

You're in control



Impacting Change in Africa

**AAR Insurance**  
**Integrated Report**

**2024**





# Table of Contents

<b>About This Report .....</b>	<b>8</b>
• Reporting Scope and Boundaries .....	8
• Materiality and Stakeholder Focus.....	8
• Our Approach to Integrated Thinking .....	9
• Approval by The Board.....	9
• Our Value Distribution .....	10
• AAR Ecosystem and Partners .....	11
<b>Who We Are .....</b>	<b>13</b>
• About AAR Insurance .....	14
• Our Purpose, Mission, and Values .....	23
• Our Presence .....	24
• Awards and Recognition.....	29
<b>Our Leadership .....</b>	<b>33</b>
• Statement by the AIK Board Chairperson .....	34
• Statement by the CEO and Principal Officer .....	38
• Our Governance Structure and Committees .....	42
• Board of Directors .....	46
• Executive Committee.....	48
• Statement by the Group Board Chairperson .....	50
<b>Risk Management .....</b>	<b>65</b>
• Risk Management Approach and Processes .....	66
• Risk Identification .....	66
• Risk Description .....	66
• Risk Estimation .....	67
• Risk Evaluation and Analysis .....	68
• Risk Monitoring and Reporting .....	69
• Principal Risks .....	70
• Risk Assessment .....	71
<b>Our Sustainability Strategy.....</b>	<b>73</b>
• Our Sustainability Highlights .....	75
• Sustainability Frameworks .....	76
a) Alignment with Sustainable Development Goals (SDGs) .....	76
b) Our Value Creation Model .....	79
<b>Our Stakeholder Engagement Framework .....</b>	<b>83</b>
<b>Our Materiality Assessment and Matrix.....</b>	<b>87</b>
• Materiality Assessment Process .....	88
• Materiality Matrix .....	90

<b>Material Topics .....</b>	<b>93</b>
• Material Topics .....	94
• Promoting Stronger Communities and Healthier Lives.....	94
• Empowering and Investing In Our People For A Better Tomorrow.....	96
• Seamless Personalised Customer Experience .....	101
• Building Resilience through Environmental Stewardship .....	102
• Sustainable Practices and Governance Excellence .....	106
• Innovating Smarter Insurance and Financial Solutions .....	110
<b>Performance Overview .....</b>	<b>115</b>
• Reflections from the Group Chief Finance Officer .....	116
• Regulatory Implications .....	117
• Revenue Growth .....	118
• Operating Costs .....	118
<b>Financial Statements .....</b>	<b>123</b>
• Report of the Directors .....	124
• Statement of Corporate Governance.....	126
• Directors' Statement of Responsibility .....	132
• Independent Auditor's Report.....	134
• Notes to the Financial Statements .....	142





# About

---

# THIS REPORT

## Reporting Scope and Boundaries

This Integrated Report and Financial Statements 2024 presents AAR Insurance's financial and non-financial performance for the financial year ending 31st December 2024. It highlights our commitment to value creation for stakeholders, covering our strategic initiatives, governance, and financial sustainability. Transparency and accountability remain core to our business operations.

## Frameworks

This report was prepared in accordance with GRI standards;

1. Globally recognised sustainability standards and financial reporting standards.
2. The Companies Act, 2015.
3. The Insurance Regulatory Authority (IRA) guidelines.
4. The International Integrated Reporting Council (IIRC) guidelines.
5. The International Financial Reporting Standards (IFRS).
6. Global Reporting Initiative (GRI)

## Scope and Boundary

This report details AAR Insurance's performance in Kenya and Uganda. AAR Insurance operates in these markets, providing Health Insurance and General Insurance in Kenya and Health and General Insurance solutions in Uganda. The report covers the financial year from 1st January to 31st December 2024, reflecting operational achievements, regulatory compliance, and our strategic growth.

## Materiality and Stakeholder Focus

AAR Insurance is committed to addressing the material issues that impact our business and stakeholders. Our materiality assessment considers financial performance, regulatory requirements, environmental and social impacts, customer needs, and emerging risks. This approach ensures we prioritize key areas that influence sustainable growth and long-term value creation.

Our stakeholder engagement strategy is designed to foster transparency and responsiveness. We engage with policyholders, regulators, investors, employees, and communities to understand their expectations and concerns. These engagements shape our decision-making process, ensuring that our strategies align with stakeholder needs and industry best practices.

## Our Approach to Integrated Thinking

At AAR Insurance, our integrated thinking approach to decision-making, management, and reporting ensures that our purpose and values are aligned with our strategic direction. This approach guides our value creation process, enabling us to deliver sustainable insurance solutions that meet the evolving needs of our customers.

We applied the principle of double materiality in assessing the material matters included in this report. These material matters are those with the potential to significantly influence our ability to create, sustain, and protect value over the short, medium, and long term.

To identify our material matters, we engaged in a comprehensive, Group-wide assessment process that incorporated insights from our operations in Kenya and Uganda. This process enabled us to pinpoint key issues that could impact our ability to serve our policyholders, enhance our service delivery, and uphold our commitment to financial sustainability. We then prioritised the most relevant issues, validated them against our strategic objectives, and continuously reassessed them to ensure our strategy remains effective in driving value for our customers, employees, and stakeholders.

## Approval by The Board

The Board of Directors of AAR Insurance acknowledges its responsibility to ensure the integrity of this integrated report and to uphold strong corporate governance across the organisation. The Board is committed to embedding governance best practices that enhance transparency, accountability, and long-term value creation for our stakeholders. We believe this report effectively addresses the key material issues that influence AAR Insurance's ability to create and preserve value while mitigating risks that could lead to value erosion in the short, medium, and long term.

Additionally, this report provides a clear and concise overview of our business model, external operating environment, strategic direction, governance framework, risk management approach, and financial performance for 2024.

The annual financial statements on which this report is based were approved by the Board of Directors of AAR Insurance on 31st December, 2024 and signed on its behalf by:

-----  
Esther Koimett, CBS  
Chairperson of the Board

-----  
Patricia Kiwanuka  
Director

-----  
Justine Kosgei  
CEO & Principal Officer

## Our Value Distribution

As one of Kenya's leading medical and general insurance provider, our work aims to safeguard the health and wealth for our customers while also collaborating with stakeholders to drive value through universal health coverage and sustainable growth. We have spotlighted what puts us ahead of the curve:

<b>Total Assets</b>	Shs 8.2 Billion
<b>Market Share (as at September 2024)</b>	5.4% - General Insurance 14.1% - Medical Insurance
<b>Insurance Revenue</b>	42% growth to Shs 12.298 Billion
<b>Non-Claim Supplier Payments</b>	Shs 780,003,274
<b>Total Claims Paid</b>	Shs 8,138,490,249
<b>Key Strategic Partners</b>	M-TIBA, CIGNA HEALTHCARE, KNCCI, SNDBX, KWFT
<b>AAR Ecosystem</b>	AAR Healthcare, AAR Hospital, M-TIBA, PharmaAccess, Nakasero Hospital in Uganda
<b>Products Developed Under the Innovation Hub</b>	ShwAARe, My WAKALAAR, Kinga Afya, Ddwaliro, Munno Mukabi
<b>Total Number of Customers</b>	Over 250,000
<b>Number of Branches</b>	12 (in Kenya), 1 (Satellite branch Uganda)
<b>ESG</b>	E - A Tree-A-Life Initiative, planted over 42,000 trees S - Improved Gender balance at Board and Management levels - Onboarded more women. G - Development of ESG oversight structure

## AAR Ecosystem

---



**Insurance**



**Hospital**



**Healthcare**



Always Caring. Always Here.

## Partners

---





# Who We Are



# About

## AAR INSURANCE



*AAR Insurance is a leading medical and general insurance company that provides innovative underwriting solutions to individuals, families, and businesses. We currently serve over **250,000** customers across East Africa and continue to grow our market strength through innovation with the goal of being a fully digitised insurance company. We are keen on forging strategic partnerships to improve operational efficiency in the area of claims management.*

AAR Insurance is a licensed financial services provider regulated by the Insurance Regulatory Authority (IRA), a member of the Association of Kenya Insurers (AKI) and a leading player in both medical and general insurance. We remain committed to delivering innovative and responsive underwriting solutions tailored to the evolving needs of our customers. Our strategic priorities are anchored on leveraging digital innovation to enhance customer experience and operational efficiency, while accelerating growth through targeted solutions in under-served segments such as SMEs and micro-insurance.

As the insurance industry undergoes digital disruption, affecting how insurers engage with customers, we have re-aligned our products and services to meet emerging consumer needs and expectations in a rapidly digitised business environment. We recently rolled out Cloud infrastructure as part of our goal to be a fully digital Insurance company. In addition, AAR Insurance is keen on forging strategic partnerships to improve operational efficiency. To deliver a delightful customer experience, we are enhancing and simplifying service delivery by automating our services via the AAR Insurance Mobile App and online interactive portals. AAR Insurance is also actively growing its business footprint in the counties, the next big economic frontier in Kenya.

As a responsible business, we have consistently invested in the well-being of People, Communities and the Planet as part of our sustainability agenda. Our response to emerging market opportunities, flexibility, innovation and readiness to respond to customer needs makes us a leader in the medical and general insurance space in East Africa. Our countrywide presence includes an extensive branch and broker network. We have distinguished ourselves as dynamic thought leaders by providing flexible and simple Insurance solutions to empower individuals and businesses; the cornerstone of a strong economy.



# 1984

*AAR Insurance started operations with road and air medical evacuations, for accident casualties, as its primary business.*

# 2000

*The AAR Beckmann Trust, named in memory of one of the founding directors Bengt Beckmann, is born. Its mission is to produce positive and sustainable social, economic and environmental impact for the business and society in general.*

# 2013

*AAR Insurance rolls out non-medical Insurance Solutions Portfolio and ventures into offering solutions such as Group Personal Accident, Home Insurance Solution, Personal Accident and Professional Indemnity.*

# 2024

*AAR Insurance has presence across the region through its intensive branch and broker network.*

# AAR Journey

1991

AAR Kenya expands into healthcare services by becoming a medical insurance provider.



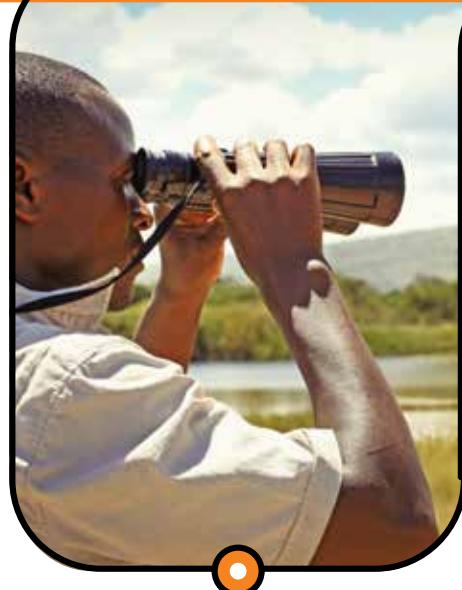
2000

The AAR Beckmann Trust, named in memory of one of the founding directors Bengt Beckmann, is born. Its mission is to produce positive and sustainable social, economic and environmental impact for the business and society in general.



1984

Africa Air Rescue Company accident and medical evacuation services by road and air is started in Nairobi, Kenya.



2004

Project Ventures International (PVI) becomes a shareholder in the AAR Group.

## 2007

AAR Insurance Tanzania begins operations and is granted an insurance license.



## 2005

AAR Insurance opens its Kigali operations.



## 2010

IFHA commits to invest Shs 750 Million in the AAR Group.

AAR Insurance rolls out non-medical insurance solutions portfolio and ventures into offering solutions such as Group Personal Accident, Home Insurance Solutions, Personal Accident and Professional Indemnity.

# AAR Journey

2016

Medical Underwriter of the Year

1<sup>st</sup> Runner Up



2017

Medical Underwriter of the Year

Personal - 1<sup>st</sup> Runner Up

Best Company in Technology  
and Digital Application

2<sup>nd</sup> Runner Up

Customer Service Award

2<sup>nd</sup> Runner Up

2015

Medical Underwriter of the Year

1<sup>st</sup> Runner Up

Customer Satisfaction Award

1<sup>st</sup> Runner Up

Most Socially Responsible  
Corporate Award

1<sup>st</sup> Runner Up

Customer Service Award

2<sup>nd</sup> Runner Up



2018

Medical Underwriter of the Year

Personal

Medical Underwriter of the Year

Group

**2022**

Global Business  
Magazine Awards



**2019**

**Medical Underwriter of the Year**  
Personal

**Most Customer Centric Underwriter**  
General – 1<sup>st</sup> Runner Up

**Training Award**  
2<sup>nd</sup> Runner Up

**Excellent Enterprise Information  
Technology Adoption**  
(CIO100 Award) Silver Mark

Adoption of M-TIBA Solution

**2023**

**Project of the Year above 10M**  
Winner – Project Management Institute Kenya

**CIO100 Award**  
Silver Mark by CIO Africa

**Insurance Sector**  
1<sup>st</sup> Runner Up by CIO Africa



**2024**

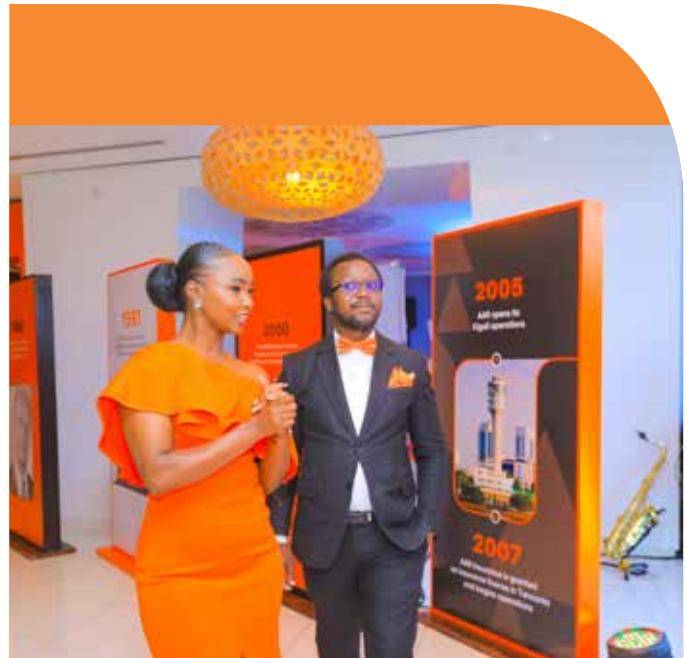
**Think Business Awards**

- Claims Settlement Award – Winner
- The Training Award – Winner
- Best Insurance in Product Distribution & Marketing – Winner
- The Most Customer-Centric Underwriter – General – Winner
  - Medical Underwriter of the Year – Personal – Winner
- Best Insurance Company in Product Innovation – Winner
- Medical Underwriter of the Year – Group – 1<sup>st</sup> Runner Up

**KENCTAD**

Overall Best Insurance Experience Champion

## 40th Anniversary – Kenya





# 40th Anniversary – Uganda



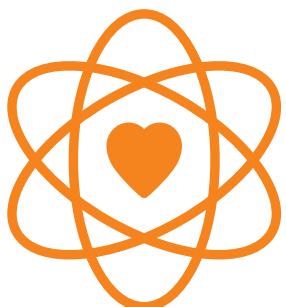
## PHILOSOPHY

*AAR Insurance believes that people are at their best when they are in control of their lives.*



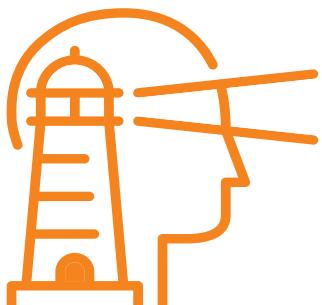
### Mission

Reinventing insurance through innovative, affordable, personalised & sustainable solutions



### Brand Purpose

Redefining insurance



### Vision

Safeguarding the health and wealth of all

# OUR VALUES



## A Agile

We have flexible strategies, people, processes and technologies to adapt to market changes.



## R Reliable

We are committed to honest and ethical conduct in all aspects of our business, and we are responsive, accessible and adaptable to our customer needs.



## I Innovative

We are continuously innovating to deliver value and evolve our business and industry through innovative ideas and the creation of new solutions and processes that place us at the cutting edge of what we do.



## S Strategic

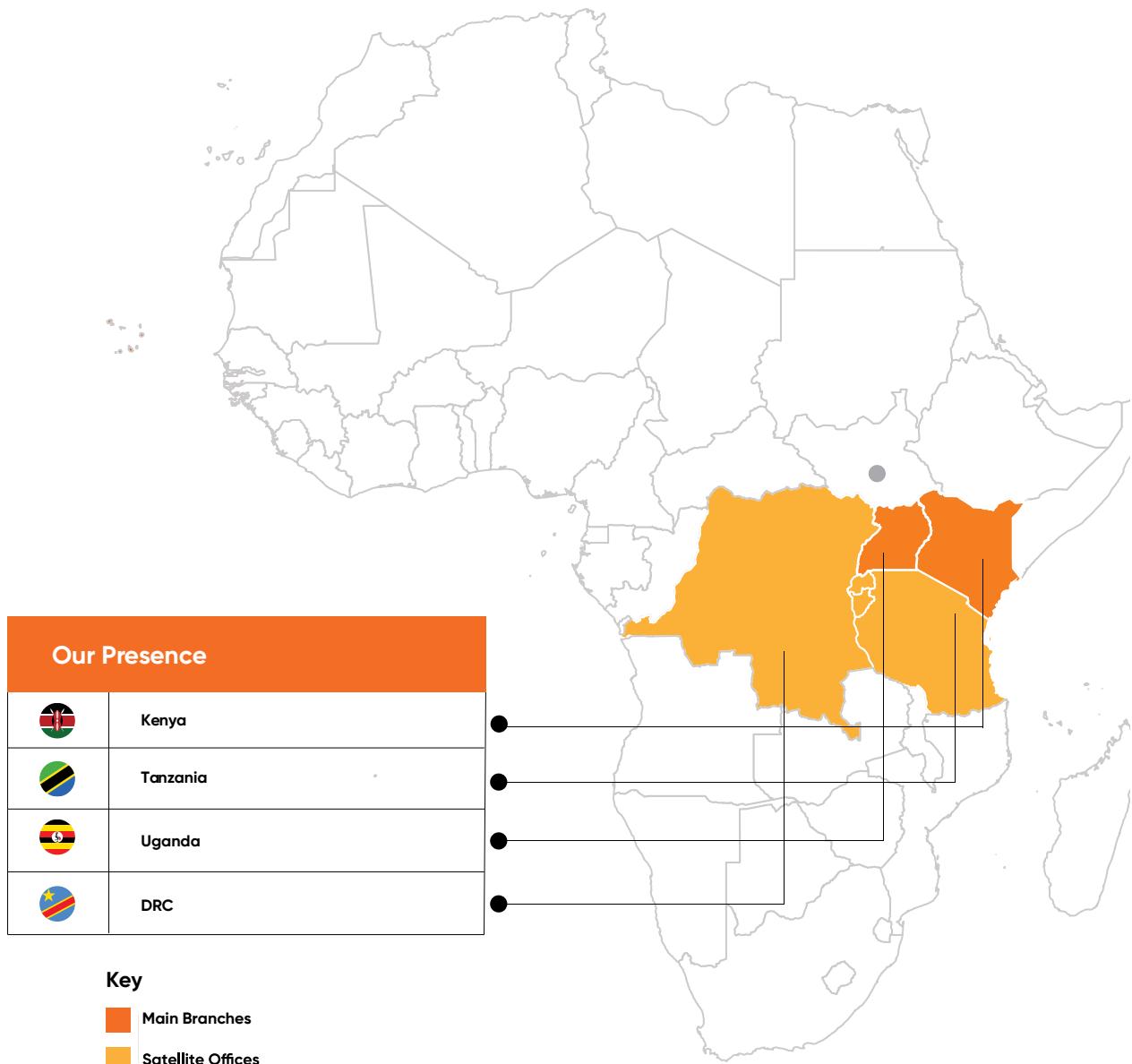
We are committed to the pursuit of the highest standards of performance in all aspects of our business.



## E Excellent

Our unwavering focus lies on prioritizing initiatives that yield the greatest impact and value for our stakeholders. Through strategic decision-making, we ensure optimal outcomes and enhance our ability to meet the diverse needs of those we serve.

# Our PRESENCE



We currently serve over **250,000** customers across the East Africa. We keep growing our market strength via innovation with the goal of being a fully digitised Insurance company.

# Our Branch Network

## EAST AFRICA



# Our Provider

## NETWORK

### Introduction

A Provider Network refers to a group of engaged service providers who have been contracted to offer medical services to mutual clients. Currently, AAR Insurance boasts a provider network of over 1,900 providers, extending across Kenya and expanding to South Sudan, Uganda, Tanzania, Rwanda, and India. This network includes a wide array of healthcare services, from inpatient and outpatient hospitals to specialists and pharmacies etc.

Provider Network Categories:

- Inpatient and Outpatient Hospitals
- Specialists (e.g. Gynaecologists, ENT, Ophthalmologists, Orthopaedics etc.)
- Physiotherapy
- Psychotherapy
- Diagnostic Facilities (E.g. Laboratory and Radiology)
- Medical Centres

### Benefits of the Wide Provider Network

**Quality Care** – The expansive range of providers ensures that mutual clients have access to a broad spectrum of specialties and services. This variety not only enhances the quality of care but also increases client satisfaction, as they are not restricted in their healthcare choices.

**Convenience** – A broader provider network ensures convenience for clients. With a wider reach, clients do not need to travel long distances to seek medical care; they can access services within their vicinity. This improves accessibility, affordability, and overall service delivery.

**Diversity and International Network** – Expanding the provider network to countries like South Sudan, Uganda, Tanzania, Rwanda, and India adds significant diversity. It opens up opportunities outside Kenya and allows clients to access quality healthcare services even when traveling internationally.

**Marketing Tool** – The wide provider network serves as a valuable marketing tool for AAR Insurance. By having a presence in remote areas, this increases visibility and access to new clients, particularly in counties and regions where they previously had little to no presence. This network expansion is instrumental in attracting and retaining clients.

**Cost Management** – A broader provider network gives AAR Insurance leverage in negotiating better rates with healthcare providers. This negotiation power leads to reduced costs for members, as competitive pricing structures are implemented, which in turn translates into lower out-of-pocket expenses (e.g., co-pays and deductibles).

**Risk Pooling** – A diverse network allows the insurance company to diversify its healthcare services. With access to a wide range of specialties and regional providers, the company spreads its risk across a broader base. This ensures that clients have affordable care options in a variety of situations, ultimately stabilizing the risk pool.

**Improved Health Outcomes** – The broad network enables clients to access timely and specialized care. This leads to better health outcomes, as members are able to receive the right care at the right time. This also builds client loyalty to AAR Insurance, as they experience consistent and quality healthcare services.



# Awards and RECOGNITION

● 2024



- Claims Settlement Award**  
**Winner**
- The Training Award**  
**Winner**
- Best Insurance in Product Distribution and Marketing**  
**Winner**
- The Most Customer-Centric Underwriter**  
**General – Winner**
- Medical Underwriter of the Year**  
**Personal – Winner**
- Best Insurance Company in Product Innovation**  
**Winner**
- Medical Underwriter of the Year**  
**Group – 1st Runners Up**
- KENCTAD-Overall Best Insurance Experience Champion**



● 2023



- Project of the Year Above 10M** stitute Kenya
- CIO100 Award**
- Silver Mark by CIO Africa**
- Insurance Sector**
- 1st Runners up by CIO Africa**



# Awards and RECOGNITION

2022



## Global Business Magazine Awards

**Most Innovative Insurance Mobile App Kenya**

**Best New Fully Digital Insurance Company Kenya**



2019-18



## Medical Underwriter of the Year

**Personal**

## Most Customer- Centric Underwriter

**General-1st Runners Up**

## Training Award

**2nd Runners Up**

**Excellent Enterprise Information Technology  
adoption**

**(CI0100 Award) Silver Mark**

## Medical Underwriter of the Year

**Personal**

## Medical Underwriter of the Year

**Group**



# Awards and RECOGNITION

## 2017-16



- Medical Underwriter of the Year**  
**Personal-1st Runners Up**  
**Best Company in Technology and Digital Application**  
**2nd Runners Up**  
**Customer Service Award**  
**2nd Runners Up**  
**Medical Underwriter of the Year**  
**1st Runners Up**



## 2015



- Medical Underwriter of the Year**  
**1st Runners Up**  
**Customer Satisfaction Award**  
**1st Runners Up**  
**Most Socially Responsible Corporate Award**  
**1st Runners Up**  
**Customer Service Award**  
**2nd Runners Up**

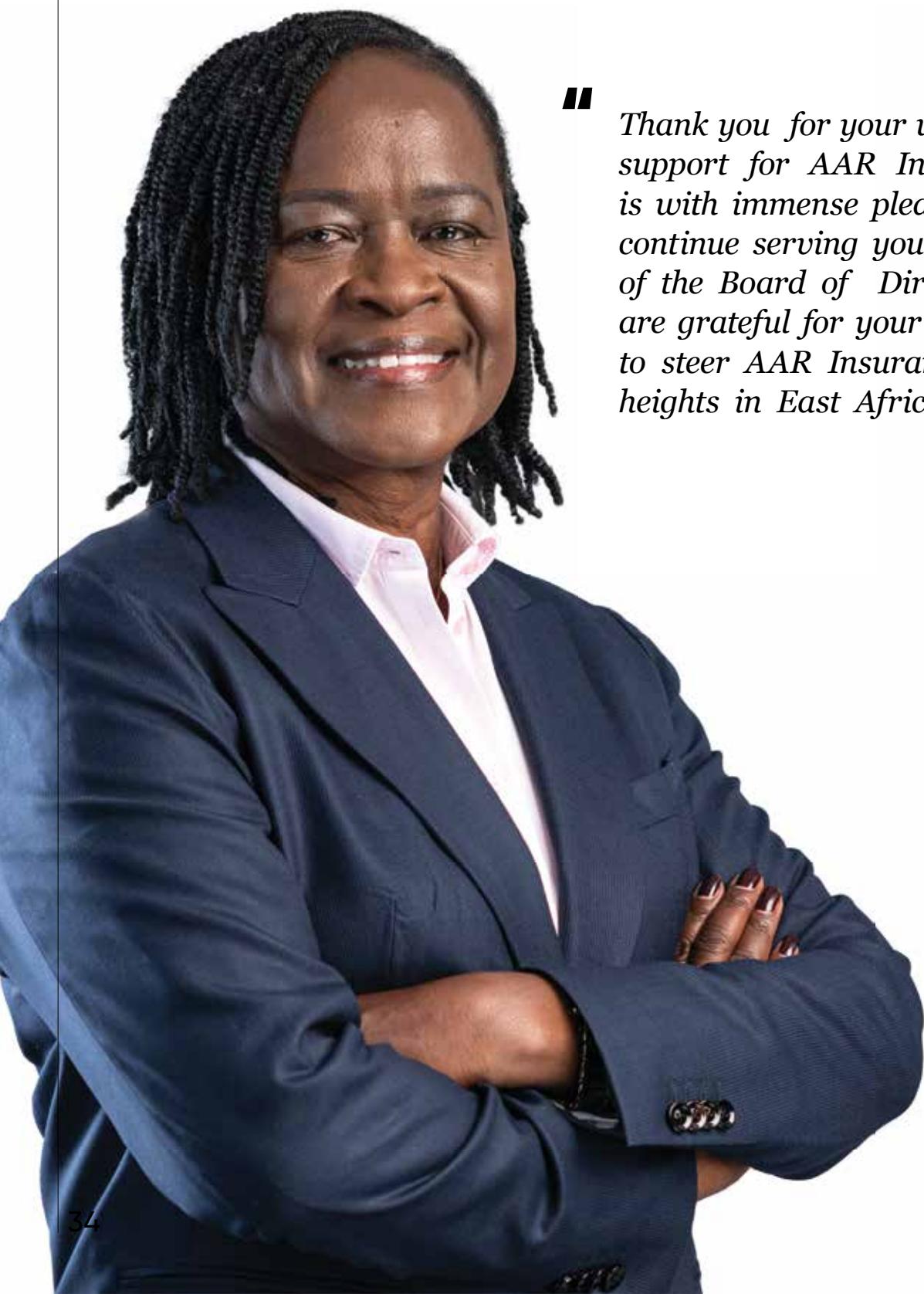




# Our Leadership



# AIK BOARD CHAIRPERSON STATEMENT



“

*Thank you for your unwavering support for AAR Insurance. It is with immense pleasure that I continue serving you. On behalf of the Board of Directors, we are grateful for your trust in us to steer AAR Insurance to new heights in East Africa and new markets.*

”

## Dear Shareholders,

This past year has been one of steady progress and renewed ambition for AAR Insurance Kenya Group. It has been a privilege to continue serving you, and on behalf of the Board of Directors, I extend our sincere appreciation for the trust you have placed in us. Your continued support has been central to our efforts to grow the business, deepen our impact across East Africa, and chart new pathways into additional markets. Together, we are building a stronger, more responsive organisation that remains firmly committed to protecting the health and wealth of our communities.

## Operating Environment

The year under review followed a unique growth curve, with Kenya's economy expanding steadily at 5.1% despite contending with a series of persistent shocks, including high fuel prices, a rapidly depreciating exchange rate, and increasing public debt levels. Inflation eased to 4.5% in 2024, down from 7.7% the previous year, largely due to stabilizing food, housing, and utility prices—a positive development that signaled improving economic conditions. In this environment, AAR Insurance maintained a resilient and adaptive operating position, demonstrating the agility required to navigate economic pressures while continuing to meet the evolving needs of our customers.

Despite these economic gains, the insurance industry in Kenya continues to experience low penetration, largely due to limited disposable income and longstanding negative perceptions around insurance. The penetration rate has lagged at 2.3%, significantly below the global average of 7.2%. These figures do not factor in universal health coverage offered under the Social Health Insurance Fund, formerly the National Hospital Insurance Fund.

Nonetheless, industry projections remain optimistic, driven by Kenya's rising population and a demographic shift that is expected to open up new opportunities in health, life, and savings plans. In 2024, the sector recorded a 16.7% increase in gross premiums, a trend that signals growing interest in insurance offerings. AAR Insurance continued to play a leading role in capacity building among different customer segments to expand insurance penetration rates.

Our expansion strategy also progressed significantly with the acquisition of a subsidiary in Uganda during the year. The market has already shown strong promise, with notable results realized within just a few months of operation. Uganda's economy grew by 6% in 2024, fueled by increased investment momentum, robust industrial and service activity, and sound macroeconomic policy frameworks. Inflation remained stable, supported by a firm exchange rate, favourable food production, and tightened monetary policy.

Uganda's insurance sector also performed well, registering a 13.51% increase in gross written premiums as economic activity gathered pace. The outlook remains positive, supported by momentum from 2024 and the anticipated commencement of crude oil production, which is expected to improve fiscal and current account balances and drive sustained growth.

## Strategic Strength

The past year has been characterized by significant advancements in our operational efficiency, strategic partnerships, and digital transformation initiatives, all aimed at strengthening our position in the insurance sector.

AAR Insurance maintained a vantage point by leveraging on our digital transformation strategy to support our customers. The Group's performance was strengthened by continued growth in a diversified customer base and sustained efforts to improve the overall customer experience. Business growth remained consistent, anchored by operational efficiency and an unwavering focus on key strategic priorities designed to support our clients while generating returns for shareholders. Throughout the year, the Group consistently delivered against its strategy, as evidenced by the steady increase in our customer base across all premium segments.

We continue reinventing and innovating sustainable and affordable solutions to address market gaps. Our main goals remain profitability-driven, high-margin medical segments, lower claims costs, and scaling general insurance to deliver value to our shareholders. Through our Innovation Incubator (AAR 3.0), we developed new customer solutions and products catering to existing and growing customer segments. We rolled out tailored products- ShwAAri and Kinga Afya, among others, which contributed to revenue growth.

The success of these initiatives was reflected in our financial performance, with the business posting a profit after tax for the year ended 31 December 2024 of Shs 404 million (2023: profit after tax Shs 49 million), respectively. This was largely driven by sustained performance in our private sector portfolio, the strategic exit from loss-making accounts, and consistent growth in the SME and retail segments. Our collaboration with Cigna in both Uganda and Kenya further expanded our regional footprint and enabled the provision of more comprehensive insurance solutions across the two markets. Strategic partnerships of this nature continue to play an essential role in driving growth, enhancing service delivery, and creating long-term value.

Our balance sheet performance also improved significantly, with assets growing by Shs 1.1 billion – supported by a 15 % increase in deposits and placements in government securities. The Group's earnings per share rose to Shs. 2, reflecting the results of our disciplined focus on sustainable growth and operational efficiency.

This progress reflects the successful execution of our turnaround and transformation strategies, anchored in a renewed long-term vision to safeguard the health and wealth of all. Both the Board and Management have remained actively engaged in steering these efforts, laying a strong foundation for continued growth.

## Corporate Governance

Efficient corporate governance remains the core of our strategy. The Board has continued to provide oversight and strategic direction throughout the year, ensuring that the Group remains focused, accountable, and aligned with its long-term goals. To support this mandate, we maintained a structured committee system, with each committee contributing specialised oversight and leadership.

The different board committees include:

- **Investment, Finance & Strategy Committee:** Looking after the overall investment policy and operational framework at AAR Insurance. They are also responsible for overseeing the strategy functions.
- **Nomination, Remuneration & Compensation Committee:** This committee determines, agrees, and develops the Group and Company's general policy on remuneration for non-executive, executive, and senior management. They also give recommendations regarding the size and composition of directors, among other roles.
- **Audit Committee:** This committee oversees the maintenance of books of account, administration policies and procedures, transactions, and other matters having a bearing on the financial position of AAR Insurance. They oversee the audit charter and review internal control systems.
- **Risk and Compliance Committee:** This committee provides oversight of the Company's risk management and compliance frameworks to ensure effective identification, assessment, mitigation, and monitoring of key risks across the business.

These committees are responsible for structuring frameworks safeguarding stakeholder interests and upholding our code of ethics. The Board is also responsible for overseeing our sustainability commitments, which aim to contribute to the well-being of the society in which we operate.

During the year, there were no board changes. The strong team continues to support the organisational manoeuvre to the future by understanding the impact of artificial intelligence and Environmental, Social & Governance (ESG) on the business while maintaining effective corporate governance. I would like to express my appreciation to my fellow board members for their continued dedication, insight, and service to the organisation.

## Future Outlook

As we progress through 2025, we remain optimistic, supported by a stable policy environment and favourable economic projections. We are confident that this momentum will support the effective delivery of our strategy and allow us to continue growing our presence and impact.

Significant efforts were made during the year to strengthen AAR Insurance as a brand, both internally and externally. Through a refresh of our brand values and a renewed emphasis on employee engagement, we have enhanced our culture and service delivery—ensuring we are well-positioned to meet customer expectations and build deeper relationships with external stakeholders. These actions are part of our broader ambition to position AAR Insurance as a customer-centric brand with meaningful impact in every household across Kenya and beyond.

Our commitment to performance remains resolute. Innovation, adaptability, and responsiveness to stakeholder needs will continue to define our approach, even as we navigate a rapidly changing environment.

## Appreciation

I would like to express my sincere appreciation to the management team and all staff members for their unwavering commitment to a high-performance culture. Your efforts have been instrumental in translating our strategic ambitions into real, measurable results.

To our shareholders, regulators, customers, and partners—thank you for your continued support and confidence. Together, we look forward to another year of strong performance, resilience, and shared value.

**Esther Koimett, CBS**  
*Board Chairperson - AAR Insurance Kenya Limited*

# CEO AND PRINCIPAL OFFICER

## STATEMENT

“

*The past year has been an exciting time serving our customers while delivering shareholder value. We marked four decades of quality insurance services in*

*East Africa.* ■■



The year 2024 was a dynamic and inspiring year, marked by continued progress in delivering on our mandate to protect the health and wealth of our customers while creating long-term value for our shareholders. Under the guidance of the Board and through close collaboration with our talented management team and staff, we navigated a complex operating environment and delivered strong revenue growth. The Group recorded a profit after tax of Shs 404 million, representing a 727% increase from the previous year – an outcome that underscores the strength of our strategy and the discipline of our execution.

This performance was delivered during a year of particular significance, as we marked 40 years of dedicated service to our customers. This milestone serves as a reflection of the vision and contribution of our founders, the commitment of our Board members and employees, and the trust of our customers and partners who have journeyed with us over the years. As we transition into the next chapter of our story, our focus remains on delivering lasting value to all stakeholders and building a business that is relevant, responsible, and resilient.

## Growing an Impactful Business

On the macroeconomic front, inflation declined from its early year high to 3.0% by December 2024, largely due to stabilising food prices and the strengthening of the Kenyan shilling. However, the broader operating environment remained challenging. The year was defined by considerable economic pressure, regulatory shifts, and elevated political activity. The government introduced sweeping reforms in the health and tax sectors amidst growing fiscal constraints and environmental concerns. Anti-government protests and the new tax regime also contributed to a strained economic climate.

Within the insurance sector, gross premiums rose by 16.7%, reaching Shs 361.4 billion, driven by increased demand for health and motor insurance. Despite this growth, insurance penetration stood at just 2.3%, far below the global average of 7%, highlighting the ongoing structural challenges that persist across the industry.

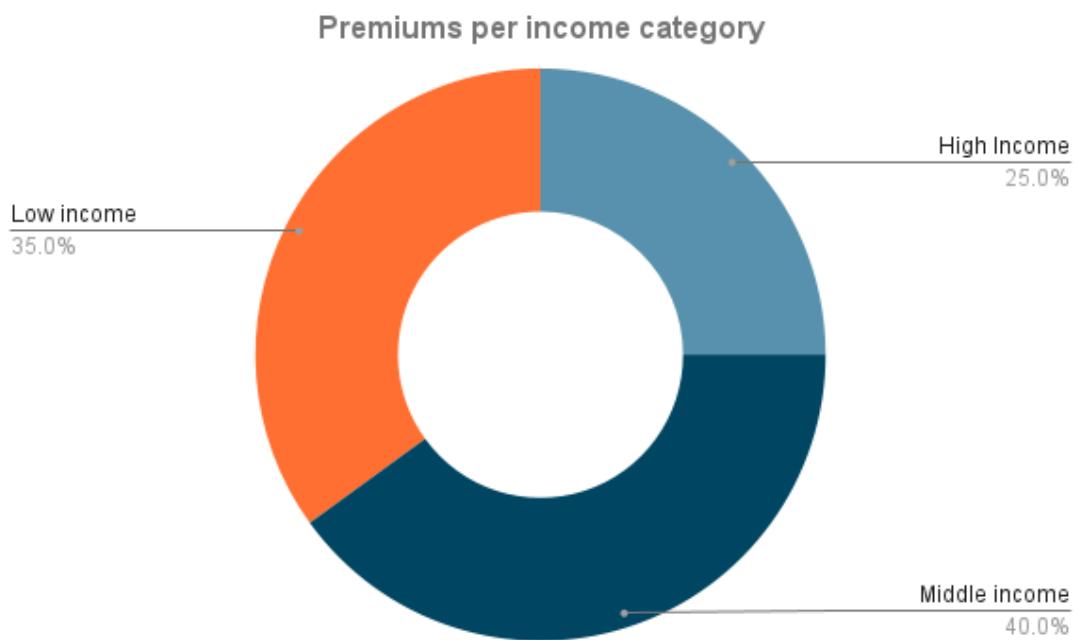
## Delivering against Our Strategy

Despite prevailing macroeconomic headwinds, AAR Insurance remained focused and resilient, delivering strong performance across all core areas of our business. Through the implementation of targeted cost management initiatives, the enhancement of operational processes, and the adoption of agile technologies, we achieved significant improvements in efficiency and made measurable reductions to our expense ratio.

The Group registered a 42% increase in insurance revenue, closing the year at Shs 12.3 billion and 673% growth in Profit Before Tax (PBT). The performance was attributed to the successful implementation of our transformation strategy and the implementation of the digitization strategy. We also saw a significant growth in average interest rates to 15%, bolstering growth in investment income. This, in turn, supported a 45% growth in net equity, reinforcing our financial strength and ability to fund future growth.

A major milestone during the year was the acquisition of 100% ownership of AAR Health Services Uganda by AAR Insurance Kenya Limited. This strategic move resulted in full consolidation of the Ugandan subsidiary into AAR Insurance Kenya's financial statements and was supported by an investment of Shs 125 million to facilitate the subsidiary's transition into a fully-fledged insurance company.

In response to the rapid pace of technological advancement, we continued to refine and adapt our product offerings to meet the evolving needs of our diverse customer base. Our SME health cover was enhanced to better support small businesses—removing waiting periods and eliminating medical evaluations at onboarding, thereby offering the flexibility SMEs need to operate efficiently.



Our flagship products, Kinga Afya and Kinga Boda, maintained strong momentum with increased uptake throughout 2024. We also introduced ShwAAARI, a tailored solution for low-income earners and senior members of society, which drove greater insurance penetration among these underserved segments. As a result of these targeted innovations, the number of lives covered was 274,653 (25% being policy holders in the high-income earning bracket, 40% of whom were middle income earners while 35% were in the low income earners bracket). Additionally, the Company distributes a micro product in partnership with Turaco with 91,455 lives covered.

Through our commitment to delivering a seamless and responsive customer experience, we ensured that the business remained resilient, even in the face of complex challenges. Every initiative we undertook reflected our dedication to protecting health and wealth for all.

#### **Customer Experience**

In 2024, we continued to strengthen our digital and service capabilities to ensure a more intuitive and customer-focused experience. Through the expansion of self-service platforms, enhancements to our digital claims processing, and improved support systems, we created more responsive and accessible touchpoints for our clients. These initiatives are part of our long-term commitment to innovation and are central to our strategic ambition of becoming a truly customer-led organisation. As we look ahead, we remain focused on deepening engagement, personalising experiences, and delivering value at every stage of the customer journey.

#### **Operational Excellence**

Our pursuit of operational excellence remained anchored in a culture of accountability, collaboration, and continuous improvement. During the year, we implemented internal process enhancements, strengthened governance, and embraced agile ways of working to support effective decision-making. We also reinforced our commitment to building an inclusive workplace by promoting diversity, enabling professional growth, and cultivating an environment where all employees feel valued and empowered to contribute to the organisation's success.

## **Growing together with the society around us**

In line with our 40th anniversary celebrations, we launched our ESG strategy to reaffirm our commitment to environmental and social responsibility. We recognise the urgency of operating sustainably in a world of diminishing natural resources. Our afforestation campaign, 'A Tree a Life', led to the planting of over 40,000 trees in partnership with Greenspace Kenya, advancing our conservation agenda.

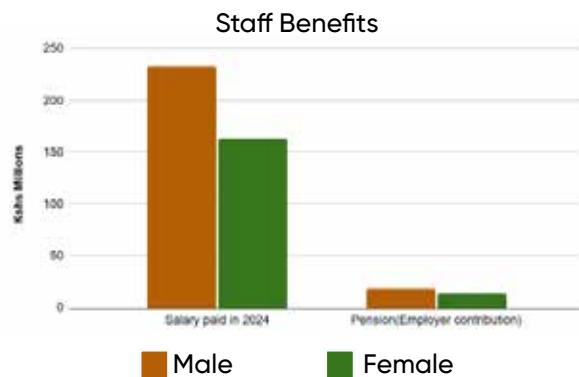
Recognising the need to conserve natural resources, AAR Insurance Kenya joined the African Natural Capital Alliance (ANCA), pledging to support human existence. We acknowledge that fertile soil, multifunctional forests, productive land and seas, freshwater quality, and clean air are essential conditions for environmental sustainability. Protecting and conserving natural resources not only safeguards the environment but also ensures sustainable

development and human well-being. As a business, we have also made great strides in achieving energy transition, decarbonisation, adaptation & resilience, and regenerative & nature-based climate solutions.

