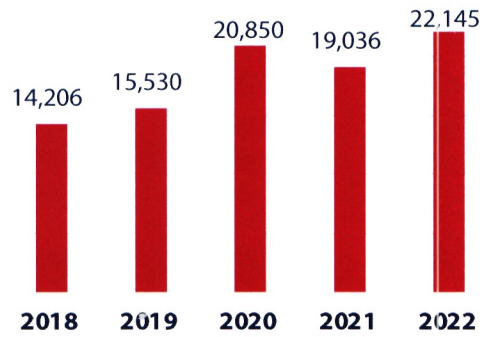
Nairobi, Kenya

FIVE YEAR PERFORMANCE TREND

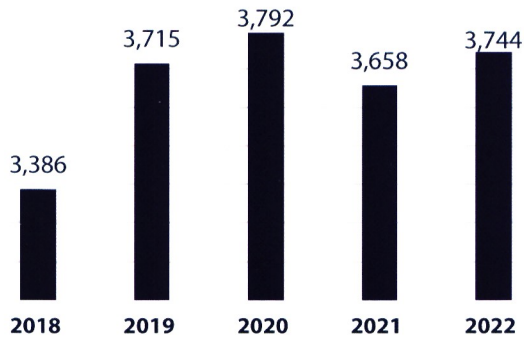
Gross Premium Kshs. Millions



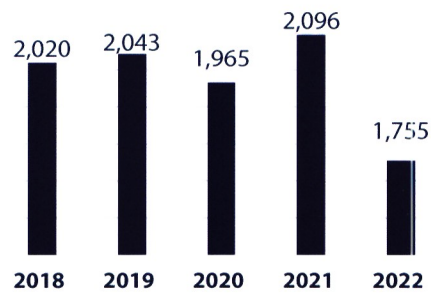
Net Premium Written Kshs. Millions



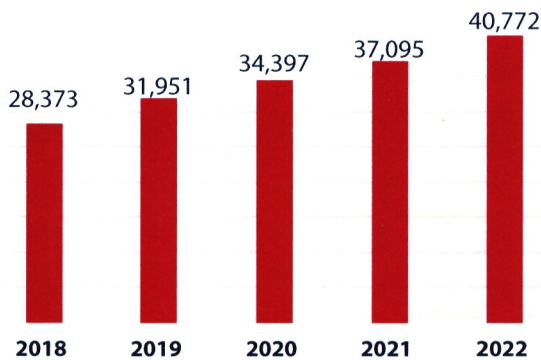
Investment Income Kshs. Millions



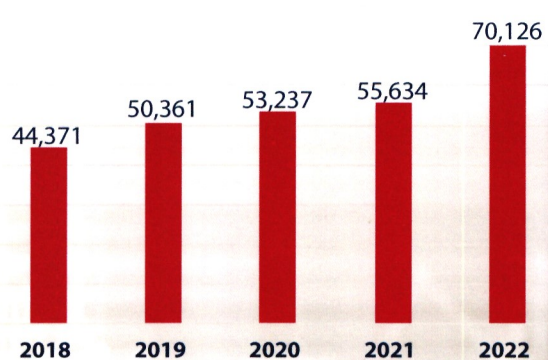
Management Expenses Kshs. Millions



Shareholders' Funds Kshs. Millions

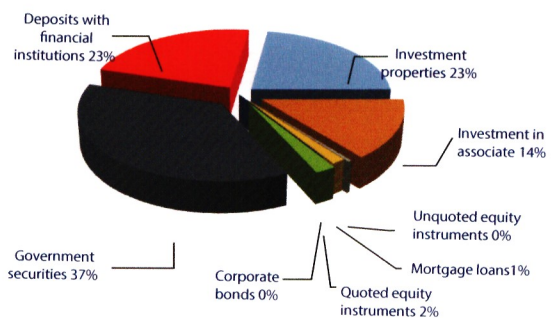


Total Assets Kshs. Millions

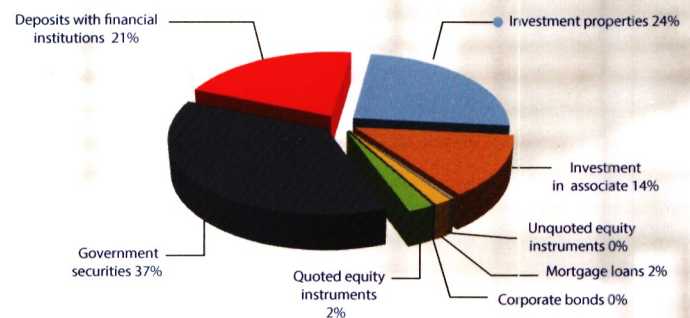


INVESTMENT MIX

FY 2022



FY 2021



NOTICE OF THE 2023 ANNUAL GENERAL MEETING

Notice is hereby given that the **25TH ANNUAL GENERAL MEETING** of **KENYA REINSURANCE CORPORATION LIMITED** will be held electronically on **Friday, 16th June 2023 at 11.00 a.m.** when the following business will be transacted, namely:

AGENDA

1. Constitution of the Meeting - To read the notice convening the Meeting and determine if a quorum is present.
2. To receive, consider and, if approved, adopt the Corporation's audited Financial Statements for the year ended 31st December 2022 together with the Chairman's, Directors' and Auditors' Reports thereon.
3. To approve payment of a first and final dividend of KShs.0.20 per share for the financial year ended 31st December 2022 to the shareholders registered in our books as at **16th June 2023** to be paid on or about **28th July 2023**.
4. Election of Directors:
In accordance with Article 110 of the Corporation's Articles of Association, the following Directors retire by rotation and, being eligible, offer themselves for re-election:
 - i. Mr. Erick Onyango Gumbo
 - ii. Mr. Michael Ombabah Monari
 - iii. Amb. Peter Ole Nkuraiya
5. To approve the Directors' remuneration report for the period ended 31st December 2022.
6. Auditors
To note that the audit of the Corporation's books of accounts will continue to be undertaken by the Auditor General or an audit firm appointed by her in accordance with Section 14 of the State Corporations Act and Section 23 of the Public Audit Act 2015.
7. To authorise the Directors to fix the remuneration of the Auditors.
8. To authorise the Directors to appoint members of the Audit Committee of the Board.
9. To transact any other business in respect of which due notice has been received.

By Order of the Board

Charles N. Kariuki

Corporation Secretary

Kenya Reinsurance Corporation Limited
Reinsurance Plaza, 15th Floor, Taifa Road
P.O. Box 30271-00100
Nairobi

11th May 2023

NOTES:

1. Any member, may by notice duly signed by him or her and delivered to the Corporation Secretary on the above address, not less than seven (7) days and not more than twenty one (21) days before the date appointed for the Annual General Meeting give notice of his intention to propose any other person for election to the Board, such notice to be accompanied by a notice signed by the person proposed of his or her willingness to be elected. The proposed person need not be a member of the Company.
2. During the period when physical meetings could not be held because of Covid 19, it was noted that ten times more shareholders attended virtual meetings than physical meetings. A decision was taken to hold the AGM virtually. The company's Articles of Association provide for holding of virtual shareholder meetings.
3. Any shareholder wishing to follow the virtual meeting should register for the AGM by doing the following:
 - i) Dialling *483*901# for all networks and follow the various prompts regarding the registration process; or
 - ii) Sending an email request to be registered to **kenyareshares@image.co.ke**
 - iii) Shareholders with email addresses will receive a registration link via email through which they can use to registerIn order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance Shareholders should dial the following helpline number: **0709 170 000/0709 170 030** from 9.00 am to 4.00 pm every working day.
4. Registration for the AGM **opens on Thursday, 11th May 2023** and will close on **Wednesday, 14th June 2023** at 11:00 am.

5. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website

<https://www.kenyare.co.ke/>:

- (i) a copy of this Notice and the proxy form;
 - (ii) the Company's audited financial statements for the year 2022
6. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
- a. sending their written questions by email to Questions.Agm@kenyare.co.ke or kenyareshares@image.co.ke
 - b. to the extent possible, physically delivering their written questions with a return physical address or email address to the registered office of the Company at Reinsurance Plaza or Image Registrars offices at 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street; **or**
 - c. sending their written questions with a return physical address or email address by registered post to the Company's address at P.O. Box 30271- 00100 Nairobi.

Shareholders who will have registered to participate in the meeting shall be able to ask questions via sms by dialling the USSD code above and selecting the option (Ask Question) on the prompts.

Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

All questions and clarifications received by the Company by **Wednesday, 14th June 2023 at 5:00 pm** will be responded to by the directors of the company by **Friday, 16th June 2023**. A full list of all questions received and the answers thereto will be published on the Company's website before the commencement of the General Meeting. Some of the questions will also be answered during the meeting.

7. In accordance with Section 298(1) of the Companies Act, Shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone. A proxy form is available on the Company's website via this link: www.kenyare.co.ke . Physical copies of the proxy form are also available at the following address: Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street. A proxy must be signed by the appointor or his attorney duly authorized in writing, or, if the appointor is a company, either under seal, or under the hand of an officer or attorney duly authorized by the company. A completed form of proxy should be emailed to kenyareshares@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than **Wednesday, 14th June 2023 at 11.00 am**. Any person appointed as a proxy should submit his/her mobile telephone number or email address to the Company not later than **Wednesday, 14th June 2023 at 11.00 am**. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than **Thursday, 15th June 2023** to allow time to address any issues.
8. The AGM will be streamed live via a link which shall be provided to all shareholders who will have successfully registered to participate in the Annual General Meeting. Duly registered shareholders and proxies will receive a short message service (SMS)/ USSD prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/ USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the livestream.
9. Duly registered Shareholders and proxies may access the AGM agenda and follow the proceedings of the AGM via livestream platform. Duly registered Shareholders and proxies may vote (when prompted by the chairman) via the USSD prompts as well as through the VOTE tab on the livestream link.
10. A poll shall be conducted for all the resolutions put forward on notice.
11. Results of the AGM shall be published within 48 hours following conclusion of the AGM on the Company's website www.kenyare.co.ke

TAARIFA KUHUSU MKUTANO WA KILA MWAKA WA 2023

Taarifa inatolewa kuhusu **MKUTANO MKUU WA 25 WA KILA MWAKA WA KENYA REINSURANCE CORPORATION LIMITED** ambao umeratibiwa kufanyika kielektroniki siku ya **Ijumaa, tarehe 16 Juni 2023 saa 11.00 asubuhi** wakati ambapo shughuli ifuatayo itaendeshwa:

AJENDA

1. Kufungua Mkutano - Kusoma taarifa inayoagiza kuanzishwa kwa Mkutano na kubainisha iwapo akidi inayostahili ili kuendesha mkutano imefikiwa.
2. Kupokea, kuzingatia na ikiidhinishwa, kukubali Taarifa za Kifedha zilizofanyiwa ukaguzi za Shirika kwa mwaka unaokamilika tarehe 31 Desemba 2022 pamoja na Ripoti za Mwenyekiti, Watendaji na Wakaguzi iliyoambatishwa.
3. Kuidhinisha malipo ya mgao wa kwanza na wa mwisho wa **KShs.0.20** kwa kila hisa kwa mwaka wa kifedha unaokamilika tarehe 31 Desemba 2022 kwa wenyehisa waliorodheshwa kwenye vitabu vyetu kufikia tarehe 16 Juni 2023 wanaopaswa kulipwa tarehe au karibu tarehe 28 Julai 2023.
4. Uchaguzi wa Wakurugenzi watendaji:
 - a) Kwa mujibu wa Kifungu cha 110 cha Taarifa ya Ushirika ya Shirika hili, Wakurugenzi watendaji wafuatao wanastaafu kwa zamu na kwa kuwa wanastahiki, wamejitosa ulingoni ili kuchaguliwa tena:
 - i. Bw. Erick Onyango Gumbo
 - ii. Bw. Michael Ombabah Monari
 - iii. Balozi. Peter Ole Nkuraiya
5. Ili kuidhinisha ripoti ya malipo ya Wakurugenzi watendaji kwa kipindi kilichokamilika tarehe 31 Desemba 2022.
6. Wakaguzi
Kubaini kuwa ukaguzi wa vitabu vya akaunti za Shirika utaendelea kufanywa na Mkaguzi Mkuu au shirika la ukaguzi lililoteuliwa naye kwa mujibu wa Sehemu ya 14 ya Sheria ya Mashirika ya Serikali na Sehemu ya 23 ya Sheria ya Ukaguzi wa Umma ya 2015.
7. Kuidhinisha Wakaguzi Watendaji kusuluhisha malipo kwa Wakaguzi.
8. Kuidhinisha Wakurugenzi watendaji kuteua wanachama wa Kamati ya Ukaguzi ya Bodi.
9. Kuendesha shughuli yoyote nyingine ambayo taarifa yake ifaayo ilipokewa.

Kwa Agizo la Bodi

Charles N. Kariuki

Katibu wa Shirika,

Kenya Reinsurance Corporation Limited
Jumba la Reinsurance, Orofa ya 15, Barabara ya Taifa
S.L.P 30271-00100
Nairobi

Tarehe 11 Mei, 2023

VIDOKEZO:

1. Mwanachama yeyote kupitia taarifa aliyoitia saina na kuwasilisha kwa Katibu wa Shirika kupitia anwani zilizo hapo juu, kwa muda usiopungua siku saba (7) na usiozidi siku ishirini na moja (21) kabla ya tarehe iliyoteuliwa kwa ajili ya Mkutano Mkuu wa Kila Mwaka, atatoa ilani ya nia yake ya kupendekeza mtu yeyote mwingine kwa ajili ya uchaguzi kwenye Bodi, taarifa kama hiyo inapaswa kuambatanishwa na taarifa iliyotiwa saina na mtu anayependekezwa au kutaka kwake kuteuliwa. Si lazima mtu anayependekezwa awe mwanachama wa Kampuni.
2. Wakati mikutano ya ana kwa ana haikuweza kufanyika kwa sababu ya Covid 19, ilibainishwa kwamba wenyehisa walihudhuria mikutano ya mtandaono mara kumi zaidi ya mikutano ya ana kwa ana. Uamuzi ulifanywa wa kufanya mkutano wa AGM mtandaoni. Hati ya Ushirika ya Kampuni inakubali mikutano ya wenyehisa kufanywa mtandaoni.
3. Mwenyehisa yeyote ambaye angependa kushiriki katika mkutano huu wa mtandaoni anapaswa kujisajili kwa ajili ya AGM kwa kufanya yafuatayo:
 - i) Kubonyeza *483*809# kwa mitandao yote na kufuata maelekezo kuhusu mchakato wa kujisajili; au
 - ii) Kutuma ombi kupitia baruapepe ili kusajiliwa kwa kenyareshares@image.co.ke
 - iii) Wenyehisa walio na anwani za barua pepe watapokea kiungo cha usajili kupitia barua pepe ambacho wanaweza kutumia kujisajili

Ili kukamilisha mchakato wa usajili, wenye hisa watahitaji nambari zao za Kitambulisho/Pasipoti iliyotumika katika ununuzi wa hisa za na /au Nambari zao za Akaunti za CDSC iliyoko. Kwa usaidizi, Wenye hisa wanapaswa kupiga nambari ifuatayo ya usaidizi: **0709 170 000/0709 170 030** kuanzia saa 3as hadi saa 10jioni kila siku ya kazi.

4. Shughuli ya kujisajili kwa AGM **itafunguliwa Alhamisi tarehe 11 Mei 2023** na **itafungwa Jumatano tarehe 14 Juni 2023 5:00 mchana.**
5. Kwa mujinu wa sehemu ya 283 (2) (c) ya Sheria ya Kampuni, hati zifuatazo zinaweza kutazamwa kwenye wavuti wa Kampuni **<https://www.kenyare.co.ke/>**:
 - (i) nakala ya Taarifa hii na fomu ya mshirika;
 - (ii) Taarifa za Kifedha Zilizokaguliwa za Kampuni za mwaka 2022

Ripoti hizi pia zinaweza kufikiwa baada ya kuombwa kwa kupiga msimbo wa USSD ulio hapo juu na kuteua chaguo la "Ripoti". Ripoti na ajenda pia inaweza kufikiwa kwenye kiungo cha kutiririsha mkutano moja kwa moja.

6. Wenye hisa ambao wangependa kuuliza maswali yoyote au ufafanuzi kuhusiana na AGM wanaweza kufanya hivyo kwa:
 - a. kutuma maswali yaliyoandikwa kupitia baruapepe kwa **Questions.Agm@kenyare.co.ke** au **kenyareshares@image.co.ke**
 - b. kadri inavyowezekana, kuleta maswali yao yaliyoandikwa wao wenyewe mahalli halisi pa kutuma au anwani ya barua pepe kwa ofisi iliyosajiliwa la Kampuni katika Jumba la Reinsurance au ofisi za Image Registrars katika orofa ya 5, Jumba la Absa (lililokuwa Jumba la Barclays), Barabara ya Loita; au
 - c. kutuma maswali yaliyoandikwa mahali halisi pa kutuma au anwani ya barua pepe kwa posta iliyosajiliwa kwenye anwani ya Kampuni kupitia S.L.P 30271 - 00100 Nairobi.

B) Wenye hisa watakuwa wamejisajili kushiriki katika mkutano huo wataweza kuuliza maswali kupitia sms kwa kubonyeza msimbo wa USSD ulio hapo juu na kuteua chaguo la (Uliza Swali) kwenye vidokezo.

Ni lazima wenye hisa watoe maelezo yao ya kina (majina kamili, Nambari ya Kitambulisho/Pasipoti/ Nambari ya Akaunti ya CDSC) wanapowasilisha maswali na ufafanuzi wao.

Ufafanuzi na maswali yote yanayofikia Kampuni kufikia Jumatano, tarehe **14 Juni 2023** saa 11:00 jioni yatajibiwa na wakarugenzi wa kampuni kufikia tarehe 16 Juni 2023. Orodha kamili ya maswali yaliyopokewa na maswali yaliyofuata baadaye yatachapishwa kwenye wavuti wa Kampuni kabla ya kuanza kwa Mkutano Mkuu. Baadhi ya maswali pia yatajibiwa wakati wa mkutano.

7. Kwa mujibu wa Sehemu ya 298(1) ya Sheria ya Kampuni, Wenye hisa Walio na haki ya kuhudhuria na kupiga kura katika AGM wana haki ya kuteua mshirika kupiga kura kwa niaba yao. Si lazima mshirika awe mwanachama wa Kampuni lakini asipokuwa Mwenyekiti wa AGM, mshirika aliyeteuliwa atahitaji idhini ya kufikia simu ya mkononi. Fomu ya mshirika imeambathishwa kwenye Taarifa hii na inaparikana kwenye tovuti ya Kampuni kupitia kiungo hiki: **www.kenyare.co.ke**. Nakala halisi za fomu ya mshirika pia zinapatikana mahali yafuatayo: Ofisi za Image Registrars Limited, orofa ya 5 Jumba la Absa (lililokuwa Jumba la Barclays), Barabara ya Loita. Fomu ya mshirika lazima itiwae saina na anayeteua au wakili wake aliyeidhinishwa kwa maandishi, au ikiwa anayeteua ni kampuni, ama chini ya muhuri au chini ya saina ya afisa au wakili aliyeidhinishwa halali na kampuni. Fomu iliyojazwa ya mshirika inapaswa kutumwa kupitia baruapepe kwa **kenyareshares@image.co.ke** au kuwasilishwa kwa Image Registrars Limited, orofa ya 5 Jumba la Absa (lililokuwa Jumba la Barclays), Barabara ya Loita, S.L.P 9287 – 00100 GPO, Nairobi, ili isifike baada ya makataa ya tarehe 14 Juni 2023 saa 5.00 asubuhi. Mtu yeyote ambaye ameteuliwa kuwa mshirika anapaswa kuwasilisha nambari yake ya simu ya mkononi au anwani ya baruapepe kwa Kampuni kufikia Jumatano tarehe **14 Juni 2023** saa 5.00 asubuhi. Mawasiliano kuhusu usajili wowote wa mshirika utakaokataliwa yatatolewa kwa wenye hisa wanaohusika mwisho tarehe **15 Juni 2023** ili kuruhusu muda wa kutatua masuala.
8. Mkutano wa AGM utaririshwa moja kwa moja kupitia kiungo ambacho kitatolewa kwa wenye hisa wote ambao wamefaulu kujisajili ili kushiriki katika Mkutano Mkuu wa Kila Mwaka. Wenye hisa waliosajiliwa halali na mashirika yatapokea ujumbe mfupi (SMS)/USSD kwenye nambari zao za simu zilizosajiliwa, saa 24 kabla ya mkutano wa AGM kuanza hii ikiwa ni kikumbusho kuhusu mkutano. Ujumbe wa pili wa SMS/USSD utatumwa saa moja kabla ya AGM, ukiwakumbusha wenye hisa na washirika waliosajiliwa halali kwamba AGM utanza baada ya saa moja na kutoa kiungo cha kutiririsha moja kwa moja.
9. Wenye hisa na washirika waliosajiliwa halali wanaweza kufikia ajenda ya AGM na kufuatilia vikao ya mkutano wa AGM kupitia jukwaa la mtiririko wa moja kwa moja. Wenye hisa na washirika waliosajiliwa wanaweza kupiga kura (mwenyekiti akiwaomba kufanya hivyo) kupitia ujumbe wa USSD na vile vile kupitia kichupo cha PIGA KURA kwenye kiungo cha kutiririsha mkutano moja kwa moja.
10. Kura ya maoni itapigwa kwa maamuzi yote yatakayowasilishwa kupitia ilani.
11. Matokeo ya AGM yatachapishwa ndani ya saa 48 baada ya kutamatika kwa AGM kwenye wavuti wa Kampuni **www.kenyare.co.ke**

KENYA REINSURANCE CORPORATION LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors submit their report together with the audited financial statements for the year ended 31 December 2022.

1. INCORPORATION AND BACKGROUND INFORMATION

The Kenya Reinsurance Corporation Limited (the "Company") is a public limited liability company reconstituted through an Act of Parliament in 1997. It was established through an Act of Parliament in December 1970 and commenced business in January 1971 as Kenya Reinsurance Corporation. The Government of Kenya owns 60% of the company while the public through Nairobi Securities Exchange owns 40%. The address of the registered office is set out on page 4.

It has three fully owned subsidiaries; Kenya Reinsurance Corporation, Cote d'Ivoire, which was incorporated on 19 September 2014, Kenya Reinsurance Corporation Zambia Limited, which was incorporated on 26 November 2015 and Kenya Reinsurance Corporation Uganda-SMC Limited, which was incorporated on 26 August 2019. Kenya Reinsurance Corporation, Cote d'Ivoire, operated as a full subsidiary starting in 2015, the Zambian subsidiary started operating in 2016, while Uganda subsidiary started operations in January 2021. The Company and its subsidiaries are referred to as the "Group".

2. PRINCIPAL ACTIVITIES

The principal activities of the Group are underwriting of all classes of reinsurance business and investment activities.

3. RESULTS

| | GROUP | | COMPANY | |
|--|------------------|------------------|------------------|------------------|
| | 2022 | 2021 Restated | 2022 | 2021 Restated |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Profit before tax | 4,586,308 | 4,267,552 | 3,957,605 | 4,066,345 |
| Income tax expense | (968,333) | (1,112,248) | (941,205) | (1,047,094) |
| Profit for the year transferred to retained earnings | 3,617,975 | 3,155,304 | 3,016,400 | 3,019,251 |

4. DIVIDENDS

The directors recommend the approval of a first and final dividend of KShs 0.20 (2021: KShs 0.10) per share totalling to KShs 560 million in respect of the year (2021: KShs 280 million).

5. DIRECTORATE

The directors who held office during the year and to the date of this report are set out on page 4.

6. BUSINESS REVIEW

We delivered on our commitment to continue growing the shareholders' value. The gross written premiums, investments income, shareholders' funds, and assets base registered growth.

Operational performance

Gross written premiums grew from KShs 20.296 billion in the year 2021 to KShs 24.980 billion in 2022. Net earned premiums increased from KShs 19.036 billion in 2021 to KShs 22.145 billion in 2022. Investment income increased from KShs 3.66 billion in the year 2021 to KShs 3.74 billion in the year 2022. The profit before tax for the year was KShs 4.59 billion, which was an increase of 7.5% compared to the profit before tax of KShs 4.27 billion for the year ended 31 December 2021.

Our accomplishments are the outcome of disciplined execution of our five-year strategy which is grounded on the following five pillars: financial performance, business process improvement, business development, risk management and people and culture.

KENYA REINSURANCE CORPORATION LIMITED
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

6. BUSINESS REVIEW (continued)

Financial overview

Financial overview of the Group continues to deliver positive results to shareholders and has maintained a good performance despite the challenging business environment experienced during the year.

Our investment portfolio grew to KShs 53.52 billion in 2022 up from KShs 49.17 billion in 2021. The asset base increased from KShs 55.63 billion in 2021 to KShs.70.13 billion in 2022, a 26% growth. The Shareholders funds increased from KShs 37.10 billion in 2021 to KShs 40.77 billion in 2022 which represented a growth of 10%.

The Key performance drivers that are responsible for positive financial state of the organization include, aggressive collection of the reinsurance receivables and real time market intelligence which guided our response to market changes and the uptake of investment opportunities.

Key performance indicators

| | 2017 KShs Millions | 2018 KShs Millions | 2019 KShs Millions | 2020 KShs Millions | 2021 KShs Millions | 2022 KShs Millions |
|----------------------|---|---|---|---|---|---|
| Gross premium | 14,827 | 14,838 | 17,521 | 18,535 | 20,296 | 24,980 |
| Net premiums written | 13,680 | 14,206 | 15,530 | 20,850 | 19,036 | 22,145 |
| Investment Income | 3,165 | 3,386 | 3,715 | 3,792 | 3,658 | 3,744 |
| Total assets | 42,733 | 44,363 | 50,361 | 53,237 | 55,634 | 70,126 |
| Shareholders' funds | 27,205 | 28,373 | 31,951 | 34,397 | 37,095 | 40,772 |
| Management Expenses | 1,709 | 2,020 | 2,043 | 1,965 | 2,096 | 1,755 |

Principal risks and uncertainties facing the Corporation.

In the course of its business operations, the Group faces key threats in meeting its business objectives. Among these are market risk exposures from its investment activities which arise due to reduced earnings on deposits with financial institutions due to interest rate capping which was repealed in November 2019, erratic prices of quoted equities and foreign exchange losses from underwriting operations in diverse regions with different currencies.

The Group faces stiff competition both in its local and international markets. There has been increasing cases of domestication of reinsurance business in some key markets, setting up of national reinsurance in countries where there were none, mergers and acquisitions, increasing retention capacity of direct underwriters reducing reinsurance premiums, creation of captive reinsurance companies which are new entrants in Group's target markets, unfavourable changes in legislation in some markets and price undercutting amongst competitors.

Delays in receiving outstanding reinsurance premiums continues to pose credit risk to the Group. This is mainly from outstanding retro recoveries as well as outstanding premium receivables from cedants and brokers. As at 31 December 2022, gross receivables excluding pipeline numbers stood at KShs 6.13 billion against provisions of KShs 3.99 billion as compared to 31 December 2021, where gross reinsurance receivables stood at KShs 5.95 billion against provisions of KShs 3.89 billion.

Underwriting risks mainly relate to the risk that underwriting costs may exceed the premiums generated from the underwriting activity. The Group's underwriting profit was Kshs 2,396 billion in year 2022 compared to KShs 3,269 billion for year 2021. The Group's claim ratio stood at 62.6% in year 2022 down from 55.9% registered in year 2021. Claims incurred in year 2022 increased by 30% to KShs 13.87 billion up from KShs 10.64 billion in 2021

KENYA REINSURANCE CORPORATION LIMITED
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

- a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and
- b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

8. SECRETARY

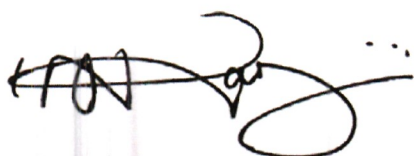
The Company's Secretary is Mr Charles Kariuki.

9. TERMS OF APPOINTMENT OF THE AUDITOR

The Auditor General is responsible for the statutory audit of the Company's books of account in accordance with Section 48 of the Public Audit Act, 2015. Section 23 of the Act empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

Deloitte & Touche LLP were appointed by the Auditor General, to carry out the audit for the year ended 31 December 2022. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KShs 15,837,180 has been charged to profit or loss in the year.

BY ORDER OF THE BOARD



SECRETARY

Nairobi

27th March 2023

CHAIRMAN'S STATEMENT

KAULI YA MWENYEKITI



It is my great pleasure and honor to present the Annual Report and Financial Statements for the year 2022.

A LOOK AT THE INDUSTRY

I would like to acknowledge the challenging times faced in the reinsurance sector globally, in Africa, and particularly in Kenya in 2022. The covid-19 pandemic, natural disasters including the prolonged drought we are witnessing, and other unforeseen events have tested our resilience as a Corporation. As the world seemed to stabilize from the pandemic, the conflict between Russia and Ukraine escalated, resulting in rapid inflation, especially in food and fuel prices. In Sub-Saharan Africa, we

Ni furaha na heshima kubwa kuwasilisha Taarifa ya Mwaka na Taarifa za Fedha kwa mwaka 2022.

KUANGALIA VIWANDA

Ningependa kutambua nyakati ngumu zinazokabiliwa katika sekta ya bima ulimwenguni, barani Afrika, na hasa nchini Kenya mnamo 2022. Janga la covid-19, majanga ya asili ikiwa ni pamoja na ukame wa muda mrefu tunaoshuhudia, na matukio mengine yasiyotarajiwa yamepima ustahimilivu wetu kama Shirika. Wakati dunia ikionekana kuimarikaze kutokana na janga la virusi vya corona, mzozo kati ya Urusi na Ukraine uliongezeka, na kusababisha mfumuko wa bei wa haraka, hasa katika bei za

continue to see an inflated debt standing at 59.5 percent of the GDP. These factors among others have resulted in decreased real incomes and an increased cost of living globally. In Kenya, the GDP is estimated to have grown at a rate of 5.1 percent, lower than the 7.5 percent growth recorded in 2021.

BUSINESS PERFORMANCE

Despite the difficult operating environment, the Corporation has managed to record impressive growth, both in terms of revenue and profitability. We have achieved this through prudent risk management, strategic investments, and a relentless focus on meeting the needs of our clients and value for our shareholders.

The reporting period was marked by the reinvigoration of various aspects of planning, strategizing and forecasting within the Corporation. During the year, we had an opportunity to carry out a comprehensive situational analysis of the business, which included a thorough examination of the implementing environment from legal, environmental, social and economic perspectives. This process was very thorough because we were in the process of developing the Corporation's strategic plan for the next five years: Kenya Re's strategic plan 2022 – 2026.

The analysis involved intensive consultative engagements with the Board of Directors, management, staff and other stakeholders and was carried out in strict compliance with the aspirations of the Constitution of Kenya, 2010.

It is imperative that we exhibit heightened levels of transparency and accountability in our efforts to address issues pertaining to social responsibility, governance, and the environment. This encompasses various aspects such as prioritizing the welfare of our employees and communities, being mindful of the state of the environment, including taking measures to combat climate change and promoting equity and diversity at the governance level. Additionally, it involves making various disclosures on these matters and others as deemed necessary.

In 2022, we achieved gross written premiums of KShs24.98 billion Kenyan shillings, which is a 23% rise from 2021. Our investment income also rose by 2.3% and total income by 15.10%. The growth in investment income was spurred by interest from fixed-income investments, and dividends.

vyakula na mafuta. Katika nchi za Kusini mwa Jangwa la Sahara, tunaendelea kushuhudia deni kubwa likisimama kwa asilimia 59.5 ya Pato la Taifa. Sababu hizi miongoni mwa nyingine zimesababisha kupungua kwa mapato halisi na kuongezeka kwa gharama za maisha duniani. Nchini Kenya, Pato la Taifa linakadiriwa kukua kwa kiwango cha asilimia 5.1, chini ikilinganishwa na ukuaji wa asilimia 7.5 uliorekodiwa mwaka 2021.

UTENDAJI WA BIASHARA

Pamoja na mazingira magumu ya uendeshaji, Shirika limeweza kurekodi ukuaji wa kuvutia, katika suala la mapato na faida. Tumefanikisha hili kupitia usimamizi wa hatari ya busara, uwekezaji wa kimkakati, na umakini usiokoma katika kukidhi mahitaji ya wateja wetu na thamani kwa wanahisa wetu.

Kipindi cha utoaji taarifa kiligubikwa na uimarishaji wa mambo mbalimbali ya kupanga, kupanga mikakati na utabiri ndani ya mzunguko wa C. Katika kipindi cha mwaka mmoja, tulipata fursa ya kufanya uchambuzi wa kina wa hali ya biashara, ambao ulihusisha uchunguzi wa kina wa mazingira ya utekelezaji kuanzia mitazamo ya kisheria, kimazingira, kijamii na kiuchumi. Utaratibu huu ulikuwa wa kina sana kwa sababu tulikuwa katika mchakato wa kuandaa mpango mkakati wa Shirika kwa miaka mitano ijayo: Mpango mkakati wa Kenya Re 2022 - 2026.

Uchambuzi huo ulihusisha ushirikiano mkubwa wa mashauriano na Bodi ya Wakurugenzi, usimamizi, wafanyakazi na wadau wengine na ulifanywa kwa kufuata matarajio ya Katiba ya Kenya, 2010.

Ni muhimu kwamba tuonyeshe viwango vya juu vya uwazi na uwajibikaji katika juhudi zetu za kushughulikia masuala yanayohusu uwajibikaji wa kijamii, utawala, na mazingira. Hii inahusisha mambo mbalimbali kama vile kipaumbelezing ustawi wa wafanyakazi na jamii zetu, kuzingatia hali ya mazingira, ikiwa ni pamoja na kuchukua hatua za kupambana na mabadiliko ya hali ya hewa na kukuza usawa na utofauti katika ngazi ya utawala. Zaidi ya hayo, inahusisha kutoa ufafanuzi mbalimbali juu ya mambo haya na mengine kama inavyoonekana kuwa muhimu.

Mnamo 2022, tulipata jumla ya malipo yaliyoandikwa ya KShshilingi bilioni 24.98 za Kenya, ambayo ni ongezeko la 23% kutoka 2021. Mapato yetu ya uwekezaji pia yaliongezeka kwa asilimia 2.3 na mapato ya jumla kwa asilimia 15.10. Ukuaji wa mapato ya uwekezaji ulichochea na riba kutokana na uwekezaji wa mapato ya kudumu, na gawio.

WHAT LIES AHEAD

As we look to the future, we remain optimistic about the opportunities that lie ahead. We believe that the Corporation is well-positioned to take advantage of emerging trends in the reinsurance sector, and we are committed to pursuing growth opportunities that will benefit our shareholders. Some of the performance drivers that have given us positive results include our professionally managed properties and high occupancy rates. We have also leveraged on timely diversification of fixed-income instruments with alpha yields, and this is a strategy that we will continue to leverage on.

IN CONCLUSION

I take this opportunity to thank my colleagues on the board for the relentless support you have continued to offer, the management team for your unfailing commitment and dedication and our shareholders for their continued faith and support of the health and growth of the business. I express sincere gratitude to all our stakeholders, suppliers and to our clients without whose support the corporation would not thrive.



Hon. Catherine Kimura
Board Chairman

KILICHO MBELE

Tunapoangalia siku zijazo, tunabaki na matumaini juu ya fursa zilizo mbele. Tunaamini kwamba Shirika limejipanga vizuri kutumia fursa ya mwenendo unaojitokeza katika sekta ya bima, na tumejipanga kutafuta fursa za ukuaji ambazo zitawanufaisha wanahisa wetu. Baadhi ya madereva wa utendaji ambao wametupa matokeo chanya ni pamoja na mali zetu zinazosimamiwa kitaaluma na viwango vya juu vya umiliki. Tumeongeza pia utofauti wa vyombo vya mapato ya kudumu na mavuno ya alpha, na huu ni mkakati ambao tutaendelea kuutumia.

KWA HITIMISHO

Nichukue fursa hii kuwashukuru wenzangu kwenye bodi kwa ushirikiano usiokoma ambao mmeendelea kutoa, timu ya menejimenti kwa kujitolea kwenu na kujitolea kwenu na wanahisa wetu kwa kuendelea kuwa na imani na msaada wa afya na ukuaji wa biashara. Natoa shukrani za dhati kwa wadau wetu wote, wasambazaji na wateja wetu bila msaada wao shirika lisingestawi.



Mheshimiwa Catherine Kimura
Mwenyekiti wa Bodi

BOARD MEMBERS PROFILES



HON. CATHERINE KIMURA, 77 – CHAIRMAN, INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Hon. Catherine Kimura joined the Board of the Corporation on 17th June 2022 and was subsequently elected the Chairman of the Board of Directors with effect from 15th July 2022.

Hon. Kimura is a specialist in Public Finance and policy and management with over 37 years' experience. She holds a Bachelor of Arts degree from the University of Nairobi, a Diploma in Tourism and International Relations (University of Paris), and a Certificate in Public Finance (University of Connecticut).

Hon. Kimura has held various positions in the government and public service including Investment Secretary - Ministry of Finance, Member of Parliament - East African Legislative Assembly (EALA) and was the first Chancellor of Multimedia University of Kenya. She has also worked as project Coordinator with the Nairobi City Council Financial Management Oversight Board and held

various positions in the Ministries of Finance, Health and Tourism & Wildlife.

She has previously served as a director of KCB Bank Kenya, KTDA, Kenya Sugar Authority, Kenya Sugar Development Fund, Mumias Sugar Company, Busia Sugar Company, KEPHIS among others. She currently serves as a Director of Old Mutual Securities Limited and has represented the Kenyan Government in various international and regional meetings and conferences.



DR. HILLARY MAINA WACHINGA, 43 - MANAGING DIRECTOR

Dr. Hillary Maina Wachinga is the Managing Director of Kenya Reinsurance Corporation Limited. He is a multiskilled strategic thinker with over 17 years of proven work experience in risk management, compliance and auditing – 16 of which have been at management level. His visionary and well-researched business solutions have maximized realization of corporate goals in entities he has worked for. His previous job of overseeing Risk & Compliance operations at Kenya Re Group gave him deep understanding of different cultures, business and regulatory environments in Africa, Middle East and Asia.

Dr. Wachinga holds a doctorate in Business Administration, Masters in Business Administration and undergraduate BSC degree in Computer Science – all from University of Nairobi. He is also a Certified Public Accountant of Kenya (CPA-K), Certified Information Systems Manager (CISM), Certified in Risk and Information Systems Control (CRISC), Certified Information Systems Auditor

(CISA), Certified Enterprise Risk Manager (CERM) and Certified Compliance Analyst (CCA). In addition, he has certificates in insurance proficiency (COP) from College of Insurance, project management from Strathmore University and corporate governance from Centre of Corporate Governance.

Dr. Wachinga's key skills include corporate strategic planning, executive leadership, networking, coaching and mentorship, emotional intelligence skills, communication, budget development and implementation, board reporting, relationship management with key stakeholders and capacity building. He has industry knowledge and experience in various sectors – financial auditing, Banking, Insurance, Reinsurance, Investment, Project Management and Cybersecurity.

Dr. Wachinga is a flexible and adaptable corporate leader with demonstrable success in strategic planning and implementation, project management, financial management, auditing and risk management. He has been involved in successful implementation of core business IT systems as well as automation of Internal Audit, Risk Management and Compliance Management functions. He has been involved in board trainings through ICPAK, is a current part-time lecturer at Strathmore Business School, an avid golfer and a poet. He is a member in good standing of ICPAK, ISACA and both Royal Nairobi Golf Club & Nairobi Club.

BOARD MEMBERS PROFILES



PROF. NJUGUNA NDUNG'U, CABINET SECRETARY, NATIONAL TREASURY AND ECONOMIC PLANNING , 63 – NON-EXECUTIVE DIRECTOR

Prof. Njuguna Ndung'u is the Cabinet Secretary, National Treasury & Economic Planning. He was appointed Cabinet Secretary by President William Samoei Ruto on September 27, 2022. Prior to the current appointment, Prof. Ndung'u was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, trainers, students, universities, policy makers and international resource persons. He is an associate professor of economics at the University of Nairobi, Kenya and the immediate former Governor, Central Bank of Kenya.

Prof. Ndung'u has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Program specialist at IDRC and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis. He holds a PhD in economics from University of Gothenburg, Sweden. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion, that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF-based Better Than Cash Alliance.



MR. ERIC KORIR, 55 – ALTERNATE DIRECTOR TO CS, NATIONAL TREASURY AND ECONOMIC PLANNING

Mr. Eric Korir is the alternate director to the Cabinet Secretary, National Treasury and Economic Planning. He is a proficient supply chain practitioner with vast experience in both the public and private sector. He is currently the Director of Public Procurement at the National Treasury handling policy, research, legal framework and technical matters in the public-sector procurement for both National and County Governments. Mr. Korir holds a Bachelor of Arts degree from the University of Nairobi, a Master of Business Administration in Strategic Management from Moi University and a Diploma in Supply Chain Management from the Chartered Institute of Purchasing and Supply (UK). He is a Member of the Chartered Institute of Purchasing and Supply, Kenya Institute of Supply Management and the Institute of Transport and Logistics.



MRS. THAMUDA OMAR HASSAN, 70 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mrs. Hassan joined the Board of the Corporation on 14th June 2019. She holds a Bachelor of Arts degree in Economics and Sociology from the University of Nairobi. She started her career in the Central Bank of Kenya in 1976 as a Graduate Trainee and was promoted to Senior Superintendent in Charge of Estates in 1981. She moved up the ranks to be the Branch Manager in Mombasa where she took voluntary early retirement in 1999. Mrs. Hassan has attended various courses in management, finance, public procurement, corporate governance and leadership over the years. She also served as a Director at the Retirement Benefits Authority from 2007 to 2015.

BOARD MEMBERS PROFILES



MR. ERICK ONYANGO GUMBO, 45 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. Gumbo joined the Board of the Corporation on 14th June 2019. Mr. Gumbo holds a bachelor's degree in law from Moi University. He is an Advocate of the High Court, a commissioner for oaths, notary public and a Member of the Chartered Institute of Arbitrators. Mr. Gumbo is currently the Managing Partner at Gumbo and Associates Advocates and a consultant for the National Land Commission, the Independent Electoral & Boundaries Commission and the Kenya Commercial Bank. He is also the Board Chairperson for the Legal Aid Centre for Eldoret. He is a trial lawyer and is also engaged in dispute resolution as well as being a transactional adviser for international commercial transactions.



MR. MICHAEL OMBABAH MONARI, 60 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. Monari joined the Board of the Corporation on 9th October 2020. He holds an MBA from Heriott-Watt University, A Master of Science (MSc) in Finance from Irish International University and an Executive MSc in Global Management from the University of Salford.

Mr. Monari is a career banker with a long career. He was the Managing Director and CEO of International Trust Bank Plc, Nigeria from 2001 to 2005, Regional Manager, West and Central Africa, African Management Services Company upto September 2007, Project Manager, East Africa, Ecobank Group 2007 -2008, Executive Director, Ecobank Kenya Limited from 2008 to July 2011 when he moved to Uganda as the Managing Director Ecobank Uganda Limited upto September 2015. In September 2015 he founded Longitude Finance where he is the Chief Executive Officer to date.

Mr. Monari is the Chairman of Impala Club, Treasurer of Steve Adam Foundation (NGO) and a sub-committee member Nairobi Club.



AMBASSADOR PETER OLOISHORUA OLE NKURAIYA, CBS, 65 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Amb. Ole Nkuraiya joined the Board of the Corporation on 9th October 2020. He holds an Executive Master of Business Administration from the Jomo Kenyatta University of Agriculture and Technology, a Bachelor of Arts degree in Political Science and Sociology and Post Graduate Diploma in International Relations both from the University of Nairobi. He began his career in the Ministry of Foreign Affairs as a Third Secretary in 1982 and moved up the ranks to serve in numerous diplomatic missions around the world. He has more recently served as the Vice Chairperson of the Public Service Commission from 2013 – 2019 and its Acting Chairperson between January – August 2018, Secretary/Chief Executive Officer of the Commission for the Implementation of the Constitution (CIC) from May 2012 – January 2013, Executive Director of

the NGOs Co-ordination Board between 2009 – 2012, Permanent Secretary in the Ministry of East African Community from 2004 – 2006 and Permanent Secretary in the Ministry of Foreign Affairs and East Africa Cooperation from 2003 – 2004.

