

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 05 JUN 2024 Wednesday

TABLED BY: Hon. Wanjiku Muhia, MP OF M. Mado

CLERK-AT-THE-TABLE

PARLIAMENT OF KENYA LIBRARY

**THE AUDITOR-GENERAL**

**ON**

**INSURANCE REGULATORY AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2023**





---

**INSURANCE REGULATORY AUTHORITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**30TH JUNE, 2023**

---

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



## TABLE OF CONTENTS

KEY AUTHORITY INFORMATION.....	i
THE BOARD OF DIRECTORS .....	v
MANAGEMENT TEAM .....	x
CHAIRMAN'S STATEMENT.....	xii
REPORT OF THE CHIEF EXECUTIVE OFFICER .....	xv
REVIEW OF THE AUTHORITY'S PERFORMANCE .....	xix
CORPORATE GOVERNANCE STATEMENT .....	xxii
MANAGEMENT DISCUSSION AND ANALYSIS .....	xxxviii
ENVIRONMENTAL AND SUSTAINABILITY REPORTING .....	xlii
STATEMENT OF THE DIRECTORS' RESPONSIBILITIES .....	xlviii
REPORT BY THE AUDITOR GENERAL .....	xlix
STATEMENT OF FINANCIAL PERFORMANCE .....	1
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2023 .....	2
STATEMENT OF CHANGES IN NET ASSETS .....	3
STATEMENT OF CASH FLOWS .....	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS .....	5
NOTES ON SIGNIFICANT VARIANCES BETWEEN BUDGET AND ACTUAL.....	7
NOTES TO THE FINANCIAL STATEMENTS .....	8
FOLLOW UP OF PRIOR PERIOD AUDITOR RECOMMENDATIONS.....	31



## **KEY AUTHORITY INFORMATION**

### **(a) Background information**

The Authority is a State Corporation established under the Insurance Act Cap 487 Laws of Kenya. The mandate of the Authority is to regulate, supervise and promote the development of the insurance industry while protecting the interests of insurance beneficiaries.

### **(b) Principal Activities**

The principal activities of the Authority as set out in Section 3A of the Insurance Act are regulation, supervision, and development of the insurance industry in Kenya.

Core Values: The Authority is guided by the following standards of behaviour and culture. The acronym for these core values is aptly coined as I-ACCT:

- Integrity
- Accountability
- Customer focus
- Creativity
- Team work

Vision “An effective regulator of a globally competitive Insurance Industry.”

Mission “To effectively regulate, supervise and promote development and innovation in the insurance industry in order to protect insurance beneficiaries.”

In line with the 2018-2022 strategic plan, the Key Result Areas and enabling strategic objectives to drive the strategy are identified. These strategic priorities are the key policy areas informing budget formulation and program implementation. The Key result areas are:

- i. Regulation and Supervision
- ii. Policy and Market Development
- iii. Consumer Protection and Education
- iv. Institutional Capacity

### **(c) Key Management**

The Authority is headed by a Chief Executive Officer who is also the Commissioner of Insurance as set out in Section 3E of the Insurance Act. Subject to the directions of the Board of Directors, the Chief Executive Officer



is responsible for the day-to-day management of the affairs of the Authority with support from a key team of senior management.

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30 June, 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Commissioner of Insurance and Chief Executive Officer	Mr. Godfrey Kiptum
2.	Senior Manager, Supervision, Licensing & Enforcement	Mr. Kalai Musee
3.	Corporation Secretary and Director Legal Services	FCS Diana Sawe
4.	Director Research, Innovation, Policy, and Strategy	Mr. Robert Kuloba
5.	Manager, Finance	CPA Esther Musyoki
6.	Senior Manager, Consumer Protection	Mrs. Monicah Thirima
7.	Senior Manager, Information Communication Technology	Mr. Eric Kisilu
8.	Manager, Consumer Education	Ms. Anne Chelagat
9.	Senior Manager, Supply Chain Management	Mr. Felix Chelimo
10.	Manager, Corporate Communications	Ms. Noella Mutanda
11.	Assistant Manager, Human Resource Management	Ms. Naomi Njoroge
12.	Senior Manager, Internal Audit	CPA Joan Kirika

**(e) Fiduciary Oversight Arrangements**

Section 3 B of the Insurance Act establishes the Board of Directors that is charged with fiduciary oversight of the Authority. In the discharge of its functions, the Board has put in place the following Committees:

- i. Technical, Research and Compliance Committee
- ii. Finance and Administration Committee
- iii. Human Resource Committee
- iv. Audit, Risk Management and Corporate Governance Committee



Further, the Insurance Act empowers the Board of Directors to delegate to any Committee of the Board the exercise of any of the powers or performance of the Authority's functions. Adhoc Committees may be established by resolution of the Board for purposes of executing any assignment.

**(f) Physical Address**

Insurance Regulatory Authority  
Zep- Re Place Longonot Road  
Upper Hill  
P.O Box 43505 – 00100  
Nairobi, Kenya

**(g) Contacts**

Tel: (254)-020-4996000, Mobile: 0719 047000  
Fax: (254) -020- 2710126  
Email: [commins@ira.go.ke](mailto:commins@ira.go.ke)  
Website: <https://www.ira.go.ke>

**(h) Bankers**

National Bank of Kenya  
Harambee Avenue Branch  
P.O Box 72866- 00200  
Tel 2828000  
Nairobi, Kenya

NCBA Bank  
Upper hill Branch  
P.O Box 44599-00100  
Nairobi, Kenya  
Tel 4948000

KCB Ltd  
Capitol Hill Branch  
P.O Box 48400-00100  
Nairobi, Kenya  
Tel. 3270000

Co-operative Bank of Kenya Ltd  
Upper hill Branch  
P. O Box 48231-00100  
Nairobi, Kenya  
Tel. 2735092



**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

## THE BOARD OF DIRECTORS



**Moses Njenga Chege Chairman**  
*Msc, BA, CPA(K),  
Date of Birth: 2<sup>nd</sup> October, 1974*

Moses Njenga Chege was appointed chair in September 2023

He brings to the board over 25 years' post-graduation working experience. He is a Certified Public Accountant and holds a Bachelor of Arts in Economics from University of Nairobi and Master of Science in Management from USIU.

He is an experienced senior executive with extensive knowledge in financial management, strategy execution, fostering innovation and risk identification.

He has deep insights on the role of leadership in driving culture and values. He is passionate about promoting and upholding highest standards of governance, integrity, and probity.



**Mr. Godfrey Kiptum, MBS  
Commissioner of Insurance &  
Chief Executive Officer**  
*MPPM, MBA, BA, CII, FLMI,  
Dip.HRM  
Date of Birth: 5<sup>th</sup> August, 1970*

Mr. Kiptum is the Commissioner of Insurance & Chief Executive Officer. Prior to his appointment, he was the Authority's Chief Manager for Human Capital and Administration- a position he held for 10 years and implemented various Human Resource Systems and Processes.

He sits on the Boards of the Retirement Benefits Authority and Policyholders Compensation Fund. He is also a Trustee of the Insurance Training and Education Trust and a member of the Executive Committee of the International Association of Insurance Supervisors.



**Mr. Kennedy Ogendi Ondieki  
Member**  
*MBA, BA, CPA(K), CPS  
Date of Birth: 1<sup>st</sup> February, 1967*

Mr. Ondieki is an Alternate Director representing The National Treasury and Economic planning in the Board. He is the Director of Investments, in charge of Government Investments and Public Enterprises. He is responsible for developing strategic objectives and policies relating to the overall fiscal/financial oversight and management of state corporations.

Mr. Ondieki has a long-cherished career in the public service spanning over 25 years. He sits on the Finance & Administration; and the Audit, Risk Management & Corporate Governance Committees of the Board.



**Mr. Charles Machira**  
**Member**  
*MSC, BSC,*  
*Date of Birth: 1968*

Mr. Charles Machira, is the Chief Executive Officer of the Retirement Benefits Authority, effective 1<sup>st</sup> March, 2022. Prior to his appointment as CEO, Mr. Machira was the Chief Manager, Supervision at the Authority.

He has over 20 years' experience in the insurance and pension sectors and has represented the Authority as the Managing Trustee of the Policy Holders Compensation Fund.

Mr. Machira serves in the Technical Research and Compliance; and Human Resource Committees of the Board.



**FCPA Wyckliffe M. Shamiah**  
**Member**  
*MBA, BA, CPA*

*Date of Birth: 3<sup>rd</sup> September, 1969*

Mr. Shamiah is the Chief Executive of the Capital Markets Authority.

He was previously the Director of Market Operations. He also sits on the Financial Stability Board Regional Group of Sub-Sahara and is the Chairman of the Market Supervision and Risk Management sub-committee of the East African Securities Regulators Forum.

Mr. Shamiah serves in the Technical, Research & Compliance and Audit, Risk Management & Corporate Governance Committees of the Board.



**Mr. Matu Mugo**  
**Member**

*MBA, B. Com, CPA*

*Date of Birth: 26<sup>th</sup> November, 1972*

Mr. Mugo is the Assistant Director of Banking Supervision at the Central Bank of Kenya (CBK). He represents the Governor of the CBK on the Board. At the Bank, he leads teams responsible for the review and development of policies to promote safe, affordable, and inclusive financial services.

He has been involved in the development of legal and regulatory frameworks for sharia compliant banking, microfinance, digital financial services, credit information sharing and agency banking.

Mr. Mugo serves in the Human Resource and Finance & Administration Committees of the Board.



**Ms. Mercy W. Kiana**  
**Member**  
*MBA, BCom (Insurance), ACII,  
ACI Arb*  
*Date of Birth: 26<sup>th</sup> October, 1963*

Ms. Kiana was appointed to the Board on 6<sup>th</sup> October 2021. Her career in insurance started in 1987 and she has acquired immense professional experience in diverse facets of insurance business having worked in underwriting and claims.

She is a member of the Executive Council of the Insurance Institute of Kenya, a Certified Professional Mediator and is the immediate former Chairperson of the Staff Retirement Benefit Scheme of the Presbyterian Church of East Africa. Ms. Kiana has undertaken various professional, management and leadership courses in various institutions including Advanced Management Program at Strathmore Business School. She is a member of the Technical, Research & Compliance Committee and chairs the Finance & Administration Committee of the Board.



**Mr. Ambrose Makanga Ngari,**  
**OGW**  
**Member**  
*MBA, BA, CPA*  
*Date of Birth: 12<sup>th</sup> May 1967*

Mr. Ngari was appointed to the Board effective 19<sup>th</sup> May, 2023. He is a banker with over twenty-five years of experience in the banking sector, including leadership roles at renowned institutions such as Equity Bank Kenya Limited and Equity Sacco Society Limited. Currently, he is the General Manager of Equity Bank Kenya Limited with skills in risk management, strategy development, financial analysis, and customer management. In recognition of his contributions to the banking industry and commitment to excellence, Mr. Ngari was honoured with the prestigious Order of the Grand Warrior of Kenya (OGW) award by former President Mwai Kibaki in 2012.



**Mr. Joel K. Chemiron**  
**Member**

*MA, B.Ed.*

*Date of birth: 22<sup>nd</sup> December 1963*

Mr. Chemiron was appointed to the Board effective 19<sup>th</sup> May, 2023.

He is an accomplished economist currently studying for Doctor of Philosophy in Economics at Egerton University. He has taught in the Department of Economics, Egerton University as a lecturer for over 25 years with specialization in Microeconomics and Macroeconomics. He has also taught in the School of Business and Economics at Moi University.

Previously, Mr. Chemiron worked in Kenya Railways Corporation (KRC), taught in various high schools in Kenya and served as a director in both Agricultural Development Corporation (ADC) and the Industrial Development Bank - Capital (IDB-C) Limited. He has also served and chaired Boards of Management of various high schools in Kenya.

Mr. Chemiron has served the community in various capacities in Nandi Farmers SACCO Society Limited and Sireet Out growers Empowerment and Producer Company.



**Ms. Immaculate K. Shamala**  
**Member**

*BA (Development studies)*

*Date of Birth: 22<sup>nd</sup> June 1978*

Ms. Shamala was appointed to the Board effective 19<sup>th</sup> May, 2023. She is a Development Practitioner and has worked in different non-governmental organisations, on Women, and Leadership Programme, in ACORD, Catholic Justice and Peace Commission. She is a founder member of Trans Nzoia Women Leaders Organisation and is currently a consultant on gender and governance, mainstreaming rights-based approach in development, monitoring, evaluation and learning, peacebuilding and conflict management, partnerships, and community development.

Ms. Shamala has been a trainer for Centre for Multi-party Democracy Kenya, FIDA Kenya, Action Aid, Lutheran World Federation-Kakuma, Viagroforestry and Justice and Peace Centre. She is also a board member of various schools and NGO organisations, a media analyst on governance, gender, rights, a motivational speaker, and a member of Civil Society Network.



**Mohamed Hashi**

*BA (Mass Communication)*

*Date of Birth: 1<sup>st</sup> January 1989*

Mr. Hashi was appointed to the Board effective 19<sup>th</sup> May, 2023. He is a communications practitioner with knowledge and experience in data handling, public relations, corporate communications, and corporate operations.

Mr. Hashi currently works at Towfiq (Kenya) Limited in charge of corporate communications, inventory, and warehouse operations. He has over ten years' experience in different capacities and has also interned at the Kenya Broadcasting Corporation KBC (Iftiin FM) in charge of youth affairs.



**FCS. Diana Sawe Tanui**  
**Corporation Secretary and**  
**Director Legal Services**

*LLB, Dip (KSL), CPS, FCI Arb*

*Date of Birth: 5<sup>th</sup> October, 1982*

FCS. Diana Sawe is the Corporation Secretary and Director Legal services at the Insurance Regulatory Authority (IRA). She previously worked as the Authority's Senior Legal Officer.

She is a Certified Public Secretary, an Advocate of the High Court of Kenya, an Arbitrator, a trained Governance Auditor, Commissioner for Oaths and Notary Public.