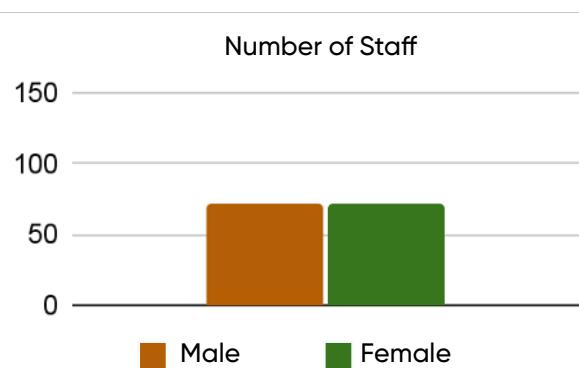
In 2025, we plan to extend our commitment to society by increasing our social investment efforts to deliver additional value. We are currently aligning our strategy to projects that will deliver impactful results and best align with our organisational purpose. We place emphasis on diversity and equity at AAR Insurance and design our insurance solutions with everyone in mind, regardless of background, gender, or race.

## Investing in Human Capital

Our people are at the heart of our success, playing a vital role in driving our strategy forward. The growth and achievements we have realised over the years are a direct result of the dedication, talent, and exceptional contributions of our team. We remain committed to being an employer of choice by attracting top talent and enhancing staff retention through continued investment in our people.



At AAR Insurance, we are intentional about investing in our staff's career growth and continuous learning, ensuring they have the tools and opportunities to thrive. Our performance management systems are structured to provide clear feedback and support ongoing improvement, while our robust internal communication channels keep employees well-informed and aligned with our strategic priorities.



We are proud to lead the way in fostering women's empowerment in the workplace, particularly in leadership roles. Our commitment to diversity and inclusion is evident in our Board representation; where women make up 50% and the balance is reflected across our wider team. We are dedicated to creating an environment where all employees feel supported, valued, and empowered to thrive. By investing in their growth and wellbeing, we aim to enrich the employee experience and ensure our partnerships and service delivery remain purpose-driven and impactful.

## Acknowledgement

I extend my sincere appreciation to our staff for their dedication and hard work, to our clients for their continued trust, to our partners for their valued collaboration, to the Board for their strategic guidance, and to our shareholders for their unwavering support. Your collective contributions have been vital to our success, and we remain committed to growing stronger-together.

**Justine Kosgei**  
CEO & Principal Officer - AAR Insurance

# Governance Structure and Committees

At AAR Insurance, we uphold the highest standards of corporate governance and business ethics, recognizing that strong governance is fundamental to achieving sustainable growth and trust among stakeholders. We are committed to transparency, accountability, and ethical leadership, ensuring that our operations align with the expectations of shareholders, policyholders, employees, business partners, and the communities we serve.

To maintain compliance and integrity, AAR Insurance adheres to a comprehensive regulatory framework, including the Companies Act 2015, the Insurance Act, and regulations set by the Insurance Regulatory Authority (IRA) and other relevant regulatory bodies. We also comply with local laws in all the markets where we operate, ensuring strict adherence to corporate governance best practices.

## Board Structure & Composition

The Board of AAR Insurance is optimally constituted to align with the company's Articles of Association and regulatory requirements. It is designed to provide strategic oversight and ensure effective governance. The Board consists of a diverse mix of executive, non-executive, and independent directors, bringing together varied industry expertise, leadership experience, and technical skills necessary for the company's long-term sustainability. A strong emphasis is placed on diversity in terms of qualifications, professional backgrounds, age, gender, and cultural representation. The Chairperson leads the Board, ensuring it functions effectively, while the Chief Executive Officer (CEO) is responsible for executing strategy and managing the company's day-to-day operations.

## Appointment & Governance Process

The appointment of directors follows a structured and transparent process overseen by the Nomination & Remuneration Committee. This committee is responsible for identifying, recommending, and evaluating candidates based on merit, integrity, and competence. Directors are selected based on their ability to contribute to the company's strategic vision, and all appointments are validated by the Board. The composition of the Board is reviewed periodically to ensure the right balance of expertise and leadership, aligning with corporate governance best practices.

## Board Training & Development

To ensure directors are well-equipped to fulfill their responsibilities, AAR Insurance provides structured induction programs for newly appointed Board members. These programs introduce them to the company's strategy, policies, governance structures, and operational landscape. The Board also conducts annual training reviews to identify development needs and ensure continuous learning. Directors are encouraged to attend relevant corporate governance and leadership training to enhance their decision-making capabilities. Additionally, succession planning is a key focus, ensuring that leadership transitions are seamless and aligned with the company's long-term objectives.

## Performance Evaluation & Accountability

AAR Insurance maintains a robust performance evaluation framework to assess the effectiveness of the Board, its committees, and individual directors. The evaluation process includes structured self-assessments, peer reviews, and feedback from key stakeholders. This ensures that the Board remains accountable and continuously improves its governance effectiveness. The findings from these evaluations inform decision-making on governance enhancements, leadership development, and corporate strategy. The performance assessment process also helps in determining the strengths and areas for improvement among Board members, ensuring that governance standards remain high.

## Directors' Remuneration

The remuneration of directors is governed by a formal and transparent policy managed by the Nomination & Remuneration Committee. The company ensures that compensation structures are competitive within the insurance industry while being aligned with the company's financial performance and strategic goals. Non-executive directors receive remuneration that reflects their expertise and time commitment, whereas executive directors' remuneration is structured to include performance-based incentives. All remuneration details are appropriately disclosed in the Annual Report, ensuring transparency and accountability to shareholders.

## Risk & Compliance Oversight

The Board plays a critical role in overseeing risk management and ensuring compliance with regulatory frameworks, including the Companies Act, the Insurance Act, and other relevant industry regulations. AAR Insurance integrates risk management into its decision-making processes, ensuring that business risks are identified, assessed, and mitigated proactively. The Board works closely with management to ensure that all compliance requirements are met, thereby safeguarding the company's financial health and reputation. The company also enforces a Conflict-of-Interest policy to maintain ethical decision-making and uphold stakeholder trust.

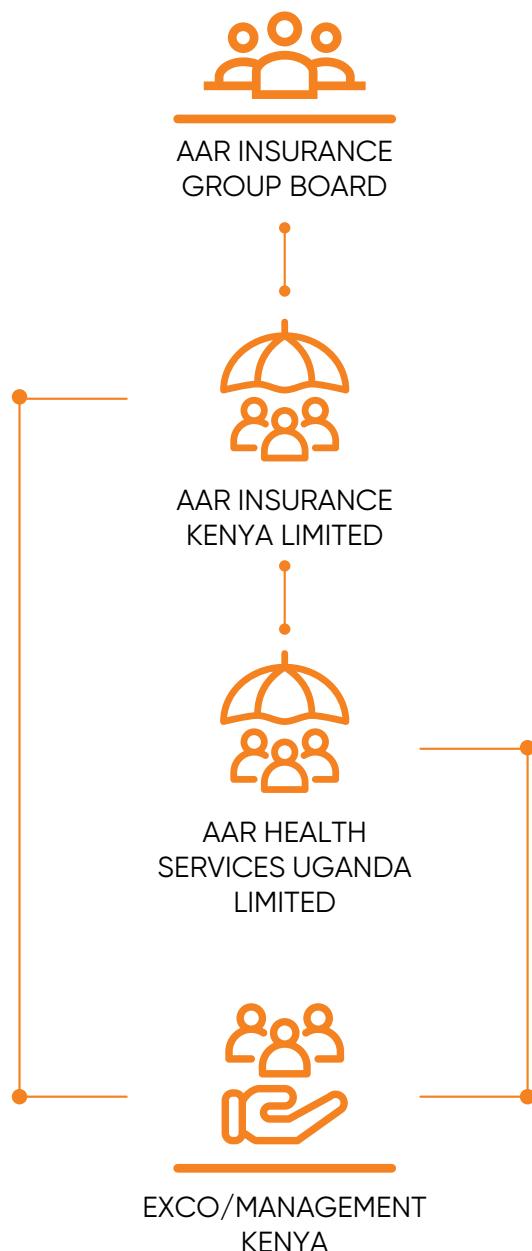
## Reporting & Stakeholder Engagement

AAR Insurance is committed to transparency in its reporting and stakeholder engagement. The Board holds quarterly meetings to review performance, address governance matters, and align corporate strategies with business objectives. Stakeholders, including shareholders, policyholders, and regulators, are kept informed through structured reporting mechanisms, ensuring that they are aware of key governance, risk, and performance updates. The company actively fosters an open communication culture, reinforcing accountability and trust with all stakeholders.

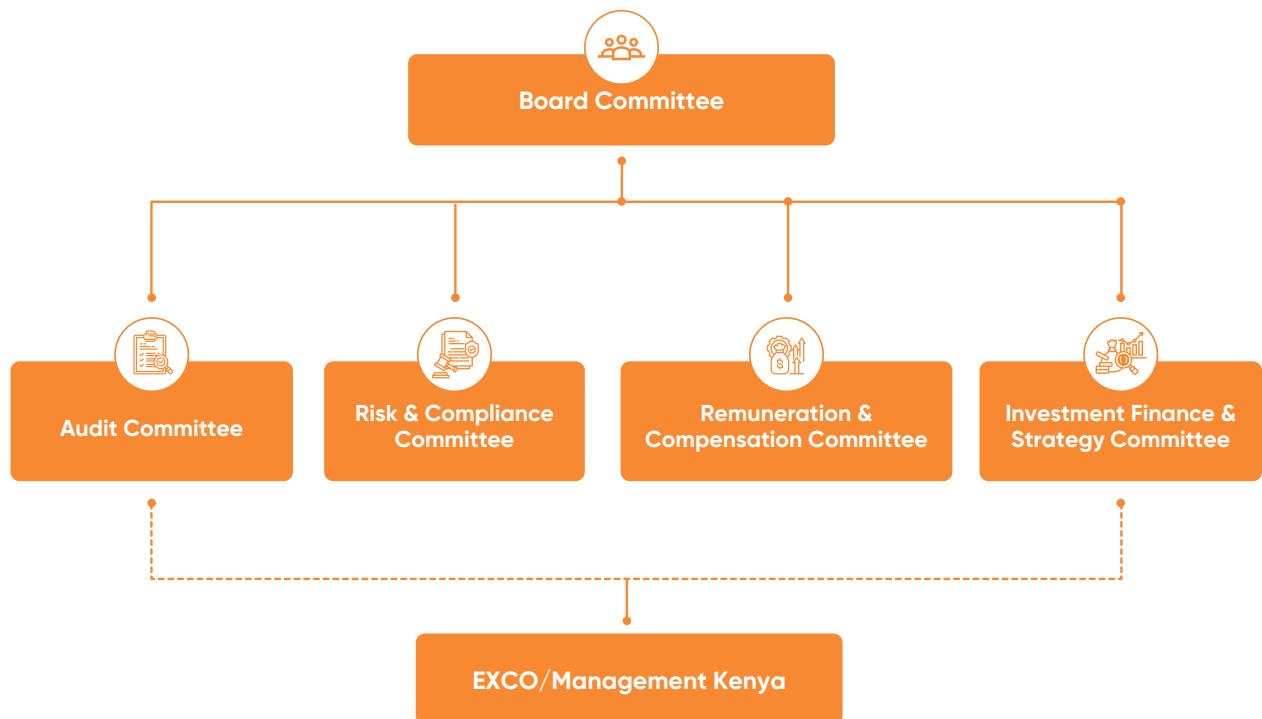
## Strategic Leadership & Future Focus

The governance structure of AAR Insurance is designed to support the company's strategic vision and long-term sustainability. The Board continuously works to enhance governance frameworks, ensuring that decision-making processes are ethical, transparent, and aligned with the interests of stakeholders. Moving forward, the company remains committed to strengthening corporate governance practices, driving sustainable growth, and fostering a culture of accountability and innovation in the insurance industry.

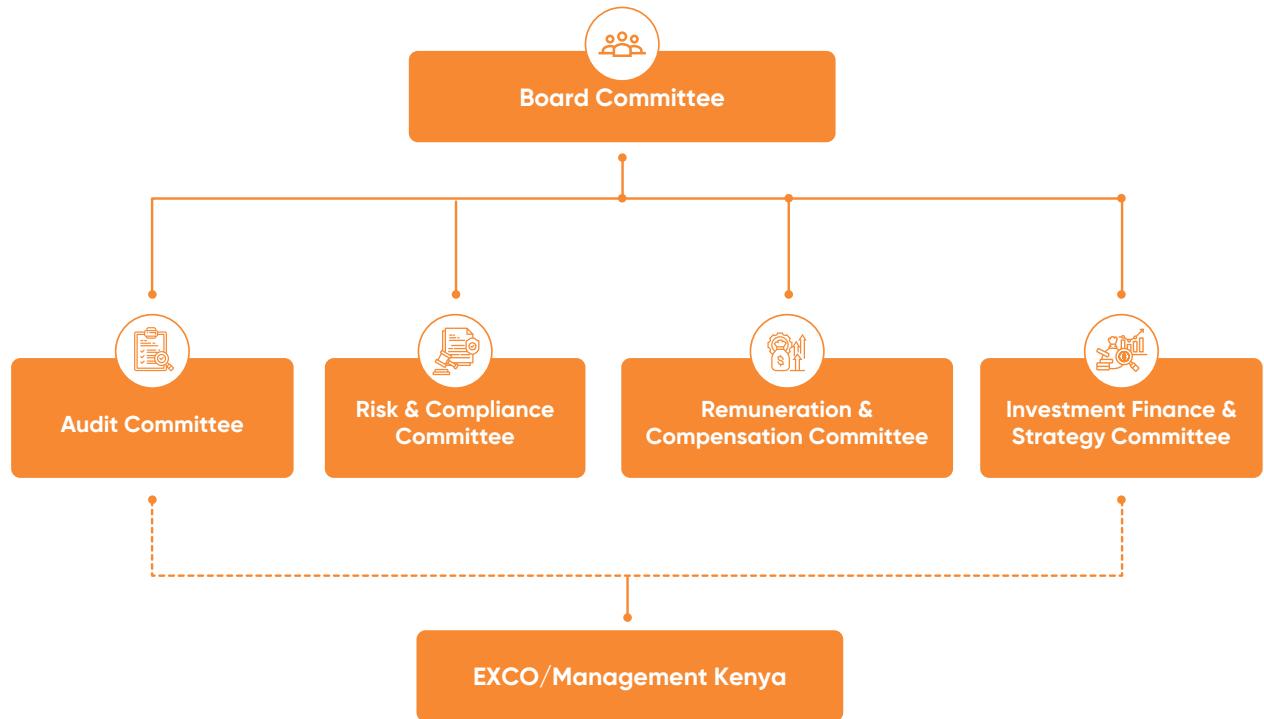
## Board Composition of AAR Insurance Holdings



## Board Composition of AAR Insurance Kenya Ltd



## Board Composition of AAR Insurance Uganda Ltd





You're in control

## Mkubwa, great Boss Move on covering us with **AAR SME Insurance**

- Covers 3-100 Employees
- Annual check-up with Inpatient
- Travel + Personal Accident
- WIBA + Group Personal Accident



## The comprehensive **two-in-one business cover**

Health Insurance + General Insurance

Contact your Agent, Broker or Bank

Regulated by the Insurance Regulatory Authority

AAR\_Insurance

# BOARD OF DIRECTORS

AAR Insurance Kenya Ltd



**ESTHER KOIMETT, CBS**  
Board Chairperson



**ONNO SCHELLEKENS**  
Director



**WASSILI DIAGOS**  
Director



**BEATRICE SOY**  
Director



**JONES NZOMO**  
Director



**PATRICIA KIWANUKA**  
Director



**MENKA SHAH**  
Director



**ELINE BLAAUBOER**  
Alternate Director



**JUSTINE KOSGEI**  
CEO & Principal Officer

# BOARD OF DIRECTORS

AAR Health Services Uganda Ltd



**DR. ALLAN SHONUBI**  
Board Chairperson



**JIM R. SEMATIMBA**  
Director



**BYRUHANGWA BRIGETTE**  
Director



**JUSTINE KOSGEI**  
CEO & Principal Officer



**NASSUNA CHRISTINE**  
Managing Director

# COMMITTEES

## Executive Committee - AAR Insurance



**JUSTINE KOSGEI**  
CEO & Principal Officer



**NASSUNA CHRISTINE**  
Managing Director  
AAR Health Services Uganda



**HOSEA KIPROP**  
Group Chief Finance Officer



**SSEBAALE MOHAMMED**  
Chief Operating Officer  
AAR Health Services Uganda



**JAMES KAMAU**  
Group Head of Distribution



**GRACEANN KAMAU**  
Group Head of Risk & Compliance



**EUGENE SANYA**  
Group Head of Technology



**SHEILA OWITI**  
Group Head of Brand Marketing & Communication



**CALEB MAINA**  
Group Head of Internal Audit



**JOYCE SANG**  
Head of Digital Transformation



**GRACE MATHU**  
Manager - People & Culture



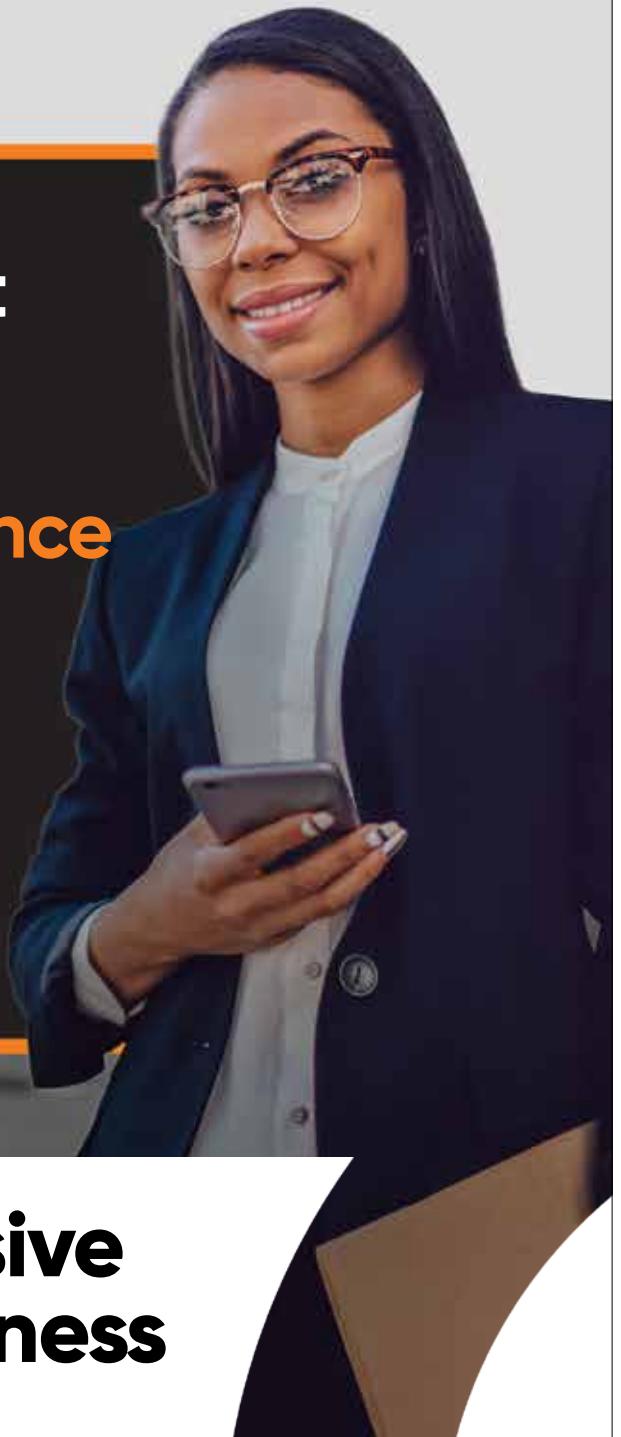
**GODWIN WANGONG'U**  
Company Secretary



You're in control

## Boss Lady, great boss move on covering us with **AAR SME Insurance**

- Covers 3-100 Employees
- Annual check-up with Inpatient
- Travel + Personal Accident
- WIBA + Group Personal Accident



## The comprehensive **two-in-one business cover**

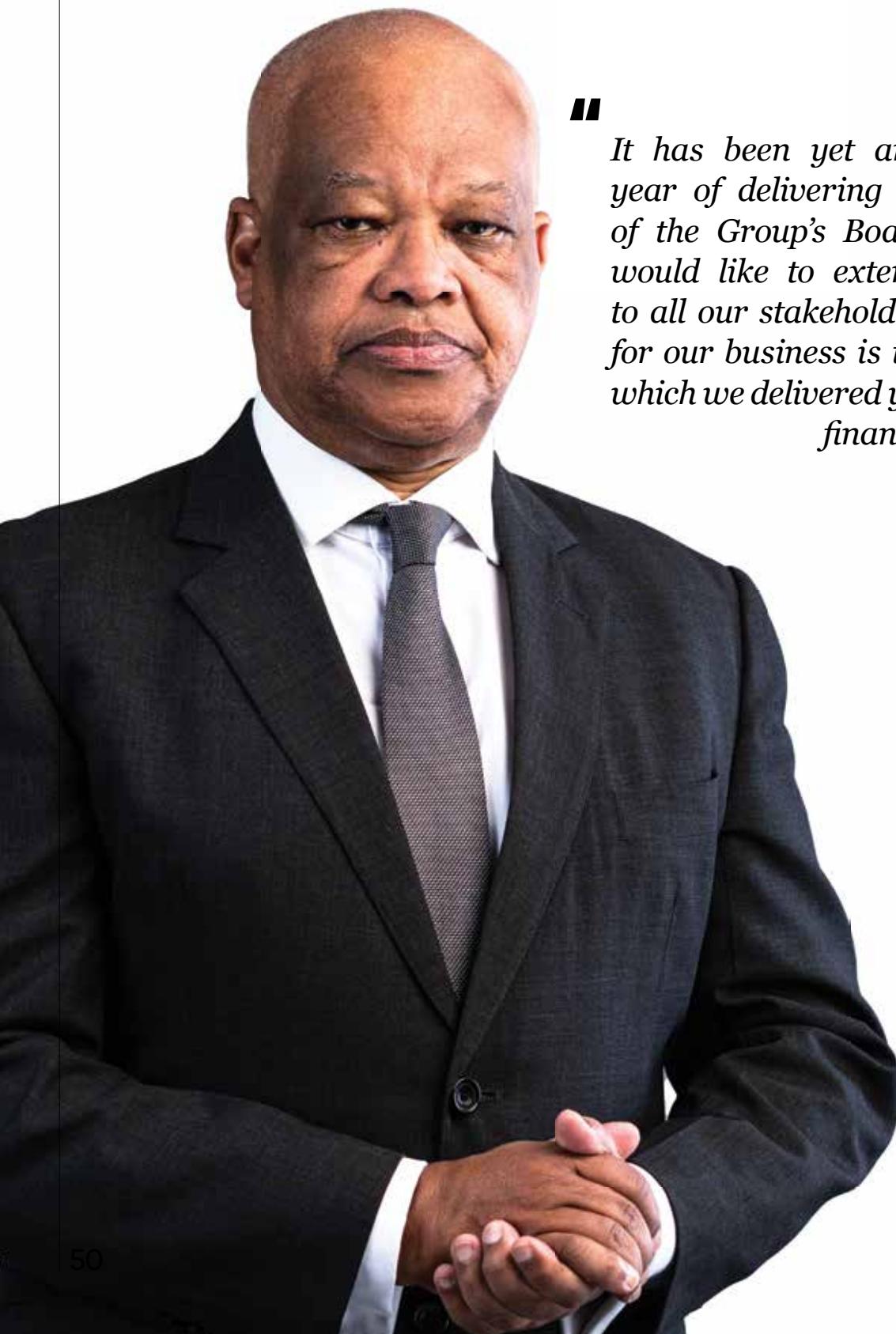
Health Insurance + General Insurance

Contact your Agent, Broker or Bank

Regulated by the Insurance Regulatory Authority

AAR\_Insurance

# GROUP BOARD CHAIRPERSON STATEMENT



“

*It has been yet another successful year of delivering value. On behalf of the Group's Board members, we would like to extend our gratitude to all our stakeholders. Your support for our business is the foundation on which we delivered yet another strong financial performance.*

”

This past year stands as a testament to what focused strategy, resilience, and shared purpose can achieve. Guided by a clear vision and propelled by the dedication of our people, we continued to deliver consistent value while making meaningful progress across our strategic priorities. On behalf of the Group's Board, I extend our heartfelt appreciation to all our stakeholders—your continued partnership and support have been vital to our journey. Together, we have achieved strong financial results and laid a firm foundation for long-term, sustainable growth.

In 2024, we celebrated a remarkable milestone; 40 years of service—a reflection of our enduring purpose, adaptive strategy, and the unwavering dedication of all who have been part of our journey. Founded on the bold promise to provide security, peace of mind, and dependable protection, AAR Insurance has consistently evolved to meet the changing needs of our customers. We have navigated shifting market dynamics, embraced technological progress, and remained responsive to the broader economic landscape, all while staying true to our founding principles. Our commitment to customer-centric innovation, sustainable growth, and operational excellence continues to drive us forward, setting us apart in a competitive industry.

## Strategic Progress and Financial Performance

Our financial strength remains solid, underpinned by our continued transformation agenda. As we scale sustainably, our focus remains on unlocking efficiency across the business. We continue to optimise operations through technology, particularly in claims processing, and drive productivity by fostering a high-performing, agile workforce. Talent management, innovation-led offerings, and efficiency initiatives are central to delivering stronger results and long-term value.

We are also reshaping our capital structure to enable investment in high potential projects, particularly in Uganda, while broadening our product portfolio to capture untapped market opportunities. At the same time, existing propositions – ShwAARI, SME, Corporate and Retail solutions are being revitalized to enhance competitiveness with general insurance identified as a strategic growth driver.

Additionally, we are working on enhancing and stabilising our core technology system to more current platform versions. This will enable us to support efficient operations and integrations while creating convenient customer solutions that take advantage of advanced digital capabilities such as self-service, robotics, and artificial intelligence.

In 2024, we embarked on a deliberate effort to rejuvenate our brand both internally and externally. Through refreshed brand values and a renewed cultural identity, we have deepened employee loyalty and strengthened customer relationships. This initiative reinforces our transformation into a purpose-led, customer-first brand poised to make a meaningful impact in every household across the region.

## Stronger Through Partnerships

In today's fast growing tech enabled world, innovation and continuous improvement remain central to the transformation journey . The business continues to drive value through its digital transformation strategy including the Innovation Incubator (AAR 3.0) established to serve both existing and growing customer segments. We continue to create customized solutions for our clients, setting us apart from the competition.

To support the spirit of innovation, resilience, and opportunity for MSMEs in Kenya and beyond, we have a continued partnership with SNDBX to strengthen our MSME servicing capabilities. We believe that MSMEs need game-changing solutions to help them navigate uncertainties, protect their operations, and thrive in an increasingly competitive environment. Testament to our commitment to growing MSMEs, AAR Insurance Kenya has established a strategic partnership with the Kenya National Chamber of Commerce and Industry (KNCCI) that aims to empower the Kenyan business community. Our role is not only to provide insurance but to be a strategic partner in their growth and resilience.

Consequently, success is hinged on partnerships and providing the best services to our customers. Through this commitment, we have upgraded our core technology system through an enhanced partnership with M-TIBA to create convenient customer solutions and improve business performance through claims management. We have successfully digitised our back-office operations through the M-TIBA platform, ensuring paperless claims processing for increased efficiency. This is to ensure we provide exemplary customer service and offer competitive and world-class innovative products and services. The ongoing automation and implementation of a modernised core system are ongoing steps toward enhanced operational efficiency. Furthermore, our digital sales platform, My WAKALAAR continues to revolutionise our sales experience.

In a landmark collaboration that redefined the insurance landscape in Kenya, we successfully received regulatory approval to launch our partnership with Cigna Healthcare, a US-based firm and the world's largest international medical insurer, to underwrite its existing local and future books. Cigna Healthcare is backed by a local partner network of over 2,900 healthcare providers and a global network of 1.5 million medical providers globally offering premium and comprehensive product suites with rich benefits and products specifically designed to meet the needs of clients based in Africa who can select their preferred regions of cover, including Africa, Asia, Europe or North America. This partnership enables us to broaden our reach and offer differentiated products to clients seeking global medical insurance solutions. This has resulted in new business revenues of Shs.2.1 billion and improved profitability. This landmark collaboration heralds a new comprehensive and unparalleled insurance coverage era, seamlessly blending local expertise with international reach.

## Strengthening Our Healthcare Ecosystem

One of our key strategic priorities has been deepening our partnership with the AAR ecosystem. Through enhanced collaboration with the AAR Hospital, we have improved customer experiences by facilitating seamless customer experiences and providing dedicated consultation rooms for AAR Insurance members. Despite past operational challenges, our efforts increased outpatient volumes by 15.5% in 2024. Additionally, the introduction of more packages, alongside negotiated discounts, underscores our commitment to providing affordable and accessible healthcare services.

AAR Healthcare continues to play a pivotal role in outpatient claims, with a remarkable 3.9% growth in claims volume. These recent joint efforts have enhanced brand visibility and business growth. Moreover, priority corporate wellness check-ups, the removal of co-payment requirements for AAR Healthcare clients, and the ongoing partnership for ambulance and evacuation services demonstrate our commitment to comprehensive healthcare solutions.

## Shared Value

Our commitment to shared value is driven by the belief that as we progress, we ought to progress with the society around us. We play a major role in safeguarding futures. The development of our Environment, Social, and Governance (ESG) strategy and policy is aimed at delivering inclusive growth and steering best practices in the implementation of various initiatives. We renewed our United Nations Global Compact membership and certification this year, which validates our unwavering commitment to the principles of responsible business and the pursuit of sustainable development goals. Through the Board's guidance, we will continue to expand our ESG investments to align with our business strategy.

We remain a financially sound business, well-positioned to navigate current challenges and seize future opportunities. Our focus will be on strengthening strategic partnerships that enhance our competitive edge while deepening our commitment to three core pillars—growth, innovation, and sustainability. As we look ahead, our strategy is anchored in expanding our footprint both geographically and through tailored product offerings that respond to the evolving needs of our customers.

# Appreciation

To our stakeholders, your trust in our leadership and continued support of our strategic vision have been instrumental to our success. We are deeply grateful for your contributions to our journey and look forward to shaping an even brighter future together.

To our management team and employees, this year's growth is a testament to your dedication, resilience, and unwavering commitment. We remain committed to fostering a competitive, inclusive, and supportive workplace where you can thrive. We also extend our appreciation to our regulators, revenue authorities, and governments for their ongoing efforts in creating a stable and enabling business environment that supports long-term growth.

Most importantly, we thank our customers for the confidence you place in us to protect what matters most—your families, your businesses, and your well-being. Your loyalty is what keeps us focused, agile, and resilient, and we remain committed to being your trusted partner in safeguarding your health and wealth.

Thank you for sharing this journey with us.

**John Ngumi**

*Group Board Chairperson - AAR Holdings Limited*

# AAR GROUP BOARD

---



**JOHN NGUMI**  
Group Board Chairperson



**ONNO SCHELLEKENS**  
Director



**WASSILI DIAGOS**  
Director



**MENKA SHAH**  
Director



**JAGI GAKUNJU**  
Director



**CHRIS WILSON**  
Director



**ELINE BLAAUBOER**  
Alternate Director



You're in control

## CEOpreneur, awesome boss move on covering us with **AAR SME Insurance**

- Covers 3-100 Employees
- Annual check-up with Inpatient
- Travel + Personal Accident
- WIBA + Group Personal Accident

The comprehensive  
**two-in-one business  
cover**

Health Insurance + General Insurance

Contact your Agent, Broker or Bank

Regulated by the Insurance Regulatory Authority

AAR\_Insurance

## Board Members Meeting Attendance

Summary of the main Boards meetings and attendance in the year under review is indicated below:

AAR Holding Limited Board Meetings 2024								
Name of Director		Designation	Q1 14 <sup>th</sup> Mar	Q2 13 <sup>th</sup> Jun	Q3 25 <sup>th</sup> Sep	Special 22 <sup>nd</sup> Nov	Q4 19 <sup>th</sup> Dec	Meetings attended
John Ngumi	Chairperson	✓	✓	✓	✓	✓	✓	5/5
Wassili Diagos	Member	✓	✓	✗	✓	✓	✓	4/5
Menka Shah	Member	✓	✗	✓	✓	✓	✗	3/5
Onno Schellekens	Member	✗	✓	✓	✓	✓	✓	4/5
Christopher Wilson	Member	✗	✓	✓	✓	✓	✓	4/5
Jagi Gakunju	Member	✗	✓	✗	✓	✓	✓	3/5
Eline Blauboer	Member	✓	✓	✓	✓	✓	✓	5/5

AAR Insurance Holdings Limited Board Meetings 2024								
Name of Director		Designation	Q1 14 <sup>th</sup> Mar	Q2 13 <sup>th</sup> Jun	Q3 25 <sup>th</sup> Sep	Special 22 <sup>nd</sup> Nov	Q4 19 <sup>th</sup> Dec	Meetings attended
John Ngumi	Chairperson	✓	✓	✓	✓	✓	✓	5/5
Wassili Diagos	Member	✓	✓	✗	✓	✓	✓	4/5
Menka Shah	Member	✓	✗	✓	✓	✓	✗	3/5
Onno Schellekens	Member	✗	✓	✓	✓	✓	✓	4/5
Christopher Wilson	Member	✗	✓	✓	✓	✓	✓	4/5
Jagi Gakunju	Member	✗	✓	✗	✓	✓	✓	3/5
Eline Blauboer	Alternate Member	✓	✓	✓	✓	✓	✓	5/5

AAR Insurance Kenya Limited Board Meetings									
Name of Director	Designation	Special 10 <sup>th</sup> Jan	Q1 20 <sup>th</sup> Mar	Q2 12 <sup>th</sup> Jun	Special 10 <sup>th</sup> Jul	Q3 24 <sup>th</sup> Sep	Special 22 <sup>nd</sup> Nov	Q4 17 <sup>th</sup> Dec	Meetings Attended
Esther Koimett	Chairperson	✓	✓	✓	✓	✓	✓	✓	7/7
Jones Nzomo	Member	✓	✓	✓	✓	✓	✓	✓	7/7
Wassili Diagos	Member	✓	✓	✓	✗	✗	✓	✓	5/7
Patricia Kiwanuka	Member	✓	✓	✓	✓	✓	✓	✓	7/7
Menka Shah	Member	✓	✓	✗	✓	✓	✓	✓	6/7
Justine Kosgei	CEO & Principal Officer	✓	✓	✓	✓	✓	✓	✓	7/7
Beatrice Soy	Member	✓	✓	✓	✓	✓	✓	✓	7/7
Onno Schellekens	Member	✗	✓	✓	✓	✓	✓	✓	6/7
Eline Blauboer	Alternate Member	✗	✓	✓	✓	✓	✓	✓	6/7

AAR Health Services - Uganda		
Name	Designation	Meetings attended
Brigitte Kusiima Byarugaba Sendi	Director	4/4
Dr. Alan Shonubi	Chairperson / Director	4/4
Jim Ssematimba	Director	4/4
Justine Kosgei	Director	4/4
Christine Nassuna	Managing Director	4/4

## Board Committees

The Board is supported by the following committees:

### a) Investment, Finance & Strategy Committee

The responsibilities of this committee are as follows:

#### i. Asset and Liability Management Functions, including

- Lay down an overall investment policy and operational framework for AAR Insurance Kenya investment operations in compliance with the Insurance Act, CAP 487.
- Review and make recommendations to the Board on equity investments, mergers, acquisitions, and divestitures that may have a material current or future effect on the financial condition of the Company.
- Review the Company's real property holdings and make recommendations to the Board on proposals for the acquisition, disposition and leasing of real property by the Company.
- Review and make recommendations to the Board on matters relating to the establishment of a dividend policy, the issuance of debt and equity securities, and the initiation or amendment of any revolving credit facilities for the Company.
- Oversee and review management of the Company's investment policies, investment portfolio and return on investment.
- From time to time, the Committee shall also review the Company's banking relationships and the performance of banks with which the Company maintains operating accounts. The objective of this review will be to optimize the Company's access to banking services while minimizing management fees and transaction costs.
- Monitor investment performance and regularly report performance to the Board.
- Review periodically the Company's interest rate and currency risk management policies and programs.
- Review the Company's tax program including any tax receivable agreements.
- Review and oversee the Company's treasury management activities.

#### ii. Finance Functions

- Monitor and oversee the financial affairs of the Company including the Company's balance sheet and provide recommendations on the Company's capital management strategy.
- Oversee the Company's capital structure, capital sourcing and liquidity management and make recommendations to the Board regarding strategies and activities related thereto.
- Advise the Board on annual budgets and financial planning, and the creation and monitoring of internal controls and accountability policies.
- Propose for Board approval of a budget that reflects the Company's goals and Board policies.
- Ensure that the budget accurately reflects the needs, expenses, and revenue of the Company.
- Review proposed new funding for ongoing financial implications, recommending approval or disapproval to the Board.
- Review and make recommendations to the Board on the Company's quarterly and annual financial statements.
- Monitor income and expenditures against projections.
- Review and recommend financial policies to the Board, including ensuring adequate internal controls and maintaining financial records in accordance with standard accounting practices.
- Ensure that accurate and complete financial records are maintained by the Company and filed with the Insurance Regulatory Authority (IRA) and any other applicable governmental authority.

#### iii. Strategy Functions

- Oversee the development of the Company's Strategy and ensure that the Company has a current and relevant strategy, geared to the strategic positioning of the Company, its sustainable development, as well as the establishment of processes for planning, implementing, assessing and adjusting the business strategy.
- Ensure that a strategy implementation plan is developed, adhered to and embedded in the Company.

- On a quarterly and timely basis, receive a Strategy Implementation Monitoring and Evaluation Report from Management, or such other report as may be required from time to time along with recommendations to ensure that milestones and timelines are being met.
- Consider and make recommendations to the Board concerning new strategic initiatives and alliances beneficial to the Company's long-term strategy.
- Review significant changes and emerging trends in the Company's operating environment, identify risks and opportunities, and evaluate suggested changes in strategic direction to ensure the delivery of the Company's mandate.
- Monitor the stakeholders concerns on the business of the Company.
- Formulate the Company's goals based on the critical issues and the business of the Company.
- Regularly review and uphold the mission and vision of the Company to align with the Company's goals.
- Present strategic plans to the Board for review and approval.
- Regularly update the Board on the progress of each strategic milestone.

The Board members who served the Committee and meetings attendance as of December 2024 are detailed below:

AAR Insurance Kenya Limited Investment, Finance and Strategy Committee						
Name of Director	Designation	Q1 8 <sup>th</sup> Mar	Q2 7 <sup>th</sup> Jun	Q3 9 <sup>th</sup> Sep	Q4 6 <sup>th</sup> Dec	Meetings Attended
Jones Nzomo	Chairperson	✓	✓	✓	✓	4/4
Patricia Kiwanuka	Member	✓	✓	✓	✓	4/4
Menka Shah	Member	✓	✗	✓	✗	2/4
Justine Kosgei	CEO & Principal Officer	✓	✓	✓	✓	4/4
Eline Blauboer	Member	✗	✗	✗	✓	1/4

AAR Health Services Uganda Investment Committee				
Name		Title	Meetings	Meetings Attended
1.	Justine Kosgei	Director	Chairperson	4/4
2.	Jim Ssematimba	Director	Member	4/4
3.	Christine Nassuna	Managing Director	Member	4/4

## b) Nomination Remuneration & Compensation Committee

### i. The responsibilities of the Committee Regarding Nomination

- Make recommendations to the Board regarding its size and composition and the tenure of directors.
- Lead a selection process that shall be formal, rigorous and transparent, and be responsible for identifying, reviewing and recommending to the Board candidates for appointment, whether as executive or non-executive directors, which candidates shall be considered on merit and assessed against objective criteria.
- Review and make recommendations to the Board regarding the Board members' compensation.

- Establish a mechanism for formal assessment and assess the effectiveness of the Board as a whole, the contribution by each director to the effectiveness of the Board, the contribution of the Board's various committees, and the performance of the Principal Officer, the Chief Executive Officer, or their equivalent.
- Recommend to the Board the removal of the Chief Executive Officer and Senior Management if they are ineffective, errant, or negligent in discharging their duties and responsibilities.
- Ensure that all directors undergo appropriate induction programs and receive continuous training.
- Regularly consider development plans and succession planning for directors, the Chief Executive Officer, and other senior executives, taking account the challenges and opportunities facing the Company to ensure that there is an appropriate portfolio of skills and experience within the Company.

- Make recommendations to the Board regarding the renewal of the terms of office of non-executive directors and the continuation (or not), in service of any Director at any time; and
- Establish the policy regulating how executive directors may become non-executive directors of other companies and monitor its implementation on the Board.

**ii. The responsibilities of the Committee Regarding Remuneration are as Follows;**

- Determine, agree and develop the Company's general policy on non-executive, executive and senior management remuneration.
- Determine specific remuneration packages for executive directors of the Company including but not limited to basic salary, benefits in kind, any annual bonuses, performance base incentives, share incentives, pension and other benefits.
- Determine any criteria necessary to measure the performance of executive directors and senior management in discharging their functions and responsibilities.
- Ensure that executive directors and senior management are fairly but responsibly rewarded for their individual and collective contributions and performance.
- Aim to position for executive directors and senior managers' remuneration levels relative to local and international industry benchmarks that are sufficient to attract, retain and motivate executives of the quality required by the board. In determining the specific remuneration packages the committee will have due regard to local and international industry benchmarks.