Mr. Ole Nkuraiya was honored with the award of the Chief of Order of the Burning Spear (CBS).

BOARD MEMBERS **PROFILES**



DAVID MUTHUSI MUTUKU, 49 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. David Muthusi joined the Board of the Corporation on 30th June 2021. He holds an MBA in Finance and a Bachelor of Commerce degree in Accounting from the University of Nairobi Business school. He is a Certified Public accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). David has over 20 years of experience in Finance and management, spanning various industries in international and multi-cultural environments and has a proven track record of building competent teams, improving performance and managing big ticket investments and projects in several African Countries.

David is a Financial Management expert at the African Development Bank where he leads the financial management and fiduciary services for the Bank's portfolio in Kenya and Uganda.

David who has worked in 14 countries in Africa, also oversees the audit exercise for the Bank's projects and investments in these two Countries. Previously, he worked at the Bank's Headquarters in the Finance Complex, as the Regional Finance Director for WWF in East Africa and as the Head of Finance at Nation Media Group in Tanzania.



MR. JAMES IRUNGU KIRIKA, 65 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. Kirika joined the Board of the Corporation on 30th June 2021. He holds a Master of Business (Finance & Strategy) degree from Fontbonne College, US and a Bachelor of Arts (Economics & Finance) from the University of Nairobi. He is a member of the Chartered Institute of Purchasing & Supplies (MCIPS) UK. As an Operational Excellence(OpEx) Specialist, Mr Kirika has conducted several Lead Trainer/ Consultant assignments with various organizations including University of Nairobi Enterprise Services (UNES) since 2020, Central Bank of Kenya from 2017 –2018 and Kenya Wine Agencies in 2017. Mr Kirika also served in the Technical working Team in formulation of draft Public Service Transformation framework incorporating OpEx as a pillar. He also served as Resource Person on OpEx with the National Productivity Centre at the Ministry of Labour and East

African affairs, Ministry of Public Service Youth & Gender and Ministry of Devolution & Planning in 2016. Mr Kirika has also been involved in Project management while as Principal Partner with Jik Merc Ltd from 2006 – 2013, Associate Consultant for First Africa Consulting Consortium from 2003-2006. Between 1998-2002, Mr kirika had relocated to the US where between studies, he worked for Meryll Lynch and Standard & Poors. Upon graduation from University of Nairobi, he worked for Kenya Power & Lighting Co Ltd for 13 years and with Research international for an additional 2 years.

BOARD MEMBERS **PROFILES**



MS. EUNICE NYALA, 59 - INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Ms. Nyala joined the Board of the Corporation on 17th June 2022. She is a holder of Master of Science in Marketing (MSc) from University of Glamorgan, Wales UK and Post-graduate Diploma from Chartered Institute of Marketing, (CIM) UK. She is a certified Executive Coach Practitioner from Academy of Executive Coaching (AoEC), UK being a diploma holder in this field. In addition, she is a Vital Voices Leadership Fellow and a member of WCD Global, the world's largest membership organization of women directors. She is an alumna of Strathmore University Business School, Women Directors Leadership Summit (WDLS), a corporate governance program in partnership with Cranfield University, UK.

She has 27 years of commercial financial services, leadership experience and executive coaching having worked for multi-national organizations in the corporate sector, with a great track record of 'Firsts' that have remained key milestones in her corporate career. She worked at Absa Bank Kenya Ltd (formerly Barclays Bank Kenya), Barclays Bank Head Office in London, UK and Barclaycard International where she was responsible for a number of countries in Africa. She later worked for G4S Kenya at executive level as Commercial Director.

Eunice is an adjunct Executive Coach at Strathmore University Business School and a seasoned entrepreneur in niche sectors, with focus on corporate soft skills development. She has been instrumental in the training of ambassadors & diplomats at Foreign Service Academy, Ministry of Foreign Affairs. She previously served as Business Advisor Goldman Sachs 10K Women program at United States International University (USIU) Africa, offering business advisory services to entrepreneurs. Her entrepreneurship skills drawn from Babson College, USA and MCTC Israel.

She has a number of past and active roles on board service as both Chair and Non- Executive Director (NED) for financial institutions, global listed companies and Not- For-Profit organizations, being an alumni of corporate governance training. She is a member of Kenya Private Sector Alliance (KEPSA) Foundation where she serves on the Anti-Corruption Multi Sectorial Steering Committee.



MR. ROBERT K WARUIRU, 45 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. Waruiru joined the Board of the Corporation on 17th June 2022. He holds a Bachelor of Laws (LL.B) Degree from the University of Nairobi, Diploma from Kenya School of Law (Dip. KSL) and he is also an Advocate of the High Court of Kenya. Robert is also a Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK). He is a seasoned tax expert with extensive experience in the provision of tax controversy and dispute resolution services, general and specialized tax compliance and optimization reviews, cross-border transaction advisory and international tax advisory services. Robert also chairs ICPAK's Public Finance & Taxation Committee and is a regular facilitator in ICPAK training forums. He is also a Director of Umthelela, a not-for-profit organization that impacts the community by providing interventions in education and health.



MR. CHARLES KARIUKI – CORPORATION SECRETARY

Mr. Charles Kariuki joined the Corporation on July 10, 2013 as the Manager-Legal. He held a similar position at the National AIDS Control Council and is an Advocate of the High Court of Kenya of over 10 years standing. He holds a Bachelor of Laws (LL.B) Degree from Moi University, a Diploma in law from the Kenya School of Law and is a registered Certified Public Secretary.

MANAGING DIRECTOR'S STATEMENT

KAULI YA MKURUGENZI MTENDAJI



I am pleased to present to you the Annual Report and Group Financial Statements for Kenya Reinsurance Corporation Ltd, for the year ended 31st December 2022.

Ni furaha yangu kuwapa Ripoti ya Kila Mwaka na Taarifa za Kifedha za Kampuni ya Kenya Reinsurance Corporation Ltd, za mwaka ulioisha tarehe 31 Desemba, 2022.

EXTERNAL ENVIRONMENT

2022 was a difficult year on the economic front; International Monetary Fund reported a slowdown of the global GDP, which fell 3.2% in 2022 compared to 6% in 2021. This slump has been attributed to factors such as rising inflation, higher interest rates, shocks from the Russia-Ukraine war, and worsening liquidity in emerging economies and frontier markets. The growth rate in Sub-Saharan Africa also decelerated across the regions due to reduced investments and declined exports.

MAZINGIRA YA NJE

Mwaka 2022 ulikuwa ni mwaka mgumu kiuchumi, Shirika la Fedha Duniani (IMF) liliripoti kupungua kwa GDP ya dunia ambayo ilikuwa 3.2% mwaka 2022 ikilinganishwa na 6% mwaka wa 2021. Kupungua huku kumehusisha na vigezo kama vile mfumuko wa bei ya bidhaa, viwango vya juu vya riba, matatizo yanayotokana na vita vya Urusi na Ukraine na hali inayozidi kuwa mbaya ya ukosefu wa pesa talsimu katika uchumi unaoibuka na mosoko makuu. Kiwango cha ukuaji Kusini wa Jangwa la Sahara pia kimepungua kote katika ukanda huu kwa sababu ya kupungua kwa uwekezaji na bidhaa zinazotumwa nje ya nchi kukataliwa.

Regarding access to insurance, the African market is expected to grow at the compounded average growth rate of 7.1% between 2022 and 2028. The value of the market in 2022 was \$81.6 billion which is set to reach \$123.8 billion in 2028. This growth will be mainly driven by elevated insurance penetration from increased awareness of benefits of insurance, favourable market conditions and use of technology in distribution of insurance.

In the domestic market, direct insurance grew by 12.2% from KShs 276 billion registered in FY21 to KShs 309.8 billion in FY22. The long-term business grew by 13.9% while the short-term business grew by 10.9%. Based on retention ratios of 91.4% and 71.1% for long and short term business respectively for FY22, the implied retroceded premium grew by 11.5% from KShs 54.7 billion posted in FY21 to KShs 60.9 billion in FY22. Domestically, insurance penetration has remained low at 2.3% as at FY21. The rate is estimated to have marginally increased to 2.4% in FY22 **(Kenya Re's own computation based on industry statistics)**. This penetration has not significantly changed between the period FY17 and FY20 where the rate has averaged 2.2-2.5%. We remain hopeful that with the heightened focus on inclusive insurance, the penetration will continue to improve.

Source: Africa Insurance Market: Industry Trends, Share, Size, Growth, Opportunity and Forecast 2023-2028 (IMARC Group) & IRA Kenya Fourth quarter 2022 Release of Insurance industry report

The Corporation realised an after-tax profit of KShs 3.6 billion for the year ended 31st December 2022, representing a 15% growth compared to 2021 full-year results of KShs 3.2 billion.

The Corporation's gross written premiums (GWP) grew by 23% to stand at KShs 24.98 billion while net earned premiums grew by 16% to stand at KShs 22.15 billion compared to last year's KShs 19.04 billion. Overall, Corporation's gross revenue rise by 15% to KShs 26.68 billion from GWP and investment income. This commendable performance was largely driven by continued improvement in our underwriting practices, enhanced customer-centricity, intensified market engagements for visibility, and diversification by products and markets. Other key drivers include the speedy processing of fully supported claims, inculcating positive culture to support service delivery, an enhanced partnership with cedants, and intermediaries as well as market development and segmentation.

The Corporation managed to lower its operational costs and provisions for doubtful debts due to prudent management of receivables. Collection of receipts rose by 3.8% to KShs 7.7 billion while debtor days decreased from 540 to 360 days. Receivable balances increased to KShs 6.9 billion in FY22 from KShs 6.1 billion in FY21.

Kuhusiana na ufikiaji wa bima, soko la Afrika linatarajiwa kukua kwa kiwango cha ukuaji cha wastani cha 7.1% kati ya 2022 na 2028. Thamani ya soko mwaka 2022 ilikuwa bilioni \$81.6 ambayo inatarajiwa kufika bilioni \$123.8 mwaka 2028. Ukuaji huu unasababishwa hasa na ongezeko la idadi ya watu wanoachukua huduma za bima kutokana na kuongezeka kwa uhamasisho kuhusu manufaa ya bima, hali bora za soko na matumizi ya teknolojia katika usambazaji wa bima.

Katika soko la nyumbani, bima ya moja kwa moja ilikuwa kwa 12.2% kutoka bilioni Kshs.267 iliyorekodiwa katika Mwaka wa Kifedha FY21 hadi bilioni Kshs.309.8 katika Mwaka wa Kifedha FY22. Biashara ya muda mrefu ilikua kwa 13.9% huku biashara ya muda mfupi ikikua kwa 10.9%. Kulingana na uwiano wa ubakishaji wa 91.4% na 71.1% kwa biashara za muda mrefu na za muda mfupi mtawalia kwa FY22, viwango vya malipo ya bima kutokana na uwiano huo vilikuwa kwa 11.5% kutoka bilioni Kshs. 54.7 iliyoripotiwa katika FY21 hadi bilioni Kshs. 60.9 katika FY22. Kindani, upenyaji wa huduma za bima bado uko chini kwa kiwango cha 2.3% kufikia FY21. Kiwango hiki kinakadiriwa kuuongezeza hadi 2.4% katika FY22 **(hesabu za Kenya Re binafsi kulingana na takwimu za sekta)**. Upenyaji huu haujabadilika pakubwa kati ya kipindi cha FY17 na FY20 ambapo kiwango hicho kimekuwa cha wastani ya 2.2-2.5%. Tunaendelea kuwa na matumaini kwamba tunavyoendelea kutilia maanani bima jumuishi, upenyaji huu utandelea kuimarika.

Chanzo: Soko la Bima la Afrika: Mambo Yanayovuma katika Sekta, Mgao, Ukubwa, Ukuaji, Fursa na Utabiri mwaka 2023-2028 (IMARC Group) na Toleo la robo ya Nne ya 2022 ya IRA Kenya kuhusu ripoti ya sekta ya Bima

MATOKEO YA KIFEDHA

Shirika hili lilipata faida ya baada ya ushuru ya bilioni KShs 3.6 kwa mwaka uliokamilika tarehe 31 Desemba 2022, inayowakilisha ukuaji wa 15% ikilinganisha na matokeo ya mwaka mzima ya 2021 ambayo yalikuwa bilioni KShs 3.2.

Kiwango cha jumla cha malipo ya bima ya Shirika (GWS) kilikua kwa 23% na kufika bilioni Kshs. 24.98 huku malipo yaliyopatikana baada ya makato yakikuwa kwa 16% na kufika bilioni Kshs. 22.15 ikilinganisha na bilioni Kshs. 19.04 za mwaka jana. Kwa jumla, jumla ya mapato ya Shirika ilikua kwa 15% hadi bilioni KShs 26.68 kutokana na GWP na mapato ya uwekezaji. Matokeo haya mazuri yalisababisha pakubwa na kuendelea kuimarika kwa shughuli zetu za kutathmini hatari ya kutoa sera ya bima kwa wateja, kuongeza shughuli za kushirikisha zaidi za utafutaji soko zinazomlenga mteja zaidi kwa ajili ya kupata uonekanaji na kupanua mawanda ya bidhaa na masoko. Vigezo vinavyotupa msukumo ni pamoja na uchakataji haraka wa madai yaliyoungwa mkono kikamilifu, kutekeleza utamaduni chanya na kuwezesha uwasilishaji wa huduma, ushirikiano wa kina na wateja wetu wanaotwika madai na washirika wa katikati pamoja na maendeleo na ugavi wa soko.

On the capital management side, there was a marginal growth in retained earnings from KShs 22.3 billion in FY21 to KShs 24.9 billion in FY22 driven by increased profitability. Reserves rose from KShs 7.8 billion in FY21 to KShs 8.8 billion in FY22 while net assets grew to KShs 40.7 billion in FY22 from KShs 37.1 billion in FY21. This was mainly driven by growth in total assets.

MARKET AND PRODUCT DEVELOPMENT

The 2022 business strategy was guided by the Corporation's 2022 – 2026 Strategic Plan under the theme: driving value creation. The strategy is guided by several pillars, including growing shareholder value, improving customer centricity and analytics capabilities, leveraging technology to improve processes, growing market share, strengthening human resource capacity and governance practices, and enhancing risk management.

In 2022, the Corporation's reach was 482 insurance businesses distributed throughout 84 countries in Africa, the Middle East, and Asia. Africa remained the primary market, with Kenya being the year's largest single market. Through the subsidiaries in Zambia, Côte d'Ivoire and Uganda, the Corporation implemented a regional strategy for service delivery across the continent.

FINANCIAL, CREDIT RATING AND ISO CERTIFICATIONS

AM Best revised the Corporation's outlook of the Long-Term Issuer Credit Rating (Long-Term ICR) to stable from negative and affirmed the Financial Strength Rating (FSR) of B (Fair) and the Long-Term ICR of "bb+" (Fair). The outlook of the FSR was also rated stable. The revision of the Long-Term ICR outlook to stable followed corrective actions initiated by management in 2020, which AM Best expects to lead to more stable underwriting performance. The Corporation's strategic initiatives include the non-renewal of its highly unprofitable crop business originating from the Indian subcontinent, an increased focus on underwriting discipline and a strengthening of credit control procedures.

During the same period, Global Credit Rating (GCR) affirmed the Corporation's International scale financial strength rating of B and the national scale financial strength rating of AA+ (KE). Both ratings were on stable outlook.

In addition, we have maintained ISO 27001:2013 and ISO 9001:2015 certifications, and improved data and cyber security over the reporting period.

Shirika hili liliweza kupunguza gharama za kuendesha shughuli zake kutoa fursa kwa madeni yanayotiliwa shaka kutokana na usimamizi wa mapato kwa uadilifu. Ukusanyaji wa risiti iliongezeka kwa 3.8% hadi bilioni KShs.7. huku siku za tunawadai zikipungua kutoka 540 hadi 360. Masalio yanayostahili kupokewa yaliongezeka hadi bilioni KShs 6.9 katika FY22 kutoka bilioni KShs 6.1 katika FY21.

Upande wa usimamizi wa mtaji, kulikuwa na ukuaji mdogo katika mapato yaliyobakizwa kutoka bilioni KShs. 22.3 katika FY21 hadi bilioni KShs 24.9 katika FY22 hali iliyosababishwa na ongezeko la faida. Akiba ilikua kutoka bilioni KShs 7.8 katika FY21 hadi bilioni KShs 8.8 katika FY22 huku thamani ya jumla ya mali ikikua hadi bilioni KShs 40.7 katika FY22 kutoka bilioni KShs 37.1 katika FY21. Hii ilisababishwa hususan na ukuaji katika jumla ya mali.

MAENDELEO YA SOKO NA BIDHAA

Mkakati wa kibiashara wa 2022 uliongozwa na Mpango wa Kimkakati wa Shirika wa 2022 – 2026 chini ya kaulimbiu: **kusababisha uundaji wa thamani**. Mkakati huo uliongozwa na nguzo kadhaa, ikijumuisha ukuaji wa thamani ya wenyehisa, uwezo unaoimarika wa kulenga wateja na wa takwimu, kutumia teknolojia kuboresha michakato, mgao wa soko unaokua, kuimarika kwa uwezo wa wafanyakazi na matendo ya usimamizi na kuimarisha udhhibiti wa hatari.

Mwaka wa 2022, Shirika hili lilikuwa limefikia biashara 482 za bima zilizo kote katika nchi 84 za Afrika, Mashariki ya Kati na Asia. Afrika ilisalia kama soko la msingi, huku Kenya ikiwa soko moja kubwa zaidi la mwaka. Kupitia kampuni tanzu zilizo Zambia, Kodivaa na Uganda, Shirika hili lilitekeleza mkakati wa kikanda wa uwasilishaji wa huduma kote barani.

VYETI VYA KIFEDHA, UKADIRIAJI WA MKOPO NA ISO

AM Best ilibadilisha mwonekano wa Shirika wa Long-Term Issuer Credit Rating (ICR ya Muda Mrefu) kutoka hasi hadi thabiti na kutoa hakikisho la Ukadiriaji wa Uwezo wa Kifedha (FSR) wa B (Sawa) na ICR ya muda mrefu ya "bb+" (Sawa). Mwonekano wa FSR pia ulikadiriwa kuwa thabiti. Kubadilishwa kwa mwonekano wa ICR ya Muda Mrefu hadi thabiti ulifuatia hatua zilizoanzishwa na usimamizi mwaka 2020, ambayo AM Best inatarajia kusababisha utendaji thabiti zaidi wa hatari. Mipango ya kimkakati ya Shirika hili inajumuisha kutoendeleza biashara yake ya mazao isiyo ya faida ya inayotokana na bara dogo la India, na kutilia maanani zaidi kitengo cha hatari na kuimarishwa kwa taratibu za kudhibiti mkopo.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Corporation has enhanced brand awareness via well-known corporate citizenship flagship Corporate Social Responsibility (CSR) programme - Niko Fiti. The programme has now been revamped to include 3 pillars: education, environment, and community support.

Under the 1st pillar of education, **Niko Fiti** will continue to support access to education for special needs students in our community. In the 2nd pillar (environment), the Corporation intends to plant 10,000 trees in partnership with the Kenya Forest Service (KFS). This will be a continued effort to improve forest coverage in the country. Lastly, under the 3rd pillar of community support, the Corporation will partner with Association of the Physically Disabled in Kenya (APDK) to provide over 900 mobility and assistive devices to persons with disability. In 2022, the programme benefited 634 persons who were issued with 969 assistive and mobility devices.

Looking ahead, I am confident that we are well placed to expand our business footprint, scale our reinsurance products in markets, make them attractive for investment and make strategic steps to outperform the industry via unique product offerings.

THE WAY FORWARD

According to World Bank, the global GDP is projected to grow by 1.7% in 2023 while advanced economies are projected to slow from 2.5% in 2022 to 0.5% in 2023. The emerging market and developing economies growth is projected to average 2.8% in 2023. These growth rates are lower than earlier projected largely driven by key concerns such as Russia's invasion of Ukraine, macroeconomic and monetary policy tightening to reduce inflation, supply chain disruptions from geopolitical conflicts, increases in oil and food prices, rising interest rates, tightening of global financial conditions, sovereign borrowing rates and elevated debt levels which have sharply reduced fiscal space, especially within the African continent.

Locally, the insurance space is experiencing a technology revolution. This revolution has helped insurers to manage claims in a better way and provide a personalised experience to customers. The use of technology is now being applied across the entire insurance value chain from product innovation to underwriting, and distribution.

At Kenya Re, we continue to leverage on technology to improve our customer service, business processes and outcomes. This is through automation of core business processes, financial management, support functions, document management and data analytics. In addition, the Corporation is keen in proactively complying with emerging and regulatory requirement in all our

Katika kipindi hicho, Shirika la ukadiraji wa mikopo la Global Credit Rating (GCR) ilithibitisha uwezo wa kifedha wa viwango vya kimataifa wa Shirika hili vya B na ukadiraji wa uwezo wa kifedha wa kiwango cha kitaifa cha AA+ (KE). Viwango hivyo viwili vilikuwa na mwonekano thabiti

Kando na hayo, tumedumisha vyeti vya ISO 27001:2013 na ISO:9001:2015, na kuimarika kwa usalama wa data na mtandao katika kipindi kinachoripotiwa.

UWAJIBIKAJI WA KIJAMII WA SHIRIKA (CSR)

Shirika hili limeboresha ufahamu kuhusu chapa kupitia mpango maarufu wa uraia wa shirika wa Uwajibikaji wa Kijamii wa Shirika (CSR) maarufu kama - **Niko Fiti**. Mpango huu sasa umeboresha na kujumuisha nguzo 3: elimu, mazingira na usaidizi kwa jamii.

Katika nguzo ya 1 ya elimu, **Niko Fiti** itaendelea kufadhili ufikiaji wa elimu kwa wanafunzi wenye mahitaji maalum katika jamii yetu. Katika nguzo ya 2 (mazingira), Shirika hili linanuiwa kupanda miti 10,000 kwa ushirikiano na Huduma ya Misitua ya Kenya (KFS). Hii itakuwa ni juhudi zinazoendelea za kuboresha eneo lililo chini ya misitu nchini. Mwisho, katika nguzo ya 3 ya kusaidia jamii, Shirika hili litashirikiana na Shirikisho la Watu Wanaoishi na Ulemavu nchini Kenya (APDK) ili kutoa zaidi ya vifaa 900 vya kutembelea na usaidizi kwa watu wanaoishi na ulemavu. Mwaka 2022, mpango huo ulinufaisha watu 634 ambao walipewa vifaa 969 vya usaidizi na kutembelea.

Tukitafakari mbele, ninaimani kwamba tuko katika nafasi nzuri ya kupanua alama yetu ya biashara, kuimarisha bidhaa zetu za bima katika masoko, kuzifanya ziwe za kuvutia kwa wawekezaji na kuchukua hatua za kimkakati kutia fora katika sekta hii kupitia ofa maalum za bidhaa.

MUSTAKABALI

Kulingana na Benki ya Dunia, GDP ya ulimwengu inatarajiwa kukua kwa 1.7% mwaka 2023 huku uchumi ambao umeendelea ukitarajiwa kupungua kutoka 2.5% mwaka 2022 hadi 0.5% mwaka 2023. Soko ibuka na ukuaji unaondelea wa uchumi inatarajiwa kuwa wastani ya 2.8% mwaka 2023. Viwango hivi vya ukuaji ni vya chini kuliko vilivyotarajiwa hapo awali kwa sababu ya wasiwasi mkubwa kama vile Urusi kuvamia Ukraine, sera ya uchumi mdogo na wa kifedha inayopunguza mfumuko wa bei, kuvurugika kwa mkondo wa usambazaji wa bidhaa kutokana na migogoro inayotokana na siasa za dunia, kuongezeka kwa bei za mafuta na vyakula, kupanda kwa viwango vya riba, hali za kifedha za dunia kuwa ngumu, viwango vya ukopaji huru na viwango vya juu vya madeni hali ambayo imepunguza sana mazingira ya kifedha hususan ndani ya bara la Afrika.

Humu nchini, sekta ya bima inapitia mageuzi ya kiteknolojia. Mageuzi haya yamesaidia kampuni za bima kudhibiti madai

key markets. For instance, the Corporation has fully met solvency requirements and is now at the tail end of implementation of IFRS 17 and has since implemented IFRS 4 Standard.

IN CONCLUSION

I wish to thank the shareholders for the confidence you have in the Corporation and continued quest to derive value from your investments. I also thank the Board of Directors led by the Chairman for their support and guidance in steering the ship. I also wish to appreciate members of Management and staff of Kenya Re without whom, these results would not be possible. Thank you all and God bless you.



Dr. Hillary Maina Wachinga

Managing Director

kwa njia bora na kutoa hali ya kipekee ya matumizi kwa wateja. Matumizi ya teknolojia sasa inatekelezwa kwenye mkondo mzima wa thamani katika sekta ya bima kuanzia uvumbuzi wa bidhaa hadi kutathmini hatari na usambazaji.

Hapa Kenya Re, tunaendelea kutumia teknolojia kuboresha huduma zetu kwa wateja, michakato ya biashara na matokeo. Hii ni kupitia kuweka michakato mikuu ya biashara, usimamizi wa kifedha, vipengee vya usaidizi, usimamizi wa hati na uchanganuzi wa data kufanyika kiotomatiki. Vilevile, Shirika hili linatilia maanani kuendelea kutii mahitaji ibuka na ya kiudhibiti katika masoko yetu yote muhimu. Kwa mfano, Shirika hili limetimiza mahitaji yote ya kulipa madeni yetu na mahitaji mengine na sasa tupo katika hatua za mwisho za kutekeleza IFRS 17 na tumetekeleza Viwango vya IFRS 4.

KUHITIMISHA

Ningependa kushukuru wenyehisa kwa kuwa na imani na Shirika na kuendelea kuwa na matamano ya kuleta thamani kutokana na uwekezaji wenu. Pia ninashukuru Bodi ya Wakurugenzi ikiongozwa na Mwenyekiti wake kwa kuendelea kutusaidia na kutuongoza katika kuendesha chombo hiki. Pia ningependa kushukuru wanachama wa Usimamizi na wafanyakazi wa Kenya Re ambao bila wao, matokeo haya hayangewezekana. Asanteni na Mungu awabariki.



Dkt. Hillary Maina Wachinga
Mkurugenzi Mtendaji

MANAGEMENT TEAM **PROFILES**



DR. HILLARY M. WACHINGA -MANAGING DIRECTOR

Dr. Hillary Maina Wachinga is the Managing Director of Kenya Reinsurance Corporation Limited. He is a multiskilled strategic thinker with over 17 years of proven work experience in risk management, compliance and auditing – 16 of which have been at management level. His visionary and well-researched business solutions have maximized realization of corporate goals in entities he has worked for. His previous job of overseeing Risk & Compliance operations at Kenya Re Group gave him deep understanding of different cultures, business and regulatory environments in Africa, Middle East and Asia.

Dr. Wachinga holds a doctorate in Business Administration, Masters in Business Administration and undergraduate BSC degree in Computer Science – all from University of Nairobi. He is also a Certified Public Accountant of Kenya (CPA-K), Certified Information Systems Manager (CISM), Certified in Risk and Information Systems Control (CRISC), Certified Information Systems Auditor

(CISA), Certified Enterprise Risk Manager (CERM) and Certified Compliance Analyst (CCA). In addition, he has certificates in insurance proficiency (COP) from College of Insurance, project management from Strathmore University and corporate governance from Centre of Corporate Governance.

Dr. Wachinga's key skills include corporate strategic planning, executive leadership, networking, coaching and mentorship, emotional intelligence skills, communication, budget development and implementation, board reporting, relationship management with key stakeholders and capacity building. He has industry knowledge and experience in various sectors – financial auditing, Banking, Insurance, Reinsurance, Investment, Project Management and Cybersecurity.

Dr. Wachinga is a flexible and adaptable corporate leader with demonstrable success in strategic planning and implementation, project management, financial management, auditing and risk management. He has been involved in successful implementation of core business IT systems as well as automation of Internal Audit, Risk Management and Compliance Management functions. He has been involved in board trainings through ICPAK, is a current part-time lecturer at Strathmore Business School, an avid golfer and a poet. He is a member in good standing of ICPAK, ISACA and both Royal Nairobi Golf Club & Nairobi Club.



MICHAEL MBESHI- GENERAL MANAGER, PROPERTY & ADMINISTRATION

Mr. Mbeshi joined Kenya Reinsurance Corporation Limited on 19th October 1994 as a Premises Officer and was deployed to Property Department. He has risen through the ranks to his current position of General Manager, Property and Administration. Mr. Mbeshi holds a Bachelor of Arts (Land Economics) from the University of Nairobi. He is a full member of the Institute of Surveyors of Kenya and the Kenya Institute Management as well as the Institute of Directors. He is a holder of MBA from ESAMI (East and Southern Africa Management Institute). Prior to joining Kenya Re Mr. Mbeshi had worked as an Urban Valuer with the Ministry of Lands. He is a member of the Board of Trustees of Kenya Re Pension Scheme. He has over 27 years working experience.



MRS. BETH NYAGA- GENERAL MANAGER, REINSURANCE OPERATIONS

Mrs. Nyaga is the General Manager, Reinsurance Operations. She joined the Corporation several years ago as a Management trainee. She rose through the ranks to the current position which she has been holding since 2010. She has a wide range of experience in insurance and reinsurance related fields. She also spearheads the arrangement of retrocession protection for the Corporation. During her career she has contributed immensely to capacity development through reinsurance/ insurance related technical seminars in Kenya and outside. She holds a Bachelor of Commerce (B.COM) (HONS.) degree from the University of Nairobi and as well as a Master of Business Administration (MBA) degree from the East and Southern Africa Management Institute. She is a Fellow and an Associate of the Chartered Insurance Institute of London (FCII & ACII) and the Insurance Institute of Kenya (IIK). She is also a Chartered Insurer.



MRS. JACQUELINE NJUI –GENERAL MANAGER, FINANCE & INVESTMENTS

Mrs. Njui is the General Manager, Finance & Investments. She joined the Corporation on 3rd October 1994 as an Accountant and rose through the ranks to the current position. She is the Pension Fund Secretary of the Kenya Re Pension Scheme. She has a total of twenty-nine (29) years of working experience twenty four (24) of those at Kenya Re. She sits in the Zep Re board as an alternate director. Prior to joining the Corporation Mrs. Njui worked for the University of Nairobi. Jacqueline graduated from the University of Nairobi with a Bachelor of Commerce degree (Accounting option) Hons in the year 1988. She is a Certified Public Accountant Kenya CPA (K) and a registered member of the Institute of Certified Public Accountants (ICPAK). She is a Certified Securities Investments Analyst part 2 finalist (CSIA 2) and holds a Master of Business Administration (MBA) degree from Moi University.



MR. PHARES N'da KABLAN –REGIONAL MANAGER (WEST AFRICA)

Mr. Kablan joined the Corporation in 2022 as the Regional Manager, West Africa Subsidiary located in Abidjan, Cote D'ivoire. He holds a Master's degree in Insurance with a major in Actuarial Sciences from the Ecole Polytechnique Felix Houphouet Boigny in Cote D'Ivoire. Previously he worked for the Group NSIA, NSIA Insurance Cameroon and NSIA Insurance Benin . He joined NSIA Cameroon as Technical Manager from 2017 to 2019 and from 2019 to 2021 he worked for NSIA Benin as Technical and Brokerage Manager. At the Group NSIA where he was working for the Sixteen subsidiaries of the Group in ten countries of CIMA zone. He began his career at Euro African Insurance Company in Cote D'ivoire where he worked for five years rising through the ranks to become Senior Underwriter. Thereafter he joined Atlas Non-Life Insurance Ivory Coast in 2013 as a Senior Underwriter for three years.



MR. SELEMAN TEMBO –REGIONAL MANAGER (SOUTHERN AFRICA)

Mr. Tembo joined the Corporation in 2015 as the General Manager for the Southern Africa subsidiary located in Lusaka, Zambia. He has 22 years of experience in the Insurance and Reinsurance industry. Before joining Kenya Re, he spent over fourteen years in the Insurance sector rising through the ranks from Graduate trainee to Assistant Director Reinsurance for one of the biggest Insurers in Zambia. He holds a Bachelor of Engineering degree from the University of Zambia. He is a Fellow of the Chartered Insurance Institute (FCII) and the Insurance Institute of Zambia (FIIZA). He has an Advanced Diploma in Chartered Institute of Management Accounts (CIMA Adv. Dip) as well as a Master of Business Administration (MBA) degree from ESAMI.



MR. NSUBUGA TADEO –REGIONAL MANAGER (UGANDA)

Mr. Tadeo joined the Corporation in 2020 as the Regional Manager, Uganda Subsidiary, located in Kampala, Uganda. Previously he worked for Britam Insurance Company Uganda Limited, as Underwriting Manager. His working experience began at UAP Insurance Uganda Limited where he worked for nine years rising through the ranks to become Senior Underwriter. He joined APA Insurance Uganda in 2011 as an Underwriting Manager and in July 2013 joined Britam Insurance Company where he was for the last six years. Mr. Tadeo holds a Master of Business Administration (MBA) and a Bachelor of Business Administration from Makerere University. He also holds an Advanced Diploma from the Chartered Insurance Institute – London (ACII) and is a Fellow of the Insurance Institute of Uganda (FCII-Uganda).



CHARLES KARIUKI – CORPORATION SECRETARY

Mr. Kariuki joined the Corporation on in 2013 as the Manager-Legal. He held a similar position at the National AIDS Control Council and is an Advocate of the High Court of Kenya of over 15 years standing. He holds a Bachelor of Laws (LL.B) Degree from Moi University, a Diploma in law from the Kenya School of Law and is a registered Certified Public Secretary.

MANAGEMENT TEAM



DR. HILLARY M. WACHINGA
MANAGING DIRECTOR



MICHAEL MBESHI
GENERAL MANAGER,
PROPERTY & ADMINISTRATION



BETH NYAGA
GENERAL MANAGER,
REINSURANCE OPERATIONS



JACQUELINE NJUI
GENERAL MANAGER, FINANCE &
INVESTMENTS



PHARES KABLAN
REGIONAL MANAGER (WEST
AFRICA)



SELEMAN TEMBO
REGIONAL MANAGER (SOUTHERN
AFRICA)



NSUBUGA TADEO
REGIONAL MANAGER (UGANDA)



CHARLES KARIUKI
CORPORATION SECRETARY



SAMMY KAARIA
MANAGER, INTERNAL AUDIT



GEORGE NJUGUNA
MANAGER, ICT



GLADYCE MUSYOKI
MANAGER, SUPPLY CHAIN



SALLY WAIGUMO
MANAGER, HUMAN RESOURCES



GLADYS SOME
MANAGER, CORPORATE AFFAIRS



HELLEN OKANGA
AG. MANAGER, RISK AND
COMPLIANCE



JOHNSON IRERI
CHIEF ACCOUNTANT



NICODEMUS GEKONE
MANAGER, INVESTMENTS

MANAGEMENT TEAM



ELIZABETH OMONDI
MANAGER, LOCAL BUSINESS



ALICE MBUTU
MANAGER, INTERNATIONAL
TREATY BUSINESS



MARTIN MATI
MANAGER, RESEARCH &
DEVELOPMENT



JANE ODIPO
MANAGER, MARKETING &
BUSINESS DEVELOPMENT



PHILLIP SANDA
ACTUARY



LONGIN NTERERE
MANAGER, INTERNATIONAL
FACULTATIVE BUSINESS &
SUBSIDIARY COORDINATION



ROSE WAGANDA
AG. MANAGER, CLAIMS
MANAGEMENT



YOVES ANGWENYI
AG. MANAGER, LIFE BUSINESS



JUDY NJUGUNA
MANAGER, RECORDS AND
ARCHIVES



JOHN RIKA
MANAGER, PROPERTY



CONSOLATA KIHARA
MANAGER, ADMINISTRATION, OC-
CUPATIONAL, HEALTH AND SAFETY



DAVIS M. ONSAKIA
ISO MANAGEMENT
REPRESENTATIVE



LUCY KAGWIRIA
MANAGER, WEST AFRICA
REGIONAL OFFICE

KENYA RE SUSTAINABILITY REPORT

Sustainability reporting is considered as divulgence and communication of non-financial aspects of a business. These are elements that touch on the environmental, social and governance issues and the company's goals towards them. It combines elements of integrated reporting; financial and non-financial areas. The Corporation has in place a sustainability policy that espouses these areas vis a vis our stakeholder interests.

Sustainability reporting is essential to the Corporation as it helps us understand, measure and communicate our economic, environmental, social and governance (ESG) performance, and then set goals, and manage change more effectively. This report is the key platform for communicating sustainability performance and impacts. It captures a balanced and holistic approach of the Corporation's outlook from all spheres and touch points.

This report has ensured that we consider the impacts of sustainability issues and how they play an essential role in decision making process. It has also considered the value of stakeholders in assisting the Corporation identify risks and opportunities that affect the business. This partnership has strengthened the relationship and built trust across the entire stakeholder fabric.

Sustainability Focal Points

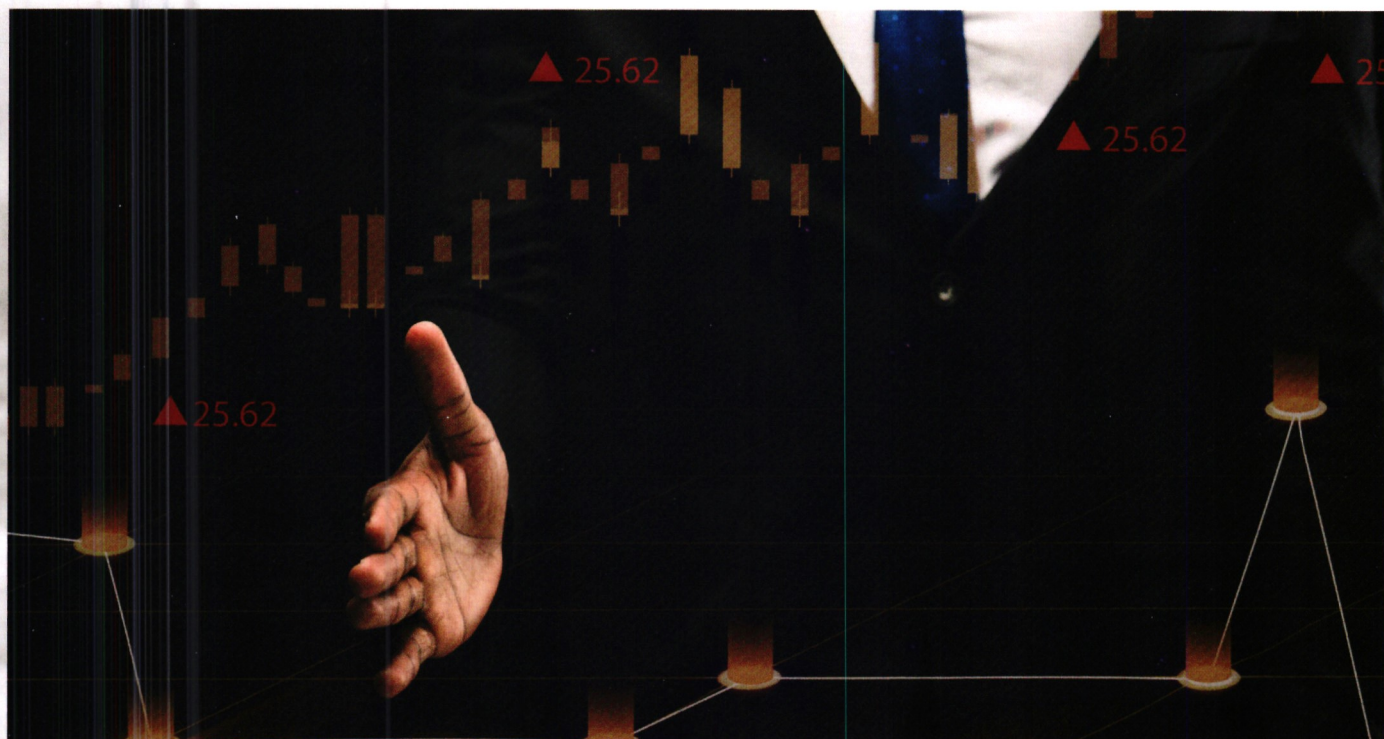
Our sustainability is premised on our future growth which is aligned to our strategic objectives. With our stakeholders interests at the center, we are aware that our desire for growth is in line with their hopes of a flourishing future.

Our aim is to create value for our stakeholders and we strive to meet and exceed their expectations by channeling our efforts in the following ways:

1. ECONOMIC

The Corporation remains a steadfast contributor to National economic growth by meeting all necessary financial obligations in a timely way. As a key corporate player in this economy, we prioritize timely remittance of taxes since we are cognizant of the impact of prompt tax-remittance towards driving positive holistic economic development and growth.

As a listed player at the Nairobi Securities Exchange (NSE) with shareholders such as the Government of Kenya, individual & corporate shareholders we ensure timely payment of dividends to all. This is done not only in a bid to meet our financial obligations but with a long-term view in mind of spurring economic growth coupled with enhanced investor/shareholder confidence.



2. SOCIAL

The Niko Fiti Campaign is a flagship CSR initiative of Kenya Reinsurance Corporation Limited. It has touched and changed lives of over 12,000 Persons with Disability. These beneficiaries have been benefiting through assistive and mobility devices in Kenya since the campaign inception in 2011.

The campaign inception and development was informed by statistics developed by the National disability survey covering the number of Persons with Disability (PWDs) and their distribution countrywide, the demographic, socio-economic & socio-cultural Characteristics of PWDs, the nature, types and causes of disability in the country, the gender specific problems faced by PWDs, the coping mechanism and needs of people with disability and the nature of services as well as rehabilitation programs of PWDs by type.

The campaign has significantly grown and is now recognized Nationally for promotion of mobility and accessibility of PWDs faced by mobility impairments through provision of assistive devices. By so doing, the beneficiaries can now engage in daily community, social and nation building activities. The campaign also aims at destigmatizing disability in the Kenyan society.

Over the years, the campaign, through a series of caravans, has traversed the whole country (Mount Kenya, Upper Eastern, Rift Valley, Nyanza, Western, Lower Eastern and Coast regions) donating various assistive devices and educating the public on the importance of accepting Persons with Disability. The objective of the campaign is to lift the stigma towards persons with disability and to provide assistive and mobility devices that will enable them have accessibility and mobility to engage

in daily nation building activities. This will integrate them into social and community life.

In 2022, the Corporation reached two counties and touched the lives **of over 600 persons with disability**. The counties were: **Busia and Kwale**.

The Corporation has previously partnered with the Association for the Physically Disabled Persons of Kenya (APDK) to aid in identification, assessment of Persons with disability through their nationwide distribution network and fabrication of the devices in their workshops in major towns in Kenya. APDK has also previously been charged with the financial skills trainings for all beneficiary PWDs as well as follow-up trainings to support business start-ups resulting from the Niko Fiti donations.

Kenya Re also partnered with the Kenya Institute of Special Education (KISE) in order to create a Niko Fiti legacy project. We adopted, branded, fully sponsored and equipped a block at their state-of-the-art Psycho Education Assessment and Rehabilitation centre. The Kenya Re-branded block offers therapy services of all kinds such as occupational therapy, physiotherapy, speech therapy, visual therapy and hydrotherapy to persons with disability. We believe this sponsorship sits well with the Government's Big Four Agenda, specifically on the pillar of universal health care for all. This sponsorship is Kenya Re's CSR legacy project owing to its sustained existence for many years to come, in addition to its access to not only Kenyans but to the African continent and beyond.