**MANAGEMENT TEAM**

The key management personnel who held office during the period ended 30 June, 2023 were;

<p><b>Commissioner of Insurance &amp; Chief Executive Officer</b></p>  <p><i>Mr. Godfrey Kiptum</i> MPPM, MBA, BA, CII, FLMI, Dip. HRM</p>	<p><b>Director Research, Innovation, Policy, and Strategy</b></p>  <p><i>Mr. Robert Kuloba</i> MA, BA</p>
<p><b>Corporation Secretary and Director Legal Services</b></p>  <p><i>FCS Diana Sawe Tanui</i> LLB, Dip (KSL), CPS(K), FCI Arb</p>	<p><b>Senior Manager, Supervision, Licensing &amp; Enforcement</b></p>  <p><i>Mr. Kalai Musee</i> MSc, BCom, FIIK, FCII, ACI Arb</p>
<p><b>Manager, Finance</b></p>  <p><i>CPA Esther Musyoki</i> MBA, BCom, CPA(K)</p>	<p><b>Senior Manager, Internal Audit</b></p>  <p><i>MBA, BCom, CPA(K), CISA, CIA</i></p>

**Senior Manager, Supply Chain Management**



*Mr. Felix Chelimo  
MBA, BA, MCIPS*

**Manager, Consumer Education**



*Ms. Anne Chelagat  
MBA, BCom, AIK, ACII*

**Senior Manager, ICT**



*Eric Kisilu  
MBA, BSc., Dip IMIS, CISM*

**Senior Manager Consumer Protection**



*Mrs. Monicah Thirima  
MBA, BSc (Agriculture) LLB, ACII,  
Diploma KSL*

**Manager, Corporate Communication**



*Ms. Noella Mutanda  
MA, BA, Dip (Journalism), M-PRSK,  
M-CIPR*

**Assistant Manager, Human Resource Management**



*Naomi Njoroge  
MBA, BA, CHRP(K), M-IHRM*



## **CHAIRMAN'S STATEMENT**

Kenya's insurance sector continues to be a leading sector in East Africa, bolstered by strong regulatory frameworks and collective efforts in ensuring compliance with international standards. The 2022 Annual Insurance Industry report encapsulates a comprehensive analysis of a dynamic and resilient insurance industry, providing a holistic view of the achievements, challenges, and prospects. Against the backdrop of unprecedented challenges, the overall industry outlook beckons a positive resurgence of Kenya's insurance sector.

The insurance landscape has undergone significant transformations, influenced by both global and local factors. In line with our aspirations to be an effective industry regulator of a globally competitive insurance industry, the Authority has diligently worked to foster a vibrant and sustainable insurance market that meets the evolving needs of our nation, while mitigating emerging market-based risks such as climate change and high inflation.

### **IRA 2018 - 2022 Strategic Plan Implementation**

As the Authority moves towards the end of implementation of the 2018-2022 Strategic Plan, we take stock of some of our achievements. In the period under review, we achieved an overall insurance penetration (percentage of total premiums collected to the country's Gross Domestic Premium) index of 2.23 % (2021: 2.17%). This correlated with the increase experienced in insurance density (premium per capita) which stands at 5,451 (2021: 4,787), and that of insurance coverage which stood at 27.3% (IRA 2021 Annual Report).

In our steadfast commitment to improving insurance knowledge amongst the public, the Authority conducted over 20 stakeholder engagements, through targeted group training, county town hall meetings, sponsorship, partnerships, and our Corporate Social Responsibility activities. The success of these engagements, as per the Authority's 2022 Consumer Education Impact Assessment Survey is well demonstrated through the increase in insurance awareness from 71% in 2021, to 82% in the period under review.

The Authority continues to keep up with the changing needs of both the market environment and its customers to respond appropriately in service delivery. In 2022, the Authority conducted a national customer satisfaction survey for the FY 2021/22, indicating the overall IRA customer satisfaction index stood at 73.37%. The rating demonstrates the Authority's continuous advancement in our aspiration to be an organization of choice, through strategically informed service delivery to all our stakeholders.

We are carrying forward the lessons learnt in our next phase of strategic planning. Some of the areas that we will be focusing on include innovation,



utilization of digital based solutions in service delivery, strategic focus on InsureTech and RegTech, and continuous adaptation with the market demands.

### **Sustainability and stability of the Insurance Industry**

As a part of the Authority's efforts to ensure continued stability and sustainability of the industry, the Authority continued to provide support towards risk-based supervision, promote innovation in light of market dynamics and shifting consumer preferences, and reviewed legal instruments to meet changing market demands.

### **Financial Overview**

The Authority's operations are financed through revenue generated from insurance premium levy, registration fees and income from investments. The Authority's total revenue in the financial year 2022/2023 amounted to Kshs. 2.720 billion (2021/2022: Kshs. 2.414 billion). During the period under review, the Authority realized a surplus of Kshs. 1.319 billion (2021/2022: KES 1.389 billion). The Authority will remit 90% (Kshs 1.185 billion) of the surplus to the consolidated fund in accordance with the requirements of the Public Finance Management Act, 2012

### **Industry outlook**

Kenya continues to augment its position as the leading insurance market East Africa. In the period under review, Kenya has played host to many regional and international conferences such as Continental Re's 8th CEO Summit, the 8th Eastern and Southern Regional Conference on Inclusive Insurance, and The International Association of Insurance Supervisors Sub Saharan Africa Regional Seminar.

The Authority's prospects include a new approach to stakeholder alignment and engagement centered on value creation. As the global insurance industry progresses towards data-driven intelligence to propel growth and expansion, the Authority has set out to update its set of metrics for data and analytics along key mandate and support functions. These metrics will focus more on outcomes rather than outputs and put in place effective mechanisms for monitoring, evaluation, and reporting.

As we move into FY 2023/24, we are committed to building a resilient insurance industry that is fair, safe and stable. While doing this, we will also focus on facilitating a strong and sustainable insurance industry in a dynamic market environment.

## **Conclusion**

I am grateful to the leadership at the National Treasury and Economic Planning, and key industry players and stakeholders for their unwavering support to the Authority.

I thank my fellow members of the Board of Directors for their commitment and strategic guidance, as the Authority undertook its mandate of regulation, supervision and promoting development of Kenya's insurance industry.

Lastly, a special thank you goes out to the Commissioner of Insurance and CEO of the Authority and all members of staff for their dedicated efforts and the achievement of stellar results in the execution of our motto of 'promoting insurance and protecting the insured.'



---

**Moses Njenga Chege**  
Chairman

## **REPORT OF THE CHIEF EXECUTIVE OFFICER**

Kenya solidified its place as a leader in East Africa and Africa's insurance sector and thrived, anchored on prudent and robust regulation, therefore keeping up with continuous demands of the insurance industry.

The period under review offered the Authority, and the industry an opportunity to reflect on how Kenya's financial system evolved, in the midst of unprecedented challenges, to improve the lives of the people of Kenya. These insights were employed in improving service delivery through innovative solutions and overhauling of business models to best serve the consumers' interests.

The year also saw Kenya experience a peaceful political transition following the August General elections, which saw the inauguration of the Kenya Kwanza administration. To this end, the Authority has continued playing its role as the Government advisor on insurance matters, to ensure adequate insurance protection and security for assets and properties.

### **Global Insurance Outlook**

In 2022, the global gross domestic product (GDP) grew by 3.0% compared to an increase of 6.3% reported in 2021. This significant growth, however, contrasts with a decline in total global direct premiums written, at 1.1% in 2022, owing to the high-inflation environment which slowed down industry growth.

The global long-term insurance premium declined by 3.1% to USD 2,813 billion compared to an increase of 4.5% in 2021 while the general insurance premium grew by 0.5% in 2022 to USD 3,969 billion. The total world insurance premium reached USD 6.88 trillion accounting for 6.8% of the world's gross domestic product (GDP) underlining the significant role insurance plays in supporting the global economy. (Swiss Re Sigma 3/2023). It is further estimated that the total premiums will have a real growth of 1.1% in 2023. (Swiss Re Sigma 3/2023).

### **Regional Outlook**

Africa reported a premium of USD 70.17 billion accounting for 1.0% of the world insurance premium. This was a decrease of 2.6% in premium compared to an increase of 6.1% in 2021. Africa's long-term insurance premium declined by 4.2% in real terms to USD 46.90 billion (2021: USD 50.39 billion) whereas, the general insurance premium recorded a growth of 1.2% to USD 23.26 billion (2021: USD 22.90 billion) due to economic rebound from pandemic-induced recession in 2020 (Swiss Re Sigma 3/2023).

## Local Outlook

Kenya's economy is estimated to have expanded by 4.8% in 2022 compared to an expansion of 7.6% in 2021. Important to note, most economic sectors in Kenya contracted due to spurts in growth, signaling recovery from the post Covid economic downturn. Apart from agriculture, forestry and fishing, which contracted by 1.6 per cent, all other economic activities registered positive growths (Economic Survey, 2022, KNBS).

The insurance industry in Kenya experienced growth as a result of economic recovery from the effects of COVID-19. In 2022, the industry recorded Kshs. 307.20 billion in gross premium (2021: KES 273.71 billion) translating to a growth of 12.2% (4.2% in real terms). Kenya was ranked fourth in Africa in terms of gross premium income after South Africa, Morocco and Egypt. During the period, the industry net profit increased significantly by 68.5% from Kshs. 8.65 billion to Kshs. 14.56 billion in 2022.

Long-term insurance business grew by 13.9% (5.7% in real terms) to Kshs. 140.84 billion in 2022 (2021: Kshs 123.69 billion) whilst general insurance business grew by 10.9% (3.0% in real terms) to Kshs. 166.36 billion in 2022 (2021: Kshs. 150.02 billion). General insurance business still dominates the industry accounting for 54.2% of total premium.

The industry's total assets increased by 11.4% to Kshs. 947.51 billion in 2022 (2021: Kshs. 850.51 billion). The industry investments increased by 12.9% from Kshs. 733.46 billion in 2021 to Kshs. 828.42 billion as at the end of the year under review. The investments were mainly composed of government securities at 71.8% (Kshs. 595.15 billion) (2021: 69.0% (Kshs. 506.30 billion)).

Insurance penetration, which is the ratio of gross direct insurance premiums to GDP, increased nominally to 2.30% in 2022 (2021: 2.24%). The world average insurance penetration stood at 6.8%. Insurance density, which is the ratio of gross direct insurance premiums to total population, increased from Kshs. 5,475 in 2021 to Kshs. 6,071 in 2022 indicating an increase in spending on insurance.

On the strategic front, the Authority focused on the following areas in fulfillment of its objective of protecting policyholders while promoting industry development.

### 1. Consumer Protection and Education

As part of its mandate and key result areas of the 2018-2022 Strategic Plan, specifically on Consumer Protection and Education, the Authority conducted stakeholder education and training events in 17 counties across Kenya in the year under review.



The purpose of these initiatives was to create awareness on the need and benefits of insurance through educating insurance consumers. This was done through town hall meetings, targeted group training such as SMEs, trade unions, traffic police officers and public procurement officers.

The initiatives achieved the overall objective of equipping the stakeholders with insurance knowledge for well-informed decision making when interacting with and purchasing insurance products and services. This played into improvement in insurance awareness, and density, signaling industry development and growth in the period under review.

## **2. Policy and Market Development**

Various measures were put in place to promote inclusion and enhance access to insurance in Kenya. In order to promote an inclusive insurance industry, the following initiatives were undertaken:

The Authority reviewed the draft National Insurance Policy, to ensure the policy is current and envisages a vibrant insurance industry anchored on fairness, safety, customer centricity, competitiveness, and stability. The National Insurance Policy, once approved will strengthen the industry's legal and regulatory environment; promote insurance as a risk management tool; enhance access of customer centric insurance products; mobilize financial resources for development; increase insurance penetration; and ensure broader financial inclusion and access.

The Authority reviewed the National Health Insurance Policy, and submitted the recommendations to the National Treasury and Economic Planning. The policy will provide a clear legal and regulatory framework for the development of social insurance schemes to ensure extended reach to health care services by the population that is excluded due to challenges of managing out of the pocket payments for medical care. Further, it will support healthcare financing reforms being undertaken by the Government through NHIF towards delivery on the universal health coverage model. The role of Private Health Insurers (PHIs) will also be strengthened.

As the 2018-2022 Strategic Plan cycle approached the end, the Authority started the development of the Strategic Plan 2023-2027 to guide the strategic focus and direction for 2023-2027. It is a roadmap that is aligned to the national government development agenda and has been developed in line with the fifth-generation guidelines for preparation of strategic plans issued by the State Department for Economic Planning, at the National Treasury.



### **3. Regulatory Impact Assessment of Legal and Regulatory Framework**

To measure the effectiveness and impact of our legal and regulatory framework, we conducted a Regulatory Impact Assessment (RIA) to evaluate the extent to which the Insurance Act, regulations and guidelines have impacted on the insurance industry. Findings from the study showed that the legal and regulatory framework has significantly impacted on the governance, development and stability of the industry; consumer protection; and inclusion and access of insurance services in Kenya.

### **4. Issuance of Industry Circulars**

In order to streamline business practices, and standardize contractual documents between insurance agents and insurers, the Authority issued a circular on Model Agency between Insurers and Insurance Agents.

In its licensing role for all regulated entities, the Authority issued circulars on the Renewal of Reinsurance Contracts, Bancassurance Intermediaries, Insurance Service Providers, and Insurance Agents for the Year 2023, giving clear legal and regulatory guidelines on the reinsurers' obligations and submission timelines.

The Authority issued a circular on Continuous Monitoring of Insurers' Risk Profiles, in its role as the industry supervisor, calling for submission of corporate and risk profiles of each entity, required for continuous monitoring. The circular detailed the information required and process of submission.

The issuance of circulars falls within the Authority's regulatory role to inform insurance/reinsurance companies and intermediaries on provisions they require to comply with.

### **Acknowledgement**

I acknowledge the support from the National Treasury and Economic Planning which has continued to offer financial and technical support in performance of the Authority's functions.

I would also like to thank the Board of Directors, under the leadership of Chairman, Hon. Mwambu Mabongah, for their invaluable guidance. I look forward to this ongoing collaboration and remain confident that our efforts will translate to a vibrant insurance sector.

Lastly, I extend my sincere gratitude to every member of staff for their unfailing commitment to enhance the Authority's role as a responsive regulator.

A handwritten signature in black ink, appearing to read "G. Kiptum", is written over the printed name.