- From time to time review the terms and conditions of remuneration packages and service agreements for executive directors.
- Oversee the formulation, review and implementation of the Company's remuneration policy and determination of specific remuneration packages of the Board and senior management.
- Advise on and oversee formulation and review of the Company's human resource related policies.
- Provide necessary appropriate support to the Chief Executive Officer and senior management in human resource matters of the Company.
- Consider incentive pools, reward and performance appraisal structures and if fit recommend for Board approval.
- At least annually review the adequacy and effectiveness of the Directors' remuneration policy to ensure it supports sound and effective risk management and the appropriateness of any variable remuneration included in overall compensation.
- Seek periodic internal assurances that the Company's remuneration processes and principles as set out in the remuneration policy are being implemented in line with the policy.
- Periodically review, at least annually, all material matters of retirement benefit design and governance; and
- Periodically review reports on other remuneration-related and employee issues as necessary.
- The Board members who served the Committee and meetings attended as of December 2024 are detailed below:

AAR Insurance Kenya Limited Board Nomination and Remuneration Committee							
Name of Director	Designation	Special 5 <sup>th</sup> Jan	Q1 8 <sup>th</sup> Mar	Q2 7 <sup>th</sup> Jun	Q3 9 <sup>th</sup> Sep	Q4 5 <sup>th</sup> Dec	Meetings Attended
Beatrice Soy	Chairperson	✓	✓	✓	✓	✓	5/5
Patricia Kiwanuka	Member	✓	✓	✓	✓	✓	5/5
Justine Kosgei	CEO & Principal Officer	✓	✓	✓	✓	✓	5/5
Onno Schellekens	Member	✗	✗	✗	✓	✗	1/5

AAR Health Services Uganda Remunerations & Compensation Committee				
Name of Directors		Title	Meetings	Meetings Attended
1. Brigitte Kusiima Byarugaba Sendi		Director	Chairperson	4/4
2. Justine Kosgei		Director	Member	4/4
3. Christine Nassuna		Managing Director	Member	4/4

## c) Audit Committee

The responsibilities of this committee are as follows:

### i. Financial Statements and Disclosure Matters

The Board members who served the Committee as of December 2024 are detailed below:

- Establish procedures to attend to issues relating to maintenance of books of account, administration policies and procedures, transactions and other matters having a bearing on the financial position of AIK, whether raised by the auditors or by any other person.
- Review the draft annual financial statements, including specific disclosures made and recommend to the Board whether the draft annual financial statements should be approved.
- Review analysis prepared by management and/or the external auditor setting forth significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements including the development, selection and disclosure of critical accounting estimates and analyses and major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles and any major issues as to the adequacy of the internal controls and any special steps adopted in light of material control deficiencies.
- Discuss with management and external auditors the effect of regulatory and accounting initiatives as well as off-balance sheet transactions on the Company's financial statements.
- Discuss with the external auditors the matters required to be disclosed in the financial statements relating to the conduct of the audit.
- Discuss: The adoption of, or changes to the Company's significant auditing and accounting principles and practices as suggested by the external auditors, Group Head of Internal Audit or the management.
- The post audit report provided by the external auditor and the Company's response to that letter, as well as other material written communications between the external auditor and the management, such as any schedule of unadjusted differences.
- Any difficulties encountered during the audit work, including any restrictions on the scope of activities or access to requested information and any significant disagreements with management.
- Review disclosures made to the Audit Committee by the Company's external auditors and management during their conduct of the audit process.

### ii. Internal Control Matters

- Review the internal control system, including information technology security and control and the Company's control environment.
- Discuss any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving the management or other employees who have a significant role in the Company's internal controls.
- Understand the scope of internal, external auditors and other review functions of internal control systems and obtain reports on significant findings and recommendations, together with the management's response.
- Review the status of any action plans and management responsiveness.

### iii. Internal Audit

- Review and approve the Internal Audit charter, activities, staffing and organization structure of the internal audit function.
- Review and approve the annual audit plan, audit budget and audit strategy and, all major changes to the same.
- Monitor the independence of the internal audit activities from the external auditors and management.
- Protect the independence of the internal audit function.
- Meet with the Group Head of Internal Audit at least once a year and in the absence of management and obtain insights on internal control systems adequacy and the extent of their implementation.
- At least once per year review the performance of the Group Head of Internal Audit and ensure commensurate compensation in line with the Company's remuneration structure.
- Review the effectiveness of the Internal Audit function including compliance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practices of Internal Auditing.

### iv. External Audit

- Review the experience and qualifications of the senior members of the external audit team.
- Obtain and review a report from the external auditors at least annually regarding:
- The independent auditor's internal quality control procedures.
- Any material issues raised by the most recent internal quality control review, or peer review, of the firm or by any inquiry or investigation by governmental or professional authorities within the preceding five years in respect of one or more independent audits carried out by the firm.

- Any steps taken to deal with any such issues; and
- All relationships between the independent auditor and the management.
- Recommend to the Board policies for the Company's hiring of employees or former employees of the external auditor who participated in any capacity in the audit of AIK.
- Meet with the external auditor prior to the audit to discuss the proposed audit scope and approach,

staffing, including coordination of audit effort with internal audit and its internal audit quality control/assurance processes.

- Where necessary the Committee may meet separately with the external auditor to discuss any matters that the Committee or auditors believe should be discussed privately.

The Board members who served the Committee and meetings attended as of December 2024 are detailed below:

AAR Insurance Kenya Limited Board Audit Committee									
Name of Director	Designation	Special 8 <sup>th</sup> Jan	Q1 13 <sup>th</sup> Mar	Q2 6 <sup>th</sup> Jun	Q3 6 <sup>th</sup> Sep	Q4 6 <sup>th</sup> Dec	Special 16 <sup>th</sup> Dec	Meetings Attended	
Patricia Kiwanuka	Chairperson	x	x	x	✓	✓	✓	3/6	
Jones Nzomo	Member	✓	✓	✓	✓	✓	✓	6/6	
Beatrice Soy	Member	✓	✓	✓	x	x	x	3/6	
Wassili Diagos	Member	✓	✓	✓	✓	✓	✓	6/6	

AAR Health Services Uganda Board Audit Committee				
Name		Designation	Meetings	Meetings Attended
1.	Jim Ssematimba	Director	Chairperson	4/4
2.	Christine Nassuna	Managing Director	Member	4/4
3.	George Steven Okotha	Non-Executive Member	Non-Executive Member	4/4
4.	Fredrick Kibedde	Non-Executive Member	Non-Executive Member	4/4
6.	Ann Namwanje	Non-Executive Member	Non-Executive Member	4/4

## d) Risk and Compliance Committee

The responsibilities of this committee are as follows:

- Determining the Company's Risk Appetite, including Risk Appetite Statement, Risk Principles, and Risk Tolerances.
- Ensuring that AIK establishes and maintains an appropriate and effective Risk Management Framework to ensure that sufficient resources are in place for risk management.
- Assisting the Board in discharging its duty to oversee, on an ongoing basis, the Risk Management Framework.
- Advising the Board on risk-related issues or aspects as requested by the Board or, in the opinion of the Board Risk Committee, requires the Board's attention.

- Monitoring and reporting to the Board on the Company's risk profile, compliance with policies, relevant laws and regulations, and established risk limits and the actions taken to mitigate the exposure; and
- Reviewing the implementation and maintenance of appropriate systems, procedures, and codes of conduct per the Company's policy guidelines regarding identification, analysis, mitigation, and control of risks.

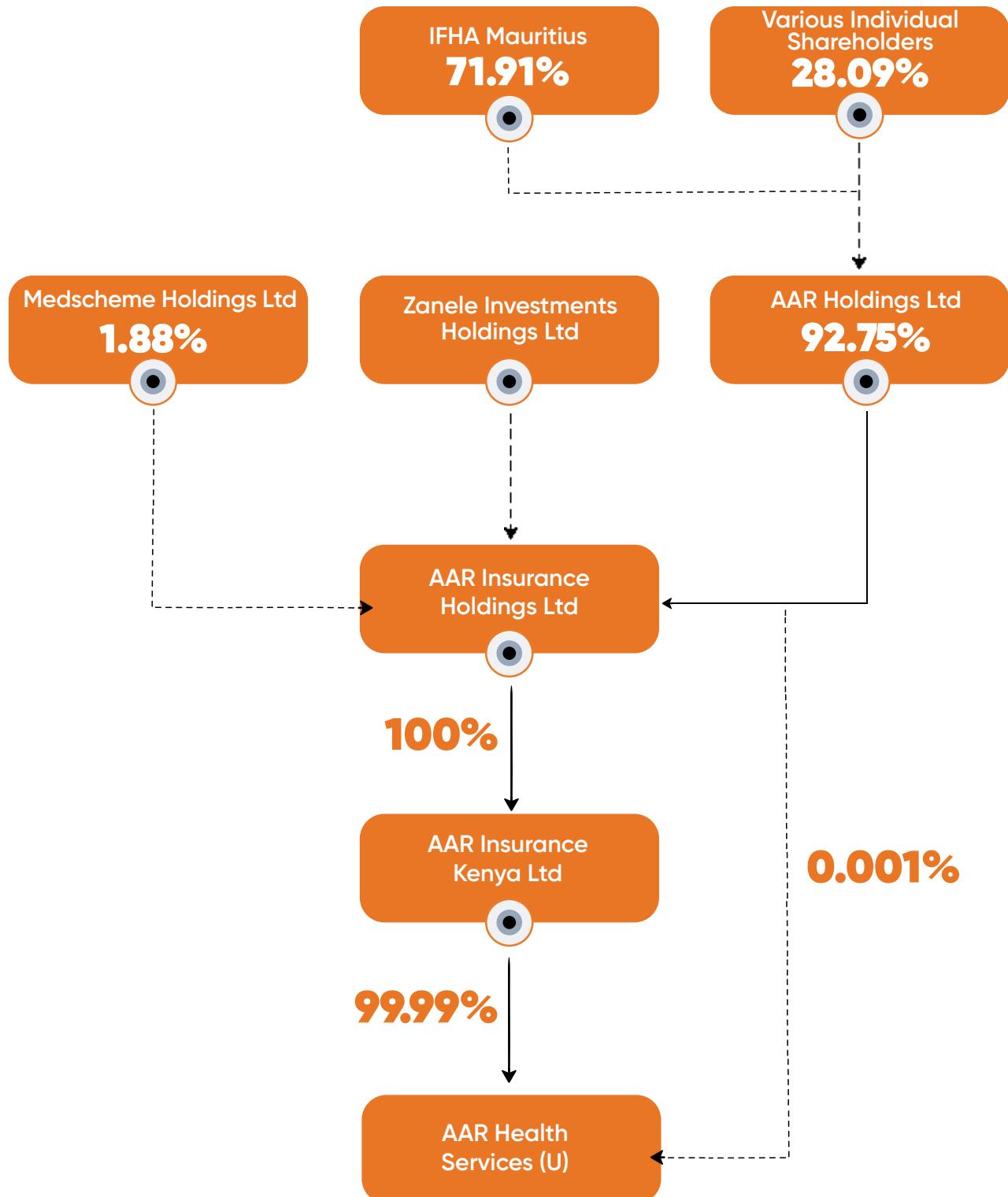
The Board members who served the Committee and meeting attendance as of December 2024 are detailed below:

<b>AAR Insurance Kenya Board - Risk and Compliance Committee</b>						
Name of Director	Designation	Q1 13 <sup>th</sup> Mar	Q2 6 <sup>th</sup> Jun	Q3 6 <sup>th</sup> Sep	Q4 5 <sup>th</sup> Dec	Meetings Attended
Wassili Diagos	Chairperson	✓	✓	✓	✓	4/4
Jones Nzomo	Member	✓	✓	✓	✓	4/4
Beatrice Soy	Member	✗	✗	✓	✓	2/4
Justine Kosgei	CEO & Principal Officer	✓	✓	✓	✓	4/4

<b>AAR Heath Services Uganda - Risk and Compliance Committee</b>				
Name	Title	Meetings	Meetings Attended	
1. Jim Ssematimba	Director	Chairperson	4/4	
2. Brigitte Kusiima Byarugaba Sendi	Director	Member	4/4	
3. Justine Kosgei	Director	Member	4/4	
4. Christine Nassuna	Managing Director	Member	4/4	

## Shareholding Information

Below is a representation of the shareholding information at AAR Insurance Group as at 31st December 2024.





# Risk Management



# Risk Management Approach and Processes

AAR Insurance is committed to a robust risk management framework that ensures business continuity, financial stability, and regulatory compliance. Our approach integrates structured risk assessment methodologies.



## a) Risk Identification

Risk identification at AAR Insurance focuses on understanding the company's exposure to uncertainty across all operational areas. This requires a deep knowledge of the insurance and healthcare industry, regulatory landscape, market trends, and strategic objectives. A structured approach ensures all significant risks are recognized and managed effectively.

## b) Risk Description

At AAR Insurance, risk description is structured to facilitate a clear understanding and prioritization of risks. A well-defined risk framework ensures that all potential threats and opportunities are systematically identified, described, and assessed.

<b>Name of Risk</b>	Qualitative description of the events, their size, type, number and dependencies
<b>Scope of Risk</b>	E.g. strategic, operational, financial, knowledge or compliance
<b>Nature of Risk</b>	Stakeholders and their expectations
<b>Stakeholders</b>	Significance and probability
<b>Quantification of Risk</b>	Loss potential and financial impact of risk Value at risk Probability and size of potential losses/gains Objective(s) for control of the risk and desired level of performance
<b>Risk Tolerance /Appetite</b>	Primary means by which the risk is currently managed levels of confidence in existing control Identification of protocols for monitoring and review
<b>Risk Treatment &amp; Control Mechanisms</b>	Primary means by which the risk is currently managed levels of confidence in existing control Identification of protocols for monitoring and review
<b>Potential Action for Improve</b>	Recommendations to reduce risk
<b>Strategy and Policy Development</b>	Identification of functions responsible for developing strategy and policy

## Risk Estimation

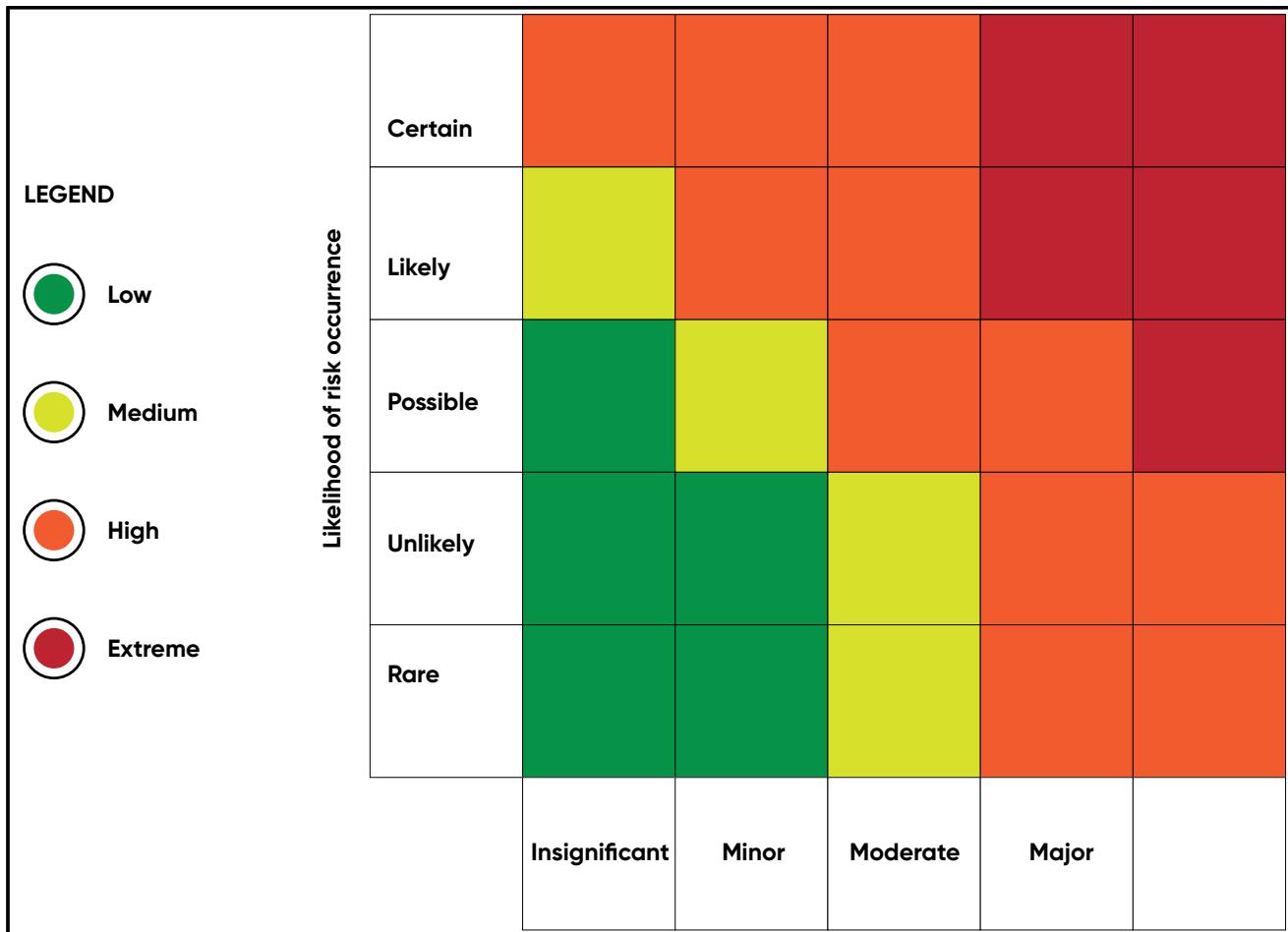
At AAR Insurance, Risk Estimation is conducted using quantitative, semi-quantitative, or qualitative methods to assess the probability of occurrence and potential impact.

This approach ensures a comprehensive evaluation of risks, allowing the company to prioritize and implement appropriate mitigation strategies.

<b>Certain</b>	The event will occur at least once every month. The event will occur in most circumstances. There is a history of regular/predictable occurrences. Very high likelihood of 80% and above.
<b>Likely</b>	The event will occur once in two to four months. The event will probably occur in most circumstances. There may be a history of frequent occurrences. High likelihood of 60% - 79%.
<b>Possible</b>	The event will occur once in five months for one year. The event might occur at some time. There could be a history of occurrence. Medium likelihood of 40% - 59%.
<b>Unlikely</b>	The event will occur once in one to two years. Not expected, but there is a slight possibility that the event could occur at some time. Some of the team consider this a risk.

## Risk Evaluation and Analysis

At AAR Insurance, risk evaluation involves comparing analyzed risks against predefined criteria, including financial impact, regulatory compliance, socioeconomic and environmental factors, and stakeholder concerns. Based on this assessment, risks are either accepted if within tolerance levels, mitigated through enhanced controls, transferred via reinsurance, or avoided if they pose significant threats. This structured approach ensures informed decision-making, protecting AAR Insurance's financial stability, regulatory adherence, and stakeholder interests while sustaining long-term growth. The process of risk analysis involves evaluating identified risks based on their likelihood of occurrence and the potential consequences they may have. These risks are then classified into different categories, such as extreme, high, medium, or low risk, to determine their severity and the necessary mitigation measures.



- Very High Risk – Requires immediate action, escalated to EXCO and the Board with urgent remediation plans.
- High Risk – Needs immediate escalation to EXCO with proactive mitigation measures.
- Moderate Risk – Requires management intervention to reduce exposure.
- Low Risk – Management decides on further risk reduction based on cost-benefit analysis.
- Very Low Risk – Risks tolerated within acceptable limits with continuous monitoring

## Risk Monitoring and Reporting

An elaborate reporting and monitoring regime is necessary for the entire risk management process. Monitoring ensures that appropriate and timely corrective measures are taken and weaknesses in the process are addressed. The RMP monitoring process includes regular review and updates of the AAR Insurance corporate risk register and an ongoing monitoring regime incorporating early warning triggers and indicators. This process enables the organisation to identify threats early and take appropriate action.

Monitoring determines whether:

- Risk measures adopted achieved the intended results.
- Procedures and information gathered were appropriate.
- Improved knowledge could have led to better decisions.
- Lessons were learnt for future assessments and risk management.

The purpose of risk management reporting is to help management:

- Understand departmental risk profiles and consolidated enterprise-level risks.
- Report on risks within the risk appetite and capacity guidelines from the board.
- Develop early-warning systems for significant risk changes.
- Identify and mitigate unfavorable trends to minimize risks and financial losses.

Risk reports are delivered to a broad spectrum of stakeholders, including:

- CEO, Board Risk & Compliance Committee, and the full Board.
- Management Risk Committees.
- Business Unit Heads of all major functions.
- Staff responsible for risk management treatments.
- Employees assisting in risk identification and plan implementation.
- External parties (through Annual Reports and press releases).

The Group Head of Risk & Compliance is responsible for coordinating and drafting risk reports to ensure consistency in standards and format.

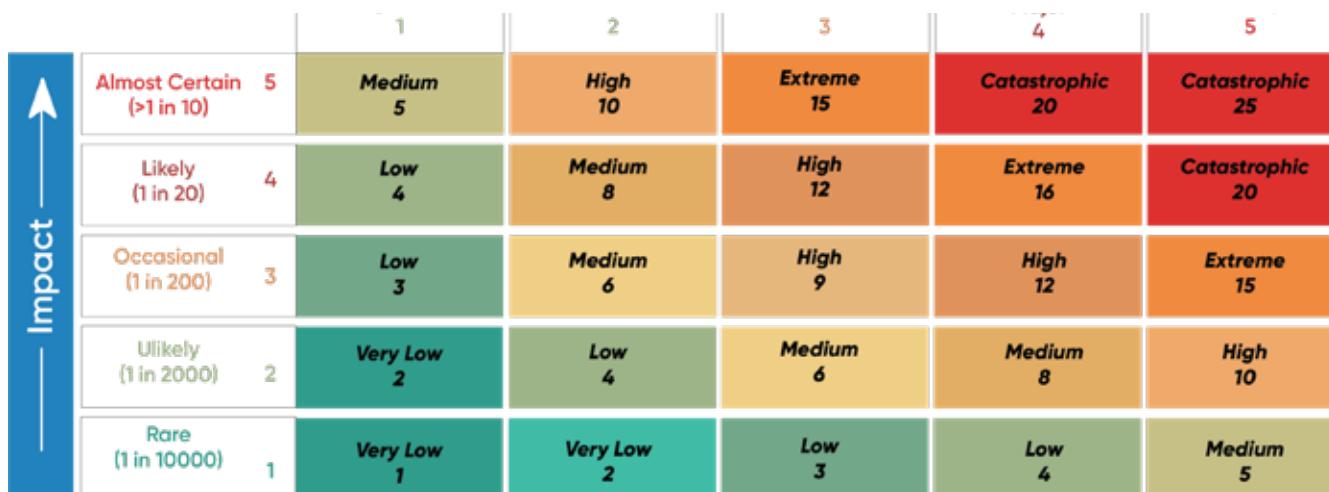
## Principal Risks

AAR Insurance's long-term resilience and stability are the foundation of our risk management approach. We recognize and accept the risks inherent in our core insurance and healthcare solutions.

Key Risk	Description
<b>Strategic Risk</b>	These risks arise out of the company's business plan. Any strategic initiative carries risks, which must be identified and quantified. Corporate strategies can involve low risk levels (for example, remaining in the same market or distributing the existing product range) or they can involve elements of high risk (for example, purchasing a competitor or distributing a new and more risky product range).
<b>Operational Risk</b>	This refers to risks of loss emanating from failure of people, processes, systems and external events.
<b>Legal and Regulatory Risk</b>	Legal risk is the potential loss that can occur arising from legal disputes that could lead to litigation or settlement, instituted by customers, counterparties, employees, the authorities, third parties or other stakeholders against the company. Regulatory compliance risks i.e. risk of non-compliance with laws, regulations and standards which relate to markets, pricing, taxes and regulations. Also, the risk that unanticipated new laws or regulations will result in the need to change business practices that may lead to financial loss. This risk category includes reputational risks.
<b>Balance Sheet and Market Risk</b>	These are risks that relate to the strength of the Company's balance sheet and the degree of risk inherent in the investment portfolio. Market risk is the risk that the fair value or the future cash flow of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk and price risk
<b>Liquidity Risk</b>	The risk that at some time the Company will be unable to meet the cash demands of its policyholders (claims and benefits) and other obligations as they become due because of an inability to liquidate assets or obtain adequate funding without incurring unacceptable losses.
<b>Credit Risk</b>	As the company relies on being paid by third parties, including the Company's reinsurers and investment counterparts, there is the potential that a borrower or counterparty ('obligor') will fail to meet its obligations in accordance with the agreed terms. Credit risk reflects the collectability risk associated with certain assets or receivables both on and off the balance sheet.
<b>Concentration Risk</b>	This is the risk of overreliance on a few products, a product class, few geographical markets and few industries for the revenue of the Company.
<b>Insurance Risk</b>	This relates to the types of insurance products the company writes. Some products have a much lower insurance risk than others. The relative risks are reflected in varying levels of capital which the insurer needs to hold. The higher the risk, the greater amount of capital required to support those risks, i.e. the technical provisions (or insurance liabilities) arising from the uncertainty of future claims outcomes. Insurance risk therefore relates to the possibility that the eventual value of insurance liabilities will be greater than the estimated value of the liabilities. From a valuation perspective the risk relates to model assumptions chosen for estimating liabilities not accurately reflecting the actual distribution of future liabilities.

## Risk Assessment

At AAR Insurance, risk assessment refers to the structured process of identifying, evaluating, and prioritizing risks associated with our operations, products, and strategic initiatives. This process considers the likelihood of a risk occurring and the potential impact it may have on the company, policyholders, and stakeholders. By systematically analyzing risks, AAR Insurance ensures proactive mitigation strategies, compliance with regulatory standards, and the protection of financial and operational stability. The Diagram Below shows the Risk Matrix



Based on the risk information gathered, proceeds to the second phase of the process, which includes the following steps:

1. Assess inherent risks by estimating the impact and likelihood of the risk event.
2. Assess residual risks based on their estimated impact and likelihood after mitigation measures.
3. Develop a risk ranking for each risk using risk ranking criteria, validated by management. Risks are then listed in the risk registry for approval by the Group Head of Risk and Compliance, who also aligns resources with risk priorities.
4. Update the risk registry to assist in ERM resource allocation, distinguishing risks remediation (above risk tolerance levels) from those that are simply monitored (below risk tolerance levels).
5. Plot risks on a heat map to visually represent their impact and probability.
6. Complete the risk record for identified enterprise risks with the help of assessment participants.





# Our Sustainability Strategy

## Our Sustainability Strategy

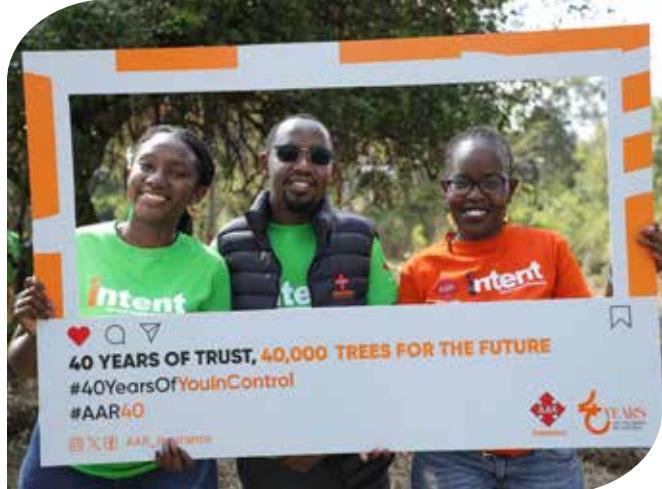
At AAR Insurance, we recognize that sustainable development is both a moral obligation and a strategic priority. Our dedication to universal sustainability principles stems from understanding the deep connection between our business success, the well-being of communities, and the health of our environment. In a time marked by rapid climate change, increasing political fragmentation, and the spread of misinformation, it is more important than ever to reinforce our commitment to globally recognized environmental, social, and governance (ESG) practices. By fully integrating these principles into our business model, we aim to secure the long-term sustainability of our organisation.

To reinforce our ESG commitment, AAR Insurance has embedded sustainability at the core of our business model as a fundamental part of our strategy. The Sustainability Programme is Board-sponsored and designed around Environmental, Social and Governance (ESG) pillars and cuts across various facets.

## Environmental Stewardship

At AAR Insurance, we recognize that sustainability is rooted in the very essence of life, just like a tree—growing strong, providing shelter, and nurturing the ecosystem around it. Through our "A Tree, A Life" initiative, we planted 40,000 trees across the country to mark our anniversary AAR at 40. We also participated in the "plant your age" initiative by Green Africa Foundation a groundbreaking movement aimed at fostering environmental consciousness and sustainable practices that encourage individuals, corporations and governments to plant trees corresponding to their age, employee count or product range. Became members of African Natural Capital Alliance (ANCA), recognizing the critical role of nature in our continent's well-being and sustainable development.

We strive to minimize our environmental footprint by adopting paperless processes, reducing carbon emissions, and promoting green initiatives such as digital claim processing and sustainable office operations. Our efforts aim to contribute to a healthier planet, ensuring that future generations inherit a thriving environment.



## Social Impact

The social pillar is committed to embracing Diversity, Equity, and Inclusivity (DEI) as key drivers of our vision. The company aims to break down barriers by ensuring equal opportunities for its workforce, partners, and stakeholders. In response to the evolving labor landscape and laws, we have updated our employee acquisition and retention program, offering clear career paths and fostering a positive, inclusive and welcoming workplace environment. We are also committed to ensuring that our insurance solutions are both inclusive and innovative, with a strong emphasis on promoting financial inclusion for underserved segments of our market and vulnerable communities. Our community outreach programs endeavor to enhance sustainable development by reducing inequalities contributing to SDG 10.

## Governance and Ethical Business Practices

AAR Insurance has strengthened its governance structures by having the Board lead the effort to instill an ESG and sustainability culture within the organisation. The operations and stakeholder interactions are grounded in integrity as a fundamental value. The company empowers every member of the organisation to remain vigilant and uphold the commitment to ethical stewardship. A zero-tolerance policy towards fraud, corruption, bribery and any form of financial management is, therefore, a fundamental part of AAR insurance's core values guaranteeing its customers a good experience.



# Our Sustainability Highlights

## Environment

- Planted 40,000 trees to mark AAR@40.
- Participated in the “plant your age” initiative by Greenspace Kenya.
- Became members of African Natural Capital Alliance (ANCA), recognizing the critical role of nature in our continent’s well-being and sustainable development.
- Planted 1,000 trees on, May 17th, 2024, at Kenya Veterinary Vaccines Production Institute (KEVEVAPI).



## Social

- Launch of Seniors' product
- Sponsored a charity golf tournament at Nairobi Hospital -Charity Heart Fund. (Seniors)



## Governance

- Signing of Sustainability Commitment by the Board.
- 69.2% in Kenya and 60% in Uganda of women in senior leadership

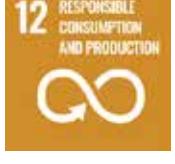


## Sustainability Frameworks

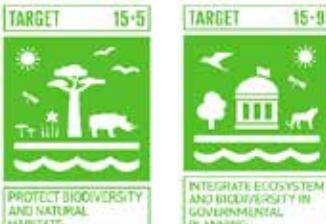
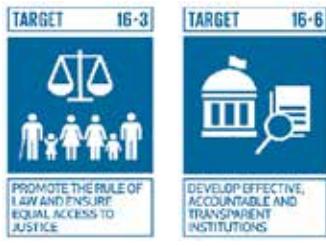
### a) Alignment with Sustainable Development Goals (SDGs)

As the world faces growing environmental challenges and social inequalities, the UN Sustainable Development Goals (SDGs) provide a universal blueprint for creating a more inclusive and sustainable future. These 17 goals are designed to drive global progress by fostering peace, eliminating poverty, protecting the environment, and ensuring shared prosperity. At AAR Insurance, we acknowledge the important role we play in advancing sustainability within our industry. We have undertaken a materiality assessment to identify material topics as well as the SDGs that relate to our business with the aim of making the most impact.

By integrating these sustainability priorities into our ESG strategy, we reaffirm our commitment to responsible business practices. We remain dedicated to working with stakeholders and the global community to drive meaningful change and contribute to a healthier, more equitable world.

Pillar	Theme	SDGs		
Environment	<ul style="list-style-type: none"> <li>Environmental Stewardship</li> </ul>	 <b>7 AFFORDABLE AND CLEAN ENERGY</b>	 <b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b>	 <b>13 CLIMATE ACTION</b>
Social	<ul style="list-style-type: none"> <li>Positive Impact and Empowering our People</li> <li>Community Wellness and Outreach</li> <li>Customer Experience</li> <li>Community Outreach</li> </ul>	 <b>3 GOOD HEALTH AND WELL-BEING</b>	 <b>4 QUALITY EDUCATION</b>	 <b>5 GENDER EQUALITY</b>
		 <b>8 DECENT WORK AND ECONOMIC GROWTH</b>	 <b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b>	 <b>10 REDUCED INEQUALITIES</b>
		 <b>11 SUSTAINABLE CITIES AND COMMUNITIES</b>	 <b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b>	 <b>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</b>
Governance	<ul style="list-style-type: none"> <li>Governance Excellence</li> <li>Sustainable Products</li> <li>Innovation and Partnerships</li> </ul>	 <b>17 PARTNERSHIPS FOR THE GOALS</b>	 <b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b>	 <b>17 PARTNERSHIPS FOR THE GOALS</b>

SDGs	Sub-themes	Specific Targets (SDG)		
Good Health and Wellbeing	<ul style="list-style-type: none"> <li>To be the Employer of Choice (Staff Health and Wellbeing, Learning and Development Accessible Healthcare)</li> <li>Awareness and Education</li> <li>Occupational Health and Safety</li> </ul>	 <p><b>TARGET 3-4</b> REDUCE MORTALITY FROM NON-COMMUNICABLE DISEASES AND PROMOTE MENTAL HEALTH</p>	 <p><b>TARGET 3-8</b> ACHIEVE UNIVERSAL HEALTH COVERAGE</p>	 <p><b>TARGET 3-9</b> REDUCE ILLNESSES AND DEATH FROM HAZARDOUS CHEMICALS AND POLLUTION</p>
Quality Education	<ul style="list-style-type: none"> <li>Talent Acquisition and Retention</li> <li>Educational Outreach</li> <li>Awareness and Education</li> </ul>	 <p><b>TARGET 4-1</b> FREE PRIMARY AND SECONDARY EDUCATION</p>	 <p><b>TARGET 4-4</b> INCREASE THE NUMBER OF PEOPLE WITH RELEVANT SKILLS FOR FINANCIAL SUCCESS</p>	 <p><b>TARGET 4-7</b> EDUCATION FOR SUSTAINABLE DEVELOPMENT AND GLOBAL CITIZENSHIP</p>
Gender Equality	<ul style="list-style-type: none"> <li>Diversity, Equity and Inclusion</li> </ul>	 <p><b>TARGET 5-5</b> ENSURE FULL PARTICIPATION IN LEADERSHIP AND DECISION-MAKING</p>		
Clean Water and Sanitation	<ul style="list-style-type: none"> <li>Water Conservation Initiatives</li> </ul>	 <p><b>TARGET 6-4</b> INCREASE WATER USE EFFICIENCY AND ENSURE FRESHWATER SUPPLIES</p>		
Decent Work and Economic Growth	<ul style="list-style-type: none"> <li>To be the Employer of Choice - Staff Health and Wellbeing, Learning and Development</li> <li>Talent Attraction and Wellness</li> <li>Employee Engagement</li> <li>Occupational Health and Safety</li> <li>Delightful Customer Experience and Client Satisfaction</li> <li>Sustainable and Profitable Growth</li> </ul>	 <p><b>TARGET 4-1</b> FREE PRIMARY AND SECONDARY EDUCATION</p>	 <p><b>TARGET 4-4</b> INCREASE THE NUMBER OF PEOPLE WITH RELEVANT SKILLS FOR FINANCIAL SUCCESS</p>	 <p><b>TARGET 4-7</b> EDUCATION FOR SUSTAINABLE DEVELOPMENT AND GLOBAL CITIZENSHIP</p>
Industry, Innovation and Infrastructure	<ul style="list-style-type: none"> <li>Strategic Partnerships</li> <li>Digital Transformation and Innovation</li> <li>Sustainable and Profitable Growth</li> <li>Operational Excellence</li> </ul>	 <p><b>TARGET 9-4</b> UPGRADE ALL INDUSTRIES AND INFRASTRUCTURES FOR SUSTAINABILITY</p>	 <p><b>TARGET 9-5</b> ENHANCE RESEARCH AND UPGRADE INDUSTRIAL TECHNOLOGIES</p>	

<b>Reduced Inequalities</b> <ul style="list-style-type: none"> <li>• Diversity, Equity and Inclusion</li> </ul>	 <p><b>TARGET 10-2</b></p> <p>PROMOTE UNIVERSAL SOCIAL, ECONOMIC AND POLITICAL INCLUSION</p>
<b>Sustainable Cities and Communities</b> <ul style="list-style-type: none"> <li>• Corporate Citizenship</li> </ul>	 <p><b>TARGET 11-3</b></p> <p>INCLUSIVE AND SUSTAINABLE URBANIZATION</p>
<b>Responsible Consumption and Production</b> <ul style="list-style-type: none"> <li>• Responsible Marketing</li> <li>• Waste Management</li> <li>• Sustainable Supply Chain</li> <li>• Delightful Customer Experience and Client Satisfaction</li> <li>• Sustainable Office Use</li> </ul>	 <p><b>TARGET 12-5</b></p> <p>SUBSTANTIALLY REDUCE WASTE GENERATION</p> <p><b>TARGET 12-7</b></p> <p>PROMOTE SUSTAINABLE PUBLIC PROCUREMENT PRACTICES</p> <p><b>TARGET 12-8</b></p> <p>PROMOTE UNIVERSAL UNDERSTANDING OF SUSTAINABLE LIFESTYLES</p>
<b>Climate Action</b> <ul style="list-style-type: none"> <li>• Carbon Footprint Management</li> <li>• Energy Consumption</li> </ul>	 <p><b>TARGET 13-2</b></p> <p>INTEGRATE CLIMATE CHANGE MITIGATION INTO POLICIES AND PLANNING</p>
<b>Life on Land</b> <ul style="list-style-type: none"> <li>• Biodiversity</li> </ul>	 <p><b>TARGET 15-5</b></p> <p>PROTECT BIODIVERSITY AND NATURAL HABITATS</p> <p><b>TARGET 15-9</b></p> <p>INTEGRATE ECOSYSTEM AND BIODIVERSITY IN GOVERNMENTAL PLANNING</p>
<b>Peace, Justice and Strong Institutions</b> <ul style="list-style-type: none"> <li>• Data Privacy (16.10)</li> <li>• Whistleblowing (16.6)</li> <li>• IT Security (16.10)</li> <li>• Risk Management and Internal Control (16.3)</li> <li>• Corporate governance (16.7)</li> <li>• Transparency in Reporting (16.6)</li> <li>• Ethical Business Practices (16.5)</li> </ul>	 <p><b>TARGET 16-3</b></p> <p>PROMOTE THE RULE OF LAW AND ENSURE EQUAL ACCESS TO JUSTICE</p> <p><b>TARGET 16-6</b></p> <p>DEVELOP EFFECTIVE, ACCOUNTABLE AND TRANSPARENT INSTITUTIONS</p>
<b>Partnerships for the Goals</b> <ul style="list-style-type: none"> <li>• Volunteer Programs</li> <li>• Tax Transparency</li> <li>• Strategic Partnership</li> <li>• Corporate Citizenship</li> </ul>	 <p><b>TARGET 17-1</b></p> <p>MOBILIZE RESOURCES TO IMPROVE DOMESTIC REVENUE COLLECTION</p> <p><b>TARGET 17-16</b></p> <p>ENHANCE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT</p> <p><b>TARGET 17-17</b></p> <p>ENCOURAGE EFFECTIVE PARTNERSHIPS</p>

## b) Our Value Creation Model

As AAR Insurance, we are committed to creating shared value at the core of our business. We focus on doing good as good business as our business strategy and our sustainability commitments through our ESG initiatives aptly named INTENT. INTENT embodies our unwavering dedication to fostering positive impact and integrating sustainability into every facet of the business. It also encapsulates the company's steadfast commitment to promoting positive societal impact and ensuring sustainable practices across all levels of operations. We use the 6 Capitals Framework to demonstrate our integration of strategy and sustainable development issues highlighting material aspects therein and how we have performed for each.

Capital	Financial Capital	Intellectual Capital	Social and Relationship Capital	Manufacturing Capital	Natural Capital	Human Capital

<ul style="list-style-type: none"> <li>AAR Insurance has also partnered with Cigna Healthcare, one of the world's largest international private medical insurance companies, to offer international medical insurance products.</li> <li>Investment in technology and most recent cyber security infrastructure and management of data protection in collaboration with trusted third parties, strict data protection policies.</li> </ul>	<ul style="list-style-type: none"> <li>Sponsoring The Nairobi Hospital's Children's Charity Heart Fund Golf Tournament at The Karen Country Club for treatment of children with congenital heart condition contributing Shs 300,000.</li> <li>Affordable products in Microinsurance for the underserved such as Kinga Afya, ShwAARI and Munno Mukabi Platinum Cover with full coverage available for just UGX 440,000 per year, Ddwalliro Care starting as low as UGX 5,000 per month.</li> <li>Online self-service portal that allows clients to access and update their policy information as well as purchase covers online or through licensed E-Waste handlers.</li> <li>Planted 1,000 trees on, May 17th, 2024, at Kenya Veterinary Vaccines production institute (KEVVAPI) Disposal of E-Waste through licensed E-Waste handlers.</li> </ul>
   <p>Alignment to principles and standards</p>	 <p>Mission: Reinventing insurance and sustainable solutions.</p> <p>Vision: Safeguarding the Health and Wealth of All</p> <p>Values:</p> <ul style="list-style-type: none"> <li>Agile</li> <li>Reliable</li> <li>Innovative</li> <li>Strategic</li> <li>Excellent</li> </ul> <p>Sustainability commitment: Strong governance (including control environment) sustainability orientation and accountability.</p>



You're in control

## Kiongoss, great Boss Move on covering us with **AAR SME Insurance**

- Covers 3-100 Employees
- Annual check-up with Inpatient
- Travel + Personal Accident
- WIBA + Group Personal Accident



## The comprehensive **two-in-one business cover**

Health Insurance + General Insurance

Contact your Agent, Broker or Bank

Regulated by the Insurance Regulatory Authority

AAR\_Insurance



# Our Stakeholder Engagement Framework

We are committed to delivering on our mission 'Reinventing insurance through innovative, affordable & sustainable solutions for all our stakeholders.' Stakeholder engagement is ingrained in our governance and strategy and is articulated in our Stakeholder Map. These guidelines govern how we communicate, engage and release material information about the Group to all stakeholders across East Africa. Stakeholder Relationship Management (SRM) workshops have been conducted with the CEO focusing on the processes required to identify the people, groups and organisations that could affect or be affected by our business activities and how to engage with them. We also analyse stakeholder expectations and their impact on our business. Further, we endeavour to develop appropriate strategies and tactics for effectively engaging them in a manner appropriate to their interest and involvement in our business.