Another remarkable sustainable initiative the Corporation embarked on is an **Education Integration program** aimed at giving bright students with disability an opportunity to access quality education in two national level schools. The program saw modification of school facilities such as refurbishment of sanatoriums and student cubicles as well as construction of ramps in the identified schools to enable efficient mobility and accessibility. These projects were conducted at Lenana school for the boys, Nairobi and Moi Girls School – Isinya for the girls.

The Niko Fiti campaign holds great recognition of the **value of media** especially in alleviating stigma associated with disability. The campaign has worked closely with several media partners such as Standard Media Group, Nation Media Group, Royal Media services and others. In 2022, the Corporation onboarded Standard Media Group (SG) as the campaign media partner. These media partnerships have yielded to mutually beneficial opportunities not only for the two companies but even to our esteemed beneficiaries.

Disability Access in buildings

Kenya Re has enhanced disability mainstreaming initiatives by ensuring all commercial properties accommodate persons with disability. Our commercial properties have been modified to be disability friendly and allow for access for Persons with Disability (PWDs) with minimal inconveniences. Some of the modifications done include:

- I. Ramps to aid persons living with disability access all points of our buildings;
- II. Our lifts have voice-capability to inform passengers of various stops on the building floors - this is custom-made precisely for persons with hearing impairment;
- III. Additionally, the buttons in our lifts are positioned in an accessible position to ensure persons living with disability can use them comfortably;
- IV. Disability-friendly washrooms to accommodate Persons Living with Disability;
- V. Stand-by evacuation-chairs during emergencies such as Fire.

3. SOCIO-ECONOMIC

Tenders

Kenya Re awarded various tenders for special groups consisting of Women, Youth and People Living with Disability (PWDs). In addition, trainings were conducted for special groups in order to equip them with skills on how to successfully bid for tender opportunities with the Corporation. All tenders were published in the local wide circulation daily newspapers, Corporation's website and the Public Procurement Information Portal (PPIP). Below is a summary of our Access to Government Procurement Opportunities (AGPO) in 2022:

PPRA REPORT FOR YEAR 2022

| | FIRST QUARTER (KSHS) | SECOND QUARTER (KSHS) | THIRD QUARTER (KSHS) | FORTH QUARTER (KSHS) | TOTAL COST FOR YEAR 2022 (KSHS) |
|--------------|----------------------|-----------------------|----------------------|----------------------|---------------------------------|
| PWD | 1,618,438.03 | 521,064.00 | 686,213.94 | 3,792,512.9 | 6,618,228.87 |
| WOMEN | 23,744,725.79 | 9,997,944.84 | 8,255,088.51 | 23,967,287.8 | 65,965,046.94 |
| YOUTHS | 2,559,560.55 | 3,753,892.00 | 5,355,254.00 | 1,960,193.00 | 13,628,899.55 |
| TOTAL (KSHS) | 27,922,724.37 | 14,272,900.84 | 14,296,556.45 | 29,719,993.7 | 86,212,175.36 |

Year 2022 total cost for special groups **KSHS. 86,212,175.36**

Commercial Mortgages

Kenya Re provides commercial mortgages to the general public at a competitive interest rate. This contributes towards efforts to alleviate the housing shortage experienced in Kenya and to support Government agenda on housing.

4. ENVIRONMENTAL

Kenya Re as a corporate entity has risen to the occasion and is a key champion of environmental conservation through planting of trees annually. In true testament to this effort, the Corporation has 8,500 planted trees at Kibiko Secondary School in Ngong from the year 2013 which is a remarkable contribution to provision of oxygen, improving of air quality, climate amelioration, conserving water as well as preserving the soil. Due to the many trees planted in the school, the land was exhausted, and the Corporation identified Moi Girls School - Isinya as a second zone for tree-planting. The Corporation is currently implementing a drip-irrigation project to support growth of the trees and future tree-planting initiatives at the school.

In 2022, the Corporation in collaboration with the Kenya Forest Service (KFS) conducted a grand tree planting exercise on Wednesday, 25th May 2022 with an aim of attaining the Government of Kenya's target of achieving and maintaining over 10% tree cover by the year 2022.

The tree-planting exercise took place at Uplands Forest Station, Matathia Block in Kiambu County which saw the team plant a total of 50,000 tree seedlings. The tree seedlings were fully sponsored by Kenya Re to commemorate its 50 successful years of impact, growth and profitability since its inception in December 1970.

Kenya Re as a corporate entity has risen to the occasion and has been a key consistent champion of environmental conservation through Annual Tree planting. The Corporation has planted over 50,000 tree seedlings in various parts of the Country which is a remarkable contribution to provision of oxygen, improving of air quality, climate amelioration, conserving water as well as preserving the soil.

The planting of the 50,000 tree seedlings in 2022 is in tandem with the grand Government's mission under Vision 2030, to increase the area under forest cover to 10% by 2030 and to sustainably manage forest resources for environmental protection and enhanced economic growth.

The Corporation remains committed to supporting environmental conservation efforts as a sure way to improving the quality of life for all.

- **Lift modernization at Kenya Re Towers Upper Hill**

This has made the energy consumption of the lifts more efficient, and we have modernized the look and operations of the lift.

- **Consultancy for proposed roof top tanks and underground water recirculation at Anniversary Towers, Nairobi**

The consultancy works was completed, and the Corporation is looking forward to rolling this out.

5. GOVERNANCE



Governance structure:

The Corporation has adopted high standards and applies strict rules of conduct based on the best corporate practices. As part of this commitment, the Board adheres to good corporate governance by observing high standards of ethical and moral behavior; acting in the best interests of the organization; remunerating and promoting fairly and responsibly; recognizing the legitimate interests of all stakeholders; and ensuring that the organization acts as a good corporate citizen.

Governance Audit

In line with the CMA Corporate Governance Code for Issuers of Securities to the Public, a governance audit was conducted for the financial year 2022. The overall opinion of the governance auditor was as follows:

“In our opinion, the Board has put in place effective, appropriate, and adequate governance structures in the organization which are compliant with the legal and regulatory framework and in line with good governance practices for the interest of stakeholders.”

The recommendations from the governance audit are being implemented.

Delegation of Authority

The Board and Management execute their mandate in an environment of mutual trust and respect having regard to the principles of good governance. In this regard, the Board provides clear and distinct lines of responsibility and accountability and maintains effective channels of communication.

Separation of Powers

The Managing Director and the Board play separate and distinct roles but work together to achieve organizational goals. The Board is responsible for appointing the Managing Director through a competitive process. The Board together with the Managing Director select the management team and put in place a succession plan for both the Managing Director and management. The Managing Director is responsible for overseeing the execution of the Board's directions and policies to ensure that the Corporation meets its strategic goals.

Compliance to CMA guidelines

In compliance with the CMA Code of Corporate Governance, the following requirements were met within the reporting period:

- i) The Corporation filled out the self-evaluation form on its compliance with the CMA code of corporate governance for issuers of securities to the public and was evaluated.
- ii) An evaluation of the Board of Directors and Managing Director was carried out in the e-Board system using the State Corporations Advisory Commission's (SCAC) tool.
- iii) An independent legal and compliance audit of the Corporation was carried out by the Kenya School Law for the year 2022.

6. GENDER PARITY

Kenya Re has excelled in Gender Parity and continues to have a near equal distribution of gender among its employee population. Currently, the employees are distributed as 51% male and 49% female. Top management is made up of 55% men and 45% women.

7. ETHICS AND INTEGRITY

Anti-Corruption Policy – The Corporation has an Anti-Corruption policy in place and has committed itself to “Zero” tolerance on corruption.

- The Corporation has trained staff on matters concerning ethics and integrity. In addition, there are 15 trained Integrity

Assurance Officers (IAO) who champion the cause of issues related to ethics and integrity.

- The Corporation has both internal and external mechanisms for reporting corruption. Internally corruption reporting boxes have been availed in all Corporation offices and buildings. Staff and stakeholders are similarly able to utilize the external mechanism for reporting corruption using the BKMS system available on the Ethics and Anti-Corruption Commission's website.

SUSTAINABILITY- A TRUE VALUE APPROACH

Kenya Re is committed to creating value for each of our stakeholder groups by working hand in hand with them all in order to achieve a mutually beneficial outcome. We appreciate the fact that each stakeholder group is unique in its contribution as well as expected outcome from the Corporation when setting objectives with regards to them. Therefore, we undertake to ensure that true value is achieved for each stakeholder in the long term hence the need to ensure that all our business practices are sustainable. Our true value approach in identifying our various stakeholders is etched in the provisions of the Mwongozo Code, Stakeholder Policy as well as our Communication Policy.

Our Stakeholders:

1. Customers- Insurance Companies; both local and international, tenants and mortgagors.
2. Regulators- these are government bodies that enforce various policies and guidelines that determine how we do our business.
3. Shareholders- They comprise of the Government of Kenya the majority shareholder, Private Investors as well as individual shareholders who own a stake at the Corporation.
4. Employees- this is our human capital element that provides the much needed skills and expertise with which we are able to carry out our business.
5. Communities- these are the social groups that are impacted by our business or the localities in which we operate in.

STAKEHOLDER ENGAGEMENT RELATIONS POLICIES/PROCEDURES:

The Corporation remains cognizant of the need to constantly engage the different Corporation stakeholder groups. Listening to our stakeholders helps the company to maximize its investment in product research and development and subsequently grow our market share. Engaging with our stakeholders also ensures potential problems are addressed, or changes communicated and understood. We have put in place policies and strategies of dealing with our stakeholders being shareholders, suppliers, ceding insurance companies, brokers, tenants and many others. The Mwongozo code, Stakeholder and Communication Policies as well as underwriting, procurement, and other functional procedures are effective in managing our relations with the diverse stakeholder groups as well as guiding the board in recognizing and ultimately respecting the governance practices of stakeholders aiming at enhancing best governance practices.

Building strong relationships with external stakeholders and between management and employees is a vital component in the creation of constructive and deliberate engagements so that all stakeholders benefit. Our sustained effort in establishing strong partnerships between businesses, government, organized labor and community leaders aims to ensure that necessary steps are taken to secure a sustainable future and realize shared value for all our stakeholders.

As outlined in our Corporate Social Responsibility (CSR) policy, the Corporation holds and attaches significant importance to discharging overall social responsibilities to the community and society at large in all its activities; hence it will engage stakeholders honestly and respectfully with commitment to timely and meaningful dialogue with all its stakeholders; in a transparent and effective manner.

Value Creation for our Customers:

Customers are an important part of stakeholders and the Corporation is committed to ensuring that they are treated with respect and served in the best way possible. Therefore; our promise is that at all times:

- Our clients will be treated with courtesy and consideration and our staff will be helpful at all times.

- Customer queries and needs will be attended to promptly.
- We will exercise the utmost integrity in providing services to our clients.
- We will not disclose any information that may adversely affect our clients without their consent, except where we are under legal obligation to disclose.

Customer Appreciation through #CSWEEK2022

The Corporation is an active member of the Institute of Customer Experience (ICX) Kenya, which is the body that organizes the Annual Customer Service Week in Kenya. The Corporation last year participated in the 2022 Annual Customer Service Week whose theme focused on Celebrating Service and Sustaining Customer Inclusion. This has become a leading focus among numerous businesses globally.

Value Creation for Regulators

We ensure that we comply with various regulations that govern our business and provide our services in an ethical manner devoid of prejudice. We are cognizant of the Economic, Social and Governance (ESG) policies that determine our operational mandate. The following are our regulators:

| Regulator | Mandate | Areas of Engagement |
|--------------------------------------|--|---|
| Insurance Regulatory Authority (IRA) | The IRA is mandated to regulate, supervise and develop the insurance industry in Kenya. | Quarterly Returns, Inspection of operations and Investments |
| Capital Markets Authority (CMA) | The CMA is a regulating body charged with the responsibility of supervising, licensing and monitoring the activities of listed companies licensed under the Capital Markets Act. | Corporate Governance |
| Kenya Revenue Authority (KRA) | The KRA is charged with the responsibility of collecting revenue on behalf of the Government of Kenya. | Taxation |
| National Environment Management | NEMA is the government agency tasked with management of the environment and environmental policy of the country. | Environmental Impact |

Our business engagement in all areas is conducted with full awareness of the regulatory requirements and in compliance with the various policies that determine operations.

Value Creation for Shareholders

We seek to engage our existing and potential shareholders by providing relevant and up to date information about our performance and strategy.

Our shareholders expect timely, accurate and regular information from the Corporation.

We engage and respond to our investors and shareholders through annual general meetings, investor and media briefings, conference calls, international road shows where existing and potential shareholders are met, performance and strategy information on our website.

Value Creation for Employees

We believe in primarily attracting and retaining the best talent who are our staff and we invest in them to realize their full potential in order to achieve our goals. We have continuously made it our priority to inculcate a high-performance culture, offer competitive

remuneration packages, reward outstanding performance and encourage and appreciate innovations.

Our employees are offered a competitive package and value-added benefits that include staff loans, medical cover, pension, performance based bonus, annual leave allowance and advanced professional development support.

Because of the loyalty and unwavering support from staff, the Corporation has benefited through:

- Reduced staff turnover
- Loyal and dedicated work force
- A highly motivated and professional workforce
- Great performance delivery from staff

Whistle Blowing Policy

Kenya Re has developed a whistle blowing policy to encourage employees and other parties to report unethical behaviors, malpractices, wrongful conduct, fraud, violation of the company policies & values, and violation of law by any employee of Kenya Re without any fear of retaliation. It seeks to build and strengthen a culture of transparency and trust within the organization.

Corporate Social Responsibility Policy

The Corporation acknowledges the scope of the social value of contribution to community programs besides the traditional ways in which it contributes directly to wealth creation of the nation in various ways and more specifically through taxation.

This policy guides in the execution of the strategic intent to ensure that we continue to be accountable not only to our shareholders but also to our stakeholders. The policy serves as a testament and commitment of the Corporation to behave ethically and contribute to economic development of the entire community of Kenya.

In the execution of this policy, Kenya Re will use channels which are efficient and transparent in line with the Public Officer Ethics Act. The level of commitment to this fundamental will entirely depend on the continued profitability and business performance of the Corporation.

Kenya Re's focus for consideration of possible contribution to public affairs will normally be aspects of:

- i) Insurance/reinsurance industry concerns
- ii) National disasters/ tragedies, declared as such by Government of Kenya
- iii) Severely disadvantaged families and communities in Kenya
- iv) Community/public projects that benefit the community directly or indirectly - wealth creation

The Corporation will consider and implement the allocation of financial, material and/or managerial support to causes and activities which represent social value in selected fields subject to an approved plan and within the limits of the available resources as may be authorized by the Board.

Energy Policy

The Corporation recognizes that energy utilities (electricity, diesel and water) are a significant overhead within its facilities. In addition, Kenya Re also appreciates that the consumption of fossil fuels has a negative environmental impact from the emissions of carbon dioxide (CO₂) and the depletion of non- renewable resources.

In keeping with the corporate policy of continuous improvement, Kenya Re is committed to responsible energy management both as a social and commercial entity, thus will practice energy efficiency throughout its facilities wherever it is cost effective to do so.

By adopting this policy, the Corporation together with its affiliates accept adherence to its content and to uphold the incorporated practice.

The energy policy seeks to:

- 1) Avoid unnecessary expenditure on energy.
- 2) Improve energy efficiency continuously by implementing effective energy management programs that support all operations and customer satisfaction while providing a safe and comfortable work environment.
- 3) Protect the environment by minimizing CO₂ emissions.
- 4) Conform to the overall national Energy and Environment Policy.

- 5) Designate an Energy Manager and a Consultant to oversee energy management operations.
- 6) Comply with the Energy Management Regulations 2012.

Entrenched in the corporate mission, the Corporation endeavors to be socially responsible and environmentally conscious by observing high ethical standards in all business practices.

Risk Management Policy:

The Corporation has a comprehensive risk management policy that addresses the following:

- I. Anti-Money Laundering Policy
- II. Capital Adequacy Policy
- III. Compliance Policy
- IV. Board Risk Committee Charter
- V. Business Continuity and Disaster Recovery Policy

The Board directors of Kenya Re have committed themselves to establish and maintain a process of risk management that is aligned to the principles of best corporate governance practices. The features of this process are outlined in the Corporation's Enterprise Risk Management (ERM) framework. All operations in both head office and subsidiary offices are subject to the ERM framework.

Effective risk management is of crucial importance to the Corporation given the scale of operations and risk profile. The realization of our strategy depends on us being able to take calculated risks in a way that takes care of the interests of our stakeholders. An enterprise wide approach to risk management has been adopted by the Corporation, which provides a structured and systematic process of risk management.

The Corporation is continuously striving to embed an appropriate risk culture so that responses to risk remain current and dynamic. All risks associated with a major change and significant actions by the Corporation also fall within the ERM framework. The aim of the ERM framework is to enhance efficiency. Controls and risk interventions are chosen based on their ability to increase the likelihood that fulfils our mandate to the stakeholders.

Company Procurement Policy

The Corporation is governed by the Public Procurement and Asset Disposal Act, 2015 which guides all procurement activities in the Corporation. The Act ensures that the services and goods we acquire are the result of transparent, objective, time and cost-effective decision making and risk management.

Information Technology Policy

The Corporation has the following Information technology policies:

- I. Mobile devices Usage Policy for Directors
- II. Security Policy
- III. Privacy & Acceptable use policy
- IV. Access Control Policy
- V. Anti-virus Policy
- VI. Email Acceptable Policy
- VII. Mobile Devices Acceptable Use Policy (Staff)
- VIII. Firewall Policy
- IX. Internet Acceptable Use Policy
- X. Internet DMZ Equipment Policy
- XI. Servers Security Policy
- XII. Service Desk Policy
- XIII. ICT Resources Change Management & Control
- XIV. Back up Policy

- XV. Sensitive Data Protection Guideline
- XVI. Reporting An Incident Guideline and Form
- XVII. Approved pre-installed applications in Laptops
- XVIII. Schedule of ipad operating systems

All these policies ensure the acceptable use of Information Communication Technology within the Corporation.

Conflict of Interest Policy:

Our Conflict of interest policy addresses situations and circumstances in which the directors' and employee's personal interests are - or appear to be - in conflict with the organization's interest. It also assigns responsibility for identifying and resolving actual and potential conflicts.

Insider Trading

The Corporation's Board recognizes that insider dealings are illegal as provided in the Capital Markets Act Cap 485A and confirms that there were no known insider dealings in the year under review.

Stakeholder interests in decision-making

The Corporation has adopted collaborative consultative partnership approaches in community investments that integrates community investments considerations into decision-making. The Corporation consistently works towards enhancing its reputation by engaging in building stakeholder relationship through being sensitive and responsive, to the community's needs, and providing economic opportunities in the communities where it operates. The Corporation engages stakeholders through Annual General Meetings (AGMs) and investor briefings and takes into keen consideration issues raised in the two fora. Stakeholders' interests are accommodated for in the Strategic Plan which informs key decision-making at the board level. The Corporation's engagement with stakeholders is guided by the Stakeholders Engagement Policy.

Effective communications with stakeholders

The Corporation recognizes that our stakeholders are the people and organizations whose attitudes and actions have an impact on the overall successful attainment of our goals, targets and objectives. Communicating regularly with our stakeholders has enabled us have a positive understanding of their interests and attitudes and has helped us build effective long-term relationships with key groups. The board engages stakeholders through Annual General Meetings (AGMs), Investor Briefing, the Corporation's website and mass media, social media (Twitter, Facebook, LinkedIn), one on one meetings, market visits, market surveys and newsletters.

Dispute resolution process to address internal and external disputes

Kenya Re is committed to delivering the highest possible quality and level of service to its customers. We intend to provide services through the best practice and in line with our customers' needs as we continually seek improvements. We value feedback relayed to us from our stakeholders in form of complaints, as they help us understand specific areas we need to improve on so as to enhance efficient customer service. Our internal disputes are managed through the Human Resources Operations Manual while external disputes/complaints are managed through the complaints handling mechanisms/infrastructure and a Complaints Handling Committee established for this purpose. Contracts with the suppliers, contractors and service providers have clauses for arbitration and mediation which are alternative dispute resolution mechanisms entrenched in the Corporation's systems and policies to avoid having drawn out and public litigation.

Transparency and disclosure

We are alive to the fact that the purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company. Our Board of directors are responsible for the overall governance of our Corporation. On the Corporate Governance Statement within this Annual Report, we have openly disclosed our company's

governance structure, the Board and the Audit Committee.

Our sustainability is anchored on our vision, statement of purpose and core values which determine the strategic objectives of the Corporation. Our role and aim is to create value for shareholders and the society alike. This Annual Report openly discloses our mission, vision, core values and strategic objectives which are fundamental in determining the Company's direction as well as defining what goals and supporting objectives must be accomplished.

Kenya Re acknowledges that it is essential for businesses to provide a safe and trustworthy environment, so that employees feel comfortable and protected when they have information to share. That is why our top management, in a bid to promote, demonstrate and commit to the inclusion of whistleblowing within business culture, have adopted a whistle blowing policy that is published on the Corporation's website. This Annual Report also sufficiently and openly discloses Directors' remuneration.

The Corporation has appropriately made the following disclosures on our website (www.kenyare.co.ke) in relation to policies:

a. Board Charter

Our Board charter has clearly set out the role, responsibilities, structures, functions and processes of the Board of Kenya Reinsurance Corporation Limited.

b. Board Committee Charters

The Corporation's Board has four committees. The Charter of every committee is disclosed on the website.

c. Whistle-Blowing Policy

The whistle-blowing policy encourages staff and other stakeholders to report unethical behaviors, malpractices, wrongful conduct, fraud, violation of company's policies and values, violation of law by any employee of Kenya Re without any fear of retaliation.

d. Related Party Disclosure Policy

The policy deals with how transactions with related parties are conducted and disclosed.

e. Stakeholder Engagement Policy

This policy sets out how the Corporation maps out and engages its stakeholders.

f. Conflict of Interest Policy

This policy guides the Corporation on how to identify and deal with situations leading to or likely to lead to a conflict of interest situation.

g. Information Security Policy

This policy deals with safeguarding the confidentiality, integrity and availability of information.

h. Corporate Social Responsibility Policy

This policy provides a framework within which the Corporation invests in activities for the general public good.

i. Supply Chain Policy

This policy sets out how the Corporation procures goods, services and works and how it disposes of any items that are no longer needed.

j. Code of Conduct and Ethics

Our Code of Conduct and Ethics spells out procedures, rules and guidelines on how employees should carry out their day to day duties.

Transparency and Disclosure

We remain committed to the main principle and purpose of disclosure of accounting policies, which is to disclose any affair or event that had an influence on any of the financial statements. Our Annual Report has made the following disclosures:

a. Compliance with laws and standards

We are abiding to all regulatory compliance requirements as we are keen on ensuring that the strategic objectives and goals we have set as an organization are met in an honest and fair manner.

b. Regulations and standards

Regulations protect consumers' rights, health, and safety, and ensure minimum standards for products and services. We are keen on ensuring that we consistently comply with regulations and standards so as to protect the environment, protect the rights of employees and overall, ensure that our business is achieving its goals safely and fairly.

c. Ethical leadership

The Corporation values ethical leadership since it is a catalyst to financial and strategic success. Our board charter as well as code of conduct sufficiently addresses ethical leadership.

d. Conflict of interest

At the core purpose of embracing our conflict-of-interest policy, is to protect the Corporation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Corporation or might result in a possible excess benefit transaction.

e. Governance Audit

A governance audit was conducted for the financial year 2022. The overall opinion of the governance auditor was as follows:

"In our opinion, the Board has put in place effective, appropriate, and adequate governance structures in the organization which are compliant with the legal and regulatory framework and in line with good governance practices for the interest of stakeholders."

KENYA REINSURANCE CORPORATION LIMITED STATEMENT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

Corporate governance is the process and structure by which companies are directed, controlled, and held accountable in order to achieve long term value to shareholders taking cognisance of the interest of other stakeholders.

The Board of Directors of Kenya Reinsurance Corporation Limited (the "Company") is responsible for the governance of the Company and is accountable to the shareholders and stakeholders in ensuring that the Company complies with the laws and regulations and the highest standards of business ethics and corporate governance. Accordingly, the Board attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance and CMA guidelines.

Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct, and their respective responsibilities clearly defined within the Company. The Board comprises of eleven (11) directors ten (10) of whom are non-executive directors including the Chairman. The Board defines the Company's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The directors bring a wealth of experience and knowledge to the Board's deliberations. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Managing Director. The Board nonetheless is responsible for the stewardship of the Company and assumes responsibilities for the effective control over the Company. The Company Secretary attends all meetings of the Board and advises the Board on all corporate governance matters as well as prevailing statutory requirements.

Board Meetings

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held five (5) regular and five (5) special meetings during the year under review. As the Company is a State Corporation, the Inspector General of State Corporations from time to time attends meetings of the Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

Committees of the Board

The Board has set up the following principal Committees

which meet under well-defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

Audit Committee

The membership of the Audit Committee is comprised as follows:

David Muthusi (Chairman)

Eric Gumbo

Amb. Peter Ole Nkuraiyia

Thamuda Hassan

Robert Waruiru

The committee assists the Board in fulfilling its corporate governance responsibilities and in particular to:

- Review of financial statements before submission to the Board focusing on changes in accounting policies, compliance with International Financial Reporting Standards and legal requirements.
- Strengthen the effectiveness of the internal audit function.
- Maintain oversight on internal control systems.
- Increase the shareholders' confidence in the credibility and standing of the Company.
- Review and make recommendations regarding the Company's budgets, financial plans and risk management.
- Liaise with the external auditors.

The committee held four (4) regular meetings and one (1) special meeting in the year under review.

Risk and Compliance Committee

The membership of the Risk and Compliance Committee is comprised as follows:

Irungu Kirika (Chairman)

David Muthusi

Eric Gumbo

Robert Waruiru

Dr. Hillary M. Wachinga

The responsibilities of this committee include:

- Provision of general oversight in risk and compliance matters in the Company.
- Ensuring quality, integrity, effectiveness and reliability of the Company's risk management framework.
- Setting out the nature, role, responsibility and authority of the risk management and the compliance function of

the Company.

- Defining the scope of risk management work.
- Ensuring that there are adequate risk policies and strategies in place to effectively identify, measure, monitor and appropriately mitigate the various risks which the Company is exposed to from time to time.
- Steering the Company on best practices on management of information and technology.

The committee held four (4) meetings in the year under review.

Human Resource and Nominations Committee

The membership of the Human Resource and Nominations Committee is comprised as follows:

| | |
|---------------------------------|---|
| Amb. Peter Ole Nkuraiyia | (Chairman) |
| Eric Korir | (Alternate to CS, National Treasury) |
| Michael Monari | |
| Eunice Nyala | |
| Thamuda Hassan | |
| Dr. Hillary M. Wachinga | |

The committee reviews and provides recommendations on issues relating to all human resources matters including, career progression, performance management, training needs, job transfers, staff recruitment, staff placements, promotions, demotions, discipline and staff welfare. The committee also evaluates the credentials of persons nominated to the Board.

The committee held four (4) regular meetings and five (5) special meetings in the year under review.

Finance and Strategy Committee

The membership of the Finance and Strategy Committee is comprised as follows:

| | |
|--------------------------------|---|
| Michael Monari | (Chairman) |
| Eric Korir | (Alternate to CS, National Treasury) |
| Irungu Kirika | |
| Eunice Nyala | |
| Dr. Hillary M. Wachinga | |

The committee assists the Board in fulfilling its oversight responsibilities relating to the Company's finance, procurement, investment strategies, reinsurance strategies, policies, projects and related activities.

The committee held four (4) regular and three (3) special meetings in the year under review.

KENYA REINSURANCE CORPORATION LIMITED STATEMENT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

Risk Management and Internal Controls

The Company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities of the Company. The Board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Company. As an integral strategy in achieving its corporate goals, the Board ensures that an optimal mix between risk and return is maintained. To achieve this goal, a risk management and governance framework has been put in place to assist the Board in understanding business risk issues and key performance indicators affecting the ability of the Company to achieve its objectives both in the short and long term.

Creating Shareholders' Value

In order to assure the shareholders of the Company's commitment to activities that create and enhance shareholder value, the Board signs a performance contract with the Ministry of The National Treasury and Planning of the Government of Kenya as well as sets Corporate Performance strategies with Management and continues to perform an annual evaluation exercise to review and audit its role and success or otherwise to meet the challenges envisaged at the beginning of each year.

Directors' Emoluments and Loans

The aggregate amount of emoluments paid to directors for services rendered during the financial year 2022 are disclosed in the notes to the financial statements under note 41. Non-executive directors are paid sitting allowances for every meeting attended. There were no arrangements for the directors to acquire benefits through the acquisition of the Company's shares. There were no loans advanced to directors during the financial year.

Directors' interests as at 31 December 2022:

| | Number of shares | Shareholding % |
|--------------------------------|-----------------------------|-----------------------|
| The National Treasury of Kenya | 1,680,000,000 | 60 |
| Jadiah Murungi Mwarania | 400,000 | - |
| | 1,680,400,000 | 60 |

Major Shareholders as at 31 December 2022

| | | |
|---|----------------------|---------------|
| Cabinet Secretary to The National Treasury of Kenya | 1,680,000,000 | 60.00 |
| Investments & Mortgages Nominees Ltd A/C 028950 | 65,553,300 | 2.34 |
| Jubilee Life Insurance Limited | 55,453,860 | 1.98 |
| Standard Chartered Kenya Nominees Ltd A/C Ke000954 | 45,000,000 | 1.61 |
| Kestrel Capital Nominee Services Limited A/C 34 | 41,460,200 | 1.48 |
| Ssb Bene Universal Investment Gesellschart Fd 4942 | 36,500,000 | 1.30 |
| Kenya Commercial Bank Nominees Limited A/C 915b Kenya Commercial Bank Nominees Limited A/C 915b | 27,671,244 | 0.99 |
| Kerai,Harji Mavji;Mavji,Ramila Harji | 27,500,000 | 0.98 |
| Stanbic Nominees Limited R6631578 | 27,187,772 | 0.97 |
| Standard Chartered Nominees Non- Resd. A/C Ke10085 | 24,000,000 | 0.86 |
| Standard Chartered Nominees Resd A/C Ke11443 | 22,636,619 | 0.81 |
| Shah,Mansukhlal Khetshi Dharamshi;Shah,Vijayaben Mansukhlal Khetshi | 18,316,300 | 0.65 |
| Standard Chartered Kenya Nominees Ltd A/C 133935500055 | 17,634,200 | 0.63 |
| Kestrel Capital Nominee Services Limited A/C 8 | 14,012,000 | 0.50 |
| Standard Chartered Nominees Resd A/C Ke11450 | 10,737,912 | 0.38 |
| Craysell Investments Limited | 10,475,500 | 0.37 |
| C & P Shoe Industries Ltd | 9,638,300 | 0.34 |
| Bid Management Consultancy Limited | 9,598,600 | 0.34 |
| Investments & Mortgages Nominees Ltd A/C 003745 | 9,000,000 | 0.32 |
| Investments & Mortgages Nominees Ltd A/C 003746 | 9,000,000 | 0.32 |
| Others | 638,420,465 | 22.80 |
| | 2,799,796,272 | 100.00 |

The distribution of the Company's shareholding as at 31 December 2022 is as shown below:

| Shares Range | Shareholders | Number of Shares | % Shareholding |
|-------------------------|----------------|----------------------|----------------|
| 1 – 500 | 37,788 | 7,198,663 | 0.26 |
| 501 – 1,000 | 2,643 | 2,131,527 | 0.08 |
| 1,001 – 5,000 | 50,393 | 102,690,201 | 3.67 |
| 5,001 – 10,000 | 7,213 | 48,047,201 | 1.72 |
| 10,001 – 50,000 | 4,003 | 81,877,604 | 2.92 |
| 50,001 – 100,000 | 533 | 37,393,471 | 1.34 |
| 100,001 – 500,000 | 447 | 91,646,086 | 3.27 |
| 500,001- 1,000,000 | 74 | 54,410,302 | 1.94 |
| 1,000,001-2,000,000,000 | 95 | 2,374,401,217 | 84.80 |
| | 103,189 | 2,799,796,272 | 100.00 |

The distribution of the shareholders based on their nationalities as at 31 December 2022 is as follows:

| Nationality | Shareholders | Shares held | % Shareholding |
|-------------------------------|----------------|----------------------|----------------|
| Local Individual Investors | 97,425 | 446,736,252 | 15.96 |
| Local Institutional Investors | 5,316 | 2,261,084,043 | 80.76 |
| Foreign Investors | 448 | 91,975,977 | 3.28 |
| | 103,189 | 2,799,796,272 | 100.00 |

Directors' interests as at 31 December 2021:

| | Number of shares | Shareholding % |
|--------------------------------|----------------------|----------------|
| The National Treasury of Kenya | 1,680,000,000 | 60 |
| Jadiah Murungi Mwarania | 400,000 | - |
| Jennifer Kabura Karina | 223,556 | - |
| | 1,680,623,556 | 60 |

Major Shareholders as at 31 December 2021

| | | |
|---|----------------------|---------------|
| Cabinet secretary to The National Treasury of Kenya | 1,680,000,000 | 60 |
| Investments & Mortgages Nominees Ltd A/C 028950 | 65,553,300 | 2.34 |
| The Jubilee Insurance Company of Kenya Limited | 55,453,860 | 1.98 |
| Kestrel Capital Nominees Ltd a/c Krohne fund | 45,652,300 | 1.63 |
| Standard Chartered Kenya Nominees Ltd A/C KE000954 | 43,500,000 | 1.55 |
| SSB Bene Universal Investment Gesellschart FD 4942 | 36,500,000 | 1.30 |
| Kenya Commercial Bank Nominees Limited A/C 915b | 27,671,244 | 0.99 |
| Kerai, Harji Mavji; Mavji, Ramila Harji | 27,500,000 | 0.98 |
| Stanbic Nominees Limited R6631578 | 27,187,772 | 0.97 |
| Standard Chartered Nominees Non- resd. A/C KE10085 | 24,000,000 | 0.86 |
| Others | 766,777,796 | 27.4 |
| | 2,799,796,272 | 100.00 |

**KENYA REINSURANCE CORPORATION LIMITED
STATEMENT ON CORPORATE GOVERNANCE (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

The distribution of the Company's shareholding as at 31 December 2021 is as shown below:

| Shares Range | Shareholders | Number of Shares | % Shareholding |
|-------------------------|----------------|----------------------|----------------|
| 1 – 500 | 37,600 | 7,185,118 | 0.26 |
| 501 – 1,000 | 2,581 | 2,079,476 | 0.07 |
| 1,001 – 5,000 | 50,702 | 103,359,660 | 3.69 |
| 5,001 – 10,000 | 7,254 | 48,330,902 | 1.73 |
| 10,001 – 50,000 | 4,036 | 82,520,903 | 2.95 |
| 50,001 – 100,000 | 546 | 38,258,226 | 1.37 |
| 100,001 – 500,000 | 453 | 95,038,367 | 3.39 |
| 500,001- 1,000,000 | 76 | 56,467,503 | 2.02 |
| 1,000,001-2,000,000,000 | 91 | 2,366,556,117 | 84.52 |
| | 103,339 | 2,799,796,272 | 100.00 |

The distribution of the shareholders based on their nationalities as at 31 December 2021 is as follows:

| Nationality | Shareholders | Shares held | % Shareholding |
|-------------------------------|----------------|----------------------|----------------|
| Local Individual Investors | 97,543 | 446,198,235 | 15.94 |
| Local Institutional Investors | 5,342 | 2,211,275,932 | 78.98 |
| Foreign Investors | 454 | 142,322,105 | 5.08 |
| | 103,339 | 2,799,796,272 | 100.00 |



.....
Hon. Catherine Ngima Kimura
Director



.....
David Muthusi
Director

27th March 2023

KENYA REINSURANCE CORPORATION LIMITED STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

Having made an assessment of the Company and its subsidiaries' ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon their ability to continue as a going concern.

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

Approved by the board of directors on **27th March 2023** and signed on its behalf by:



Michael Mbeshi
Principal Officer



Hon. Catherine Ngima Kimura
Director



David Muthusi
Director



KENYA REINSURANCE CORPORATION LIMITED

REPORT OF THE CONSULTING ACTUARY

FOR THE YEAR ENDED 31 DECEMBER 2022

I have conducted an actuarial valuation of the short-term and long-term business of Kenya Reinsurance Corporation Limited as at 31 December 2022.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Kenyan Insurance Act. Those principles require prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

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

In my opinion, the short-term and long-term business of the Company were financially sound and the actuarial value of liabilities in respect of all classes of business did not exceed the amount of funds as at 31 December 2022.

Signed:

Name of Actuary: **Abed Mureithi**

Qualification: **Fellow of the Institute and Faculty of Actuaries (UK)**

Date: **28 March 2023**

Actuarial Services (EA) Ltd,
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KENYA REINSURANCE CORPORATION LIMITED DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

INFORMATION NOT SUBJECT TO AUDIT

The directors' remuneration policy and strategy for Kenya Reinsurance Corporation Limited (the "Company")

The Board establishes and approves formal and transparent remuneration policies to attract and retain both executive and non-executive Board members. These policies clearly stipulate remuneration elements such as directors' fees, honorarium and attendance allowances that are competitive and in line with those of other agencies in the industry.

In accordance with the guidelines provided under the State Corporations Act and by the Salaries and Remuneration Commission as well as shareholder approval granted at the Annual General Meeting; the directors are paid a taxable director's fee at KShs 80,000 for every month served (KShs 960,000 per annum) and a sitting allowance of KShs 20,000 for every meeting attended. The Chairman is also paid a monthly honorarium of KShs 80,000.

The Company does not grant personal loans, guarantees, share options or incentives to its non-executive directors. The Managing Director is entitled to such loans as are available to other employees as per the Corporation's human resource policies.

Contract of service

In accordance with the Capital Markets Authority (CMA) regulations on non-executive directors and the Corporation's Articles of Association, a third of the directors retire every year by rotation and subject themselves to election at every Annual General Meeting by the shareholders.

The Managing Director and Chief Executive Officer (CEO) has a contract of service with the Corporation starting 12th April 2021 ending on 11th April 2023.

Changes to directors' remuneration

During the period, there were no changes in directors' remuneration which is set as per the guidelines provided in the State Corporations Act and by the Salaries and Remuneration Commission.

Statement of voting on the directors' remuneration report at the previous Annual General Meeting

During the Annual General Meeting held on 30th June 2022, the shareholders approved directors' remuneration for the year ended 31 December 2021 by show of hands.

At the Annual General Meeting to be held by 30 the June 2023, approval will be sought from shareholders of this Directors' remuneration report for the financial year ended 31 December 2022.

**KENYA REINSURANCE CORPORATION LIMITED
DIRECTORS' REMUNERATION REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

INFORMATION NOT SUBJECT TO AUDIT

The following tables show the remuneration for the Managing Director and CEO and Non-Executive Directors in respect of qualifying services for the year ended 31 December 2022 together with the comparative figures for 2021.


YEAR ENDED 31 DECEMBER 2022.

| DIRECTOR | CATEGORY | GROSS PAYMENTS | DIRECTOR FEES | ALLOWANCES | TOTAL |
|---|-------------------------|-------------------|-------------------|-------------------|-------------------|
| | | KShs | KShs | KShs | KShs |
| Catherine Kimura | Chairman, Non-Executive | | 514,667 | 872,710 | 1,387,377 |
| Jadhah Mwarania | Managing Director | 32,369,834 | - | 460,000 | 32,829,834 |
| Michael O Monari | Non -Executive | - | 1,920,000 | 862,000 | 2,782,000 |
| James Kirika | Non -Executive | - | 1,600,000 | 1,162,000 | 2,762,000 |
| David Muthusi | Non -Executive | - | 1,880,000 | 682,000 | 2,562,000 |
| Peter Ole Nkuraiya | Non -Executive | - | 1,920,000 | 1,080,000 | 3,000,000 |
| Thamuda Hassan | Non -Executive | - | 1,920,000 | 800,000 | 2,720,000 |
| Eric Gumbo | Non -Executive | - | 1,920,000 | 940,000 | 2,860,000 |
| Erick Korir | Non -Executive | - | 480,000 | 580,000 | 1,060,000 |
| James Wangombe | Non -Executive | - | - | 320,000 | 320,000 |
| Robert Waruiru | Non -Executive | - | 514,667 | 462,000 | 976,667 |
| Eunice Nyala | Non -Executive | - | 514,667 | 420,000 | 934,667 |
| Nasra Ibrahim Ibren | Non -Executive | - | 170,520 | 100,000 | 270,520 |
| Jasper Mugambi | Non -Executive | - | 965,333 | 480,000 | 1,445,333 |
| Jennifer Karina | Chairman, Non-Executive | - | 445,333 | 1,113,300 | 1,558,633 |
| Cabinet Secretary - The National Treasury | Non -Executive | - | 960,000 | - | 960,000 |
| TOTAL | | 32,369,834 | 15,725,187 | 10,334,010 | 58,429,031 |

INFORMATION NOT SUBJECT TO AUDIT (continued)

YEAR ENDED 31 DECEMBER 2021

| DIRECTOR | CATEGORY | GROSS PAYMENTS | DIRECTOR FEES | ALLOWANCES | TOTAL |
|---|-------------------------|-------------------|-------------------|-------------------|-------------------|
| | | KShs | KShs | KShs | KShs |
| Jennifer Karina | Chairman, Non-Executive | -- | 1,440,000 | 1,275,048 | 2,715,048 |
| Jadiah Mwarania | Managing Director | 56,668,049 | - | 569,097 | 57,237,146 |
| Michael O Monari | Non -Executive | | 1,920,000 | 1,056,600 | 2,976,600 |
| James Kirika | Non -Executive | - | 480,000 | 652,990 | 1,132,990 |
| David Muthusi | Non -Executive | - | 960,000 | 795,500 | 1,755,500 |
| Jasper Mugambi | Non -Executive | - | 1,904,769 | 1,101,246 | 3,006,015 |
| Peter Ole Nkuraiya | Non -Executive | - | 1,912,953 | 1,667,463 | 3,580,416 |
| Nasra Ibrahim Ibren | Non -Executive | - | 1,912,953 | 1,403,598 | 3,316,551 |
| Thamuda Hassan | Non -Executive | - | 1,440,000 | 1,117,768 | 2,557,768 |
| Eric Gumbo | Non -Executive | - | 1,904,769 | 722,948 | 2,627,717 |
| Cabinet Secretary – The National Treasury | Non -Executive | - | 960,000 | - | 960,000 |
| Chiboli Shakaba | Non -Executive | - | 480,000 | 1,150,000 | 1,630,000 |
| Felix Okatch | Non -Executive | - | 960,000 | 559,000 | 1,519,000 |
| TOTAL | | 56,668,049 | 16,275,444 | 12,071,258 | 85,014,751 |

Approved by the board of directors on **27th March 2023** and signed on its behalf by:**BY ORDER OF THE BOARD**


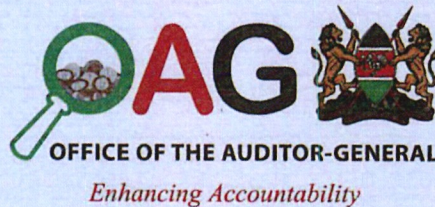
Secretary

Nairobi

27th March 2023

REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA REINSURANCE CORPORATION LIMITED FOR THE YEAR ENDED 31 DECEMBER, 2022

PREAMBLE

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

- A. Report on the 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 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 Government achieves value for money and that such funds are applied for the intended purpose.
- 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, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

The accompanying financial statements of Kenya Reinsurance Corporation Limited set out on pages 51 to 150, which comprise of the consolidated and Company statements

Report of the Auditor-General on Kenya Reinsurance Corporation Limited for the year ended 31 December, 2022

of financial position as at 31 December, 2022, and the statements of profit or loss and other comprehensive income, statements of cash flows and the statements of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Deloitte & Touche LLP, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Reinsurance Corporation Limited as at 31 December, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Kenya Companies Act, 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Reinsurance Corporation Limited Management in accordance with ISSAI 130 on 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

1. Tax Assessment by Kenya Revenue Authority

As reported in the previous years, I draw attention to Note 43 to the financial statements which describes a contingent liability in relation to tax assessment by the Kenya Revenue Authority (KRA). The Corporation is involved in a tax claim dispute with KRA, arising from KRA's demand for Kshs.3,219,271,000 (Kshs.1,272,488,000 for assessment carried out from year 2009 to 2012 and Kshs.1,946,783,000 for assessment carried out from year 2013 to 2017) relating to withholding tax on cedant acquisition costs and brokerage fees. The outcome of the contingent tax liability remains uncertain, even though discussions to resolve the contentious matter continues between the Corporation and KRA, with the assistance of professional advisors. No provision has been made for the contingent liability.