**GODFREY KIPTUM (MBS)**  
**COMMISSIONER OF INSURANCE & CHIEF EXECUTIVE OFFICER**

## REVIEW OF THE AUTHORITY'S PERFORMANCE FOR THE FINANCIAL YEAR 2022-2023

The Authority has four strategic pillars within the current Strategic Plan for the Financial Year 2018/2022. These strategic pillars are as follows:

- Pillar 1: Regulation and supervision
- Pillar 2: Policy and Market Development
- Pillar 3: Market Conduct and Consumer Education
- Pillar 4: Institutional Capacity

In operationalizing the strategic plan, the Authority developed its annual work plans based on the above four pillars as set out in the 2022 – 2023 performance contract that the Board signed with the Cabinet Secretary, National Treasury and Economic Planning. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2022 - 2023 period for its four strategic pillars, as indicated in the table below:

<b>Strategic Pillar</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar 1: Legal and Regulatory Framework	Ensure a responsive legal and regulatory framework	Legislative proposal No of publications	<ul style="list-style-type: none"> <li>• Initiate amendments to the insurance act</li> <li>• Analyse and disclose insurance industry performance information</li> </ul>	<ul style="list-style-type: none"> <li>• Budget memorandum developed and submitted to the National Treasury</li> <li>• Quarterly and annual financial performance report for the insurance industry developed and uploaded on the IRA website</li> </ul>
Pillar 2: Policy and Market	To promote an inclusive	• Innovation Lab in place	• Operationalize innovation lab	• Innovation lab held in

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Development	insurance industry	<ul style="list-style-type: none"> <li>• Draft social insurance regulations</li> <li>• No of reports</li> </ul>	<ul style="list-style-type: none"> <li>• Develop draft social insurance regulations</li> <li>• Develop framework for agricultural insurance</li> </ul>	<ul style="list-style-type: none"> <li>• partnership with FSD</li> <li>• Draft social insurance regulations developed</li> <li>• National Agriculture insurance policy developed in partnership with the Ministry of Agriculture</li> </ul>
	To facilitate development and adoption of emerging trends in the insurance industry	<ul style="list-style-type: none"> <li>• Actuarial scholarships</li> <li>• No of workshops</li> </ul>	<ul style="list-style-type: none"> <li>• Sponsor actuarial training</li> <li>• Capacity building for the insurance industry</li> </ul>	<ul style="list-style-type: none"> <li>• Ten actuarial scholarships offered</li> <li>• Twenty-four workshops to build the capacity of the insurance industry conducted</li> </ul>
	Advice Government on insurance and related matters	<ul style="list-style-type: none"> <li>• Impact Report</li> </ul>	<ul style="list-style-type: none"> <li>• Examine impact of Covid-19</li> </ul>	<ul style="list-style-type: none"> <li>• Covid-19 impact report</li> </ul>
Pillar 3: Market Conduct and Consumer Education	To protect the insurance policyholders and beneficiaries' interests	<ul style="list-style-type: none"> <li>• Survey report</li> </ul>	<ul style="list-style-type: none"> <li>• Undertake Market Conduct Survey</li> </ul>	<ul style="list-style-type: none"> <li>• Market conduct survey being undertaken</li> </ul>
	To increase level of insurance awareness	<ul style="list-style-type: none"> <li>• Insurance awareness index</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct consumer education campaigns on</li> </ul>	<ul style="list-style-type: none"> <li>• Developed five IEC content for dissemination</li> </ul>

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
			various platforms	on radio, TV, and social media platforms <ul style="list-style-type: none"> <li>• Dissemination of the IEC materials done in 8 TV stations</li> <li>• Dissemination of the IEC materials done in 11 Radio stations</li> </ul>
Pillar 4: Institutional capacity	To enhance human resources capacity	<ul style="list-style-type: none"> <li>• Training plan</li> </ul>	<ul style="list-style-type: none"> <li>• Implement training plan</li> </ul>	<ul style="list-style-type: none"> <li>• Training plan implemented as per plan</li> </ul>
		<ul style="list-style-type: none"> <li>• ICT infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Improve the Authority's ICT infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• ICT infrastructure improved</li> </ul>

## **CORPORATE GOVERNANCE STATEMENT**

The Authority is a State Corporation established under the Insurance Act and whose primary activities are to regulate, supervise and promote development of the insurance industry in Kenya and protect the interests of policyholders and insurance beneficiaries.

Article 10 of the Constitution directs that the Authority shall observe good governance in the discharge of its mandate. The Board of Directors is responsible for the Authority's corporate governance and provides strategic direction and control while remaining accountable for delivery of the Authority's mandate through effective leadership, enterprise, integrity, and independent judgment.

The Board has set out the Authority's strategic direction and entrusted the Authority's day to day operations to the Authority's management team, which is led by the Chief Executive Officer and Commissioner of Insurance. The management team oversees the execution of strategies and policies set by the Board. Performance of the Board and management is evaluated against set objectives and is continuously monitored and evaluated throughout the course of each financial year.

### **Board systems, practices and procedures**

#### **1. Role of the Board**

The Board is responsible for executing the objects and functions of the Authority as stipulated under the Insurance Act. The responsibility of Board Members is to exercise their best judgment and to act in the best interest of the Authority and its stakeholders. The key responsibilities of the Board include:

- i. Determining the Authority's mission, vision, purpose and core values.
- ii. Setting and overseeing the Authority's strategy and approving its policies.
- iii. Approving the Authority's organisational structure and having the right team in place to effectively execute the Authority's strategy.
- iv. Reviewing, approving, and monitoring the Authority's long-term plans and budgets.
- v. Monitoring the Authority's performance and ensuring that effective processes and systems of compliance, risk management and internal controls are in place.
- vi. Ensuring effective communication with stakeholders.

The Board is committed to fulfilling its fiduciary duties and observes best governance practices in steering the Authority towards attainment of its mandate and has, in accordance with the Insurance Act, State Corporations Act and *Mwongozo* Code of Governance, established systems to ensure observance of high standards of corporate governance in its operations.

## 2. Board Charter

The Board Charter defines the Board's roles and responsibilities as well as functions and structures in a way that supports its members in carrying out the Board's functions.

The Board reviews the Board Charter at least once every three years and, where appropriate, revises it from time to time. During the year under review, the Board approved the following charters for its committees, in line with best practice –

- (i) Human Resources Committee Charter;
- (ii) Finance and Administration Committee Charter;
- (iii) Audit, Risk Management and Corporate Governance Committee Charter;
- and
- (iv) Technical Research and Compliance Committee Charter.

## 3. Board Composition

The Board is constituted in accordance with Section 3B of the Insurance Act, which provides that the Board shall be comprised of a Chairman appointed by the President and 10 other Board members. The composition of the Board of the Authority as at 30<sup>th</sup> June 2023 was as follows:

<b>Name</b>	<b>Membership</b>	<b>Profession</b>
Hon. Mwambu Mabongah <b>(Appointed on 10.2.23)</b>	Chairman	Psychology & Theology
Mr. Mohamed Amin Sheikh <b>(Retired on 9.2.2023)</b>	Chairman	Diplomacy & Foreign Policy
Mr. Godfrey Kiptum	CEO	Management, Insurance & Human Resource
Mr. Kennedy Ondieki	Representing, Cabinet Secretary, The National Treasury & Economic Planning	Economics & Management
Mr. Charles Machira	Chief Executive Officer, Retirement Benefits Authority	Supervision, Pension & Insurance
Mr. Wyckliffe Shamiah	Chief Executive Officer, Capital Markets Authority	Economics & Accounting
Mr. Matu Mugo	Representing, Governor Central Bank of Kenya	Finance & Accounting
Ms. Mercy Kiana	Member, Nominee Insurance Institute of Kenya	Management & Insurance
Mr. Ambrose Ngari, OGW <b>(Appointed on 18.5.23)</b>	Member	Banking, Finance & Management
Mr. Joel K. Chemiron <b>(Appointed on 18.5.23)</b>	Member	Economics & Education

<b>Name</b>	<b>Membership</b>	<b>Profession</b>
Immaculate Shamala <b>(Appointed on 18.5.23)</b>	Member	Development & Governance
Mr. Mohamed Hashi <b>(Appointed on 18.5.23)</b>	Member	Communications & Public Relations
Mr. Muchiri Mithamo <b>(Retired on 18.5.23)</b>	Member	Academic Affairs, Management & Planning
Mr. Njenga Mwangi <b>(Retired on 18.5.23)</b>	Member	Legal & International Relations
Annette Kithu <b>(Retired on 18.5.23)</b>	Member	Legal & Management
Ms. Fauzia Arale <b>(Retired on 18.5.23)</b>	Member	Psychology and Management

The Board Members represent an appropriate skill, experience, gender, diversity and geographical mix to facilitate effective execution of the Authority's mandate. Members of the Board other than ex-officio members hold office for a period of three (3) years and are eligible for re-appointment for another term.

*Mwongozo* requires that not less than one-third of the members of the Board shall be independent non-executive directors. The role of independent non-executive directors is to bring external insights into the Board and provide independent oversight over the executive directors. Composition of the Board as provided for is aligned with this principle.

The Inspector of State Corporations (or his representative) may attend any meeting of the Board or Board Committees as in his opinion is necessary for the effective carrying out of the duties of his office. During the year under review, George Ombua took over from Joyce Wesonga to represent the Inspector of State Corporations and attended various Board and Committee meetings.

The Board is supported by a qualified and experienced Corporation Secretary.

#### **4. Board Oversight**

The Board is responsible for the formulation, implementation and monitoring of the Authority's Strategic Plan thus providing appropriate strategic direction for the Authority. The Board ensures that the Authority espouses proper corporate governance practices and is also responsible for managing the Authority's risks. The Board recognises and is committed to delivering its responsibility to all its stakeholders.

#### **5. Board Committees**

The Board has delegated its Authority to the standing Committees to enable it effectively carry out its mandate. The standing Committees of the Board are: -

- i) The Technical, Research and Compliance Committee.

- ii) The Audit, Risk Management and Corporate Governance Committee.
- iii) The Finance and Administration Committee.
- iv) The Human Resource Committee.

The following ad-hoc committees were also constituted during the year under review: -

- i) Ad Hoc Committee on Legal Matters Impacting the Authority.
- ii) Ad-hoc Committee on Shortlisting for Senior Management Positions.

The Chief Executive Officer is an ex officio member of all Board Committees except the Audit, Risk Management and Corporate Governance Committee, which he attends on invitation.

The Board Committees are constituted in accordance with *Mwongozo* and the Circular from Head of the Public Service on *Management of State Corporations*. They are chaired by independent Directors and submit their deliberations to the Board after every meeting. Membership of Board Committees was updated during the year under review to accommodate new Directors.

The Terms of Reference for the Board Committees are as follows:

**a) Technical, Research and Compliance Committee**

The purpose of the TRC Committee is to act at the direction of the Board, to review policy papers and make recommendations on the functions delegated to them including:

- i) Reviewing the basis of the Authority's operations in order to enable the Board to make informed, strategic operational decisions and vote on related matters.
- ii) Monitoring the Authority's fulfilment of its objectives and functions under the Insurance Act and Government directives relating to regulation of the insurance industry.
- iii) Ensuring that in all recommendations from the management team, global best practice and world-class standards are developed, practiced, and leveraged throughout the Authority to create stakeholder value and ensure that statutory mandates are effectively fulfilled.

The following Board Members served in the TRC Committee during the year under review:

<b>Director</b>	<b>Role</b>
<b>1. Mr. Njenga Mwangi</b>	<b>Chairman (retired on 18.5.23)</b>
2. Mr. Charles Machira	Member
3. Mr. Wyckliffe Shamiah	Member
4. Ms. Mercy Kiana	Member
5. Ms. Annette Kithu	Member (retired on 18.5.23)

**b) Audit, Risk Management and Corporate Governance Committee**

The purpose of the ARMCG Committee is to assist the Board in fulfilling its oversight role to ensure effectiveness and efficiency in the operations of IRA and the effectiveness of the internal control, risk management and governance processes. ARMCG Committee's mandate includes:

- i) Assisting the Commissioner of Insurance/Chief Executive Officer (CEO) in enhancing internal controls to improve efficiency, transparency, and accountability.
- ii) Reviewing audit issues and recommendations raised by both internal and external auditors and the management responses to specific recommendations to ensure action is taken.
- iii) Ensuring adequate mechanisms of enabling the Committee to facilitate adequate disposal of all unsettled and unimplemented Public Accounts Committee and Public Investment Committee recommendations.
- iv) Enhancing oversight, governance, and risk management.
- v) Enhancing communication between management, internal and external auditors and fostering an independent and effective internal audit function.

The following Board Members served in the ARMCG Committee during the year under review:

<b>Director</b>	<b>Role</b>
1. <b>Ms. Annette Kithu</b>	<b>Chairman (retired on 18.5.23)</b>
2. Mr. Kennedy Ondieki	Member
3. Mr. Wyckliffe Shamiah	Member
4. Mr. Njenga Mwangi	Member (Retired on 18.5.23)

**c) Finance and Administration Committee**

The purpose of the FAC Committee is to assist the Board to discharge its responsibilities with regard to all matters concerning the financial policies and controls and administration of the Authority. FAC Committee's mandate includes:

- i) To Review and make recommendations to the Board on the financial strategy of the Authority ensuring its adequacy and soundness in providing for the Authority's current operations and long-term stability.
- ii) To review and make recommendations to the Board on financial issues arising from the annual financial statements of the Authority.
- iii) To provide a general overview to the Authority on the achievement of procurement plans.
- iv) To monitor the management team's strategy toward ensuring efficiency and integrity of the Authority's procurement systems.

The following Board Members served in the FAC Committee during the year under review:

<b>Director</b>	<b>Role</b>
1. <b>Ms. Mercy Kiana</b>	<b>Chairman</b>
2. Mr. Kennedy Ondieki	Member
3. Mr. Matu Mugo	Member
4. Mr. Muchiri Mithamo	Member (Retired on 18.5.23)
5. Ms. Fauzia Arale	Member (Retired on 18.5.23)

#### **d) Human Resource Committee**

The purpose of the HR Committee is to assist the Board in discharging its responsibilities relating to the human resource functions of the Authority relating to the effectiveness of succession planning policies, the systems in place to ensure employees receive appropriate skills training and monitoring compliance with Government directives relating to recruitment and remuneration of staff of the Authority. HR Committee's mandate includes:

- i) Reviewing various policies relating to the strategic positioning of human capital development in the Authority and to recommend to the Board appropriate responses to human capital matters.
- ii) Reviewing the overall remuneration policy for all staff of the Authority and recommend to the Board the amendment and administration of incentives and other remuneration plans for the staff (including allowances, health, retirement, and other benefits).
- iii) Reviewing the structure of the Authority to ensure it is manned by staff with the relevant skills and experience, and recruitment for Management positions is competitive whether internally or externally.
- iv) Reviewing and monitoring the performance of the Authority as it affects staff, including, but not limited to, issues such as gender sensitivity, disability mainstreaming and morale.
- v) Consult with management on major policies affecting employee relations and welfare of the staff of the Authority.