Stakeholders	Why We Engage	Engagement Channels	Frequency
<b>Customer Review Outline</b>	<ul style="list-style-type: none"> <li>To ensure the customers' needs are understood and addressed</li> <li>To increase customer loyalty and brand reputation</li> <li>To streamline business processes for better customer service</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction survey</li> <li>Customer events</li> <li>In person engagement</li> <li>Online self-service portals</li> <li>Online channels</li> </ul>	Daily
<b>Board Of Directors Outline</b>	<ul style="list-style-type: none"> <li>To foster transparency and accountability about AIK financial and non – financial performance</li> <li>To attract and retain investors</li> <li>To build confidence among shareholders and investors</li> <li>Strengthening shareholders' trust and loyalty</li> <li>Foster a sense of ownership and belonging</li> <li>Strategic planning</li> <li>Financial performance and reporting</li> <li>Risk management and risk mitigation strategies</li> </ul>	<ul style="list-style-type: none"> <li>In – person platforms</li> <li>Online platforms</li> <li>Annual General Meetings (AGM)</li> <li>Shareholder calls and meetings</li> <li>Results announcements and presentations</li> <li>Investor conferences</li> </ul>	Quarterly
<b>Court Outline</b>	<ul style="list-style-type: none"> <li>Ensure compliance with law and regulators</li> <li>To maintain a positive brand image of responsible corporate citizens</li> <li>To contribute to the shaping of regulatory policies within the insurance industry</li> <li>Maintain transparency</li> <li>Tax payments</li> </ul>	<ul style="list-style-type: none"> <li>Direct engagement key government regulatory and industry stakeholders</li> <li>Audit and Compliance Report</li> </ul>	Monthly
<b>Employee Badge Outline</b>	<ul style="list-style-type: none"> <li>Equitable compensation and comprehensive benefits</li> <li>Develop skillset</li> <li>Job security</li> <li>Safe working conditions</li> </ul>	<ul style="list-style-type: none"> <li>Staff Meetings</li> <li>Feedback from Supervisors</li> <li>Performance Review/ Appraisal</li> <li>Team Building and retreats</li> </ul>	Daily
<b>Users Outline</b>	<ul style="list-style-type: none"> <li>Improve the health and well-being of the communities</li> <li>Foster a sense of belonging and connection</li> </ul>	<ul style="list-style-type: none"> <li>Social Media</li> <li>Sustainability Reports</li> <li>Capacity building programs</li> <li>CSI activities</li> </ul>	Monthly

Stakeholders	Why We Engage	Engagement Channels	Frequency
<b>Board of Directors Outline</b>	<ul style="list-style-type: none"> <li>To set strategy, ensure governance, and track performance</li> </ul>	<ul style="list-style-type: none"> <li>Board meetings</li> <li>Strategy sessions</li> <li>Performance reviews</li> </ul>	Quarterly
<b>Suppliers and Service Providers</b>	<ul style="list-style-type: none"> <li>To maintain quality services and ensure timely delivery</li> </ul>	<ul style="list-style-type: none"> <li>Portals</li> <li>Emails</li> <li>Conference calls</li> <li>Face – to face meetings</li> <li>Contract negotiations meetings</li> <li>Performance reviews meetings</li> </ul>	Quarterly as required





# Our Materiality Assessment & Matrix

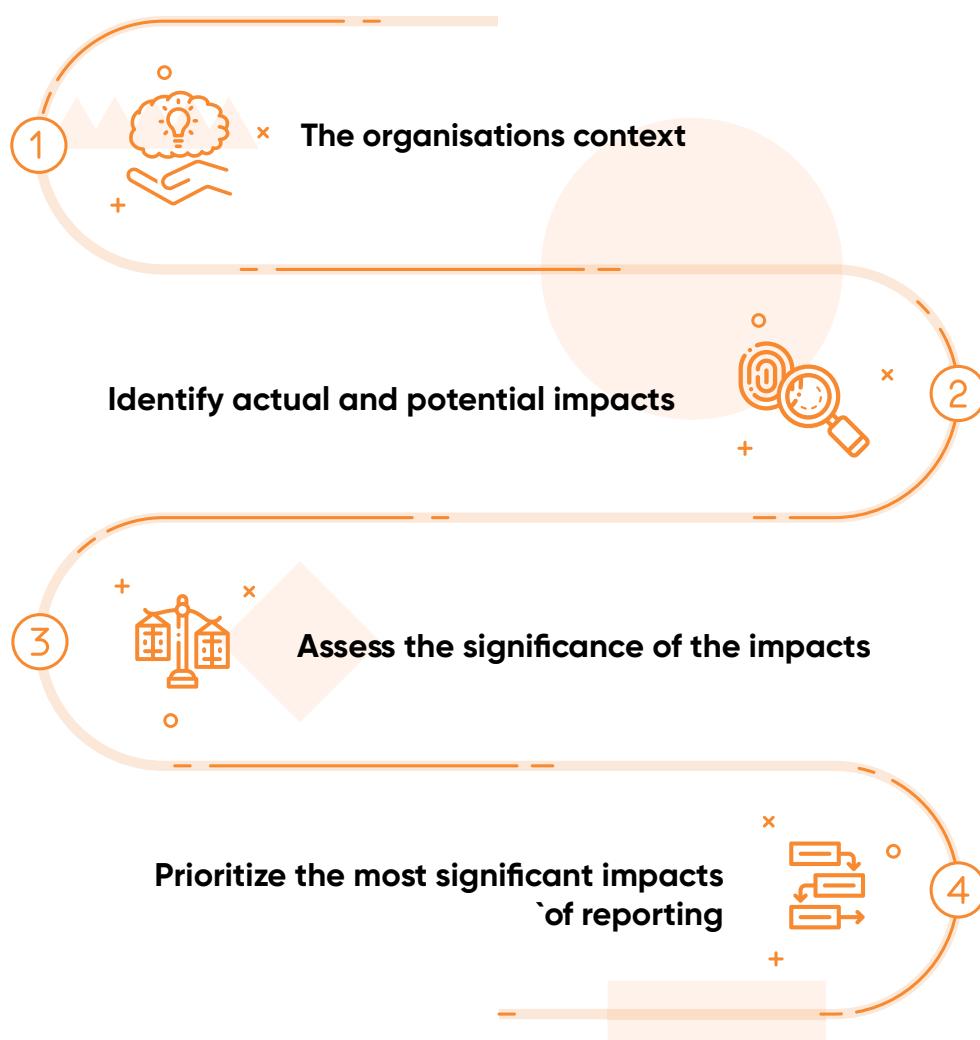
## Materiality Assessment

A Materiality Assessment is a process through which AAR Insurance identifies, evaluates, and prioritizes key Environmental, Social, and Governance (ESG) issues that significantly impact its operations, stakeholders, and long-term sustainability. ESG considerations are essential to AAR Insurance, as they shape stakeholder perceptions, influence strategic decision-making, and drive overall business performance.

Conducting a Materiality Assessment enabled us to identify opportunities, strengthen stakeholder engagement, mitigate operational risks, and integrate sustainability principles into its corporate strategy. Through industry benchmarking and stakeholder engagement, we have identified and refined the key material topics most relevant to AAR Insurance's operations, ensuring alignment with our business priorities and sustainability commitments.

AAR Insurance's materiality assessment is guided by leading sustainability standards, frameworks, and regulatory guidelines, ensuring alignment with global best practices. These include the Global Reporting Initiative (GRI) 2021 standards, the International Sustainability Standards Board (ISSB) guidelines, particularly IFRS S1 for sustainability-related risks and IFRS S2 for climate-related disclosures, and the European Sustainability Reporting Standards (ESRS) developed by the European Financial Reporting Advisory Group (EFRAG). Additionally, AAR Insurance considers the Corporate Sustainability Due Diligence Directive (CSDDD), which emphasizes responsible corporate conduct, human rights, and environmental sustainability in governance.

By integrating these frameworks into its materiality process, AAR Insurance ensures that sustainability remains a key pillar of its corporate strategy, reinforcing its commitment to ethical business practices, regulatory compliance, and delivering long-term value to policyholders, investors, and society.



## Materiality Assessment Process

To determine the material topics for AAR Insurance, a structured materiality assessment process aligned with the GRI Standards was undertaken. This process ensures that AAR Insurance focuses on the most significant ESG issues that impact both its business operations and stakeholders.

AAR Insurance engaged the services of Impact Africa Consulting Limited, an independent advisory firm specializing in sustainability, to conduct the materiality assessment. The role of Impact Africa Consulting was to provide expert guidance in identifying and evaluating the ESG issues most relevant to AAR Insurance's operations. The process involved analysing key industry benchmarks, regulatory changes in healthcare and insurance, and emerging global sustainability trends. Particular attention was given to factors such as the evolving post-pandemic healthcare landscape, the impact of climate change on medical service delivery, the rise of digital health solutions, and shifting consumer expectations in the insurance sector among other trends.

AAR Insurance's leadership played a significant role in shaping the materiality assessment by evaluating topics through three key dimensions:

- **Stakeholder perspective** – Understanding what matters most to AAR Insurance is key stakeholders (senior management and relevant employees).
- **Outward impact** – Assessing how AAR Insurance's operations contribute to broader societal well-being, climate resilience in healthcare, and equitable access to quality medical services.
- **Inward impact** – Identifying the risks and opportunities that ESG factors present to AAR Insurance's long-term business performance, operational resilience, and brand reputation.

Following a thorough analysis, Impact Africa Consulting Limited facilitated an engagement exercise with senior management and benchmarking against best practices in sustainable healthcare and insurance. The results informed the development of AAR Insurance's materiality matrix, highlighting priority ESG topics that will shape AIK sustainability strategy and stakeholder engagement moving forward. Through this process, AAR Insurance is reinforcing its commitment to responsible business practices, enhancing trust with stakeholders, and positioning itself as a leader in sustainable healthcare and insurance solutions. Below is the representation of the step-by-step assessment process.



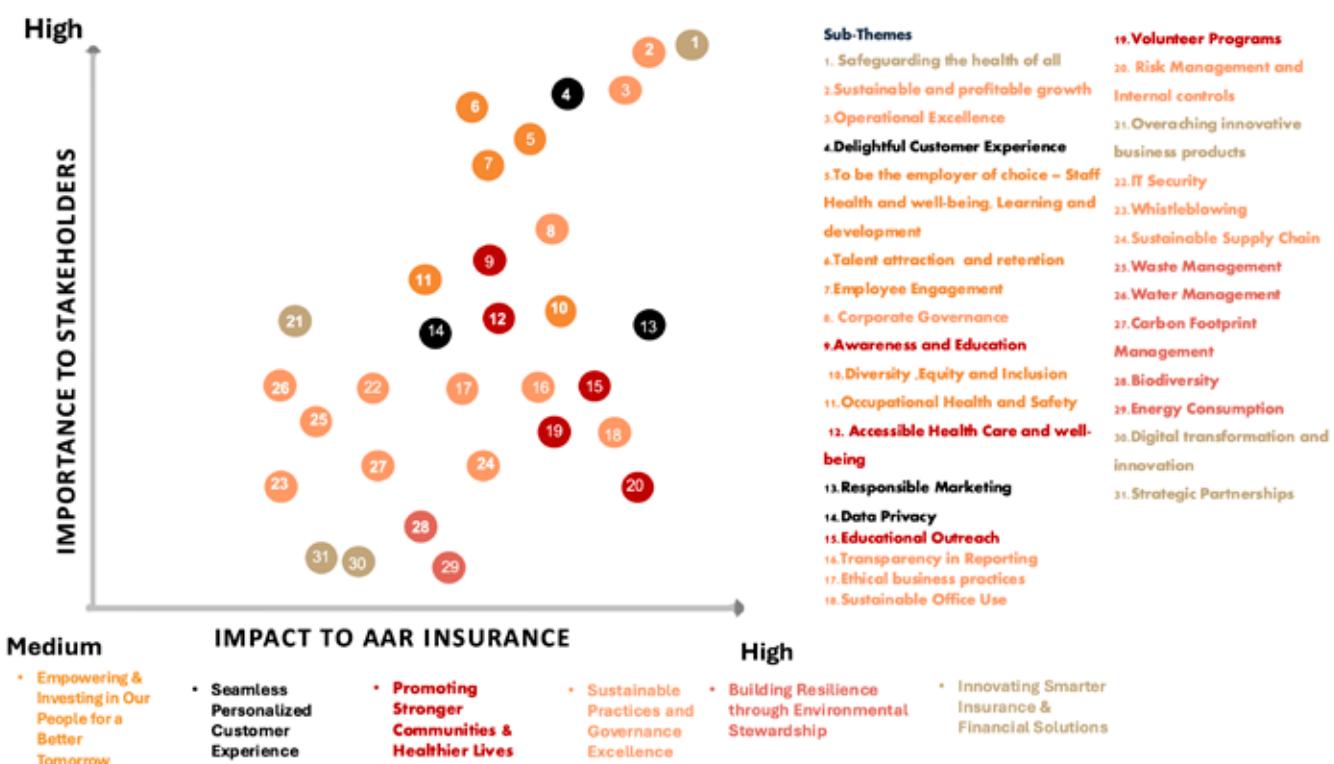
## Materiality Matrix

The materiality matrix is a vital data visualization tool that presents the findings of AAR Insurance's materiality assessment, mapping key Environmental, Social, and Governance (ESG) topics based on the influence of the stakeholders and their impact on business operations. This four-quadrant matrix provides a comprehensive overview of materiality scores derived from both internal and external stakeholder engagements, ensuring a balanced and strategic approach to sustainability.

At the heart of AAR Insurance's assessment process is the focus on win-win scenarios, prioritizing topics that hold high importance to stakeholders while exerting a significant impact on business performance. These high-priority areas guide AAR Insurance in sustainability strategy, aligning with both stakeholder expectations and the company's long-term corporate objectives. By integrating materiality into decision-making, AAR enhances stakeholder engagement, mitigates risks, and drives sustainable value creation.

The materiality assessment evaluates ESG topics from two independent perspectives, which are plotted on the materiality matrix. The X-axis represents the impact to the business, assessing how each issue impacts AAR Insurance's operational and financial performance, while the Y-axis highlights the stakeholder influence, reflecting the concerns and priorities of customers, employees, regulators, investors, and broader community among other stakeholders. This structured approach ensures that AAR Insurance's remains proactive in addressing key ESG considerations while reinforcing its commitment to sustainable growth, responsible business practices, and long-term stakeholder value.

We mapped out the material topics as shown below:





You're in control

## Manager, saucy boss move setting us up with **AAR** **SME Insurance**

- Covers 3-100 Employees
- Annual check-up with Inpatient
- Travel + Personal Accidents
- WIBA + Group Personal Accident



## The comprehensive **two-in-one business** cover

**Health Insurance** + **General Insurance**

Contact your Agent, Broker or Bank

Regulated by the Insurance Regulatory Authority

AAR\_Insurance



# The Material Topics



## Material Topics

AAR has prioritized the following material topics as integral to its sustainability agenda.



**1.**

Promoting Stronger Communities & Healthier Lives



**2.**

Empowering & Investing In Our People For A Better Tomorrow



**3.**

Seamless Personalised Customer Experience



**4.**

Building Resilience Through Environmental Stewardship



**5.**

Sustainable Practices & Governance Excellence



**6.**

Innovating Smarter Insurance & Financial Solutions

### Promoting Stronger Communities And Healthier Lives

At AAR Insurance we believe in the power of the community. By investing in health, education, and financial empowerment, we create lasting impact; ensuring individuals and families have the support they need to thrive. The Company ensures the development of financially inclusive insurance products, through proactive health and safety advocacy, AAR Insurance promotes wellness programs, public awareness campaigns, and free medical check-ups to protect the well-being of the communities it serves. Additionally, it ensures that business operations do not negatively impact society and actively supports sustainable natural resource management through environmental conservation efforts and responsible resource utilization.

Corporate Social Investment remains a core pillar of AAR Insurance sustainability strategy, with impactful initiatives in education, disaster response, and community empowerment. By strengthening and supporting local communities, AAR Insurance contributes to their long-term resilience and development.

### Accessible Health Care and Wellbeing

AAR Insurance is committed to strengthening access to quality healthcare services for all by ensuring affordability, convenience, and inclusivity. Recognizing the barriers that hinder equitable healthcare, we prioritize innovative solutions that make essential medical services more accessible. Our partnerships with healthcare providers across Kenya and Uganda, community organisations, government agencies and like-minded partners enable us to expand our reach, enhance service efficiency, and provide comprehensive care, with products such as Kinga Afya and ShwAAri. ShwAAri is an affordable insurance solution designed to cater to low-income individuals, by providing flexible health coverage. This initiative ensures that financial constraints do not hinder access to essential healthcare services.

Munno Mukabi Platinum Cover from AAR Health Services Uganda is an innovative and affordable insurance plan designed to make quality healthcare and financial protection accessible to individuals, families, small businesses, and corporate organisations in Uganda.

Offering both inpatient and outpatient medical coverage, it ensures policyholders receive comprehensive care while also providing life insurance benefits to safeguard loved ones from financial strain in the event of unforeseen tragedies. With full coverage available for just Shs 15,652.79 per year, Munno Mukabi Platinum delivers inclusive and stress-free healthcare solutions, making premium medical services more accessible to all. These products are designed to provide holistic health protection, promoting long-term wellness and financial security against medical emergencies. Together, these policies demonstrate AAR's commitment to financial inclusion and sustainable healthcare solutions. By continuously improving our infrastructure and leveraging digital health solutions, we strive to create a healthcare system that is responsive, patient-centered, and sustainable for all.

### Awareness and Education

AAR Insurance believes that health literacy is fundamental to improving overall well-being and preventing diseases. We equip individuals with the knowledge needed to make informed health decisions through targeted awareness campaigns, educational programs, and community engagement. Our initiatives focus on preventive healthcare, encouraging proactive measures such as regular screenings, vaccinations, and lifestyle modifications to reduce health risks.

In Bugolobi, Kampala, AAR Health Services – Uganda in partnership with Rocket Health Uganda and Kays Dental Clinics organized a weeklong medical camp that reached a total of over 500 people that included market vendors in Bugolobi market and the neighboring communities receive free medical services. Among many others, the free medical services offered included testing for non-communicable diseases like HIV, blood pressure and blood sugar tests as well as free dental checkups. On top of all this was the offering of insurance literacy training. To culminate the medical camp, the staff proceeded to refurbish the zebra crossings a few meters from Kiswa Primary School in Bugolobi to enhance safety for pupils and general public.

We also collaborate with our suppliers, customers, industry players and institutions to disseminate credible health information, ensuring that communities are well-informed about emerging health concerns and best practices and adopt sustainable business practices for joint value in addition to society. By fostering a culture of awareness and empowerment, we aim to enhance long-term health outcomes and promote a more resilient society.



### Volunteer Programs

AAR Insurance recognizes the importance of giving back to the community and has established a comprehensive volunteering program to encourage and support employee participation in charitable initiatives. This program offers employees opportunities to actively engage with and contribute to their communities while enhancing their skills, leadership, and sense of purpose.

AAR Insurance Kenya actively engages in volunteer programs that empower communities, foster professional growth, and promote social responsibility.

In one initiative, AAR Insurance proudly served as a Platinum Corporate Sponsor for the Kenya Women in Insurance event, themed "Beyond Empowerment - A Call to Action." This event brought together leading women in the insurance industry for strategic discussions on growth, leadership, and representation. The event highlighted AAR Insurance's dedication to creating an inclusive workplace where women thrive, reaffirming the company's commitment to empowering women through representation, opportunity, and support.

In another initiative focused on team-building and personal development, AAR Insurance male staff participated in a hiking challenge at Mt. Longonot, culminating in a Men's Talk at Oloiden in the Rift Valley. The event fostered discussions on financial management, family leadership,

spirituality, and career growth. Employees engaged in thought-provoking conversations with our leadership reinforcing the company's commitment to holistic employee development.

AAR Insurance Kenya also extended its community support by sponsoring The Nairobi Hospital's Children's Charity Heart Fund Golf Tournament at The Karen Country Club. This initiative raised funds for life-saving heart surgeries for children with congenital conditions. AAR Insurance contributed a Shs 300,000 cheques to support this noble cause and had the honors of presenting awards to the tournament winners. This initiative showcased the company's dedication to corporate social responsibility and making a meaningful impact on children's lives.

AAR Health Services Uganda has actively been involved in community health initiatives that help improve the lives of those we serve giving donations to House of Zaka and Godfrey Luyomba Foundation.

To facilitate meaningful participation, AAR Insurance provides training on volunteer best practices, coordination with community partners, and recognition for outstanding contributions. Beyond benefiting the community, the volunteering program fosters employee engagement, strengthens teamwork, and boosts morale. It reflects AAR Insurance's commitment to social impact and empowering employees to drive positive changes in the communities they serve.

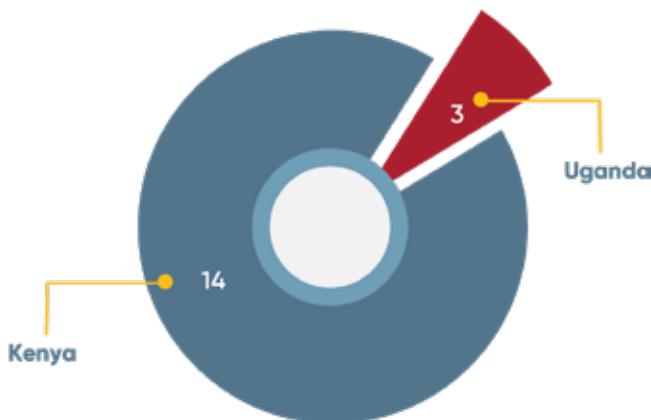


### Educational Outreach

AAR Insurance understands the youthful demographics of the countries we operate in and the fact that education is a key pillar in opening opportunities for this population. As part of our corporate citizenship, we endeavour to support together with like-minded partners and governments in enabling an environment that fosters learning and development through support of education initiatives and offering platforms for the growth of skills of the youth. We support schools through donations for example, AAR Health Services - Uganda gave out donations to Old Kampala Primary School in terms of books, pens, pencils for students to use, thus easy on the learning in April 2024.

We also enhance young graduates and students through the Industrial Attachment program aligned with the company's objectives to build a strong skills base and bridge the gap between academic learning and practical work experience. The Industrial Attachment program supports continuing students by providing hands-on training for up to three months, helping them fulfill their academic requirements and gain industry exposure. Similarly, the Internship program is designed for recent graduates who need practical job experience, with a duration ranging from three to six months.

### Number of Interns 2024



### Empowering & Investing in Our People for a Better Tomorrow

At AAR Insurance, we believe that when people thrive, businesses and communities flourish. We are dedicated to creating a supportive, inclusive, and empowering work environment that prioritizes well-being, professional growth, and engagement. By investing in talent development, workplace wellness, and a strong organisational culture, we foster both individual and collective success, driving operational excellence and enhancing the quality of service we deliver to our customers and communities. We are all about creating a welcoming environment where equal access to opportunities and resources is available to all, including our team members, partners, and all stakeholders we engage with.

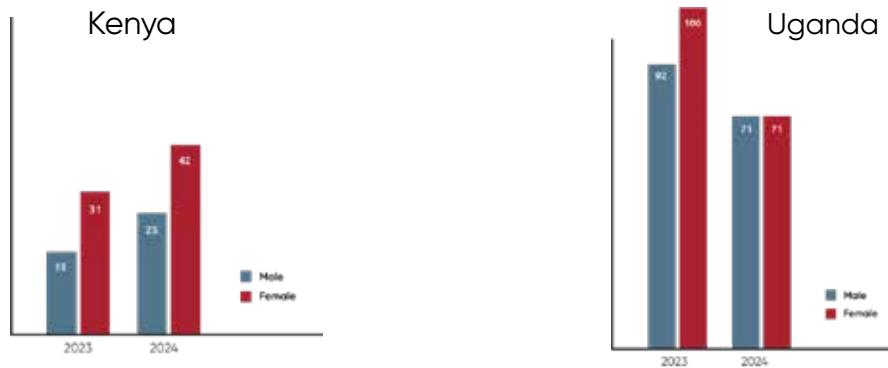
Beyond our commitment to employees, we design insurance solutions with everyone in mind, no matter what their background, gender, race or creed. We are fully committed to empowering women in the workplace. Our goal is to see more women in leadership roles and actively participating in decision making within their sphere of influence.

### Diversity Equity and Inclusion

Our hiring practices are guided by our Human Resources Policy, which upholds the principles of equality and inclusive in employment, ensuring fair opportunities for all. We make employment decisions without discrimination based on race, color, gender, language, religion, political views, nationality, ethnic or social background, disability, or health status. By prioritizing Diversity, Equity, and Inclusion (DEI) as

a key driver of our operational growth, we have cultivated a diverse workforce that reflects our commitment to fairness and representation. Additionally, AAR Insurance takes a keen interest in its employees' welfare, with a special focus on empowering individuals from vulnerable groups, including youth, people living with disabilities, and women. To create an inclusive and supportive work environment, AAR Insurance Kenya has a dedicated mother's room for nursing mothers, a prayer room for Muslim employees, and special parking spaces for persons with disabilities (PWDs) to enhance accessibility. Furthermore, we actively train staff in sign language, ensuring effective communication and inclusivity for employees and customers with hearing impairments. Through these initiatives, AAR continues to foster a workplace where every individual feels valued, respected, and empowered to thrive.

### Total Number of Employees



	UGANDA				KENYA			
	2023		2024		2023		2024	
<b>Number of people abled differently</b>	0 Female	0 Male	0 Female	0 Male	0 Female	1 Male	0 Female	1 Male
<b>Ratio of basic salary by gender (Pay parity)</b>	<ul style="list-style-type: none"> <li>No gender pay gap</li> </ul>				No gender pay gap			
<b>Initiatives to promote diversity and inclusion within the work force</b>	<ul style="list-style-type: none"> <li>Opportunity at recruitment.</li> <li>Ensuring inclusivity in the groups and forums within</li> </ul>		<ul style="list-style-type: none"> <li>Fair &amp; equal opportunity at recruitment.</li> <li>Ensuring inclusivity in the groups and forums within</li> </ul>		<ul style="list-style-type: none"> <li>Fair &amp; equal opportunity at recruitment.</li> <li>Ensuring inclusivity in the groups and forums within</li> <li>Iftar Customer Appreciation Dinner</li> </ul>		<ul style="list-style-type: none"> <li>Fair &amp; equal opportunity at recruitment.</li> <li>Ensuring inclusivity in the groups and forums within</li> <li>Iftar Customer Appreciation Dinner</li> </ul>	
<b>Initiatives to promote equity within the community</b>	<ul style="list-style-type: none"> <li>Munno Mukabi Platinum Cover</li> <li>Ddwaliro Care</li> </ul>		<ul style="list-style-type: none"> <li>Munno Mukabi Platinum Cover</li> <li>Ddwaliro Care</li> </ul>		<ul style="list-style-type: none"> <li>Kinga Afya</li> <li>ShwAAri</li> </ul>		<ul style="list-style-type: none"> <li>Kinga Afya</li> <li>ShwAAri</li> </ul>	
<b>% of Women in management (Board, Senior, Middle levels)</b>	<ul style="list-style-type: none"> <li>40%</li> </ul>		<ul style="list-style-type: none"> <li>60%</li> </ul>		<ul style="list-style-type: none"> <li>50%</li> </ul>		<ul style="list-style-type: none"> <li>69.2%</li> </ul>	

<b>Women empowerment programs in place</b>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>be incorporated as part of our Diversity Equity and Inclusion initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>Subscription to women professional groups such as women in insurance, women in HR, Association of women in Accountancy.</li> <li>Women in leadership, Institute of Directors for board training.</li> </ul>	<ul style="list-style-type: none"> <li>Subscription to women professional groups such as women in insurance, women in HR, Association of women in Accountancy.</li> <li>Women in leadership, Institute of Directors for board training.</li> </ul>
<b>Programs for the youth</b>	<ul style="list-style-type: none"> <li>Availability of graduate trainee programs and attachments</li> </ul>	<ul style="list-style-type: none"> <li>Availability of graduate trainee programs and attachments</li> </ul>	<ul style="list-style-type: none"> <li>Availability of graduate trainee programs and attachments</li> </ul>	<ul style="list-style-type: none"> <li>Availability of graduate trainee programs and attachments</li> </ul>

## To be employer of choice – Staff health and Wellbeing, Learning and Development

### Staff Health and Wellbeing

AAR Insurance values its employees' wellbeing by prioritizing programs and initiatives that enhance employee productivity and give them a sense of belonging. The organisation is committed to work-life balance through flexible work arrangements, including remote work, and mandates a 10-day compulsory leave to ensure employees get adequate rest. Leave planning considers both organizational workloads and employee needs, with advance approval required except in emergencies to maintain operational efficiency.

AAR Insurance Kenya further promotes holistic well-being through weekly wellness sessions, access to nutritionists, cervical cancer screenings, and dedicated discussions for men on male-related health and social issues. Additionally, employees have access to marital counselling, reinforcing the company's commitment to mental and emotional wellbeing. As a testament to AAR's family-friendly culture, employees' children enjoyed a special Valentine's holiday, fostering a sense of community and work-life harmony. Through these initiatives, AAR Insurance creates a supportive and thriving workplace where employees feel valued, engaged, and empowered.



BENEFITS	KENYA 2024	UGANDA 2024
Benefits in place for full time employees	<ul style="list-style-type: none"> <li>• Health Care</li> <li>• Parental Leave</li> <li>• Group Life Cover</li> </ul>	<ul style="list-style-type: none"> <li>• Health Care</li> <li>• Parental Leave</li> <li>• Group Life Cover</li> </ul>
Health and wellness initiatives and programs	<ul style="list-style-type: none"> <li>• Medical Cover</li> <li>• Medical Clinics</li> <li>• Welfare Benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Medical Cover</li> <li>• Medical Clinics</li> <li>• Welfare Benefits</li> </ul>

No. of Parental leave



No. of Maternal leave

AAR Health Services Uganda further supports its employees through a variety of Wellness and Engagement programs designed to promote physical, mental, and emotional well-being. These include aerobics sessions to encourage physical activity, health talks to raise awareness on wellness topics, and movies and game nights for relaxation and team bonding. Through these initiatives, AAR Health Services Uganda fosters a healthy, engaged, and motivated workforce that is well-equipped to contribute to the company's success.

The Group is also committed to maintaining a safe, respectful, and harassment-free workplace, enforcing strict disciplinary measures against misconduct, including sexual harassment.

### Learning and Development

To support continuous learning and professional development, AAR Insurance provides access to AAR Academy, where every staff member can engage with a wide range of learning materials and receive certificates upon course completion.

AAR promotes merit-based promotions, recognizing outstanding performance with salary adjustments, clear role definitions, and updated job descriptions to help employees excel in their roles. AAR Insurance values open communication and employee involvement, organising staff meetings for regular updates and feedback to address any concerns or queries employees may have. To ensure personalised support, one-on-one sessions are also provided, allowing employees to discuss their needs and aspirations in a confidential setting.

Leadership development programs are specifically designed for various employee categories, including the Board, senior management, and middle management. These programs are complemented by annual mentorship and coaching initiatives that foster knowledge transfer and professional growth across all levels of the organisation. Additionally, AAR Insurance ensures fair compensation and benefits, reflecting

Total training hours in 2024



employees' contributions to its members and operations. By prioritizing career advancement, workplace safety, and holistic well-being, AAR Insurance creates a motivated workforce that drives both organisational success and member satisfaction.

### Talent Attraction

At AAR Insurance, we recognize that attracting top talent is crucial to our continued success. We leverage multiple recruitment channels, including social media platforms, newspapers, subscribed job portals, employee referrals, and recruitment agencies, to ensure we reach a diverse and highly qualified pool of candidates. Our recruitment process begins with a formal requisition, initiated and approved by the relevant department manager, ensuring a structured and need-based hiring approach. Whenever applicable, suitable internal staff are given first consideration before external recruitment is done.

The HR department plays a central role in talent acquisition by managing job announcements both internally and externally, overseeing the application process, and compiling a shortlist of candidates who meet the job requirements. Different selection committees are in place for various levels of selection ensuring a structured process for talent acquisition. Through these transparent processes, AAR Insurance continues to attract top talent, fostering a high-performing and dynamic workforce.

## Talent Retention

AAR Health Services Uganda is committed to creating a rewarding and supportive work environment that fosters employee satisfaction, engagement, and long-term retention. Our comprehensive talent retention strategy includes competitive remuneration, performance-based incentives, employee benefits, and workplace well-being initiatives.

Through this holistic approach to employee well-being, career growth, and financial stability, AAR Insurance ensures that employees feel valued, motivated, and committed to contributing to the organization's long-term success. By combining professional development, fair compensation, and a focus on employee well-being, AAR Insurance continues to position itself as an employer of choice, empowering its workforce while delivering exceptional value to its clients.

FOCUS AREA	2024	
	KENYA	UGANDA
<b>Talent Attraction &amp; Onboarding</b>	New Hires	Female
		Male
<b>Overall Retention &amp; Satisfaction</b>	Attrition rate	46% 8%

## Employee Engagement

At AAR Insurance, we are committed to fostering a positive and engaging work environment. To assess workplace morale and overall employee satisfaction, we conduct annual surveys focused on internal customer satisfaction and employee engagement. These surveys help us identify key areas for improvement, enabling us to enhance productivity and employee retention. At AAR Uganda, we recognize that a motivated and engaged workforce is key to our success. We foster a positive workplace culture by providing opportunities for employees to connect, collaborate, and unwind beyond their daily responsibilities.

To enhance teamwork and strengthen workplace relationships, we organize movie nights and game nights, offering employees a chance to relax, socialize, and build camaraderie in an informal setting. Additionally, regular staff meetings ensure open communication, allowing employees to stay informed, share feedback, and actively participate in decision-making processes.

By integrating social activities with professional engagement, AAR Uganda cultivates a dynamic and inclusive work environment that promotes employee satisfaction, teamwork, and a strong sense of belonging.

Employee Engagement Practices	KENYA	UGANDA
Frequency Internal Employee satisfaction survey taken in 2024	Once	Once
Number of employees participating in internal employee satisfaction survey in 2024	142 (100%)	52 (72%)
Employee Net Promoter Score	71%	67%



## Occupational Health and Safety

At AAR Insurance, we recognise that a safe and healthy work environment is fundamental to employee well-being, productivity, and overall business sustainability. Our commitment to Occupational Health and Safety (OHS) is embedded in our policies and daily operations, ensuring compliance with industry standards and best practices.

To safeguard our employees, we implement comprehensive safety measures, including mandatory adherence to OHS regulations, regular workplace hazard assessments, and structured reporting mechanisms for accidents and risks. Employees are required to follow strict safety guidelines, undergo annual training, and use protective equipment to prevent workplace injuries. Additionally, we have a dedicated Health and Safety Officer (HSO) responsible for accident prevention, hazard inspections, and safety training to foster a culture of vigilance and accountability.

AAR Insurance also prioritizes employee health and well-being by conducting ergonomic assessments, wellness sessions, and health screenings. We ensure compliance with the Work Injury Benefits Act, 2007, guaranteeing compensation for employees in case of work-related injuries or occupational diseases. We have a structured incident reporting procedure in place, ensuring that all workplace accidents and hazards are promptly addressed. By implementing these measures, we reinforce our commitment to fostering a safe, responsible, and wellness-oriented work culture. Through these proactive initiatives, AAR Insurance demonstrates its unwavering commitment to creating a safe, healthy, and sustainable workplace.

## Seamless Personalized Customer Experience

At AAR Insurance, our customers are more than policyholders; they are partners on our journey toward a more sustainable, secure, and inclusive future. As an insurer, we recognize that delivering an exceptional customer experience is fundamental to building trust, loyalty, and long-term relationships. We're committed to making every interaction simple, transparent, and tailored to them – so they can enjoy hassle-free, reliable service whenever they need it. This is in line with treating customers fairly, which is a requirement of the Insurance Regulatory Authority (IRA) ensuring exceptional customer experience and standards of customer care.

### Delightful Customer Experience and Client Satisfaction

In today's fast-paced world, convenience and accessibility are non-negotiable. That's why we have invested in digital transformation, ensuring our clients can manage policies, submit claims, and access support anytime, anywhere.

With over 78% of our customers in Kenya now utilising our AAR Insurance Mobile App and interactive online portals, we are enhancing accessibility and streamlining service delivery like never before.

Beyond technology, we believe in personalized service and direct engagement with our customers. Through quarterly customer satisfaction surveys, we actively listen to our clients' needs and use their feedback to refine our products and services.

This commitment has helped improve our Net Promoter Score (NPS) from +56 in Q1 2024 to +71 in Q4 2024 at AAR Insurance Kenya – a demonstration of increasing customer loyalty and satisfaction. AAR Health Services Uganda had a NPS of 37% indicating a relatively positive customer loyalty sentiment and a Customer Effort Score of 5.84 suggesting that customers are experiencing moderate to high effort when interacting with the company – portraying room for improvement in simplifying processes and interactions. We also achieved a Customer Satisfaction (CSAT) of 73.8% showing that our customers are moderately satisfied with our products and services and an opportunity to enhance quality, communication and personalization.

Additionally, policy clarity and service transparency are integral to customer trust. 60% of complaints in Q3 2024 revolved around unclear policy coverage and slow approvals. In response, we are enhancing customer education through automated renewal notifications via SMS and email, proactive customer engagement, and a more transparent explanation of coverage benefits to manage expectations better.

At AAR Insurance, we are more than a service provider; we are a partner on our customers' journeys. By embracing innovation, actively seeking feedback, and committing to service excellence, we are shaping a customer experience that is not only satisfying but truly exceptional. Our clients' peace of mind remains our greatest reward, and we continue to prioritize responsiveness, efficiency, and transparency at every touchpoint.



## **Responsible marketing**

At AAR Insurance, responsible marketing is a cornerstone of our commitment to integrity and transparency. We understand that our communications not only reflect our brand but also build trust with our clients and the broader community. We are guided by IRA's Guidelines on Insurance Products issued pursuant to section 3A of the Insurance Act for observance by insurance companies and intermediaries. The guidelines offer guidance on principles to be adhered to in product design, pricing, marketing, disclosures and how applications for issuance of new and repackaged insurance products should be made to the authority for approval (Page 6 of the guidelines). We are also guided on marketing of Microinsurance products by the Insurance Act, The Insurance (Microinsurance) Regulations Legal notice 26 of 2020 section 10.

## **Transparent and honest communication**

We ensure that all our marketing materials provide clear, accurate, and comprehensive information about our products and services. By avoiding misleading claims and complex jargon, we empower our clients to make informed decisions that best suit their needs.

## **Ethical advertising practices**

Our advertising strategies are designed to respect cultural sensitivities and uphold ethical standards. We are committed to promoting our services in a manner that is respectful, inclusive, and socially responsible. We have held positive strategic engagements with the DG Competition Authority of Kenya sealing our shared commitment to ensuring fair competition and consumer protection in insurance industry.

AAR Insurance ensures that our marketing efforts not only promote our services but also reinforce our core values of trust, integrity, and responsibility.

## **Data Privacy**

Protecting our client's data is our priority. We have implemented robust technical and organisational measures to safeguard your personal information against unauthorized access, alteration, disclosure, or destruction. Our security protocols are regularly reviewed and updated to address emerging threats and ensure the highest level of protection. We also conduct regular PenTest to assess the vulnerability of our systems. Further, to enforce this commitment, we have put in place measures such as having a data protection officer, encryption of data, masking personal identification data and data loss prevention tools among other measures such as restricted access.

At AAR Insurance, we are dedicated to maintaining the confidentiality and security of our clients' personal information. Our commitment to data privacy reflects our broader mission to serve with integrity and excellence in all aspects of our business. In 2024 there were no data or security breaches.

## **Building Resilience through Environmental Stewardship**

At AAR Insurance, we recognize the critical role environmental stewardship plays in ensuring long-term sustainability and resilience. As a responsible corporate entity, we are committed to integrating sustainable practices across our operations and beyond to minimize our environmental impact.

Our approach focuses on key areas, including biodiversity conservation, waste management, water management, energy efficiency, and carbon footprint management. By embedding these priorities into our corporate strategy, we aim to drive positive environmental change while aligning with global sustainability goals.

Our efforts are centered on reducing resource consumption, optimizing operational efficiencies, and adopting cleaner, more sustainable solutions. We continuously seek innovative ways to enhance energy efficiency, improve waste disposal and recycling practices, and implement water conservation strategies. Additionally, we are working to mitigate our carbon footprint through responsible fuel usage and the adoption of sustainable alternatives.

These initiatives are designed to not only reduce our ecological impact but also support the communities we serve by promoting responsible environmental management. By taking a holistic approach to sustainability, AAR Insurance is reinforcing its commitment to responsible business practices while creating long-term value for stakeholders. We believe that collaboration and continuous improvement are key to achieving meaningful environmental impact. As we scale our sustainability efforts, we remain dedicated to fostering a culture of environmental responsibility, ensuring that our operations contribute to a healthier planet for future generations.

## **Biodiversity**

AAR Insurance is committed to fostering a culture of environmental responsibility among its employees and stakeholders. Through active participation in environmental restoration initiatives, we aim to enhance awareness and contribute positively to ecological conservation.

## A Tree, A Life Initiative

In 2024, AAR Insurance launched the "A Tree, A Life" initiative, where 40,000 trees were planted across the headquarters and branch offices. This initiative aligns with our broader sustainability strategy, reinforcing our commitment to afforestation and ecosystem restoration. Under this initiative, our target for 2025 is to plant at least 200,000 trees, ensuring that we make a significant impact on environmental sustainability.

## African Natural Capital Alliance (ANCA) – Sustainability Initiatives

AAR Insurance has joined the African Natural Capital Alliance (ANCA) to reinforce its commitment to sustainable finance and environmental stewardship. This initiative aligns with AAR's sustainability goals and contributes to the preservation of natural capital across Africa.

## Participation in Plant Your Age Day Event

In September 2024, AAR Insurance was invited to take part in the "Plant Your Age Day" event, organized by the Green Africa Foundation. This initiative encourages individuals and organisations to plant trees equivalent to their age, fostering environmental consciousness and long-term sustainability.

## Commitment to the UN Global Compact and SDGs

AAR Insurance became a member of the United Nations Global Compact (UNGC), a worldwide forum that unites businesses, governments, and civil society in the pursuit of a more inclusive and sustainable global community. As an insurance company, we acknowledge our responsibility to promote the welfare of individuals (including our staff), communities, and the environment.



## Waste Management

AAR Insurance is committed to responsible waste management practices, ensuring that our operations contribute to sustainability and environmental protection. Our approach focuses on reducing waste generation, responsible disposal, and sustainable procurement to minimize our environmental impact.

## Reducing Paper Usage

AAR Insurance has partnered with M-TIBA to transition towards paperless operations. By digitizing processes and leveraging digital platforms for documentation, communication, and transactions, we significantly reduce paper consumption. This shift not only decreases waste but also enhances operational efficiency, reduces costs, and contributes to environmental conservation by saving trees and minimizing deforestation.

## E-waste Reduction and Responsible Disposal

Electronic waste (e-waste) poses significant environmental hazards when not properly managed. To ensure responsible disposal and recycling of electronic equipment, AAR Insurance has partnered with the WEEE Centre. This initiative ensures that obsolete or non-functional electronic devices such as computers, printers, and office equipment are recycled or disposed of in an environmentally friendly manner, reducing harmful landfill waste and preventing toxic materials from polluting ecosystems.

## Sustainable Procurement

AAR Insurance prioritizes the procurement of long-lasting, high-quality equipment, such as computers, laptops, and office furniture. By investing in durable products, we reduce waste associated with frequent replacements, thereby extending the lifecycle of office resources and minimizing our environmental footprint.

Additionally, we are transitioning to cloud computing and energy-efficient laptops, which consume less power and reduce electronic waste. Cloud-based systems not only optimize data storage and security but also contribute to a lower carbon footprint by reducing the need for excessive physical infrastructure.

Through these initiatives, AAR Insurance is reinforcing its commitment to environmental sustainability. By adopting responsible practices, we aim to reduce waste generation, promote recycling, and ensure a sustainable future for our operations and communities.

## Water Management

Water is a vital resource that sustains life and ecosystems. Effective water management is crucial to ensuring sustainability, conserving natural resources, and reducing environmental impact. AAR Insurance understands the importance of responsible water use and is committed to implementing sustainable water management practices across its operations.

### Staff Training in Water Management

AAR Insurance has ensured that staff are well-informed about the environmental impacts of their work activities. Employees are encouraged to minimize water wastage, adopt conservation practices, and actively participate in initiatives that restore and protect water resources. Training programs are focused on sustainable water usage and efficiency measures to enhance environmental responsibility within the organisation.

### Water Initiatives

To support water conservation efforts, AAR Insurance has implemented various initiatives aimed at optimizing water usage. These include the installation of dual-flush toilets, sensor-operated faucets and toilets, and rainwater harvesting systems for non-potable cleaning purposes. These measures significantly reduce reliance on municipal water and contribute to overall sustainability.