2. Investment Properties in Dispute

As reported in the previous year, and as disclosed in Note 42 to the financial statements, the Corporation owns properties valued at Kshs.936,077,000, which are excluded from the Corporation's investment properties and which are currently in dispute and subject to ongoing court cases as indicated below:

a) Parcel of Land along Ngong Road

The Corporation invested Kshs.350,000,000 for the purchase of a parcel of land measuring approximately 59.87 hectares along Ngong Road which is a subject of

dispute between the Corporation and the Kenya Forest Service before the National Land Commission. Although the Corporation has obtained confirmation from the Director of Surveys that the Corporation's land is distinct from that of Kenya Forest Service, the matter remains unresolved since the National Land Commission has not adjudicated the matter or provided its verdict. The Corporation has not realized the full benefits that may have accrued from ownership of the land as Management is not in a position to make long-term investment plans.

b) Parcel of Land along Kiambu Road

The Corporation is the registered owner of a parcel of land measuring approximately 99.5813 hectares along Kiambu Road valued at Kshs.563,077,000. The Corporation is in dispute with one of the Directors of the vendor of the land and the case is in court. The Corporation has therefore not realized the full value for money of the funds invested in the property.

c) Parcel of Land in Shanzu, Mombasa

The Corporation is the registered owner of a parcel of land measuring approximately 17.3 hectares located at Shanzu, Mombasa valued at Kshs.23,000,000. The Corporation is in dispute on the ownership of the land with the Kenya Prison Service. As a result, the property is not being utilized to generate income and the Corporation has not realized the full value for money of the funds invested in the property.

3. Investment Property not in Use

As previously reported, and as disclosed in Note 18 to the financial statements, the Corporation owns a parcel of land within the precincts of Jomo Kenyatta International Airport (JKIA) valued at Kshs.760,000,000 as at 31 December, 2022. However, Management has disclosed that it has restricted access to the land due to a caveat imposed by the Kenya Airports Authority, (KAA) citing security reasons. The Corporation is therefore, not realising the full potential of the investment.

My opinion is not modified in respect to these matters.

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 of the current year. These matters were addressed in the context of the audit of the financial statements as whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For the matter below, a description of how the audit addressed the matter is provided in that context.

| No. | Key Audit Matter | How the Matter was Addressed |
|-----|--|--------------------------------|
| | Valuation of Reinsurance Contract Liabilities | |
| | The valuation of the Group's reinsurance contracts is dependent on a number of | Our audit procedures included; |

| No. | Key Audit Matter | How the Matter was Addressed |
|-----|--|---|
| | <p>subjective assumptions about future experience as disclosed in Note 2, Note 33 and Note 34 to the consolidated and separate financial statements.</p> <p>Some of the economic and non-economic actuarial assumptions used in valuing insurance contracts are judgmental, in particular persistency (the retention of policies over time), longevity (the expectation of how long an annuity policyholder will live and how that might change over time), and expenses (future expenses incurred to maintain existing policies to maturity).</p> <p>The Group uses external actuaries to value both the life and non-life reinsurance contract liabilities. This matter was considered significant to our audit due to the sensitivity of the valuation of the reinsurance contract liabilities to changes in the key assumptions.</p> <p>There are several sources of uncertainty that are considered in the estimate of the technical liability, specifically the insurance contract liabilities relating to reported claims and claims incurred but not reported (IBNR), that the Group and the Company will ultimately pay.</p> <p>We also considered the risk in the disclosures in Note 2, Note 33 and Note 34 which are significant to the understanding of the Group's reinsurance contract liabilities.</p> | <ul style="list-style-type: none"> • Evaluation of the appropriateness of the relevant controls implemented by Directors over the determination of insurance contract liabilities. • Assessment of the competence, capabilities and objectivity of the Company's actuaries. • Sought justification on the suitability of the approach and methodology adopted by the Company's actuaries and evaluated whether these are consistent with the requirements of International Financial Reporting Standards (IFRS) and industry norms. • Evaluation of the judgements and models adopted by the Directors in the determination of insurance contract liabilities; • Audit procedures to check the data used in the computation of Insurance contract liabilities for accuracy. • Assessed the appropriateness of the related disclosures in Note 2, Note 33 and Note 34 to the financial statements. |

Other Information

The Directors are responsible for the other information, which comprises the Corporate Report, Report of the Directors, Statement of Directors' Responsibilities and Director's Remuneration Report as required by the Kenya Companies Act, 2015, Statement of Corporate Governance and the Report of the Consulting Actuary. The other information does not include the Corporation's financial statements and my audit report thereon.

My opinion on the Corporation's financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the Corporation'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 Corporation's 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan to perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 control, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya Companies Act, 2015, I report based on my audit, that:

- i. 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;
- ii. In my opinion, adequate accounting records have been kept by the Corporation, so far as appears from my examination of those records; and,

- iii. The Corporation's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining such internal control 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 control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Corporation'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 liquidate the Corporation or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provision 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 are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Corporation'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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 220(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence

obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Corporation or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 March, 2023

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RIPOTI YA MKAGUZI MKUU KUHUSU SHIRIKA LA KENYA REINSURANCE CORPORATION LIMITED YA MWAKA ULIOKAMILIKIA TAREHE 31 DESEMBA, 2022

UTANGULIZI

Ningependa muangalie maudhui ya ripoti yangu ambayo ina sehemu tatu:

- A. Ripoti kuhusu Taarifa za Kifedha ambayo inazingatia iwapo taarifa za kifedha zimewasilishwa kwa usawa kulingana na mfumo wa kutoa ripoti za kifedha unaotumika, viwango vya uhasibu na sheria na kanuni husika ambazo zina athari ya moja kwa moja kwa taarifa za kifedha.
- B. Ripoti kuhusu Uhalali na Ufanisi katika Matumizi ya Rasilimali za Umma inayozingatia utiifu wa sheria, kanuni, sera, ilani za gazeti, ujumbe na miongozo husika na iwapo rasilimali za umma zinatumiwa kwa njia ya uadilifu, ufanisi, kiuchumi, kwa uwazi na uwajibikaji ili kuhakikisha kuwa Serikali inapata thamani kutokana pesa na kwamba fedha kama hizo zinatumiwa kwa lengo linalonuiwa.
- C. Ripoti kuhusu Ufanisi wa Vidhibiti vya Ndani, Udhibiti wa Hatari na Utawala ambayo inazingatia jinsi shirika hili limeweka ukaguzi na usawazisho ili kutoa mwongozo wa oparesheni za ndani. Hii inaitikia ufanisi wa muundo wa utawala, mazingira ya udhibiti wa hatari na vidhibiti vya ndani, unaoundwa na kutekelezwa na wale walio na jukumu la utawala kwa oparesheni zenye mpangilio, ufanisi na ufaafu za shirika.

Maoni ambayo hayajakerebishwa hayana maana kuwa shirika fulani limetii sheria na kanuni zote husika, na kwamba vidhibiti vyake vya ndani, udhibiti wa hatari na mifumo yake ya utawala imeundwa ipasavyo na inafanya kazi kwa ufanisi katika mwaka wa kifedha unaokaguliwa.

Sehemu hizo tatu za ripoti hii zinalenga kutatua majukumu na wajibu wa kisheria wa Mkaguzi Mkuu kama ilivyo kwenye Kifungu cha 229 cha Katiba, Sheria ya Usimamizi wa Fedha za Umma, 2012 na Sheria ya Ukaguzi wa Umma, 2015. Sehemu hizi tatu za ripoti hii, zikisomwa pamoja zinaundwa ripoti hii ya Mkaguzi Mkuu.

RIPOTI KUHUSU TAARIFA ZA KIFEDHA

Maoni

Taarifa za kifedha zilizoambatishwa za Shirika la Kenya Reinsurance Limited zilizobainishwa katika ukurasa wa 19 hadi 102, ambazo ni pamoja na taarifa zilizojumuishwa na za Kampuni kuhusu nafasi ya kifedha kufikia tarehe 31 Desemba, 2022 na taarifa za faida na hasara na mapato mengine ya kina, taarifa kuhusu mzunguko wa pesa na taarifa kuhusu mabadiliko katika hisa za mwaka ambao uliisha wakati huo, na muhtasari wa sera muhimu za uhasibu na taarifa nyingine za ufafanuzi, zimefanyiwa ukaguzi kwa niaba yangu na Deloitte na Touche LLP, wakaguzi walioteuliwa chini ya Sehemu ya 23 ya Sheria ya Ukaguzi wa Umma, 2015. Wakaguzi wamenipa ripoti ya matokeo ya ukaguzi wao na kwa msingi wa ripoti yao, nimeridhika kwamba taarifa na maelezo yote ambayo kwa maarifa na imani yangu yalikuwa muhimu kwa madhumuni ya ukaguzi huu.

Kwa maoni yangu, taarifa hii ya kifedha inawakilisha kwa usawa kwa vigezo vyote, nafasi ya kifedha ya Shirika la Kenya Reinsurance

Limited kufikia tarehe 31 Desemba 2022 na ya utendaji wake wa kifedha na mtiririko wake wa pesa kwa mwaka uliokamilika wakati huo, kwa mujibu wa Viwango vya Kimataifa vya Kutoa Ripoti za Kifedha (FRS) na unaambatana na Sheria ya Kampuni za Kenya, 2015.

Msingi wa Maoni

Ukaguzi huu ulifanywa kwa mujibu wa Viwango vya Kimataifa vya Taasisi Kuu za Ukaguzi (ISSAIs). Sina uhusiano na Usimamizi wa Shirika la Kenya Reinsurance Limited kwa mujibu wa ISSAI 130 kuhusu Vigezo vya Maadili. Nimetimiza majukumu mengine ya kimaadili kwa mujibu wa ISSAI na kwa mujibu wa mahitaji mengine ya kimaadili yanayotumika katika kuendesha ukaguzi wa taarifa za kifedha nchini Kenya. Ninaamini kwamba ushahidi wa ukaguzi ambao nimeupata ni toshelevu na unafaa katika kutoa msingi wa maoni yangu.

Msisitizo wa Suala Zima

1. Tathmini ya Ushuru na Mamlaka ya Ushuru ya Kenya

Ilivyoripotiwa katika miaka ya nyuma, ningependa muangalie Kidokezo cha 43 cha taarifa za kifedha kinachofafanua dhima zinazoweza kupatikana kwa kutegemea matokeo yasiyotabirika ya siku za usoni kuhusiana na tathmini ya ushuru na Mamlaka Ushuru ya Kenya (KRA). Shirika limehusika katika mzozo wa dai la ushuru na KRA, linalotokana na hali kwamba KRA inadai Kshs.3,219,271,000 (Kshs.1,272,488,000 kwa tathmini iliyofanywa kuanzia 2009 hadi 2012 na Kshs.1,946,783,000 kwa tathmini iliyofanywa kuanzia mwaka 2013 hadi 2017) kuhusiana na ushuru uliosimamishwa kutokana na gharama za ununuzi wa bima na ada za wakala. Matokeo ya dhima ya ushuru unaopatikana kwa kutegemea hali zisizotabirika unasalia kutotabirika, ingawa mijadala ya kutatua suala hili tete inaendelea kati ya Shirika na KRA, kwa usaidizi wa washauri wa kitaalamu. Hakuna vipengee ambavyo vimetolewa vya dhima zinazoweza kupatikana kwa kutegemea matokeo yasiyotabirika ya siku za usoni.

2. Mali ya Uwekezaji Inayozozaniwa

Kama ilivyoripotiwa mwaka jana, na ilivyofichuliwa kwenye Kidokezo cha 42 cha taarifa za kifedha, Shirika ndilo mmiliki aliyesajiliwa wa mali yenye thamani ya Kshs.936,077,000, ambayo haijajumuishwa kwenye mali za uwekezaji wa Shirika na ambayo kwa sasa inazozaniwa na kesi yake inaendelea kwa sasa mahakamani kama ilivyoonyesha hapa chini:

a) Kipande cha Ardhi katika Barabara ya Ngong

Shirika liliwekeza Kshs.350,000,000 kwa ununuzi wa kipande cha ardhi cha vipimo vya takriban ekari 59,87 katika Barabara ya Ngong ambayo inazozaniwa kati ya Shirika na Huduma ya Misitu ya Kenya mbele ya Tume ya Kitaifa ya Ardhi. Ingawa Shirika limepata thibitisho kutoka kwa Mkurugenzi wa Usoroveya kwamba ardhi ya Shirika ni tofauti na ile ya Huduma ya Misitu ya Kenya, suala hilo linasalia kutotatuliwa hadi Tume ya Kitaifa ya Ardhi kwa sababu Tume ya Kitaifa ya Ardhi haijasikiliza na kuamua kesi hiyo wala kutoa uamuzi wake. Shirika halijapata manufaa kamili yanayoweza kulimbikizwa kutokana na umiliki wa ardhi hiyo kwa sababu Usimamizi haipo katika nafasi ya kufanya mipango ya uwekezaji ya muda mrefu.

b) Kipande cha Ardhi katika Barabara ya Kiambu

Shirika ndilo mmiliki aliyesajiliwa wa kipande cha ardhi chenye kipimo cha takriban ekari 99.5813 kilicho katika Barabara ya Kiambu yenye thamani ya Kshs.563,077,000. Shirika lina mzozo na mmoja wa Wakurugenzi wa shirika lililouza ardhi hiyo na kesi hiyo iko mahakamani. Kwa hivyo Shirika halipati thamani kamili ya pesa kutokana na fedha zilizowekezwa katika mali hiyo.

c) Kipande cha Ardhi mjini Shanzu, Mombasa

Shirika ndilo mmiliki aliyesajiliwa wa kipande cha ardhi chenye kipimo cha takriban ekari 17.3 kilicho Shanzu, Mombasa yenye thamani ya Kshs.23,000,000. Shirika hili lina mzozo wa umiliki wa ardhi hiyo na Huduma ya Magereza ya Kenya. Kutokana na hayo, Mali hiyo haitumiki kuzalisha mapato na Shirika halipati thamani kamili ya pesa kutokana na fedha zilizowekezwa katika mali hiyo.

3. Mali ya Uwekezaji ambayo Haitumiki

Ilivyoripotiwa awali, na kufichuliwa katika Kidokezo cha 18 kwenye taarifa za kifedha, Shirika linamiliki kipande cha ardhi ndani ya Uwanja wa Kimataifa wa Ndege wa Jomo Kenyatta (JKIA) chenye thamani ya Ksh 760,000,000 kufikia tarehe 31 Disemba 2022. Hata hivyo, usimamizi umefichua kwamba umeweka vikwazo vya ufikiaji wa ardhi hiyo kama vilivyowekwa na Mamlaka ya Uwanja wa Ndege nchini (KAA) hasa kwa sababu za kiusalama. Kwa hivyo Shirika halinufaiki kikamillifu kutokana na uwekezaji huo.

Maoni yangu hayajabadilishwa kuhusiana na masuala haya.

Masuala Makuu ya Ukaguzi

Masuala makuu ya ukaguzi ni yale ambayo, katika uamuzi wangu wa kitaalamu, ni muhimu katika ukaguzi wa taarifa za kifedha za mwaka wa sasa. Masuala haya yalitataliwa katika muktadha wa ukaguzi wa taarifa zote za kifedha, na katika kutoa maoni yangu kuyahusu, sina maoni tofauti kuhusu masuala haya. Kwa suala lililo hapa chini, ufafanuzi wa jinsi shughuli ya ukaguzi ilivtotatua suala hiyo umetolewa kwa muktadha huo.

| Nambari. | Suala Kuu la Ukaguzi | Jinsi Suala hilo Liliovyoshughulikiwa |
|----------|--|--|
| | Kuweka Thamani ya Dhima za Kandarasi za Utoaji Bima kwa Kampuni nyingine | |
| | Thamani ya kandarasi za Kikundi za utoaji bima kwa kampuni nyingine inategemea | Taratibu zetu za ukaguzi zilijumuisha zifuatazo; |
| Nambari. | Suala Kuu la Ukaguzi | Jinsi Suala hilo Liliovyoshughulikiwa |
| | <p>mawazo yasiyo yakinifu kuhusu hali ya siku ya za usoni ilivyofichuliwa katika Kidokezo cha 2, Kidokezo cha 33 na 34 kwenye taarifa za pamoja na tofauti za kifedha.</p> <p>Baadhi ya mawazo ya utarakimu bima ya kiuchumi na yasiyo ya kiuchumi yanayotumika kuthamini kandarasi za bima ni ya kuhukumu, hasa kudumu (ubakishaji wa sera kwa muda fulani), ustahimivu (matarajio ya muda ambao mwenye sera atalipia malipo ya bima atasalia na jinsi hii inavyoweza kubadilika baada ya muda fulani), na gharama (gharama za siku zijazo zilipatikana ili kudumisha sera zilizopo hadi ukomavu wake).</p> <p>Kikundi kinatumia watarakimu bima wa nje kutathmini dhima za kandarasi za utoaji bima za maisha na zisizo za maisha kwa kampuni nyingine za bima. Suala hili lilizingatiwa kuwa muhimu katika ukaguzi wetu kutokana na umuhimu wake katika kutathmini dhima za kandarasi za utoaji bima kwa kampuni nyingine kwenye mabadiliko katika mawazo muhimu.</p> <p>Kuna vyanzo kadhaa vya hali tete vinavyozingatiwa kwenye makadirio ya dhima ya kiufundi, haswa dhima za kandarasi za bima zinazohusiana na madai yanayoripotiwa na madai yaliyogharimu kampuni lakini hayajaripotiwa (IBNR), ambayo hatimaye Shirika na Kampuni hiyo italipa.</p> <p>Kadhalika, tulizingatia hatari zilizo kwenye ufichuzi kwenye Kidokezo cha 2, Kidokezo cha 33 na Kidokezo cha 34 ambazo ni muhimu katika kuelewa dhima za kandarasi za utoaji bima kwa kampuni zingine za Shirika.</p> | <p>Tathmini ya ufaafu wa vidhibiti husika vinavyotekelezwa na Wakurugenzi katika kubaini dhima za kandarasi za bima.</p> <p>Tathmini ya umilisi,</p> <p>uwezo na uyaakinifu wa waatalamu wa tarakimu bima wa Kampuni.</p> <p>Kutafuta sababu za ufaafu wa mbinu na methodolojia iliyopitishwa na wataalamu wa tarakimu bima wa Kampuni na kutathmini iwapo zinalingana na mahitaji ya Viwango vya Kimataifa vya Kutoa Ripoti za Kifedha (FRS) na desturi za sekta.</p> <p>Tathmini ya uamuzi na miundo iliyopitishwa na Wakurugenzi katika kubaini dhima za kandarasi za bima;</p> <p>Kukagua taratibu ili kuangalia data iliyotumiwa katika kupiga hesabu ya dhima za kandarasi za bima kubaini usahihi.</p> <ul style="list-style-type: none"> • Tuliathmini ufaafu wa ufichuzi husika katika Kidokezo cha 2, Kidokezo cha 33 na cha 34 kwa taarifa za kifedha. |

Taarifa Nyingine

Wakurugenzi watendaji wanawajibikia taarifa nyingine, ambayo ni pamoja na Ripoti ya Shirika, Ripoti ya Wakurugenzi Watendaji, Taarifa ya Majukumu ya Wakurugenzi Watendaji na Ripoti ya Malipo ya Mshahara kwa Wakurugenzi watendaji kama inavyohitajika na Sheria ya Kampuni ya Kenya 2015, Taarifa ya Utawala wa Shirika na Ripoti ya kampuni inayotoa huduma ya Tarakimu Bima. Taarifa nyingine haijumuishi taarifa za kifedha za Shirika na ripoti yangu ya ukaguzi hapo ndani.

Maoni yangu kuhusu taarifa ya kifedha ya Shirika hayajashughulikia taarifa hiyo nyingine na sitoi hitimisho la aina yoyote la hakikisho hapo ndani.

Kuhusiana na ukaguzi wangu wa taarifa za kifedha za Shirika, wajibu wangu ni kusoma taarifa ile nyingine na, kwa kufanya hivyo, kuzingatia iwapo taarifa hiyo nyingine inaambatana na taarifa ya kifedha ya Shirika au maarifa niliyopata katika ukaguzi, au vinginevyo maudhui yake yanaonekana kutolewa kimakosa. Ikiwa, kwa msingi wa kazi ambayo nimefanya, nitahitimisha kwamba kuna makosa ya maudhui katika taarifa hii nyingine, ninahitajika kuripoti ukweli huo. Sina chochote cha kuripoti kuhusiana na suala hilo.

RIPOTI KUHUSU HAKI NA UFANISI WA KUTUMIA RASILIMALI ZA UMMA

Hitimisho

Inavyohitajika na Kifungu cha 229(6) cha Katiba, kulingana na taratibu za ukaguzi zilizofanywa, ninathibitishwa kwamba, hakuna chochote kinachoweza kunifanya kuamini kuwa rasilimali za umma hazijatumika kwa kujibu wa sheria na kwa ufanisi.

Msingi wa Hitimisho

Ukaguzi ulifanywa kwa mujibu wa ISSAI 4000. Viwango vinahitaji kuwa nitii matakwa ya kimaadili na kupanga kuendesha ukaguzi ili kupata uhakika kuhusu iwapo shughuli, miamala na taarifa ya kifedha zilizoakiwa kwenye taarifa ya kifedha zinatii kanuni za mamlaka, katika vipengee vyote, na mamlaka zinazozitawala. Ninaamini kuwa ushahidi wa ukaguzi ambao nimeupata ni toshelevu na unafaa kuweka msingi wa hitimisho langu.

RIPOTI KUHUSU UFANISI WA VIDHIBITI VYA NDANI, UDHIBITI WA HATARI NA UTAWALA

Hitimisho

Inavyohitajika na Sehemu ya 7(1)(a) ya Sheria ya Ukaguzi wa Umma, 2015 kulingana na taratibu za ukaguzi vilizofanywa, ninathibitisha kwamba, hakuna chochote kinachoweza kunifanya kuamini kuwa vidhibiti vya ndani, udhibiti wa hatari na utawala kwa jumla haukufanya kazi kwa ufanisi.

Msingi wa Hitimisho

Ukaguzi ulifanywa kwa mujibu wa ISSAI 2315 na ISSAI 2330. Viwango vinahitaji kwamba nipange na kuendesha ukaguzi ili kupata uhakika kuhusu iwapo michakato faafu na mifumo ya udhibiti wa ndani, udhibiti wa hatari na utawala kwa jumla ilikuwa ikifanya kazi kwa ufanisi, kuhusiana na vigezo vyote vya kimaudhui. Ninaamini kuwa ushahidi wa ukaguzi ambao nimeupata ni toshelevu na unafaa kuweka msingi wa hitimisho langu.

RIPOTI KUHUSU MATAKWA MENGINE YA KISHERIA NA UDHIBITI

Inavyohitajika na Sheria ya Kampuni za Kenya 2015, kwa msingi wa ukaguzi wangu, ninariporti kwamba:

- i. Nimepokea taarifa na ufafanuzi wote ambao kwa maarifa na imani yangu, ulikuwa muhimu kwa madhumuni ya ukaguzi huu;
- ii. Kwa maoni yangu, Shirika limehifadhi rekodi toshelevu za uhasibu, kufikia sasa ilivyo katika uchunguzi wangu wa rekodi hizo; na,
- iii. Taarifa za kifedha za Shirika zinaoana na rekodi za uhasibu na faida au hasara.

Wajibu wa Usimamizi na Bodi ya Watendaji

Usimamizi unawajibu wa kutayarisha na kuwasilisha taarifa hizi za kifedha kwa usawa kulingana na Viwango vya Kimataifa vya Kuripoti kuhusu Fedha na kwa kudumisha udhibiti wa kindani ambao Usimamizi utabaini kuwa ni muhimu kuwezesha utayarishaji wa taarifa za kifedha ambazo hazina makosa kimaudhui, iwe ni kutokana na ulaghai au kosa na kwa tathmini yake ya ufanisi wa udhibiti wa ndani, udhibiti wa hatari na utawala kijumla.

Katika kutayarisha taarifa za kifedha, Usimamizi unawajibu wa kutathmini uwezo wa Shirika kuendeleza oparesheni kikawaida, ufichuzi, inavyotumika, masuala yanayohusiana na oparesheni za kawaida na kutumia oparesheni za kawaida kama msingi wa uhasibu isipokuwa ikiwa Usimamizi ama inafahamu kuhusu nia ya kuuza mali ya Shirika au kusitisha oparesheni au kuacha kuendesha shughuli.

Usimamizi una jukumu la kuwasilisha taarifa za kifedha kwa Mkaguzi Mkuu kwa mujibu wa Sehemu ya 47 ya Sheria ya Ukaguzi wa Umma, 2015.

Pamoja na jukumu la kutayarisha na kuwasilisha taarifa za kifedha zilizofafanuliwa hapa juu, Usimamizi pia una jukumu la kuhakikishwa kwamba shughuli, miamala ya kifedha na taarifa iliyoakisiwa kwenye taarifa za kifedha zinatii mamlaka inayozitawala, na kwamba rasilimali za umma zinatumika kwa njia inayofaa.

Bodi ya Wakurugenzi ina jukumu la kusimamia mchakato wa Shirika kutoa ripoti za kifedha, ukaguzi wa ufanisi wa jinsi Usimamizi unavyofuatilia utiifu wa sheria husika na matakwa ya kikanuni, kuhakikisha kwamba michakato na mifumo inayofaa imewekwa ili kushughulikia wajibu na majukumu muhimu kuhusiana na utawala wa jumla na udhibiti wa hatari, na kuhakikisha utoshelevu na ufanisi wa mazingira ya udhibiti.

Majukumu ya Mkaguzi Mkuu kwa ajili ya Ukaguzi

Malengo ya ukaguzi ni kupata hakikisho lenye maana kuhusu iwapo taarifa za kifedha kwa ujumla hazina makosa ya maudhui, iwe kutokana na ulaghai au kosa, na kutoa ripoti ya ukaguzi inayojumuisha maoni yangu kwa mujibu wa Sehemu ya 48 ya Sheria ya Ukaguzi wa Umma, 2015 na kuwasilisha ripoti ya ukaguzi kwa kufuata Kifungu cha 229(7) cha Katiba ya Kenya. Uhakikisho wenye maana ni uhakikisho wa hali ya juu unaohusu makosa ya kimaudhui, lakini sio hakikisho kwamba ukaguzi uliofanywa kwa mujibu wa ISSAI kila mara utagundua makosa ya maudhui yakiwepo. Makosa yanaweza kutokana na ulaghai au hitilafu na yanazingatiwa kuwa ya maudhui ikiwa, kibinafsi au kwa kujumuishwa, yanaweza kutarajiwa kuchochea maamuzi ya kiuchumi ya watumiaji yanayofanywa kwa msingi wa taarifa za kifedha.

Pamoja na ukaguzi wa taarifa za kifedha, ukaguzi wa utiifu unapangwa na kutekelezwa ili kueleza hitimisho kuhusu iwapo, kwa msingi wa maudhui yote, shughuli, miamala ya kifedha na taarifa inayoakisiwa kwenye taarifa za kifedha inatii mamlaka zinazoitawala na kwamba mali ya umma inatumika kwa njia inayofaa, kwa mujibu wa Kifungu cha 229(6) cha Katiba na kuwasilisha ripoti ya ukaguzi kwa kutii Kifungu cha 220(7) cha Katiba.

Isitoshe, katika kupanga na kuendesha ukaguzi wa taarifa za kifedha na utiifu wa ukaguzi, ninazingatia udhibiti wa ndani ili kutoa hakikisho kuhusu ufanisi wa vidhibiti vya ndani, udhibiti wa hatari na michakato ya jumla ya utawala na mifumo kwa mujibu wa kanuni za Sehemu ya 7(1)(a) ya Sheria ya Ukaguzi wa Umma 2015 na kuwasilisha ripoti ya ukaguzi kwa mujibu wa Kifungu cha

229(7) cha Katiba. Mazingatio yangu ya udhibiti wa ndani huenda yasifichue masuala yote muhimu yanayoweza kuwa ni ya udhaifu kimaudhui chini ya ISSAI. Udhaifu wa kimaudhui ni hali ambapo usanifu au oparesheni ya sehemu moja au zaidi ya udhibiti wa ndani haipunguzi hadi chini kabisa kiwango cha hatari ambayo makosa yanayosababishwa na hitilafu au ulaghai kwenye kiasi ambacho kinaweza kuwa muhimu kuhusiana na taarifa za kifedha zinazofanyiwa ukaguzi na huenda yasingunduliwe ndani ya kipindi kifaacho cha muda na wafanyakazi katika shughuli za kawaida wakifanya kazi walizokabidhiwa.

Kwa sababu ya vuzuizi vyake vilivyomo, udhibiti wa ndani huenda usizuie au kugundua makosa na matukio ya kukosa utiifu. Pia, makadirio ya ufanisi wa tathmini yoyote kwa vipindi vijavyo yanategemea hatari ambayo vidhibiti huenda visikuwe toshelevu kwa sababu ya mabadiliko katika hali au kiwango cha utiifu kwa sera na taratibu kinaweza kudorora.


Kama sehemu ya ukaguzi kwa mujibu wa ISSAI, ninaendesha hukumu kitaalamu na kudumisha tahadhari kitaaluma katika shughuli nzima ya ukaguzi. Aidha nina:

- Tambua na kutathmini hatari ya makosa ya kimaudhui ya taarifa za kifedha, iwe ni kutokana na ulaghai au hitilafu, kusanifu na kuendesha taratibu za ukaguzi zinaoana na hatari, na kupata ushahidi wa ukaguzi ambao ni toshelevu na unaofaa ili kutoa msingi wa maoni yangu. Hatari ya kutogundua makosa ya kimaudhui yanayotokana na ulaghai ni ya juu kuliko ile inayotokana na hitilafu, kwa vile ulaghai unaweza kuhusisha njama, uundaji stakabadhi za uongo, kufungia mambo nje kwa kusudi, kuwakilisha vibaya au kukwepa udhibiti wa ndani.
- Tathmini ufaafu wa sera za uhasibu zinazotumika na maana ya makadirio ya uhasibu na ufichuzi unaohusiana uliotolewa na Usimamizi.
- Hitimisho kuhusu ufaafu wa Usimamizi kutumia utendakazi wa kawaida kama msingi wa uhasibu na kulingana na ushahidi wa ukaguzi uliopatikana, iwapo upo wasiwasi kimaudhui unaohusiana na matukio au hali zinazoweza kuweka shaka kubwa kuhusu uwezo wa Shirika kuendelea kama biashara ya kawaida. Ninahitimisha kwamba kuna wasiwasi kimaudhui, ninahitajika kuleta makini katika ripoti ya ukaguzi kwenye ufichuzi unaohusiana uliopo kwenye taarifa za kifedha au, ikiwa ufichuzi kama huo si toshelevu, kurekebisha maoni yangu. Mahitimisho yangu yanatokana na ushahidi wa ukaguzi uliopatikana kufikia tarehe nilipotoa ripoti yangu ya ukaguzi. Hata hivyo, matukio au hali za siku zijazo zinaweza kusababisha Shirika kukoma kuendelea kama biashara ya kawaida.
- Kutathmini wasilisho kwa jumla, muundo na maudhui ya taarifa za kifedha, ikijumuisha ufichuzi na iwapo taarifa za kifedha zinawakilisha miamala na matukio yaliyopo kwa njia inayofikia uwasilisho wa haki.
- Kupata ushahidi wa kutosha wa ukaguzi unaohusu taarifa za kifedha za Shirika au shughuli za biashara ili kutoa maoni kuhusu taarifa za kifedha.
- Kuendesha taratibu zozote zingine ninazozingatia kuwa ni muhimu katika hali hizo.

Ninawasiliana na Usimamizi kuhusiana na, miongoni mwa mambo mengine, upeo uliopangwa na muda wa ukaguzi na matokeo muhimu ya ukaguzi, ikiwa ni pamoja na upungufu muhimu katika udhibiti wa ndani unaotambuliwa wakati wa ukaguzi.

Pia, ninaupa Usimamizi taarifa kwamba nimetii matakwa yote muhimu ya kimaadili kuhusiana na uhuru na kuwasiliana nao wote mahusiano yote na masuala mengine ambayo yanaweza kuzingatiwa kuwa msingi wa uhuru wangu na panapofaa, ulinzi husika.

Kutokana na masuala niliyowasiliana na Usimamizi kuyahusu, ninabaini masuala yale ambayo yalikuwa muhimu zaidi katika ukaguzi wa taarifa za kifedha ya kipindi cha sasa hivyo masuala muhimu ya ukaguzi. Masuala haya yanafafanuliwa kwenye ripoti ya ukaguzi isipokuwa sheria au kanuni itangulize ufichuzi wa umma kuhusu suala hilo au wakati, katika hali isiyo ya kawaida zaidi, nibaini kuwa suala fulani halipaswi kuwasilishwa katika ripoti yangu kwa sababu madhara mabaya ya kufanya hivyo yanatarajiwa kupiku manufaa ya masilahi ya umma ya mawasiliano kama hayo.


CPA Nancy Gathungu, CBS

MKAGUZI MKUU
Nairobi

27 Machi, 2023

KENYA REINSURANCE CORPORATION LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

| | Notes | Short term ¹ business 2022 KShs '000 | Long term ¹ Business 2022 KShs '000 | Total 2022 KShs '000 | Restated Total 2021 KShs '000 |
|--|-----------|--|---|----------------------------|--|
| INCOME | | | | | |
| Gross premiums written | | 22,699,777 | 2,280,158 | 24,979,935 | 20,296,197 |
| Less: change in unearned premiums | 38 | (1,451,046) | (143,524) | (1,594,570) | (97,620) |
| Less: retrocession premiums | 6 | (1,142,585) | (97,338) | (1,239,923) | (1,162,210) |
| NET EARNED PREMIUMS | 6 | 20,106,146 | 2,039,296 | 22,145,442 | 19,036,367 |
| Investment income-Interest income | 7(a) | 2,037,727 | 927,270 | 2,964,997 | 2,762,092 |
| Investment income-Other | 7(b) | 667,068 | 111,628 | 778,696 | 895,593 |
| Commissions recovered | 10(a) | 224,201 | 32,850 | 257,051 | 136,630 |
| Fair value (losses)/gains on revaluation of investment properties | 18 | (100,985) | 8,832 | (92,153) | (116,642) |
| Other income | 8 | 72,023 | - | 72,023 | 58,323 |
| Share of associate profits-net of tax | 19 | 551,107 | - | 551,107 | 404,714 |
| TOTAL INCOME | | 23,557,287 | 3,119,876 | 26,677,163 | 23,177,077 |
| CLAIMS AND POLICY HOLDERS BENEFITS EXPENSES | | | | | |
| Gross claims incurred and policy holder benefits expenses | 9 | (12,807,004) | (1,642,398) | (14,449,402) | (10,875,525) |
| Less: Re-insurers share of claims and policy holder benefits | 9 | 505,971 | 76,992 | 582,963 | 230,787 |
| NET CLAIMS AND BENEFITS | | (12,301,033) | (1,565,406) | (13,866,439) | (10,644,738) |
| Cedant acquisition costs | 10(a) | (5,600,794) | (539,666) | (6,140,460) | (5,259,613) |
| Operating and other expenses | 10(b) | (1,594,737) | (160,190) | (1,754,927) | (2,095,804) |
| Impairment for doubtful receivables | 24 (b) | (329,029) | - | (329,029) | (909,370) |
| TOTAL CLAIMS, BENEFITS, AND OTHER EXPENSES | | (19,825,593) | (2,265,262) | (22,090,855) | (18,909,525) |
| PROFIT BEFORE TAX | | 3,731,694 | 854,614 | 4,586,308 | 4,267,552 |
| INCOME TAX EXPENSE | 11(a) | (825,326) | (143,007) | (968,333) | (1,112,248) |
| PROFIT FOR THE YEAR | | 2,906,368 | 711,607 | 3,617,975 | 3,155,304 |
| OTHER COMPREHENSIVE INCOME | | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | | | |
| Share of gain on property revaluation of associate | 19 | 4,705 | - | 4,705 | 8,524 |
| Remeasurement gain/losses on defined benefit plans, net of tax | 21 | 41,099 | - | 41,099 | 26,509 |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Net gains/ (losses) on revaluation of available-for-sale quoted equity instruments | 27 | (48,392) | - | (48,392) | 60,828 |
| Net gains on revaluation of available-for-sale government securities | 28 | (78,205) | - | (78,205) | (4,549) |
| Translation reserve | | (77,884) | - | (77,884) | 50,241 |
| Share of movement in associate reserves: | | | | | |
| – currency translation | 19 | 603,350 | - | 603,350 | 81,219 |
| – fair value reserve | 19 | (106,452) | - | (106,452) | 11,026 |
| TOTAL OTHER COMPREHENSIVE INCOME | | 338,221 | - | 338,221 | 233,798 |
| TOTAL COMPREHENSIVE INCOME | | 3,244,589 | 711,607 | 3,956,196 | 3,389,102 |
| EARNINGS PER SHARE - basic and diluted | 12 | | | 1.29 | 1.13 |

¹ The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.

KENYA REINSURANCE CORPORATION LIMITED
COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

| | Notes | Short term ² Business 2022 KShs '000 | Long term ² Business 2022 KShs '000 | Total 2022 KShs '000 | Restated Total 2021 KShs '000 |
|---|-----------|--|---|----------------------------|--|
| INCOME | | | | | |
| Gross premiums written | | 19,535,488 | 2,240,479 | 21,775,967 | 17,871,082 |
| Less: change in unearned premiums | 38 | (1,128,642) | (131,523) | (1,260,165) | (30,362) |
| Less: retrocession premiums | 6 | (564,405) | (97,338) | (661,743) | (658,889) |
| NET EARNED PREMIUMS | 6 | 17,842,441 | 2,011,618 | 19,854,059 | 17,181,831 |
| Investment income-Interest income | 7(a) | 1,834,233 | 983,711 | 2,817,944 | 2,665,585 |
| Investment income-Other | 7(b) | 667,068 | 111,628 | 778,696 | 895,593 |
| Commissions recovered | 10(a) | 31,694 | 4,644 | 36,338 | 27,425 |
| Fair value (loss)/gains on revaluation of investment properties | 18 | (100,985) | 8,832 | (92,153) | (116,642) |
| Other income | 8 | 123,420 | - | 123,420 | 57,858 |
| Share of associate profits | 19 | 551,107 | - | 551,107 | 404,714 |
| TOTAL INCOME | | 20,948,978 | 3,120,433 | 24,069,411 | 21,116,364 |
| CLAIMS AND POLICY HOLDERS BENEFITS EXPENSES | | | | | |
| Gross claims incurred and policy holder benefits expenses | 9 | (11,542,893) | (1,639,787) | (13,182,680) | (10,250,170) |
| Less: Re-insurers share of claims and policy holder benefits | 9 | 70,787 | 76,992 | 147,779 | 230,787 |
| NET CLAIMS AND BENEFITS | | (11,472,106) | (1,562,795) | (13,034,901) | (10,019,383) |
| Cedant acquisition costs | 10(a) | (4,776,421) | (539,441) | (5,315,862) | (4,597,547) |
| Operating and other expenses | 10(b) | (1,359,881) | (155,962) | (1,515,843) | (1,861,926) |
| Impairment for doubtful receivables | 24(b) | (245,200) | - | (245,200) | (571,163) |
| CLAIMS AND BENEFITS AND OTHER EXPENSES | | (17,853,608) | (2,258,198) | (20,111,806) | (17,050,019) |
| PROFIT BEFORE TAX | | 3,095,370 | 862,235 | 3,957,605 | 4,066,345 |
| INCOME TAX EXPENSE | 11(a) | (802,204) | (139,001) | (941,205) | (1,047,094) |
| PROFIT FOR THE YEAR | | 2,293,166 | 723,234 | 3,016,400 | 3,019,251 |
| OTHER COMPREHENSIVE INCOME | | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | | | |
| Share of gain on property revaluation of associate | 19 | 4,705 | - | 4,705 | 8,524 |
| Remeasurement gains/losses on defined benefit plans, net of tax | 21 | 41,099 | - | 41,099 | 26,509 |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Net gains/(losses) on revaluation of available-for-sale quoted equity instruments | 27 | (48,392) | - | (48,392) | 60,828 |
| Net (loss)/gains on revaluation of available-for-sale government securities | 28 | (78,206) | - | (78,206) | (4,549) |
| Share of movement in associate reserves: | | | | | |
| – currency translation | 19 | 603,350 | - | 603,350 | 81,219 |
| – fair value reserve | 19 | (106,452) | - | (106,452) | 11,026 |
| TOTAL OTHER COMPREHENSIVE INCOME | | 416,104 | - | 416,104 | 183,557 |
| TOTAL COMPREHENSIVE INCOME | | 2,709,270 | 723,234 | 3,432,504 | 3,202,808 |
| EARNINGS PER SHARE - basic and diluted | 12 | | | 1.08 | 1.08 |

² The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.

KENYA REINSURANCE CORPORATION LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

| | Notes | Short term ³ Business 2022 KShs '000 | Long term ³ Business 2022 KShs '000 | Total 2022 KShs '000 | Restated Total 2021 KShs '000 | Restated Total 1.1.2021 KShs '000 |
|---|--------|--|---|----------------------------|--|--|
| EQUITY | | | | | | |
| Share capital | 13 | 6,499,491 | 500,000 | 6,999,491 | 6,999,491 | 6,999,491 |
| Revaluation reserve | 14 | 33,697 | - | 33,697 | 28,992 | 20,468 |
| Fair value reserve | 14 | (645,952) | (80,061) | (726,013) | (492,965) | (560,270) |
| Translation reserve | 14 | 1,347,425 | - | 1,347,425 | 821,958 | 690,498 |
| Statutory reserve | 33 | - | 8,145,000 | 8,145,000 | 7,433,393 | 6,237,682 |
| Retained earnings | 14 | 24,972,103 | - | 24,972,103 | 22,304,615 | 20,878,472 |
| TOTAL EQUITY | | 32,206,764 | 8,564,939 | 40,771,703 | 37,095,484 | 34,266,341 |
| ASSETS | | | | | | |
| Property and equipment | 15 | 93,426 | - | 93,426 | 68,256 | 92,729 |
| Intangible assets | 16 | 21,912 | 35,751 | 57,663 | 112,803 | 297,764 |
| Investment properties | 18 | 10,649,225 | 1,755,775 | 12,405,000 | 12,250,000 | 12,175,000 |
| Investment in associate | 19 | 7,823,043 | - | 7,823,043 | 6,770,334 | 5,761,432 |
| Unquoted equity instruments | 22 | 201,623 | - | 201,623 | 194,248 | 209,674 |
| Mortgage loans | 17 | 750,212 | - | 750,212 | 790,455 | 776,835 |
| Corporate bonds-held to maturity | 23 | 45,329 | - | 45,329 | 45,329 | - |
| Receivables arising out of reinsurance and retrocession arrangements | 24 (a) | 1,584,575 | 557,698 | 2,142,273 | 2,065,570 | 7,347,292 |
| Receivables arising out of reinsurance and retrocession arrangements-Pipeline | 24 | 7,968,485 | 448,546 | 8,417,031 | - | - |
| Premium retained by cedants | 25 | 424,861 | - | 424,861 | 418,173 | 153,294 |
| Deferred acquisition costs | 30 | 1,301,433 | 138,300 | 1,439,733 | 979,601 | 737,689 |
| Other receivables | 26 | 437,655 | 82,222 | 519,877 | 570,299 | 493,185 |
| Quoted equity instruments | 27 | 976,193 | 177,878 | 1,154,071 | 1,202,463 | 1,186,121 |
| Government securities | 28 | 13,353,705 | 6,579,364 | 19,933,069 | 18,551,024 | 17,258,062 |
| Inventory | 29 | 20,345 | - | 20,345 | 18,505 | 14,265 |
| Deposits with financial institutions | 31 | 8,171,395 | 4,186,346 | 12,357,741 | 10,566,834 | 8,306,552 |
| Cash and bank balances | 32 | 888,310 | 6 | 888,316 | 1,029,913 | 2,453,326 |
| Deferred tax asset | 36 | 1,452,394 | - | 1,452,394 | - | - |
| TOTAL ASSETS | | 56,164,123 | 13,961,883 | 70,126,007 | 55,633,807 | 57,263,220 |
| LIABILITIES | | | | | | |
| Long term reinsurance contract liabilities | 33 | - | 1,309,997 | 1,309,997 | 1,262,731 | 2,721,542 |
| Short term reinsurance contracts liabilities | 34 | 10,273,510 | - | 10,273,510 | 9,915,675 | 9,340,902 |
| Payables arising out of reinsurance arrangements | 35 | 1,608,386 | 109,811 | 1,718,196 | 1,306,359 | 5,815,974 |
| Payables arising out of reinsurance arrangements-Pipeline | 35 | 6,602,886 | 341,317 | 6,944,203 | - | - |
| Deferred tax liability | 36 | - | 3,160,311 | 3,160,311 | 1,568,916 | 1,281,527 |
| Retirement benefits obligation | 21 | 19,578 | - | 19,578 | 49,000 | 175,911 |
| Income tax payable | 11(c) | 39,276 | - | 39,276 | 84,980 | 99,965 |
| Other payables | 37 | 626,306 | - | 626,306 | 682,305 | 709,728 |
| Unearned premiums | 38 | 4,787,417 | 475,510 | 5,262,927 | 3,668,357 | 2,851,330 |
| TOTAL LIABILITIES | | 23,957,360 | 5,396,945 | 29,354,304 | 18,538,323 | 22,996,879 |
| NET ASSETS | | 32,206,764 | 8,564,939 | 40,771,703 | 37,095,484 | 34,266,341 |

The financial statements were approved by the board of directors on **27th March 2023** and were signed on its behalf by



Michael Mbeshi
Principal Officer



Hon. Catherine Ngima Kimura
Director



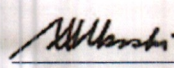
David Muthusi
Director

³ The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.