The following Board Members served in the HR Committee during the year under review: -

<b>Director</b>	<b>Role</b>
1. <b>Mr. Muchiri Mithamo</b>	<b>Chairman (Retired on 18.5.23)</b>
2. Mr. Charles Machira	Member
3. Mr. Matu Mugo	Member
4. Ms. Fauzia Arale	Member (Retired on 18.5.23)
5. Mr. Muchiri Mithamo	Member (Retired on 18.5.23)

The *Ad Hoc* Committee on Legal Matters Impacting the Authority was established on 12<sup>th</sup> April 2023 and discharged its mandate during the year under review. The following Board Members served in the *Ad Hoc* Committee on Legal Matters Impacting the Authority during the year under review:

<b>Director</b>	<b>Role</b>
1. Mr. Njenga Mwangi	Chairman (Retired on 18.5.23)
2. Mr. Mercy Kiana	Member
3. Ms. Annette Kithu	Member (Retired on 18.5.23)

The Board also established the *Ad Hoc* Committee on Shortlisting for Management Positions during the year under review. The Committee comprised of the following members:

<b>Director</b>	<b>Role</b>
1. <b>Mr. Muchiri Mithamo</b>	<b>Chairman (Retired on 18.5.23)</b>
2. Mr. Charles Machira	Member
3. Mr. Matu Mugo	Member
4. Ms. Fauzia Arale	Member (Retired on 18.5.23)
5. Mr. Njenga Mwangi	Member (Retired on 18.5.23)
6. Ms. Mercy Kiana	Member
7. Ms. Annette Kithu	Member (Retired on 18.5.23)

The following members served as trustees in the Insurance Regulatory Authority Staff Pension Scheme:

<b>Director</b>	<b>Role</b>
1. Ms. Mercy Kiana	Trustee
2. Ms. Annette Kithu	Trustee (Retired on 26.6.23)

Details of attendance to Board Committee meetings during the year under review are provided under the following section on Board Attendance.

## **6. Board Attendance**

Development of the Board's agenda and annual work plan is a consultative process, involving the input of the Board Chairman, Directors, the Chief Executive Officer, and the Corporation Secretary. The annual work plan incorporates a schedule of all scheduled Board meetings and activities in a financial year.

The Board meets at least 4 times every financial year. Meeting notices, agenda items and Board papers are prepared and circulated to every Board Member prior to each Board and Committee meeting. Board Members are provided with further information as may be requested, to enable them to effectively participate in discussions and make informed decisions.

The quorum for conduct of Board business is five (5) Board Members excluding the CEO and at least two of whom shall not be public officers. Related provisions of the State Corporations Act and the *Mwongozo* pertaining to attendance and absence from meetings were adhered to during the year under review.

Where a member did not attend any meeting, an acceptable apology was duly received by the Chairman and recorded by the Corporation Secretary. Members who are unable to attend Board meetings are afforded an opportunity to make written contributions on the agenda items through the Board Chairman and the CEO.

The board meetings attendance matrix for the year under review is as indicated below:

**KEY:**

- ¶ - This is a member of respective Committee
- \* - This is not a member of the Committee but in attendance
- # - Member retired/was appointed mid-year thus no attendance in full
- TRC** - Technical, Research and Compliance Committee
- FAC** - Finance & Administration Committee
- ARCC** - Audit, Risk Management and Corporate Governance Committee
- HRC** - Human Resource Committee
- ALM** - Ad-Hoc Committee on Legal Matters Impacting the Authority
- ASM** - Ad-Hoc Committee on Shortlisting for Senior Management Positions

Name	Designation	Classification	Board	TRC	FAC	ARC	HRC	ALM
#Hon. Mwambu Mabongah (Appointed on 10.2.23)	Chairman	Membership	¶					
		Attendance (eligible for 3 board meetings)	3/3					
#Mr. Mohamed Amin Sheikh (Retired on 9.2.23)	Chairman	Membership	¶					
		Attendance (eligible for 7 board meetings)	7/7					
Mr. Godfrey Kiptum	CEO	Membership	¶	¶	¶	*	¶	¶
		Attendance	10/10	5/5	6/6	4/4	1/1	3/3
Mr. Wyckliffe Shamiah	Member	Membership	¶	¶		¶		
		Attendance	9/10	5/5		4/4		1/1
Mr. Matu Mugo	Member	Membership	¶		¶		¶	
		Attendance	3/10		6/6		1/1	
Mr. Charles Machira	Member	Membership	¶	¶			¶	
		Attendance	9/10	5/5			1/1	
Mr. Kennedy Ondieki	Member	Membership	¶		¶	¶		
		Attendance	6/10		5/6	2/4		1/1
Ms. Mercy Kiana	Member	Membership	¶	¶	¶			¶
		Attendance	9/10	5/5	5/5			2/2
#Mr. Ambrose Ngari, OGW (Appointed on 19.5.23)	Member	Membership	¶					
		Attendance (eligible for 2 board meetings)	2/2					
Mr. Joel Chemiron (Appointed on 19.5.23)	Member	Membership	¶					
		Attendance (eligible for 2 board meetings)	2/2					
#Immaculate Shamala (Appointed on 19.5.23)	Member	Membership	¶					
		Attendance (eligible for 2 board meetings)	2/2					
#Mr. Mohamed Hashi (Appointed on 18.5.23)	Member	Membership	¶					
		Attendance (eligible for 1 board meeting)	1/1					
#Annette Kithu (Retired on 19.5.23)	Member	Membership	¶	¶		¶		¶
		Attendance (eligible for 9 board meetings)	8/9	4/5		4/4		1/3
#Muchiri Mithamo (Retired on 18.5.23)	Member	Membership	¶		¶		¶	
		Attendance (eligible for 9 board meetings)	9/9		6/6		1/1	
#Mr. Peter Njenga Mwangi (Retired on 18.5.23)	Member	Membership	¶	¶		¶		¶
		Attendance (eligible for 9 board meetings)	9/9	5/5		4/4		3/3
#Ms. Fauzia Arale (Retired on 18.5.23)	Member	Membership	¶		¶		¶	
		Attendance (eligible for 8 board meetings)	6/8		5/6		1/1	

## 7. Board Evaluation

The Board schedules its annual evaluation exercise in its work plan in line with the evaluation schedule by the State Corporations Advisory Committee (SCAC). The Board Evaluation was conducted on 3<sup>rd</sup> August 2022 and the Board Corporate score was 94.6%.

## 8. Board Induction and Training

### a) Board Induction

All Board Members undergo induction upon joining the Board. The induction includes a briefing on all aspects of the Authority's operations from the Chief Executive Officer, the Management, and the Corporation Secretary. They also undertake the Five-Day Corporate Governance Training Course by the Centre for Corporate Governance as well as the Induction Programme by the Kenya School of Government. All Board Members who were appointed during the financial year have undergone induction.

### b) Board Development

During the year under review, the Board adopted and implemented its Development Plan. The Board development programmes during the period under review were aligned to training needs and were attended as follows:

Training Institution		Training Programme
1.	Harvard Business School	Audit Committees in a New Era of Governance
2.	College of Insurance	Trustees Development Programme
3.	Centre for Corporate Governance	Corporate Governance
4.	Wharton School, University of Pennsylvania	Becoming a Leader of Leaders: Pathways for Success
5.	Institute of Certified Public Accountants of Kenya	Board Audit Committee Training
6.	Strathmore Business School	The Role of Public Sector Leadership on a Nation's Competitiveness
7.	Retirement Benefits Authority	Retirement Benefits Act (Market Conduct Guidelines) and Treating Customers Fairly
8.	Africa Insurance Organization (AIO)	49 <sup>th</sup> AIO Conference and Annual General Meeting
9.	State Corporations Advisory Committee	Board Induction
10.	Insurance Regulatory Authority	Board Induction

### c) Board Remuneration

The Board is remunerated in accordance with the approved Terms and Conditions of Service prescribed under various Government Circulars. Sitting allowance paid to the Board is as shown below;

<b>No.</b>	<b>Name Of Director</b>	<b>Total Amount Paid</b>
1.	Mr. Mohamed Sheikh	Kes.440,000.00
2.	Hon. Mwambu Mabongah	Kes.1,220,000.00
3.	Ms. Mercy Kiana	Kes.1,660,000.00
4.	Ms. Annette Kithu	Kes.1,060,000.00
5.	Mr. Muchiri Mithamo	Kes.1,040,000.00
6.	Ms. Fauzia Arale	Kes.700,000.00
7.	Mr. Charles Machira	Kes.620,000.00
8.	Mr. Wycliffe Shamiah	Kes.640,000.00
9.	Mr. Matu Mugo	Kes.280,000.00
10.	Mr. Kennedy Ondieki	Kes.480,000.00
11.	Ms. Immaculate Shamala	Kes.260,000.00
12.	Mr. Ambrose Ngari	Kes.200,000.00
13.	Mr. Joel Chemiron	Kes.240,000.00
14.	Mr. Mohamed Hashi	Kes.240,000.00
15.	Ms. Joyce Wesonga	Kes.280,000.00
16.	Mr. George Ombua	Kes.460,000.00
21.	Mr. Mwangi Njenga	Kes.1,360,000.00
<b>TOTAL</b>		<b>Kes.11,180,000.00</b>

### d) Corporation Secretary

The Board is assisted by a qualified, competent, and experienced Corporation Secretary. The Corporation Secretary co-ordinates the Board activities and ensures, in conjunction with the Chairman and Chief Executive Officer, that the Board meetings are held procedurally.

### e) Governance Audit

Clause 1.13 of *Mwongozo* requires that the Board should ensure that the Authority is subjected to a governance audit annually. The purpose of the governance audit is to ensure that the Authority is conforming to the highest standards of good governance. Under the Board's direction, the Authority engaged the firm of Wanjiru Kinyanjui and Company Advocates LLP to undertake its inaugural Governance Audit covering the period between July 2018 and June 2021. During the year under

review, the Board provided leadership in the implementation of the following key recommendations in the Governance Audit Report:

- (i) **Board Committee Charters:** Development and approval of stand-alone Committee Charters in line with corporate governance best practice.
- (ii) **Succession Planning Policy and Succession Plan:** The Board approved the Succession Policy and Succession Plan and resolved that Succession Planning shall be included in the Board meetings agenda at least once yearly.
- (iii) **Material Disclosures:** publication of the Code of Conduct and Ethics and Annual Reports on the Authority's website.

The next Governance Audit is scheduled to be carried out during the financial year 2023-2024.

## f) Governance Policies

### (i) Procurement Policy

The IRA Procurement is governed by article 227 of the Constitution of Kenya, 2010 which provides that procurement for goods or services shall be done in accordance with a system that is fair, equitable, transparent, competitive and cost-effective manner. This is further guided by the Public Procurement and Asset Disposal Act 2015, Public Procurement and Asset Disposal Regulations 2020 as well as Government circulars issued from time to time.

The top ten contracts of the Authority in terms of value are;

No.	Description	Tender No.	Amount	Supplier
1.	Supply, Installation, Testing & Commissioning of Storage Server, Network Switch and a Load Balancer	IRA/052/2022-2023	34,000,000.00	MFI Technology Solutions Limited
2.	Renewal of Contract for Provision of Information Security (IS) Solution	IRA/059/2022-2023	23,784,645.23	MFI Technology Solutions Limited
3.	Provision of Medical Insurance Service (In-Patient and Out-Patient-Contract Renewal	IRA/041/2020-2021	11,609,577.00	Minet Insurance Brokers Limited
4.	Provision of Conference facilities	IRA/121/ 2022-2023	8,799,606.00	College of Insurance
5.	Provision of Training Services on Procurement of	IRA/036/2021-2022	8,000,000.00	College of Insurance

	Insurance Services & Traffic Police			
6.	Provision of Catering Services	IRA/013/2021-2022	8,000,000.00	Lesan Caterers Limited
7.	Provision of General Insurance Services for Group Personal Accident (GPA) Work Injury Benefit Act (WIBA) and Group Life Assurance (GLA)	IRA/032/2022-2023	7,902,935.00	Zamara Risk and Insurance Brokers Limited
8.	Supply, Installation & Configuration of VM Ware Software	IRA/118/2022-2023	7,865,118.11	MFI Technology Solutions Limited
9.	Provision of Public Relations Agency Services-Renewal of Contract	IRA/059/2020-2021	7,200,000.00	Chilcott Group Limited
10.	Supply, Installation, Testing & Commissioning of Laptop Computers.	IRA/050/2022-2023	6,060,000.00	Dignity Traders Limited

There were no legal challenges to procurement decisions during the year under review.

**(ii) Succession Management Policy Framework**

The Board approved the Succession Management Policy Framework for implementation during the year under review. The purpose of the policy is to provide a framework for guiding the Authority on the process of identifying and developing high performing employees for current and future roles within the Authority. The policy also establishes the framework for managing risk caused by planned and unplanned human resource departures that deprive the authority of key skills, continuity and excellent service delivery and creates an ongoing supply of well trained, broadly experienced, and well-motivated employees who are ready to step into key positions as needed. In addition, the policy outlines the processes that the Authority will adopt to identify and develop its employees for skills, behaviors, and experience necessary to fill key positions. The Policy also provides for a succession plan, which is a valuable tool that will assist the Authority in identifying key positions, recognizing talent, and providing a structured process to develop its employees.

**(iii) Code of Conduct and Ethics**

The Board has ensured that a Code of Conduct and Ethics is in place and is observed by Board Members and employees of the Authority. The Code contains general rules of conduct and ethics and is intended to ensure that Board Members and employees of the Authority maintain the integrity, dignity, and nobility of the Authority in all their activities.

**(iv) Conflict of Interest Policy**

The Code of Conduct and Ethics provides that a member of the Board or an employee shall ensure that he or she does not subordinate his official duties to his private interest or put himself in a position where there is conflict between his official duties and his private interests. The Code also provides that where there is a potential conflict of interest during the performance of official duty, it shall be the obligation of the one likely to have such a conflict declare such interest and act to avoid such a conflict.

The Board Charter also provides that a Board member who identifies an area of conflict shall be required to disclose any actual or potential conflict of interest to the Board. When declared, the Board member shall abstain from decisions where the conflict exists. The Corporation Secretary maintains a register of conflicts of interest which is updated where a conflict is declared.

**(v) Whistle Blowing Policy**

The Board has provided for protection of whistle blowers under its Code of Conduct and Ethics as well as its Whistleblowing Policy to safeguard the identity and safety of whistleblowers. The Authority's whistleblowing policy is available on its website ([www.ira.go.ke](http://www.ira.go.ke)) and a designated email ([ethics@ira.go.ke](mailto:ethics@ira.go.ke)) has been availed on the website for anonymous reporting.

**(vi) Risk Management Policy**

The Board has established a Risk Management Policy which forms an integral part of the Authority's internal control and governance arrangements. The policy explains the Authority's underlying approach to risk management, documents the roles and responsibilities of the Board through the Audit, Risk Management and Corporate Governance Committee (ARMCG Committee) and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures. In addition, it describes the process which the Board shall use to evaluate the effectiveness of the Authority's internal control procedures.