## Energy Consumption

AAR Insurance is dedicated to implementing energy-efficient solutions to minimize our environmental impact while enhancing operational efficiency. Our energy consumption strategy focuses on adopting innovative technologies, optimizing energy use, and transitioning to sustainable alternatives to reduce our overall carbon footprint.

### Adoption of Energy-Efficient Technologies

AAR Insurance is integrating smart energy-efficient systems across its facilities. By implementing LED lighting, motion-sensor lights, and energy-efficient office equipment, we ensure that electricity consumption is optimized without compromising productivity. Additionally, server

virtualization and cloud computing help reduce energy use by consolidating IT infrastructure and reducing the need for excessive physical hardware.

### Energy Conservation Measures

To further enhance energy efficiency, AAR Insurance has implemented policies aimed at reducing unnecessary energy consumption. These include:

- Encouraging staff to switch off unused equipment and lights
- Optimizing air conditioning and heating systems to prevent excessive energy use
- Conducting regular energy audits to identify opportunities for improvement

## Digital Transformation for Energy Efficiency

Aligned with AAR Insurance's commitment to innovation, the transition to digital platforms and cloud computing reduces energy consumption by decreasing the need for on-premises data centers and excessive hardware maintenance. This shift not only enhances business continuity but also contributes to lower energy requirements and reduced emissions.

### Purchased Electricity Highlights

13% decrease in expenditure on purchased electricity from UGX 38,804,623 in 2023 to UGX 33,815,613 in 2024 representing a drop from 76,993 KWH to 67,094 KWH as per the average cost of electricity in Uganda.

In 2024, AAR Insurance Kenya purchased electricity was:

Branch		2024
	Shs	KWH
Eldoret	115,598	4,046
Nakuru	89,812	3,144
Kisumu	184,124	6,445
Kakamega	17,085	598
Thika	109,905	3,847
Meru	78,266	2,739
Nyeri	74,739	2,616
Malindi	236,355	8,273
Mombasa	653,238	22,864
Naivasha	39,602	1,386
Real towers (Headquarters)	4,667,717	163,378
<b>Total</b>	<b>6,266,441</b>	<b>219,336</b>

We endeavour to implement more energy saving initiatives and track our consumption driven by a goal to reduce our scope 2 emissions as per our ESG strategy and contribute towards achieving the Net Zero goal and Kenya's goal of a 32% reduction in greenhouse gas (GHG) emissions by 2030.

### Carbon Footprint Management

We recognize the urgent need to address climate change by actively managing our carbon footprint and integrating sustainability into our operations. As a leading insurance company, our activities such as energy consumption, transportation, supply chain operations (Scope 3) contribute to greenhouse gas emissions. Therefore, we are committed to implementing strategies that reduce our environmental impact while maintaining the highest standards of patient care.

AAR Insurance has made an environmental commitment to establish science-based targets for reducing emissions, aligned with the 1.5°C pathway. This approach ensures that our efforts are consistent with global sustainability initiatives and supports Kenya's goal of a 32% reduction in greenhouse gas (GHG) emissions by 2030. By setting these targets, we reinforce our dedication to measurable and impactful climate action, contributing to both national and international sustainability objectives.

In 2023, we set out key initiatives to enhance our carbon footprint management. This included carbon footprint calculation, allowing us to assess our overall emissions impact, and the identification of major emission sources across our operations. Based on these findings, we developed targeted reduction strategies, focusing on energy optimization, fuel-efficient transport solutions, and enhanced waste management practices. These initiatives are designed to not only reduce our carbon emissions but also improve operational efficiency and promote a culture of sustainability within AAR Insurance.

Looking ahead, AAR Insurance remains committed to expanding our carbon reduction efforts by integrating more renewable energy sources and enhancing digital solutions to reduce paper usage. By continuously refining our sustainability strategies, we aim to position AAR Insurance as an industry leader in environmental responsibility.

## Sustainable Practices & Governance Excellence

AAR Insurance is committed to upholding the highest standards of integrity, transparency, and accountability in all aspects of its operations. As an insurance provider, we recognize that strong governance is the foundation of a resilient and responsible business. Our commitment to ethical business ensures that we operate in compliance with regulatory and sustainability standards while fostering long-term trust with our stakeholders.

We embed responsible business practices across key areas, including IT Security, ethical business practice, risk management, and responsible supply chain management. By integrating these principles into our operations, AAR Insurance reinforces its position as a trusted industry leader, dedicated to sustainable growth, sound governance, and value creation for all stakeholders.

### Sustainable Supply Chain

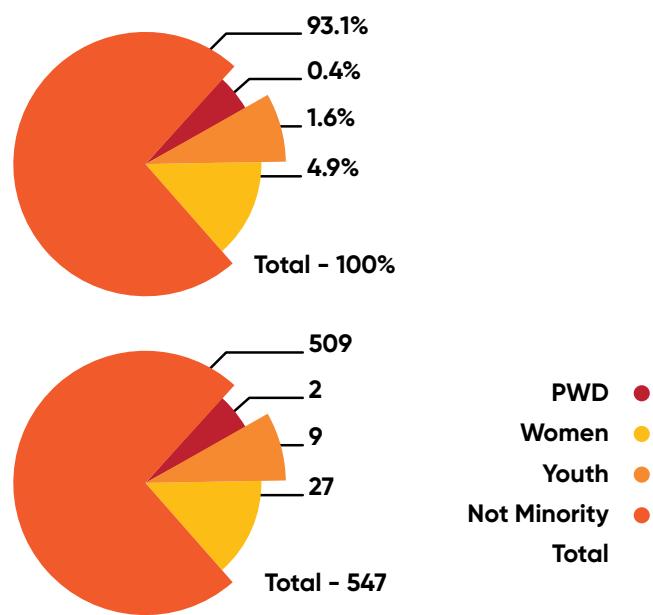
AAR Insurance commitment to integrating sustainability principles into its procurement processes ensures that responsible sourcing goes beyond acquiring goods and services to build a sustainable future for all stakeholders. Our approach emphasizes ethical business practices, human rights protection, and environmental responsibility throughout our supply chain.

### Sustainable Procurement Practices

- Preference for Responsible Suppliers: We prioritize vendors with strong sustainability practices and those committed to environmental conservation.
- Rigorous Supplier Evaluation: Our due diligence process ensures that all suppliers align with our sustainability and ethical standards.
- Ongoing Training: We equip our teams with the knowledge to implement sustainable procurement policies effectively.
- Fair and Inclusive Vendor Selection: Our supplier onboarding process is transparent, allowing all qualified vendors to participate.
- Risk-Based Supplier Assessment: We conduct supplier checks and site visits where necessary to ensure compliance with our sustainability objectives.
- Diversity and Inclusion in Procurement: We value diversity and inclusion in our procurement process, striving to create equal opportunities for all suppliers. We encourage fair competition and ensure that our selection criteria foster a level playing field for businesses of different backgrounds.

In 2024, the largest proportion of our suppliers at the group level were local suppliers with 93% and 99% of suppliers in Uganda and Kenya respectively being local, amplifying our commitment to economic growth in the markets we operate in. Further, the composition of Kenyan suppliers included 0.4% People Abled Differently (PWD), 4.9% Women, 1.6% Youth and 93.1% Non-Minority.

We endeavour to increase representation of minority suppliers in our supply chain as we strive to assist in the achievement of SDG 10 – Reduced Inequality, SDG 5 Gender equality and growth of economies in the markets we operate.



### Ethical Business Practices

AAR Insurance upholds the highest standards of ethical conduct, regulatory compliance, and integrity in all its operations. We recognize that a strong ethical foundation is important for maintaining stakeholder trust, ensuring business sustainability, and fostering a culture of accountability. Our commitment to ethical business practices extends across all levels of the organisation, reinforcing transparency and responsible decision-making.

We have established a Code of Ethics that sets clear expectations for employees, leadership, and business partners. This framework outlines the ethical guidelines, legal requirements, and professional standards that govern our interactions with clients, regulators, suppliers, and other stakeholders. Every individual within the company is expected to adhere to these principles, ensuring that all business activities are conducted with fairness, honesty, and integrity.

As part of encouraging transparency, we have a conflict-of-interest policy where employees declare any conflict that may arise during their term. We maintain a consolidation register which has details and resolutions registered of any conflict-on-interest that may arise.

AAR Insurance has also implemented an Anti-Money Laundering (AML) framework, which includes policies designed to prevent illicit financial activities such as money laundering, fraudulent transactions, and financial crimes. We enforce strict due diligence procedures, ensuring that all transactions comply with relevant legal and regulatory requirements. Our AML protocols require thorough customer verification, continuous monitoring of financial activities, and prompt reporting of suspicious transactions to relevant authorities. These measures are applied across all levels of the organisation, through mechanisms such as Know Your Customer Policy (KYC), Know Your Employee Policy (KYE), AML certification "Fit for Business" ensuring that interactions with clients, regulators, suppliers, and other stakeholders adhere to the highest standards of financial integrity and accountability of integrity and accountability. To strengthen adherence, we conduct regular training and awareness programs to educate employees on regulatory obligations, ethical decision-making, and anti-corruption safeguards. These initiatives ensure that our workforce remains vigilant in identifying and addressing potential risks related to unethical practices enabling us not to record any case of conflict of interest or money laundering or any violation of code of ethics in 2024.

Through these measures, AAR Insurance reinforces its commitment to ethical leadership, regulatory compliance, and a business environment free from fraud. Our dedication to integrity and responsible governance ensures that we continue to operate in a manner that builds trust, upholds transparency, and safeguards long-term sustainability.

### **Operational Excellence**

AAR Insurance strives for continuous improvement in its operations to enhance efficiency, service delivery, and overall business performance. We recognize that operational excellence is not just about streamlining processes but also about fostering a culture of innovation, agility, and customer-centricity. By optimizing our internal workflows, leveraging technology, and ensuring seamless coordination across departments, we enhance productivity and provide superior value to our stakeholders.

To achieve this, AAR Insurance has adopted a structured performance management approach that ensures operational processes are aligned with our strategic objectives. This involves setting clear performance benchmarks, monitoring key operational metrics, and implementing data-driven decision-making to enhance service quality and responsiveness.

In addition, we have invested in digital transformation and automation to improve efficiency, reduce redundancies, and enhance accuracy in service delivery. Our technology-driven initiatives focus on simplifying customer interactions, optimizing claims processing, and improving back-office operations, ensuring a seamless experience for both clients and employees.

Operational resilience is further reinforced through continuous process evaluation and risk mitigation strategies. Regular internal assessments help identify bottlenecks, inefficiencies, and areas for improvement, allowing us to proactively address challenges and implement corrective actions. We also integrate sustainability considerations into our operational framework, ensuring responsible resource utilization and environmental consciousness in our day-to-day activities.

Through a commitment to operational excellence, AAR Insurance enhances its ability to adapt to industry changes, meet evolving customer needs, and sustain long-term business success. Our focus on efficiency, innovation, and continuous improvement ensures that we remain a trusted and competitive player in the insurance sector.

### **Corporate Governance**

AAR Insurance upholds strong corporate governance as a fundamental pillar of sustainable business operations. We recognize that sound governance practices foster transparency, accountability, and ethical decision-making, ensuring that we operate in the best interests of our stakeholders. Our governance framework is built on principles that support long-term business success while maintaining compliance with regulatory requirements and industry's best practices.

The Board of Directors plays a central role in overseeing corporate governance, setting strategic direction, and ensuring the company's operations align with its mission and values. Our governance structure emphasizes independent oversight, responsible leadership, and a commitment to ethical business conduct. Board committees, including those focused on audit, risk, and compliance, provide specialized oversight, reinforcing accountability at all levels of the organisation.

To strengthen governance, AAR Insurance has implemented policies and procedures that promote ethical leadership, risk management, and stakeholder engagement. These policies guide decision-making, prevent conflicts of interest, and ensure regulatory adherence. Regular evaluations of governance structures allow us to enhance operational effectiveness and adapt to emerging corporate governance trends. Transparency is a key focus in our governance approach. We maintain clear and open communication with stakeholders, ensuring access to accurate and timely information on financial performance, risk management,

and strategic initiatives. Our reporting practices align with global governance standards, demonstrating our commitment to responsible corporate citizenship. Our board composition enables AAR Insurance to make sound decisions that are beneficial to the shareholders. We have been able to achieve gender equality in our board composition.

Board Composition	Kenya	Uganda
Women (%)	40%	40%
Men (%)	60%	60%

By embedding strong corporate governance into our business strategy, AAR Insurance fosters trust, enhances investor confidence, and upholds integrity in all aspects of its operations. Our commitment to governance excellence positions us as a resilient, forward-looking organisation dedicated to sustainable growth and ethical leadership.

### Transparency in Reporting

At AAR Insurance, we believe that transparency in reporting is fundamental to building trust with our stakeholders, ensuring accountability, and demonstrating our commitment to ethical business practices. We provide clear, accurate, and timely disclosures that reflect our financial health, operational performance, sustainability initiatives, and corporate governance practices.

Our reporting framework aligns with the best international practices, including the International Financial Reporting Standards (IFRS) and emerging ESG disclosure requirements. We ensure that our financial and non-financial reports provide a comprehensive view of our business performance, risk management approach, and long-term strategic direction.

To uphold transparency, we have established rigorous internal controls and verification processes to maintain the accuracy and integrity of our disclosures. Independent audits and board-level oversight reinforce the credibility of our reporting, ensuring compliance with regulatory requirements and industry benchmarks.

Stakeholder engagement is a key aspect of our reporting strategy. We actively communicate with investors, regulators, policyholders, and employees to provide them with relevant information and respond to concerns in an open and timely manner. Through our integrated reporting approach, we aim to enhance accessibility, improve decision-making, and strengthen relationships with our stakeholders.

By prioritizing transparency in reporting, AAR Insurance enhances corporate integrity, fosters confidence among stakeholders, and ensures that our disclosures reflect the principles of accountability, responsibility, and ethical leadership.

### Sustainable Office Use

AAR Insurance is committed to fostering a sustainable office environment by integrating eco-friendly practices into daily operations. Through responsible resource management, waste reduction, and energy efficiency, we aim to minimize our environmental impact while promoting a greener workplace culture.

#### 1. Energy Efficiency Measures

- Installation of LED lighting and motion sensors to reduce energy consumption.
- Adoption of energy-efficient office equipment such as low-power printers, computers, and air conditioning units.
- Encouraging employees to switch off non-essential electrical devices when not in use.

#### 2. Waste Reduction and Recycling

- Transitioning to a paperless office through digital document management systems and cloud storage solutions.
- Partnering with recycling companies to properly dispose of paper, plastic, and electronic waste.
- Implementing double-sided printing policies to minimize paper consumption.
- 

#### 3. Water Conservation Initiatives

- Installation of low-flow faucets and sensor-based water dispensers to reduce water wastage.
- Encouraging responsible water usage among employees through awareness campaigns.

#### 4. Sustainable Procurement Practices

- Prioritizing the purchase of eco-friendly and recyclable office supplies.
- Using long-lasting office furniture and equipment to reduce waste from frequent replacements.
- Partnering with vendors who adhere to sustainable manufacturing and delivery processes.

#### 5. Green Transportation and Remote Work

- Supporting remote and hybrid work models to decrease travel-related emissions.

## IT Security

Data security is a critical pillar of our operations at AAR Insurance. We recognize our responsibility to safeguard corporate and personal information while ensuring compliance with the Data Protection Act, 2019. Our approach to IT security focuses on data protection, cyber risk management, and continuous improvement of security frameworks. AAR Insurance has implemented a Data Protection Policy, reviewed and approved by the Board, to outline our commitment to information security, confidentiality, and risk management. Key initiatives include:

- Appointment of a Data Protection Officer to oversee compliance.
- Implementation of a data privacy disclosure framework, ensuring that clients are fully informed of their rights and data usage.
- Ongoing business and client engagement process realignment to fully adhere to legal requirements.

## Cyber Risk Management and Security Framework

The increasing reliance on digital platforms and remote work environments has escalated cyber threats. To mitigate these risks, AAR Insurance has established a cyber-security management strategy, which includes:

- Continuous Threat Monitoring – Real-time tracking of emerging cyber threats and swift mitigation measures.
- Cybersecurity Awareness Programs – Regular training and workshops to enhance cyber risk awareness among employees.
- Investment in Cybersecurity Tools – Deployment of advanced security solutions to detect, prevent, and respond to cyber threats.
- Incident Response Mechanisms – A structured protocol to handle potential data breaches swiftly and effectively.

## Whistleblowing

AAR Insurance is committed to maintaining a transparent and ethical work environment by encouraging employees and stakeholders to report any suspected Improper Conduct. The whistleblowing policy ensures that individuals can disclose concerns without fear of retaliation while allowing the company to investigate and address issues appropriately.

AAR Insurance upholds strict confidentiality regarding whistleblower reports. The information provided is handled with the utmost discretion, ensuring that whistleblowers are safeguarded against retaliation or discrimination. Anonymous reporting channels are also available to protect

the identity of individuals who wish to report Improper Conduct discreetly.

### **AAR Insurance Uganda**

Email: [aar@speakouthotline.com](mailto:aar@speakouthotline.com)

Anonymous live chat: <https://www.speakouthotline.com>

### **AAR Insurance Kenya**

WhatsApp: +254 718 066 550

<https://tinyurl.com/aarininsurance>

## Sustainable and Profitable Growth

AAR Insurance is committed to achieving sustainable and profitable growth by balancing financial success, environmental responsibility, and social impact. Our strategic approach ensures long-term business viability while fostering innovation, operational efficiency, and stakeholder value creation.

### **1. Strategic Business Expansion**

- Expanding market presence through digital transformation and innovative insurance solutions.
- Strengthening partnerships with key stakeholders, including healthcare providers, financial institutions, and technology firms.
- Diversifying product offerings to cater to evolving customer needs and emerging market trends.

### **2. Financial Stability and Profitability**

- Maintaining sound financial management practices to ensure long-term business resilience.
- Implementing cost-efficient operations through automation and process optimization.
- Enhancing risk management frameworks to mitigate financial exposure and ensure business continuity.

### **3. Customer-Centric Innovation**

- Leveraging data analytics and AI-driven insights to enhance customer experience and personalized offerings.
- Expanding affordable insurance solutions to increase market penetration and financial inclusivity.
- Strengthening digital platforms to streamline service delivery and improve customer engagement.

### **4. Commitment to Sustainability**

- Integrating environmental, social, and governance (ESG) principles into business strategy.
- Investing in green initiatives such as sustainable office practices and paperless operations.
- Promoting climate risk mitigation by incorporating sustainability-driven underwriting and investment policies.

## 5. Empowering Communities and Employees

- Supporting corporate social responsibility (CSR) initiatives in education, health, and financial literacy.
- Fostering a culture of continuous learning and development for employees.
- Encouraging diversity, equity, and inclusion in the workplace to drive innovation and performance.

## Innovating Smarter Insurance & Financial Solutions

AAR Insurance is committed to sustainability through the development of innovative products and strategic partnerships that enhance access to quality healthcare and financial security. Our solutions, such as Kinga Afya and ShwAAri in Kenya and Munno Mukabi Health Insurance in Uganda, are designed to provide affordable, flexible, and inclusive insurance coverage. By leveraging digital transformation, paperless transactions, and AI-driven customer support, we continue to enhance service efficiency while reducing our environmental footprint. These innovations align with our goal of making healthcare and financial solutions more accessible, sustainable, and customer focused. We also have an Innovation Hub (AAR 3.0) that internally develop products that enhance service to our customers as well as through collaboration with partners and Insurtech's.

Collaboration is at the heart of AAR Insurance's sustainability strategy. We have forged key partnerships with organizations such as M-TIBA, AAR Healthcare, Cigna Healthcare, and the African Natural Capital Alliance (ANCA) to advance sustainable solutions and responsible business practices. Additionally, as a member of the United Nations Global Compact (UNGC), we are dedicated to upholding ESG principles, supporting climate action, and aligning with the Sustainable Development Goals (SDGs). Through these strategic initiatives, AAR Insurance reinforces its commitment to innovation, sustainability, and partnerships that drive long-term impact.



## Safeguarding the Health of All

AAR Insurance continues to lead in innovation and customer-centric solutions, developing products that address diverse market needs while ensuring accessibility and affordability. Our commitment to innovation is reflected in our latest offerings that enhance financial security and healthcare access for underserved communities.

### AAR Kenya: Advancing Healthcare Accessibility

In Kenya, AAR Insurance continues to lead in health insurance innovation with offerings such as Kinga Afya and ShwAAri. These products are designed to provide affordable and flexible coverage, ensuring that more individuals and businesses can access quality medical services. Through our robust healthcare ecosystem, including AAR Healthcare facilities, we deliver seamless medical support across the country.

### AAR Uganda: Munno Mukabi Health Insurance

In Uganda, AAR Insurance has introduced Munno Mukabi Health Insurance, a specialized product tailored to meet the healthcare needs of individuals and families. This initiative focuses on providing cost-effective and comprehensive coverage, ensuring that policyholders receive high-quality medical care without financial strain. This affordable plan priced at Shs 15,652.79 per year, offers flexible payment options – monthly, quarterly, and annually. It provides extensive coverage, including:

Inpatient & Outpatient Care

Critical Illness Cover

Disability Cover

Life Insurance

Hospital Cash Benefits



## AAR Health Services - Uganda: DDWALIRO CARE

AAR Insurance is committed to ensuring accessible healthcare through innovative and affordable coverage solutions. Ddwaliro Care provides inpatient insurance coverage tailored for individuals and families, starting as low as UGX 5,000 per month.

This plan offers peace of mind with benefits that include hospitalization cover and additional funeral expense cover. It ensures access to over 150 AAR-affiliated hospitals across Uganda, enabling seamless claims processing with no cash payments at the point of service. AAR Health Services Uganda won most innovative insurer under non-life for DDWALIRO CARE

Our portfolio includes.

- Business Enterprise Medical: covering injuries from political violence, health alerts, rescue and evacuation.
- WIBA Cover: protection of employees following the WIBA Act 2007 and added free benefits.
- Landlord Insurance: covers electrical installations, caretakers as well a rent deposit.
- Professional Indemnity Cover: shielding from liability, extension of cover reducing business risks.
- School Insurance Cover: comprehensive and tailor made for first choice schools.
- Marine Insurance: covering sea, air, rail on an end-to-end cover that is flexible.
- Travel Insurance: that covers immediate help for emergencies, protection of luggage and help with cancellations.



## Innovative Business Products

At AAR Health Services Uganda we have developed products that differentiate us from other insurance providers when it comes to the coverage of businesses. Our focus is on availing products that are accessible to all including the underserved as well as SMEs. Our business products are comprehensive, ensuring we uphold our values "ARISE" (Agility, Reliability, Innovation, Strategic Focus, and Excellence) ensuring that while we protect and support their businesses, our customers can stay focused on running them. As part of our strategy, we will focus on growing this portfolio of our business to enhance our reach and impact.

Our dedication is to have differentiated products to cover business to an extent of the underserved businesses and SMEs to enhance their sustainability and growth in the long run. Through strategic partnerships and our Innovation Hub (AAR 3.0), we endeavor to develop products that meet our business clients' needs and foster a sense of protection while they continue with their daily business.

## Strategic Partnerships

AAR Insurance has built a robust ecosystem through strategic partnerships that enhance service delivery, expand market reach, and promote sustainability. These partnerships align with the company's core values of "ARISE" (Agility, Reliability, Innovation, Strategic Focus, and Excellence).

- 1. M-TIBA – Technology Partner**  
AAR Insurance Kenya collaborates with M-TIBA, a health financing platform, to enhance digital insurance services and streamline claims processing. This partnership enables paperless operations, improving efficiency while contributing to environmental sustainability.
- 2. AAR Healthcare Facilities – Healthcare Partner**  
AAR Insurance works closely with AAR Healthcare, which operates 30 outpatient centers and AAR Hospital to provide quality healthcare services and enhanced patient experience.
- 3. Cigna Healthcare – International Coverage**  
AAR Insurance has partnered with Cigna Healthcare, one of the world's largest international private medical insurance companies. This collaboration allows AAR Insurance to offer global medical insurance products, combining local market knowledge with international healthcare expertise. Our partnership with Cigna Healthcare exemplifies our dedication to enhancing our offerings to meet the evolving needs of our customers. By joining forces, we are poised to ensure that our clients have access to the best medical insurance solutions available globally. Notably, AAR Health Services will serve as the underwriter for Cigna's business in Uganda, solidifying our role in delivering superior health insurance solutions.
- 4. African Natural Capital Alliance (ANCA) – Sustainability Initiative**  
AAR Kenya Group has joined the African Natural Capital Alliance (ANCA) to reinforce its commitment to sustainable finance and environmental stewardship. This initiative aligns with AAR's sustainability goals and contributes to the preservation of natural capital across Africa.
- 5. United Nations Global Compact (UNG) – Corporate Sustainability Commitment**  
AAR Insurance Group is a proud member of the United Nations Global Compact (UNG), the world's largest corporate sustainability initiative. This partnership strengthens AAR's commitment to ethical business practices, human rights, labor standards, environmental sustainability, and anti-corruption efforts.
- 6. WYLDE International – Industry Data & Innovation**  
At the AAR Insurance East Africa Sales Conference, the Insurance Usage & Awareness Report 2024 by WYLDE International was launched. This year's edition of the WYLDE Industry Pulse Report, developed in partnership with AAR Insurance Kenya, provides an in-depth analysis of how small and growing businesses (SGBs) engage with insurance. This partnership marks a significant milestone for AAR Insurance as pioneers in data-driven innovation for the insurance sector.
- 7. AAR Healthcare Uganda – Regional Expansion**  
In Uganda, AAR Health Services extends its services through AAR Healthcare Uganda, which operates over 10 outpatient centers and partners with Kampala Hospital and Nakasero Hospital to ensure accessible and quality healthcare.
- 8. Munno Mukabi Platinum – Inclusive Health & Life Insurance**  
In partnership with Liberty Uganda, Weerinde Brokerage Services, and KSGIT, AAR Insurance collaborated with the Buganda Kingdom to launch Munno Mukabi Platinum.  
  
The launch was attended by key figures from the Buganda Kingdom, including Owekitibwa the Katikkiro Prof. Twaha Kaawaase, Owekitibwa Robert Waggwa Nsibirwa (Minister of Finance, Buganda Kingdom), and Chief Pokino of Buddu Ssaza, Jude Muleke.
- 9. Tropical Bank**  
AAR Health Services Uganda partnered with Tropical Bank to unveil an innovative product called Tropical Medical Insurance. This collaboration aims to provide comprehensive and accessible healthcare coverage by integrating financial services with medical insurance solutions.



The partnership enhances AAR Health Services Uganda's mission of ensuring affordable and quality healthcare by leveraging Tropical Bank's financial network to reach a broader customer base. Through this initiative, clients benefit from seamless access to healthcare services, simplified payment options, and improved financial security in managing medical expenses.

#### **10. Rocket Health Uganda and Kays Dental Clinics**

AAR Health Services Uganda in partnership with Rocket Health Uganda and Kays Dental Clinics organized a week-long medical camp that saw a total of over 500 people that included market vendors in Bugolobi market and the neighboring communities receive free medical services.

Among many others, the free medical services offered included testing for non-communicable diseases like HIV, blood pressure and blood sugar tests as well as free dental checkups. Moreover, there was the offering of insurance literacy training.

#### **Digital Transformation, Innovation and Technology**

The AAR Insurance Group is at the forefront of digital transformation, leveraging cutting-edge technology and innovation to enhance customer experience, streamline operations, and drive efficiency. Our commitment to technological advancement ensures that we remain responsive to the evolving needs of our clients while reinforcing our position as a leader in the insurance industry. Through our Innovation Hub (AAR 3.0), we drive digital transformation internally as well as through collaboration with third party insurtech's and partners in developing technology and solutions that enhance the experience and accessibility by our customers.

#### **1. Digital Services and Paperless Operations**

AAR Insurance has embraced digital platforms to facilitate seamless interactions and enhance service delivery. Through our partnership with M-TIBA, we have digitised our operations, enabling clients to access paperless transactions, real-time policy management, and digital claims processing. This transformation not only enhances convenience but also contributes to environmental sustainability by reducing paper usage.

#### **2. Mobile Accessibility and Self-Service Platforms**

Recognizing the need for accessibility, we have launched a user-friendly AAR Insurance mobile app and web-based platforms. Clients can now:

- Browse and compare insurance policies
- Use a premium calculator to find packages that suit their budget
- Access real-time assistance via WhatsApp and live chat
- Manage claims and policy renewals seamlessly from their devices

#### **3. Cloud Computing for Scalability and Security**

To enhance operational efficiency, AAR Insurance Group is migrating to cloud-based infrastructure. This transition ensures:

- Improved data security and regulatory compliance
- Scalability for growing customer demands
- Seamless integration with emerging digital solutions

#### **4. Telemedicine and Digital Healthcare Integration**

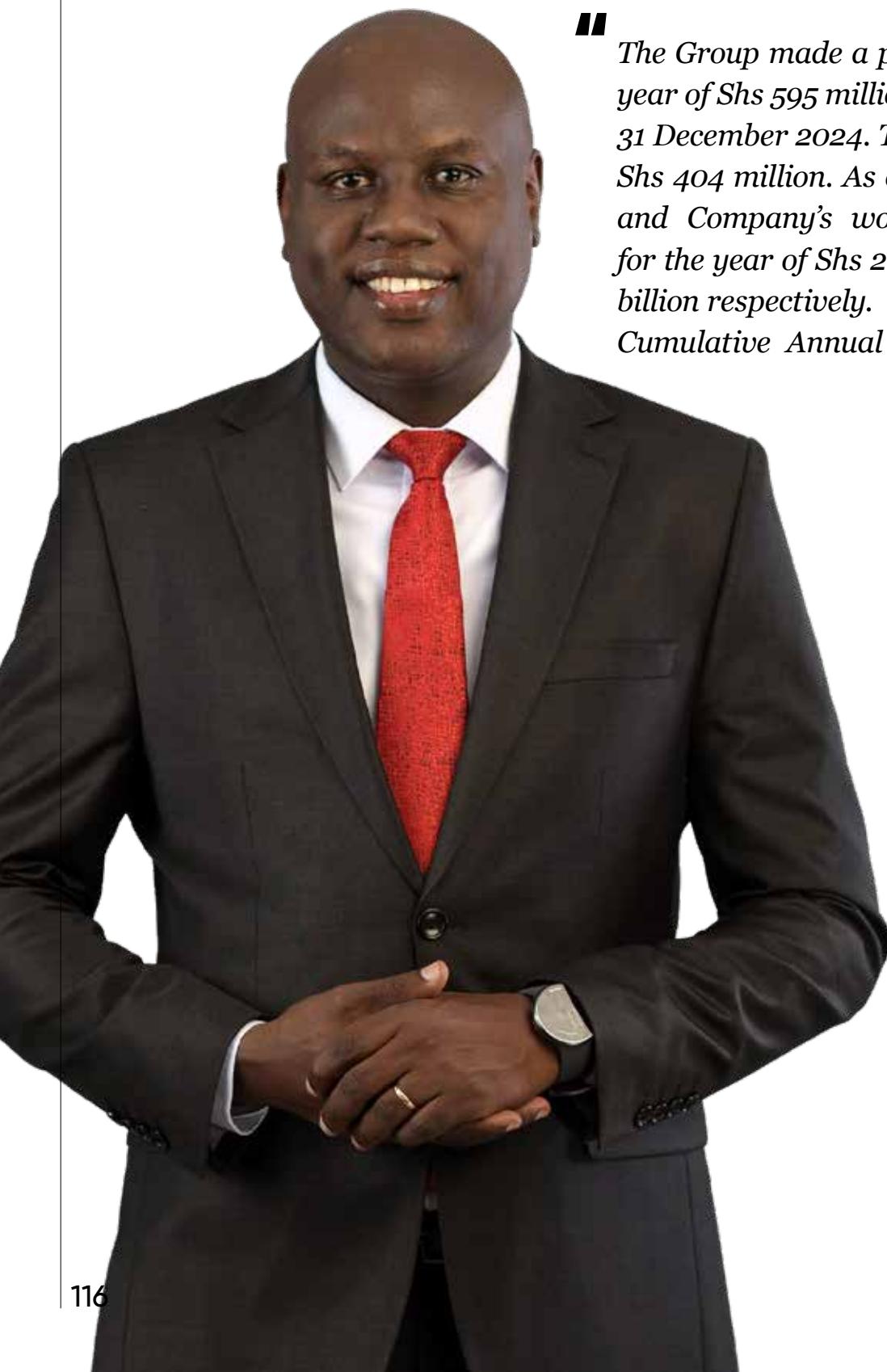
Through partnerships with AAR Healthcare and M-TIBA, AAR Insurance is integrating telemedicine services, allowing clients to access virtual consultations, digital prescriptions, and remote healthcare monitoring. This initiative ensures that policyholders receive timely medical assistance while reducing the need for physical hospital visits.



# Performance Overview

# GROUP CHIEF FINANCE OFFICER

## REFLECTIONS ON FINANCIAL STATEMENTS



“

*The Group made a profit before tax for the year of Shs 595 million for the period ended 31 December 2024. The profit after tax was Shs 404 million. As of that date, the Group and Company's working capital surplus for the year of Shs 2.10 billion and Shs 2.18 billion respectively. Total assets and equity Cumulative Annual Growth Rate of 29% and 22% respectively.*

”

As at year end the Group had a positive equity of Shs 2.18 billion while Company had a positive equity of Shs 2.21 billion.

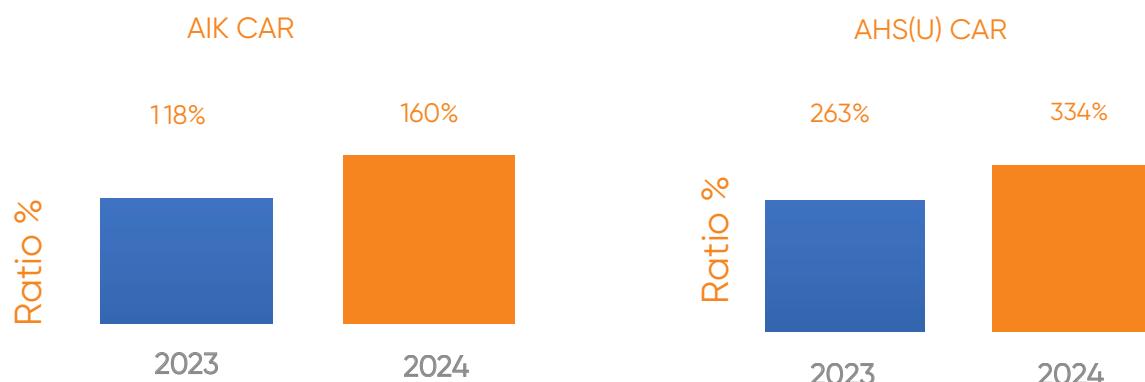
- The Shs 2.2 billion increase in total assets was as a result of the acquisition of the Uganda subsidiary from the parent company, AAR Insurance Holdings, and business growth.
- The company recorded asset growth of Shs 1.1 billion, underpinned by 15% uplift in deposits from financial institutions in increased and holdings in government securities.
- The Group's net equity grew by 45%, primarily supported by strong profitability.
- The Group's profitability grew by 673%, driven by topline growth, investment income and a reduction in operating expenses.
- The cumulative average growth rate (CAGR) of total assets and equity was 29% and 22%, respectively.
- The Capital Adequacy Ratio (CAR) for AAR Insurance Kenya Limited was 160% (minimum required is 100%) and AAR Health Services (U) was 334% (minimum required is 200%).

The financial year under review faced a unique operating environment in light of global geopolitical events that had ripple impacts on economies. The business, however, remained resilient; throughout the year, we focused on driving further expense efficiencies, preserving liquidity, and maintaining our medium-term guidance of mid-teens (13% to 19%) growth in insurance revenue.

## Regulatory Implications

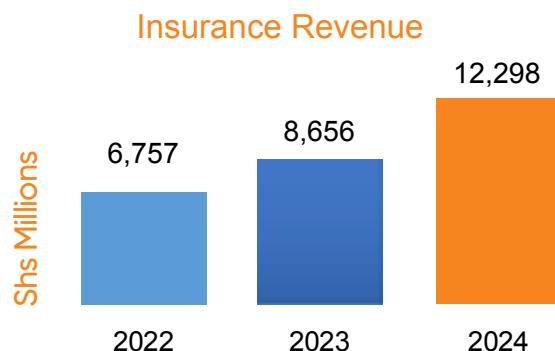
The fiscal year 2024 presented a complex operational landscape marked by both macroeconomic headwinds and significant regulatory shifts within Kenya's healthcare sector. Alongside the challenges posed by a volatile global economy and depreciating currency, the Group navigated the implementation of key legislative reforms, including the Primary Healthcare Act 2023, Digital Health Act 2023, Social Health Insurance Act 2023 and micro-insurance regulations. These uncertainties necessitated strategic adjustments to our business model to meet the new requirements. Looking forward, the Group remains vigilant, closely monitoring the potential impact of further regulatory reforms on our business and operational efficiency.

AAR Insurance Kenya Limited and AAR Health Services Ltd (U) are regulated by the Insurance Regulatory Authority of Kenya and Uganda respectively. The minimum Capital Adequacy Ratio (CAR) required in Kenya under the Risk-Based Capital Model is 100%. Uganda has adopted the same model and requires minimum capital adequacy of 200%. The Capital Adequacy Ratio (CAR) for AAR Insurance Kenya Limited was 160% and AAR Health Services (U) was 334% hence compliant with the minimum capital requirements.



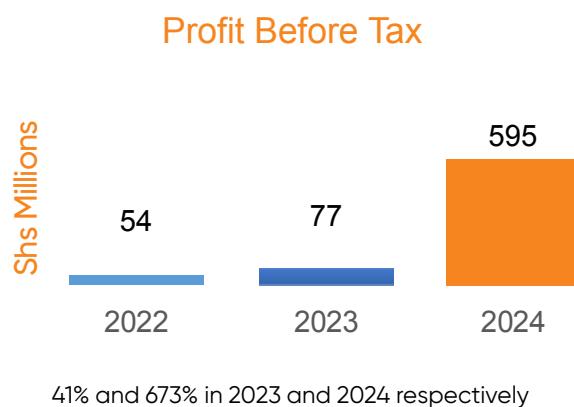
## Revenue Growth

In 2024, the Group's insurance revenue increased to Shs 12,298 million, marking a significant 42% increase from the previous year. This substantial growth was further bolstered by a 6% contribution from the corporate book. Product enhancement to necessitate seamless SME service drove the highest increase at 30%. Additional contributors were the International Private Medical Insurance (IPMI), which grew by 33%, while the non-medical book closed at Shs 182M.



This significant growth resulted from our customer-centric strategy, which resulted in strong business retention. An increased focus on product innovations, including the launch of targeted products like ShwAAri for low-income earners and Seniors' Cover, were pivotal in propelling growth. Strategic partnerships and increased intermediary activity further contributed to the success.

28% and 42% growth in 2023 and 2024



41% and 673% in 2023 and 2024 respectively

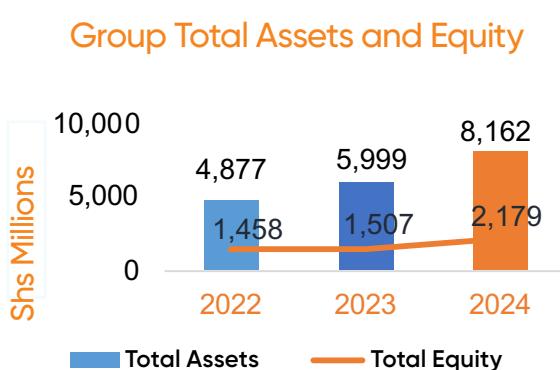
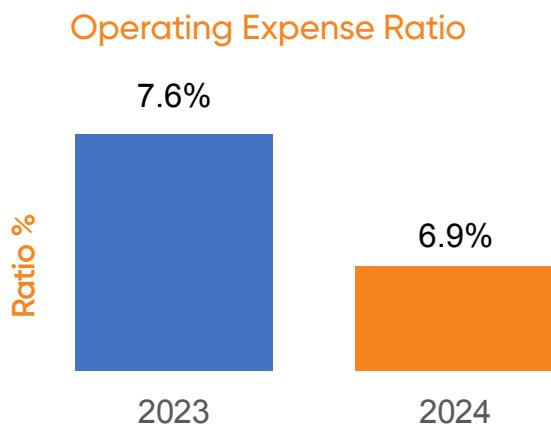


68% and 727% growth in 2023 and 2024 respectively

We implemented a new operational model, anchored in our digital transformation strategy which significantly boosted the Group and Company's performance, resulting in a 673% increase in profitability. Topline growth and a reduction in operating expenses further contributed to the growth.

## Operating Costs

Operating expenses sharply decreased during the year under review, demonstrating the benefits of improved operational efficiencies arising from the digitization of key processes.



Total Assets CAGR of 29% Equity CARG of 22%

The Group's total assets grew by Shs 2.2 billion, attributed to the transfer of the Uganda subsidiary from the parent Company to AAR Insurance Kenya. Similarly, the Company's assets grew by Shs 1.1 billion, as a result of a 15% increase in deposits in financial institutions and government securities. This also translated to the Group's net equity growth of 58%, which was driven by its profitability.

## Capital Expenditure

During the year under review, AAR Insurance maintained its commitment to strategic investment in product development and system enhancement aimed at improving operational capacity and elevating user experience. This commitment is evident in our capital expenditure (CAPEX) intensity increase. Out of the total CAPEX amount, we invested on support of digital integration of business processes and the acquisition of new equipment, and the balance was invested in branch expansion, aligned with the company's strategic growth initiatives within the country and region.

This investment proved instrumental in advancing significant product uptake, resulting in a notable increase. As a result of these targeted innovations, number of lives covered by the Group was 274,653 (25% being policy holders in the high-income earning bracket, 40% of whom were middle income earners while 35% were in the low income earners bracket). Additionally, the Company distributes a micro product in partnership with Turaco with 91,455 lives covered.

Our efforts in digital transformation have also improved our market share. Overall, the AAR Insurance market share grew by 14.60%. Similarly, we saw another 15.20% growth in market share under the medical insurance category. This reaffirms the competitiveness of the business.

## Our 2025 Outlook

Our 2025 outlook is guided by our strategic priority pillars, which are deeply rooted in innovation and customer efficiency. These pillars are further strengthened by our ESG integration, which aims to foster sustainable growth while ensuring profitability. The Group is keen on expansion to regional markets as part of its growth strategy.