KENYA REINSURANCE CORPORATION LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

| | Notes | Short term ⁴ Business 2022 KShs '000 | Long term ⁴ Business 2022 KShs '000 | Total 2022 KShs '000 | Restated Total 2021 KShs '000 | Restated Total 1.1.2021 KShs '000 |
|---|--------|--|---|----------------------------|--|--|
| EQUITY | | | | | | |
| Share capital | 13 | 6,499,491 | 500,000 | 6,999,491 | 6,999,491 | 6,999,491 |
| Revaluation reserve | 14 | 33,697 | - | 33,697 | 28,992 | 20,468 |
| Fair value reserve | 14 | (645,950) | (80,063) | (726,013) | (492,965) | (560,270) |
| Translation reserve | 14 | 1,348,236 | - | 1,348,236 | 744,887 | 663,668 |
| Statutory reserve | 33 | - | 8,131,318 | 8,131,318 | 7,408,085 | 6,189,289 |
| Retained earnings | 14 | 24,042,509 | - | 24,042,509 | 21,988,223 | 20,721,218 |
| TOTAL EQUITY | | 31,277,983 | 8,551,255 | 39,829,238 | 36,676,713 | 34,033,864 |
| ASSETS | | | | | | |
| Property and equipment | 15 | 66,580 | - | 66,580 | 41,489 | 59,150 |
| Intangible assets | 16 | 21,912 | 35,751 | 57,663 | 112,803 | 297,764 |
| Investment properties | 18 | 10,649,225 | 1,755,775 | 12,405,000 | 12,250,000 | 12,175,000 |
| Investment in associate | 19 | 7,823,043 | - | 7,823,043 | 6,770,334 | 5,761,432 |
| Investment in subsidiary companies | 20 | 2,761,398 | - | 2,761,398 | 2,630,947 | 2,421,540 |
| Unquoted equity instruments | 22 | 201,623 | - | 201,623 | 194,248 | 209,674 |
| Mortgage loans | 17 | 743,491 | - | 743,491 | 780,537 | 765,636 |
| Corporate bonds-held to maturity | 23 | 45,329 | - | 45,329 | 45,329 | - |
| Receivables arising out of reinsurance and retrocession arrangements | 24 (a) | 1,130,213 | 502,972 | 1,633,185 | 1,023,586 | 6,273,565 |
| Receivables arising out of reinsurance and retrocession arrangements-Pipeline | 24 | 7,091,168 | 435,356 | 7,526,524 | - | - |
| Premium retained by cedants | 25 | 310,500 | - | 310,500 | 368,638 | 127,338 |
| Deferred acquisition costs | 30 | 1,097,410 | 133,997 | 1,231,407 | 864,158 | 654,771 |
| Due from related party | 41 | 104,168 | - | 104,168 | 55,558 | 65,311 |
| Other receivables | 26 | 479,543 | - | 479,543 | 525,962 | 465,515 |
| Income tax receivable | 11(c) | - | - | - | 25,301 | - |
| Quoted equity instruments | 27 | 976,193 | 177,878 | 1,154,071 | 1,202,463 | 1,186,121 |
| Government securities | 28 | 12,692,211 | 6,579,364 | 19,271,575 | 18,243,649 | 17,160,253 |
| Inventory | 29 | 18,912 | - | 18,912 | 18,406 | 14,152 |
| Deposits with financial institutions | 31 | 4,712,380 | 4,482,916 | 9,195,296 | 7,677,637 | 7,585,300 |
| Deferred tax asset | 36 | 1,452,394 | - | 1,452,394 | - | - |
| Cash and bank balances | 32 | 95,090 | 6 | 95,096 | 144,402 | 136,934 |
| TOTAL ASSETS | | 52,72,783 | 14,104,015 | 66,576,798 | 52,975,447 | 55,359,456 |
| LIABILITIES | | | | | | |
| Long term reinsurance contract liabilities | 33 | - | 1,298,214 | 1,298,214 | 1,254,757 | 2,721,542 |
| Short term reinsurance contracts liabilities | 34 | 9,454,900 | - | 9,454,900 | 9,156,159 | 8,646,523 |
| Payables arising out of reinsurance arrangements | 35 | 733,013 | 310,126 | 1,043,139 | 221,268 | 5,262,798 |
| Payables arising out of reinsurance arrangements-Pipeline | 35 | 6,018,207 | 338,885 | 6,357,092 | - | - |
| Deferred tax liability | 36 | - | 3,143,639 | 3,143,639 | 1,552,244 | 1,264,854 |
| Retirement benefits obligation | 21 | 19,578 | - | 19,578 | 49,000 | 175,911 |
| Due to related party | 41 | 252,887 | - | 252,887 | 134,940 | 28,454 |
| Income tax payable | 11(c) | 29,525 | - | 29,525 | - | 29,858 |
| Other payables | 37 | 546,212 | - | 546,212 | 588,157 | 603,212 |
| Unearned premiums | 38 | 4,140,478 | 461,896 | 4,602,374 | 3,342,209 | 2,592,440 |
| TOTAL LIABILITIES | | 21,194,800 | 5,552,760 | 26,747,560 | 16,298,734 | 21,325,592 |
| NET ASSETS | | 31,277,983 | 8,551,255 | 39,829,238 | 36,676,713 | 34,033,864 |

The financial statements were approved by the board of directors on **27th March 2023** and were signed on its behalf by:


Michael Mbeshi
Principal Officer


Hon. Catherine Ngima Kimura
Director


David Muthusi
Director

⁴ The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.

KENYA REINSURANCE CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2022 | | Share capital Sh'000' | Revaluation reserve Sh'000' | Fair value reserve Sh'000' | Translation reserve Sh'000' | Statutory reserve Sh'000' | Retained earnings Sh'000' | Total Sh'000' |
|--|----|-----------------------------|-----------------------------------|----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-------------------|
| At 31 December 2020 - as previously reported | | 6,999,491 | 20,468 | (560,270) | 690,498 | 6,387,470 | 20,859,668 | 34,397,325 |
| Prior year adjustments | 47 | - | - | - | - | (149,788) | 18,804 | (130,984) |
| At 31 December 2020 - restated | | 6,999,491 | 20,468 | (560,270) | 690,498 | 6,237,682 | 20,878,472 | 34,266,341 |
| At 1 January 2021 - Restated | | 6,999,491 | 20,468 | (560,270) | 690,498 | 6,237,682 | 20,878,472 | 34,266,341 |
| Profit for the year | | - | - | - | - | 1,195,711 | 1,959,593 | 3,155,304 |
| Other comprehensive income (loss)/income | | - | 8,524 | 67,305 | 131,460 | - | 26,509 | 233,798 |
| Total comprehensive income | | - | 8,524 | 67,305 | 131,460 | 1,195,711 | 1,986,102 | 3,389,102 |
| Dividends declared - 2021 | | - | - | - | - | - | (559,959) | (559,959) |
| At 31 December 2021 - Restated | | 6,999,491 | 28,992 | (492,965) | 821,958 | 7,433,393 | 22,304,615 | 37,095,484 |
| At 31 December 2021 - as previously reported | | 6,999,491 | 28,992 | (492,965) | 821,958 | 7,625,237 | 22,056,816 | 37,039,529 |
| Prior year adjustments | 47 | - | - | - | - | (191,844) | 247,799 | 55,955 |
| At 31 December 2021 - as restated | | 6,999,491 | 28,992 | (492,965) | 821,958 | 7,433,393 | 22,304,615 | 37,095,484 |
| At 1 January 2022 as restated | | 6,999,491 | 28,992 | (492,965) | 821,958 | 7,433,393, | 22,304,615 | 37,095,484 |
| Profit for the year | | - | - | - | - | 711,607 | 2,906,368 | 3,617,975 |
| Other comprehensive income (loss)/income | | - | 4,705 | (233,049) | 525,466 | - | 41,099 | 338,221 |
| Total comprehensive income | | - | 4,705 | (233,049) | 525,466 | 711,607 | 2,947,467 | 3,956,196 |
| Dividends declared - 2021 | 39 | - | - | - | - | - | (279,979) | (279,979) |
| At 31 DECEMBER 2022 | | 6,999,491 | 33,697 | (726,613) | 1,347,425 | 8,145,000 | 24,972,103 | 40,771,703 |

KENYA REINSURANCE CORPORATION LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2022

| | Share capital Sh'000' | Revaluation reserve Sh'000' | Fair value reserve Sh'000' | Translation reserve Sh'000' | Statutory reserve Sh'000' | Retained earnings Sh'000' | Total Sh'000' |
|--|--------------------------|--------------------------------|-------------------------------|--------------------------------|------------------------------|------------------------------|-------------------|
| At 31 December 2020 - as previously reported | 6,999,491 | 20,468 | (560,270) | 663,668 | 6,344,673 | 20,742,369 | 34,210,399 |
| Prior year adjustments | 47 | - | - | - | (155,384) | (21,151) | (176,535) |
| At 31 December 2020 - restated | 6,999,491 | 20,468 | (560,270) | 663,668 | 6,189,289 | 20,721,218 | 34,033,864 |
| At 1 January 2021 - Restated | 6,999,491 | 20,468 | (560,270) | 663,668 | 6,189,289 | 20,721,218 | 34,033,864 |
| Profit for the year | - | - | - | - | 1,218,796 | 1,800,456 | 3,019,251 |
| Other comprehensive income (loss)/income | - | 8,524 | 67,305 | 81,219 | - | 26,509 | 183,557 |
| Total comprehensive income | - | 8,524 | 67,305 | 81,219 | 1,218,796 | 1,605,713 | 3,202,808 |
| Dividends declared - 2021 | - | - | - | - | - | (559,959) | (559,959) |
| At 31 December 2021 - Restated | 6,999,491 | 28,992 | (492,965) | 744,887 | 7,408,085 | 21,988,223 | 36,676,713 |
| At 31 December 2021 - as previously reported | 6,999,491 | 28,992 | (492,965) | 744,887 | 7,601,074 | 21,788,123 | 36,669,602 |
| Prior year adjustments | 47 | - | - | - | (192,990) | 200,101 | 7,111 |
| At 31 December 2021 - as restated | 6,999,491 | 28,992 | (492,965) | 744,887 | 7,408,085 | 21,988,223 | 36,676,713 |
| At 1 January 2022 as restated | 6,999,491 | 28,992 | (492,965) | 744,887 | 7,408,085 | 21,988,223 | 36,676,713 |
| Profit for the year | - | - | - | - | 723,234 | 2,293,166 | 3,016,400 |
| Other comprehensive income (loss)/income | - | 4,705 | (233,048) | 603,349 | - | 41,099 | 416,104 |
| Total comprehensive income | - | 4,705 | (233,048) | 603,349 | 723,234 | 2,334,265 | 3,432,504 |
| Dividends declared - 2021 | 39 | - | - | - | - | (279,979) | (279,979) |
| At 31 December 2022 | 6,999,491 | 33,697 | (726,013) | 1,348,236 | 8,131,318 | 24,042,509 | 39,829,238 |

KENYA REINSURANCE CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

| | Notes | 2022 KShs '000 | 2021 KShs '000 |
|---|-----------|--------------------|--------------------|
| Net cash generated from operations | 40 | 1,381,556 | 1,422,530 |
| Interest received on corporate bonds | | 5,884 | 2,865 |
| Interest received on government securities | | 2,202,932 | 2,121,115 |
| Interest received on staff mortgages and loans | | 27,435 | 28,169 |
| Interest received on deposits with financial institutions | | 674,273 | 484,218 |
| Interest received on commercial mortgages | | 26,842 | 25,497 |
| Tax paid in the year | 11(c) | (774,507) | (819,074) |
| Net cash generated from operating activities | | 3,544,415 | 3,265,320 |
| Cash flows from investing activities | | | |
| Purchase of investment property | 18 | (247,154) | (191,642) |
| Purchase of property and equipment | 15 | (60,523) | (4,566) |
| Purchase of un quoted equity instruments | | (7,375) | (9,048) |
| Purchase of quoted equity instruments | 27 | - | (19,249) |
| Purchase of intangible assets | 16 | (47,128) | (4,043) |
| Purchase of government securities | 28 | (3,424,759) | (2,381,065) |
| Purchase of corporate bonds | 23 | - | (45,200) |
| Proceeds on maturity of government securities | 28 | 2,059,573 | 1,118,234 |
| Proceeds on sale of quoted equity instruments | 27 | - | 63,735 |
| Proceeds on sale of un quoted equity instruments | | - | 24,474 |
| Investment in associate | 19 | - | (503,419) |
| Deposit on offshore investment | 31 | - | (114,938) |
| Dividends received on quoted equity instruments | | 112,241 | 83,297 |
| Net cash used in investing activities | | (1,615,125) | (1,983,430) |
| Cash flows used in financing activities | | | |
| Dividends paid | 39 | (279,979) | (559,959) |
| Net increase in cash and cash equivalents | | 1,649,311 | 721,931 |
| Cash and cash equivalents at 1 January | | 11,481,809 | 10,759,878 |
| Cash and cash equivalent at 31 December | 32 | 13,131,120 | 11,481,809 |

KENYA REINSURANCE CORPORATION LIMITED
COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

| | Notes | 2022 KShs '000 | 2021 KShs '000 |
|---|-----------|--------------------|--------------------|
| Net cash generated from operations | 40 | 1,088,999 | 712,445 |
| Interest received on corporate bonds | | 5,884 | 2,865 |
| Interest received on government securities | | 2,179,297 | 2,107,016 |
| Interest received on staff mortgages and loans | | 27,075 | 27,543 |
| Interest received on deposits with financial institutions | | 584,300 | 446,301 |
| Interest received on commercial mortgages | | 26,842 | 25,497 |
| Tax paid in the year | 11(c) | (747,379) | (794,045) |
| Net cash generated from operating activities | | 3,165,018 | 2,527,622 |
| Cash flows from investing activities | | | |
| Purchase of investment property | 18 | (247,154) | (191,642) |
| Purchase of property and equipment | 15 | (52,664) | (3,632) |
| Purchase of unquoted equity instruments | | (7,375) | (9,048) |
| Purchase of quoted equity instruments | 27 | - | (19,249) |
| Purchase of intangible assets | 16 | (47,128) | (4,043) |
| Purchase of government securities | 28 | (2,969,986) | (2,054,259) |
| Purchase of corporate bonds | 23 | - | (45,200) |
| Proceeds on maturity of government securities | 28 | 1,925,832 | 1,000,535 |
| Proceeds on sale of un quoted equity instruments | | - | 24,474 |
| Proceeds on sale of quoted equity instruments | 27 | - | 63,735 |
| Investment in subsidiary | 20 | (130,451) | (209,408) |
| Investment in associate | 19 | - | (503,419) |
| Deposit on offshore investment | 31 | - | (114,938) |
| Dividends received on quoted equity instruments | | 112,241 | 83,297 |
| Net cash used in investing activities | | (1,416,685) | (1,982,797) |
| Cash flows used in financing activities | | | |
| Dividends paid | 39 | (279,979) | (559,959) |
| Net increase/(decrease) in cash and cash equivalents | | 1,468,354 | (15,134) |
| Cash and cash equivalents at 1 January | | 7,707,101 | 7,722,235 |
| Cash and cash equivalent at 31 December | 32 | 9,175,455 | 7,707,101 |

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

For purposes of reporting under the Kenyan Companies Act, 2015, the balance sheet in these financial statements is represented by the statement of financial position and the profit and loss account is represented by the statement of profit or loss and other comprehensive income.

(a) Basis of preparation

The consolidated and separate financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRSs) and the requirements of the Kenyan Companies Act, 2015. The consolidated and separate financial statements have been prepared on a historical cost basis, except for available-for-sale investments and investment properties which have been measured at fair value and actuarially determined liabilities at their present value. The consolidated and separate financial statements are presented in Kenya Shillings (KShs), rounded to the nearest thousand, which is also the functional currency.

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

The Group and Company present their statements of financial position broadly in order of liquidity from the least liquid to the most liquid. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the Group and Company. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in note (2).

(b) Basis of consolidation

(i) Subsidiary

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee.

Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(i) Subsidiary (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date the control ceases. All inter-company balances, transactions, income and expenses and profits and losses resulting from inter-company transactions are eliminated in full on consolidation. Losses within a subsidiary are attributed to the non-controlling interest even if this results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components' results previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

- (ii) The Group financial statements reflect the result of consolidation of the financial statements of the Company and its wholly owned subsidiaries, Kenya Reinsurance Corporation Limited Côte d'Ivoire, Kenya Reinsurance Corporation Zambia Limited and Kenya Reinsurance Corporation Uganda Limited.
- (iii) Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group's and Company identifiable assets and liabilities are measured at their acquisition-date fair value.

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's net identifiable assets. This accounting policy choice can be made on an individual business combination basis.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the amount recognised for non-controlling interests, and any previous interest held, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the of the acquiree are assigned to those units.

(d) New and amended standards and interpretations

The Group applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

On 1 January 2022, the group adopted the following new standards, new Interpretations and amendments to standards.

i) Relevant new and amended standards adopted by the Group

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments are not applicable to the Group in the current year.

Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use

The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New and amended standards and interpretations (continued)

i) Relevant new and amended standards adopted by the Group (continued)

Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use (continued)

The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are not applicable to the Group in the current year.

Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract

The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are not applicable to the Group in the current year.

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

IFRS 9 Financial Instruments

The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

ii) New standards and interpretations not yet adopted by the Group

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) New and amended standards and interpretations (continued)

ii) New standards and interpretations not yet adopted by the Group

| | |
|--|--|
| New and Amendments to standards | Effective for annual periods beginning on or after |
| IFRS 9 -Financial instruments | Annual periods beginning on or after 1 January 2023 |
| IFRS 17 – insurance contracts | Annual periods beginning on or after 1 January 2023 |
| Amendments to IAS 10 and IAS 28 <i>Sale or Contribution of Assets between an investor and its Associate or Joint Venture</i> | Yet to be set, however earlier application permitted |
| Amendments to IAS 1- <i>Classification of Liabilities as Current or Non-current</i> | Annual periods beginning on or after 1 January 2023 |
| Amendments to IAS 1 and IFRS Practice Statement 2 - <i>Disclosure of Accounting Policies</i> | Annual periods beginning on or after 1 January 2023 |
| Amendments to IAS 8 - <i>Definition of Accounting Estimates</i> | Annual periods beginning on or after 1 January 2023 |
| Amendments to IAS 12 - <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> | Annual periods beginning on or after 1 January 2023 |

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods

IFRS 9 Financial Instruments

The Group did not adopt IFRS 9 when it became effective on 1 January 2018 as it met the eligibility criteria of the temporary exemption from IFRS 9 and opted to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17).

The Group expects that the new standard will result in an important change to the accounting policies for financial instruments of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 and became effective on 1 January 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 - Insurance Contracts.

Recognition, measurement and presentation of insurance contracts under IFRS 17

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin (CSM).

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) New and amended standards and interpretations (continued)

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

Recognition, measurement and presentation of insurance contracts under IFRS 17 (continued)

Insurance finance income and expenses, disaggregated between profit or loss and OCI will be presented separately from insurance revenue and insurance service expenses.

Transition from IFRS 4 to IFRS 17

The Group shall use the full retrospective approach to apply the changes in accounting policies resulting from the adoption of IFRS 17, to the extent practicable. Under the full retrospective approach, at 1 January 2023 the Group shall-

- Identify, recognise and measure each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- Identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied;
- Derecognise previously reported balances that would not have existed if IFRS 17 had always been applied. These include some deferred acquisition costs for insurance contracts, insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they will be included in the measurement of the insurance contracts;
- Recognise any resulting net difference in equity.

IFRS 17 Implementation progress

The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

The Group has undertaken gap analysis on aggregation, data and systems. Actuarial modelling has commenced and the Group will fully adopt the standard by 1 January 2023.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) New and amended standards and interpretations (continued)

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

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) New and amended standards and interpretations (continued)

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

Amendments to IAS 8—Definition of Accounting Estimates (continued)

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

i) Early adoption of standards

The Group did not early-adopt any new or amended standards in 2022

(e) Reinsurance contracts

(i) Classification

Reinsurance contracts are those contracts that transfer significant reinsurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines significant reinsurance risk, as the possibility of having to pay benefits on the occurrence of a reinsured event that is at least 10% more than the benefits payable if the reinsured event did not occur. Reinsurance contracts are classified into two main categories, depending on the duration of risk and as per the provisions of the Kenyan Insurance Act.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Reinsurance contracts (Continued)

(i) Classification (Continued)

(a) Short-term reinsurance business

Short term reinsurance business refers to reinsurance business of any class or classes that is not long-term reinsurance business.

Classes of short-term reinsurance include aviation, engineering, fire (domestic risks, industrial and commercial risks), medical, liability, marine, motor (private vehicles and commercial vehicles), personal accident, theft, workmen's compensation, employer's liability and miscellaneous (i.e., any class of business not included under those listed above).

The Group's main classes are described below:

- Motor reinsurance business means the business of effecting and carrying out contracts of reinsurance against loss of, or damage to, or arising out of or in connection with the use of, motor vehicles, inclusive of third-party risks but exclusive of transit risks.
- Fire reinsurance business refers to the business of effecting and carrying out contracts of reinsurance, other than incidental to some other class of reinsurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.
- Medical reinsurance business means the business of underwriting the medical class of business offered by the insurers. This is to the individual or group in-patient or outpatient medical insurances'
- Miscellaneous reinsurance business refers to the business of effecting and carrying out contracts of reinsurance which are not principally or wholly of any types included in other classes of business but include reinsurance of bonds of all types, reinsurance of livestock and crop reinsurance.
- Agriculture reinsurance business means the business of effecting and carrying out contracts of reinsurance against loss of, or damage to, or arising out of or in connection with livestock and crop.

(b) Long-term reinsurance business

Includes reinsurance business of all or any of the following classes: ordinary life and group life and business incidental to any such class of business.

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

(i) Recognition and measurement

The results of the reinsurance business are determined on an annual basis as follows:

a. Premium income

General reinsurance written premiums and related expenses are accounted for in profit or loss when earned or incurred. Gross earned premiums comprise gross premiums relating to risks assumed in the year after accounting for any movement in gross unearned premiums. Unearned premiums represent the proportion of the premiums written in the year that are attributable to the subsequent accounting period and are estimated using 8th underwriting method of net premiums the effect on future periods is impracticable to estimate.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Reinsurance contracts (Continued)

(i) Recognition and measurement (Continued)

a. Premium income (Continued)

Recurring premiums on life contracts are recognised as revenue when payable by the policy holder. For single premium business, revenue is recognised on the date on which the policy is effective. Outward retrocession premiums are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Pipeline premiums-The group also estimates the premium income that has been earned but has not yet been received or reported to the group's accounting system and they are estimated by the actuaries using Chain-ladder method.

b. Claims incurred

General reinsurance claims incurred comprise claims paid in the period and changes in the provision for outstanding claims. Claims paid represent all payments made during the period, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the period are closed and include provisions for claims incurred but not reported ("IBNR").

Benefits and claims for life reinsurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Pipeline claims – this refers to claims that are expected to be paid by the group from the pipeline premium and they are estimated by the actuaries using Chain-ladder method.

c. Cedant acquisition costs and deferred acquisition costs

For short term and long term reinsurance business a proportion of cedant acquisition costs is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent the proportion of cedant acquisition costs and other acquisition costs that relate to the unexpired term of the policies that are in force at the year end.

d. Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Long-term reinsurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

The Group underwrites both treaty and mandatory cessions business. Compulsory cessions ordinary life business is written on a risk premium basis. Accordingly, this business can be viewed as a series of one-year renewable term assurances reinsured on guaranteed risk premium rates and valued as such. Therefore, the actuarial reserves are established as a proportion of gross annual premiums written. Each type or class of ordinary life business is valued as a different percentage of annual office premiums written.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Reinsurance contracts (continued)

(ii) Recognition and measurement (continued)

a. Retrocession contracts held

Contracts entered into by the Group with retrocessionnaires under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for retrocession contracts are classified as retrocession contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Retrocession premiums payable are recognised in the period in which the related premium income and claims are earned /incurred, respectively. The benefits to which the Group is entitled under its retrocession contracts held are recognised as retrocession assets. These assets consist of short-term balances due from retrocessionnaires, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related retrocession contracts. Amounts recoverable from or due to retrocessionnaires are measured consistently with the amounts associated with the retrocession contracts and in accordance with the terms of each retrocession contract. Retrocession liabilities are primarily premiums payable for retrocession contracts and are recognised as an expense when due.

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

b. Receivable and payables related to reinsurance contracts

Receivables and payables are recognised when due. These include amounts due to and from cedants and brokers. If there is objective evidence that the reinsurance receivable is impaired, the Group reduces the carrying amount of the reinsurance receivable accordingly and recognises the impairment loss in profit or loss. The Group gathers the objective evidence that a reinsurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets. Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

c. Premium retained by cedants

Premium retained by cedants relate to premiums retained by cedants as a deposit for due performance of obligations by the reinsurers. The percentage retained varies from one treaty to another and from one cedant to another. Premium retained by cedants are recognised when retained by the cedants. Premiums retained are subsequently released to the Group at the expiry of the policy period.

d. Other income recognition

Acquisition cost recoveries are recognised as income in the period in which they are earned. Interest income is recognised on a time proportion basis that takes into account the effective yield on the principal outstanding. Dividend's receivable is recognised as income in the period in which the right to receive payment is established.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Other income recognition

Foreign currency transactions

The Group's consolidated financial statements are presented in Kenya Shillings (KShs), which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each subsidiary are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Group's subsidiaries at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Difference arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively)

(g) Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in associates, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Tax (continued)

(ii) Deferred tax (continued)

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

(iii) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(h) Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from the changes in fair value of investment properties are included in profit or loss in the period which they arise.

An investment property is derecognised upon disposal or when investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period which the property is derecognised.

(i) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation

Depreciation is calculated on the straight-line basis to write off the cost of the property and equipment over their expected useful lives at the following annual rates: -

| | |
|---|--------------|
| Computer equipment | 25.0% |
| Motor vehicles | 25.0% |
| Furniture, fittings, and equipment | 12.5% |

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

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets – computer software and licenses

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives, not exceeding a period of three years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Impairment

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of an asset's or cash generation unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. Any impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in OCI up to the amount of any previous revaluation. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

The impairment reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

(j) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Group has not entered into any agreements where it acts as lessee, thus there are no lease liabilities or right of use assets in terms of IFRS 16.

Company as a lessor

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

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Inventories

Inventories comprise stationery items and repair materials. Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(l) Revaluation reserve

The revaluation reserve relates to property and equipment of the associate which carries property and equipment at the revalued amount. The revaluation surplus represents the surplus on the revaluation of property and equipment, net of deferred tax. Movements in the revaluation reserve are shown in the statement of changes in equity. The reserve is non-distributable.

(m) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

(n) Translation reserve

The translation reserve relates to cumulative foreign exchange movement on the net investment in ZEP RE Limited an associate company accounted for under the equity method and the foreign denominated subsidiaries.

(o) Statutory reserve

The statutory reserve represents actuarial surpluses from the long-term business whose distribution is subject to restrictions imposed by the Kenyan Insurance Act. The Act restricts the amounts of surpluses of the long-term business available for distribution to shareholders to 30% of the accumulated profits of the long-term business.

(p) Investment in associate

Investment in associate is accounted for using the equity method of accounting in both the separate and consolidated financial statements. The associate is a company in which the Group exercises significant influence but which it does not control. Significant influence is the power to participate in financial and operating policy decisions of the investment, but it is not control or joint control over those policies.

Under the equity method, the investment in associate is carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the carrying value of the investments. Losses of the associate in excess of the group's interest in the associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(q) Investment in subsidiaries

Investments in subsidiaries are carried in the Company's separate statement of financial position at cost less provisions for impairment losses. Where in the opinion of directors, there has been impairment in the value of the investment; the loss is recognised as an expense in the period in which the impairment is recognised.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or liability is recognised when the Group becomes party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this at every reporting date. The classification depends on the purpose for which the financial assets were acquired.

Classification

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit making, or if so, designated by management. The Group has not designated any of its financial assets into this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the company intends to sell in the short term or that it has designated as at fair value through income or available-for-sale. These include mortgage loans, receivables arising out of reinsurance and retrocession arrangements, Premium retained by cedants, rent receivables, deposits with financial institutions and other receivables. After initial measurement, such financial assets are subsequently measured at amortised cost. The losses arising from impairment are recognised in the statement of profit or loss under provisions for doubtful debts accounts.

The Group assesses its loans and receivables for impairment on a quarterly basis. If there is objective evidence that they are impaired, the Group reduces the carrying amount of the assets to its recoverable amount and recognises that impairment loss.

Loans and receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the group to sell or reclassify other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale. This class includes government securities and corporate bonds. In the case of financial assets held to maturity, impairment of is assessed based on the same criteria as loans and receivables.

Available-for-sale (AFS) financial assets

This category represents financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity. This class includes quoted and unquoted equity instruments. The Group has also designated some government securities into this category.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

Available-for-sale (AFS) financial assets

Available for sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at the end of each reporting period. These include the company's unquoted equities.

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Recognition

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are included in profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments fair value reserve is reclassified to profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities

All financial liabilities are classified as other financial liabilities and are initially measured at fair value net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition

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

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) New and amended standards and interpretations (continued)

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

Recognition, measurement and presentation of insurance contracts under **IFRS 17 (continued)**

Insurance finance income and expenses, disaggregated between profit or loss and OCI will be presented separately from insurance revenue and insurance service expenses.

Transition from IFRS 4 to IFRS 17

The Group shall use the full retrospective approach to apply the changes in accounting policies resulting from the adoption of IFRS 17, to the extent practicable. Under the full retrospective approach, at 1 January 2023 the Group shall-

- Identify, recognise and measure each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- Identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied,
- Derecognise previously reported balances that would not have existed if IFRS 17 had always been applied. These include some deferred acquisition costs for insurance contracts, insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they will be included in the measurement of the insurance contracts;
- Recognise any resulting net difference in equity.

IFRS 17 Implementation progress

The Group did not adopt IFRS 9 when it became effective on 1 January 2018 as it met the eligibility criteria of the temporary exemption from IFRS 9 and opted to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17).

The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

The Group has undertaken gap analysis on aggregation, data and systems. Actuarial modelling has commenced and the Group will fully adopt the standard by 1 January 2023.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(s) Cash and cash equivalents

Cash and cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

(t) Retirement benefits obligations

Defined benefit scheme

The Group operates a defined benefit pension scheme (the "Scheme") for its employees. The assets of this scheme are held in a separate trustee administered fund. The scheme is funded by contributions from the employer. Contributions are determined by the rules of the scheme. The cost of providing retirement benefits is assessed using the attained age method by qualified actuaries. The scheme is valued annually. The projected unit credit method has been used to determine the value of the liability.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the Scheme.

Effective 30 September 2010, the Scheme was closed to new entrants.

Statutory defined contributions scheme

The Group also contributes to the statutory defined contribution pension scheme, the National Social Security Fund (NSSF). The Company's obligations to retirement benefits schemes are charged to the profit or loss as they fall due.

Other Employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the end of the reporting period. These are short term in nature and are settled within 12 months.

Non pensionable employees are entitled to a gratuity. The gratuity is recognised when the benefits accrue to the employees. Gratuity payments are specified lump sum payments paid to employees when the contract comes to an end. The final pay-out is based on the contracted period of service. The expense accruals are recognised in profit or loss and the liability recognised in the statement of financial position

(u) Dividends

Dividends payable to shareholders are charged to equity in the period in which they are declared. Proposed dividends are not accrued until they have been ratified at the Annual General Meeting.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S AND COMPANY'S ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the accounting policies adopted by the Group, the directors make certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S AND COMPANY'S ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

The preparation of the Group's financial statements 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 reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The judgements made by the directors in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

Held -to-maturity financial assets

The Group follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. If the Group were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value. In making this judgment, the Group evaluates its intention and ability to hold such assets to maturity. If the Group fails to keep these financial assets to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale.

Assessment of significant influence over an associate

The Group considers that it has significant influence over Zep -Re Limited though it owned less than the 20% of the voting power of the company as of 31 December 2022. This is because the Group is the single largest shareholder of Zep-Re Limited with a 20.50% (2021: 19.15%) interest of the equity interest. The remaining 79.62% (2021: 80.85%) of the equity shares in Zep-Re Limited are widely held by many other shareholders, none of which individually hold more than 14 % of the equity shares (as recorded in the company's shareholders' register from 31 December 2015 to 31 December 2022). The Group also has representation in the associate's Board.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

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 discussed below.

Valuation of reinsurance contract liabilities

Critical assumptions are made by the actuary in determining the present value of actuarial liabilities. The liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group base mortality and morbidity on standard industry and Kenya's mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to lifestyle, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S AND COMPANY'S ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Valuation of reinsurance contract liabilities (Continued)

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure. Further details are disclosed in note 33 and 34.

Receivables

Critical estimates are made by the directors in determining the recoverable amount of receivables. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Equity investment impairment

In assessing whether equity investments classified as available-for-sale has had a 'significant or prolonged' decline in the fair value of the investment below its cost, the Group would benchmark the performance of the investment against its peers, review three years strategic plan and perform in-depth analysis on key identified ratios. Further details are disclosed in note 22.

Impairment losses

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for coming years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

In assessing whether there is any indication that the tangible and intangible assets may be impaired, the Group considers the following indications:

- (a) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
- (b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- (c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (d) the carrying amount of the net assets of the entity is more than its market capitalisation.
- (e) evidence is available of obsolescence or physical damage of an asset.
- (f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

Revaluation of investment properties

The Group carries all its investment properties at fair value, with changes in fair value of investment properties being recognised in the statement of profit or loss. Investment properties were last revalued as at 31 December 2022 on the basis of open market value by independent valuer, Bernard Muriithi Koome - P/No. ISK/897/F/VEMS/13 of Morgan Wright Limited. Further details are disclosed in note 18.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S AND COMPANY'S ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Contingent liabilities

The Group is exposed to various contingent liabilities in the normal course of business including a number of legal cases. The Directors evaluate the status of these exposures on a regular basis to assess the probability of the Group incurring related liabilities. However, provisions are only made in the financial statements where, based on the Directors' evaluation, a present obligation has been established. Judgement and assumptions are required in:

- assessing the existence of a present obligation (legal or constructive) as a result of a past event,
- assessing the probability that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- Estimating the amount of the obligation to be paid out.

Further details are disclosed in note 43.

Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details are disclosed in note 21.

Tax

Critical judgements are made by the directors in determining future tax obligations that would arise because of the entity entering certain transactions that would normally attract tax. Management's judgement is required in the estimation of the amount of capital gain tax that would be payable by the entity should it dispose any of its investment properties. These estimates are based on assumptions about a number of factors, which include the likelihood of sale of any of its investment properties, the circumstances that would most likely trigger a sale of its investment properties and the likelihood of the entity being granted an exemption by the revenue authority within the confines of the law due to those factors.

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Reinsurance risk

The Group reinsures all classes of insurance business including accident, engineering, medical liability, motor, fire, aviation and life (Group and Individual). The bulk of the business written is of a short-term nature.

The Group has in place a detailed underwriting manual covering risk acceptance procedures, accumulation control and how to arrange for reinsurance protection. It guides the underwriters in their day to day transaction of business, while emphasising prudence and professionalism. The group aims to have a diversified portfolio of business with a sufficiently large population of risks, in order to reduce reliance on one geographical area or class of business.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Frequency and severity of claims (continued)

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

Frequency and severity of claims

A key risk, related to pricing and provisioning, that the Group faces under its reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of the reinsurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established based on past experience.

The Group has developed its reinsurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The Group also manages these risks through its underwriting strategy and adequate retrocession arrangements and proactive claims handling.

Underwriting limits are in place to enforce appropriate risk selection criteria. The Group re-insures to specialist reinsurance companies a proportion of its portfolio or certain types of insurance risk. This serves primarily to:

- **reduce the net liability on large individual risks**
- **obtain greater diversification of insurance risks**
- **provide protection against large losses**

The retrocession arrangements include proportional and non-proportional treaties. The expected effect of such retrocession arrangements is that the Group should not suffer total net insurance losses of more than set limits per class of business.

Claims are managed through a dedicated claims management team, with formal claims acceptance limits and appropriate training and development of staff to ensure payment of all genuine claims. Claims experience is assessed regularly and appropriate actuarial reserves are established to reflect up-to-date experience and any anticipated future events. This includes reserves for claims incurred but not yet reported

Sources of uncertainty in the estimation of future claim payments

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claim's exposures. However, given the uncertainty in establishing claims provisions, it is likely that the outcome will prove to be different from the original liability established.