**(vii) Information and Communication Technology Policy**

The Authority has invested in technology to support the efficient and effective execution of the strategy set by the Board. The Board has put in place a policy on Information Communication and Technology which aims to protect its investments in ICT systems as well as its confidential and sensitive information and that of its stakeholders in line with the Data Protection Act.

**(viii) Communication Policy**

In order to ensure that relevant information is received by stakeholders, the Board established a Communication Policy which defines roles, responsibilities, and guidelines for handling internal and external communication with stakeholders. The Communications Policy aims to ensure that the Authority's communications give honest, accurate, clear, objective, and timely information.

**(ix) Stakeholder Engagement Policy**

The Board developed a Stakeholder Engagement Policy which outlines the Authority's approach to communicating and working with its stakeholders. The Policy enables the Authority to systematically seek stakeholders' perspectives and expertise to understand, address, and manage their expectations. The following stakeholders were engaged in the year under review;

<b>Ref</b>	<b>Stakeholder</b>	<b>Nature of Engagements</b>	<b>Relevant Information Provided</b>
1.	Policyholders, beneficiaries and general public	The Authority conducts training through workshops and disseminates information through various media to create awareness and grow demand for insurance products. The Authority also receives complaints against regulated entities.	Information on insurance products that guide on selection and the claims and complaints process is made available to insurance policyholders and beneficiaries through various media. Insurance industry reports are published on the Authority's website.
2.	Insurance and re-insurance Industry Players	The Authority conducts workshops for various categories of regulated entities.	Regulatory requirements and insurance industry reports are published on the Authority's website.
3.	National Government	The Authority participates in National Government forums and provides advise to Government on insurance and related matters.	The Authority submits information to various government institutions as required by law, circulars and guidelines.
4.	The National Treasury and Economic Planning	The Authority engages the National Treasury and Economic Planning on a regular basis as per the established	Financial performance reports are submitted on a quarterly basis.

		requirements as the Ministry responsible for oversight.	
5.	Service Providers	A forum is organized on an annual basis to create awareness of opportunities available for service providers.	The annual procurement plan is published on the Authority's website.

**(x) Corporate Social Responsibility Policy**

The Authority identified Corporate Social Responsibility (CSR) as a strategic pillar that will enable the Authority realize its mandate while giving back to the society in which it operates. The Board has established the Corporate Social Responsibility Policy as a framework for carrying out CSR activities by the Authority. The policy outlines the process of CSR identification, implementation, monitoring and reporting within the Authority.

**g) Legal Compliance Audit**

Governance Principle 8.4 of the *Mwongozo* requires that the Board should ensure that the Authority is subjected to an independent legal compliance audit annually and that its recommendations are implemented. The purpose of the legal compliance audit is to assure the Board that the Authority is complying with all its statutory obligations. The Authority procured the services of Legal and Compliance Auditors, led by Ms. Judy Warui, who is a Legal Compliance Auditor and a member in good standing of the Law Society of Kenya (LSK). The Authority's Statutory Compliance Checklist was updated for continuous monitoring and the recommendations made are currently under implementation. No material legal non-compliances were noted during the year under review.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SECTION A

#### **The Authority's operational and financial performance**

The Authority regulates, supervises and promotes development of the Insurance industry in Kenya. The Authority is in a strong cash flow position capable of meeting obligations as they fall due. In pursuit of her mandate to promote development of the insurance industry, the Authority has intensified consumer education activities. This has in turn led to growth of insurance premiums hence growing the Authority's revenue. This trend is expected to continue in the foreseeable future.

### SECTION B

#### **Authority's compliance with statutory requirements**

The Authority has complied with all statutory obligations including but not limited to; remittances of Pay as You Earn (PAYE), National Hospital Insurance Fund (NHIF), National Social Security Fund (NSSF), Value Added Tax (VAT), Higher Education Loans Board (HELB), Withholding tax etc within the stipulated timelines.

### SECTION C

#### **Key projects and investment decisions the Authority is planning/implementing**

The Authority is currently carrying out the following projects;

***i. Consumer education activities in all Counties.***

The Authority is currently carrying out consumer education activities in counties. During the 2022/2023 financial year, the Authority conducted the following trainings:

Training on procurement of insurance services was conducted in four (4) sessions. The officers from State Corporations, Ministries, State Departments, and other public entities/agencies were trained on the need and benefits of insurance and the role insurance can play in safe guarding national and County government assets and the livelihoods of the employees. The officers were trained to enable them make informed decisions when procuring insurance services.

Training of traffic Police Officers was held in two regions. The main objective of this training is to enhance the Police Officers understanding of insurance and their capacity to investigate and prosecute insurance related cases in courts of Law.

The Authority developed and disseminated IEC materials during the training, on procurement of insurance services, training of traffic police officers and other outreach activities conducted by the Authority. Infomercials were also developed and aired on television and local radio stations to educate the public on insurance

and to improve their understanding and appreciation of insurance as a mechanism for risk management. This is aimed at enhancing insurance awareness levels in Kenya.

## **ii. Innovation lab**

The Authority in partnership with FSD Africa implemented Cohort 3 of the BimaLab Accelerator program from February 2023. The program seeks to support the insurtechs to address the following structural challenges affecting the insurance industry:

- i. Constraints in digital capabilities inhibiting key business processes, e.g., sales or claims processing.
- ii. Regulatory uncertainty inhibiting adoption of digital business processes.
- iii. Barriers to entry and operation - scaling the regulatory requirements in proportion to the risk.
- iv. Lack of products that respond to the needs of low-income population.

The BimaLab experience is a process of intense, rapid, and immersive education aimed at accelerating the lifecycle of innovative insurtechs and entails.

Speaker Series: high-profile experienced industry experts invited to share on important issues in the insurance and insurtech sector based on their own personal and professional experiences.

Entrepreneur Learning Sessions -These sessions are designed as deep-dive workshops structured to take place in a peer collaboration format every week allowing the opportunity for learning to be applied in a practical, on-the-job context.

Office working hours- Throughout the program, an opportunity is created for one-on-one sessions for consultants and program partners to offer individualized and/or group support to the startups for targeted depth and regulatory support sessions.

Mentors and Advisors -All entrepreneurs are matched with a mentor to provide personalized guidance and a group of advisors who function as a sounding board for the founder teams.

The foundation components of BimaLab are fixed-term, cohort-based, and mentorship-driven learning culminating in an opportunity to pitch to potential investors and partners in a demo. A secondary benefit of BimaLab is the positive signaling the program gives insurtechs.

Going through BimaLab has created social validation for potential investors and partners. The program has proven to signal that insurtech have solutions that seek to address basic hurdles affecting the insurance industry.

## SECTION D

### **Risk Management Policy**

The Insurance Regulatory Authority (IRA) is mandated to regulate, supervise, and promote the development of the insurance industry in Kenya. The strategic priority remains protection of the insurance policyholders and beneficiaries which is backed by a fair, safe and stable insurance industry. IRA recognises the pivotal role of managing both internal and external risks as a key component of good corporate governance. IRA is committed to embedding risk management into the daily operations of the Authority right from the setting of objectives to financial planning towards achieving the set objectives, through to functional processes established to aid provision of service. Effective risk management is key to effective service delivery and achievement of corporate objectives.

### **IRA's System of Internal Control**

IRA operates a system of internal control encompassing elements that together facilitate effective and efficient operation, enabling the Authority to respond to a variety of risks. These elements include:

- i. Organisational control;
- ii. Operational controls consisting of planning, budgeting, accounting and information systems, documentation, authorization, policies and procedures and orderliness;
- iii. Personnel controls;
- iv. Facilities and equipment;
- v. Risk management;
- vi. Monitoring; and
- vii. Periodic review.

### **Major Risks Facing the Authority**

The following are the key risks facing the Authority:

#### ***i. Legal Risk***

Litigation risk relating to execution of the Authority's mandate arises out of decisions made in relation to regulated entities. It may also be through being enjoined in suits against regulated entities. Adequate measures have been put in place to ensure that the law is effectively enforced and that competent advocates are engaged to represent the Authority.

#### ***ii. Technological Risk***

The risk of loss of confidentiality, integrity and availability of data is driven by the rise in cyber-crime which has been on the rise following the embracing of digitization by organizations. The Authority has invested in automation and continually upgrades its infrastructure to enhance security of information held.

Regular vulnerability assessments are carried out to identify security gaps and work towards their closure.

**iii. Supervisory Risk**

The risk of collapse of regulated entities driven by inability to withstand economic shocks or induced by governance failure would impact insurance consumers and lead to reputation damage of the Authority. The global economy has been impacted by the Russian-Ukraine conflict. This could in turn affect liquidity of insurers resulting in delayed payment of claims.

The Authority has responded with initiatives that will support real time monitoring of the regulated entities' operations to enable timely response to regulatory failures. The Authority continues to enforce compliance requirements and address complaints made against insurers in a bid to ensure consumers are treated fairly.

**iv. Operational Risk**

This risk category would impact on business continuity and relate to adequacy of human resource and effectiveness and resilience of business processes. The Authority relies heavily on human capital and technology to deliver its services. The human resource complement has remained below the approved number and the current demographics call for proactive succession planning.

The Authority has obtained approval to enhance the staff complement and recruitment is ongoing to fill the vacant positions. This will ensure there is adequate succession planning.

There has been increased investment in Information Technology infrastructure and security, in response to the growing level of automation. This has ensured that regulated entities and consumers are able to access services without manual intervention. Measures have been put in place to ensure continuous availability of the ecosystem.

## **SECTION E**

### **Material arrears in statutory/financial obligations**

The Authority pays all statutory and financial obligations when due and as such there are no arrears.

## **SECTION F**

### **Financial impropriety and serious governance issues**

There are no issues of financial impropriety reported by any board committee or external auditors. There are no governance issues and no conflicts of interest at the board or top management of the Authority.

## **ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Authority is keen to ensure the insurance industry business operations and practices are aligned to the sustainability agenda which describes three areas of corporate responsibility that have gained momentum from investors, policy makers and the public. For shared success, this will be achieved through; aligning the Authority's operations with sustainability practices; promoting corporate social responsibility; creating awareness on sustainability; and encouraging adoption of Principles of Sustainable Insurance (PSI).

In playing a central role in identifying and measuring risks posed by broad trends at political and macro-economic levels across the region, the Authority continues to advise Government and the insurance sector on the need to adapt and innovate while factoring a cross-section of risks that may affect their sustainability priorities into their strategic decision-making process.

To aid this endeavor, the Authority continued to implement Risk Based Supervision (RBS) which ensures that prices charged are linked to the risk profile of the insurer while lobbying for support from the government to pass laws that create an enabling environment for insurers to operate.

At the macro-economic level, the Authority encourages insurance companies to invest in government securities and corporate bonds. It also encourages insurers to diversify their investments.

The Authority also benchmarks against and adheres to the Insurance Core Principles in its capacity as a member of International Association of Insurance Supervisors and ratifies information sharing MoUs with other regulators within the region and internationally. This allows for sharing key achievements and milestones made as well as failures to look out for when implementing similar initiatives.

### **1. Environmental Sustainability**

As part of IRA's comprehensive CSR policy and focus area of environmental conservation, the Authority has entered a partnership with the Kenya Forest Service as a part of the effort to conserve the environment through reforestation initiatives.

Towards this end, the Authority has been carrying out annual mangrove tree planting initiatives since 2017, to restore the degraded mangrove forest area in Tudor Creek, Mombasa County. The mangrove forests are highly effective in reducing carbon emissions to the atmosphere.

In addition, they are vital in helping society adapt to climate change impacts, reducing the impact of storms and sea-level rise, as well as playing an immense societal and economic value to the host communities, along the coast line. This partnership has seen the Authority plant over 43,000 trees to date.

The Authority's green initiative lent support to the successful implementation of the constitutional target of attainment of 10% tree cover in Kenya by 2030. As of June

2022, Kenya had attained 12.13 % tree cover, as per findings of the released National Forest Assessment Report 2021 by the Kenya Forest Service.

The Authority has also participated in the Annual Kaptagat tree planting exercise, through our partnership with NETFUND, since 2020 to rehabilitate the water tower.

Over the years, the restoration program has registered tremendous success, including rehabilitation of over 1,100 Hectares by growing 1,320,000 assorted indigenous tree seedlings and distribution of 62,000 high-value avocado fruit tree seedlings to neighboring communities.

## **2. Employee welfare**

The Authority has in place Human Resource Management Instruments which guide the human resource functions and activities. Currently, the number of in post staff at the Authority stands at 70 distributed across the Office of the Commissioner of Insurance and CEO, the Directorate of Supervision, the Directorate of Market Conduct, the Directorate of Research, Innovation, Policy and Strategy, the Directorate of Corporate Services, the Corporation Secretary/Legal Services Directorate, the Directorate of Internal Audit, and the Department of Supply Chain Management.

To ensure long-term growth and productivity of its human resource, the Authority strives to provide a conducive working environment through implementing career progression guidelines, enhancing the employees' skills and competencies through training and talent management, enhancing employee relations modalities, and providing competitive compensation, in addition to robust employee welfare schemes such as comprehensive medical policies and a pension plan.

The Authority offers equal opportunity to all in its recruitment and selection process and does not discriminate based on gender or any other form of discrimination. The Authority adheres to the constitutional requirement on mainstreaming of gender and persons with disabilities as stipulated in Article 232 of the Constitution alongside other policies issued by the National Cohesion and Integration Commission. The current staffing of 70 employees in terms of gender is 50% male against 50% female.

The manual is reviewed every three (3) years to align it with the HR best practices and legislative, organizational, and technological changes. The Authority reviewed and approved the HR policy in May 2021.

## **3. Occupational Safety and Health**

The Authority has an active policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA). IRA is committed to the compliance with the highest standards of health and safety regulations and statutory requirements in the workplace, for its employees and anyone who enters its premises or relates to its business operations, including onboarding of best practices to enhance overall health and safety for all stakeholders.

The Authority also conducts continuous staff capacity building on firefighting, emergency preparedness and evacuation, and occupational health and safety. Further, the Authority provides adequate resources for effective implementation of all safety programmes. Implementation of protective and preventive measures required to ensure the safety of all persons is regularly undertaken, with clear definition of roles, responsibilities, and accountabilities about health and safety.

#### **4. Marketplace practices**

##### **a) Responsible competition practice.**

In fulfilling the Authority's focus on promoting fair competition among insurers, the Authority has been implementing the Risk-Based Capital requirements to assess insurers' capital requirements based on the risks they are exposed to. By enforcing adequate capitalization, the Authority strives to maintain a fair and level playing field.