## Contribution to the Economic Growth

	2024
<b>Taxes Paid</b>	<b>Amount (Shs)</b>
Insurance Premium Taxes	186,271,365
Pay As You Earn (PAYE) Taxes	174,114,475
Affordable Housing Levy (AHL)	8,419,980
NHIF Returns (Old) / SHIF	3,907,883
NSSF Levy	6,771,228
Withholding Taxes on Payments	231,661,535
Excise Duty	3,573,340
Retirement Benefits Contribution - Employees' Portion	16,204,488
Other Taxes Paid	4,161,549
<b>Total</b>	<b>635,085,843</b>

## Abridged Statement of Financial Position

FINANCIAL YEAR	GROUP Dec 2024 Shs'000	COMPANY	
		Dec 2024 Shs'000	Dec 2023 Shs'000
<b>ASSETS</b>			
Investments	5,228,676	4,658,281	4,046,130
Reinsurance Contract Assets	1,371,047	703,316	780,228
Cash And Bank Balances	846,262	683,082	619,888
Other Assets	716,124	1,056,843	552,555
<b>Total Assets</b>	<b>8,162,109</b>	<b>7,101,522</b>	<b>5,998,801</b>
<b>EQUITY</b>			
Share Capital	1,017,627	1,017,627	700,000
Share Premium Reserve	460,523	460,523	460,523
Translation Reserve	(49,836)	-	-
Proposed Dividends	70,000	70,000	-
Retained Earnings	680,705	660,158	346,689
<b>Total Equity</b>	<b>2,179,019</b>	<b>2,208,308</b>	<b>1,507,212</b>
<b>LIABILITIES</b>			
Insurance Contract Liabilities	4,787,628	3,947,148	3,181,375
Other Liabilities	1,195,462	946,066	1,310,214
<b>Total Liabilities</b>	<b>5,983,090</b>	<b>4,893,214</b>	<b>4,491,589</b>
<b>Total Equity and Liabilities</b>	<b>8,162,109</b>	<b>7,101,522</b>	<b>5,998,801</b>

## General Insurance market share for the period ended 30 September 2024

- The General Insurance industry book grew by 7% (Shs 13.3B); Medical grew by 15.4% (Shs 10.2B)
- AAR recorded third highest growth in the industry (General 14.6%) while (Medical 15.2%)
- AAR's general market share at 5.4% (Medical 14.1%)

Shs M'	GWP- Overall		%	Market Share (%)		
	FY 2024	FY 2023		FY 2024	FY 2023	Net Claims Ratios
OLD MUTUAL GENERAL INSURANCE	18,389	16,059	14.50%	9.00%	8.40%	72.10%
APA INSURANCE COMPANY	18,031	16,705	7.50%	8.80%	8.80%	73.80%
BRITAM GENERAL INSURANCE	17,633	15,695	12.40%	8.60%	8.20%	68.30%
GA INSURANCE COMPANY	17,009	15,487	9.80%	8.30%	8.10%	73.00%
CIC GENERAL INSURANCE	16,931	15,409	9.90%	8.30%	8.10%	73.20%
JUBILEE HEALTH INSURANCE	13,938	11,812	(18.00%)	6.80%	6.20%	73.70%
AAR INSURANCE KENYA	10,957	9,558	14.60%	5.40%	5.00%	73.60%
ICEA LION GENERAL INSURANCE	9,143	8,207	11.40%	4.50%	4.30%	51.40%
MADISON INSURANCE COMPANY	8,531	8,186	4.20%	4.20%	4.30%	64.30%
MAYFAIR INSURANCE COMPANY	8,502	6,794	25.10%	4.20%	3.60%	63.90%
OTHERS	65,143	66,965	(2.70%)	31.90%	35.10%	
<b>INDUSTRY</b>	<b>204,207</b>	<b>180,877</b>	<b>7.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>70.40%</b>

	GWP- Medical		Growth	Market Share (%)		Net Claims Ratio
Shs M'	FY 2024	FY 2023	%	FY 2024	FY 2023	
JUBILEE HEALTH INSURANCE	13,938	11,812	18.00%	18.20%	17.80%	73.70%
OLD MUTUAL	11,882	10,623	11.90%	15.50%	16.00%	79.70%
AAR INSURANCE	10,771	9,353	15.20%	14.10%	14.10%	74.40%
CIC GENERAL	8,003	7,327	9.20%	10.50%	11.10%	81.60%
APA INSURANCE	7,842	7,589	3.30%	10.30%	11.50%	73.90%
BRITAM	5,135	3,951	30.00%	6.70%	6.00%	76.10%
GA INSURANCE	4,773	4,333	10.10%	6.20%	6.50%	85.50%
THE HERITAGE	3,375	2,625	28.60%	4.40%	4.00%	67.70%
FIRST ASSURANCE	2,847	2,334	22.00%	3.70%	3.50%	148.20%
MADISON	2,326	2,795	(17.00%)	3.00%	4.20%	87.60%
OTHERS	5,522	3,486	58.40%	7.20%	5.30%	0.00%
INDUSTRY	76,413	66,228	15.40%	100.00%	100.00%	78.00%

## Overall

- AAR Insurance was 7th in terms of market share and grew by 14.60%

## Medical

- AAR Insurance was 3rd in terms of market share and grew by 15.20%

## Hosea Kiprop

*Group Chief Finance Officer - AAR Insurance*



# Our Financial Statements

# REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited financial statements of AAR Insurance Kenya Limited (the "Company") and its subsidiary (together, the "Group") for the year ended 31 December 2024, which disclose the state of affairs of the Group and Company.

## Business Review

AAR Insurance Kenya Limited is licensed to design and distribute general insurance products as stipulated in the Insurance Act laws of Kenya and Uganda. Effective 1 January 2024, AAR Insurance Kenya Limited acquired control over AAR Health Services Uganda (100% ownership) and has consolidated its financial statements for the first time in accordance with requirements of IFRS 10.

The Group profit before tax for the year was Shs 595 million while the Company profit before tax was Shs 536 million (2023: Shs 77 million) driven by growth in revenues, investment income and reduction in management costs from digitization and successful implementation of a new operating model. The Company's Insurance revenue grew by 24%.

## Principal Risks & Mitigation Strategies

The Group's activities expose it to a variety of financial risks, including underwriting risk, credit risk and the effects of changes in market prices and interest rates. The Group's overall risk management program focuses on the identification and management of risks and the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

The Group's risk management policies include the use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place to help manage liquidity and seek to maximize return within an acceptable level of interest rate risk.

The Group's risk management objectives and policies are detailed on note 33.

## Results & Dividends

The Group profit after tax for the year of Shs 404 million has been applied to retained earnings. This performance was attributed to growth in investment income in Kenya and Uganda subsidiary, cost management initiatives around claims management and reduction of management expenses also contributed to the Group's profitability. The directors recommend the payment of a dividend of Shs 70 million for the year ended 31 December 2024 (2023: Shs Nil).

## Disclosure to Auditors

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

- there was, as far as each director is aware, no relevant audit information of which the Group and Company's auditor is unaware;
- and each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Group and Company's auditor is aware of that information.

## Terms of Appointment of Auditor

Ernst & Young were appointed as the auditors in 2023 and will continue in office in accordance with Companies Articles of Association Section 719 of the Kenyan companies Act, 2015.

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

By order of the Board

**Company Secretary**

31st March 2025

---

# STATEMENT OF CORPORATE GOVERNANCE

## Code of Corporate Practice and Conduct

AAR Insurance Kenya Limited is committed to the principles of effective corporate governance and the Board is of the opinion that the Group and Company currently complies with principles of good corporate governance.

## The Board of Directors

The Board of Directors of AAR Insurance Kenya Limited consists of seven directors. The Board takes overall responsibility for the Group and Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management against budgets and business plans. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles. The Board is chaired by non-executive director, who has no executive functions.

The Board is confident that its members have the knowledge, talent and experience to lead the Group and Company. The non-executive directors are independent of management and exercise their independent judgement. With their depth of experience, they add value to Board deliberations.

The Board is required to meet at least four times a year. The Board delegates the day-to-day management of the business to the Principal Officer and senior management. All directors have access to the Group and Company Secretary and his services and may seek independent professional advice, if necessary. It is the Group and Company's philosophy to manage and control its business on a decentralized basis. Senior management meet monthly to review business results, operations, key financial indicators and the strategic direction of the Group and Company. Board meetings are held quarterly to deliberate the results of the Group and Company.

## Board Committees

The Board is supported by the following committees:

### a. Investment, Finance & Strategy Committee

The responsibilities of this committee are as follows:

#### 1. Asset and Liability Management Functions:

- Lay down an overall investment policy and operational framework for AAR Insurance Kenya investment operations in compliance with the Insurance Act, CAP 487.
- Review and make recommendations to the Board on equity investments, mergers, acquisitions, and divestitures that may have a material current or future effect on the financial condition of the Group and Company.
- Review the Group and Company's real property holdings and make recommendations to the Board on proposals for the acquisition, disposition and leasing of real property by the Group and Company.
- Review and make recommendations to the Board on matters relating to the establishment of a dividend policy, the issuance of debt and equity securities, and the initiation or amendment of any revolving credit facilities for the Group and Company.
- Oversee and review management of the Group and Company's investment policies, investment portfolio and return on investment.

- From time to time, the Committee reviews the Group and Company's banking relationships and the performance of banks with which the Group and Company maintains operating accounts. The objective of this review will be to optimize the Group and Company's access to banking services while minimizing management fees and transaction costs.
- Monitor investment performance and regularly report performance to the Board.
- Review periodically the Group and Company's interest rate and currency risk management policies and programs.
- Review the Group and Company's tax program including any tax receivable agreements.
- Review and oversee the Group and Company's treasury management activities.

## **2. Finance Functions**

- Monitor and oversee the financial affairs of the Group and Company including the Group and Company's balance sheet and provide recommendations on the Group and Company's capital management strategy.
- Oversee the Group and Company's capital structure, capital sourcing and liquidity management and make recommendations to the Board regarding strategies and activities related thereto.
- Advise the Board on annual budgets and financial planning, and the creation and monitoring of internal controls and accountability policies.
- Propose for Board approval a budget that reflects the Group and Company's goals and Board policies.
- Ensure that the budget accurately reflects the needs, expenses, and revenue of the Group and Company.
- Review proposed new funding for ongoing financial implications, recommending approval or disapproval to the Board.
- Review and make recommendations to the Board on the Group and Company's quarterly and annual financial statements.
- Monitor income and expenditure against projections.
- Review and recommend financial policies to the board, including ensuring adequate internal controls and maintaining financial records in accordance with standard accounting practices.
- Ensure that accurate and complete financial records are maintained by the Group and Company and filed with the Insurance Regulatory Authority (IRA) and any other applicable governmental authority.

## **3. Strategy Functions**

- Oversee the development of the Group and Company's Strategy and ensure that the Group and Company has a current and relevant Strategy, geared to the strategic positioning of the Group and Company, its sustainable development, as well as the establishment of processes for planning, implementing, assessing and adjusting the business strategy.
- Ensure that a strategy implementation plan is developed, adhered to and embedded in the Group and Company.
- On a quarterly and timely basis, receive a Strategy Implementation Monitoring and Evaluation Report from Management, or such other report as may be required from time to time along with recommendations to ensure that milestones and timelines are being met.
- Consider and make recommendations to the Board concerning new strategic initiatives and alliances beneficial to the Group and Company's long-term strategy.
- Review significant changes and emerging trends in the Group and Company's operating environment, identify risks and opportunities, and evaluate suggested changes in strategic direction to ensure the delivery of the Group and Company's mandate.
- Monitor the stakeholders concerns on the business of the Group and Company.
- Formulate the Group and Company's goals based on the critical issues and the business of the Group and Company.
- Regularly review and uphold the mission and vision of the Group and Company to align with the Group and Company's goals.
- Present strategic plans to the Board for review and approval.
- Regularly update the Board on the progress of each strategic milestone.

The Board members who served the Committee as of December 2024 are detailed below:

Jones Nzomo	Chairperson
Patricia Kiwanuka	Member
Menka Shah	Member
Eline Blauboer	Alternate Member
Justine Kosgei	Member

**b. Nomination Remuneration & Compensation Committee**

**i. The responsibilities of the Committee regarding nomination:**

- Make recommendations to the Board regarding its size and composition and the tenure of directors.
- Lead a selection process that shall be formal, rigorous and transparent, and be responsible for identifying, reviewing and recommending to the Board candidates for appointment, whether as executive or non-executive directors, which candidates shall be considered on merit and assessed against objective criteria.
- Review and make recommendations to the Board regarding the Board members' compensation.
- Establish a mechanism for formal assessment and assess the effectiveness of the Board as a whole, the contribution by each director to the effectiveness of the Board, the contribution of the Board's various committees, and the performance of the Principal Officer, the Chief Executive Officer, or their equivalent.
- Recommend to the Board the removal of the Chief Executive Officer and Senior Management if they are ineffective, errant, or negligent in discharging their duties and responsibilities.
- Ensure that all directors undergo appropriate induction programs and receive continuous training.
- Regularly consider development plans and succession planning for directors, the Chief Executive Officer, and other senior executives, taking account the challenges and opportunities facing the Group and Company to ensure that there is an appropriate portfolio of skills and experience within the Group and Company.
- Make recommendations to the Board regarding the renewal of the terms of office of non-executive directors and the continuation (or not), in service of any Director at any time; and
- Establish the policy regulating how executive directors may become non-executive directors of other companies and monitor its implementation on the Board.

**ii. The responsibilities of the Committee regarding remuneration are as follows:**

- Determine, agree and develop the Group and Company's general policy on non-executive, executive and senior management remuneration.
- Determine specific remuneration packages for executive directors of the Group and Company including but not limited to basic salary, benefits in kind, any annual bonuses, performance base incentives, share incentives, pension and other benefits.
- Determine any criteria necessary to measure the performance of executive directors and senior management in discharging their functions and responsibilities.
- Ensure that executive directors and senior management are fairly but responsibly rewarded for their individual and collective contributions and performance.
- Aim to position for executive directors and senior managers' remuneration levels relative to local and international industry benchmarks that are sufficient to attract, retain and motivate executives of the quality required by the board. In determining the specific remuneration packages, the committee will have due regard to local and international industry benchmarks.
- From time to time, review the terms and conditions of remuneration packages and service agreements for executive directors.
- Oversee the formulation, review and implementation of the Group and Company's remuneration policy and determination of specific remuneration packages of the Board and senior management.
- Advise on and oversee formulation and review of the Group and Company's human resource related policies.
- Provide necessary appropriate support to the Chief Executive Officer and senior management in human resource matters of the Group and Company.
- Consider incentive pools, reward and performance appraisal structures and if fit recommend for Board approval.

- At least annually review the adequacy and effectiveness of the Directors' remuneration policy to ensure it supports sound and effective risk management and the appropriateness of any variable remuneration included in overall compensation.
- Seek periodic internal assurances that the Group and Company's remuneration processes and principles as set out in the remuneration policy are being implemented in line with the policy.
- Periodically review, at least annually, all material matters of retirement benefit design and governance; and
- Periodically review reports on other remuneration-related and employee issues as necessary.

The Board members who served the Committee as of December 2024 are detailed below:

Beatrice M. Soy	Chairperson
Patricia Kiwanuka	Member
Onno Schellekens	Member
Justine Kosgei	Member

#### c. Audit Committee

The responsibilities of this committee are as follows:

##### i. Financial Statements and Disclosure Matters

The Board members who served the Committee as of December 2024 are detailed below:

- Establish procedures to attend to issues relating to maintenance of books of account, administration policies and procedures, transactions and other matters having a bearing on the financial position of AIK, whether raised by the auditors or by any other person
- Review the draft annual financial statements, including specific disclosures made and recommend to the Board whether the draft annual financial statements should be approved.
- Review analysis prepared by management and/or the external auditor setting forth significant financial reporting issues and judgements made in connection with the preparation of the Group and Company's financial statements including the development, selection and disclosure of critical accounting estimates and analyses and major issues regarding accounting principles and financial statement presentation, including any significant changes in the Group and Company's selection or application of accounting principles and any major issues as to the adequacy of the internal controls and any special steps adopted in light of material control deficiencies.
- Discuss with management and external auditors the effect of regulatory and accounting initiatives as well as off-balance sheet transactions on the Group and Company's financial statements.
- Discuss with the external auditors the matters required to be disclosed in the financial statements relating to the conduct of the audit. Discuss:
  - a) The adoption of, or changes to, the Group and Company's significant auditing and accounting principles and practices as suggested by the external auditors, Head of Internal Audit or the management.
  - b) The post audit report provided by the external auditor and the Group and Company's response to that letter, as well as other material written communications between the external auditor and the management, such as any schedule of unadjusted differences.
  - c) Any difficulties encountered during the audit work, including any restrictions on the scope of activities or access to requested information and any significant disagreements with management.
  - d) Review disclosures made to the Audit Committee by the Group and Company's external auditors and management during their conduct of the audit process.

### ii. Internal Control Matters

- Review the internal control system, including information technology security and control and the Group and Company's control environment.
- Discuss any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving the management or other employees who have a significant role in the Group and Company's internal controls.
- Understand the scope of internal, external auditors and other review functions of internal control systems and obtain reports on significant findings and recommendations, together with the management's response.
- Review the status of any action plans and management responsiveness.

### c. Audit Committee

#### i. Internal Audit

- Review and approve the Internal Audit charter, activities, staffing and organisation structure of the internal audit function.
- Review and approve the annual audit plan, audit budget and audit strategy and, all major changes to the same.
- Monitor the independence of the internal audit activities from the external auditors and management.
- Protect the independence of the internal audit function.
- Meet with the Head of Internal Audit at least once a year and in the absence of management and obtain insights on internal control systems adequacy and the extent of their implementation.
- At least once per year review the performance of the Head of Internal Audit and ensure commensurate compensation in line with the Group and Company's remuneration structure.
- Review the effectiveness of the internal audit function including compliance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practices of Internal Auditing.

#### ii. External Audit

- Review the experience and qualifications of the senior members of the external audit team.
- Obtain and review a report from the external auditors at least annually regarding:
  - The independent auditor's internal quality control procedures.
  - Any material issues raised by the most recent internal quality control review, or peer review, of the firm or by any inquiry or investigation by governmental or professional authorities within the preceding five years in respect of one or more independent audits carried out by the firm.
  - Any steps taken to deal with any such issues; and
  - All relationships between the independent auditor and the management.
- Recommend to the Board policies for the Group and Company's hiring of employees or former employees of the external auditor who participated in any capacity in the audit of AIK.
- Meet with the external auditor prior to the audit to discuss the proposed audit scope and approach, staffing, including coordination of audit effort with internal audit and its internal audit quality control/assurance processes.
- Where necessary the Committee may meet separately with the external auditor to discuss any matters that the Committee or auditors believe should be discussed privately.

The Board members who served the Committee as of December 2024 are detailed below:

Patricia Kiwanuka	Chairperson
Wassili Diagos	Member
Jones Nzomo	Member
Justine Kosgei	Member

**d. Risk and Compliance Committee**

The responsibilities of this committee are as follows:

- Determining the Group and Company's Risk Appetite, including Risk Appetite Statement, Risk Principles, and Risk Tolerances.
- Ensuring that AIK establishes and maintains an appropriate and effective Risk Management Framework to ensure that sufficient resources are in place for risk management.
- Assisting the Board in discharging its duty to oversee, on an ongoing basis, the Risk Management Framework.
- Advising the Board on risk-related issues or aspects as requested by the Board or, in the opinion of the Board Risk Committee, requires the Board's attention.
- Monitoring and reporting to the Board on the Group and Company's risk profile, compliance with policies, relevant laws and regulations, and established risk limits and the actions taken to mitigate the exposure; and
- Reviewing the implementation and maintenance of appropriate systems, procedures, and codes of conduct per the Group and Company's policy guidelines regarding identification, analysis, mitigation, and control of risks.

The Board members who served the Committee as of December 2024 are detailed below:

Wassili Diagos	Chairperson
Jones Nzomo	Member
Beatrice Soy	Member
Justine Kosgei	Member

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and Company at the end of the financial year and of their profit or loss for that year. The directors are responsible for ensuring that the Group and Company keep proper accounting records that are sufficient to show and explain the transactions of the Group and Company; disclose with reasonable accuracy at any time the financial position of the Group and Company; and that enables them to prepare financial statements of the Group and Company that comply with prescribed financial reporting standards as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act, 2015 and Section 56 of the Kenyan Insurance Act, Cap. 487. They also accept responsibility for:

1. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
2. Selecting suitable accounting policies and then apply them consistently; and
3. Making judgements and accounting estimates that are reasonable in the circumstances.

Having assessed the Group and Company's ability to continue as a going concern, as highlighted in note 2(e)(xxvii), the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group and Company's ability to continue as a going concern.

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

Approved by the board of directors on 31st March, 2025 and signed on its behalf by:

-----  
**Esther Koimett, CBS**  
**Chairperson of the Board**

-----  
**Patricia Kiwanuka**  
**Director**

-----  
**Justine Kosgei**  
**CEO & Principal Officer**

# REPORT OF THE CONSULTING ACTUARY

I have conducted an actuarial valuation of the non-life business of AAR Insurance Kenya Limited as at 31 December 2024.

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

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

In my opinion, the general business of the Group and Company was financially sound and the actuarial value of the liabilities in respect of all classes of general business did not exceed the amount of claims liabilities at 31 December 2024.

---

**Ezekiel Macharia**  
**Kenbright Actuarial and Financial Services Ltd**  
31st March, March 2025

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Consolidated & Company Financial Statements Opinion

We have audited the consolidated and Company financial statements of AAR Insurance Kenya Limited (the "Company") and its subsidiaries (together with the Company, the "Group") set out on pages 136 to 206 which comprise the consolidated and Company statements of financial position at 31 December 2024, the consolidated and Company statements of profit or loss and Consolidated and Company statements of other comprehensive income, the consolidated and Company statements of changes in equity, and the consolidated and Company statements of cash flows for the year then ended and notes to the consolidated and Company financial statements, including material accounting policy information.

In our opinion, the consolidated and Company financial statements present fairly, in all material respects, the consolidated and Company financial position of the Group and Company as at 31 December 2024, and of its consolidated and Company financial performance and its consolidated and Company cash flows for the year then ended in accordance IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015 and Section 56 of the Kenyan Insurance Act, Cap. 487.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Company Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of the financial statements of the Group and Company in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of the financial statements of the Group and Company in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

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

Key Audit Matter	How the matter was addressed in the audit
<p>Valuation of Insurance Contract Liabilities</p> <p>The valuation of insurance contract liabilities has a significant risk of misstatement due to the complexity associated with the underlying assumptions and the sensitivity to assumptions and actuarial judgment applied.</p> <p>As at 31 December 2024, the Company's insurance contract liabilities amount to Shs. 3.9 billion. Of this amount, Shs. 1.3 billion relates to liabilities for incurred claims (LIC), Shs. 1,343 million being the present value of future cashflows and Shs 40 million being the risk adjustment.</p> <p>The LIC reflects current, explicit, unbiased and probability-weighted estimate of the present value of the expected future cashflows (best estimate), and an explicit risk adjustment for non-financial risk.</p> <p>This area was significant to our audit as the estimation of the LIC is a complex process, applying actuarial and statistical methods over historical data and patterns requiring the use of estimates and judgements. It requires the use of complex formulas and computational tools that may be incorrectly configured, and for which inaccurate input data may be used.</p> <p>Additionally, the expected future cashflows relating to the LIC for catastrophes which are usually of less frequency but higher severity, are more difficult to estimate and their calculation require the use of expert judgement, especially for events taking place close to year end.</p> <p>Accordingly, we have identified the valuation of insurance contract liabilities as a key audit matter.</p>	<p>Our audit procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>Evaluating the Company's accounting policies and actuarial methodology to assess compliance with IFRS 17.</li> <li>Assessing the analyses of contracts prepared by the Company for the purpose of the classification according to the different measurement approaches and tested such analyses for compliance with IFRS 17 and to the underlying contracts on a sample basis.</li> <li>On a sample basis, we tested the completeness and accuracy of data used in the calculation of transition balances to underlying sources.</li> <li>We performed audit procedures over key assumptions, including the implementation of those assumptions into the models. These procedures included testing underlying support and documentation, including reviewing a sample of experience studies supporting specific assumptions, challenging the nature, timing and completeness of changes recorded, and assessing whether individual changes were errors or refinements of estimates.</li> <li>We tested the completeness and accuracy of data utilized by the Company in estimating the insurance contract liabilities by reconciling such amounts to the underlying accounting records and performing data-enabled audit procedures and claims data plausibility checks on the selected samples.</li> </ul>

## Other Information

The directors are responsible for the other information. The other information consists of information in the Group's 2024 Annual Report other than the consolidated and Company financial statements and our auditor's report thereon.

Our opinion on the consolidated and Company financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and Company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and Company financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Statements

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

## Report On Other Matters Prescribed By The Kenyan Companies Act, 2015

In our opinion the information given in the report of the directors on page 122 and is consistent with the financial statements.

### Report On Other Matters Required By Section 56 Of The Kenyan Insurance Act, Cap. 487

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

- a. The accounts and statements in respect of the year ended 31 December 2024 for the Company appear to be in accordance with the Act;
- b. The accounting records of the Group and Company in respect of the year ended 31 December 2024 appear to have been properly kept and to record and explain correctly the transactions and financial position of the Company;
- c. In respect of the year ended 31 December 2024, we obtained the information and explanations that we requested;
- d. We are satisfied that the accounts and statements referred to in paragraph (a) above agree with the accounting records of the Group and Company and represent the transactions and financial position of the Group and Company in respect of the financial year ended 31 December 2024;
- e. Amounts required by Section 53 of the Act to be apportioned have been equitably apportioned;
- f. All management expenses wherever incurred in respect of the Group and Company's business, whether directly or indirectly, have been fully debited in the revenue account or profit and loss account as expenses;
- g. Every reserve has been calculated in accordance with the method approved for the reserve by the Commissioner;
- h. There are adequate disclosures on related parties' transactions and compliance with section 71 of the Insurance Act;
- i. The management and disposal of salvages is in compliance with the guidelines on claims management for the insurance industry;
- j. All assets of the Company are in the name of AAR Insurance Kenya Limited;
- k. No assets have been charged by the Company to secure a mortgage.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Allan Gichuhi, Practicing Certificate Number 1899.

**For and on behalf of Ernst & Young LLP**

**Certified Public Accountants**

Nairobi, Kenya

.....2024

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

	Notes	GROUP	COMPANY	
		2024	2024	2023
		Shs'000	Shs'000	Shs'000
Insurance revenue	4	12,297,875	10,696,270	8,655,563
Insurance service expenses	5	(11,464,615)	(9,983,890)	(7,984,251)
<b>Insurance service results before reinsurance</b>		<b>833,260</b>	<b>712,380</b>	<b>671,312</b>
Net expense from reinsurance contracts held	6	(108,619)	(125,558)	(382,579)
<b>Insurance service results</b>		<b>724,641</b>	<b>586,822</b>	<b>288,733</b>
Interest from government securities calculated using the effective interest method	7	421,595	378,327	345,400
Fair value (loss) /gain on government securities through profit and loss	7	143,063	143,063	(40,861)
Interest from deposits calculated using the effective interest method	7	138,737	125,982	135,081
<b>Total investment income</b>		<b>703,395</b>	<b>647,372</b>	<b>439,620</b>
Other income	8	17,323	8,203	3,613
Net (increase)/decrease in ECLs on financial assets	9	(666)	281	(21,547)
Other operating expenses	10(b)	(830,391)	(689,274)	(613,561)
Other finance costs	11	(19,637)	(17,549)	(19,909)
<b>Profit before income tax</b>		<b>594,665</b>	<b>535,855</b>	<b>76,949</b>
Income tax expense	12(a)	(190,649)	(152,386)	(28,099)
<b>Profit for the year</b>		<b>404,016</b>	<b>383,469</b>	<b>48,850</b>
<b>Other comprehensive income that will be reclassified to the income statement, net of tax</b>				
Currency translation differences		(49,837)	-	-
<b>Total comprehensive income for the year</b>		<b>354,179</b>	<b>383,469</b>	<b>48,850</b>

# STATEMENT OF FINANCIAL POSITION

## FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	GROUP	COMPANY	
		2024	2024	2023
ASSETS		Shs'000	Shs'000	Shs'000
Cash and bank balances	13	846,262	683,082	619,888
Deposits with financial institutions	14	1,606,349	1,312,469	1,192,894
Government securities	15	3,622,327	3,345,812	2,853,236
Reinsurance contract assets	16	1,371,047	703,316	780,228
Other receivables	17	406,099	398,046	253,423
Current income tax	12(c)	46,015	4,307	7,212
Amounts due from related parties	18	45,445	54,947	73,035
Deferred income tax	19	23,989	454	42,105
Investment in subsidiaries	20	-	442,627	-
Right-of-use assets	21	110,590	101,121	119,385
Property and equipment	22	60,901	43,610	38,144
Intangible assets	23	<u>23,085</u>	<u>11,731</u>	<u>19,251</u>
<b>Total assets</b>		<u>8,162,109</u>	<u>7,101,522</u>	<u>5,998,801</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	24(a)	1,017,627	1,017,627	700,000
Share premium	24(b)	460,523	460,523	460,523
Translation reserve		(49,837)	-	-
Proposed Dividends	25	70,000	70,000	-
Retained earnings		<u>680,705</u>	<u>660,158</u>	<u>346,689</u>
<b>Total equity</b>		<u>2,179,018</u>	<u>2,208,308</u>	<u>1,507,212</u>
<b>LIABILITIES</b>				
Other payables	26	1,015,139	770,042	1,118,071
Amount payable under fund administration contracts	27	43,921	43,921	42,066
Insurance contract liabilities	28	4,787,628	3,947,148	3,181,375
Lease liabilities	29	<u>136,403</u>	<u>132,103</u>	<u>150,077</u>
<b>Total liabilities</b>		<u>5,983,091</u>	<u>4,893,214</u>	<u>4,491,589</u>
<b>Total equity and liabilities</b>		<u>8,162,109</u>	<u>7,101,522</u>	<u>5,998,801</u>

The financial statements on pages 138 and 139 were approved and authorized for issue by the Board of Directors on.....2025 and were signed on its behalf by:

Esther Koimett, CBS  
Chairperson of the Board

Patricia Kiwanuka  
Director

Justine Kosgei  
CEO & Principal Officer

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

	Share Capital	Share premium	Translation reserve	Retained earnings	Proposed Dividends	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Year ended 31 December 2024</b>						
At 1 January 2024	700,000	460,523	-	346,689	-	1,507,212
Transfer of subsidiary	317,627	-	-	-	-	317,627
Translation differences	-	-	(49,837)	-	-	(49,837)
Profit for the year	-	-	-	404,016	-	404,016
Total comprehensive income	-	-	(49,837)	404,016	-	354,179
Proposed dividends	-	-	-	(70,000)	70,000	-
At 31 December 2024	<u>1,017,627</u>	<u>460,523</u>	<u>(49,837)</u>	<u>680,705</u>	<u>70,000</u>	<u>2,179,018</u>

### Company Statement of changes in equity

	Share Capital	Share premium	Retained earnings	Proposed Dividends	Total Shs'000
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Year ended 31 December 2024</b>					
At 1 January 2024	700,000	460,523	346,689	-	1,507,212
Transfer of subsidiary	317,627	-	-	-	317,627
Profit for the year	-	-	383,469	-	383,469
Proposed dividends	-	-	(70,000)	70,000	-
At 31 December 2024	<u>1,017,627</u>	<u>460,523</u>	<u>660,158</u>	<u>70,000</u>	<u>2,208,308</u>

### Year ended 31 December 2023

At 1 January 2023	700,000	460,523	297,839	-	1,458,362
Profit for the year	-	-	48,850	-	48,850
At 31 December 2023	<u>700,000</u>	<u>460,523</u>	<u>346,689</u>	<u>-</u>	<u>1,507,212</u>

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2024

		GROUP	COMPANY	
	Notes	2024 Shs'000	2024 Shs'000	2023 Shs'000
<b>Cash flows from operating activities</b>				
Cash used in operations	30(a)	401,476	336,774	550,044
Interest paid on lease liabilities	29	(15,065)	(14,760)	(18,946)
Income tax paid	12(c)	(178,697)	(136,989)	(12,180)
Net cash generated from operating activities		<u>207,714</u>	<u>185,025</u>	<u>518,918</u>
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	22	(29,079)	(21,743)	(21,630)
Purchase of intangible assets	23	(2,910)	(2,149)	(1,612)
Purchase of government securities	15	(488,775)	(485,125)	(865,790)
Disposal of government securities	15	192,806	164,772	698,142
Interest received from government securities and fixed deposits	7	560,332	504,309	439,620
Cash from subsidiary at acquisition		<u>81,696</u>	<u>-</u>	<u>-</u>
Investment in subsidiary	20	-	(125,000)	
Proceeds from disposal of property and equipment	8	<u>753</u>	<u>562</u>	<u>85</u>
Net cash flows generated from investing activities		<u>314,823</u>	<u>35,626</u>	<u>248,815</u>
<b>Cash flows from financing activities</b>				
Payment of principal portion of lease liabilities	29	<u>(43,302)</u>	<u>(37,882)</u>	<u>(32,985)</u>
<b>Cash used in financing activities</b>		<u>(43,302)</u>	<u>(37,882)</u>	<u>(32,985)</u>
<b>Net increase in cash and cash equivalents</b>		<u>479,234</u>	<u>182,769</u>	<u>734,748</u>
<b>Movement in cash and cash equivalents</b>				
Effect of exchange rates		160,594	-	-
At 1 January		1,812,782	1,812,782	1,078,034
Net increase in cash and cash equivalents		<u>479,235</u>	<u>182,769</u>	<u>734,748</u>
At 31 December	30(b)	<u>2,452,611</u>	<u>1,995,551</u>	<u>1,812,782</u>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

## 1. General Information

AAR Insurance Kenya Limited is incorporated in Kenya under the Companies Act (Cap 486) as a private limited liability company. The Group and Company is licensed to design and distribute general insurance products as stipulated in the Insurance Act. The Group and Company has extensive presence countrywide serving over 250,000 customers. The Group and Company is owned 100% by AAR Insurance Holdings Limited. The ultimate parent AAR Holdings Limited owns 92.75% of AAR Insurance Holdings Limited.

The address of the registered office is:

Real Towers  
Hospital Road  
P.O Box 41766-00100  
Nairobi.

## 2. Summary of Material Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### a) Basis of Preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS's) and in the manner required by the Kenyan Companies Act, 2015. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in the functional currency Kenya Shillings (Shs), rounded to the nearest thousand.

For Kenyan Companies Act, 2015, reporting purposes in these financial statements, the statement of financial position represents the balance sheet and the statement of profit or loss represents the profit and loss account.

### b) Statement of Compliance

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Group and Company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in note 3.

### c) Basis of Consolidation

Effective 1 January 2024, AAR Insurance Kenya Limited acquired control over AAR Health Services Uganda and has consolidated its financial statements for the first time in accordance with requirements of IFRS 10. The consolidation was performed using the acquisition method, whereby the assets, liabilities, income, and expenses of the subsidiary have been included in the consolidated financial statements from the date control was obtained.

The Group consolidated financial statements are prepared in line with provisions of IFRS 10. The Group and Company and its subsidiaries apply similar accounting treatment in preparation of their financials. The Group and Company and its subsidiary have the same reporting dates of 31 December 2024. On consolidation, the assets and liabilities of foreign operations are translated into Kenya Shillings at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at yearly average exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that foreign operation is reclassified to profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

## 2. Summary of Material Accounting Policies (continued)

### c) Basis of consolidation (continued)

## Nature of Basis of Combination

AAR Insurance Kenya Limited obtained control over AAR Health Services Uganda through a transfer of ownership from its parent AAR Insurance Holdings Limited by acquiring 100% ownership of AAR Health Services Uganda at a value of Shs 317,626,572. As a result, the subsidiary is now fully consolidated into the AAR Insurance Kenya Ltd group's financial statements.

## Accounting Impact of First-Time Consolidation

The financial statements reflect the assets, liabilities, and financial results of the subsidiary from the acquisition date.

## Comparative Figures

Since this is the first year of consolidation, prior period comparative figures have not been restated. Any significant differences in financial metrics are primarily due to the inclusion of the subsidiary's results.

## Impact on Financial Statements

The consolidation has resulted in the following changes:

- Increase in total assets and liabilities
- Increase in revenue and expenses due to the inclusion of the subsidiary's financials
- Movement in Statement of Changes in Equity

## Subsequent Events and Future Considerations

Management will continue to assess the impact of the consolidation and ensure compliance with all relevant reporting requirements. Any material changes or adjustments identified post-acquisition will be disclosed in future financial statements.

## d) New and Amended Standards and Interpretations

- i) **New standards, amendments and interpretations effective and adopted during the Year that have no material impact on the financial statements**

<b>New Standards or amendments</b>	<b>Effective for annual periods beginning on or after</b>
Lease Liability in a Sale-and-Leaseback (Amendments to IFRS 16, Leases)	1 January 2024
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1, Presentation of Financial Statements),	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024

## 2. Summary of Material Accounting Policies (continued)

### e) New and Amended Standards and Interpretation (continued)

#### ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2024

Below are the standards issued but not yet effective, the Group is still assessing the impact of IFRS 18 on the financial statements. The rest of the standards are not expected to have a material impact on the Group. The Group will adopt the standards when they are effective.

New Standards or amendments	Effective for annual periods beginning on or after
Lack of Exchangeability (Amendment to IAS 21, The Effects of Changes in Foreign Exchange Rates)	1 January 2025
Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures)	1 January 2026
Annual Improvements to IFRS Accounting Standards—Volume 11	1 January 2026
Power Purchase Agreements – Amendments to IFRS 9 and IFRS 7	1 January 2026
IFRS 18, Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	1 January 2027

Apart from IFRS 18 for which the Group is assessing the impact on the financial statements, the rest of the above standards are not expected to have a material impact on the Group.

### e) Accounting Policies and Disclosures

#### Insurance Contracts

- Classification and measurement

The Group and Company's insurance contracts issued, and reinsurance contracts held are all eligible to be measured by applying the PAA. The PAA simplifies the measurement of insurance contracts in comparison with the general model.

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognized in revenue for insurance services provided
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision)
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Group and Company's obligation to pay other incurred insurance expenses.

## 2. Summary of Material Accounting Policies (continued)

### e) Accounting policies & disclosures (continued)

- **Classification and measurement**

Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous Contract losses where such contracts reinsurance onerous direct contracts.

The Group and Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group. Where such insurance acquisition cash flows are paid (or where a liability has been recognized applying another IFRS standard) before the related group of insurance contracts is recognized, an asset for insurance acquisition cash flows is recognized. When insurance contracts are recognized, the related portion of the asset for insurance acquisition cash flows is derecognized and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group. The Group and Company does not pay insurance acquisition cashflows on contracts yet to be recognized.

- **Presentation and disclosure**

For presentation in the statement of financial position, the Group and Company aggregates insurance and reinsurance contracts issued, and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

- **Insurance and Reinsurance Contracts Classification**

The Group and Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Group and Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Group and Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include Medical, Liability, Fire, marine, and personal accident etc. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident. The Group and Company does not issue any contracts with direct participating features.

## • **Insurance and Reinsurance Contracts Accounting Treatment**

- **Separating component from insurance and reinsurance contracts**

The Group and Company assesses its insurance Contracts to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Group and Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Group and Company's products do not include any distinct components that require separation.

- **Level of aggregation**

The level of aggregation for the Group and Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Group and Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Group and Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). No group for level of aggregation purposes may contain contracts issued more than one year apart.

## 2. Summary of Material Accounting Policies (continued)

### e) Accounting policies & disclosures (continued)

The Group and Company has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

The Group and Company applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)

A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Group and Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Group and Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Group and Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognized
- Environmental factors, e.g., a change in market experience or regulations

The Group and Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

- **Recognition**

The Group and Company recognizes groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Group and Company recognizes a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Group and Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognized, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.)

And

- The date the Group and Company recognizes an onerous group of underlying insurance contracts if the Group and Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Group and Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Group and Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Group and Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Group and Company considers facts and circumstances to identify

## 2. Summary of Material Accounting Policies (continued)

### e) Accounting policies & disclosures (continued)

whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognized
- Environmental factors, e.g., a change in market experience or regulations

The Group and Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

- **Contract boundary**

The Group and Company includes in the measurement of a group of insurance contracts all the future cashflows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group and Company can compel the policyholder to pay the premiums, or in which the Group and Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Group and Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks

Or

- Both of the following criteria are satisfied:
- The Group and Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognized. Such amounts relate to future insurance contracts.

### **Measurement - Premium Allocation Approach**

	<b>Adopted Approach</b>
Premium Allocation Approach (PAA) Eligibility	The insurance contracts and reinsurance are for one year or less and so qualifies automatically for PAA.
Insurance acquisition cash flows for insurance contracts issued	The insurance acquisition cash flows are allocated to related groups of insurance contracts and amortized over the coverage period of the related group.
Liability for Remaining Coverage (LRC), adjusted for financial risk and time value of money	The Group and Company does not adjust the LRC for insurance contracts issued and remaining coverage for reinsurance contracts. Premiums are received within one year of the coverage period.
Liability for Incurred Claims, (LFIC) adjusted for time value of money	The incurred claims are expected to be paid out in less than one year. Hence, no adjustment is made for the time value of money.

### **• Insurance Revenue**

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Group and Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Group and Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For the periods presented, all revenue has been recognized on the basis of the passage of time.

## 2. Summary of Material Accounting Policies (continued)

### e) Accounting policies & disclosures (continued)

- **Insurance Service Expense**

Insurance service expenses are the costs associated with a group of insurance contracts, excluding investment components. They include incurred claims, amortization of insurance acquisition cash flows, and other directly attributable expenses to servicing insurance contracts.

- **Net Income or Expense from Reinsurance Contracts held**

The Group and Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Group and Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

- **Fees Income**

Clients whose medical fund schemes are managed by the Group and Company are charged for fund administration services and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over those future periods.

- **Commission Income**

Commission income on reinsurance is recognized as revenue in the period in which it accrues. To achieve this, a proportion of reinsurance commissions' receivable is deferred and recognized as income over the term of the policy.

- **Expenses**

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

- When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are recognised through profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognising the equipment associated with the using up of assets such as property and equipment. In such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.
- An expense is recognised immediately through profit or loss when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Expenses have further been disaggregated to:

- **Directly attributable expenses**

Directly attributable expenses are costs that are directly related to acquiring, maintaining, or fulfilling new insurance contracts. These costs are included to the Insurance service expenses and ultimately form part of the measurement of insurance contract liabilities.

- **Indirectly attributable expenses**

Indirectly attributable expenses are costs that are not directly related to fulfilling insurance contracts. These expenses are recognized as incurred and appear in the other operating expenses section of the Income Statement.

- **Realized /Unrealized Gains and Losses**

Realized/unrealized gains and losses recorded in profit or loss on investments include gains and losses on financial assets. Realized gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

## 2. Summary of Material Accounting Policies (continued)

### e) Accounting policies & disclosures (continued)

- **Finance Cost**

Interest paid is recognized through profit or loss as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

- **Determination of Liability for Remaining Coverage**

The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognized in revenue for insurance services provided

Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.

Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).

Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Group and Company's obligation to pay other incurred insurance expenses.

Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous Contract losses where such contracts reinsure onerous direct contracts.

- **Loss Components**

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

- **Loss Recovery Component**

The Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses. A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

- **Determination of Liability for Incurred Claims**

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods. The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of reported and incurred losses, based on the observed development of earlier years and expected loss ratios.

Historical claims development is mainly analysed by accident years and business lines. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial

## 2. Summary of Material Accounting Policies (continued)

### e) Accounting policies & disclosures (continued)

decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

#### • **Acquisition Cash Flows**

A proportion of commissions' payable is deferred and amortised over the period in which the related premium is earned. Acquisition cash flows represent the proportion of commission expense in the periods up to the reporting date, which relates to the unexpired terms of policies in force at the end of the reporting period. The Group and Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group. Where such insurance acquisition cash flows are paid (or where a liability has been recognized applying another IFRS standard) before the related group of insurance contracts is recognized, an asset for insurance acquisition cash flows is recognized. When insurance contracts are recognized, the related portion of the asset for insurance acquisition cash flows is derecognized and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group.

#### • **Reinsurance Contracts held**

Contracts entered into by the Group and Company with the medical service providers intending to pass the risk of treatment costs are treated as proportional reinsurance cessions as they guarantee both premiums and claims in equal measure.

The benefits to which the Group and Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

#### • **Property and Equipment**

All categories of property and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment.