The liability for these contracts comprises a provision for incurred but not reported (IBNR) claims, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. The main assumption underlying this technique is that the Group's past claims development experience be used to project future claims development and hence ultimate claims costs.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Concentration of insurance risk

The Group's concentration of reinsurance risk is determined by class of business. The shared characteristic that identifies each concentration is the insured event and the key indicator is the net earned premium as disclosed in note 6. There were no significant shifts in the portfolio concentration.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

An analysis of the Group's financial assets and its reinsurance liabilities is presented below.

| | GROUP | | COMPANY | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Financial assets | | | | |
| Held to maturity: | | | | |
| - Government securities | 18,655,222 | 17,194,974 | 17,993,728 | 16,887,597 |
| - Corporate bonds | 45,329 | 45,329 | 45,329 | 45,329 |
| Available for sale | | | | |
| - Government securities | 1,277,847 | 1,356,052 | 1,277,847 | 1,356,052 |
| - Quoted equities | 1,154,071 | 1,202,463 | 1,154,071 | 1,202,463 |
| - Unquoted equities | 201,623 | 194,248 | 201,623 | 194,248 |
| Loans and receivables | | | | |
| Receivables arising out of reinsurance arrangements | 2,142,273 | 2,196,554 | 1,633,185 | 1,200,121 |
| Receivables arising out of reinsurance and retrocession arrangements-Pipeline | 8,417,031 | - | 7,526,524 | - |
| Cash and bank balances | 888,316 | 1,029,913 | 95,096 | 144,402 |
| Due from related parties | - | - | 104,168 | 55,558 |
| Deposits with financial institutions | 12,357,741 | 10,566,834 | 9,195,296 | 7,677,636 |
| Premium retained by cedants | 424,861 | 418,173 | 310,500 | 368,638 |
| Mortgage loans | 750,213 | 790,455 | 743,491 | 780,537 |
| Other receivables | 437,655 | 570,299 | 479,543 | 525,962 |
| Total financial assets and receivables arising from reinsurance arrangements | 46,752,182 | 35,565,294 | 40,760,401 | 30,438,543 |
| Financial liabilities at amortised cost | | | | |
| Payables arising out of reinsurance arrangements | 1,718,196 | 1,306,314 | 1,043,139 | 221,268 |
| Payables arising out of reinsurance arrangements-Pipeline | 6,944,203 | - | 6,357,092 | - |
| Other payables | 626,306 | 682,306 | 546,212 | 588,157 |
| Total financial liabilities and payables arising from reinsurance arrangements | 9,288,705 | 1,988,620 | 7,946,443 | 809,425 |
| Reinsurance contract liabilities | | | | |
| Long term liabilities | 1,309,997 | 1,262,731 | 1,298,214 | 1,254,757 |
| Short term liabilities | 10,273,510 | 9,915,675 | 9,454,900 | 9,156,159 |
| Total reinsurance contract liabilities | 11,583,507 | 11,178,406 | 10,753,114 | 10,410,916 |

Reinsurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The tables below indicate the contractual timing of cash flows arising from assets and liabilities.

| GROUP | | | | | |
|---|-------------------|---------------------|--|------------------|--------------------|
| 31 December 2022 | Carrying | No stated | Contractual cash flows | | |
| | Amount | Maturity | 0-1 years | 1-5 years | >5 years |
| Financial assets | KShs '000 | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Held to maturity: | | | | | |
| - Government securities | 18,655,222 | - | 1,136,500 | 3,649,223 | 13,870,921 |
| - Corporate bonds | 45,329 | - | - | 45,329 | - |
| Available for sale | | | | | |
| -Quoted equities | 1,154,071 | 1,154,071 | - | - | - |
| -Government securities | 1,277,847 | - | 160 | 208,259 | 1,069,428.00 |
| -Unquoted equities | 201,623 | 201,623 | - | - | - |
| Loans and receivables | | | | | |
| Receivables arising out of reinsurance arrangements | 2,142,273 | - | - | - | - |
| Receivables arising out of reinsurance and retrocession arrangements-Pipeline | 8,417,031 | 8,417,031 | - | - | - |
| Other receivables | 519,877 | 519,877 | - | - | - |
| Premium loss reserves | 424,861 | 424,861 | - | - | - |
| Mortgage loans | 750,212 | - | 1,267 | 77,758 | 671,187 |
| Cash and cash equivalents | 13,246,057 | - | 13,246,058 | - | - |
| Total | 46,834,403 | 10,717,463 | 14,383,985 | 3,980,569 | 15,611,536 |
| Financial liabilities at amortised cost | | | | | |
| | Carrying | No stated | Contractual cash flows (undiscounted) | | |
| | Amount | Maturity | 0-1 years | 1-5 years | >5 years |
| Payables arising out of reinsurance arrangements | 1,718,196 | 1,718,196 | - | - | - |
| Payables arising out of reinsurance arrangements-Pipeline | 6,944,203 | 6,944,203 | - | - | - |
| Other payables | 626,306 | 626,306 | - | - | - |
| Total financial liabilities | 9,288,705 | 9,288,705 | - | - | - |
| Reinsurance liabilities | | | | | |
| Long term liabilities | 1,309,997 | 1,309,997 | - | - | - |
| Short term liabilities | 10,273,510 | 10,273,510 | - | - | - |
| Total | 20,872,212 | 20,872,213 | - | - | - |
| Net gap | 25,962,191 | (10,154,749) | 14,383,985 | 3,980,569 | 15,611,536 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The tables below indicate the contractual timing of cash flows arising from assets and liabilities (continued)

| COMPANY | Carrying amount | No stated maturity | Contractual cash flows | | |
|---|------------------------|---------------------------|--|------------------|-------------------|
| | | | 0-1 years | 1-5 years | >5 years |
| 31-December 2022 | | | | | |
| Held to maturity: | | | | | |
| - Government securities | 17,993,728 | - | 840,269 | 3,391,241 | 13,762,221 |
| - Corporate bonds | 45,329 | - | - | 45,329 | - |
| Available for sale | | | | | |
| -Quoted equities | 1,154,071 | 1,154,071 | - | - | - |
| -Government securities | 1,277,847 | - | 157 | 208,259.00 | 1,069,428 |
| -Unquoted equities | 201,623 | 201,623 | - | - | - |
| Loans and receivables | | | | | |
| Receivables arising out of reinsurance arrangements | 1,633,185 | 1,633,185 | - | - | - |
| Receivables arising out of reinsurance and retrocession arrangements-Pipeline | 7,526,524 | 7,526,524 | - | - | - |
| Due from related parties | 104,168 | 104,168 | - | - | - |
| Other receivables | 479,543 | 479,543 | - | - | - |
| Premium loss reserves | 310,500 | 310,500 | - | - | - |
| Mortgage loans | 743,491 | - | 1,268 | 77,758 | 664,465 |
| Cash and cash equivalents | 9,290,392 | 9,290,392 | 9,290,392 | - | - |
| Total | 40,760,401 | 20,700,007 | 10,132,086 | 3,722,587 | 15,496,114 |
| | Carrying amount | No stated maturity | Contractual cash flows (undiscounted) | | |
| Financial liabilities at amortised cost | | | 0-1 years | 1-5 years | >5 years |
| Payables arising out of reinsurance arrangements | 1,043,139 | 1,043,139 | - | - | - |
| Payables arising out of reinsurance arrangements-Pipeline | 6,357,092 | 6,357,092 | - | - | - |
| Other payables | 546,212 | 546,212 | - | - | - |
| Total financial liabilities | 7,946,443 | 7,946,443 | - | - | - |
| Reinsurance liabilities | | | | | |
| Long term liabilities | 1,298,214 | 1,298,214 | - | - | - |
| Short term liabilities | 9,454,900 | 9,454,900 | - | - | - |
| Total | 18,699,557 | 18,699,557 | - | - | - |
| Net gap | 22,060,844 | 2,000,450 | 10,132,086 | 3,722,587 | 15,496,114 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The tables below indicate the contractual timing of cash flows arising from assets and liabilities (continued)

| GROUP | | | | Contractual cash flows | | |
|---|-------------------|--------------------|--|-------------------------------|--------------------|--|
| 31 December 2021 | Carrying | No stated | Contractual cash flows | | | |
| | Amount | maturity | 0-1 years | 1-5 years | >5 years | |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 | KShs '000 | |
| Financial assets | | | | | | |
| Held to maturity: | | | | | | |
| - Government securities | 17,194,974 | - | 1,949,541 | 2,103,237 | 13,143,473 | |
| - Corporate bonds | 45,329 | - | - | 45,329 | - | |
| Available for sale | | | | | | |
| -Quoted equities | 1,202,463 | 1,202,463 | - | - | - | |
| -Government securities | 1,356,052 | - | - | 160 | 1,355,892 | |
| -Unquoted equities | 194,248 | 194,248 | - | - | - | |
| Loans and receivables | | | | | | |
| Receivables arising out of reinsurance arrangements | 2,060,707 | 2,065,570 | - | - | - | |
| Other receivables | 570,299 | 570,299 | - | - | - | |
| Premium loss reserves | 418,173 | 418,173 | - | - | - | |
| Mortgage loans | 790,455 | - | 1,268 | 77,758 | 711,429 | |
| Cash and cash equivalents | 11,596,747 | - | 11,596,747 | - | - | |
| Total | 35,429,447 | 4,450,753 | 13,547,556 | 2,226,484 | 15,210,794 | |
| | Carrying | No stated | Contractual cash flows (undiscounted) | | | |
| | Amount | maturity | 0-1 years | 1-5 years | >5 years | |
| Financial liabilities at amortised cost | | | | | | |
| Payables arising out of reinsurance arrangements | 1,306,359 | 1,306,359 | - | - | - | |
| Other payables | 682,306 | 682,306 | - | - | - | |
| Total financial liabilities | 1,988,665 | 1,988,665 | - | - | - | |
| Reinsurance liabilities | | | | | | |
| Long term liabilities | 1,262,731 | 1,262,731 | - | - | - | |
| Short term liabilities | 9,915,675 | 9,915,675 | - | - | - | |
| Total | 13,167,071 | 13,167,071 | - | - | - | |
| Net gap | 22,262,376 | (8,716,318) | 13,547,556 | 2,226,484 | 15,210,794 | |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The tables below indicate the contractual timing of cash flows arising from assets and liabilities (continued)

| COMPANY | Carrying | No stated | Contractual cash flows | | |
|---|-------------------|--------------------|---------------------------------------|------------------|-------------------|
| 31-December 2021 | amount | Maturity | 0-1 years | 1-5 years | >5 years |
| Held to maturity: | | | | | |
| - Government securities | 16,887,597 | - | 1,848,638 | 2,035,972 | 13,002,987 |
| - Corporate bonds | 45,329 | - | - | 45,329 | - |
| Available for sale | | | | | |
| -Quoted equities | 1,200,121 | 1,200,121 | - | - | - |
| -Government securities | 1,356,052 | - | - | 160.00 | 1,355,892 |
| -Unquoted equities | 194,248 | 194,248 | - | - | - |
| Loans and receivables | | | | | |
| Receivables arising out of reinsurance arrangements | 1,023,856 | 1,023,856 | - | - | - |
| Due from related parties | 55,558 | 55,558 | - | - | - |
| Other receivables | 525,962 | 525,962 | - | - | - |
| Premium loss reserves | 368,638 | 368,638 | - | - | - |
| Mortgage loans | 780,537 | - | 1,268 | 77,758 | 701,511 |
| Cash and cash equivalents | 7,822,039 | - | 7,822,039 | - | - |
| Total | 30,259,937 | 3,368,383 | 9,671,945 | 2,159,219 | 15,060,390 |
| | Carrying | No stated | Contractual cash flows (undiscounted) | | |
| | amount | Maturity | 0-1 years | 1-5 years | >5 years |
| Financial liabilities at amortised cost | | | | | |
| Payables arising out of reinsurance arrangements | 221,268 | 221,268 | - | - | - |
| Other payables | 588,157 | 588,157 | - | - | - |
| Total financial liabilities | 809,425 | 809,425 | - | - | - |
| Reinsurance liabilities | | | | | |
| Long term liabilities | 1,254,757 | 1,254,757 | - | - | - |
| Short term liabilities | 9,156,159 | 9,156,159 | - | - | - |
| Total | 11,220,341 | 11,220,341 | - | - | - |
| Net gap | 19,039,596 | (7,851,958) | 9,671,945 | 2,159,219 | 15,060,390 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial risk

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

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The risk management policies established identify and analyse the risks faced by the Group, set appropriate risk limits and controls, and monitor risks and adherence to limits. These risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(a) Liquidity risk

Liquidity risk is current or prospective risk to earnings and capital arising from the Group's failure to meet its maturing obligations when they fall due without incurring unacceptable losses. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

To this end, there is a Board approved policy to effectively manage liquidity at all times to meet claims payable, unexpected outflow/non-receipt of expected inflow of funds as well as ensure adequate diversification of funding sources. The Finance, Investment and Tender Oversight Committee undertakes liquidity management and scenario analysis as per the policy.

Funds are raised mainly from reinsurance premiums and investment income and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Group strategy.

In addition, the Corporation holds a portfolio of liquid assets as part of its liquidity risk management strategy.

The analysis of the liquidity position of the Group's financial liabilities is as disclosed in the table above.

(b) Market risk

Management of market risk

Market risk is the risk that changes in market prices, interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Overall authority for market risk is vested in the board of directors. The board of directors is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is managed principally through monitoring interest rate gaps. The board of directors is the monitoring body for compliance with these limits and is assisted by risk management in its day-to-day monitoring activities.

The interest earning financial assets that the Group holds include investments in government securities, mortgage loans, corporate bonds and deposits with financial institutions. Re-insurance receivables are not interest bearing. Liabilities under short term and long term reinsurance contracts are not interest bearing.

The interest rate risk of the above future cash flows is considered to be low primarily because they are at fixed interest rates. A change of 1% in interest rates would have immaterial effects on the future cash flows.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

Currency rate risk

The Group writes business from a number of countries and as a consequence receives premiums in several currencies. The Group's obligations to, and receivables from the cedants are therefore in these original currencies. The Group is therefore exposed to the exchange rate risk where there is a mismatch between assets and liabilities per currency.

The Group's main operations are concentrated in Kenya and its assets and liabilities are reported in the local currency. It has transactions in foreign currency which are mainly denominated in US Dollars.

Foreign exchange risk also arises from commercial transactions, recognized assets and liabilities in foreign currencies such as deposits with financial institutions.

| | GROUP | | COMPANY | |
|--|------------------|------------------|------------------|------------------|
| | 2022 KShs'000 | 2021 KShs'000 | 2022 KShs'000 | 2021 KShs'000 |
| Assets in foreign currencies | | | | |
| Trade and other receivables | 4,271,718 | 4,672,807 | 2,917,939 | 2,985,950 |
| Premiums and loss reserves | 765,280 | 670,423 | 595,696 | 565,664 |
| Deposits with financial institutions | 5,444,707 | 4,955,955 | 2,282,261 | 2,070,112 |
| Cash and bank | 835,705 | 610,029 | 13,497 | 108,141 |
| Foreign currency assets | 11,317,410 | 10,909,214 | 5,809,393 | 5,729,867 |
| Liabilities in foreign currencies | | | | |
| Payables | (1,329,313) | (1,284,089) | (654,255) | (285,331) |
| Net foreign currency asset position | 9,988,096 | 9,625,125 | 5,155,138 | 5,444,536 |

The following table demonstrates the sensitivity to a reasonably possible change in USD, with all other variables held constant, of the Group's and the Company's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities).

| USD | | GROUP | | COMPANY | |
|------|-------------------------|--|---------------------------------|--|---------------------------------|
| | | Effect on profit before tax KShs'000 | Effect on equity KShs'000 | Effect on profit before tax KShs'000 | Effect on equity KShs'000 |
| 2022 | Increase in US\$ by 10% | 1,028,308 | 719,816 | 519,312 | 363,518 |
| | Decrease in US\$ by 10% | (1,028,308) | (719,816) | (519,312) | (363,518) |
| 2021 | Increase in US\$ by 10% | 962,513 | 673,759 | 544,454 | 381,118 |
| | Decrease in US\$ by 10% | (962,513) | (673,759) | (544,454) | (381,118) |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

Price risk

The Group is exposed to equity securities price risk as a result of its holdings in equity investments which are listed and traded on the Nairobi Securities Exchange and which are classified as available for sale financial assets. Exposure to equity price risks in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes.

The Group has a defined investment policy which sets limits on the Group's exposure to equities both in aggregate terms and by category/share. This policy of diversification is used to manage the Group's price risk arising from its investments in equity securities. The Group's unlisted equities are also subject to price risk however, the Group has carried them at cost less any impairment cost. Refer to note 22.

As at the reporting date, the exposure to listed equity securities at fair value was KShs 1,202.4 million (2021: KShs 1,186 million). An increase/decrease of 15% in the value of the listed equity would result in a decrease / increase in profits of KShs 180.4 million (2021: KShs 178 million) and an increase/decrease in equity by KShs 126.3 million (2021: KShs 125 million).

(c) Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Group manages, limits and controls concentration of credit risks periodically against internal and regulatory requirements with respect to individual counterparties or related company of counterparties, industry sectors, business lines, product types, amongst others.

Key areas where the Group is exposed to credit risk are:

- amounts due from reinsurers in respect of claims already paid.
- amounts due from cedants.
- amounts due from re-insurance intermediaries.
- mortgage advances to its customers and staff.
- government and corporate bonds.
- deposits with financial institutions.
- cash and bank balances.

The Group structures the levels of credit risk it accepts by placing credit limits on its exposure to a single counterparty or company of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the board of directors.

The creditworthiness of cedants is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The Group maintain records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the board of directors includes details of provisions for impairment on amounts due from cedants and subsequent write-offs.

Investments in government securities are deemed adequately secured by the Government of Kenya with no inherent default risk. The credit risk on the corporate bonds, deposits and balances with financial institutions is considered to be low because the counterparties are companies and banks with high credit ratings. The credit risk on mortgages is managed by ensuring that the mortgage issued is secured by the related property and that the mortgage amount given is below the value of the related property.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

The following table details the maximum exposure before consideration of any collateral:

| | GROUP | | COMPANY | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Government securities | 19,933,069 | 18,551,024 | 19,271,575 | 18,243,649 |
| Corporate bonds | 45,329 | 45,329 | 45,329 | 45,329 |
| Loans and receivables at amortized cost: | | | | |
| Deposits with financial institutions | 12,357,742 | 10,566,834 | 9,195,295 | 7,677,637 |
| Mortgage loans | 750,213 | 790,455 | 743,491 | 780,537 |
| Receivables arising out of reinsurance arrangements | 2,142,273 | 2,065,570 | 1,633,185 | 1,023,856 |
| Receivables arising out of reinsurance and retrocession arrangements-Pipeline | 8,417,031 | - | 7,526,524 | - |
| Premium retained by cedants (note 25) | 424,861 | 418,173 | 310,500 | 368,638 |
| Bank balances | 888,316 | 1,029,913 | 95,096 | 144,402 |
| Other receivables | 435,841 | 570,299 | 347,742 | 525,962 |
| Total assets bearing credit risk | 45,394,675 | 34,037,597 | 39,168,737 | 28,810,010 |

Receivables arising out of reinsurance arrangements are summarized as follows:

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Neither past due nor impaired | 1,114,119 | 653,093 | 864,595 | 337,472 |
| Past due but not impaired: | | | | |
| -up to 91 to 365 days | 1,028,154 | 1,412,477 | 768,590 | 686,384 |
| -up to 1 to 2 years | - | - | - | - |
| -Impaired | 3,987,392 | 3,885,204 | 3,142,702 | 3,103,744 |
| | 6,129,665 | 5,950,774 | 4,775,887 | 4,127,600 |
| Less: provision for impairment (note 24) | (3,987,392) | (3,885,204) | (3,142,702) | (3,103,744) |
| Total | 2,142,273 | 2,065,570 | 1,633,185 | 1,023,856 |

Mortgage loans are summarized as follows:

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Neither past due nor impaired | 750,213 | 790,455 | 743,491 | 780,537 |
| Past due but not impaired: | | | | |
| Impaired | 100,094 | 104,153 | 100,094 | 104,153 |
| | 850,307 | 894,608 | 843,585 | 884,690 |
| Less: provision for impairment (note 17) | (100,094) | (104,153) | (100,094) | (104,153) |
| Total | 750,213 | 790,455 | 743,491 | 780,537 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

The accounts under the fully performing category are paying their debts as they continue trading. The default rate is low. Credit control department actively monitors overdue account balances. In addition, the Group settles claims on a net basis i.e. net of any re-insurance receivables due from cedants. An impairment analysis is performed at each reporting date on an individual basis. The debt that is impaired has been fully provided for. The maximum exposure to credit risk at the reporting date is the carrying amount. Refer to note 17 and 25 for impairment analysis of mortgage loans and premiums and loss reserves respectively.

Fair value of financial assets and liabilities

(i) Financial instruments not measured at fair value.

The following fair value disclosures have been made in respect of quoted Government securities and quoted corporate bonds which have been carried at amortised cost. The carrying amounts of the remaining financial instruments i.e., cash and bank, government securities held to maturity, corporate bonds and receivables, approximate their fair values hence no fair value disclosures have been made.

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

(ii) Fair value hierarchy (continued)

The following table shows an analysis of financial and non-financial assets and liabilities recorded at fair value by level of the fair value hierarchy. However, the unquoted equity instruments have been stated at cost less any impairment loss for the year.

| GROUP | Level 1 KShs '000 | Level 2 KShs '000 | Level 3 KShs '000 | Total KShs '000 |
|----------------------------|------------------------------|------------------------------|------------------------------|----------------------------|
| At 31 December 2022 | | | | |
| Government securities | 1,277,844 | - | - | 1,277,844 |
| Quoted equity instruments | 1,154,071 | - | - | 1,154,071 |
| Investment properties | - | - | 12,405,000 | 12,405,000 |
| At 31 December 2021 | | | | |
| Government securities | 1,356,052 | - | - | 1,356,052 |
| Quoted equity instruments | 1,202,463 | - | - | 1,202,463 |
| Investment properties | - | - | 12,250,000 | 12,250,000 |
| COMPANY | | | | |
| At 31 December 2022 | | | | |
| Government securities | 1,277,844 | - | - | 1,277,844 |
| Quoted equity instruments | 1,154,071 | - | - | 1,154,071 |
| Investment properties | - | - | 12,405,000 | 12,405,000 |
| At 31 December 2021 | | | | |
| Government securities | 1,356,052 | - | - | 1,356,052 |
| Quoted equity instruments | 1,202,463 | - | - | 1,202,463 |
| Investment properties | - | - | 12,250,000 | 12,250,000 |

The management assessed that the fair values of cash and short-term deposits, re-insurance receivables, other receivables, re-insurance payables, mortgage debtors, treasury bills and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2022 and 2021 are as shown below:

| | Valuation Technique | Significant unobservable inputs | Range (weighted average) |
|------------------------------|-----------------------------|--|-------------------------------------|
| Investment properties | Open market basis | Price per acre in a similar location | KShs 500 million - KShs 800 million |
| | | Discount rate | 7.25-9.25% |
| | Discounted cash flow method | Rental income per square meter Estimated costs associated with maintaining the building | KShs 130-KShs 250 per square metre |

The Group has performed an assessment and currently there are no significant interrelationships between significant unobservable inputs and other unobservable inputs used in the fair value measurement. The valuation of investment properties was carried out by Bernard Muriithi Koome - P/No. ISK/897/4/VEMS/13 of Morgan Wright Limited, professional independent valuers as at 31 DECEMBER 2022.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Insurance risk

The principal risk the group faces under reinsurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by frequency of the claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the group is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines as well as the use of reinsurance arrangements.

The group purchases reinsurance as a part of its risk's mitigation programme. Reinsurance ceded is placed on both a proportional and a non-proportional basis. Most of the proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the group to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the group's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

i. long term reinsurance contracts

Life reinsurance contracts offered by the group include treaties and facultative business on individual life and group life. Benefits payable are dependent on the group's share of reinsured sum assured.

The main risks that the Group is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

The group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the group to pursue third parties for payment of some or all costs. The group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the group.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Groupwide reinsurance limits of Kshs. 3,000,000 on any single life insured are in place. In 2022, the group changed the reserving estimate for the Un-earned Premiums Reserve (UPR) from 40% of Written Premium (WP) to 1/8th method and for IBNR from three month's annual premium net of retrocessions to chain ladder method because of improvement of the data quality. This resulted in the release of AIDS and claims equalization reserves.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Insurance risk (continued)

(i) Life reinsurance contracts (continued)

| | GROUP | | COMPANY | |
|--|-------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Life fund | 12,615,308 | 11,633,723 | 12,573,172 | 11,600,441 |
| Less: actuarial value of policy holder liabilities | (1,309,997) | (1,262,731) | (1,298,214) | (1,254,757) |
| Actuarial surplus | 11,305,311 | 10,370,992 | 11,274,958 | 10,345,684 |
| Less deferred tax liability (note 36) | (3,160,311) | (2,937,599) | (3,143,639) | (2,937,599) |
| Statutory reserve | 8,145,000 | 7,433,393 | 8,131,318 | 7,408,085 |

Key Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience and current internal data which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

Mortality and morbidity rates

Assumptions are based on standard industry and national tables, according to the type of contract written. They reflect recent historical experience and are adjusted when appropriate to reflect the group's own experiences.

Sensitivities

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

It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

In the table below it can be seen that when adjusting the main risk factors as described above, such as mortality, morbidity, expense risk and policyholder decision risk, there is no material impact on the best estimate liability. The only differences which occur when these factors are adjusted is the AIDS reserve and the claims equalisation reserve.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Insurance risk (continued)

Long term reinsurance contracts (continued)

As at December 2022

| Class of Business | Unearned premium reserve | Deferred acquisition costs | Incurred but not reported claims | Actuarial liability per statement of financial position (Note 33/38) |
|-------------------|--------------------------|----------------------------|----------------------------------|--|
| Superannuation | 457,098 | 131,789 | 1,091,131 | 1,551,256 |
| Individual life | 18,428 | 6,511 | 50,108 | 68,712 |
| Contingency | - | - | 168,758 | 168,758 |
| Total | 475,526 | 138,300 | 1,309,997 | 1,788,726 |

As at December 2021

| Class of Business | Unearned premium reserve | Deferred acquisition costs | Incurred but not reported claims | Actuarial liability per statement of financial position (Note 33/38) |
|-------------------|--------------------------|----------------------------|----------------------------------|--|
| Superannuation | 426,146 | 118,037 | 1,039,196 | 1,465,342 |
| Individual life | 22,711 | 5,479 | 42,033 | 64,743 |
| Contingency | - | - | 181,503 | 181,503 |
| Total | 448,857 | 123,516 | 1,262,732 | 1,711,588 |

(i) Short term reinsurance contracts

The Group principally issues the following types of general reinsurance contracts: motor, household, commercial and business interruption. Healthcare contracts provide medical expense coverage to policyholders and are not guaranteed as renewable. Risks under non-life insurance policies usually cover twelve months duration.

For general reinsurance contracts, the most significant risks arise when there is fire, motor accidents, property losses or medical claims for longer tail claims that take some years to settle, there is also inflation risk. For healthcare contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements. These risks do not vary significantly in relation to the location of the risk insured by the group, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Group uses commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Insurance risk (continued)

(ii) Non-life reinsurance contracts (continued)

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the group's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe,

counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

The table below sets out the concentration of insurance contract liabilities:

| GROUP | | | |
|---|-------------------|--------------------|-------------------|
| YEAR 2022 | Gross | Reinsurance | Net |
| | KShs'000 | KShs'000 | KShs'000 |
| As at 1 January 2022 | 9,808,460 | (467,558) | 9,340,902 |
| Movement in claims reserves | 662,977 | 215,925 | 878,902 |
| IBNR as at 31 December 2022 | 10,471,437 | (251,633) | 10,219,804 |
| Unallocated Loss adjustment Expenses | 53,706 | | 53,706 |
| Total Claims reserves as at 31 DECEMBER 2022 | 10,525,143 | (251,633) | 10,273,510 |
| YEAR 2021 | Gross | Reinsurance | Net |
| | KShs'000 | KShs'000 | KShs'000 |
| As at 1 January 2021 | 9,808,460 | (467,558) | 9,340,902 |
| Movement in claims reserves | 349,260 | 175,702 | 524,962 |
| IBNR as at 31 December 2021 | 10,157,720 | (291,856) | 9,865,864 |
| Unallocated Loss adjustment Expenses | 49,811 | - | 49,811 |
| Total Claims reserves as at 31 December 2021 | 10,207,531 | (291,856) | 9,915,675 |
| COMPANY | | | |
| YEAR 2022 | | | |
| As at 1 Jan 2022 | | | |
| Movement in claims reserves | 9,108,921 | (462,398) | 8,646,523 |
| IBNR as at 31 December 2022 | 9,451,863 | (43,530) | 9,408,333 |
| Unallocated Loss adjustment Expenses | 46,568 | | 46,568 |
| Total Claims reserves | 9,498,430 | (43,530) | 9,454,900 |
| YEAR 2021 | | | |
| As at 1 Jan 2021 | 9,108,921 | (462,398) | 8,646,523 |
| Movement in claims reserves | 195,692 | 264,133 | 459,825 |
| IBNR as at 31 December 2021 | 9,304,613 | (198,265) | 9,106,348 |
| Unallocated Loss adjustment Expenses | 49,811 | - | 49,811 |
| Total Claims reserves | 9,354,424 | (198,265) | 9,156,159 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Insurance risk (continued)

(ii) Non-life reinsurance contracts (continued)

Key Assumptions

The principal assumption underlying the liability estimates is that the group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The non-life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in the ultimate claims liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity.

The liabilities were subjected to sensitivity analysis on the key assumption of ultimate loss ratios used in the liability calculations. The table below demonstrated the gross and net effect of an increase and decrease of the ultimate loss ratios by 10%.

It should be noted that movements in these assumptions are non-linear.

December 2022

| Change in assumption | Change in gross liability | Change in net liability |
|----------------------|---------------------------|-------------------------|
| +10% | 1,255,348,377 | 1,225,181,878 |
| -10% | (1,283,181,195) | (1,252,345,863) |

December 2021

| Change in assumption | Change in gross liability | Change in net liability |
|----------------------|---------------------------|-------------------------|
| +10% | 1,194,973,538 | 1,160,639,079 |
| -10% | (1,191,863,341) | (1,157,618,245) |

4. CAPITAL MANAGEMENT

Capital includes ordinary shares and equity attributable to the shareholders of the Group.

Externally imposed capital requirements are set and regulated by various Insurance Regulatory Authorities in the countries of operations. These requirements are put in place to ensure solvency margins are maintained in the insurance industry. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders value.

Further, the Company currently has a paid-up capital of KShs 7 billion for the combined composite business, which meets the minimal requirement of KShs 800 million as per the Insurance Act.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. CAPITAL MANAGEMENT (Continued)

The Group's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business.
- to maintain financial strength to support new business growth.
- to satisfy the requirements of its reinsured and rating agencies.
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- to allocate capital efficiently to support growth.
- to safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Group has a number of sources of capital available to it and seeks to optimize its retention capacity in order to ensure that it can consistently maximize returns to shareholders. The Group considers not only the traditional sources of capital funding but the alternative sources of capital including retrocession, as appropriate, when assessing its deployment and usage of capital. The Group manages as capital all items that are eligible to be treated as capital. The Group has no borrowings.

During the year the Group held the minimum paid up capital required and also met the required solvency margins.

5. SEGMENTAL REPORTING

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM) in order to allocate resources to the segments and to assess performance.

Thus, under IFRS 8 the Group's reportable segments are long term business and short-term business. The short-term business segment include among others motor, marine, aviation, fire, and accident. The long-term business segment includes individual and group life. These segments are the basis on which the CODM allocates resources and assesses performance. Investment and cash management for the Group's own accounts are also reported as part of the above segments. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest and investment income is credited to business segments based on segmental capital employed. The Group's main geographical segment of business is in Kenya.

The management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the corporation's total revenue in 2022 or 2021.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SEGMENTAL REPORTING (continued)

The various products and services that the reporting segments derive their revenues from have been described as follows.

| | GROUP | | COMPANY | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Gross earned premiums | | | | |
| Short term business | 22,699,777 | 18,372,377 | 19,535,488 | 15,951,007 |
| Long term business | 2,280,174 | 1,923,818 | 2,240,479 | 1,920,074 |
| | 24,979,951 | 20,296,195 | 21,775,967 | 17,871,081 |
| Investment income: | | | | |
| Short term business | | | | |
| Rental income from investment properties | 572,127 | 659,235 | 572,127 | 659,235 |
| Interest on government securities held to maturity | 1,531,712 | 1,655,964 | 1,474,991 | 1,630,703 |
| Gain on sale of available-for-sale quoted equity instruments | - | 42,833 | - | 42,833 |
| Dividends receivable on available for sale quoted equity instruments | 94,940 | 70,203 | 94,941 | 70,203 |
| Interest on commercial mortgages | 26,842 | 26,372 | 26,842 | 26,372 |
| Interest on deposits with financial institutions- held to maturity | 445,854 | 195,619 | 299,441 | 96,939 |
| Interest on corporate bonds- held to maturity | 5,884 | 2,994 | 5,884 | 2,994 |
| Interest on staff mortgages and loans | 27,435 | 28,169 | 27,075 | 27,543 |
| | 2,704,794 | 2,681,389 | 2,501,301 | 2,556,822 |
| Long term business | | | | |
| Rental income from investment properties | 94,329 | 108,613 | 94,329 | 108,613 |
| Interest on government securities held to maturity | 698,852 | 509,943 | 698,852 | 509,943 |
| Dividends receivable on available-for-sale quoted equity instruments | 17,300 | 14,709 | 17,300 | 14,709 |
| Interest on deposits with financial institutions- held to maturity | 228,418 | 343,031 | 284,858 | 371,091 |
| | 1,038,899 | 976,296 | 1,095,339 | 1,004,356 |
| Total investment income | 3,743,695 | 3,657,685 | 3,596,640 | 3,561,178 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SEGMENTAL REPORTING (continued)

Other disclosures:

| GROUP | Short term business KShs'000 | Long term Business KShs'000 | Total 2022 KShs'000 | Total 2021 KShs'000 |
|---|--|---|------------------------------------|------------------------------------|
| Reportable segment profits before tax | 3,731,694 | 854,614 | 4,586,308 | 4,267,552 |
| Income tax expense | (825,326) | (143,007) | (968,333) | (1,112,249) |
| Reportable segment profits after tax | 2,906,368 | 711,607 | 3,617,975 | 3,155,303 |
| Reportable segment total assets | 56,164,123 | 13,961,883 | 70,126,006 | 55,633,807 |
| Net | 56,164,123 | 13,961,883 | 70,126,006 | 55,633,807 |
| Reportable segment total liabilities | 23,957,360 | 5,396,945 | 29,354,304 | 18,538,324 |
| Less: | | | | |
| : Related party balances | - | - | - | - |
| Net | 23,957,360 | 5,396,945 | 29,354,304 | 18,538,324 |
| Fees and commission income | 224,201 | 32,850 | 257,051 | 136,630 |
| Depreciation of property and equipment | (32,126) | (3,227) | (35,353) | 30,155 |
| Amortisation of intangible assets | (92,933) | (92,933) | (102,268) | 189,004 |
| Property and equipment additions | 60,523 | - | 60,523 | 68,256 |
| Intangible assets additions | 42,826 | 4,302 | 47,128 | (184,961) |
| Share of associates profit | 551,107 | - | 551,107 | 404,714 |
| COMPANY | General Insurance Business KShs'000 | Life Assurance Business KShs'000 | Total 2022 KShs'000 | Total 2021 KShs'000 |
| Reportable segment profits before tax | 3,095,370 | 862,234 | 3,957,605 | 4,066,345 |
| Income tax expense | (802,204) | (139,001) | (941,205) | (1,047,094) |
| Reportable segment profits after tax | 2,293,166 | 723,233 | 3,016,400 | 3,019,251 |
| Reportable segment total assets | 52,472,783 | 14,104,015 | 66,576,798 | 52,975,447 |
| Less: | | | | |
| : Related party balances | (104,168) | - | (104,168) | (55,558) |
| : Investment in subsidiaries | (2,761,398) | - | (2,761,398) | (2,630,947) |
| Reportable segment total assets-Net | 49,607,217 | 14,104,015 | 63,711,232 | 50,288,942 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SEGMENTAL REPORTING (continued)

Other disclosures (continued):

| COMPANY (continued) | Short term business KShs'000 | long term business KShs'000 | Total 2022 KShs'000 | Total 2021 KShs'000 |
|--|---|--|------------------------------------|------------------------------------|
| Reportable segment total liabilities | 21,194,800 | 5,552,760 | 26,747,560 | 16,298,734 |
| Less: : Related party balances | (252,887) | - | (252,887) | (134,940) |
| Net | 20,941,913 | 5,552,760 | 26,494,673 | 16,163,794 |
| Fees and commission income | 31,694 | 4,644 | 36,337 | 27,425 |
| Depreciation of property and equipment | (24,740) | (2,837) | (27,577) | 21,864 |
| Amortisation of intangible assets | (91,746) | (10,522) | (102,268) | 189,004 |
| Property and equipment additions | 52,664 | - | 52,664 | (17,661) |
| Intangible assets additions | 34,187 | 20,953 | 55,140 | (184,961) |
| Share of associates profit | 551,107 | - | 551,107 | 404,714 |

6. PREMIUMS INCOME

The Group is organised into two main divisions, short term business and long-term business. Long term business relates to the underwriting of risks relating to death of an insured person. Short business relates to all other categories of short-term insurance business written by the Group, analysed into several sub-classes of business based on the nature of the assumed risks.

The premium income of the Group can be analysed between the main classes of business as shown below:

| | GROUP | | | |
|-----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2022 KShs'000 | 2021 KShs'000 | 2022 KShs'000 | 2021 KShs'000 |
| Long-term business | | | | |
| Super annuation | 1,537,043 | 1,966,539 | 1,541,502 | 1,966,425 |
| Ordinary life | 53,706 | 72,969 | 34,760 | 57,631 |
| Pipelined/restated premiums | 448,547 | 75,566 | 435,356 | 94,879 |
| Total | 2,039,296 | 2,115,074 | 2,011,618 | 2,118,935 |
| Short-term business | | | | |
| Aviation | 25,835 | 75,519 | 17,136 | 62,502 |
| Engineering | 739,583 | 1,137,086 | 570,980 | 894,943 |
| Fire | 3,370,251 | 4,436,766 | 2,743,467 | 3,594,749 |
| Liability | 170,367 | 218,129 | 82,598 | 125,898 |
| Marine | 467,257 | 746,595 | 356,918 | 635,376 |
| Motor | 910,725 | 795,611 | 823,784 | 850,489 |
| Medical | 2,475,894 | 2,793,407 | 2,374,681 | 2,492,371 |
| Agriculture | 2,040,573 | 4,701,136 | 2,048,511 | 4,671,703 |
| Bond | 259,994 | 282,023 | 196,248 | 216,569 |
| Miscellaneous (incl. Theft) | 1,403,230 | 1,558,639 | 1,285,507 | 1,461,278 |
| Oil & Energy | 38,566 | 33,857 | 29,290 | 33,227 |
| Political Risks | 235,385 | 277,350 | 222,153 | 268,965 |
| Pipelined/restated premiums | 7,968,486 | (134,825) | 7,091,168 | (245,174) |
| Total | 20,106,146 | 16,921,293 | 17,842,441 | 15,062,896 |
| TOTAL | 22,145,442 | 19,036,367 | 19,854,059 | 17,181,831 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

6. PREMIUMS INCOME (Continued)

| | GROUP | COMPANY |
|--------------------------------|------------------|------------------|
| | 2022 | 2022 |
| | KShs'000 | KShs'000 |
| Pipeline premiums | | |
| Long-term business | | |
| Super annuation | 407,984 | 406,539 |
| Ordinary life | 40,563 | 28,817 |
| Total | 448,547 | 435,356 |
| Short-term business | | |
| Aviation | 17,320 | 12,601 |
| Engineering | 1,020,824 | 943,804 |
| Fire | 2,040,172 | 1,647,501 |
| Liability | 71,833 | 38,659 |
| Marine | 597,844 | 584,153 |
| Motor | 475,103 | 439,894 |
| Medical | 969,809 | 726,339 |
| Agriculture | 1,913,024 | 1,912,076 |
| Miscellaneous (incl. Theft) | 862,557 | 786,141 |
| Total | 7,968,486 | 7,091,168 |
| Total Pipeline premiums | 8,417,033 | 7,526,524 |

RETROCESSION PREMIUMS

The retrocessions premiums of the Group can be analysed between the main classes of business as shown below:

| | 2022 | GROUP | COMPANY | 2021 |
|-----------------------------|------------------|------------------|-----------------|-----------------|
| | KShs'000 | 2021 | 2022 | KShs'000 |
| | | KShs'000 | KShs'000 | |
| Aviation | 6,056 | 34,041 | 6,056 | 34,041 |
| Engineering | 461,005 | 367,366 | 392,700 | 362,876 |
| Fire | 160,334 | 124,779 | 16,527 | 18,952 |
| Liability | - | - | - | - |
| Marine | 64,324 | 51,177 | 64,324 | 48,799 |
| Motor | - | 27 | - | - |
| Medical | 365,105 | 384,748 | - | - |
| Agriculture | - | 43,068 | - | 43,068 |
| Bond | - | 5,137 | - | 5,137 |
| Miscellaneous (incl. Theft) | 39,351 | 33,808 | 39,351 | 33,808 |
| Oil & Energy | - | 2,661 | - | - |
| Political Risks | 46,410 | 36,104 | 45,447 | 33,235 |
| Life business | 97,338 | 79,294 | 97,338 | 78,973 |
| TOTAL | 1,239,923 | 1,162,210 | 661,743 | 658,889 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

7. INVESTMENT INCOME

| | GROUP | | COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| (a) Interest Income | | | | |
| Interest on Government securities held to maturity | 2,063,722 | 2,014,294 | 2,007,001 | 1,990,801 |
| Interest income on available for sale Government securities | 166,842 | 151,613 | 166,842 | 149,845 |
| Interest on corporate bonds – held to maturity | 5,884 | 2,994 | 5,884 | 2,994 |
| Interest on deposits with financial institutions-held to maturity | 674,272 | 538,650 | 584,300 | 468,029 |
| Interest on commercial mortgages | 26,842 | 26,372 | 26,842 | 26,372 |
| Interest on staff mortgages and loans | 27,435 | 28,169 | 27,075 | 27,544 |
| | 2,964,997 | 2,762,092 | 2,817,944 | 2,665,585 |
| (b) Other Investment Income | | | | |
| Rental income from investment properties | 666,456 | 767,848 | 666,456 | 767,848 |
| Gain on sale of available for sale quoted equity instruments | - | 42,833 | - | 42,833 |
| Interest on deposits with financial institutions- held to maturity | - | - | - | - |
| Dividends receivable on available- for sale quoted equity instruments | 112,240 | 84,912 | 112,240 | 84,912 |
| | 778,696 | 895,593 | 778,696 | 895,593 |
| Total investment income | 3,743,693 | 3,657,685 | 3,596,640 | 3,561,178 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

8. OTHER INCOME

| | GROUP | | COMPANY | |
|------------------------------|---------------|---------------|----------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| COMESA Yellow Card income | 70,472 | 55,050 | 70,472 | 55,050 |
| HQ Management Support Income | - | - | 52,295 | - |
| Miscellaneous income | 1,551 | 3,273 | 653 | 2,808 |
| | 72,023 | 58,323 | 123,420 | 57,858 |

9. CLAIMS AND POLICY HOLDERS BENEFITS EXPENSES

| Claims paid | GROUP | | COMPANY | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Claims paid | 9,388,788 | 11,817,294 | 8,473,666 | 11,305,266 |
| Changes in the provision for outstanding claims incurred but not reported (IBNR) | 353,940 | 524,962 | 301,984 | 459,825 |
| Pipeline claims | 4,655,513 | - | 4,366,814 | - |
| Increase in actuarial liability on long term insurance contracts (note 34) | 47,266 | (739,404) | 43,457 | (747,378) |
| Unallocated Loss adjustment expenses | 3,895 | 49,811 | (3,241) | 49,811 |
| Gross claims incurred | 14,449,402 | 11,652,663 | 13,182,680 | 11,067,524 |
| Restated claims | - | (777,138) | - | (817,354) |
| Total | 14,449,402 | 10,875,525 | 13,182,680 | 10,250,170 |
| Less: Amounts recoverable from retrocessionaires | (582,963) | (230,787) | (147,779) | (230,787) |
| Net claims incurred | 13,866,439 | 10,644,738 | 13,034,901 | 10,019,383 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

10 (a). CEDANT ACQUISITION COSTS

| CEDANT ACQUISITION COSTS | GROUP | | COMPANY | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Super annuation | 447,928 | 424,159 | 416,178 | 421,890 |
| Ordinary life | 13,365 | 32,448 | 15,455 | 30,183 |
| Aviation | 11,797 | 45,876 | 9,510 | 21,463 |
| Engineering | 317,759 | 407,953 | 247,022 | 328,765 |
| Fire | 1,126,328 | 1,363,367 | 924,289 | 1,123,476 |
| Liability | 45,729 | 64,565 | 22,004 | 39,547 |
| Marine | 160,870 | 326,488 | 128,051 | 222,626 |
| Motor | 156,739 | 209,259 | 143,814 | 210,294 |
| Medical | 402,003 | 701,236 | 471,407 | 621,989 |
| Agriculture | 279,255 | 510,839 | 280,382 | 509,522 |
| Bond | 93,404 | 93,048 | 70,671 | 76,212 |
| Miscellaneous (incl. Theft) | 776,321 | 663,940 | 515,904 | 527,455 |
| Oil & Energy | 6,976 | 21,649 | 4,218 | 7,828 |
| Political Risks | 80,566 | 80,592 | 76,679 | 79,014 |
| Restatement commissions | - | 314,194 | - | 377,283 |
| Pipelined cedant acquisition costs | 2,221,420 | - | 1,990,278 | - |
| TOTAL | 6,140,460 | 5,259,613 | 5,315,862 | 4,597,547 |

PIPELINE CEDANT ACQUISITION COSTS

| | GROUP | | COMPANY | |
|-----------------------------|------------------|----------|------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Super annuation | 104,271 | - | 103,866 | - |
| Ordinary life | 7,765 | - | 3,941 | - |
| Aviation | 6,665 | - | 5,428 | - |
| Engineering | 328,255 | - | 303,738 | - |
| Fire | 709,776 | - | 601,735 | - |
| Liability | 21,645 | - | 12,686 | - |
| Marine | 194,412 | - | 191,475 | - |
| Motor | 41,218 | - | 37,019 | - |
| Medical | 240,790 | - | 154,406 | - |
| Agriculture | 302,219 | - | 301,925 | - |
| Bond | - | - | - | - |
| Miscellaneous (incl. Theft) | 264,404 | - | 274,059 | - |
| TOTAL | 2,221,420 | - | 1,990,278 | - |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

10 (a). CEDANT ACQUISITION COSTS (Continued)

| COMMISSIONS RECOVERED | GROUP | | COMPANY | |
|-----------------------------|----------------|----------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Aviation | 266 | - | 356 | - |
| Engineering | 23,961 | 15,565 | 21,514 | 15,920 |
| Fire | 24,917 | 21,220 | - | - |
| Marine | - | 2,447 | - | 2,196 |
| Motor | 2,822 | 7 | 3,772 | - |
| Liability | - | - | - | - |
| Medical | 170,948 | 73,564 | - | - |
| Agriculture | - | 1,948 | - | 2,241 |
| Bond | - | 441 | - | 507 |
| Miscellaneous (incl. Theft) | 1,613 | 1,181 | 2,157 | 1,358 |
| Oil & Energy | - | 819 | - | - |
| Political Risks | 2,188 | 2,137 | 2,805 | 1,730 |
| Life business | 30,336 | 17,301 | 5,734 | 3,473 |
| TOTAL | 257,051 | 136,630 | 36,338 | 27,425 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

| 10 (b). | OPERATING AND OTHER EXPENSES | GROUP | | COMPANY | |
|---------|--|------------------|------------------|------------------|------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| | | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| | Staff costs | 862,357 | 791,478 | 742,082 | 706,124 |
| | Depreciation (note 15) | 35,353 | 30,155 | 27,577 | 21,292 |
| | Amortisation (note 16) | 102,268 | 189,004 | 102,268 | 189,004 |
| | Auditors' remuneration | 32,131 | 25,519 | 15,837 | 16,252 |
| | Directors' – emoluments | 27,674 | 25,098 | 9,165 | 9,600 |
| | Directors' – fees | 19,692 | 17,684 | 8,569 | 10,780 |
| | Directors' – training | 4,536 | 2,440 | 2,612 | 2,440 |
| | Rent provisions | (3,959) | (48,651) | (3,959) | (48,651) |
| | Annual General Meeting expenses | 18,484 | 22,144 | 18,484 | 22,144 |
| | Investment property direct operating expenses | 185,044 | 191,669 | 184,268 | 191,366 |
| | Travel and accommodation | 134,363 | 16,925 | 106,156 | 15,543 |
| | Advertisement | 11,933 | 21,040 | 11,223 | 20,257 |
| | Professional and consultancy fees | 70,824 | 72,416 | 69,030 | 71,003 |
| | Rent and rates | 4,349 | 11,892 | 4,349 | 11,892 |
| | Hardware and software maintenance | 143,127 | 96,134 | 143,049 | 96,060 |
| | Donations, sponsorship and CSR activities | 8,692 | 29,024 | 8,345 | 29,024 |
| | Bank charges | 25,762 | 26,959 | 16,176 | 20,164 |
| | Impairment of receivables | 36,145 | - | 36,145 | - |
| | Taxation expenses in subsidiaries | 41 | - | - | - |
| | Forex losses | (178,207) | 270,825 | (141,287) | 280,645 |
| | Provision for un-reconciled inventory | (927) | (1,839) | (927) | (1,839) |
| | Other expenses | 215,245 | 305,888 | 156,681 | 198,826 |
| | Total operating expenses | 1,754,927 | 2,095,804 | 1,515,843 | 1,861,926 |
| | Staff costs consists of: | | | | |
| | Salaries and wages | 553,462 | 541,563 | 480,286 | 460,882 |
| | Retirement benefit costs (note 21) | 11,677 | 16,598 | 11,677 | 16,598 |
| | Medical expenses | 48,221 | 54,355 | 44,535 | 50,947 |
| | Leave allowance | 42,108 | 5,592 | 36,200 | 36,077 |
| | National social security benefit costs | 3,519 | 2,838 | 383 | 373 |
| | Gratuity accrual | 14,842 | 14,637 | - | - |
| | Bonus | 79,393 | 71,138 | 77,470 | 66,665 |
| | Staff welfare expenses | 36,281 | 34,698 | 30,516 | 32,343 |
| | Training and recruitment | 24,496 | 14,296 | 21,772 | 13,596 |
| | Leave pay provision | 1,649 | (3,939) | 1,707 | -7,289 |
| | Pension contributions to defined contribution scheme | 46,709 | 39,702 | 37,536 | 35,932 |
| | Total staff costs | 862,357 | 791,478 | 742,082 | 706,124 |
| | Other expenses consists of: | | | | |
| | Motor vehicle running expenses | 1,970 | 1,382 | 1,100 | 828 |
| | General office expenses | 12,073 | 8,331 | 11,028 | 7,671 |
| | Marketing expenses | 1,510 | 2,516 | 917 | 2,354 |
| | Corporate and other sundry expenses | 199,692 | 293,659 | 143,636 | 187,973 |
| | | 215,245 | 305,888 | 156,681 | 198,826 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

11. TAXATION

| | GROUP | | COMPANY | |
|--|----------------|------------------|----------------|------------------|
| | 2022 | Restated 2021 | 2022 | Restated 2021 |
| (a) Income tax expense | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Current tax on the taxable profit for the year | 825,326 | 744,742 | 802,204 | 680,999 |
| Change in tax rate | - | - | - | - |
| Prior year adjustment on restatement | - | 80,117 | - | 78,705 |
| | 825,326 | 824,859 | 802,204 | 759,704 |
| Deferred tax charge (note 36) | 143,007 | 287,389 | 139,001 | 287,390 |
| - Current year | - | - | - | - |
| | 968,333 | 1,112,248 | 941,205 | 1,047,094 |
| (b) The Group's current tax charge is computed in accordance with income tax rules applicable to composite insurance and reinsurance companies. A reconciliation of the tax charge is shown below: | | | | |
| | GROUP | | COMPANY | |
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Profit before tax | 4,586,308 | 4,267,552 | 3,957,605 | 4,066,345 |
| Tax calculated at the statutory income tax rate of 30% (2021 - 30%) | 1,375,892 | 1,200,149 | 1,187,280 | 1,143,656 |
| Tax effects of non-taxable income** | (621,021) | (247,408) | (459,540) | (254,658) |
| Tax effect of non-deductible expenses* | 170,023 | 74,995 | 170,023 | 74,995 |
| Prior year under provision- current tax | 13,859 | 4,396 | 13,862 | 4,396 |
| 10% impact on provisions | 29,580 | - | 29,580 | - |
| Prior year adjustment on restatement | - | 80,117 | - | 78,705 |
| | 968,333 | 1,112,249 | 941,205 | 1,047,094 |
| Attributable to: | | | | |
| Long term business | 143,007 | 287,390 | 139,001 | 237,389 |
| Short term business | 825,326 | 824,859 | 802,204 | 809,705 |
| | 968,333 | 1,112,249 | 941,205 | 1,047,094 |
| (c) Income tax payable/(recoverable) | | | | |
| At 1 January- | 84,980 | 156,101 | (25,301) | 29,858 |
| Charge for the year | 825,326 | 824,859 | 802,204 | 680,999 |
| Prior year adjustment (note 47) | - | 80,116 | - | 78,705 |
| Prior year under/over provision | (96,523) | (157,024) | - | (20,818) |
| Paid in the year | (774,507) | (819,074) | (747,379) | (794,045) |
| | 39,276 | 84,980 | 29,524 | (25,301) |

* These expenses are valuation fees, fringe benefit tax, excess pension contributions, loss on valuation of shares etc.