To combat corruption and fraudulent practices within the industry, the Authority has established the Insurance Fraud Investigation Unit (IFIU). The unit is mandated to investigate insurance fraud and related offenses giving the Insurance Regulatory Authority directions on prosecutable cases and to enhance capacity in moderating threats of Insurance Fraud within the Insurance sector.

This is coupled with policies and collaboration with agencies such as the Ethics and Anti-Corruption Commission (EACC). Through these partnerships, corruption and fraud cases within the insurance industry are investigated and addressed.

In addition to anti-corruption measures, The Authority provides guidance to government and other entities on best practices for procuring insurance services for transparent and ethical practices. This promotes integrity and accountability within the industry.

##### **b) Responsible Supply Chain & Supplier Relations**

As a public entity, the Authority has undertaken the following measures in commitment to responsible supply chain and supplier relations:

- The Authority conducts annual customer satisfaction surveys targeting suppliers to best align our processes to serve their needs. In the period under review, the average mean satisfaction index for suppliers was 79.78%; a 2.68% increase from the previous year's satisfaction score of 77.1%.
- Compliance with the requirements of Article 227 of the Constitution of Kenya 2010 and other subsidiary Legislation, Regulatory and Government Circulars.
- Biannual registration of suppliers outside the special group demographic
- Continuous registration of interested suppliers within the special category: Persons with Disability, Women and Youth.
- Strict compliance to the Annual Procurement Plan and liaison with user department(s) during the procurement process

- Uploading of Procurement Plan on the Public Procurement Information Portal

### **c) Responsible marketing and advertising**

Ethical marketing and advertising practices have been observed by following the standard operating procedures, adhering to circulars from the parent ministry with guidance from the Government Advertising Agency (GAA). The Authority also sources up-to-date information on the media landscape from the Media Council of Kenya (MCK). This data is used to make informed decisions on which channels to advertise on.

### **d) Product stewardship**

The Authority has empowered the public with consumer education to enable them to make informed choices about insurance through outreach activities. This was done through town hall meetings, targeted group training such as Small and Medium Enterprises, trade unions, traffic police officers and public procurement officers.

Additionally, the public continues to leverage on the use of technology, designated emails to forward their complaints ([complaints@ira.go.ke](mailto:complaints@ira.go.ke)). The development and industry wide mainstreaming of the 'Treating Customers Fairly' Policy, a customer-centric framework, has also led to enhanced consumer protection.

## **5. Corporate Social Responsibility (CSR) / Community Engagements**

To complement the Authority's mandate, IRA has a comprehensive corporate social responsibility policy in place, which is anchored on its commitment to be a corporate citizen alive towards social responsibility with a view to make a positive difference to society.

IRA envisages that through CSR, it will enhance its profile and reputation while positioning itself as the organization of choice by employees, suppliers, communities, and all other stakeholders.

The Authority's CSR programme is founded on ethical principles, good governance and sound management and has prioritized four key areas: health, education, environment and response to national emergencies and disasters.

Notably, the projects highlighted in this report have been implemented through teamwork and stakeholder goodwill. The Authority has in place a CSR Committee that coordinates the various CSR activities.

The Authority carried out the following CSR/community engagements during the period under review:

### **a) Health**

The Authority conducted the following health CSR initiatives in partnerships with various stakeholders:

- i) Supporting the Kenya Society for the Blind in awareness creation through the Longonot Climb, and the Charity Blind Walk
- ii) Donation and support towards the St John Ambulance Road Safety Charity Walk
- iii) Donation and support towards the Standard Chartered Marathon
- iv) Medical Camps in Nairobi and Samburu
- v) Donation
- vi) Supported three hospices in the Coast region, Nyeri and Nairobi.

## **b) Education**

The Authority conducted the following education CSR initiatives in partnerships with various stakeholders:

- i) Supporting vulnerable groups in partnership with the Kenya Society for the Blind (KSB) through donation of braille assistive devices.
- ii) Donation towards supporting free primary and secondary education in Garissa County.
- iii) IRA actuarial scholarship programme.

## **REPORT OF THE DIRECTORS**

The Directors submit their report together with the financial statements for the year ended 30 June, 2023 which shows the state of affairs of the Insurance Regulatory Authority.

### **Incorporation**

The Authority is a State Corporation established under the Insurance Act Cap 487 Laws of Kenya.

### **Principal activities**

The principal activities of the Authority are to regulate, supervise and promote the development of the insurance industry in Kenya.

### **Results**

The results of the Authority for the year ended 30 June, 2023 are set out on page 1.

### **Directors**

The members of the Board of Directors who served during the year are shown on page v-xii.

### **Dividends/Surplus remittance**

In accordance with Section 219(2) of the Public Finance Management (National Government) Regulations, 2015 regulatory entities shall remit into the Consolidated fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority will remit Kshs. 1,187,357,976 (financial year 2021/2022 Kshs. 1,110,304,525).

### **Auditors**

The Auditor General is responsible for the statutory audit of the Authority pursuant to Article 229 of the Constitution of Kenya and the Public Audit Act, 2015.

### **By Order of the Board**



FCS Diana Sawe Tanui  
**Board Secretary**

**Date:** 01.02.2024

## STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Financial Management (PFM) Act, 2012, section 14 of the State Corporations Act and the Insurance Act require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for the financial year ended June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; selecting and applying appropriate accounting policies; and (v) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of the Authority's transactions during the financial year ended June 30, 2023, and the Authority's financial position as at that date. The Board of Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board of Directors to indicate that the Authority will not continue to operate as a "going concern" for at least the next twelve months from the date of this statement.

### Approval of the Financial Statements

The Authority's financial statements were approved by the Board of Directors on 14th September 2023 and signed on its behalf by:



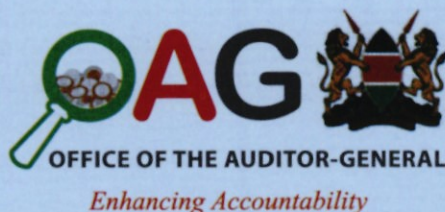
**Moses Njenga Chege**  
Chairman



**Godfrey Kiptum, MBS**  
Commissioner of Insurance &  
Chief Executive Officer

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON INSURANCE REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023**

---

### **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**

I have audited the accompanying financial statements of Insurance Regulatory Authority set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Insurance Regulatory Authority as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Insurance Act, 2020 (Revised) and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Insurance Regulatory Authority 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. Legal Fees**

Note 15 to the financial statement reflects contracted services expenditure of Kshs.329,574,652. Included in the expenditure is consultancies of Kshs.327,574,652 which further includes legal fees paid to various firms of Kshs.301,852,971. Review of the expenditure revealed that Kshs.288,760,414 was in relation to one advocate who on 12 May, 2020 was awarded by court fees amounting to Kshs.262,990,246 with interest of 14% from the date of award. This arose out of dispute on legal fees payable by the Authority to the law firm.

The firm had been procured to represent the Authority in a case where the Authority had been sued by an insurance company on a number of grounds including what the plaintiff termed as appointment of a Statutory Manager without exercising due diligence and care.

The advocate had requested legal fees of Kshs.176,105,663 based on a liquidated claim by the plaintiff of Kshs.12,075,289,826. However, the Authority offered to pay Kshs.875,197.89 based on the audited financial statements of the insurance company.

Records available indicate that the Authority appealed the award but lost the stay of execution and various mediation efforts by Management and Board of Directors were not successful. The advocate applied and was granted garnishee orders nisi against the Authority and in December 2021 obtained Kshs.15,000,000 from the Authority's bank account. During the year under review and on diverse dates, the advocate obtained further orders calling for the balance of the awarded amount. As at May 2023, the advocate had collected a total of Kshs.303,760,414 through various garnishee orders nisi.

The Authority sought for supplementary budget approval from the National Treasury to settle the contingent liability and approval was granted on 29 May, 2023. In total, the Advocate attached and was paid Kshs.342,779,509 (inclusive of interest of Kshs.79,789,263)

Further review of correspondences revealed that the Advocate wrote to the Authority in July 2023 confirming that they had received total payment in full and final settlement of the matter.

## **2. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects budgeted receipts and actuals on comparable basis of Kshs.2,110,434,290 and Kshs.2,720,518,528 respectively resulting to over collection of Kshs.610,084,238 or 29% of the budget.

The significant over collection of revenue may be a pointer to weaknesses in the budgeting process and there is therefore need to relook into the process to ensure realistic budget estimates.

Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.1,674,840,723 and Kshs.1,466,210,920 respectively resulting to an under expenditure of Kshs.208,629,803 or 12% of the budget.

Management has explained that the under expenditure was due to cost cutting measures employed during the year under review.

My opinion is however, not modified in respect of these matters.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **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 and 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.

### **Responsibilities of Management and Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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 Authority'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. 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 and weakness 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 229(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 the 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 of 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 conducted 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 applicable 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 Authority's ability to continue to sustain its services. 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 Authority to cease to continue to sustain its services.
- 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 and business activities of the Authority 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.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**


**13 February, 2024**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE, 2023**

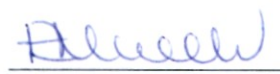
	<b>Notes</b>	<b>2023 KSHS.</b>	<b>2022 KSHS.</b>
<b>Revenue from non-exchange transactions</b>			
Insurance premium levy	6	2,567,831,498	2,300,707,116
Licence fees	7	34,698,481	26,539,555
Miscellaneous income	8	<u>3,802,945</u>	<u>60,000</u>
		<b><u>2,606,332,924</u></b>	<b><u>2,327,306,671</u></b>
<b>Revenue from exchange transactions</b>			
Interest income	9	<u>114,185,604</u>	<u>86,581,365</u>
		<b><u>114,185,604</u></b>	<b><u>86,581,365</u></b>
<b>Total Revenue</b>		<b><u>2,720,518,528</u></b>	<b><u>2,413,888,036</u></b>
<b>EXPENSES</b>			
Board expenses	10	40,037,329	31,073,283
Employee costs	11	503,377,147	488,921,273
Development of the insurance industry	12	179,382,041	137,630,407
General expenses	13	241,347,572	232,518,664
Repairs and maintenance costs	14	8,042,452	3,584,969
Contracted services	15	329,574,652	50,947,776
Depreciation and amortisation	23&24	<u>99,470,695</u>	<u>80,429,065</u>
		<u>1,401,231,888</u>	<u>1,025,105,437</u>
<b>SURPLUS FOR THE YEAR</b>		<b>1,319,286,640</b>	<b>1,388,782,599</b>
Transfer to Consolidated Fund	17	<u>(1,187,357,976)</u>	<u>(1,110,304,525)</u>
<b>TRANSFERRED TO GENERAL RESERVE</b>		<b><u>131,928,664</u></b>	<b><u>278,478,073</u></b>

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2023**


	Notes	2023 KSHS.	2022 KSHS.
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and bank balances	18	186,355,929	225,461,918
Receivable from exchange transactions	19	31,896,206	40,424,699
Investments	20	831,097,927	1,303,965,990
Inventories	21	<u>1,223,847</u>	<u>1,163,728</u>
		<u>1,050,573,909</u>	<u>1,571,016,335</u>
NON-CURRENT ASSETS			
Property, plant, and equipment	4(d)&23	147,285,192	165,576,092
Intangible assets	24	51,195,687	67,396,450
Investment	25	<u>340,466,932</u>	<u>362,713,668</u>
		<u>538,947,811</u>	<u>595,686,210</u>
<b>TOTAL ASSETS</b>		<b><u>1,589,521,720</u></b>	<b><u>2,166,702,545</u></b>
CURRENT LIABILITIES			
Payables from exchange transactions	26	218,864,216	232,560,160
Payable to Consolidated Fund	17	674,267,977	710,304,525
Provisions	27	<u>101,407,693</u>	<u>60,784,690</u>
		<u>994,539,886</u>	<u>1,003,649,375</u>
<b>NET ASSETS</b>		<b><u>594,981,834</u></b>	<b><u>1,163,053,170</u></b>
<b>RESERVES</b>			
General Reserves		594,981,834	463,053,170
Building Reserves		-	<u>700,000,000</u>
		<b><u>594,981,834</u></b>	<b><u>1,163,053,170</u></b>



Moses Njenga Chege  
Chairman



CPA Esther Musyoki  
Manager Finance  
ICPAK no. 3374



Godfrey Kiptum, MBS  
Commissioner of Insurance  
& Chief Executive Officer

*The notes on page 8 to 30 form an integral part of these financial statements*

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE, 2023**

<b>RESERVES</b>	<b>GENERAL RESERVES</b>	<b>BUILDING RESERVE</b>	<b>TOTAL</b>
1 July, 2021	184,575,097	700,000,000	884,575,097
<b>Changes in reserves for 2022</b>			
Surplus for the year	<u>278,478,073</u>	=	<u>278,478,073</u>
<b>Balance as at 30th June, 2022</b>	<b><u>463,053,170</u></b>	<b><u>700,000,000</u></b>	<b><u>1,163,053,170</u></b>
1 July, 2022	463,053,170	700,000,000	1,163,053,170
<b>Changes in reserves for 2023</b>			
Transfer to consolidated fund	-	(700,000,000)	(700,000,000)
Surplus for the year	<u>131,928,664</u>	=	<u>131,928,664</u>
<b>Balance as at 30th June, 2023</b>	<b><u>594,981,834</u></b>	<b>=</b>	<b><u>594,981,834</u></b>

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	<b>2023 KSHS.</b>	<b>2022 KSHS.</b>
<b>Cash flow from operating activities</b>			
Cash receipts from customers		2,606,332,924	2,327,306,671
Payment to suppliers and employees		<u>(1,266,365,760)</u>	<u>(869,793,670)</u>
<b>Net Cash from Operating Activities</b>		<b><u>1,339,967,164</u></b>	<b><u>1,457,513,001</u></b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant, and equipment	23&24	(64,979,032)	(155,110,903)
Purchase/Sale of investments		22,246,736	(3,353,237)
Surplus paid to Consolidated Fund	17	(1,923,394,526)	(1,123,941,406)
Interest received	9	114,185,604	86,581,365
<b>Net cash used in investing Activities</b>		<b><u>(1,851,941,218)</u></b>	<b><u>(1,195,824,181)</u></b>
Net(decrease) increase in cash & cash equivalents		(511,974,055)	261,688,820
Cash & cash equivalent at the beginning		<u>1,529,427,908</u>	<u>1,267,739,088</u>
Cash & cash equivalent at the end	22	<b><u>1,017,453,857</u></b>	<b><u>1,529,427,908</u></b>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE, 2023**