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major renovation costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Day-to-day repairs and maintenance expenses are charged to profit or loss in the year in which they are incurred.

Items of property and equipment are depreciated using the straight-line basis to write down the cost of each asset to its residual value over the estimated useful lives as follows:

Leasehold improvements	20.0%
Motor vehicles	25.0%
Equipment and furniture	12.5%
Computer equipment	33.3%

## 2. Summary of Material Accounting Policies (continued)

### e) Accounting policies & disclosures (continued)

Depreciation on an item of property and equipment commences when it is available for use and continues to be depreciated until it is derecognised, even if during that period the item is idle. Depreciation of an item ceases when the item is retired from active use or is being held for disposal.

The assets' residual values, depreciation method and useful lives are reviewed and adjusted if appropriate, at each reporting date. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

#### • **Intangible Assets**

Software license costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Group and Company are recognised as intangible assets. All applications software are amortised over a period of 5 years.

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

Internally generated intangible assets, are not capitalised and expenditure is reflected through profit or loss in the year in which the expenditure is incurred.

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised.

#### • **Intangible Assets**

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no economic future benefits are expected from its use or disposal.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized through profit or loss when the asset is derecognized. An intangible asset is derecognized when it is retired or disposed.

#### • **Financial Instruments**

A financial asset or liability is recognised when the Group and Company becomes party to the contractual provisions of the instrument.

##### **(i) Classification**

The Group and Company classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through OCI or through profit or loss), and those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group and Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

##### **(ii) Recognition and derecognition**

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and Company has transferred substantially all risks and rewards of ownership.

## 2. Summary of Material Accounting Policies (continued)

### e) Accounting policies & disclosures (continued)

- Financial instruments (continued)

#### (iii) Measurement

##### Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depends on:

1. the Group and Company's business model for managing the financial assets; and
2. the cash flow characteristics of the asset.

Based on these factors, the Group and Company classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses are presented as separate line item in profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/ (losses) in the period in which it arises.

**Business model:** The business model reflected how the Group and Company manages the assets in order to generate cash flows i.e. whether the Group and Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group and Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed SPPI:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group and Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest ('SPPI test'). In making this assessment, the Group and Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group and Company reclassifies debt investments when and only when its business model for managing those assets changes. The Group and Company's corporate bonds, cash at bank and in hand and inter-company receivables are classified at amortised cost. Government securities are classified at amortised cost and FVPL.

## 2. Summary of Material Accounting Policies (continued)

- e) Accounting policies & disclosures (continued)
  - Financial instruments (continued)

### • Recognition and Derecognition

Financial assets are recognised when the Group and Company becomes a party to the contractual provisions of the asset. Initial recognition of financial asset is at fair value plus, for all financial assets except those carried at fair value through profit or loss and transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group and Company has transferred substantially all risks and rewards of ownership.

Equity investments are carried at fair value. Gains and losses arising from changes in the fair value of equity investments are recognised through the statement of profit or loss. When equity investments are derecognised, the cumulative gains or losses previously recognised are also derecognized. Dividends on equity instruments are recognised in the statement of profit or loss when the Group and Company's right to receive payment is established. Fair values of quoted investments in active markets are based on current bid prices. Fair values for unquoted equity securities are estimated using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

### • Impairment

The Group and Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVPL. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The expected credit loss impairment model applies to the following financial instruments that are not measured at FVPL:

- Government securities measured at amortised cost;
- Other receivables;
- Deposits with financial institutions; and
- Bank balances.

The Group and Company will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- Debt instruments that are determined to have low credit risk at the reporting date. The Group and Company will consider a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in government securities; and
- Other financial instruments (other than trade and lease receivables) for which credit risk has not increased significantly since initial recognition.

### • Measurement of Expected Credit Losses

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group and Company expects to receive;
- Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

Financial asset	Impairment approach
Other receivables	General approach
Government securities at amortised cost	General approach
Deposits with financial institutions	General approach
Bank balances	General approach

## 2. Summary of Material Accounting Policies (continued)

### e) Accounting policies & disclosures (continued)

- Financial instruments (continued)
- Impairment (continued)

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. Key events used in assessing the credit impairment include internal ratings, external ratings and operating results of the borrowers.

The Group and Company considers that there has been a significant increase in credit risk when any contractual are more than 30 days past due. In addition, the Group and Company also considers a variety of instances that unlikelihood to pay by assessing whether there has been a significant increase in credit risk.

In cases when an instrument identified as defaulted, it is the Group and Company's policy to consider a financial instrument as 'cured' and, therefore, re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

## Expected Credit Losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

$$\text{ECL} = \text{PD} \times \text{LGD} \times \text{EAD}$$

In applying the IFRS 9 impairment requirements, the Group and Company follows one of the approaches below:

- The general approach
- The simplified approach

## The General Approach

Under the general approach, at each reporting date, the Group and Company determines whether the financial asset is in one of three stages in order to determine both the amount of ECL to recognise as well as how interest income should be recognised.

- **Stage 1** - where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Group and Company will recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.
- **Stage 2** - where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, the Group and Company will recognise lifetime ECL but interest income will continue to be recognised on a gross basis.
- **Stage 3** - where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Group and Company will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

## The Simplified Approach

Under the simplified approach, the Group and Company measures the loss allowance at an amount equal to lifetime expected credit losses.

## 2. Summary of Material Accounting Policies (continued)

### e) Accounting policies & disclosures (continued)

- Financial instruments (continued)
- Impairment (continued)

## Definition of default

The Group and Company will consider a financial asset to be in default when:

- The counterparty or borrower is unlikely to pay their credit obligations to the Group and Company in full, without recourse by the Group and Company to actions such as realising security (if any is held); or
- The counterparty or borrower is more than 90 days past due on any material credit obligation to the Group and Company. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Group and Company.
- The Group and Company considers an instrument to be in default when internal or external information indicates that the Group and Company is unlikely to receive the outstanding contractual amounts in full. There were no such instances in 2023 or 2024.

In assessing whether the counterparty or borrower is in default, the Group and Company considers indicators that are:

- Qualitative: e.g. Breach of covenant and other indicators of financial distress;
- Quantitative: e.g. Overdue status and non-payment of another obligation of the same issuer to the Group and Company; and

Based on data developed internally and obtained from external sources.

## Significant Increase In Credit Risk (SIICR)

The Group and Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses. The Group and Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements

## Incorporation of Forward-Looking Information

The Group and Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and forecast scenarios based on consideration of a variety of external actual and forecast information. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group and Company operates.

## 2. Summary of Material Accounting Policies (continued)

### e) Accounting policies & disclosures (continued)

- Financial instruments (continued)
- Impairment (continued)

The base case represents a best estimate and is aligned with information used by the Group and Company for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

## Significant Increase in Credit Risk (SIICR)

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group and Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group and Company's historical experience, expert credit assessment and forward-looking information.

## Measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of Default (PD)
- Loss given default (LGD) and
- Exposure at default (EAD)

To determine lifetime and 12-month PDs, the Group and Company uses internally developed PD tables based on the default history of obligors with the same credit rating.

LGD is the magnitude of the likely loss if there is a default. The Group and Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group and Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group and Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group and Company considers a longer period. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include: instrument type; credit risk gradings; collateral type; date of initial recognition; remaining term to maturity; industry; and geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a group remain appropriately homogeneous. When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Group and Company uses to derive the default rates of its portfolios. This includes the PDs provided by rating agencies.

## 2. Summary of Material Accounting Policies (continued)

### e) Accounting policies & disclosures (continued)

- Financial instruments (continued)
- Impairment (continued)

The gross carrying amount of financial assets (measured at amortised cost (AC) and fair value through profit or loss (FVPL) and reinsurance contract assets with exposure to credit risk at 31 December 2024 was as follows:

GROUP	Classification and measurement	Gross carrying	Expected credit losses	Net amounts
			Category	
<b>At 31 December 2024</b>				
Due from Related parties	AC	46,000	(555)	45,445
Other receivables	AC	55,383	(1,615)	53,768
Government securities	AC and FVPL	3,622,509	(182)	3,622,327
Deposits with financial institutions	AC	1,614,268	(7,919)	1,606,349
Cash and bank balances	AC	847,036	(774)	846,262
Reinsurance contract asset held		<u>1,371,047</u>	<u>-</u>	<u>1,371,047</u>
<b>Exposure to credit risk</b>		<u>7,556,243</u>	<u>(11,045)</u>	<u>7,545,198</u>
<b>COMPANY</b>				
<b>Basis for measurement of loss allowance</b>				
<b>At 31 December 2024</b>				
Due from Related parties	AC	55,502	(555)	54,947
Other receivables	AC	50,990	(1,615)	49,375
Government securities	AC and FVPL	3,345,921	(109)	3,345,812
Deposits with financial institutions	AC	1,320,631	(8,162)	1,312,469
Cash and bank balances	AC	683,856	(774)	683,082
Reinsurance contract asset held		<u>703,316</u>	<u>-</u>	<u>703,316</u>
Exposure to credit risk		<u>6,160,216</u>	<u>(11,215)</u>	<u>6,149,001</u>
<b>At 31 December 2023</b>				
Due from Related parties	AC	73,911	(875)	73,035
Other receivables	AC	29,397	(1,105)	28,292
Government securities	AC and FVPL	2,853,329	(93)	2,853,236
Deposits with financial institutions	AC	1,200,702	(7,808)	1,192,894
Cash and bank balances	AC	620,837	(949)	619,888
Reinsurance contract asset held		<u>780,228</u>	<u>-</u>	<u>780,228</u>
Exposure to credit risk		<u>5,558,404</u>	<u>(10,830)</u>	<u>5,547,573</u>

## 2. Summary of Material Accounting Policies (continued)

### e) Accounting policies & disclosures (continued)

- **Financial instruments (continued)**

- **Modification**

The Group and Company rarely renegotiates or otherwise modifies the contractual cash flows of securities. When this happens, the Group and Company assesses whether or not the new terms are substantially different to the original terms. The Group and Company does this by considering, among others, the following factors:

- If the counterparty is in financial difficulty
- Whether any substantial new terms are introduced that affect the risk profile of the instrument
- Significant extension of the contract term when the borrower is not in financial difficulty
- Significant change in interest rate
- Change in the currency the security is denominated in
- Inclusion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan

If the terms are substantially different, the Group and Company derecognises the original financial asset and recognised a 'new' asset at fair value and recalculates a new EIR for the asset. The date of renegotiation is consequently considered the date of initial recognition for impairment calculation purposes, including the purpose of determining whether a SICR has occurred.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

- **Write Off Policy**

The Group and Company writes off financial assets, in whole or in part when it has exhausted all practical recovery effort and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

(i) Ceasing enforcement activity; and

(ii) The Group and Company is foreclosing on collateral and the value of the collateral is such as there is no reasonable expectation of recovering in full.

The Group and Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2024 was Nil (2024: Nil). The Group and Company still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

- **Financial Liabilities**

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

- **Provisions**

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

## 2. Summary of Material Accounting Policies (continued)

### e) Accounting policies & disclosures (continued)

Where the Group and Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented through profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### • Income Taxes

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised through profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognized in other comprehensive income, or to items recognized directly in equity, in which case it is also recognised directly in equity.

### **Current Income Tax**

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

### **Deferred Income Tax**

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit nor loss. In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the reporting date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognized outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **Sales Taxes and Premium Taxes**

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

- when the sales or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales or premium tax included.

## 2. Summary of Material Accounting Policies (continued)

### e) Accounting policies & disclosures (continued)

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

- **Foreign Currency Translation**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the Functional Currency'). The financial statements are presented in thousands of Kenya Shillings (Shs'000) which is the Group and Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at their respective functional currency spot rate prevailing at the date of the transaction. Transactions in foreign currencies during the year are converted into the functional currency, Kenya Shillings at rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss in the year in which they arise.

The Group's consolidated financial statements are presented in Kenya Shillings, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

- **Accounting for Leases**

Leases under which the Group and Company is the lessee;

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Group and Company recognises a right-of-use asset and a lease liability. The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Group and Company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Group and Company's incremental borrowing rate is used.

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

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

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

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

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

## 2. Summary of Material Accounting Policies (continued)

### e) Accounting policies & disclosures (continued)

#### • Employee Entitlements

##### i) Retirement benefit obligations

The Group and Company operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Group and Company and employees. The Group and Company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions to this scheme are determined by local statute. The Group and Company's contributions to the defined contribution scheme and NSSF are charged to profit or loss as they fall due.

##### ii) Bonus

Staff are entitled to a bonus which is based on pre-set performance parameters on an annual basis. The full cost of the bonus is expensed in the year in which it is earned and the amount can be measured reliably.

##### iii) Leave accrual

The estimated monetary liability for employees' accrued annual leave entitlement at the end of the reporting period is recognized as an expense accrual.

#### • Cash and Cash Equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and government securities and deposits with financial institutions with original maturities of 90 days or less.

#### • Going Concern

The Group profit after tax for the year of Shs 404 million, Company profit after tax Shs 383 million (2023: profit Shs 49 million) during the year ended 31 December 2024. As of that date, the Group's working capital surplus for the year of Shs 2.1 billion; Company's surplus for the year Shs 2.2 billion (2023: Shs 1.44 billion). As at year end the Group had a positive equity of Shs 2.18 billion while Company had a positive equity of Shs 2.21 billion (2023: Company positive equity Shs 1.51 billion).

The Group performance was attributed to successful implementation of its transformation strategy and implementation of Group's digitization strategy. The performance was also attributed to a significant growth in average interest rates to 15% bolstering growth in investment income. The Group and Company strategy is now focused on expanding classes of business to Non-medical classes of business with major focus on doing profitable business. The Group is implementing a new turnaround and transformation strategy which is anchored on a strong purpose and vision of safeguarding every household's health and wealth within the Group's target markets. This is expected to create sustained impact-driven, top and bottom line growth in the coming years.

The directors remain confident that the Group and Company will remain a going concern over the next 12 months. In making this assessment, the directors have considered in detail all pertinent facts as outlined below:

- AAR Health Services Uganda Limited's risk retention rate under Quota share treaty is at 30%, while the parent injected more investments in the subsidiary that has seen growth of its CAR to 334% from 263% in 2023
- Digital transformation through partnership with Mtiba in claims management to benefit from a modern technology platform has reduced loss ratio and operating expenses. This will create convenient customer solutions that take advantage of advanced digital capabilities such as self-service, robotics and artificial intelligence.
- Partnership with Cigna Healthcare, one of the world's largest internal private medical insurance companies, to offer international medical insurance products.
- Focus on profitable segments such as private corporate business, small and medium enterprises, retail business, general insurance and introduction of new offerings in the market to drive growth.
- Repricing of premiums for customers who had a higher claims loss ratio.

### 3. Significant Accounting Estimates and Judgements

The Group and Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The estimates and underlying assumptions are regularly reviewed and revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key areas of estimates and judgements in applying the Group and Company's accounting policies are dealt with below:

#### **The ultimate liability arising from claims made under insurance contract liabilities**

The ultimate liability arising from claims made under insurance contracts is the Group and Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group and Company will ultimately pay for such claims. Management carries out a regular review of the status of outstanding claims and makes estimates of the required provisions based on historical experience and other factors that are considered to be relevant.

#### **Liability of incurred claims**

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter–Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

#### **Incurred but not reported claims**

The development of historical claims patterns provides a measure of the Group and Company's ability to estimate the ultimate value of claims. Estimates are made for claims incurred but not reported (IBNR) as at the year-end. The estimation is guided by the IIA guidelines on valuation of technical liabilities issued in May 2014 and is reviewed by the appointed actuaries who express an opinion on the adequacy of outstanding claim reserves. The Group and Company uses a combination of the chain-ladder techniques and the average cost per claim method to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each incident year that is not fully developed to produce an estimated ultimate claims cost for each year.

Average cost per claim method uses the development triangles for both the total claim amounts and number of unique claims estimates. The average claim amounts are then derived by dividing the total claim amounts by the number of unique claims.

### Risk Adjustment Margin

The Risk Adjustment Margin (RAM) is the compensation that an entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises for non-financial risk as the entity fulfils insurance contracts.

To calculate the risk margin, two approaches were adopted. These methods include:

- a. Bootstrapping method at 75% confidence level. This involved simulating claims reserves by sampling from past outcomes of development factors. This resulted in the production of a full distribution of claims from which the mean and the 75th percentile reserves were estimated.
- b. Cost of Capital Approach. The Cost of Capital Approach was used to obtain the Risk Margin results for Engineering, Fire Domestic, Fire Industrial, Liability, Marine & GIT, Miscellaneous, Personal Accident, Theft, and Workmen's Compensation Classes of business. The rates used from this approach were derived from the Risk Based Capital Model provided by the Insurance Regulatory Authority (IRA). The RBC model provides the risk charges for each line of business under Capital Form 2. It also provides for an additional Catastrophe Risk Charge of 2%.

### Deferred Tax Assets and Liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group and Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authority. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilized. Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the reporting date and expected to apply when the related deferred income tax asset is realized or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

## 4. Insurance Revenue

The Group and Company is licensed to design and distribute general insurance products as stipulated in the Insurance Act. In addition to medical insurance, the Group and Company is underwriting other short-term insurance business as defined by the Insurance Act.

All contracts were measured under PAA. Insurance revenue can be analyzed between the two main classes as follows:

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
<b>New Business:</b>			
Medical insurance	3,941,688	3,704,623	4,455,849
General insurance	<u>77,919</u>	<u>77,919</u>	<u>106,565</u>
	<b><u>4,019,607</u></b>	<b><u>3,782,542</u></b>	<b><u>4,562,414</u></b>
<b>Renewal:</b>			
Medical insurance	8,501,314	7,070,745	4,897,190
General insurance	<u>103,852</u>	<u>103,852</u>	<u>98,729</u>
Total gross written premium	<b><u>8,605,166</u></b>	<b><u>7,174,597</u></b>	<b><u>4,995,919</u></b>
Amounts relating to changes in the LRC	(326,898)	(260,869)	(902,770)
<b>Total Insurance Revenue</b>	<b><u>12,297,875</u></b>	<b><u>10,696,270</u></b>	<b><u>8,655,563</u></b>

## 5. Insurance Service Expense

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
Gross benefits and claims incurred			
	8,907,369	7,821,584	6,107,171
Changes in liability for incurred claims	375,991	298,243	105,935
Commissions payable	1,270,072	1,093,998	882,414
Overheads directly attributable to fulfilling insurance contract *(Note 10(a))	<u>911,183</u>	<u>770,065</u>	<u>888,731</u>
	<b><u>11,464,615</u></b>	<b><u>9,983,890</u></b>	<b><u>7,984,251</u></b>

## 6. Net Expenses from Reinsurance Contracts Held

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
Reinsurance expenses	(4,134,015)	(3,038,728)	(2,119,194)
Claims recoveries	3,401,935	2,481,381	1,353,619
Reinsurance commissions earned	624,569	432,897	383,317
Reinsurance risk adjustment movement	(1,108)	(1,108)	(321)
	<u>(108,619)</u>	<u>(125,558)</u>	<u>(382,579)</u>

Section 29(1) of the Insurance Act requires all registered underwriters to have in place appropriate reinsurance arrangements being arrangements approved by the Commissioner of Insurance in respect of insurance business underwritten in the course of the business.

## 7. Investment income calculated using the effective interest method

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
Interest from government securities calculated using the effective interest method	421,595	378,327	345,400
Fair value gain /(loss) on government securities through profit and loss	143,063	143,063	(40,861)
Interest from deposits calculated using the effective interest method	<u>138,737</u>	<u>125,982</u>	<u>135,081</u>
	<u>703,395</u>	<u>647,372</u>	<u>439,620</u>

## 8. Other income

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
Gain on disposal of property and equipment	753	562	85
Other Income	12,092	3,163	-
Others: discounts from suppliers.	<u>4,478</u>	<u>4,478</u>	<u>3,528</u>
	<u>17,323</u>	<u>8,203</u>	<u>3,613</u>

## 9. ECL movement on financial instruments

	2024	2024	2023
	Shs'000	Shs'000	Shs'000
Premium Receivables	665	665	(17,890)
Related Parties	320	320	(22)
Other receivables	(510)	(510)	143
Government securities	(89)	(16)	(6)
Deposits with financial institutions	(1,227)	(353)	(3,039)
Bank balances	<u>175</u>	<u>175</u>	<u>(733)</u>
	<u>(666)</u>	<u>281</u>	<u>(21,547)</u>

## 10. (a) Overheads directly attributable to fulfilling insurance contract

	GROUP		COMPANY	
	2024		2024	2023
	Shs'000	Shs'000	Shs'000	Shs'000
Premium Levies	127,019	136,964	119,461	
Information Communication Technology	104,747	98,165	106,182	
Depreciation-Right-of-use asset	40,660	38,172	38,784	
Staff costs directly attributable to fulfilling insurance contracts (Note 10(c ))	403,937	323,826	470,050	
Sales Loyalty Program	24,054	24,054	36,835	
Other Selling Expenses	93,516	81,072	55,053	
Advertising	71,291	60,198	44,977	
Promotional items	7,954	7,615	6,956	
Overrides costs	<u>—</u>	<u>—</u>	<u>10,434</u>	
Other Expenses	<u>38,005</u>	<u>—</u>	<u>—</u>	
	<u>911,183</u>	<u>770,065</u>	<u>888,731</u>	

## 10. (b) Other operating expenses

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
Staff costs (Note 10(c ))		281,891	264,403
Auditors' remuneration		16,488	8,711
Directors' fees (Note 18 (ii))		13,377	13,451
Legal expenses and professional fees		103,860	40,016
Depreciation of property and equipment (Note 22)		20,860	16,611
Amortisation of intangible assets (Note 23)		13,383	12,928
Consultancy fees		76,199	50,505
Subscriptions		11,147	6,340
Electricity and water		3,116	1,256
Cleaning and laundry		4,941	4,227
General office expenses		18,672	5,717
Licenses and insurance		4,041	4,240
Travel and accommodation costs		41,289	36,616
Printing and stationery costs		8,226	5,997
Telephone and postage costs		110,881	79,940
Bank charges		15,862	11,565
Repairs and maintenance		8,394	11,389
ESG expenses		10,490	-
Other expenses		<u>67,274</u>	<u>39,649</u>
		<u>830,391</u>	<u>689,274</u>
			<u>613,561</u>

Other expenses include parking fees, entertainment, repair and motor vehicle expenses.

## 10. (c) Staff Costs

### GROUP

	2024	
	Shs'000	
	Directly attributable	Other Operating Expenses
Salaries and other short term benefits	371,138	255,491
Retirement benefit costs:		
- Defined contribution pension costs	21,539	16,017
- National Social Security Fund	<u>11,260</u>	<u>10,383</u>
	<u>403,937</u>	<u>281,891</u>
Number of staff as at 31 December	<u>209</u>	

### COMPANY

	2024		2023	
	Shs'000		Shs'000	
	Directly attributable	Other Operating Expenses	Directly attributable	Other Operating Expenses
Salaries and other short term benefits	306,849	191,202	452,528	254,547
Retirement benefit costs:				
- Defined contribution pension costs	14,651	9,129	16,052	9,029
- National Social Security Fund	<u>2,326</u>	<u>1,449</u>	<u>1,470</u>	<u>827</u>
	<u>323,826</u>	<u>201,780</u>	<u>470,050</u>	<u>264,403</u>
Number of staff as at 31 December	142		199	

AAR Insurance Kenya Limited's staff costs are distributed based on the expense allocation model where 61.6% of the total staff costs are directly attributable to acquiring and maintaining Insurance contracts while 38.4% of these costs are indirectly attributable. Included in the staff costs is a Shs 58 million staff bonus accrual based on company's bonus structure.

## 11. Other Finance Costs

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
Interest expense on lease liability expense (note 27)		15,065	14,760
Exchange Losses		<u>4,572</u>	<u>2,789</u>
		<u>19,637</u>	<u>17,549</u>
			<u>19,909</u>

## 12. Income Tax

### a) Income Tax Expense

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
a) Income tax expense			
Current income tax charge		114,911	110,735
Deferred income tax charge (Note 19)		75,738	41,651
Under provision prior year deferred income tax charge		<u>—</u>	<u>—</u>
Income tax expense		<u>190,649</u>	<u>152,386</u>
			<u>28,099</u>

The Group and Company's current tax expense is computed in accordance with income tax rules applicable to Kenyan and Uganda General insurance companies.

### b) Reconciliation of the Income Tax Expense to the Accounting Profit Before Income Tax

The tax on the Group and Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
Profit before income tax		<u>594,665</u>	<u>535,855</u>
Tax calculated at the statutory tax rate of 30% (2023: 30%)		178,400	160,757
Tax effect of expenses not deductible for tax purposes		12,224	(8,396)
Under provision of prior year deferred income tax charge		<u>25</u>	<u>25</u>
Income tax expense		<u>190,649</u>	<u>152,386</u>
			<u>28,099</u>

## 12) Income Tax (continued)

Tax effect on expenses not deductible for tax purposes includes excess limits permitted on items disallowed for tax purposes.

### c) Corporate Tax (Payables) / Recoverable

	2024 Shs'000	2024 Shs'000	2023 Shs'000
At 1 January	11,388	7,212	18,908
Income tax expense for the year	(114,911)	(110,735)	(23,876)
Tax credits utilised	(29,159)	(29,159)	-
Tax paid during the year	<u>178,697</u>	<u>136,989</u>	<u>12,180</u>
At 31 December	<u>46,015</u>	<u>4,307</u>	<u>7,212</u>

## 13. Cash and Bank Balances

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
Kenya Women Microfinance Bank Limited	4,248	4,248	105,469
Standard Chartered Bank	148,383	-	-
Stanbic Bank Kenya Limited	44,065	44,065	57,565
Co-operative Bank of Kenya Limited	1,211	1,211	8,875
Diamond Trust Bank Kenya Limited	4,463	4,463	1,463
KCB Bank Kenya Limited	4,731	4,731	10,623
Equity Bank Kenya Limited	14,755	11,359	904
Sidian Bank	4,664	4,664	4,513
Citibank	591,813	591,813	424,001
Absa	16,807	16,807	6,256
SMEP	112	112	115
Others	11,786	385	1,054
Provision for expected credit losses	<u>(774)</u>	<u>(774)</u>	<u>(949)</u>
	<u>846,262</u>	<u>683,082</u>	<u>619,888</u>

## 14. Deposits with Financial Institutions

The Group and Company holds deposits with the financial institutions below:

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
Kenya Women Microfinance Bank Limited	351,042	351,042	177,593
Commercial Bank of Africa	108,341	108,341	8,037
Stanbic Bank Kenya Limited	480,686	185,623	465,799
Co-operative Bank of Kenya Limited	644,935	644,935	450,814
ABSA	1,926	1,926	42,083
KCB Bank Kenya Limited	24	24	11,197
Equity Bank Kenya Limited	25,403	25,403	44,004
Diamond Trust Bank Limited	3,337	3,337	1,175
Provision for expected credit losses	(9,345)	(8,162)	(7,808)
	<u>1,606,349</u>	<u>1,312,469</u>	<u>1,192,894</u>

Included in deposits with financial institutions are deposits held in the name of ICEA Lion Asset Managers amounting to Shs 459M (2023: Shs 262M). The deposits mature within 90 days of the acquisition date.

At 31 December 2024, the average effective interest rate was 14.81% (2023: 11.56%).

Movements on the provision for impairment of deposits are as follows:

	2024	2024	2023
	Shs'000	Shs'000	Shs'000
At start of year	(7,808)	(7,808)	(4,770)
Increase in provisions in the year	(1,537)	(354)	(3,038)
At end of year	<u>(9,345)</u>	<u>(8,162)</u>	<u>(7,808)</u>

## 15. Government Securities

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
<b>Government securities include:</b>			
Treasury bonds at fair value	1,114,546	1,114,546	782,518
Treasury bills at amortised cost	651,514	374,926	252,916
Treasury bonds at amortised cost	<u>1,856,449</u>	<u>1,856,449</u>	<u>1,817,895</u>
	3,622,509	3,345,921	2,853,329
Provisions for expected credit losses	(182)	(109)	(93)
	<u>3,622,327</u>	<u>3,345,812</u>	<u>2,853,236</u>

Treasury bonds and bills are debt securities issued by the Government of Kenya and Uganda and are measured at fair value and amortized cost.

The maturity profile for the government securities are as follows:

	2024	2024	2023
	Shs'000	Shs'000	Shs'000
Within one year	843,933	605,258	354,500
Between one year and five years	1,256,474	1,218,561	364,235
After five years	1,522,102	1,522,102	2,134,594
Provisions for expected credit losses	(182)	(109)	(93)
At end of year	<u>3,622,327</u>	<u>3,345,812</u>	<u>2,853,236</u>

The movement in government securities is as follows:

At start of year	3,206,672	2,853,236	2,678,167
Additions	488,775	485,125	865,790
Maturities	(192,806)	(164,772)	(698,142)
Fair value gain / (loss) on government securities	143,063	143,063	(40,861)
Accrued interest	29,269	29,269	48,375
Provisions for expected credit losses	(182)	(109)	(93)
Translation differences	(52,464)	—	—
<b>At end of year</b>	<b><u>3,622,327</u></b>	<b><u>3,345,812</u></b>	<b><u>2,853,236</u></b>

Included in the Company government securities are treasury bonds amounting to Shs 2,970,995,040 (2023: Shs 2,600,413,000) and treasury bills amounting to Shs 374,925,885 (2023: Shs 252,916,000) and statutory deposits placed under Lien of Shs 350,646,293

The average effective interest rate on treasury bonds was 20.19% (2023: 15.15%) per annum while the average effective interest rate on treasury bills was 16.36% (2023: 10.37% per annum).

## 16. Reinsurance Contract Assets Held (Group)

Shs'000	2024					Total	
	Assets for Remaining Coverage		Amounts recoverable on Incurred Claims				
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment			
Reinsurance contract asset as at 01 January	1,316,646	—	117,902	7,014	1,441,562		
<b>Net balance as at 01 January</b>	<b>1,316,646</b>	<b>—</b>	<b>117,902</b>	<b>7,014</b>	<b>1,441,562</b>		
An allocation of reinsurance premiums	4,134,015	—	—	—	4,134,015		
Amounts recoverable from reinsurers for incurred claims	—	—	(4,026,504)	1,108	(4,025,396)		
<b>Net income or expense from reinsurance contracts held</b>	<b>4,134,015</b>	<b>—</b>	<b>(4,026,504)</b>	<b>1,108</b>	<b>108,619</b>		
<b>Total changes in the statement of comprehensive income</b>	<b>4,134,015</b>	<b>—</b>	<b>(4,026,504)</b>	<b>1,108</b>	<b>108,619</b>		
<b>Cash flows</b>							
Premiums paid	3,886,558	—	—	—	3,886,558		
Amount received	—	—	(3,764,210)	—	(3,764,210)		
Total cash flows	3,886,558	—	(3,764,210)	—	122,348		
<b>Net balance as at 31 December</b>	<b>1,069,189</b>	<b>—</b>	<b>380,196</b>	<b>5,906</b>	<b>1,455,291</b>		
Reinsurance contract assets as at 31 December	1,069,189	—	380,196	5,906	1,455,291		
Effects of translation	(58,866)	—	(25,378)	—	(84,244)		
<b>Net balance as at 31 December</b>	<b>1,010,323</b>	<b>—</b>	<b>354,818</b>	<b>5,906</b>	<b>1,371,047</b>		

## 16. Reinsurance Contract Assets Held (Company)

2024

Shs'000	Assets for Remaining Coverage		Amounts recoverable on Incurred Claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment	
Reinsurance contract assets as at 01 January	<u>655,312</u>	—	117,902	7,014	<u>780,228</u>
<b>Net balance as at 01 January</b>	<b>655,312</b>	<b>—</b>	<b>117,902</b>	<b>7,014</b>	<b>780,228</b>
An allocation of reinsurance premiums	3,038,727	—	—	—	3,038,727
Amounts recoverable from reinsurers for incurred claims	—	—	(2,914,277)	1,108	(2,913,169)
—	—	—	—	—	—
<b>Net income or expense from reinsurance contracts held</b>	<b>3,038,727</b>	<b>—</b>	<b>(2,914,277)</b>	<b>1,108</b>	<b>125,558</b>
<b>Total changes in the statement of comprehensive income</b>	<b>3,038,727</b>	<b>—</b>	<b>(2,914,277)</b>	<b>1,108</b>	<b>125,558</b>
<b>Cash flows</b>					
Premiums paid	2,925,618	—	—	—	2,925,618
Amount received	—	—	(2,876,972)	—	(2,876,972)
Total cash flows	<u>2,925,618</u>	—	<u>(2,876,972)</u>	—	<u>48,646</u>
<b>Net balance as at 31 December</b>	<b>542,203</b>	<b>—</b>	<b>155,207</b>	<b>5,906</b>	<b>703,316</b>
Reinsurance contract assets as at 31 December	<u>542,203</u>	—	<u>155,207</u>	<u>5,906</u>	<u>703,316</u>
<b>Net balance as at 31 December</b>	<b>542,203</b>	<b>—</b>	<b>155,207</b>	<b>5,906</b>	<b>703,316</b>

## 16. Reinsurance Contract Assets Held (Company continued)

2023

Shs'000	Assets for Remaining Coverage		Amounts recoverable on Incurred Claims			Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment		
Reinsurance contract assets as at 01 January	<u>458,317</u>	—	119,394	7,335	<u>585,045</u>	
<b>Net balance as at 01 January</b>	<b>458,317</b>	—	<b>119,394</b>	<b>7,335</b>	<b>585,045</b>	
An allocation of reinsurance premiums	2,119,194	—	—	—	2,119,194	
Amounts recoverable from reinsurers for incurred claims	—	—	(1,736,936)	321	(1,736,615)	
<b>Net income or expense from reinsurance contracts held</b>	<b>2,119,194</b>	—	<b>(1,736,936)</b>	<b>321</b>	<b>382,579</b>	
<b>Total changes in the statement of comprehensive income</b>	<b>2,119,194</b>	—	<b>(1,736,936)</b>	<b>321</b>	<b>382,579</b>	
<b>Cash flows</b>						
Premiums paid	2,316,190	—	—	—	2,316,190	
Amount received	—	—	(1,738,428)	—	(1,738,428)	
Total cash flows	<u>2,316,190</u>	—	<u>(1,738,428)</u>	—	<u>577,762</u>	
<b>Net balance as at 31 December</b>	<b>655,313</b>	—	<b>117,902</b>	<b>7,014</b>	<b>780,228</b>	
Reinsurance contract assets as at 31 December	655,313	—	117,902	7,014	780,228	
<b>Net balance as at 31 December</b>	<b>655,313</b>	—	<b>117,902</b>	<b>7,014</b>	<b>780,228</b>	

## 17. Other Receivables

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
Sundry receivables	16,361	12,082	6,180
Receivables from AAR Insurance Tanzania	20,705	20,591	13,621
Pay and invoice receivables	18,317	18,317	9,596
Provisions for expected credit losses	(1,615)	(1,615)	(1,105)
Other receivables – financial assets	53,768	49,375	28,292
Prepayments	<u>352,331</u>	<u>348,671</u>	<u>225,131</u>
	<u>406,099</u>	<u>398,046</u>	<u>253,423</u>

Movements on the provision for expected credit losses of other receivables are as follows:

	2024	2024	2023
	Shs'000	Shs'000	Shs'000
At start of year	(1,105)	(1,105)	(50,319)
Decrease/(increase) in provisions in the year	(510)	(510)	<u>49,214</u>
At end of year	<u>(1,615)</u>	<u>(1,615)</u>	<u>(1,105)</u>

Sundry receivables are cash covers placed with banks and staff receivables.

## 18. Related Parties and Related Parties Transactions

The Company is owned by AAR Insurance Holdings Limited. The ultimate holding company is AAR Holdings Limited, which is incorporated and domiciled in Kenya.

AAR Health Services (U) Limited is a wholly owned subsidiary of AAR Insurance Kenya Limited and was acquired during the year.

Terms and conditions of transactions with related parties:

The transactions are made at normal commercial terms and are settled within 30–90 days.

## 18. Related Parties and Related Parties Transactions (Continued)

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
<b>i) Amounts due from related parties</b>			
AAR Health Services (U) Limited	-	7,877	23,036
AAR Holdings Limited	11,507	12,892	9,266
AAR Insurance Holdings Limited	34,493	34,733	41,608
Provision for expected credit losses	(555)	(555)	(875)
Total amounts due from related parties	<u>45,445</u>	<u>54,947</u>	<u>73,035</u>
<b>ii) Directors' remuneration</b>			
Directors' fees	13,377	11,918	13,451
Director's remuneration	<u>24,072</u>	<u>24,072</u>	<u>29,212</u>
	<u>37,449</u>	<u>35,990</u>	<u>42,663</u>
<b>iii) Key management compensation</b>			
Salaries and benefits:			
Salaries and other short term benefits	124,105	75,563	70,546
Defined contribution pension costs	<u>7,473</u>	<u>7,473</u>	<u>4,436</u>
	<u>131,577</u>	<u>83,036</u>	<u>74,982</u>

The Group and Company's maintains a remuneration policy that ensures fairness and transparency in Board of director's compensation. The Group and Company compensates its directors on a monthly fixed fee basis.

## 19. Deferred Income Tax

Deferred income tax is calculated, in full, on all temporary differences under the liability method using the enacted tax rate of 30% (2023: 30%). The movement on the deferred income tax account is as follows:

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
At 1 January		99,476	42,105
Charge to profit or loss (Note 12 (a))		(75,738)	(41,651)
Prior year under provision of deferred income tax charge		-	881
Translation differences	251	-	-
At 31 December	<u>23,989</u>	<u>454</u>	<u>42,105</u>
The deferred tax asset is attributable to the following items:			
Accelerated capital allowances	9,003	9,003	9,555
Other temporary differences	5,691	(17,844)	23,342
Leases	<u>9,295</u>	<u>9,295</u>	9,208
	<u>23,989</u>	<u>454</u>	<u>42,105</u>
The deferred tax charged or credited to profit or loss relate to the following			
Accelerated capital allowances	553	553	(7,401)
Other temporary differences	75,272	41,185	13,364
Leases	<u>(87)</u>	<u>(87)</u>	<u>(1,740)</u>
	<u>75,738</u>	<u>41,651</u>	<u>4,223</u>

The other temporary differences relate to tax charge on expected credit losses charged to debt instruments as per note 2(e)(xix), unrealized revaluation gains on government bonds and tax losses carried forward by the subsidiary.

## 20. Investment in Subsidiaries

Proportion of ownership interest and voting power held at

	2024	2024	2023
	Shs'000	Shs'000	
<b>Investment at cost:</b>			
AAR Health Services Uganda Limited			
19,074 ordinary shares of Shs 5 each	100%	<u>442,627</u>	_____ -
		<b><u>442,627</u></b>	_____ -

AAR Insurance Kenya Limited obtained control over AAR Health Services Uganda through a transfer of ownership from its parent AAR Insurance Holdings Limited by acquiring 100% ownership of AAR Health Services Uganda at a value of Shs 317M. In December 2024, AAR Insurance Kenya did a further capital injection of Shs 125M to the Uganda subsidiary.

<b>Acquisition of AAR Health Services Uganda Limited</b>	2024
	Shs'000
Transfer of Uganda subsidiary through share swap (Note 24)	317,627
Capital injection	<u>125,000</u>
	<b><u>442,627</u></b>

## 21. Right-of-Use Asset

	2024 Shs'000	2024 Shs'000	2023 Shs'000
<b>Cost</b>			
At 1 January	370,747	353,826	340,705
Additions	19,908	19,908	13,121
Translation difference	<u>(2,512)</u>	—	—
At 31 December	<u>388,143</u>	<u>373,734</u>	<u>353,826</u>
<b>Depreciation</b>			
At 1 January	234,441	234,441	195,657
Charge for the year	43,149	38,172	38,784
Translation difference	<u>(37)</u>	—	—
At 31 December	<u>277,553</u>	<u>272,613</u>	<u>234,441</u>
<b>Net book value</b>			
At 31 December	<u>110,590</u>	<u>101,121</u>	<u>119,385</u>

The right of use asset only comprises of buildings.

## 22. Property and Equipment

Group	Leasehold improvements	Computer equipment	Furniture and equipment	Motor vehicles	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Year ended 31 December 2024</b>						
<b>Cost</b>						
At 1 January 2024	42,682	119,112	132,579	5,470	-	299,842
Additions	685	13,738	5,308	-	9,348	29,079
Disposals	-	(11,888)	(99)	-	-	(12,887)
Translation difference	—	(3,161)	(8,098)	—	—	(11,258)
At 31 December 2024	<u>43,367</u>	<u>117,801</u>	<u>128,790</u>	<u>5,470</u>	<u>9,348</u>	<u>304,776</u>
<b>Depreciation</b>						
At 1 January 2024	38,004	106,392	95,937	4,242	-	244,575
Charge for the year	1,254	10,183	8,283	1,140	-	20,860
Disposals	-	(11,888)	(998)	-	-	(12,886)
Translation difference	—	(2,913)	(5,761)	—	—	(8,674)
At 31 December 2024	<u>39,258</u>	<u>101,774</u>	<u>97,461</u>	<u>5,382</u>	<u>—</u>	<u>243,875</u>
<b>Net book value</b>						
At 31 December 2024	<u>4,109</u>	<u>16,027</u>	<u>31,329</u>	<u>88</u>	<u>9,348</u>	<u>60,901</u>

Company	Leasehold improvements Shs'000	Computer equipment Shs'000	Furniture and equipment Shs'000	Work in progress Shs'000	Total Shs'000
<b>Year ended 31 December 2024</b>					
<b>Cost</b>					
At 1 January 2024	42,682	97,814	78,032	-	223,998
Additions	685	10,051	1,659	9,348	21,743
Disposals	—	(11,888)	(755)	—	(12,643)
At 31 December 2024	<u>43,367</u>	<u>95,977</u>	<u>78,936</u>	<u>9,348</u>	<u>233,098</u>
<b>Depreciation</b>					
At 1 January 2024	38,004	86,873	56,735	-	185,854
Charge for the year	1,254	8,282	5,601	-	16,277
Disposals	—	(11,888)	(755)	—	(12,643)
At 31 December 2024	<u>39,258</u>	<u>83,267</u>	<u>61,581</u>	<u>—</u>	<u>189,488</u>
<b>Net book value</b>					
At 31 December 2024	<u>4,109</u>	<u>12,710</u>	<u>17,355</u>	<u>9,348</u>	<u>43,610</u>
<b>Year ended 31 December 2023</b>					
<b>Cost</b>					
At 1 January 2023	38,116	90,833	73,562	-	207,981
Additions	4,566	10,899	6,165	-	21,630
Disposals	—	(3,918)	(1,695)	—	(5,613)
At 31 December 2023	<u>42,682</u>	<u>97,814</u>	<u>78,032</u>	<u>—</u>	<u>223,998</u>
<b>Depreciation</b>					
At 1 January 2023	36,083	84,379	51,519	-	174,856
Charge for the year	1,921	6,412	6,911	-	16,611
Disposals	—	(3,918)	(1,695)	—	(5,613)
At 31 December 2023	<u>38,004</u>	<u>86,873</u>	<u>56,735</u>	<u>—</u>	<u>185,854</u>
<b>Net book value</b>					
At 31 December 2023	<u>4,678</u>	<u>10,941</u>	<u>21,297</u>	<u>—</u>	<u>38,144</u>

## Intangible Assets

	GROUP		COMPANY		
	Computer	Work in progress	2024 Shs'000	2024 Shs'000	2023 Shs'000
		Shs'000		Shs'000	Shs'000
<b>Cost</b>					
At 1 January	157,098	12,677	169,775	127,086	125,474
Additions	2,910	-	2,910	2,149	1,612
Transfer from WIP	12,677	(12,677)	-	-	-
Translation reserve	(4,455)	-	(4,455)	-	-
At 31 December	<u>168,230</u>	<u>-</u>	<u>168,230</u>	<u>129,235</u>	<u>127,086</u>
<b>Amortisation</b>					
At 1 January	135,965	-	135,965	107,835	94,907
Charge for the year	13,383	-	13,383	9,669	12,928
Translation reserve	(4,203)	-	(4,203)	-	-
At 31 December	<u>145,145</u>	<u>-</u>	<u>145,145</u>	<u>117,504</u>	<u>107,835</u>
<b>Net book value</b>					
At 31 December	<u>23,085</u>	<u>-</u>	<u>23,085</u>	<u>11,731</u>	<u>19,251</u>

## 23. Share Capital and Premium

	Number of shares	Share capital Shs'000
<b>At 31 December 2024</b>		
Balance at 1 January 2024	140,000,000	700,000
Transfer of Uganda subsidiary through share swap (Note 20)	<u>63,525,314</u>	<u>317,627</u>
Balance at 31 December 2024	<u>203,525,314</u>	<u>1,017,627</u>
<b>At 31 December 2023</b>		
Balance at 1 January and 31 December 2023	<u>140,000,000</u>	<u>700,000</u>

The total authorised number of ordinary shares is 203,525,314 (2023: 140,000,000) with a par value of Shs 5 per share. All issued shares are fully paid.