** These incomes are Fair value gains from investment property, share of profit from associate, dividend income net of withholding tax and interest on infrastructure bond among others.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

12. EARNINGS PER SHARE (EPS)

Earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the year.

| | GROUP | | COMPANY | |
|---|-------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Profit attributable to shareholders | 3,617,975 | 3,155,304 | 3,016,400 | 3,019,251 |
| Weighted average number of ordinary shares in issue | 2,799,796 | 2,799,796 | 2,799,796 | 2,799,796 |
| Basic and diluted earnings per share | 1.29 | 1.13 | 1.08 | 1.08 |

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

13. SHARE CAPITAL

| | | 2022 | 2021 |
|---|----------------------|------------------|------------------|
| | | KShs '000 | KShs '000 |
| (i) Authorized: share capital | | | |
| Ordinary shares of KShs 2.50 each | | 8,000,000 | 8,000,000 |
| (2021 -3,200,000,000 ordinary shares of KShs 2.50 each) | | | |
| | Number of shares | 2022 Kshs | 2021 Kshs |
| (ii) Issued and fully paid | 2,799,796,272 | 6,999,491 | 6,999,491 |

14. RESERVES

Retained earnings

The retained earnings balance represents the amounts available for distribution to the shareholders of the Group, except for cumulative fair value gains on the Group's investment properties amounting to KShs 7,848,209,473 (2021: KShs 7,940,363,258) whose distribution is subject to restrictions imposed by legislation.

Revaluation reserve

The revaluation reserve relates to property and equipment of the foreign associate which carries property and equipment at the revalued amount. Although the groups policy is to measure property and equipment at cost, the revaluation reserve of the foreign associate is immaterial for group purposes and has thus not been adjusted to reflect the cost model. The reserve is non-distributable.

The revaluation surplus represents the surplus on the revaluation of property and equipment, net of deferred tax. Movements in the revaluation reserve are shown in the statement of changes in equity.

Fair value reserve

The fair value reserve includes the cumulative change in the fair value of available-for-sale investments until the investment is derecognised. Movements in the fair value reserve are shown in the statement of changes in equity.

Translation reserve

The translation reserve relates to cumulative foreign exchange movement on the net investment in ZEP RE, an associate company accounted for under the equity method and cumulative foreign exchange movement on the subsidiaries. Movements in the translation reserve are shown in the statement of changes in equity.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

15. PROPERTY AND EQUIPMENT

| GROUP | Motor Vehicles KShs'000 | Computers KShs'000 | Furniture and equipment KShs'000 | Total KShs'000 |
|---------------------------------|-------------------------------|-----------------------|--|-------------------|
| 2022 | | | | |
| COST / VALUATION | | | | |
| At 1 January 2022 | 58,398 | 184,333 | 143,466 | 386,197 |
| Additions | - | 57,875 | 2,648 | 60,523 |
| Disposal-Reclassification | (4,000) | - | - | (4,000) |
| At 31 December 2022 | 54,398 | 242,208 | 146,114 | 442,720 |
| ACCUMULATED DEPRECIATION | | | | |
| At 1 January 2022 | 50,220 | 155,742 | 111,979 | 317,941 |
| Charge for the year | 2,930 | 26,135 | 6,288 | 35,353 |
| Disposal-Reclassification | (4,000) | - | - | (4,000) |
| At 31 December 2022 | 49,150 | 181,887 | 118,267 | 349,294 |
| CARRYING VALUE | | | | |
| At 31 December 2022 | 5,248 | 60,331 | 27,847 | 93,426 |
| 2021 | | | | |
| COST | | | | |
| At 1 January 2021 | 58,398 | 180,499 | 142,734 | 381,631 |
| Additions | - | 3,834 | 732 | 4,566 |
| At 31 December 2021 | 58,398 | 184,333 | 143,466 | 386,197 |
| ACCUMULATED DEPRECIATION | | | | |
| At 1 January 2021 | 44,334 | 136,716 | 107,852 | 288,902 |
| Charge for the year | 5,886 | 19,026 | 5,243 | 30,155 |
| Disposal | - | - | (1,116) | (1,116) |
| At 31 December 2021 | 50,220 | 155,742 | 111,979 | 317,941 |
| CARRYING VALUE | | | | |
| At 31 December 2021 | 8,178 | 28,591 | 31,487 | 68,256 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

15. PROPERTY AND EQUIPMENT -continued

| COMPANY | Motor Vehicles KShs'000 | Computers KShs'000 | Furniture and equipment KShs'000 | Total KShs'000 |
|---------------------------------|-------------------------------|-----------------------|--|-------------------|
| 2022 | | | | |
| COST / VALUATION | | | | |
| At 1 January 2022 | 26,803 | 177,918 | 116,552 | 321,273 |
| Additions | - | 51,826 | 838 | 52,664 |
| Transfers from W.I.P | - | - | - | - |
| Disposal-Reclassification | (4,000) | - | - | (4,000) |
| At 31 December 2022 | 22,803 | 229,744 | 117,390 | 369,937 |
| ACCUMULATED DEPRECIATION | | | | |
| At 1 January 2022 | 26,803 | 149,735 | 103,246 | 279,784 |
| Charge for the year | - | 24,333 | 3,240 | 27,573 |
| Disposal-Reclassification | (4,000) | - | - | (4,000) |
| At 31 December 2022 | 22,803 | 174,068 | 106,486 | 303,357 |
| CARRYING VALUE | | | | |
| At 31 December 2022 | - | 55,676 | 10,904 | 66,580 |
| COMPANY | | | | |
| 2021 | | | | |
| COST | | | | |
| At 1 January 2021 | 26,803 | 174,872 | 115,966 | 317,641 |
| Additions | - | 3,046 | 586 | 3,632 |
| At 31 December 2021 | 26,803 | 177,918 | 116,552 | 321,273 |
| ACCUMULATED DEPRECIATION | | | | |
| At 1 January 2021 | 26,803 | 132,551 | 99,137 | 258,491 |
| Charge for the year | - | 17,184 | 4,109 | 21,293 |
| Disposal | - | - | - | - |
| At 31 December 2021 | 26,803 | 149,735 | 103,246 | 279,784 |
| CARRYING AMOUNT | | | | |
| | - | 28,183 | 13,306 | 41,489 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

16. INTANGIBLE ASSETS - GROUP and COMPANY

| | Intangible assets KShs'000 | Total KShs'000 |
|----------------------------|---|---------------------------|
| 2022 | | |
| COST | | |
| At 1 January 2022 | 987,786 | 987,786 |
| Additions | 47,128 | 47,128 |
| At 31 December 2022 | 1,034,914 | 1,034,914 |
| AMORTISATION | | |
| At 1 January 2022 | 874,983 | 874,983 |
| Charge for the year | 102,268 | 102,268 |
| At 31 December 2022 | 977,251 | 977,251 |
| NET CARRYING AMOUNT | | |
| At 31 December 2022 | 57,663 | 57,663 |
| 2021 | | |
| COST | | |
| At 1 January 2021 | 983,743 | 983,743 |
| Additions | 4,043 | 4,043 |
| | - | - |
| At 31 December 2021 | 987,786 | 987,786 |
| AMORTISATION | | |
| At 1 January 2021 | 685,979 | 685,979 |
| Charge for the year | 189,004 | 189,004 |
| At 31 December 2021 | 874,983 | 874,983 |
| NET CARRYING AMOUNT | | |
| At 31 December 2021 | 112,803 | 112,803 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

17. MORTGAGE LOANS

| | GROUP | | COMPANY | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Staff mortgages | 559,155 | 551,649 | 552,434 | 541,861 |
| Commercial mortgages | 291,151 | 342,959 | 291,151 | 342,829 |
| | 850,306 | 894,608 | 843,585 | 884,690 |
| Less: impairment provision | (100,094) | (104,153) | (100,094) | (104,153) |
| | 750,212 | 790,455 | 743,491 | 780,537 |
| Maturity analysis: | | | | |
| Within 1 year | 5,244 | 1,268 | 5,245 | 1,268 |
| Within 1 to 5 years | 94,375 | 77,758 | 87,653 | 77,758 |
| Over 5 years | 750,687 | 711,429 | 750,687 | 701,511 |
| | 850,306 | 790,455 | 843,585 | 780,537 |
| Impairment provision analysis: | | | | |
| Balance brought forward | 100,094 | 146,404 | (100,094) | 146,404 |
| Write back | - | (42,251) | - | (42,251) |
| Balance carried forward | 100,094 | 104,153 | 100,094 | 104,153 |

The weighted average effective interest rate on the mortgages was 7.18% (2021 – 7.98%). Mortgage loans are fully secured.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

18. INVESTMENT PROPERTIES – GROUP AND COMPANY

| | Reinsurance Plaza Nairobi L.R. No. 209/8770 | Reinsurance Plaza Kisumu- Municipality/ Block 7/378 | Anniversary Towers Nairobi -LR No. 209/9744 | Kenya Re Towers Nairobi- LR No. 209/11260 | Upper Hill Plot -L.R. No.209/ 12922 | JKIA Plot- LR No. 9042/ 222 | Mbagathi plot- L.R no:209/ 11976 | Total |
|----------------------------|---|---|---|---|-------------------------------------|-----------------------------|----------------------------------|-------------------|
| 2022 | Kshs '000' | Kshs '000' | Kshs '000' | Kshs '000' | Kshs '000' | Kshs '000' | Kshs '000' | Kshs '000' |
| At 1 January | 3,057,000 | 998,000 | 3,164,000 | 1,733,000 | 980,000 | 720,000 | 1,598,000 | 12,250,000 |
| Additions | 36,006 | 7,771 | 142,945 | 60,433 | - | - | - | 247,154 |
| Fair value gains/losses | (6,006) | (6,271) | (99,945) | (37,433) | - | 40,000 | 17,500 | (92,154) |
| At 31 December 2022 | 3,087,000 | 999,500 | 3,207,000 | 1,756,000 | 980,000 | 760,000 | 1,615,500 | 12,405,000 |
| 2021 | | | | | | | | |
| At 1 January | 3,035,000 | 995,000 | 3,130,000 | 1,715,000 | 980,000 | 720,000 | 1,600,000 | 12,175,000 |
| Additions | 65,563 | 7,632 | 78,448 | 39,999 | - | - | - | 191,642 |
| Fair value gains | (43,563) | (4,632) | (44,448) | (21,999) | - | - | (2,000) | (116,642) |
| Disposals in the year | - | - | - | - | - | - | - | - |
| At 31 December 2021 | 3,057,000 | 998,000 | 3,164,000 | 1,733,000 | 980,000 | 720,000 | 1,598,000 | 12,250,000 |

The revalued properties consist of office properties situated in Nairobi and Kisumu held to earn rentals and/or capital appreciation and land acquired for development of office buildings and housing projects for rental and/or capital appreciation.

- (ii) The valuation of investment properties was carried out by Bernard Muriithi Koome - P/No. ISK/897/F/VEMS/13 of Morgan Wright Limited, professional independent valuers as at 31 December 2022.
- (iii) Fair value of the properties was determined using the open market basis and discounted cashflow method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. The effect of Covid-19 Pandemic has been incorporated in input of valuation of land and Building.
- (iv) Valuations are performed on an annual basis and the fair value gains and losses are recorded within the profit or loss.

*The Company is the registered owner of Land LR No. 9042/222 within the precinct of Jomo Kenyatta International Airport (JKIA) valued at Kshs.760,000,000 as at 31 December 2022. However, the company has restricted access to the land as imposed by Kenya Airport Authority (KAA) mainly due to security reasons. Therefore, the company is not realizing full potential of the investment.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

18. INVESTMENT PROPERTIES – GROUP AND COMPANY (continued)

Future minimum rentals receivable under non-cancellable operating leases

The Group has entered into operating leases on its investment property portfolio consisting of certain office buildings. These leases have terms of 6 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The total contingent rents recognised as income during the year is KShs 666 million (2021: KShs 768 million). Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

| | 2022 | 2021 |
|--|------------------|------------------|
| | KShs'000 | KShs'000 |
| Not later than one year | 69,109 | 43,136 |
| Later than 1 year but not later than 5 years | 1,925,607 | 1,116,815 |
| Later than 5 years | 218,397 | 806,667 |
| | 2,213,113 | 1,966,618 |

19. INVESTMENT IN ASSOCIATE – GROUP AND COMPANY

The group has a 20.50% interest in ZEP-Re, a reinsurance company that underwrites all classes of life and non-life reinsurance risks. ZEP Re Limited is a private entity that is not listed on any public exchange. The Company was established on 23rd November 1990 in Mbabane, Swaziland through an Agreement of Heads of State and Governments. The current signatories to the Company's charter include Angola, Burundi, Comoros, D.R. Congo, Djibouti, Kenya, Eritrea, Ethiopia, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Rwanda, Somali, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe. The Group's interest ZEP Re Limited is accounted for using the equity method in both separate and consolidated financial statements.

| | 2022 | 2021 |
|---|------------------|------------------|
| | KShs '000 | KShs '000 |
| At 1 January | 6,770,334 | 5,761,432 |
| Share of profit for the year | 551,107 | 404,714 |
| Less: dividends - received in cash | | |
| - receipt of additional shares | - | (102,049) |
| | 7,321,441 | 6,166,146 |
| Share of revaluation reserve-net of tax | 4,705 | 8,524 |
| Share of fair value reserve-net of tax | (106,452) | 11,026 |
| Currency translation adjustment-net of tax | 603,350 | 81,219 |
| Investment in the year -capitalization of dividends | | |
| -Paid in cash | - | 503,419 |
| | 501,601 | 604,188 |
| Net carrying amount of the investment | 7,823,043 | 6,770,334 |

Summary financial information for ZEP-Re

The presentation and functional currency for ZEP-Re is US Dollars. The following exchange rates have been applied in converting the balances to Kenya shillings:

| | 2022 | 2021 |
|------------------|---------------|----------------|
| | KShs | KShs |
| Closing rate | 123.37 | 113.14 |
| Average rate | 117.84 | 109.65 |
| Ownership | 20.50% | 20.380% |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

19. INVESTMENT IN ASSOCIATE – GROUP AND COMPANY (continued)

Summary financial information for ZEP-Re

| | 2022 | 2021 |
|---|-------------------|-------------------|
| | KShs'000 | KShs'000 |
| Current assets | 55,079,929 | 47,793,965 |
| Non- current assets | 7,210,271 | 6,016,793 |
| Current liabilities | (1,755,531) | (1,406,959) |
| Non- current liabilities | (22,373,479) | (19,183,315) |
| Equity | 38,161,190 | 33,220,484 |
| Group's share of net assets of associate | 7,823,044 | 6,770,334 |
| Total Income | 19,834,884 | 17,975,228 |
| Total expense | 17,282,556 | 16,119,571 |
| Profit | 2,552,328 | 1,855,656 |
| Other incomprehensive Income | (497,781) | 194,407 |
| Total Comprehensive Income | 2,054,547 | 2,050,064 |
| Group's share of profit for the year | 551,107 | 404,714 |

* The associate company is exempt from all forms of taxation.

20. INVESTMENT IN SUBSIDIARIES -COMPANY

Details of the company's subsidiaries at the end of the reporting year are as follows:

| | Country of incorporation | Proportion of ownership interest and voting power held at | | Investment at cost: | |
|--|--------------------------|---|------|---------------------|------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| | | | | KShs '000 | KShs '000 |
| Kenya Reinsurance Corporation Côte d' Ivoire | Ivory Coast | 100% | 100% | 1,962,318 | 1,962,318 |
| Kenya Reinsurance Corporation Zambia | Zambia | 100% | 100% | 214,872 | 183,596 |
| Kenya Reinsurance Corporation Uganda Limited-SMC | Uganda | 100% | 100% | 584,208 | 485,033 |
| | | | | 2,761,398 | 2,630,947 |

The primary business of the three subsidiaries is reinsurance.

21. RETIREMENT BENEFIT OBLIGATION– GROUP and COMPANY

Defined Benefit Scheme

The Company operates a defined benefit pension plan (the "Fund") for some of its employees. The Company's defined benefit pension plan is a final salary plan for its employees, which requires contributions to be made to a separately administered fund.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

21. RETIREMENT BENEFIT OBLIGATION– GROUP and COMPANY (Continued)

Defined Benefit Scheme (Continued)

The Fund is registered under irrevocable trust with the Retirement Benefits Authority, which requires final salary payments to be adjusted for the consumer price index upon payment during retirement. The Retirement Benefits Act, 1997 and the Regulations under the Act require the Fund to maintain a funding level of 100%. Where the funding level is below 100%, such deficits are required to be amortised over a period not exceeding 6 years.

The level of benefits provided depends on the member's length of service and salary at retirement age. Scheme members' contributions are a fixed percentage of pensionable pay with the Company responsible for the balance of the cost of benefits accruing.

The Company operates a defined benefit pension plan (the "Fund") for some of its employees. The Company's defined benefit pension plan is a final salary plan for its employees, which requires contributions to be made to a separately administered fund.

The Fund is registered under irrevocable trust with the Retirement Benefits Authority, which requires final salary payments to be adjusted for the consumer price index upon payment during retirement. The Retirement Benefits Act, 1997 and the Regulations under the Act require the Fund to maintain a funding level of 100%. Where the funding level is below 100%, such deficits are required to be amortised over a period not exceeding 6 years.

The level of benefits provided depends on the member's length of service and salary at retirement age. Scheme members' contributions are a fixed percentage of pensionable pay with the Company responsible for the balance of the cost of benefits accruing.

The Fund is managed by a Board of Trustees. The Board of Trustees is responsible for the overall operation and investments of the Fund. The Board of Trustees decides the investment portfolio mix based on the results of this annual review. Generally, it aims to have a portfolio mix of a variety of asset classes comprising quoted equities, government securities, property, and shares.

The weighted average duration of the liability as at 31 December 2022 is 9.0 (2021: 3.5).

During the reading of the budget statement for 2017/2018 by the Cabinet Secretary, National Treasury, amendments to the Retirement Benefit Regulations now provide for an equal 50/50 sharing of surplus between members and the Fund sponsor upon wind up of a Fund.

Effective 30 September 2010, the Fund was closed to new entrants and to future accrual of benefits and a new defined contribution plan ("DC Plan") was established in respect of new entrants and existing in-service members who opted to join the new DC Plan. As part of the terms of closure of the Fund, active in-service members and pensioners (including deferred pensioners) were entitled to annual pension increases of 3% per annum. Further, for existing in-service members, members' pensionable salaries for the purpose of determining their retirement or earlier benefits will increase at the lower of the actual increase granted and 5% per annum.

The major categories of plan assets of the fair value of the total plan assets are, as follows:

| Asset Class | 2022 | | 2021 | |
|---|--------------------|-----------------|--------------------|-----------------|
| | Amount KShs'000 | Proportion % | Amount KShs'000 | Proportion % |
| Quoted equity investments | 108,973.79 | 11.23 | 136,905 | 14.16 |
| Fixed deposits, commercial papers and government securities | 648,990.81 | 66.88 | 535,439 | 55.38 |
| Net current assets | 47,451.63 | 4.89 | 129,460 | 13.39 |
| Properties and other fixed assets | 164,964.77 | 17.00 | 165,040 | 17.07 |
| Total | 970,381 | 100 | 966,844 | 100 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

21. RETIREMENT BENEFIT OBLIGATION– GROUP and COMPANY (continued)

Sensitivity of the Scheme:

The scheme is more sensitive to changes in the financial assumptions than changes in the demographic assumptions. In assessing sensitivity analysis of the scheme to the discount rate used, the duration of the liability was considered. The results of the sensitivity analysis are summarized in the table below:

| | Current Discount Rate (13.68% per annum) | Discount Rate less (13.68% per annum) |
|--|---|--|
| | KShs'000 | KShs'000 |
| Present Value of Obligation at 31 December 2022 | 589,963 | 634,976 |

As the bulk of the benefits payable under the Fund are salary related, the sensitivity of the liability to a change in the salary escalation assumption is not expected to be materially different. However, the impact of a change in salary escalation is expected to be less than the impact of a change in the discount rate as a portion of the liabilities would not be affected by a change in the salary escalation rate.

| GROUP AND COMPANY | 2022 | 2021 |
|---|------------------|------------------|
| | KShs '000 | KShs '000 |
| The actuarial valuation results were as follows: | | |
| Present value of funded obligations | (589,963) | (640,510) |
| IFRIC 14 Additional Liability | (399,996) | 966,844 |
| Fair value of scheme assets | 970,381 | (375,334) |
| Net (liability) in the statement of financial position | (19,578) | (49,000) |
| Movement in present value of funded obligation: | | |
| As at 1 January | 640,510 | 989,861 |
| Current service costs | 5,275 | 4,171 |
| Administration costs | (5,275) | (4,171) |
| Interest cost | 77,162 | 101,024 |
| Actuarial gain/(loss) | (91,242) | (413,431) |
| Benefits payment | (36,467) | (36,944) |
| At 31 December | 589,963 | 640,510 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

21. RETIREMENT BENEFIT OBLIGATION – GROUP and COMPANY (continued)

Defined benefit scheme (continued)

| | 2022 | 2021 |
|---|------------------|------------------|
| | KShs '000 | KShs '000 |
| Movement in fair value of plan assets | | |
| As at 1 January | 966,844 | 813,950 |
| Interest income on plan assets | 117,301 | 88,597 |
| Return on plan assets (excluding amount in interest income) | (72,022) | (11,588) |
| Administration expenses | (5,275) | (4,171) |
| Employer Contributions | - | 117,000 |
| Benefits and expenses paid | (36,467) | (36,944) |
| At 31 December | 970,381 | 966,844 |
| Movement in net assets | | |
| As at 1 January | (49,000) | (175,911) |
| Net expense recognised in profit or loss | (11,677) | (16,598) |
| Company contributions | - | 117,000 |
| Net charge recognised in other comprehensive income | 41,099 | 26,509 |
| At 31 December | (19,578) | (49,000) |
| Amount recognised in profit or loss: | | |
| Current service cost net of employees' contributions | 5,275 | 4,171 |
| Net interest on obligation and plan assets | 6,402 | 12,427 |
| Total included in "staff costs" in respect of scheme | 11,677 | 16,598 |
| Amount recognised in other comprehensive income: | | |
| Actuarial (gains)/loss-Financial | (91,242) | (413,431) |
| Change in additional IFRIC 14 liability | (21,879) | 375,334 |
| Return on plan assets (excluding amount in interest income) | 72,022 | 11,588 |
| Total charge /(credit) to other comprehensive income | (41,099) | (26,509) |
| Actuarial assumptions | | |
| Discount rate (% p.a.) | 13.68% | 12.40% |
| Future salary increases (% p.a.) | 5% | 5% |
| Future pension increases (% p.a.) | 3% | 3% |
| Retirement age (years) | 60 | 60 |

Defined contribution scheme

The Company also makes contributions to a statutory provident fund, the National Social Security Fund (NSSF). Contributions are determined by local statute. For the year ended 31 December 2022, the Group contributed KShs 46,909,000 (2021– KShs 39,702,000) to the defined contribution pension scheme and KShs 2,838 (2021 – KShs 537,000) for NSSF which has been charged to the statement of profit or loss. The Company contributed KShs 35,932,000 (2021 – KShs 35,847,000) to the defined contribution pension scheme and KShs 373,000 (2021 – KShs 375,000) to the NSSF.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

22. UNQUOTED EQUITY INSTRUMENTS

| | GROUP | | COMPANY | |
|--|---------------|-----------|-----------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| At cost | | | | |
| At 1 January | 194,248 | 209,674 | 194,248 | 209,674 |
| Disposal - IDB | - | (24,474) | - | (24,474) |
| Additions - ATIA and Uganda Re | 7,375 | 9,048 | 7,375 | 9,048 |
| At 31 December | 201,623 | 194,248 | 201,623 | 194,248 |
| | Share holding | | | |
| Industrial Development Bank (IDB) | 0.00% | - | - | - |
| Africa Reinsurance Limited (ATIA) | 0.23% | 35,491 | 35,491 | 35,491 |
| African Trade Insurance Agency | 0.38% | 94,962 | 91,748 | 91,748 |
| Uganda Reinsurance Company Limited (Uganda Re) | 10.94% | 71,170 | 67,009 | 67,009 |
| | | 201,623 | 194,248 | 201,623 |

The above unquoted instruments relate to investments in the financial markets, notably the banking and insurance sectors. The unquoted equities are not actively traded, and management does not intend to dispose them in the immediate future.

The fair value measurement of the above unquoted equity instruments has not been disclosed. The carrying amounts of the above financial instruments amounting to KShs. 194.25million (2021: KShs. 209.6 million) may therefore differ from their fair values. The valuation has not been done by management because the significant inputs that would be used by management for the valuation are not based on observable market data neither does management hold any recent price quotations of all of the above investments. Management would therefore be required to make significant judgements and assumptions, which may or may not result in correct fair value measurements.

The instruments have therefore been stated at cost less any impairment loss in the year.

23. CORPORATE BONDS-HELD TO MATURITY

| | GROUP | | COMPANY | |
|-----------------------------|---------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| At 1 January | 45,329 | - | 45,329 | - |
| Redemptions during the year | | - | | - |
| Purchases during the year | | 45,200 | | 45,200 |
| Interest received | (5,854) | (2,865) | (5,854) | (2,865) |
| Interest earned | 5,854 | 2,994 | 5,854 | 2,994 |
| | 45,329 | 45,329 | 45,329 | 45,329 |
| Made up as below: | Maturity | | | |
| Family bank Limited | 24-Dec-2026 | 45,329 | 45,329 | 45,329 |
| | | 45,329 | 45,329 | 45,329 |

The average effective interest rate on the corporate bonds at 31 December 2022 was 13% (2021: 13 %).

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

24.(a) RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

| | GROUP | | COMPANY | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2022 KShs '000 | 2021 KShs '000 | 2022 KShs '000 | 2021 KShs '000 |
| Local companies | 1,857,948 | 1,454,042 | 1,857,948 | 1,418,669 |
| International companies | 4,271,717 | 4,496,732 | 2,917,939 | 2,708,931 |
| Less: provision for doubtful receivable | (3,987,392) | (3,885,204) | (3,142,702) | (3,103,744) |
| | 2,142,273 | 2,065,570 | 1,633,185 | 1,023,856 |
| Receivables arising out of reinsurance and retrocession arrangements-Pipeline | 8,417,031 | - | 7,526,524 | - |
| Movement in the provisions | | | | |
| Balance brought forward | (3,885,204) | (2,975,834) | (3,103,744) | (2,532,581) |
| Write offs | 20,598 | - | - | - |
| Additional provision | (122,786) | (909,370) | (38,958) | (571,163) |
| Balance carried forward | (3,987,392) | (3,885,204) | (3,142,702) | (3,103,744) |

24 (b) IMPAIRMENT OF DOUBTFUL RECEIVABLES

Movement in the provisions in the income statement

| | | | | |
|--------------------------------|------------------|------------------|------------------|------------------|
| Reinsurance doubtful debts | (122,786) | (909,370) | (38,957) | (571,163) |
| Premium retained by cedants | (88,169) | - | (88,169) | - |
| Rental debtors' doubtful debts | (118,074) | - | (118,074) | - |
| Total | (329,029) | (909,370) | (245,200) | (571,163) |

25. PREMIUM RETAINED BY CEDANTS

| | | | | |
|---------------------------------|----------------|----------------|----------------|----------------|
| International companies | 765,280 | 670,424 | 595,695 | 565,665 |
| Local companies | 74,430 | 74,430 | 74,430 | 74,430 |
| Provision for impaired balances | (414,849) | (326,681) | (359,625) | (271,457) |
| | 424,861 | 418,173 | 310,500 | 368,638 |

The movement in provisions is as below:

| | | | | |
|---------------------------|------------------|------------------|------------------|------------------|
| At 1 January | (326,681) | (326,879) | (271,457) | (271,655) |
| Additional provision | (88,168) | - | (88,168) | - |
| Write off during the year | - | 198 | - | 198 |
| At 31 December | (414,849) | (326,681) | (359,625) | (271,457) |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

25. PREMIUM RETAINED BY CEDANTS (Continued)

Reconciliation of provisions in the statement of profit or loss is as below:

| | GROUP | | COMPANY | |
|--|------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Provision on receivables arising out of reinsurance arrangements (note 24) | (102,188) | (909,370) | (38,958) | (571,163) |
| Provision on Premium retained by cedants (note 25) | (88,168) | - | (88,168) | - |
| At 31 December | (190,356) | (909,370) | (127,126) | (571,163) |

26. OTHER RECEIVABLES

| | GROUP | | COMPANY | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Staff advances | 67,497 | 73,743 | 45,506 | 49,077 |
| Prepayments | 35,476 | 15,642 | 7,372 | 4,184 |
| Gross rental receivables | 352,234 | 362,539 | 352,234 | 362,539 |
| Dividend's receivable | 1,888 | 2,097 | 1,888 | 2,097 |
| Receivable from KURA* | 300,150 | 300,150 | 300,150 | 300,150 |
| Impairment of KURA | (36,145) | - | (36,145) | - |
| IDB asset* | 21,278 | - | 21,278 | - |
| Impairment of IDB | (2,393) | - | (2,393) | - |
| Other receivables | 145,805 | 61,679 | 155,566 | 53,466 |
| Rental receivables provisions** | (365,913) | (245,551) | (365,913) | (245,551) |
| | 519,877 | 570,299 | 479,543 | 525,962 |

* The balance from KURA (Kenya Urbans Roads Authority) of KShs 300,150,000 relates to the sale of a portion of Mbagathi land to for a road construction.

* The balance from IDB (Industrial Development Bank) of KShs 21,277,500 relates to divesture from that investment
Rental receivables provisions there was an increase of Kshs 120,363 . All the Rental receivables were provided for as per the corporation policy where all balances over 90+ days are provided for.
The movement in Rental receivables provisions is as below:

| | 2022 | 2021 | 2022 | 2021 |
|-----------------------|------------------|------------------|------------------|------------------|
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| At 1 January | (245,551) | (143,831) | (245,551) | (143,831) |
| Additional provision | (118,074) | (101,720) | (118,074) | (101,720) |
| Write back | (2,288) | - | (2,288) | - |
| At 31 December | (365,913) | (245,551) | (365,913) | (245,551) |

Other trade receivables are non-interest bearing and generally on terms of 30 to 120 days.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

27. QUOTED EQUITY INSTRUMENTS – AVAILABLE FOR SALE

| GROUP and COMPANY | 2022 | 2021 |
|--------------------------|------------------|------------------|
| | KShs '000 | KShs '000 |
| At 1 January | 1,202,463 | 1,186,121 |
| Additions | - | 19,249 |
| Fair value gain/ (loss) | (48,392) | 60,828 |
| Disposal during the year | - | (63,735) |
| At 31 December | 1,154,071 | 1,202,463 |

28. GOVERNMENT SECURITIES– GROUP and COMPANY

| | GROUP | | COMPANY | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| At 1 January | 18,551,024 | 17,258,062 | 18,243,649 | 17,160,253 |
| Purchases during the year | 3,424,759 | 2,381,065 | 2,969,986 | 2,054,258 |
| Maturities during the year | (2,059,573) | (1,118,234) | (1,925,832) | (1,000,535) |
| Fair value (loss)/gain on available-for-sale government securities | (78,205) | (4,549) | (78,205) | (4,549) |
| Revaluation of bonds at fair value | 67,431 | 16,878 | 67,431 | 16,878 |
| Interest received | (2,202,932) | (2,149,385) | (2,179,297) | (2,123,302) |
| Interest earned ⁵ | 2,230,564 | 2,167,187 | 2,173,843 | 2,140,646 |
| | 19,933,069 | 18,551,024 | 19,271,575 | 18,243,649 |
| Maturing: | | | | |
| Within 3 months | 192,083 | 727,576 | 155,265 | 727,576 |
| Within 4 to 12 months | 943,155 | 1,221,965 | 685,161 | 1,121,062 |
| Within 1 to 5 years | 3,857,482 | 2,103,397 | 3,599,500 | 2,036,132 |
| Over 5 years | 14,940,349 | 14,498,086 | 14,831,649 | 14,358,879 |
| At 31 December | 19,933,069 | 18,551,024 | 19,271,575 | 18,243,649 |

Treasury bonds amounting to Kshs 2,712,350,000 (2021 – KShs 2,989,550,000) are held under lien by the Commissioner of Insurance as required by the Kenyan Insurance Act. The weighted average effective interest rate on the government securities was 12.13% (2021 – 12.10%).

29. INVENTORY

| | GROUP | | COMPANY | |
|-----------------------|---------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| As 31 December | 20,345 | 18,505 | 18,912 | 18,406 |

Inventories comprise stationery and repair materials.

⁵ interest income recognised in Total profit or loss from investments in Government securities amounted to KShs 2,193,003 (2021: KShs 2,167,187) of which KShs 166,842 (2021: KShs 115,350) related to those held as available for sale.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

30. DEFERRED ACQUISITION COSTS

| | GROUP | | COMPANY | |
|---------------------------|------------------|----------------|------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs'000 | KShs'000 | KShs '000 | KShs '000 |
| At 1 January | 737,689 | 737,689 | 654,771 | 654,771 |
| Deferred during the year | 1,032,013 | 979,601 | 872,043 | 864,158 |
| Pipeline DAC | 407,720 | - | 359,364 | - |
| Amortized during the year | (737,689) | (737,689) | (654,771) | (654,771) |
| At 31 December | 1,439,733 | 979,601 | 1,231,407 | 864,158 |

31. DEPOSITS WITH FINANCIAL INSTITUTIONS

| | GROUP | | COMPANY | |
|-------------------------------------|-------------------|-------------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Deposit with financial institutions | 12,242,804 | 10,451,896 | 9,080,359 | 7,562,699 |
| Deposit with offshore fund managers | 114,937 | 114,938 | 114,937 | 114,938 |
| | 12,357,741 | 10,566,834 | 9,195,296 | 7,677,637 |

The weighted average effective interest rate on deposits with financial institutions was 5.67% (2021– 7.42 %).

32. CASH AND CASH EQUIVALENTS

| | GROUP | | COMPANY | |
|-------------------------------|----------------|------------------|---------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Cash and bank balances | 888,316 | 1,029,913 | 95,096 | 144,402 |

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

| | GROUP | | COMPANY | |
|--------------------------|-------------------|-------------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Short term bank deposits | 12,242,804 | 10,451,896 | 9,080,359 | 7,562,699 |
| Cash and bank balances | 888,316 | 1,029,913 | 95,096 | 144,402 |
| | 13,131,120 | 11,481,809 | 9,175,455 | 7,707,101 |

33. LONG TERM REINSURANCE LIABILITIES– GROUP and COMPANY

The long-term reinsurance liabilities, which comprise Ordinary Life Fund and Superannuation Fund, were established in respect of the Company's long-term business as required under Section 45 of the Kenyan Insurance Act. Income arising from the investment of the assets of the statutory funds is credited to and forms part of these funds. Transfers from the statutory funds to the profit or loss are done upon the recommendation of the Actuary. The latest actuarial valuation of the life fund was carried out by Actuarial Services (East Africa) Limited, consulting actuaries as at 31 December 2022.

Reconciliation of statutory fund to the actuarial surplus

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

33. LONG TERM REINSURANCE LIABILITIES– GROUP and COMPANY (CONTINUED)

The actuarial surplus resulting from the actuarial valuation carried out by the consulting actuaries as at 31 December 2022 is summarised as follows:

| | GROUP | | COMPANY | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Life fund | 12,615,308 | 11,633,723 | 12,573,172 | 11,600,441 |
| Less: actuarial value of policy holder liabilities | (1,309,997) | (1,262,731) | (1,298,214) | (1,254,757) |
| Actuarial surplus | 11,305,311 | 10,370,992 | 11,274,957 | 10,345,684 |
| Less deferred tax liability (note 36) | (3,160,311) | (2,937,599) | (3,143,639) | (2,937,599) |
| Statutory reserve | 8,145,000 | 7,433,393 | 8,131,318 | 7,408,085 |

The movement in the actuarial value of policy holder liabilities is as follows:

| | GROUP | | COMPANY | |
|--------------------------|------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| As at 1 January | 1,262,731 | 2,721,542 | 1,254,757 | 2,721,542 |
| Increase during the year | 47,266 | (1,458,811) | 43,457 | (1,466,785) |
| 31 December | 1,309,997 | 1,262,731 | 1,298,214 | 1,254,757 |

Valuation assumptions

The significant valuation assumptions for the actuarial valuation as at 31 December are summarised below.

(i) Actuarial basis and method of valuation

The Company underwrites both treaty and mandatory cessions business. Compulsory cessions ordinary life business is written on a risk premium basis. Our claims analysis projects on an underwriting rather than financial year basis. Consequently, adjustments have been made to reflect the proportion of claims projected that would relate to the booked premium.

Estimation of claims reserves

The chain-ladder method was used to project the paid claims and booked premium based on underwriting year vs booking year development. Separate projections were done for group and individual life business. The ultimate loss ratios were then applied to the earned premium as booked in the accounts. The paid claims to date were then deducted from the ultimate losses to estimate the claims reserves that corresponds to the accounting premium.

The net outstanding claims have been estimated based on retrocession recoveries for each underwriting year.

Contingency reserve

We have also estimated the claims reserve at the 75th percentile and recommended that the difference to the best estimate be held to take care of any undetected occurrence that might affect the life fund in future.

(i) Investment returns

The rate of return on the life fund assets in 2022 was 9.17% per annum (2021 – 12.6% per annum).

