

CFN/IRA/00/001/03
20th February, 2023

CIRCULAR NO. IC 01/2023

TO: ALL INSURERS

**RE: SUBMISSION OF ANNUAL AUDITED ACCOUNTS AND RETURNS FOR
THE YEAR ENDED 31ST DECEMBER 2022**

As you are aware, insurers are required to prepare as at the end of each financial year returns and statements as provided for under sections 54 to 59 of the Insurance Act. The financial statements and returns are required to be submitted to the Authority within three months after the end of the period to which they relate.

The financial statements and returns for the year ended 31st December 2022 are due for submission by 31st March 2023. The Authority has noted some anomalies in the previous submissions and would like to bring to your attention the following:

- 1) The returns should be in the right file format as prescribed. We have noted that some insurers submit the RBC templates in PDF as opposed to excel worksheets.
- 2) The returns should be for the period to which they relate and not prior year.
- 3) The returns should be duly filled and complete with no missing forms. We have noted some instances where forms relating to reinsurers are incomplete or missing.
- 4) The information in the forms should be accurate and consistent. There are instances where the opening balances for the current period do not match previous closing balances and some returns have errors in the amount of profits transferred from the revenue account to the profit & loss account.
- 5) The amounts of reserves reported should tally with the amounts recommended by the actuary in the technical valuation reports.

- 6) The premiums reported per county should be gross direct premiums excluding inward reinsurance to avoid double counting.
- 7) Insurers have been reporting premiums as owed by insurance agents instead of the respective clients. This is not acceptable and should cease as agents have no basis to owe premiums.
- 8) All forms should be properly populated with the relevant information which should be accurate and consistent. For example, Business in Force (Form 59-11B and Form 59-12) should be filled accurately where sum assured is reasonable in relation to number of policies and lives. The forms should not be blank unless the information is not applicable to the reported business lines where they should be populated with zero.
- 9) The attachments to the returns should provide sufficient information as required under the Insurance Act. We have had instances where the technical valuation report provides only a summary of the recommended reserves.
- 10) The items in the balance sheet should have supporting documentation including but not limited to:
 - a) Investment in properties should have a copy of the title document and the most recent valuation report;
 - b) A confirmation for investments in case of deposits, government securities and equities;
 - c) In respect to mortgages and secured loans, a statement on the details of the collateral and repayment schedule; and
 - d) Disclosures on related parties' transactions, collateral for loans granted and repayment schedule.
- 11) A copy of the approved investment plan and policy should be submitted.
- 12) The declaration form should be duly signed as required under the Insurance Act.

Pursuant to Section 56(b) of the Insurance Act, the external auditors of insurers are hereby required to conduct audit and report on the following aspects:

- a) Compliance with Section 46 of the Insurance Act on the application of the life insurers' statutory funds as per Circular No. IC/RE 16/2019.
- b) Management and disposal of salvages.

- c) Whether the insurer's reserving is in line with the recommendation by the external actuary.
- d) Whether there are adequate disclosures on related parties' transactions and compliance with section 71 of the Insurance Act.

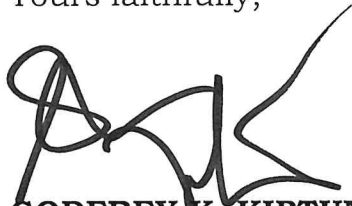
The above requirements shall apply for all annual audits with effect from the year 2022 audit.

Incomplete, inconsistent or with error returns will be rejected and considered as not submitted, thus attracting the appropriate penalties.

In line with section 61(4) of the Insurance Act, late submission of the returns attracts a penalty of KES. 200,000 and an additional KES. 10,000 for each day the return remains unsubmitted.

Please be guided accordingly.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'GK', with a stylized flourish extending from the end.

GODFREY K. KIPTUM

COMMISSIONER OF INSURANCE & CHIEF EXECUTIVE OFFICER