	<b>2023</b>			<b>2023</b>	<b>2023</b>	
	<b>KSHS.</b>			<b>KSHS.</b>	<b>KSHS.</b>	<b>VARIA</b>
<b>INCOME</b>	<b>APPROVED</b>	<b>REVISION 1</b>	<b>REVISION 2</b>	<b>BUDGET</b>	<b>ACTUAL</b>	<b>NCE</b>
	<b>BUDGET</b>					<b>%</b>
Insurance premium levy	2,059,165,290	-		2,059,165,290	2,567,831,498	25%
Interest income	20,000,000	-		20,000,000	114,185,604	471%
Licence fees	27,269,000	-		27,269,000	34,698,481	27%
Other Miscellaneous income	4,000,000	-		4,000,000	3,802,945	-5%
<b>Total Revenue</b>	<b>2,110,434,290</b>	<b>-</b>		<b>2,110,434,290</b>	<b>2,720,518,528</b>	<b>29%</b>
<b>CAPITAL EXPENDITURE</b>	<b>103,350,000</b>	<b>(23,600,000)</b>		<b>79,750,000</b>	<b>64,979,032</b>	<b>19%</b>
<b>OPERATING EXPENDITURE</b>						
Board members expenses	30,000,000	-	10,000,000	40,000,000	40,037,329	0%
Personnel emoluments	591,478,040	-	-	591,478,040	404,384,429	32%
Other personnel costs	132,900,000	(22,000,000)		110,900,000	98,992,718	10%
Development of Insurance industry	187,662,920	(2,000,000)		185,662,920	179,382,041	3%
Office supplies and expenses	28,822,956	(5,000,000)		23,822,956	20,399,247	14%
Transport and travel expenses	48,509,073	(10,500,000)		38,009,073	40,218,899	-6%
Public relations	57,340,000	(15,000,000)		42,340,000	41,312,775	-2%
Utilities and ICT expenses	38,830,000	-	-	38,830,000	35,254,900	9%

Office rent and office services	85,307,734	(4,000,000)		81,307,734	83,532,961	-5%
Consultancy & professional services	50,000,000	(3,000,000)	300,000,000	347,000,000	330,925,701	5%
Sinking fund provision (Depreciation)	67,500,000	-	-	67,500,000	99,470,695	-47%
Other expenses	<u>56,240,000</u>	<u>(28,000,000)</u>		<u>28,240,000</u>	<u>27,380,193</u>	<u>3%</u>
<b>TOTAL RECURRENT EXPENDITURE</b>	<b>1,374,590,723</b>	<b>(89,500,000)</b>		<b>1,595,090,723</b>	<b>1,401,231,888</b>	<b>12%</b>
<b>TOTAL EXPENDITURE</b>	<b>1,477,940,723</b>	<b>(113,100,000)</b>	<b>310,000,000</b>	<b>1,674,840,723</b>	<b>1,466,210,920</b>	<b>12%</b>
<b>SURPLUS FOR THE YEAR</b>	<b><u>632,493,567</u></b>			<b><u>435,593,567</u></b>	<b><u>1,254,307,608</u></b>	<b>187%</b>

## NOTES ON SIGNIFICANT VARIANCES BETWEEN BUDGET AND ACTUAL

1. Significant variances in this context refer to expenditure items which vary from the budget by more than 10%

a) **Income - Kshs. 2,721million (Budget Kshs. 2,110million)**

Premiums written down were higher than those budgeted. Interest rates during the year were very high and interest from the building reserve had not been taken into account during budgeting.

b) **Capital expenditure - Kshs. 65million (Budget Kshs. 80million)**

Integrated customer relationship management solution was not purchased as planned. The solution will be provided by Safaricom at no charge.

c) **Personnel Emoluments - Kshs. 404million (Budget Kshs. 591million)**

Budget is based on a staff establishment of 121 members of staff. Staff in position are currently 70.

d) **Office Supplies- Kshs. 20million (Budget Kshs. 24million)**

The purchase of library materials was not done as planned.

e) **Depreciation- Kshs. 99million (Budget Kshs. 68million)**

The provision for depreciation for assets purchased in quarter four of the last financial year were not taken into account when budgeting.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

### 1. General information

Insurance Regulatory Authority is established by and derives its Authority and accountability from the Insurance Act. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is to regulate, supervise and promote development of the insurance industry in Kenya.

### 2. Statement of compliance and basis of preparation

The financial statements have been prepared on historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires the management to exercise judgement in the process of applying the Authority's accounting policies.

The financial statements have been prepared and presented in Kenya shillings, which is the functional and reporting currency of the Authority.

The financial statements have been prepared in accordance with the Public Finance Management (PFM) Act, the State Corporations Act, the Insurance Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all years presented.

### 3. Adoption of new and revised standards

- i. ***New and amended standards and interpretations in issue effective in the year ended 30 June 2023.***

Standard	Effective date and impact:
<b>IPSAS 41:</b> Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing, and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's</li> </ul>

Standard	Effective date and impact:
	<p>cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness, and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity.</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position, and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</li> <li>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>

Standard	Effective date and impact:
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement.</b> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul>

The new standards did not have a major impact on the Authority's figures.

ii. ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.***

Standard	Effective date and impact:
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**(iii) Early adoption of standards**

The Authority did not early – adopt any new or amended standards in year 2022/2023.

#### **4. Summary of significant accounting policies**

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

##### **(a) Income recognition**

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

###### ***Premium levy, Penalties, and licence fees***

The Authority recognizes revenues from levies, penalties, and fees when due. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority and the fair value of the asset can be measured reliably.

###### **ii) Revenue from exchange transactions**

###### ***Interest income***

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

##### **(b) Budget information**

The budget for financial year 2022-2023 was approved by The National Treasury and Economic Planning via letter Ref DGIPE/A/1/10 dated 24<sup>th</sup> June 2022. The budget was revised twice during the financial year.

The annual budget is prepared on accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there is no basis that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

##### **(c) Taxes**

Under regulation 219(2) of the Public Finance Management Act No. 18 of 2012, the Authority is required to remit 90% of its surplus funds to the Consolidated Fund. As a result, the Authority is exempted from paying income tax under regulation 219(3) of the same act.

##### **(d) Property, Plant, Equipment and Computer Depreciation**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property,

plant and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on the cost of each asset on a straight-line basis at annual rates estimated to write off the cost of the asset over its estimated useful life. Assets purchased in the first three quarters of the financial year are depreciated fully for the year while those purchased in the last quarter are not depreciated in the financial year under review.

The Depreciation rates used are as follows;

Motor Vehicle	25.00%
Partitions & Furniture	12.50%
Computer Equipment	33.30%
Other Equipment	25.00%

#### **(e) Leases**

Finance leases are leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Authority also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Authority will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

## **(f) Intangible assets**

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

The useful life of the intangible assets is assessed as either finite or indefinite. Amortisation is calculated on the cost of each asset on a straight-line basis at an annual rate of 33.3%. Assets purchased in the first three quarters of the financial year are amortised fully for the year while those purchased in the last quarter are not amortised in the financial year under review.

## **(g) Research and development costs**

The Authority expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Authority can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

## **(h) Financial instruments**

### ***(a) Financial assets***

#### ***Initial recognition and measurement***

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

#### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such

financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

### ***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Authority has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

### ***Impairment of financial assets***

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty.
- Default or delinquency in interest or principal payments.
- The probability that debtors will enter bankruptcy or other financial reorganization.
- Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults).

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

#### ***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

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

## ***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

### **(i) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

### **(j) Provisions**

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

### ***Contingent liabilities***

The Authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements. If it has become virtually certain that an outflow of economic benefit will arise and the liability value can be measured reliably, the liability is recognized in the financial statements.

### ***Contingent assets***

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority, in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

#### **(k) Nature and purpose of reserves**

The Authority creates and maintains reserves in terms of specific requirements. General reserves represent surplus held over the years. Building reserve represent an appropriation from the general reserve towards the purchase of the Authority's office premises.

#### **(l) Changes in accounting policies and estimates**

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

#### **(m) Employee benefits**

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

The Authority operates a defined contribution pension scheme for all its eligible employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The scheme is funded from contributions from both the Authority and employees. The assets of this scheme are held in a separate trustee administered scheme.

The Authority also contributes to a statutory defined contribution plan, National Social Security Fund. The contributions are determined by local statute and are currently limited to Kshs. 360 at tier I and 720 at tier II per employee per month.

Contributions by the Authority to staff retirement benefit schemes are charged to the statement of financial performance as they fall due.

**(n) Foreign currency transactions**

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

**(o) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant, and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**(p) Related parties**

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties and comprise the Board of Directors, the Commissioner of Insurance & Chief Executive Officer, Directors, and Senior Managers.

**(q) Service concession arrangements**

The Authority analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Authority recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**(r) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three

months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

**(s) Comparative figures**

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

**(t) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

**5. Significant judgments and sources of estimation uncertainty**

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

***Estimates and assumptions***

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

***Useful lives and residual values***

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

- The condition of the asset based on the assessment of experts retained by the Authority.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset.

***Provisions***

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 27.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

## 6. Insurance premium levy

	<b>2023</b>	<b>2022</b>
	<b>KSHS.</b>	<b>KSHS.</b>
Premium Levy	2,567,831,498	2,300,707,116
	<b><u>2,567,831,498</u></b>	<b><u>2,300,707,116</u></b>

As per section 197A (1) (2a) of the Insurance Act, Insurers are required to pay a levy on gross direct premiums written at a rate prescribed by the Cabinet Secretary. The rate is currently at 1%.

## 7. License fees

Insurance companies	9,500,000	1,800,000
Brokers	3,913,168	4,550,000
Loss Assessors	920,000	1,554,000
Agents	19,485,313	17,960,555
Other intermediaries	780,000	435,000
Branches	100,000	240,000
	<b><u>34,698,481</u></b>	<b><u>26,539,555</u></b>

This is an annual fee paid by all licensed industry players. The fees charged are Kshs. 250,000 for Re-insurance companies, Kes. 150,000 for Insurance companies, Kshs.10,000 for brokers and medical insurance providers, Kshs. 3,000 for surveyors, loss adjustors, loss assessors, investigators, risk managers, claims settling agents, 20,000 for bancassurance and Kshs.1,000 for insurance agents. For annual renewals, the industry players are required to pay twice the amount if the application is received after the deadline, currently 30<sup>th</sup> September.

## 8. Miscellaneous income

Sale of obsolete items	3,802,945	60,000
	<b><u>3,802,945</u></b>	<b><u>60,000</u></b>

This is income from the sale of obsolete motor vehicles.

## 9. Interest income

Treasury bills	58,011,846	48,024,263
Fixed deposits	54,609,142	35,018,320
Current accounts	1,564,616	3,538,782
	<b><u>114,185,604</u></b>	<b><u>86,581,365</u></b>

This comprises interest earned on investment in treasury bonds, treasury bills, fixed deposit accounts and current accounts. Interest on treasury bonds and

treasury bills is recognized on a straight-line basis over the maturity period of the investments.

## 10. Board expenses

	<b>2023</b>	<b>2022</b>
	<b>KSHS.</b>	<b>KSHS.</b>
Honoraria	960,000	800,000
Sitting allowances	11,244,000	7,360,000
Seminars, travel, and accommodation	26,076,676	19,846,634
Meeting, entertainment & Others	907,572	416,272
Medical GPA	309,781	34,377
Other expenses	539,300	2,616,000
	<b><u>40,037,329</u></b>	<b><u>31,073,283</u></b>

The Board Chairman receives a monthly honorarium of Kshs.80,000 per month.

## 11. Employee costs

Basic salary	200,820,474	221,700,354
House allowances	34,585,269	35,147,795
Transport allowances	30,406,415	30,991,713
Contract/part-time staff	35,715,521	10,978,489
Special duty and extraneous allowance	13,229,924	13,519,460
Pension and gratuity	69,859,229	54,530,852
Medical	27,826,291	31,132,723
Group insurance-life and accident	7,692,488	6,132,982
Training and capacity building	52,934,490	55,300,244
Subscriptions	1,221,820	1,177,198
Internship	1,712,597	1,324,003
Staff uniforms and welfare	8,997,629	10,860,460
Staff bonus and awards	320,000	200,000
Leave allowance	18,055,000	15,925,000
	<b><u>503,377,147</u></b>	<b><u>488,921,273</u></b>

Number of employees at year end	70	72
---------------------------------	----	----

## 12. Development of the insurance industry

Seminars for insurance industry	30,065,275	15,198,026
Consumer education	92,868,637	71,131,964
Scholarship for Actuarial students	53,567,639	36,961,577
Research	2,880,490	14,338,840
	<b><u>179,382,041</u></b>	<b><u>137,630,407</u></b>

### 13. General expenses

	<b>2023</b>	<b>2022</b>
	<b>KSHS.</b>	<b>KSHS.</b>
Office supplies and expenses	20,339,247	14,381,923
Transport and travel	38,466,138	36,474,269
Public relations	41,312,775	45,675,372
ICT expenses	35,254,900	23,560,536
Provision for Bad debts		100,000
Bank charges	1,351,049	1,251,435
Office rent and office services	77,243,270	68,954,009
IFIU and Tribunal expenses	<u>27,380,193</u>	<u>42,121,121</u>
	<b><u>241,347,572</u></b>	<b><u>232,518,664</u></b>

### 14. Repairs and maintenance costs

Repair and service-office equipment	6,289,691	1,917,363
Vehicle repair and service	<u>1,752,761</u>	<u>1,667,606</u>
	<b><u>8,042,452</u></b>	<b><u>3,584,969</u></b>

### 15. Contracted services

Consultancy	327,574,652	48,947,776
Audit fees	<u>2,000,000</u>	<u>2,000,000</u>
	<b><u>329,574,652</u></b>	<b><u>50,947,776</u></b>

Waweru Gatonye & Co. Advocates, one of the Authority's lawyers, was awarded by the Court legal fees of Kshs. 262,990,246 million with interest at 14% from the date of award on 12 May, 2020. The Authority filed a reference to the High Court against the taxation award but the same was upheld by the Court. The Authority, through the Office of the Attorney General, sought leave from the Court of Appeal to file an appeal together with an application for stay of execution pending determination of the appeal. The Court of Appeal declined to grant a stay of execution of the award but granted leave to file an appeal which is still pending before the Court of Appeal. In view of the fact that there was no stay of execution, the Advocate obtained garnishee orders absolute against the Authority's bank account at National Bank for Kshs. 15,000,000 in December 2021. Following the ruling by the Court of Appeal declining to grant stay in July 2022, the Advocates called for the balance of the garnisheed amount from the Bank and the same was released to the Advocate. On separate occasions in October 2022, December 2022 and May 2023 the Advocate obtained further garnishee orders absolute against the Authority's accounts. As at 30<sup>th</sup> May 2023, the Advocate had collected a total of Kshs. 303,760,414 through various garnishee orders absolute. The Authority sought for budget approval from the National Treasury to settle the contingent liability and approval was granted on 29<sup>th</sup> May 2023. In total, the Advocate attached and was paid Kshs. 342,779,509 (inclusive of interest of Kes. 79,789,263). The Advocate wrote to the Authority in July 2023 confirming they had received total payment in full and final settlement of the matter.