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

34. SHORT TERM INSURANCE CONTRACT LIABILITIES

GROUP

| YEAR 2022 | Gross KShs'000 | Reinsurance KShs'000 | Net KShs'000 |
|---|---------------------------|---------------------------------|-------------------------|
| As at 1 January 2022 | 9,808,460 | (467,558) | 9,340,902 |
| Movement in claims reserves | 662,977 | 215,925 | 878,902 |
| IBNR as at 31 December 2022 | 10,471,437 | (251,633) | 10,219,804 |
| Unallocated Loss adjustment Expenses | 53,706 | | 53,706 |
| Total Claims reserves as at 31 December 2022 | 10,525,143 | (251,633) | 10,273,510 |

| YEAR 2021 | Gross KShs'000 | Reinsurance KShs'000 | Net KShs'000 |
|---|---------------------------|---------------------------------|-------------------------|
| As at 1 January 2021 | 9,808,460 | (467,558) | 9,340,902 |
| Movement in claims reserves | 349,260 | 175,702 | 524,962 |
| IBNR as at 31 December 2021 | 10,157,720 | (291,856) | 9,865,864 |
| Unallocated Loss adjustment Expenses | 49,811 | - | 49,811 |
| Total Claims reserves as at 31 December 2021 | 10,207,531 | (291,856) | 9,915,675 |

COMPANY

YEAR 2022

| | | | |
|--------------------------------------|------------------|-----------------|------------------|
| As at 1 Jan 2022 | | | |
| Movement in claims reserves | 9,108,921 | (462,398) | 8,646,523 |
| IBNR as at 31 December 2022 | 9,451,863 | (43,530) | 9,408,333 |
| Unallocated Loss adjustment Expenses | 46,568 | - | 46,568 |
| Total Claims reserves | 9,498,430 | (43,530) | 9,454,900 |

YEAR 2021

| | | | |
|--------------------------------------|------------------|------------------|------------------|
| As at 1 Jan 2021 | 9,108,921 | (462,398) | 8,646,523 |
| Movement in claims reserves | 195,692 | 264,133 | 459,825 |
| IBNR as at 31 December 2021 | 9,304,613 | (198,265) | 9,106,348 |
| Unallocated Loss adjustment Expenses | 49,811 | - | 49,811 |
| Total Claims reserves | 9,354,424 | (198,265) | 9,156,159 |

**KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

34. SHORT TERM INSURANCE CONTRACT LIABILITIES (continued)

The claims development for the above insurance liabilities is shown below:

| GROUP | 2016 and prior | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|--|-----------------------|----------------|----------------|------------------|------------------|------------------|------------------|-------------------|
| At the end of accident year | 26,360,842 | 2,035,581 | 1,949,647 | 1,820,718 | 1,249,229 | 1,522,701 | 1,576,652 | 36,515,370 |
| One year later | 4,805,874 | 3,595,569 | 7,424,758 | 5,569,161 | 4,150,438 | 5,620,995 | - | 31,166,795 |
| Two years later | 2,617,099 | 1,638,686 | 2,651,303 | 3,550,897 | 1,392,888 | - | - | 11,850,873 |
| Three years later | 1,130,659 | 819,604 | 1,440,291 | 2,135,302 | - | - | - | 5,525,856 |
| Four years later | 851,840 | 355,117 | 348,840 | - | - | - | - | 1,555,797 |
| Five years later | 405,589 | 249,680 | - | - | - | - | - | 655,269 |
| Six years later | 479,728 | - | - | - | - | - | - | 479,728 |
| Current estimate of cumulative claims | 37,386,917 | 9,116,618 | 14,520,753 | 14,141,186 | 8,665,026 | 10,391,026 | 3,747,966 | 97,969,492 |
| Less cumulative payments to date | 36,651,631 | 8,694,236 | 13,814,839 | 13,076,077 | 6,792,555 | 7,143,696 | 1,576,652 | 87,749,688 |
| Total net liability included in the statement of financial position | 735,284 | 422,382 | 705,914 | 1,065,109 | 1,872,471 | 3,247,330 | 2,171,314 | 10,219,804 |
| COMPANY | 2016 and prior | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
| At the end of accident year | 26,576,738 | 2,009,346 | 1,928,745 | 1,808,600 | 1,216,040 | 1,414,453 | 1,258,849 | 36,212,772 |
| One year later | 4,704,085 | 3,557,581 | 7,401,162 | 5,517,903 | 3,953,997 | 5,129,552 | - | 30,264,280 |
| Two years later | 2,589,863 | 1,562,234 | 2,645,297 | 3,542,222 | 1,317,703 | - | - | 11,657,319 |
| Three years later | 1,087,905 | 757,705 | 1,432,728 | 2,159,054 | - | - | - | 5,437,392 |
| Four years later | 827,247 | 348,168 | 351,833 | - | - | - | - | 1,527,248 |
| Five years later | 398,272 | 246,442 | - | - | - | - | - | 644,714 |
| Six years later | 480,033 | - | - | - | - | - | - | 480,033 |
| Current estimate of cumulative claims | 37,397,835 | 8,896,854 | 14,455,958 | 14,071,583 | 8,287,045 | 9,418,260 | 3,104,555 | 95,632,091 |
| Less cumulative payments to date | 36,664,143 | 8,481,477 | 13,759,765 | 13,027,779 | 6,487,741 | 6,544,005 | 1,258,849 | 86,223,758 |
| Total net liability included in the statement of financial position | 733,691 | 415,377 | 696,193 | 1,043,805 | 1,799,305 | 2,874,255 | 1,845,706 | 9,408,333 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

35. PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS-OUTSTANDING CLAIMS

| | GROUP | | COMPANY | |
|-------------------------|------------------|------------------|------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Local companies | 377,635 | 278,913 | 388,883 | 121,673 |
| International companies | 1,340,561 | 1,027,446 | 654,256 | 99,595 |
| | 1,718,196 | 1,306,359 | 1,043,139 | 221,268 |

PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS-PIPELINE CLAIMS

| | GROUP | | COMPANY | |
|--|------------------|-----------|------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Payable arising from reinsurance-Pipeline claims | | | | |
| Shortterm business | 6,602,888 | - | 6,018,207 | - |
| Longterm business | 341,315 | - | 338,885 | - |
| | 6,944,203 | - | 6,357,092 | - |

36. DEFERRED TAX LIABILITY

Deferred income taxes are calculated on all temporary differences using the enacted tax rate of 30%.

The net deferred tax liability is attributable to the following items:

| | GROUP | | COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Excess depreciation over capital allowances | (168,576) | (106,831) | (168,576) | (106,831) |
| Leave pay provision | (9,645) | (10,156) | (9,645) | (10,156) |
| Defined benefit liability | (25,246) | (21,743) | (25,246) | (21,743) |
| Other provisions | - | 16,190 | - | (483) |
| Bad debts provisions | (1,281,134) | (1,216,532) | (1,281,134) | (1,216,532) |
| Provision for bonus | (22,876) | (19,634) | (22,876) | (19,634) |
| Gratuity | (2,498) | (9,976) | (2,498) | (9,976) |
| KURA provision | (10,844) | - | (10,844) | - |
| unrealised exchange gain | 68,629 | - | 68,629 | - |
| Inventory Provision | (204) | - | (204) | - |
| | - | - | - | - |
| | (1,452,394) | (1,368,682) | (1,452,394) | (1,385,355) |
| Life fund actuarial surplus | 3,160,311 | 2,937,599 | 3,143,639 | 2,937,599 |
| Net deferred tax liability | 1,707,917 | 1,568,916 | 1,691,245 | 1,552,244 |

The movement on the deferred tax account during the year was as follows:

| | | | | |
|-------------------------------|------------------|------------------|------------------|------------------|
| At 1 January | 1,568,917 | 1,281,527 | 1,552,244 | 1,264,854 |
| Charge for the year (note 11) | 143,007 | 287,390 | 139,001 | 287,390 |
| Prior year understatement | (4,006) | - | - | - |
| At 31 December | 1,707,917 | 1,568,917 | 1,691,245 | 1,552,244 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

37. OTHER PAYABLES

| | GROUP | | COMPANY | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Legal fees deposits | 1,337 | (3,211) | 1,336 | (3,115) |
| Rental deposits | 168,704 | 153,574 | 168,704 | 153,574 |
| Accrued leave pay | 35,301 | 37,093 | 32,150 | 33,855 |
| Accounts payable | 186,993 | 259,394 | 163,105 | 225,489 |
| Other creditors and accruals | 233,971 | 235,455 | 180,917 | 178,354 |
| | 626,306 | 682,305 | 546,212 | 588,157 |

Other payables are non-interest bearing and have an average term of not more than 1 year.

38. UNEARNED PREMIUMS

| | GROUP | | COMPANY | |
|--|------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| At 1 January | 3,668,357 | 3,570,737 | 3,342,209 | 3,311,847 |
| Increase/ (decrease) in the year | 143,524 | 132,489 | (5,522) | 65,231 |
| Pipeline UPR | 1,393,521 | - | 1,225,749 | - |
| Additional unexpired risk reserve (AURR) | 57,525 | (34,869) | 39,938 | (34,869) |
| At 31 December | 5,262,927 | 3,668,357 | 4,602,374 | 3,342,209 |

39. DIVIDENDS – GROUP and COMPANY

The directors propose the payment of a first and final dividend of KShs 0.20 (2021 – KShs 0.10) per share totalling to KShs 560 million in respect of the year ended 31 December 2022 (2021 – KShs 280 million). The proposed dividends are subject to approval by shareholders at the Annual General Meeting and therefore the cash dividend has not been included as a liability in these financial statements.

The cash dividend is payable subject to, where applicable, deduction of withholding tax as required under the Kenyan Income Tax Act, Chapter 470, Laws of Kenya.

Dividends per share is summarised as follows:

| | 2022 | 2021 |
|--|---------------|---------------|
| Proposed dividends per share: | | |
| Dividends appropriations (KShs '000') | 559,959 | 279,979 |
| Number of shares at 31 December | 2,799,796,272 | 2,799,796,272 |
| Dividends per share | 0.20 | 0.10 |
| Dividends per share declared and paid: | | |
| Dividends appropriations (KShs '000') | 279,979 | 559,959 |
| Number of shares at 31 December | 2,799,796,272 | 2,799,796,272 |
| Dividends per share | 0.10 | 0.20 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

40. NOTES TO THE STATEMENT OF CASH FLOWS

| | GROUP | | COMPANY | |
|--|--------------------|------------------|--------------------|------------------|
| | 2022 | Restated 2021 | 2022 | Restated 2021 |
| | Ksh. '000 | Ksh. '000 | Ksh. '000 | Ksh. '000 |
| STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31ST DECEMBER 2022 | | | | |
| Profit before tax | 4,586,308 | 4,267,552 | 3,957,605 | 4,066,345 |
| Adjustment for: | | | | |
| Depreciation (note 15) | 35,353 | 29,039 | 27,573 | 21,293 |
| Interest on Corporate bonds | (5,884) | (2,994) | (5,884) | (2,994) |
| Interest on government securities | (2,230,564) | (2,165,907) | (2,173,843) | (2,140,646) |
| Interest on staff mortgages and loans | (27,435) | (28,169) | (27,075) | (27,543) |
| Interest on deposits with financial institutions | (674,273) | (538,650) | (584,300) | (468,029) |
| Interest on commercial mortgages | (26,842) | (26,372) | (26,842) | (26,372) |
| Dividend income | (112,241) | (84,912) | (112,241) | (84,912) |
| Provision for doubtful debts | 329,029 | 909,370 | 245,200 | 571,163 |
| Amortisation of software (note 16) | 102,268 | 189,004 | 102,268 | 189,004 |
| Revaluation of Government securities | (67,431) | (16,878) | (67,431) | (16,878) |
| Realised accumulated fair value gain on available for sale quoted equity instruments | - | (42,833) | - | (42,833) |
| Fair value gain on investment properties | 92,154 | 116,642 | 92,154 | 116,642 |
| Defined benefit loss recognised in profit or loss | 11,677 | 16,598 | 11,677 | 16,598 |
| Share of profit of associate | (551,107) | (404,714) | (551,107) | (404,714) |
| operating profit before working capital changes | 1,461,012 | 2,216,776 | 887,754 | 1,766,124 |
| Short-term reinsurance contract liabilities | 357,835 | 574,773 | 298,741 | 509,636 |
| Unearned premiums | 1,594,570 | 97,620 | 1,260,165 | 30,362 |
| Other payables | (56,000) | (27,422) | (41,945) | (15,055) |
| Long-term reinsurance contract liabilities | 47,266 | (739,404) | 43,457 | (747,378) |
| Mortgage loans | 40,242 | (13,620) | 37,046 | (14,901) |
| Other receivables | (127,991) | (75,662) | 46,421 | (58,996) |
| Decrease in Inventories | (1,840) | (4,240) | (506) | (4,254) |
| Deferred acquisition costs | (460,132) | (241,912) | (367,249) | (209,387) |
| Premium retained by cedants | (6,688) | (264,879) | 58,138 | (241,300) |
| Payables arising out of reinsurance arrangements | 7,356,045 | (314,231) | 7,178,963 | (827,487) |
| Increase in due from related party | - | - | (48,610) | - |
| Increase in due to related party | - | - | 117,947 | (96,733) |
| Receivables arising out of reinsurance arrangements | (8,822,763) | 214,731 | (8,381,323) | 621,814 |
| Net cash generated from operations | 1,381,556 | 1,422,530 | 1,088,999 | 712,445 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

41. RELATED PARTIES

The Group has various related parties, primarily by virtue of being shareholders and common directorships. The other related parties include the staff of the Group. The following transactions were carried out with related parties.

| | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs'000 | KShs'000 | KShs '000 | KShs '000 |
| (a) Transactions and balances with directors and staff | | | | |
| (i) Directors' remuneration | | | | |
| Fees | 15,725 | 25,099 | 9,245 | 9,600 |
| Other emoluments | 10,344 | 17,338 | 8,014 | 10,450 |
| | 26,069 | 42,437 | 17,259 | 20,050 |
| (ii) Key management remuneration | | | | |
| Salaries and other short-term benefits | 90,275 | 84,719 | 58,607 | 59,073 |
| Post-employment benefits | - | 24,323 | - | 24,323 |
| | 90,275 | 109,042 | 58,607 | 83,396 |
| (iii) Loans to staff | | | | |
| | 626,109 | 626,109 | 590,898 | 590,898 |

Interest income on these loans was KShs 28,162,232 (2021: KShs 25,020,054). The effective interest on the loans is 5 % (2021 – 5%). Staff mortgages and car loans are fully secured.

| | GROUP | | COMPANY | |
|---|-----------------|-----------|--------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| | KShs'000 | KShs '000 | KShs '000 | KShs '000 |
| (b) Transaction with associate company, ZEP Re | | | | |
| (i) Net premium written | 16,480 | 14,265 | (5,842) | (2,726) |
| (ii) Claims incurred | (23,881) | - | 5,044 | - |

Reinsurance policies taken out by related parties are in the ordinary course of business at terms and conditions similar to those offered to other clients.

| | Relationship | COMPANY | |
|--|-------------------|----------------|----------------|
| | | 2022 | 2021 |
| | | KShs '000 | KShs '000 |
| (c) Outstanding balances with related parties: | | | |
| Due from: | | | |
| Amount due from Kenya Reinsurance Corporation Zambia and Uganda subsidiary | Subsidiary | 104,168 | 55,558 |
| Due to: | | | |
| Amount due to Kenya Reinsurance Corporation Cote d'Ivoire | Subsidiary | 252,887 | 134,940 |

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Outstanding balances are current and payable on demand.

42. PROPERTY UNDER DISPUTE – GROUP and COMPANY

| | 2022 | 2021 |
|--|----------------|----------------|
| | KShs '000 | KShs '000 |
| Cost | 936,077 | 936,077 |
| Less: Impairment provision | (936,077) | (936,077) |
| The Inventory Property are listed below: | | |
| L.R. No. 27269 Ngong Road | 350,000 | 350,000 |
| Land LR No.12236 Kiambu Road | 563,077 | 563,077 |
| Land LR MN-1-9141- Shanzu Mombasa | 23,000 | 23,000 |
| | 936,077 | 936,077 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 31 DECEMBER 2022

42. PROPERTY UNDER DISPUTE – GROUP and COMPANY (continued)

There was no movement in impairment provision for inventory. The impairment allowance mainly relates to inventory properties that are currently in dispute and are subject to ongoing court cases.

As disclosed in note 18 and 42 to the Group and Company financial statements, the Company has made investments in land out of which four (4) parcels of land located in various places and towns, registered in the Company's name have their ownership to title disputed. The Company has fully provided for the parcels in dispute in financial statements. The ownership disputes/restrictions are as outlined below:

- (a) L.R. No. 27269 Ngong Road
 The Company invested Kshs.350, 000,000 in L.R. No. 27269 of approximately 59.87 hectares along Ngong Road which is a subject of dispute between the Company and Kenya Forest Service. The dispute of ownership of LR No.27269 is before the National Land Commission. The National Land Commission requested for the confirmed of boundaries from the Director of Surveys which have been forwarded to the Commission for verification. Although the Company has obtained confirmation from the Director of Survey that the Company's land is distinct from that of Kenya Forest Service, the matter remains unresolved until the National Land Commission adjudicate and give its verdict. The Company is not realizing the benefit that accrue from ownership of land not will management plan to make long term investment plans.
- (b) Land LR No.12236 Kiambu Road
 The Company is the registered owner of land LR No. 12236 of approximately 99.5813 hectares along Kiambu Road valued at Kshs.563, 077,000. The Company is in dispute with one of the directors of the vendor of the land and the case is in court. The Company therefore is not realizing the full value of the fund invested in the property.
- (c) Land LR MN-1-9141- Shanzu Mombasa
 The Company is the registered owner of land LR MIN-1-9141 of approximately 17.3 hectares located at Shanzu Mombasa valued at Kshs.23, 000,000. The Company is in dispute with Kenya Prisons Department and the case is in court. The Company therefore is not realizing the full value of the fund invested in the property

43. CONTINGENT LIABILITIES

The Kenya Revenue Authority made a final assessment relating to withholding tax on cedant acquisition costs and brokerage fees as indicated below:

| | Principal KShs '000 | Interest KShs '000 | Penalty KShs '000 | Total KShs '000 |
|-----------------------------|------------------------|-----------------------|----------------------|--------------------|
| Withholding tax (2009-2012) | 742,215 | 456,052 | 74,221 | 1,272,488 |
| Withholding tax (2013-2017) | 1,187,254 | 700,166 | 59,363 | 1,946,783 |

The Company is involved in a tax claim dispute with KRA arising from the assessment done from year 2009 to 2012 and 2013 to 2017. KRA demanded KShs 1, 272,488,000 and KShs 1, 946,783,000 respectively. relating to withholding tax on cedant acquisition costs and brokerage fees. The outcome of the tax remains uncertain even though the Company continues to hold discussions with KRA in an attempt to resolve the matter in contention with the assistance of professional advisers. Management is of the opinion that this will not be payable and as a result, no provision has been made in these financial statements

44. EVENTS AFTER REPORTING DATE

There were no events after the reporting date which could have a material impact on the financial statements for the Group or the Company which have not been adequately adjusted for.

45. INCORPORATION

The Company is incorporated and domiciled in Kenya under the Companies Act.

46. CURRENCY

The financial statements are presented in thousands of Kenya shillings (KShs '000).

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 31 DECEMBER 2022

47. PRIOR YEAR ADJUSTMENTS

The group corrected its accounting treatment of premium income during the year to recognise premium income earned but not reported or received from cedants and brokers at year end. In the prior years, the group only recognised premium income that had been received or reported as at year end. The correction in the accounting treatment which also entailed pipelining related liabilities has resulted in the restatement of the amounts reported in the prior years.

The impact of the above adjustments as well as the tax consequences on the statement of profit or loss and other comprehensive income and the statement of financial position for the respective periods is detailed below:

GROUP

- (a) Restatement of audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021

| | 2021-Previously stated | 2021-Prior year adjustments | 2021-Restated |
|---|-----------------------------------|--|----------------------|
| | 31.12.2021 | 31.12.2021 | 31.12.2021 |
| | KShs'000 | KShs'000 | KShs'000 |
| Gross premiums written | 20,355,454 | (59,259) | 20,296,195 |
| Gross claims incurred and Policyholder benefits | (11,652,663) | 777,138 | (10,875,525) |
| Cedant acquisition cost | (4,808,789) | (450,824) | (5,259,613) |
| Profit before taxation | 4,000,497 | 267,055 | 4,267,552 |
| Income tax expense | (1,032,132) | (80,116) | (1,112,248) |
| Profit for the year | 2,968,365 | 186,939 | 3,155,304 |

- (b) Restatement of audited consolidated statement of financial position as at 31 December 2021

| | 2021-Previously stated | 2021-Prior year adjustments | 2021-Restated |
|---------------------------|-----------------------------------|--|----------------------|
| | KShs'000 | KShs'000 | KShs'000 |
| Statutory reserve | 7,625,237 | (42,056) | 7,583,181 |
| Retained earnings | 22,056,816 | 228,995 | 22,285,811 |
| Total equity | 37,039,529 | 55,955 | 37,095,484 |
| Reinsurance Receivables | 2,255,813 | (59,259) | 2,196,554 |
| Reinsurance payables | 1,632,673 | (326,314) | 1,306,359 |
| Income tax payable | 4,863 | 80,117 | 84,980 |

- (c) Restatement of audited consolidated statement of financial position as at 31 December 2020

| | 2020-Previously stated | 2020-Prior year adjustments | 2020-Restated |
|---------------------------|-----------------------------------|--|----------------------|
| | 31.12.2020 | 31.12.2020 | 31.12.2020 |
| | Kshs'000 | Kshs'000 | Kshs'000 |
| Statutory reserve | 6,387,470 | (149,788) | 6,237,682 |
| Retained earnings | 20,859,668 | 18,804 | 20,878,472 |
| Total equity | 34,397,325 | (130,984) | 34,266,341 |
| Reinsurance Receivables | 3,320,655 | 4,026,637 | 7,347,292 |
| Reinsurance payables | 1,602,217 | 4,213,757 | 5,815,974 |
| Income tax payable | 156,101 | (56,136) | 99,965 |

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

47. PRIOR YEAR ADJUSTMENTS

COMPANY

(d) Restatement of audited statement of profit or loss and other comprehensive income for the year ended 31 December 2021

| | 2021-Previously stated | 2021-Prior year adjustments | 2021- Restated |
|--------------------------------|-----------------------------------|--|-----------------------|
| | Kshs '000 | Kshs '000 | Kshs '000 |
| INCOME | | | |
| Gross premiums written | 18,021,376 | (150,295) | 17,871,081 |
| Claims & Policyholder benefits | (11,067,524) | 817,354 | (10,250,170) |
| Cedant Acquisition cost | (4,192,839) | (404,708) | (4,597,547) |
| Profit before taxation | 3,803,994 | 262,351 | 4,066,345 |
| Income tax expense | (968,389) | (78,705) | (1,047,094) |
| Profit for the year | 2,835,605 | 183,646 | 3,019,251 |

(e) Restatement of audited statement of financial position as at 31 December 2021

| | 2021-Previously stated | 2021-Prior year adjustments | 2021-Restated |
|-------------------------|-----------------------------------|--|----------------------|
| | Kshs '000 | Kshs '000 | Kshs '000 |
| Statutory reserve | 7,601,074 | (37,606) | 7,563,468 |
| Retained earnings | 21,788,123 | 221,252 | 22,009,375 |
| Total equity | 36,669,602 | 7,111 | 36,676,713 |
| Reinsurance Receivables | 1,350,416 | (150,295) | 1,200,121 |
| Reinsurance payables | 633,914 | (412,646) | 221,268 |
| Income tax payable | 104,006 | 78,705 | 25,301 |

(f) Restatement of audited statement of financial position as at 31 December 2020

| | 2020-Previously stated | 2020-Prior year adjustments | 2020-Restated |
|---------------------------|-----------------------------------|--|----------------------|
| | Kshs '000 | Kshs '000 | Kshs '000 |
| Statutory reserve | 6,344,673 | (155,384) | 6,189,289 |
| Retained earnings | 20,742,369 | (21,151) | 20,721,218 |
| Total equity | 34,210,399 | (176,536) | 34,033,864 |
| Reinsurance Receivables | 2,393,097 | 3,880,468 | 6,273,565 |
| Reinsurance payables | 1,130,137 | 4,132,661 | 5,262,798 |
| Income tax payable | 105,516 | (75,658) | 29,858 |

Appendix I

KENYA REINSURANCE CORPORATION LIMITED SHORT TERM REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

INFORMATION NOT SUBJECT TO AUDIT

| | Aviation | | Engineering | | Fire domestic | | Fire industrial | | Liability | | Marine | | Motor private | | Motor commercial | | Personal accident | | Theft | | Workmen compensation | | Medical | | Miscellaneous | | Total General 31.12.2022 | | Total General 31.12.2021 | | |
|-------------------------------|--------------|--|-----------------|--|---------------|--|-----------------|--|--------------|--|---------------|--|---------------|--|------------------|--|-------------------|--|--------------|--|----------------------|--|---------------|--|-----------------|--|--------------------------|--|--------------------------|--|---|
| | Shs | | Shs | | Shs | | Shs | | Shs | | Shs | | Shs | | Shs | | Shs | | Shs | | Shs | | Shs | | Shs | | Shs | | Shs | | |
| Gross premium | 40,985,518 | | 1,470,819,960 | | 123,396,238 | | 4,149,201,910 | | 192,664,853 | | 745,010,189 | | 299,745,098 | | 524,914,091 | | 592,898,103 | | 345,986,487 | | 2,846,023,254 | | 2,846,023,254 | | 3,404,343,439 | | 14,731,602,958 | | 18,507,203,321 | | |
| Pipeline premiums | 17,009,059 | | 1,020,823,558 | | 66,245,594 | | 1,973,926,704 | | 71,832,658 | | 597,844,222 | | 95,091,039 | | 380,011,466 | | 156,940,856 | | 182,013,244 | | 969,800,340 | | 969,800,340 | | 2,434,478,481 | | 7,968,174,054 | | - | | - |
| Movement in unearned premium | (9,095,344) | | (270,230,583) | | (34,489,353) | | (707,523,987) | | (22,298,617) | | (211,428,423) | | 130,209,724 | | (44,143,837) | | (24,004,614) | | (82,700,234) | | (4,571,962) | | (4,571,962) | | (188,679,534) | | (1,451,045,712) | | (368,170,316) | | |
| Earned premiums | 48,899,232 | | 2,221,412,934 | | 155,152,479 | | 5,415,604,627 | | 242,198,894 | | 1,129,425,989 | | 525,045,862 | | 860,781,720 | | 725,834,345 | | 445,299,497 | | 3,811,260,632 | | 3,811,260,632 | | 5,650,142,386 | | 21,248,731,300 | | 18,139,033,005 | | |
| Less: Retrocession premiums | 6,056,250 | | 461,004,532 | | 160,354 | | 160,174,062 | | - | | 64,323,750 | | - | | - | | 39,351,390 | | - | | 365,105,037 | | 365,105,037 | | 46,409,829 | | 1,142,585,204 | | 1,082,917,783 | | |
| Net earned premiums | 42,842,982 | | 1,760,408,402 | | 154,992,125 | | 5,255,430,565 | | 242,198,894 | | 1,065,102,239 | | 525,045,862 | | 860,781,720 | | 686,482,955 | | 445,299,497 | | 3,446,155,595 | | 3,446,155,595 | | 5,603,732,557 | | 20,106,146,095 | | 17,056,115,222 | | |
| Claims paid | 35,577,968 | | 544,080,881 | | 25,395,556 | | 1,577,443,092 | | 15,015,591 | | 273,762,427 | | 134,576,553 | | 407,176,383 | | 241,505,182 | | 54,507,051 | | 2,102,297,872 | | 2,102,297,872 | | 2,584,695,364 | | 8,001,032,151 | | 10,399,016,207 | | |
| Pipeline claims | (1,475,082) | | 456,009,815 | | 25,053,960 | | 597,551,770 | | 20,457,773 | | 339,442,431 | | 43,824,582 | | 394,183,854 | | 55,264,985 | | 53,777,793 | | 683,299,632 | | 683,299,632 | | 1,790,161,895 | | 4,458,366,237 | | - | | - |
| Claims recoverable | - | | (23,547,434) | | (414,680) | | (55,430,656) | | - | | - | | - | | - | | (5,155,966) | | - | | (421,422,007) | | (421,422,007) | | - | | (505,970,744) | | (209,904,436) | | |
| Claims reserves at 01.01.2022 | (33,427,692) | | (1,136,079,345) | | (41,806,713) | | (2,819,860,977) | | (44,967,799) | | (417,975,142) | | (122,320,301) | | (2,019,964,771) | | (165,635,582) | | (84,275,451) | | (16,935,414) | | (16,935,414) | | (1,512,963,084) | | (9,915,674,807) | | (9,340,901,784) | | |
| Claims reserves at 31.12.2022 | 58,314,917 | | 1,409,961,369 | | 54,575,493 | | 2,887,106,182 | | 115,379,596 | | 511,576,297 | | 94,000,558 | | 1,706,619,273 | | 285,243,855 | | 128,639,714 | | 1,551,281,715 | | 1,551,281,715 | | 1,450,861,821 | | 10,263,280,174 | | 9,915,674,806 | | |
| Net claims incurred | 58,990,110 | | 1,250,425,286 | | 62,803,616 | | 2,186,809,411 | | 105,885,160 | | 706,806,013 | | 150,081,392 | | 488,014,740 | | 411,222,473 | | 152,649,107 | | 2,415,994,676 | | 2,415,994,676 | | 4,312,755,996 | | 12,301,033,012 | | 10,763,884,793 | | |
| Commissions | 13,474,397 | | 429,011,972 | | 44,422,299 | | 1,336,706,812 | | 52,798,119 | | 213,963,564 | | 131,606,345 | | 30,613,626 | | 208,883,321 | | 107,861,913 | | 627,417,007 | | 627,417,007 | | 678,090,947 | | 3,873,691,831 | | 4,486,143,421 | | |
| Pipeline commissions | 6,664,771 | | 328,255,473 | | 23,871,951 | | 685,904,545 | | 21,644,818 | | 194,411,691 | | 22,611,033 | | 18,607,035 | | 56,320,017 | | 57,544,771 | | 240,790,393 | | 240,790,393 | | 485,802,531 | | 2,143,047,434 | | - | | - |
| Commissions recoverable | 262,713 | | 23,695,715 | | - | | 24,640,870 | | - | | 2,790,283 | | - | | - | | 1,595,860 | | - | | 169,051,743 | | 169,051,743 | | 2,163,828 | | 224,201,012 | | 119,329,012 | | |
| Commissions movement | (1,389,718) | | (85,306,203) | | (11,324,999) | | (216,493,416) | | (7,068,742) | | (50,037,675) | | 24,988,735 | | (30,470,462) | | (16,504,031) | | 46,182,187 | | 10,840,043 | | 10,840,043 | | (39,185,391) | | (415,945,371) | | (118,397,426) | | |
| Net commissions | 18,486,737 | | 648,265,526 | | 56,969,251 | | 1,781,477,071 | | 67,374,195 | | 355,547,296 | | 179,206,113 | | 18,750,198 | | 247,103,447 | | 211,588,870 | | 658,979,959 | | 658,979,959 | | 1,122,544,259 | | 5,376,592,883 | | 4,248,416,983 | | |
| Provision for bad debts | 915,408 | | 32,850,635 | | 2,756,044 | | 92,672,061 | | 4,303,153 | | 16,595,068 | | 6,694,781 | | 11,723,910 | | 13,242,327 | | 7,727,578 | | 63,565,680 | | 63,565,680 | | 76,035,713 | | 329,029,062 | | 712,750,999 | | |
| Management expenses | 3,909,866 | | 140,310,767 | | 11,771,543 | | 395,818,466 | | 18,379,512 | | 70,880,415 | | 28,594,570 | | 50,074,857 | | 56,560,279 | | 33,005,827 | | 271,500,058 | | 271,500,058 | | 324,761,732 | | 1,405,340,260 | | 1,798,414,200 | | |
| Total expenses | 82,302,121 | | 2,071,852,214 | | 134,300,455 | | 4,456,777,010 | | 195,942,020 | | 1,149,828,792 | | 364,576,856 | | 568,563,705 | | 728,128,526 | | 404,971,383 | | 3,410,040,373 | | 3,410,040,373 | | 5,836,097,700 | | 19,411,995,216 | | 17,523,466,975 | | |
| Underwriting profit/(loss) | (39,459,139) | | (311,443,813) | | 20,691,671 | | 796,653,554 | | 46,256,873 | | (84,726,553) | | 160,469,006 | | 292,218,015 | | (41,645,571) | | 40,328,114 | | 9,058,642 | | 9,058,642 | | (332,365,143) | | 694,150,879 | | (467,351,753) | | |
| loss Ratio | 138% | | 71% | | 41% | | 42% | | 44% | | 66% | | 29% | | 57% | | 60% | | 34% | | 70% | | 77% | | 61% | | 63% | | | | |

This short-term business revenue account was approved by the board of directors on **27th March 2023** and were signed on its behalf by:



Michael Mbeshi
Principal Officer



Hon. Catherine Ngima Kimura
Director



David Muthusi
Director

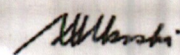
Appendix II

KENYA REINSURANCE CORPORATION LIMITED LONG TERM REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

INFORMATION NOT SUBJECT TO AUDIT

| GROUP LONG TERM REVENUE ACCOUNT AS AT 31 DECEMBER 2022 | Ordinary Kshs '000 | Super Annuation Kshs '000 | 2022 Kshs '000 | 2021 Kshs '000 |
|---|-----------------------|------------------------------|-------------------|-------------------|
| Gross earned premiums | 82,129 | 1,749,497 | 1,831,626 | 1,848,252 |
| Pipeline premiums | 40,565 | 407,984 | 448,548 | - |
| Less: Retrocessions premiums | (11,689) | (85,650) | (97,339) | (79,295) |
| Less: change in unearned premiums | (6,436) | (137,104) | (143,540) | 270,550 |
| Net earned premium | 104,569 | 1,934,726 | 2,039,295 | 2,039,507 |
| Net claims incurred | (8,072) | (1,277,696) | (1,285,768) | (1,667,944) |
| Pipeline claims | (7,439) | (221,841) | (229,279) | - |
| Change in actuarial liability | (56,187) | 5,829 | (50,358) | 1,009,953 |
| Net cedant acquisition costs | (22,071) | (372,709) | (394,781) | (423,741) |
| Pipeline commissions | (7,765) | (104,271) | (112,036) | - |
| Management expenses | (7,183) | (153,007) | (160,190) | (190,297) |
| Provision for doubtful debts | - | - | - | (196,619) |
| Underwriting surplus | (4,148) | (188,969) | (193,117) | 570,859 |
| Fair value gains | 396 | 8,436 | 8,832 | (21,999) |
| Investment income | 46,584 | 992,315 | 1,038,899 | 976,296 |
| Increase in life fund | 42,832 | 811,782 | 854,614 | 1,525,157 |

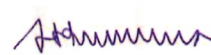
This long-term business revenue account was approved by the board of directors on **27th March 2023** and were signed on its behalf by:



Michael Mbeshi
Principal Officer



Hon. Catherine Ngima Kimura
Director



David Muthusi
Director

NOTES

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PROXY FORM

**THE Corporation Secretary,
Kenya Reinsurance Corporation Limited,
P. O. BOX 30271-00100
NAIROBI, KENYA**

I/WE

_____ of _____

being a *member/members of **KENYA REINSURANCE CORPORATION LIMITED**, hereby appoint

_____ of _____

or failing him/her _____ of _____

as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held electronically on Friday, **16th June 2023 at 11.00 a.m.**, and at any adjournment thereof.

Signed this _____ day of _____ 2023

Signature(s) _____

I/WE direct my/our proxy to vote on the following resolutions as I/WE have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or withhold his or her vote at his or her discretion and I/WE authorize my/our proxy to vote (or withhold his or her vote) as he or she thinks fit in relation to any other matter which is properly put before the Meeting.

Please clearly mark the box below to instruct your proxy how to vote

| RESOLUTION | FOR | AGAINST | WITHHELD |
|--|-----|---------|----------|
| Approval of the Report and Financial Statements for the Year ended 31st December, 2022 | | | |
| To approve a dividend of 0.20 per share | | | |
| Election of Directors: To elect the following candidates: | | | |
| 1. | | | |
| 2. | | | |
| 3. | | | |
| 4. | | | |
| To approve directors' Remuneration Report | | | |
| To authorize directors to fix auditor's remuneration | | | |
| To authorize directors to appoint members of audit committee | | | |

ELECTRONIC COMMUNICATIONS PREFERENCE FORM

Please complete in BLOCK CAPITALS

Full name of member(s): _____

Address: _____

CDSC No (if known) _____

(This can be found on your CDSC Statement)

Mobile Number

Date: _____

Signature: _____

| | |
|--|--|
| Please tick ONE of the boxes below and return to Image Registrars at P.O. Box 9287-00100 Nairobi, 5 th floor, Absa Towers (formerly Barclays Plaza), Loita Street: Approval of Registration | |
| I/WE approve to register to participate in the virtual Annual General Meeting to be held on 16 th June 2023. | |
| Consent for use of the Mobile Number provided | |
| I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM | |

Notes:

1. If a member is unable to attend personally, this Proxy Form should be completed and returned to reach the Company's share registrar, **Image Registrars Limited**, 5th Floor, Absa Towers, Loita Street, P.O. Box 9287, GPO 00100, Nairobi, or via email to **kenyareshares@image.co.ke** to arrive not later than **Wednesday, 14th June 2023 at 11:00 a.m.** i.e. 48 hours before the meeting or any adjournment thereof.
2. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorized attorney of such corporate body.
3. As a shareholder you are entitled shareholder, one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. To appoint a proxy, insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.
4. Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
5. To be valid the form of proxy should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) to **Image Registrars**, Barclays Plaza, 5th Floor, Loita Street and address P.O.Box 9287-00100 Nairobi not later than 11.00 am on Wednesday, 14th June 2023 or, in the case of a poll taken subsequent to the date of the meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the meeting or adjourned meeting.
6. In the case of a company being a shareholder then this proxy form must be executed under its common seal or signed on its behalf by an officer of that company or an authorized attorney for that company.
7. A "vote withheld" option has been included on the form of proxy. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.

FOMU YA MWAKILISHI

**Katibu wa Shirika,
Kenya Reinsurance Corporation Limited, S.L.P 30271-00100,
NAIROBI, KENYA**

MIMI/SISI

_____ wa _____

Kama *mwanachama/wanachama wa **KENYA REINSURANCE CORPORATION LIMITED**, namteua / tunamteua

_____ wa _____

na asipokuwepo namteua _____ wa _____

kama *mwakilishi wangu kupiga kura kwa niaba *yangu/yetu kwa niaba *ya/yetu katika Mkutano Mkuu wa Kila Mwaka ulioratibiwa kufanyika katika Kampuni kwa njia ya kielektroniki siku ya Ijumaa, tarehe **16 Juni 2023 saa 5.00 asubuhi**, na uhairisho wowote utakaofuata.

Imetiwa saini _____ ya _____ 2023

Saini

MIMI/SISI, tunaelekeza mwakilishi wetu kupiga kura kwa maamuzi yafuatayo kama MIMI/SISI tulivyoashiria kwa kutia alama ya 'X' kwenye kisanduku. Ikiwa hakuna ishara iliyotolewa, mwakilishi wangu/wetu atapiga kura au kuondoa kura yake kwa usiri wake na MIMI/SISI tunamruhusu mwakilishi wangu/wetu kupiga kura (au kuondoa kura yake) jinsi anavyofikiri ni vyema kuhusiana na suala lolote jingine ambalo limewasilishwa ipasavyo kwenye Mkutano.

Tafadhali tia alama kwenye kisanduku kilicho hapa chini ili kuelekeza mwakilishi wako jinsi ya kupiga kura

| UAMUZI | KUUNGA MKONO | KUPINGA | KUONDOA |
|---|--------------|---------|---------|
| Kuidhinisha Ripoti na Taarifa za Kifedha kwa Mwaka uliokamilika tarehe 31 Desemba, 2022 | | | |
| Kuidhinisha mgao wa 0.20 kwa kila hisa | | | |
| Uchaguzi wa Wakurugenzi watendaji: Kuchagua wawaniaji wafuatao: | | | |
| 1. | | | |
| 2. | | | |
| 3. | | | |
| 4. | | | |
| Kuidhinisha Ripoti ya Mshahara wa Wakurugenzi | | | |
| Kuidhinisha wakurugenzi kuamua mshahara wa mkaguzi | | | |
| Kuidhinisha wakurugenzi watendaji kuteua wanachama wa kamati ya ukaguzi | | | |

FOMU YA MAPENDELEO YA MAWASILIANO YA KIELEKTRONIKI

Tafadhali kamilisha kwa HERUFI KUBWA

Jina kamili la mwanachama(wanachama): _____

Anwani: _____

Nambari ya CDSC (ikiwa inajulikana) _____

(Hii inaweza kupatikana kwenye taarifa ya CDSC)

Nambari ya Simu ya Mkononi

Tarehe: _____

Saini: _____

| | |
|---|--|
| Tafadhali teua kisanduku KIMOJA hapa chini na urejeshe kwa Image Registrars Limited kupitia S.L.P 9287-00100 Nairobi, orofa ya 5, Jumba la Absa (lililokuwa Jumba la Barclays), Barabara ya Loita: Uhalalishaji wa Usajili | |
| MIMI/SISI tunahalalisha kujisajili ili kushiriki katika Mkutano wa Kila Mwaka mtandaoni unaoratibiwa kufanyika tarehe 16 Juni 2023. | |
| Idhini ya kutumia Nambari ya Simu ya Mkononi imetolewa | |
| MIMI/SISI tungependa kutoa idhini yangu/yetu kwa matumizi ya nambari ya simu iliyotolewa kwa madhumuni ya kupiga kura katika mkutano wa AGM | |

Vidokezo:

1. Ikiwa mwanachama hawezi kuhudhuria mkutano yeye mwenyewe, Fomu hii ya mwakilishi inapaswa kukamilishwa na kurejeshwa na kumfikia msajili wa hisa wa Kampuni, **Image Registrars Limited**, Orofa ya 5, Jumba la Barclays, Barabara ya Loita, S.L.P 9287, GPO 00100, Nairobi, au kupitia barua pepe kwa **kenyareshares@image.co.ke ambayo inapaswa kufika mwisho saa 5:00 asubuhi** Jumatano tarehe 14 Juni 2023 yaani. saa 48 kabla ya mkutano au uhairisho wowote utakaofanyika baadaye.
2. Ikiwa mwanachama ni shirika, Fomu ya mwakilishi lazima lipigwe muhuri ya kawaida ya shirika hilo au kutiwa sahihi na afisa au wakili aliyeidhinishwa wa shirika hilo.
3. Kama mwenyehisa, una haki ya kuteua mwenyehisa mmoja au zaidi kutekeleza haki zako zote au haki yoyote ile ya kuhudhuria na kuzungumza na kupiga kura kwa niaba yako katika mkutano. Ili uteue mwakilishi, weka jina kamili la mwakilishi wako katika nafasi iliyotolewa. Si lazima mwakilishi awe mwenyehisa katika Kampuni.
4. Kukamilisha na kuwasilisha fomu ya mwakilishi hakutakuzuia kuhudhuria mkutano na kupiga kura mwenyewe katika mkutano, hii ikitokea kura zozote zilizopigwa na mwakilishi wako hazitajumuishwa.
5. Ili iwe halali, fomu ya mwakilishi inapaswa kujazwa, kutiwa sahihi na kuwasilishwa (pamoja na uwezo wa wakili au mamlaka nyingine (ikiwa kunayo) ambao chini yake, fomu imekabidhiwa au nakala halali iliyoidhinishwa ya uwezo au mamlaka kama hayo) kwa Image Registrars, Jumba la Barclays, Orofa ya 5, Barabara ya Loita na anwani S.L.P 9287-00100 Nairobi mwishoni 5.00 asubuhi siku ya Jumatano tarehe 14 Juni 2023 au, katika hali ya kura itakayopigwa baada ya tarehe ya mkutano, au mkutano wowote ulioahirishwa, sio chini ya saa 24 kabla ya muda ulioteuliwa kupiga kura inayofanywa saa 48 baada ya siku ya mkutano au mkutano ulioahirishwa.
6. Ikiwa kampuni yoyote itakuwa mwenyehisa basi fomu hii ya mwakilishi lazima itekelezwe chini ya muhuri yake ya kawaida au kutiwa saini kwa niaba yake na afisa wa kampuni hiyo au wakili aliyehalalishwa wa kampuni hiyo.
7. Chaguo la "sitapiga kura" limejumuishwa kwenye fomu ya mwakilishi. Athari ya kisheria ya kuchagua chaguo hili kwa uamuzi wowote ni kwamba utazingatiwa kuwa hujapigia kura uamuzi muhimu. Idadi ya kura za wanahisa waliojizua kupiga kura, hata hivyo, zitahesabiwa na kurekodiwa lakini hazitazingatiwa katika kupiga hesabu ya kura za kuunga mkono au kupinga uamuzi.

Head Office:

Kenya Reinsurance Corporation Ltd.
Reinsurance Plaza, Nairobi, Kenya.
Tel: +254 703 083 000,
Email: kenyare@kenyare.co.ke
Email: info@kenyare.co.ke

Kenya Reinsurance Corporation Ltd Côte d'Ivoire:

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Rue des Jardins en face de Nice Cream
Cocody VALON
Tel: +2250779463928
Email: kablan@kenyare.co.ke

Kenya Reinsurance Corporation Zambia Ltd

DG Office Park, No.1 Chila Road,
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Kenya Reinsurance Corporation (U) SMC Limited

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