## 23. Share Capital and Premium (Continued)

Movement in share premium is as follows:

	2024 Shs'000	2023 Shs'000
At 1 January and 31 December	<u>460,523</u>	<u>460,523</u>

This is a non-distributable reserve as per the requirements of the Kenya Companies Act, 2015. The share premium is the excess of the cash received for ordinary shares above the par value of Shs 5.

## 24. Dividend

The Company is committed to providing a sustainable and predictable return to its shareholders through regular dividend payment while maintaining sufficient capital to support its business operations and growth strategies. The financial year ended 31 December 2024 the Board of Directors proposed a dividend of Shs. 0.34 per share, totaling Shs 70,000,000 subject to approval by shareholders and the Regulator (Insurance Regulatory Authority).

## 25. Other Payables

	GROUP		COMPANY	
	2024		2024	
	Shs'000	Shs'000	Shs'000	Shs'000
Accruals		342,883	293,221	373,786
Commissions payable		<u>197,658</u>	<u>182,836</u>	<u>136,792</u>
Other payables - financial liabilities		540,541	476,057	510,578
Payables to service providers		258,583	101,710	364,721
Premium advance receipts		126,699	126,699	222,074
Statutory Payments		63,689	63,689	17,018
Sundry payables		<u>25,627</u>	<u>1,887</u>	<u>3,680</u>
Other payables - non financial liabilities		<u>474,598</u>	<u>293,985</u>	<u>607,493</u>
		<u>1,015,139</u>	<u>770,042</u>	<u>1,118,071</u>

Included in Sundry payables are Sacco payment deductions, stale cheques and staff savings deductions. The carrying value of the above payables approximates their fair value. The transactions are made at normal commercial terms and are settled within 30–90 days.

## 26. Amounts payable under fund administration contracts

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
At 31 December		<u>43,921</u>	<u>42,066</u>

These amounts relate to funds the Group and Company holds for clients who opt not to purchase an insurance products but to place funds with the Group and Company, from which their hospital bills are settled. The Group and Company charges administration fees for this arrangement.

## 27. Insurance Contract Liabilities -Roll forward (Group)

Shs'000	2024					Assets for insurance acquisition	
	Liability for Remaining Coverage		Liability for Incurred Claims				
	Excluding loss comp.	Loss comp.	Present value of future cash flows	Risk adj. for non-fin. Risk	Cash flows		
Opening insurance contract liabilities	2,895,928	-	1,065,261	55,792	-	4,016,981	
Opening insurance contract assets	-	-	-	-	-	-	
<b>Net balance as at 1 January</b>	<b>2,895,928</b>	-	<b>1,065,261</b>	<b>55,792</b>	-	<b>4,016,981</b>	
Insurance revenue	12,297,875					12,297,875	
<b>Insurance service expenses</b>							
Incurred claims and other directly attributable expenses	-	-	(9,818,553)	-	-	(9,818,553)	
Changes that relate to past service - adjustments to the LIC	-	-	(385,785)	9,793	-	(375,992)	
Insurance acquisition cashflows amortization	(1,270,072)	-	-	-	-	(1,270,072)	
Insurance service expenses	(1,270,072)	-	(10,204,336)	9,793	-	(11,464,615)	
<b>Insurance service result</b>	<b>11,027,803</b>	-	<b>(10,204,336)</b>	<b>9,793</b>	-	<b>833,260</b>	
Finance expenses from insurance contracts issued	-	-	-	-	-	-	
<b>Total amounts recognised in comprehensive income</b>	<b>11,027,803</b>	-	<b>(10,204,336)</b>	<b>9,793</b>	-	<b>833,260</b>	
<b>Cash flows</b>							
Premiums received	12,824,098	-	-	-	-	12,824,098	
Claims and other directly attributable expenses paid	-	-	(9,603,385)	-	-	(9,603,385)	
Insurance acquisition cashflows	(1,476,552)	-	-	-	-	(1,476,552)	
Total cash flows	11,347,546	-	(9,603,385)	-	-	1,744,161	
<b>Net balance as at 31 December</b>	<b>3,215,671</b>	-	<b>1,666,212</b>	<b>45,999</b>	-	<b>4,927,882</b>	
Closing insurance contract liabilities	3,215,671	-	1,666,212	45,999	-	4,927,882	
Effects of translation	(96,917)	-	(47,804)	4,467	-	(140,254)	
<b>Net balance as at 31 December</b>	<b>3,118,754</b>	-	<b>1,618,408</b>	<b>50,466</b>	-	<b>4,787,628</b>	

## 28. Insurance Contract Liabilities -Roll forward (continued)- Company

Shs'000	Liability for Remaining Coverage		Liability for Incurred Claims		Assets for insurance acquisition	Total
	Excluding loss comp.	Loss comp.	Present value of future cash flows	Risk adj. for non-fin. Risk		
Opening insurance contract liabilities	2,304,559	-	829,387	47,429	-	3,181,375
Opening insurance contract assets	-	-	-	-	-	-
<b>Net balance as at 1 January</b>	<b>2,304,559</b>	-	<b>829,387</b>	<b>47,429</b>	-	<b>3,181,375</b>
Insurance revenue	10,696,270	-	-	-	-	10,696,270
<b>Insurance service expenses</b>						
Incurred claims and other directly attributable expenses	-	-	(8,591,649)	-	-	(8,591,649)
Changes that relate to past service - adjustments to the LIC	-	-	(305,172)	6,929	-	(298,243)
Insurance acquisition cashflows amortization	(1,093,998)	-	-	-	-	(1,093,998)
Insurance service expenses	(1,093,998)	-	(8,896,821)	6,929	-	(9,983,890)
<b>Insurance service result</b>	<b>9,602,272</b>	-	<b>(8,896,821)</b>	<b>6,929</b>	-	<b>712,380</b>
Finance expenses from insurance contracts issued	-	-	-	-	-	-
<b>Total amounts recognised in comprehensive income</b>	<b>9,602,272</b>	-	<b>(8,896,821)</b>	<b>6,929</b>	-	<b>712,380</b>
<b>Cash flows</b>						
Premiums received	10,982,600	-	-	-	-	10,982,600
Claims and other directly attributable expenses paid	-	-	(8,382,994)	-	-	(8,382,994)
Insurance acquisition cashflows	(1,121,452)	-	-	-	-	(1,121,452)
Total cash flows	9,861,147	-	(8,382,994)	-	-	1,478,153
<b>Net balance as at 31 December</b>	<b>2,563,434</b>	-	<b>1,343,214</b>	<b>40,500</b>	-	<b>3,947,148</b>
Closing insurance contract liabilities	2,563,434	-	1,343,214	40,500	-	3,947,148
<b>Net balance as at 31 December</b>	<b>2,563,434</b>	-	<b>1,343,214</b>	<b>40,500</b>	-	<b>3,947,148</b>

## 28. Insurance Contract Liabilities - Roll forward (continued) - Company

**2023**

Shs'000	Liability for Remaining Coverage		Liability for Incurred Claims		Assets for insurance acquisition	
	Excluding loss comp.	Loss comp.	Present value of future cash flows	Risk adj. for non-fin. Risk	Cash flows	Total
Opening insurance contract liabilities	1,736,776	-	766,942	49,267	-	2,552,985
Opening insurance contract assets	-	-	-	-	-	-
<b>Net balance as at 1 January</b>	<b>1,736,776</b>	<b>-</b>	<b>766,942</b>	<b>49,267</b>	<b>-</b>	<b>2,552,985</b>
Insurance revenue	8,655,563	-	-	-	-	8,655,563
<b>Insurance service expenses</b>						
Incurred claims and other directly attributable expenses	-	-	(6,996,102)	-	-	(6,996,102)
Changes that relate to past service - adjustments to the LIC	-	-	(107,773)	1,838	-	(105,935)
Insurance acquisition cashflows amortization	(882,214)	-	-	-	-	(882,214)
Insurance service expenses	(882,214)	-	(7,103,875)	1,838	-	(7,984,251)
<b>Insurance service result</b>	<b>7,773,346</b>	<b>-</b>	<b>(7,103,875)</b>	<b>1,838</b>	<b>-</b>	<b>671,312</b>
<b>Total amounts recognised in comprehensive income</b>	<b>7,773,346</b>	<b>-</b>	<b>(7,103,875)</b>	<b>1,838</b>	<b>-</b>	<b>671,312</b>
<b>Cash flows</b>						
Premiums received	9,333,479	-	-	-	-	9,333,479
Claims and other directly attributable expenses paid	-	-	(7,041,430)	-	-	(7,041,430)
Insurance acquisition cashflows	(992,357)	-	-	-	-	(992,357)
Total cash flows	8,341,132	-	(7,041,430)	-	-	1,299,702
<b>Net balance as at 31 December</b>	<b>2,304,559</b>	<b>-</b>	<b>829,387</b>	<b>47,429</b>	<b>-</b>	<b>3,181,375</b>
Closing insurance contract liabilities	2,304,559	-	829,387	47,429	-	3,181,375
<b>Net balance as at 31 December</b>	<b>2,304,559</b>	<b>-</b>	<b>829,387</b>	<b>47,429</b>	<b>-</b>	<b>3,181,375</b>

## 29. Lease Liabilities

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
At 1 January	161,494	150,077	169,941
Renewals	19,908	19,908	13,121
Interest on lease liabilities	15,065	14,760	18,946
Repayments of principal portion	(43,302)	(37,882)	(32,985)
Repayment of interest	(15,065)	(14,760)	(18,946)
Exchange differences	(1,697)	—	—
At 31 December	<u>136,403</u>	<u>132,103</u>	<u>150,077</u>

The total cash outflow for leases in the year was:

	2024	2024	2023
	Shs '000	Shs '000	Shs '000
Payments of principal portion of lease liability	43,302	37,882	32,985
Interest on lease liabilities	<u>15,065</u>	<u>14,760</u>	<u>18,946</u>
At 31 December	<u>58,367</u>	<u>52,642</u>	<u>51,931</u>

## 30. Notes to the Statement of Cash Flows

a. Reconciliation of profit before income tax to net cash generated from operations

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
Profit before income tax	594,665	535,855	76,949
Adjusted for:			
Depreciation of property and equipment (Note 22)	20,860	16,277	16,611
Amortisation of intangible assets (Note 23)	13,383	9,669	12,928
Depreciation of right-of-use asset (Note 21)	43,149	38,172	38,784
Interest on lease liabilities (Note 29)	15,065	14,760	18,946
Amortisation of financial assets (Note 7)	(143,063)	(143,063)	40,861
Investment income from fixed deposits and government securities (Note 7)	(560,332)	(504,309)	(480,481)
Loss on disposal of property and equipment (Note 8)	(753)	(562)	(85)
	<u>(17,026)</u>	<u>(33,201)</u>	<u>(275,487)</u>
Changes in working capital:			
- Other receivables	(128,840)	(144,623)	9,673
- Related Parties	518	18,088	(73,035)
- Reinsurance contract assets	(63,519)	76,912	(195,183)
- Insurance contract liabilities	893,773	765,773	628,390
- Amount payable under fund administration contracts	1,855	1,855	23,791
- Other payables	<u>(285,285)</u>	<u>(348,030)</u>	<u>431,895</u>
Net cash generated from operations	<u>401,476</u>	<u>336,774</u>	<u>550,044</u>
<b>b) Cash and cash equivalents</b>			
Total cash at bank	846,262	683,082	619,888
Deposits with financial institutions maturing within 3 months (Note 14)	<u>1,606,349</u>	<u>1,312,469</u>	<u>1,192,894</u>
	<u>2,452,611</u>	<u>1,995,551</u>	<u>1,812,782</u>

## 31. Capital Commitments

The Group and Company had capital commitments amounting to Shs 5,041,350 as at 31 December 2024 (2023: Shs 13,241,695).

## 32. Contingent Liabilities

As is common in the insurance industry, the Group and Company is subject contingent liabilities arising from disputed invoices from medical providers as shown below;

	2024	2023
	Shs'000	Shs'000
Disputed invoices from medical providers	<u>Nil</u>	<u>3,887</u>

The Directors believe that the ultimate resolution of these contingent liabilities is not expected to result into a material effect on the results of the Group and Company's operations, financial position or liquidity.

## 33. Management of Insurance and Financial Risk

### a) Capital risk management

The Group and Company maintains an efficient capital structure from a combination of equity (shareholders' funds) and borrowings, consistent with the Groups and Company's risk profile and the regulatory and market requirements of its business.

The Group and Company's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth;
- to safeguard the Group and Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

An important aspect of the Group and Company's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Group and Company is focused on the creation of value for shareholders.

The Group and Company has a number of sources of capital available to it and seeks to optimize its debt-to-equity structure in order to ensure that it can consistently maximize returns to shareholders. The Group and Company considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The Group and Company manages as capital all items that are eligible to be treated as capital for regulatory purposes

The Group and Company manages capital in accordance with these rules and has embedded the necessary tests to ensure continuous and full compliance with such regulations. The Company's capital adequacy ratio was 160% (2023: 118%) which is above the minimum regulatory requirement of 100%.

### 33. Management of Insurance and Financial Risk (Continued)

#### a) Capital risk management (continued)

The subsidiary AAR Health Services Uganda's Capital adequacy ratio was 334% (2023:263%) The constitution of capital managed by the Group and Company is as shown below:

	GROUP	COMPANY	
	2024	2024	2023
	Shs'000	Shs'000	Shs'000
Share capital		1,017,627	700,000
Share premium		460,523	460,523
Translation reserve	(49,837)	-	-
Proposed Dividends	70,000	70,000	-
Retained earnings	<u>680,705</u>	<u>660,158</u>	<u>346,689</u>
	<u>2,179,018</u>	<u>2,208,308</u>	<u>1,507,212</u>

Insurance entities in Kenya are governed by the Insurance Act and as such are subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. The new capital requirements (Risk Based Capital) were introduced in the Finance Act, 2015. Insurance companies are required to hold paid up capital by the 30th June 2020; the higher of: -

- i) Shs 600 million; or
- ii) Risk based capital determined by the Insurance Regulatory Authority (IRA) from time to time; or
- iii) 20% of the net earned premiums during the preceding financial year

The Kenya Insurance Regulatory Authority has also introduced Risk Based Capital model which will result in risk-based approach to supervision. In line with risk-based methodology, IRA has developed a Risk Based Capital (RBC) model, which is aimed at introducing capital requirements that are commensurate to the levels of risk being undertaken, and provide appropriate incentives for good risk management. The RBC model is a factor-based model that computes the capital requirement based on four risk segments: insurance, market, credit and operational risk. The Company has not made any changes to its policies and processes regarding combination of its Capital structure with its capital generated purely from Equity.

The Group and Company's and subsidiary's capital adequacy ratio position as at 31 December 2024 is as shown below;

	AAR Health Services Uganda	AAR Insurance Kenya	
	2024	2023	2024
	Shs'000	Shs'000	Shs'000
Total capital available	311,892	143,244	2,088,704
Minimum required capital	93,315	54,377	1,308,582
Capital adequacy ratio (%)	334%	263%	160%
Required capital adequacy ratio (%)	200%	200%	100%

### 33. Management of Insurance and Financial Risk (Continued)

#### b) Financial Risk

This section summarizes the way the Group and Company manages key risks.

Categories of financial assets and financial liabilities

	Classification and Measurement Category	GROUP	COMPANY	
		2024	2024	2023
		Shs'000	Shs'000	Shs'000
<b>Financial assets</b>				
Due from Related parties	AC	45,445	54,947	73,035
Other receivables	AC	53,768	49,375	28,292
Government securities	AC	2,507,781	2,231,266	2,070,718
Government securities	FVPL	1,114,546	1,114,546	782,518
Deposits with financial institutions	AC	1,606,349	1,312,469	1,192,894
Cash and bank balances	AC	<u>846,262</u>	<u>683,082</u>	<u>619,888</u>
		<u>6,174,151</u>	<u>5,445,685</u>	<u>4,767,345</u>
<b>Financial liabilities</b>				
Amounts payable under fund administration	AC	43,921	43,921	42,066
Other payables	AC	540,541	476,057	510,578
Lease liability	AC	<u>136,403</u>	<u>132,103</u>	<u>150,078</u>
		<u>720,865</u>	<u>652,081</u>	<u>702,722</u>

The Group and Company's activities expose it to a variety of financial risks. These risks include: liquidity risk, credit risk and the effect of changes in foreign currency exchange rates, interest rates and market prices. The Group and Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, price risk, currency risk and credit risk.

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

### 33. Management of Insurance and Financial Risk (Continued)

#### b) Financial risk (continued)

## Market Risk

The market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign exchange rates(currency risk), market interest rates (interest rate risk) and market prices (price risk).

## Interest Rate Risk

Interest rate risk arises primarily from investments in fluctuating interest securities. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The Group and Company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios.

The Group and Company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable interest rate instruments.

Appraisal of investment portfolio is done on a regular basis and the investment spread reviewed depending on the existing interest rates. The Group and Company has also placed significant balances in fixed deposits. However, the Group and Company is not largely exposed to interest rate risk as far as loans and borrowings are concerned. There was no bank overdraft as at year end (2023: Shs Nil).

Short term non-life insurance liabilities are not impacted by interest rate risk since discounting of future cash flows of claims is not carried out. Non-life claims are stated on actual basis. If interest rates had been 10% lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2024 would have decreased by Shs 70,339,443 ; Company Shs 64,737,118 (2023: Shs 43,962,000) This is mainly attributable to the Company's exposure to interest rates on its deposits. The Group and Company has no significant concentration of interest rate risk other than what is currently disclosed.

## Foreign exchange risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group and Company predominantly transacts in the local currency, AAR Insurance Kenya (Kenya shillings) and AAR Health services Uganda (Uganda Shillings) The risk associated with transactions in other currency is considered nominal.

The Group and Company has no significant concentration of currency risk.

## Price Risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than arising from interest rate risk or currency risk), whether those changes are carried by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

The Group and Company has no significant concentration of price risk.

### 33. Management of Insurance and Financial Risk (Continued)

#### b) Financial risk (continued)

## Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Group and Company's exposure to credit risk:

- The Group and Company trades only with recognized, creditworthy third parties. It is the Group and Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures taking into account its financial position, past experience and other factors.
- Individual risk limits are set based on internal ratings in accordance with limits set by the management. In addition, receivable balances are monitored on an ongoing basis with the result that the Group and Company's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group and Company.
- Credit risk in respect to re-insurance is managed by placing the Group and Company's reinsurance only with companies that have high international or similar ratings.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counterparty default rates. Some of the Group and Company's credit risk counterparties are rated by Standard & Poor's Moody's Credit Rating Agency as shown below.

The Group and Company classifies counterparties without an external credit rating as below:

Group 1 - new customers/related parties.

Group 2 - existing customers/related parties with no defaults in the past.

Group 3 - existing customers/related parties with some defaults in the past.

The amount that best represents the Group and Company's maximum exposure to credit risk at 31 December is made up as follows:

### 33. Management of Insurance and Financial Risk (Continued)

#### b) Financial risk (continued)

	Credit rating or Classification	GROUP	COMPANY	
		2024	2024	2023
		Shs '000	Shs'000	Shs'000
Government securities	B+	3,622,327	3,345,812	2,853,236
<b>Deposits with financial institutions</b>				
Group 2				
Kenya Women Microfinance Bank Limited	BB	351,042	351,042	177,593
Commercial Bank of Africa	BB	108,341	108,341	8,037
Stanbic Bank Kenya Limited	BB	480,686	185,623	465,799
Co-operative Bank of Kenya Limited	BB	635,590	636,773	443,005
ABSA	BB	1,926	1,926	42,083
KCB Bank Kenya Limited	BB	24	24	11,197
Equity Bank Kenya Limited	BB	25,403	25,403	44,004
Diamond Trust Bank Limited	BB	3,336	3,336	1,175
<b>Cash and bank balances</b>				
Kenya Women Microfinance Bank Limited	Group 2	4,248	4,248	105,469
Standard Chartered Bank	BB	148,383	-	-
Stanbic Bank Kenya Limited	BB	44,065	44,065	57,565
Co-operative Bank of Kenya Limited	BB	1,211	1,211	8,875
Diamond Trust Bank Kenya Limited	BB	4,463	4,463	1,463
KCB Bank Kenya Limited	BB	4,731	4,731	10,623
Equity Bank Kenya Limited	B+	14,755	11,359	904
Sidian Bank	BB-	4,664	4,664	4,513
Citibank	BB	591,039	591,039	423,052
Absa	B+	16,807	16,807	6,256
SMEP	BB-	112	112	115
Others		11,784	383	1,053
Reinsurance contract assets		1,371,047	703,316	780,228
Related party balances	Group 2	45,445	54,947	73,035
Other receivables	Group 2	<u>53,768</u>	<u>49,375</u>	<u>28,292</u>
		<u>7,545,198</u>	<u>6,149,001</u>	<u>5,547,573</u>

### 33. Management of Insurance and Financial Risk (Continued)

#### b) Financial risk (continued)

Included in Government securities are statutory deposits placed under Lien of Shs 350,646,293 as required by the regulator. The Group and Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- Reinsurance contract assets;
- Mortgage loans and corporate bonds;
- Cash and deposits with financial institutions;
- Government securities; and
- Other receivables.
- Related party balances

The Group and Company have no significant concentration of credit risk. The Group and Company structures the levels of credit risk it accepts by placing limits to counterparties, or groups of counterparties, and to geographical and industry segments. During the reporting period, significant changes in gross balances have contributed to variations in the Expected Credit Loss (ECL) provision. The key factors influencing these changes are the overall ECL balance increase due to higher gross balances and economic factors. Such risks are subject to an annual or more frequent review.

The loss allowance for all the financial assets has been measured at an amount equal to 12 months expected credit losses (ECL). The changes in the loss allowances for the government securities can be explained by the movement disclosed in note 15 except for the FV gains and losses.

For the other financial assets, the changes in gross carrying amounts that would explain the changes in the ECL are explained by the account balances transactions during the year in the ordinary course of business. The loss allowances for the same have been measured at amounts equal to the 12 months ECL.

Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors. For debt securities, the Group and Company has a policy to invest only in high-quality corporate and government debt.

The Group and Company's fund manager makes regular reviews and assesses the degree of compliance with the Group and Company procedures on credit. Exposures to individual policyholders and groups of policyholders are collected and monitored by the management credit committee. The fund manager is also responsible for developing and maintaining the Group and Company's risk ratings to categories exposures according to the degree of risk of default when external credit ratings are not available. Risk grades are subject to regular review by management. The Group and Company classifies counterparties from external sources (Global Credit Rating Company and Standard & Poor's financial services Company) as above:

### Credit Quality Analysis

The following table sets out information about the credit quality of debt investments measured at FVTPL.

	GROUP	COMPANY	
		2024	2023
		Shs'000	Shs'000
<b>Government securities</b>		3,622,327	3,345,812
			2,853,236

### 33. Management of Insurance and Financial Risk (Continued)

#### b) Financial risk (continued)

## Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Group and Company is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled on a regular basis, using actuarial techniques. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand.

### 33. Management of Insurance and Financial Risk (Continued)

#### b) Financial risk (continued)

##### Liquidity risk (continued)

The table below provides a contractual maturity analysis of the Group and Company's financial liabilities:

#### GROUP

<b>31 December 2024</b>	<b>Up to 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Total</b>
	<b>Sh'000</b>	<b>Sh'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Medical-Insurance contract liabilities	1,444,853	-	-	1,444,853
General Insurance-Insurance contract liabilities	<u>173,555</u>	<u>-</u>	<u>-</u>	<u>173,555</u>
	<u>1,618,408</u>	<u>-</u>	<u>-</u>	<u>1,618,408</u>

#### COMPANY

#### 31 December 2024

Medical-Insurance contract liabilities	1,169,659	-	-	1,169,659
General Insurance-Insurance contract liabilities	<u>173,555</u>	<u>-</u>	<u>-</u>	<u>173,555</u>
	<u>1,343,214</u>	<u>-</u>	<u>-</u>	<u>1,343,214</u>

#### 31 December 2023

Medical-Insurance contract liabilities	671,266	-	-	671,266
General Insurance-Insurance contract liabilities	<u>158,121</u>	<u>-</u>	<u>-</u>	<u>158,121</u>
	<u>829,387</u>	<u>-</u>	<u>-</u>	<u>829,387</u>

The table below summarizes the maturity profile of other liabilities of the Group and Company

<b>GROUP</b>	<b>Up to 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Total</b>
	<b>Sh'000</b>	<b>Sh'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Amounts payable under fund administration	43,921	-	-	43,921
Other payables	540,541	-	-	540,541
Lease liability	<u>62,475</u>	<u>75,193</u>	<u>18,619</u>	<u>156,287</u>
	<u>646,937</u>	<u>75,193</u>	<u>18,619</u>	<u>740,749</u>

### 33. Management of Insurance and Financial Risk (Continued)

#### b) Financial risk (continued)

##### Liquidity risk (continued)

COMPANY	Up to 1 year	1-2 years	2-5 years	Total
	Sh'000	Sh'000	Shs'000	Shs'000
Amounts payable under fund administration	43,921	-	-	43,921
Other payables	476,057	-	-	476,057
Lease liability	58,175	75,193	18,619	151,987
	<u>578,153</u>	<u>75,193</u>	<u>18,619</u>	<u>671,965</u>
31 December 2023				
Amounts payable under fund administration	42,066	-	-	42,066
Other payables	510,578	-	-	510,578
Lease liability	52,641	58,175	93,812	204,628
	<u>605,285</u>	<u>58,175</u>	<u>93,812</u>	<u>757,272</u>

##### Maturity analysis for financial assets

The below table summarizes the maturity profile of financial assets of the Group and Company

GROUP	Up to 1 year	1-2 years	2-5 years	Total
	Sh'000	Sh'000	Shs'000	Shs'000
31 December 2024				
Government securities	843,751	1,256,474	1,522,102	3,622,327
Deposits with financial institutions	1,606,349	-	-	1,606,349
Cash and bank balances	846,262	-	-	846,262
Other receivables	53,768	-	-	53,768
Due from Related parties	<u>45,445</u>	<u>-</u>	<u>-</u>	<u>45,445</u>
	<u>3,395,575</u>	<u>1,256,474.19</u>	<u>1,522,102</u>	<u>6,174,151</u>

### 33. Management of Insurance and Financial Risk (Continued)

#### b) Financial risk (continued)

##### Liquidity risk (continued)

###### COMPANY

<b>31 December 2024</b>	<b>Up to 1 year</b>	<b>1-2 years</b>	<b>2 and above</b>	<b>Total</b>
	<b>Sh'000</b>	<b>Sh'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Government securities	605,149	1,218,561	1,522,102	3,345,812
Deposits with financial institutions	1,312,469	-	-	1,312,469
Cash and bank balances	683,082			683,082
Other receivables	49,3751			49,3751
Due from Related parties	<u>54,947</u>	<u>-</u>	<u>-</u>	<u>54,947</u>
	<u><u>3,149,398</u></u>	<u><u>1,218,561</u></u>	<u><u>1,522,102</u></u>	<u><u>5,890,061</u></u>
<b>31 December 2023</b>				
Government securities	354,407	364,235	2,134,594	2,853,236
Deposits with financial institutions	1,192,894	-	-	1,192,894
Cash and bank balances	619,888	-	-	619,888
Other receivables	28,292	-	-	28,292
Due from Related parties	<u>73,035</u>	<u>-</u>	<u>-</u>	<u>73,035</u>
	<u><u>2,268,516</u></u>	<u><u>364,235</u></u>	<u><u>2,134,594</u></u>	<u><u>4,767,345</u></u>

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

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes equity securities, and debt instruments listed on the Nairobi Securities Exchange and Government securities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group and Company considers relevant and observable market prices in its valuations where possible.

### 33. Management of Insurance and Financial Risk (Continued)

#### b) Financial risk (continued)

##### Liquidity risk (continued)

### Fair Value Hierarchy

The following table represents hierarchy measurement of the Company's investments measured at fair value.

#### GROUP & COMPANY

As at 31 December 2024	Fair value				Total Shs'000
	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000		
				-	
Government securities – Treasury bonds at FVPL	1,114,546			-	1,114,546

#### COMPANY

As at 31 December 2023

Government securities – Treasury bonds at FVPL	782,518	-	-	782,518
--	---------	---	---	---------

The carrying amounts of the other financial instruments approximate their carrying amounts.

Disclosure of fair value for treasury bonds measured at amortised cost with a carrying amount of KShs. 1.856 billion (2023: KShs. 1.818 billion) see note 15

#### GROUP & COMPANY

As at 31 December 2024	Fair value				Total Shs'000
	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000		
				-	
Government securities – Treasury bonds at Amortised cost	1,872,433			-	1,872,433

#### COMPANY

As at 31 December 2023

Government securities – Treasury bonds at Amortised cost	1,631,053	-	-	1,631,053
Change in assumptions	Impact on insurance revenue	Impact on insurance service expenses	Impact on profit before tax	Impact on equity
	Shs'000	Shs'000	Shs'000	Shs'000
<b>31 December 2023</b>				
Average claim cost	+1%	-	62,134	(52,814)
Average premium per life	+1%	61,274	-	52,083
Investment Interest rates	+10%	-	-	43,962
				30,773

### 33. Management of Insurance and Financial Risk (Continued)

#### c) Insurance Risk

The principal risk the Group and Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from the expectations. Frequency of claims, severity of claims and subsequent development of claims influence this.

The Group and Company principally issues the following types of general insurance contracts medical insurance and Non-medical product classes (Fire, theft ,Engineering, Professional Liability, Marine, Personal accident and Workman's compensation). Risks under non-life insurance policies usually cover twelve months duration.

Therefore, the objective of the Group and Company is to ensure that sufficient reserves are available to cover these liabilities. The Group and Company deals in general insurance business and transacts health insurance. The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. For a portfolio of insurance contracts, the risk the Group and Company faces is that the actual claims may exceed the carrying amount of the insurance liabilities.

The Group and Company has developed its insurance strategy to diversify the type of insurance risks accepted and to develop within each category a sufficiently large portfolio of insurance contracts to reduce the variability of the expected outcome. Careful selection of risks and implementation of the underwriting guidelines as well as use of the reinsurance arrangements bring about an improvement in the variability of the risks. Frequent claims review to assess all new and ongoing claims, review of claim handling procedures and investigation of possible fraudulent claims are undertaken to reduce the risk exposure of the Group and Company. The Group and Company also promptly pursues claims in order to reduce its exposure to unpredictable future developments that can adversely affect the Group and Company.

The insurance business is ceded on an excess of loss, quota share, proportional and surplus treaties with the same retention limit across all product lines. Amounts recoverable from reinsurers are in accordance with the reinsurance contracts. Although the Group and Company has reinsurance arrangements, it is not relieved of its direct obligation to its policyholders and although there are cash call limits for each surplus treaties of varying amount, a credit exposure exists with respect to ceded insurance, to the extent that the re-insurer is unable to meet its obligation assumed under such reinsurance arrangements.

For healthcare contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements. These risks do not vary significantly in relation to the location of the risk insured by the Group and Company, type of risk insured and by industry. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group and Company.

The Group and Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Group and Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Group and Company's risk appetite as decided by management. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

### 33. Management of Insurance and Financial Risk (Continued)

#### c) Insurance risk (Continued)

The table below sets out the concentration of the insurance contract liabilities by type of contract

#### GROUP

##### As at 31 December 2024

	<b>Gross liabilities</b>	<b>Reinsurance contract assets</b>	<b>Net liabilities</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Medical insurance	4,614,073	1,352,958	3,261,115
Non Medical insurance	<u>173,555</u>	<u>18,090</u>	<u>155,465</u>
	<u><b>4,787,628</b></u>	<u><b>1,371,048</b></u>	<u><b>3,416,580</b></u>

#### COMPANY

##### As at 31 December 2024

	<b>Gross liabilities</b>	<b>Reinsurance contract assets</b>	<b>Net liabilities</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Medical insurance	3,773,593	685,226	3,088,367
Non Medical insurance	<u>173,555</u>	<u>18,090</u>	<u>155,465</u>
	<u><b>3,947,148</b></u>	<u><b>703,316</b></u>	<u><b>3,243,832</b></u>

##### As at 31 December 2023

	<b>Gross liabilities</b>	<b>Reinsurance contract assets</b>	<b>Net liabilities</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Medical insurance	3,023,254	754,825	2,268,429
Non Medical insurance	<u>158,121</u>	<u>25,403</u>	<u>132,718</u>
	<u><b>3,181,375</b></u>	<u><b>780,228</b></u>	<u><b>2,401,147</b></u>

### 33. Management of Insurance and Financial Risk (Continued)

#### c) Insurance risk (Continued)

## Sensitivity Analysis

### Key Assumptions

The principal assumption underlying the liability estimates is that the Group and Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

	<b>Change in assumptions</b>	<b>Impact on insurance revenue</b>	<b>Impact on insurance service expenses</b>	<b>Impact on profit before tax</b>	<b>Impact on equity</b>
<b>31 December 2024</b>		<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Average claim cost	+1%	-	81,198	(69,019)	(48,313)
Average premium per life	+1%	86,147	-	73,225	51,257
Investment Interest rates	+10%	-	-	64,737	45,316

	<b>Change in assumptions</b>	<b>Impact on insurance revenue</b>	<b>Impact on insurance service expenses</b>	<b>Impact on profit before tax</b>	<b>Impact on equity</b>
<b>31 December 2023</b>		<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Average claim cost	+1%	-	62,134	(52,814)	(36,970)
Average premium per life	+1%	61,274	-	52,083	36,458
Investment Interest rates	+10%	-	-	43,962	30,773

## 33. Management of Insurance and Financial Risk (Continued)

## Sensitivity Analysis

### Claims Development Table

Shs'000

Accident Year	2018	2019	2020	2021	2022	2023	2024	Total
<b>At the end of the year</b>	<b>2,864,410</b>	<b>2,791,600</b>	<b>3,203,616</b>	<b>3,989,073</b>	<b>4,720,226</b>	<b>5,797,414</b>	<b>6,543,647</b>	
One year later	2,905,822	2,841,155	3,279,727	4,097,725	4,787,052	5,865,238		
Two years later	2,920,448	2,853,245	3,300,216	4,121,621	4,807,000			
Three years later	2,923,144	2,859,333	3,307,604	4,127,564				
Four years later	2,924,913	2,860,656	3,309,717					
Five years later	2,925,065	2,861,270						
Six years later	2,925,557							
Total gross claims reported to date	2,925,557	2,861,270	3,309,717	4,127,564	4,807,000	5,865,238	6,543,647	
Gross medical incurred but not reported claims liabilities	75	254	1,087	6,268	20,158	60,986	431,485	520,313
<b>Total gross medical claims incurred to date</b>	<b>2,925,632</b>	<b>2,861,524</b>	<b>3,310,804</b>	<b>4,133,832</b>	<b>4,827,158</b>	<b>5,926,224</b>	<b>6,975,132</b>	
Incurred but not reported claims liabilities								
Medical insurance								520,313
General Insurance								54,021
Reported but not settled claims liabilities								
Medical insurance								720,589
General Insurance								48,290
<b>Total gross liability for incurred claims</b>								<b>1,343,214</b>

As required by IFRS 17, in setting claims provisions, the Group and Company considers the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment.

### 33. Management of Insurance and Financial Risk (Continued)

As required by IFRS 17, in setting claims provisions, the Group and Company considers the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

The non-life insurance claim liabilities are sensitive to key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The above analysis is performed for reasonable possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity.

#### d) Operational Risks

As a leading general insurance company, AAR Insurance recognizes that operational risks are inherent in our business. We have established a strong risk management framework to proactively identify, assess, and mitigate risks that could impact our operations, reputation, and financial performance. Our approach includes stringent internal controls, advanced cybersecurity measures, regulatory compliance frameworks, and a well-defined business continuity strategy. Through continuous investment in technology, staff training, and independent audits, we strengthen our resilience against emerging risks while ensuring, regulatory adherence, operational excellence and long-term value creation for our stakeholders.

## 34. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they can be recovered or settled.

#### GROUP

<b>At 31 December 2024</b>	<b>Less than 12 months</b>	<b>After 12 months</b>	<b>Total</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>ASSETS</b>			
Cash and bank balances	846,262	-	846,262
Deposits with financial institutions	1,606,349	-	1,606,349
Government securities	843,751	2,778,576	3,622,327
Reinsurance contract assets	1,371,047	-	1,371,047
Other receivables	406,099	-	406,099
Current income tax	46,015	-	46,015
Amounts due from related parties	45,445	-	45,445
Deferred income tax	-	23,989	23,989
Right of use assets	-	110,590	110,590
Property and equipment	-	60,901	60,901
Intangible assets	<u>-</u>	<u>23,085</u>	<u>23,085</u>
<b>Total assets</b>	<b><u>5,164,968</u></b>	<b><u>2,997,141</u></b>	<b><u>8,162,109</u></b>

### 34. Maturity analysis of assets and liabilities (Continued)

#### **LIABILITIES**

Other payables	1,015,139	-	1,015,139
Amount payable under fund administration contracts	43,921	-	43,921
Insurance contract liabilities	4,787,628	-	4,787,628
Lease liabilities	<u>54,561</u>	<u>81,842</u>	<u>136,403</u>
Total liabilities	<u>5,901,249</u>	<u>81,842</u>	<u>5,983,091</u>
Net (liabilities)/ assets	(736,281)	2,915,299	2,179,018

#### **COMPANY**

<b>At 31 December 2024</b>	<b>Less than 12 months</b>	<b>After 12 months</b>	<b>Total</b>
	Shs'000	Shs'000	Shs'000
<b>ASSETS</b>			
Cash and bank balances	683,082	-	683,082
Deposits with financial institutions	1,312,469	-	1,312,469
Government securities	605,149	2,740,663	3,345,812
Reinsurance contract assets	703,316	-	703,316
Other receivables	398,046	-	398,046
Current tax	4,307	-	4,307
Amounts due from related parties	54,947	-	54,947
Deferred income tax	-	454	454
Investment in subsidiaries	-	442,627	442,627
Right of use assets	-	101,121	101,121
Property and equipment	-	43,610	43,610
Intangible assets	<u>-</u>	<u>11,731</u>	<u>11,731</u>
<b>Total assets</b>	<u>3,761,316</u>	<u>3,340,206</u>	<u>7,101,522</u>
<b>LIABILITIES</b>			
Other payables	770,042	-	770,042
Amount payable under fund administration contracts	43,921	-	43,921
Insurance contract liabilities	3,947,148	-	3,947,148
Lease liabilities	<u>50,199</u>	<u>81,904</u>	<u>132,103</u>
<b>Total liabilities</b>	<u>4,811,310</u>	<u>81,904</u>	<u>4,893,214</u>
<b>Net (liabilities)/ assets</b>	(1,049,994)	3,258,302	2,208,308

### 34. Maturity analysis of assets and liabilities (Continued)

**At 31 December 2023**

#### ASSETS

Cash and bank balances	619,888	-	619,888
Deposits with financial institutions	1,192,894	-	1,192,894
Government securities	354,407	2,498,829	2,853,236
Reinsurance contract assets	780,228	-	780,228
Other receivables	253,423	-	253,423
Current income tax	7,212	-	7,212
Amounts due from related parties	73,035	-	73,035
Deferred income tax	-	42,105	42,105
Right of use assets	-	119,385	119,385
Property and equipment	-	38,144	38,144
Intangible assets	<u>—</u>	<u>19,251</u>	<u>19,251</u>
<b>Total assets</b>	<u>3,281,087</u>	<u>2,717,714</u>	<u>5,998,801</u>
<b>LIABILITIES</b>			
Other payables	1,118,071	-	1,118,071
Amount payable under fund administration contracts	42,066	-	42,066
Insurance contract liabilities	3,181,375	-	3,181,375
Lease liabilities	<u>39,020</u>	<u>111,057</u>	<u>150,077</u>
<b>Total liabilities</b>	<u>4,380,532</u>	<u>111,057</u>	<u>4,491,589</u>
<b>Net (liabilities)/ assets</b>	<u>(1,099,445)</u>	<u>2,606,657</u>	<u>1,507,212</u>

## Notes

## Notes







## Kenya

### Head Office:

Real Towers, Ground Floor  
Hospital Road, Upper Hill,  
P.O. Box 41766 - 00100, Nairobi  
Tel: +254 020 2895000  
Cell: +254 703 063000  
+254 730 633000

### Nakuru Branch

Giddo Plaza, Ground Floor  
George Morara Rd,  
Off Nakuru-Eldoret Highway  
Tel: +254 051 2215599  
+254 051 2216739  
Cell: +254 731 669915

### Mombasa Branch:

Imara Building, 4th Floor,  
Dedan Kimathi Avenue, Mombasa,  
Cell: +254 731 191066

### Kisumu Branch:

Al Imran Plaza, 2nd Floor,  
Oginga Odinga Street,  
Cell: +254 731 191069

### Eldoret Branch:

Zion Mall, 2nd Floor  
Wing D Eldoret,  
Cell: +254 731 945772

### Meru Branch:

Royal Business Park, 6th Floor  
Tom Mboya Street,  
Cell: +254 703 063 00  
+254 730 633000

## Regional Office

### Uganda:

Plot 16A Elizabeth Avenue,  
Kololo, Kampala,  
Direct Line: +256 4141 560900  
Tel: +256 312 261318  
Cell: +256 414 258 615  
Email: info@aar.co.ug

### Nyeri Branch:

Rupshi Chambers 2nd Floor,  
Kimathi Way,  
Cell: +254 703 063900

### Thika Branch:

Maisha Height, 1st Floor,  
Kenyatta Road,  
Cell: +254 703 063840  
+254 703 063842

### Kakamega Branch:

Mega Mall, 2nd Floor,  
Webuye Road,  
Opposite Muliro Gardens Cell,  
Tell: +254 056 2031796  
Cell: +254 733 200208

### Naivasha Branch:

Eagle Centre, 1st Floor,  
Mbaria Kanio,  
Cell: +254 731 466367

### Malindi Branch:

StanChart Arcade, Ground Floor,  
Off Lamu Road, Malindi  
Cell: +254 731 191072