## 16. Depreciation and amortisation

	<b>2023</b>	<b>2022</b>
	<b>KSHS.</b>	<b>KSHS.</b>
Depreciation	74,824,814	60,245,140
Amortisation	<u>24,645,881</u>	<u>20,183,925</u>
	<b><u>99,470,695</u></b>	<b><u>80,429,065</u></b>

## 17. Transfer to the consolidated fund

Surplus for the year	1,319,286,640	1,388,782,599
90% of realised Surplus	1,187,357,977	1,110,304,525
Advance payment	<u>(513,090,000)</u>	<u>(400,000,000)</u>
Amount Due	<b><u>674,267,977</u></b>	<b><u>710,304,525</u></b>

## 18. Cash and bank balances

NBK Account No. 0100306688400	6,536,162	177,990,781
KCB Ltd Account No. 1202647413	136,562,203	24,012,702
NCBA bank Account no. 1000009632	35,970,599	12,724,061
NCBA Account no. 8189570014	7,227,632	10,577,247
Petty cash	59,333	157,127
	<b><u>186,355,929</u></b>	<b><u>225,461,918</u></b>

## 19. Receivables from exchange transactions

Prepayments	7,633,217	6,897,668
Staff imprests / advances	466,039	832,108
Policyholders Compensation Fund (PCF)	725,641	-
Deposits	18,977,747	25,696,754
Less specific provision on deposit	-	<u>(100,000)</u>
Interest receivable	<u>4,093,562</u>	<u>7,098,169</u>
	<b><u>31,896,206</u></b>	<b><u>40,424,699</u></b>

## 20. Short term investment

Fixed deposit -KCB	202,330,839	101,554,452
Fixed deposit -CO-OP	269,413,224	118,705,038
Fixed deposit -NCBA	164,741,864	250,000,000
Treasury bills	<u>194,612,000</u>	<u>833,706,500</u>
	<b><u>831,097,927</u></b>	<b><u>1,303,965,990</u></b>

The effective interest rate on the Treasury bill as at 30 June, 2023 was 11%.

## 21. Inventories

	<b>2023</b> <b>KSHS.</b>	<b>2022</b> <b>KSHS.</b>
Stationery	<u>1,223,847</u>	<u>1,163,728</u>
	<b><u>1,223,847</u></b>	<b><u>1,163,728</u></b>

## 22. Cash and cash equivalents

This includes cash in hand, current account balances, short term fixed deposits and investments in 91 days Treasury Bills.

Cash and current account balances	186,355,929	225,461,918
Short term investments	636,485,927	470,259,490
Treasury Bills	<u>194,612,000</u>	<u>833,706,500</u>
	<b><u>1,017,453,856</u></b>	<b><u>1,529,427,908</u></b>

### 23. Property, plant & equipment

	Motor Vehicles	Computer Equipment	Computer Networking & Cabling	Partitions Furniture & Fittings	Equipment (Telephone, Fax, Other)	Total
	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.
At 1 July,2021	81,589,354	186,239,923	44,411,480	112,673,122	29,605,370	454,519,249
Add: additions during the year	18,188,000	36,799,999	-	35,796,624	2,299,666	93,084,289
Less: disposals during the year	(4,768,608)	-	-	-	-	(4,768,608)
<b>At 30 June 2022</b>	<b>95,008,746</b>	<b>223,039,922</b>	<b>44,411,480</b>	<b>148,469,746</b>	<b>31,905,036</b>	<b>542,834,930</b>
Depreciation:						
At 1 July,2021	62,818,504	85,857,651	39,948,920	108,116,890	25,040,341	321,782,306
Charge for the year	6,256,950	48,926,967	1,487,520	1,619,221	1,954,482	60,245,140
Disposal	(4,768,608)	-	-	-	-	(4,768,608)
<b>At 30 June,2022</b>	<b>64,306,846</b>	<b>134,784,618</b>	<b>41,436,440</b>	<b>109,736,111</b>	<b>26,994,823</b>	<b>377,258,838</b>
<b>Net book value: At 30 June 2022</b>	<b>30,701,900</b>	<b>88,255,304</b>	<b>2,975,040</b>	<b>38,733,635</b>	<b>4,910,213</b>	<b>165,576,092</b>
At 1 July,2022	95,008,746	223,039,922	44,411,480	148,469,746	31,905,036	542,834,930
Add: additions during the year	-	46,719,501	-	7,456,078	2,358,335	56,533,914
Less: disposals during the year	(11,664,302)	-	-	-	-	(11,664,302)
<b>At 30 June 2022</b>	<b>83,344,444</b>	<b>269,759,423</b>	<b>44,411,480</b>	<b>155,925,824</b>	<b>34,263,371</b>	<b>587,704,542</b>
Depreciation:						
At 1 July,2022	64,306,846	134,784,618	41,436,440	109,736,111	26,994,823	377,258,838
Charge for the year	10,803,950	55,672,065	1,487,520	5,447,113	1,414,166	74,824,814
Disposal	(11,664,302)	-	-	-	-	(11,664,302)
<b>At 30 June,2023</b>	<b>63,446,494</b>	<b>190,456,683</b>	<b>42,923,960</b>	<b>115,183,224</b>	<b>28,408,989</b>	<b>440,419,350</b>
<b>Net book value: At 30 June 2023</b>	<b>19,897,950</b>	<b>79,302,740</b>	<b>1,487,520</b>	<b>40,742,600</b>	<b>5,854,382</b>	<b>147,285,192</b>

At 30 June, 2023, Assets worth Kshs.462,674,230 were fully depreciated. The notional depreciation charge on these assets is Kshs. 125,743,992. (As at 30<sup>th</sup> June 2022 the fully depreciated assets were worth Kshs. 258,026,650 with a notional depreciation of Kshs. 60,092,831).

## 24. Intangible assets

### Computer software

	KSHS.	TOTAL KSHS.
Cost		
At 1 July 2021	91,131,948	91,131,948
Add: additions during the year	62,026,614	62,026,614
Less: disposals during the year		
<b>At 30 June 2022</b>	<b><u>153,158,562</u></b>	<b><u>153,158,562</u></b>
Amortization:		
At 1 July,2021	65,578,187	65,578,187
Charge for the year	<u>20,183,925</u>	<u>20,183,925</u>
Disposal		
<b>At 30 June,2022</b>	<b><u>85,762,112</u></b>	<b><u>85,762,112</u></b>
<b>Net book value:</b>		
<b>At 30 June 2022</b>	<b>67,396,450</b>	<b>67,396,450</b>
At 1 July 2022	153,158,562	153,158,562
Add: additions during the year	8,445,118	8,445,118
Less: disposals during the year		
<b>At 30 June 2022</b>	<b><u>161,603,680</u></b>	<b><u>161,603,680</u></b>
Amortization:		
At 1 July,2022	85,762,112	85,762,112
Charge for the year	<u>24,645,881</u>	<u>24,645,881</u>
Disposal		
<b>At 30 June,2023</b>	<b><u>110,407,993</u></b>	<b><u>110,407,993</u></b>
<b>Net book value:</b>		
<b>At 30 June 2023</b>	<b>51,195,687</b>	<b>51,195,687</b>

## 25. Long term investments

These are fixed deposits under lien for the Staff mortgage and car loans.

	2023 KSHS.	2022 KSHS.
National bank	14,924,717	14,745,466
Co-operative Bank	58,471,162	82,226,883
Kenya Commercial Bank	<u>267,071,053</u>	<u>265,741,319</u>
	<b><u>340,466,932</u></b>	<b><u>362,713,668</u></b>

## 26. Payables from exchange transactions

Supplier invoices	184,724,294	228,753,130
Other payables	<u>34,139,922</u>	<u>3,807,030</u>
	<b><u>218,864,216</u></b>	<b><u>232,560,160</u></b>

## 27. Provisions

	<b>2023</b>	<b>2022</b>
	<b>KSHS.</b>	<b>KSHS.</b>
Audit fees	2,000,000	2,000,000
Legal fees	27,609,130	21,504,692
General Provision	32,709,988	-
Government liability	12,915,803	-
Contingent liability	792,452	30,792,452
Gratuity	<u>25,380,320</u>	<u>6,487,546</u>
	<b><u>101,407,693</u></b>	<b><u>60,784,690</u></b>

## 28. Related party transactions

The following transactions took place with related parties

Board (Allowances & other expenses)	40,037,329	31,579,548
Top management (Remuneration)	<u>45,367,600</u>	<u>44,035,807</u>
	<b><u>85,404,929</u></b>	<b><u>75,615,355</u></b>

## 29. Cash generated from operations

	<b>note</b>		
<b>Surplus for the year before tax</b>		1,319,286,640	1,388,882,599
<b>Adjusted for:</b>			
Depreciation and amortisation	16	99,470,695	80,429,065
Gains and losses on disposal of assets		-	-
Contribution to provisions	27	40,623,003	(17,397,820)
Finance income	9	(114,185,604)	(86,581,365)
Finance cost		-	-
<b>Working Capital adjustments</b>			
(Increase)/ Decrease in inventory	21	(60,119)	(152,159)
(Increase)/ Decrease in receivables	19	8,528,492	4,407,137
Increase / (Decrease) in payables	26	(13,695,943)	87,925,544
<b>Net cash flow from operating activities</b>		<b><u>1,339,967,164</u></b>	<b><u>1,457,513,001</u></b>

## 30. Financial instruments and risk management policies

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks. The Authority's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by

setting acceptable levels of risk. The Authority does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Authority's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the Board of Directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Authority's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Authority's maximum exposure to credit risk without taking account of the value of any collateral obtained and is made up as follows:

	<b>Total amount KSHS.</b>	<b>Fully performing KSHS.</b>	<b>Past due KSHS.</b>	<b>Impaired KSHS.</b>
<b>At 30 June 2023</b>				
Receivables from exchange transactions	31,896,206	31,867,846	28,360	-
Bank balances	186,355,929	186,355,929	-	-
<b>Total</b>	<b>218,252,135</b>	<b>218,223,775</b>	<b>28,360</b>	<b>-</b>
<b>At 30 June 2022</b>				
Receivables from exchange transactions	40,424,698	40,269,298	155,400	-
Bank balances	225,461,918	225,461,918	-	-
<b>Total</b>	<b>265,886,616</b>	<b>265,731,215</b>	<b>155,400</b>	<b>-</b>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Authority has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Board of Directors sets the Authority's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

## (ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Authority's Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Authority's short, medium, and long-term funding and liquidity management requirements. The Authority manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Authority.

	<b>Less than 1 month KSHS.</b>	<b>Between 1- 3 months KSHS.</b>	<b>Over 5 months KSHS.</b>	<b>Total KSHS.</b>
<b>At 30 June 2023</b>				
Trade payables	185,884,499	1,657,634	31,322,083	218,864,216
Provisions	65,623,003	4,487,546	31,297,144	101,407,693
<b>Total</b>	<b>251,507,502</b>	<b>6,145,180</b>	<b>62,619,227</b>	<b>320,271,909</b>
<b>At 30 June 2022</b>				
Trade payables	199,580,443	1,657,634	31,322,083	232,560,160
Provisions	25,000,000	4,487,546	31,297,144	60,784,690
<b>Total</b>	<b>224,580,443</b>	<b>6,145,180</b>	<b>62,619,227</b>	<b>293,344,850</b>

## (iii) Market risk

The Board of Directors has approved a risk management framework to assist management in assessing the risk faced by the Authority on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Authority's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Authority's management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

**a) Foreign currency risk**

Such exposures arise through purchase of goods and services that are done in currencies other than the local currency. The Authority does not have transactional currency exposures.

**b) Interest rate risk**

Interest rate risk is the risk that the Authority's financial condition may be adversely affected as a result of changes in interest rate levels. The Authority's interest rate risk arises from bank deposits. This exposes the Authority to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Authority's deposits.

**c) Management of interest rate risk**

Although this risk is unlikely to occur, it is mitigated by placing deposits with well-established financial institutions that offer favourable interest rates and approved by The National Treasury and Economic Planning.

**iv) Capital Risk Management**

The objective of the Authority's capital risk management is to safeguard its ability to continue as a going concern. The Authority's capital structure comprises mainly reserves with no debt.

**31. Contingent liabilities**

Gonzaga consultant, the Quantity Surveyor in partitioning works at Zepre in 2009 has filed a suit against the Authority for services rendered. A provision of Kshs. 792,452 has been made in the accounts.

**32. Operating leases**

The Authority has a cancellable three operating leases of six years for office space in the second, third, sixth, seventh, tenth and ground floors with ZEPRE PTA and for third floor with Shelter Afrique. The rents are payable quarterly in advance.

**33. Commitments**

The Authority had issued local purchase orders and local service orders for various supplies for which goods/services had either not been received or had been partly received by 30<sup>th</sup> June, 2023.

	<b>2023</b> <b>KSHS.</b>	<b>2022</b> <b>KSHS.</b>
Purchase/service orders	<u>70,343,191</u>	<u>9,655,316</u>
	<b><u>70,343,191</u></b>	<b><u>9,655,316</u></b>

**34. Surplus remittance**

In accordance with regulation 219 (2) of the Public Financial Management Act, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority will remit Kshs. 1,187,357,976 (Financial year 2022 Kshs. 1,110,304,525).

**35. Events after the reporting date**

There were no material adjusting and non- adjusting events after the reporting period.

**36. Ultimate and holding Entity**

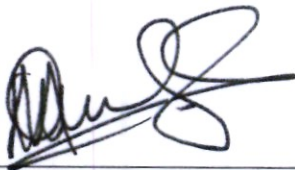
The Authority is a State Corporation under The National Treasury and Economic Planning. Its ultimate parent is the Government of Kenya.

**37. Currency**

The financial statements are presented in Kenya Shillings (Kshs.).

**PROGRESS ON FOLLOW UP OF PRIOR PERIOD AUDITOR  
RECOMMENDATIONS**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>There were no pending prior period auditor recommendations.</p>					



**Moses Njenga Chege**  
Chairman



**Godfrey Kiptum, MBS**  
Commissioner of Insurance &  
Chief Executive Officer