Custodian

# A NEW ORDER

Custodian And Allied Insurance Ltd. 2021 Annual Report And Accounts

## A New Order

The world as we know it has changed and this reality has created a new paradigm shift in thoughts and deeds. Businesses, corporate governance, people and their priorities have all changed. Everyday thinking has been refocused to embrace values and appreciate strategy and life itself. Despite this new order, some things have not changed. Custodian still stays resolute to its values - knowledge, compassion, loyalty, hard work, integrity, innovation, creativity and more. These values are our conviction and they will help us navigate this new reality as the world changes forever.

# Contents

# Corporate Information

**DIRECTORS**
Mr. Johnnie Wilcox (Chairman)
Mr. Edeki Isujeh (Managing Director)
Mr. Oluwole Oshin
Chief (Mrs.) Margaret Giwa(Independent Director)
Mr. Richard Asabia
Mr. Ravi Sharma
Mr. Ademola Ajuwon

**SECRETARY**
Custodian Trustees Limited
Custodian House
16A Commercial Avenue
Sabo, Yaba, Lagos, Nigeria
Tel: (+234) 01-2707206-7, 2793740, 2793401,
0700-CUSTODIAN, (+234)1 2774000-9
Fax: (+234) 1 2707203
P.O. Box 2101, Lagos
Email: enquiries@custodianinsurance.com
Website: www.custodianplc.com.ng

**RC No.**
RC.685235

**FRC No.**
FRC/2012/0000000000316

**REGISTERED OFFICE**
Custodian House
16A Commercial Avenue
Sabo, Yaba
Lagos, Nigeria
Tel: (+234) 01-2707206-7, 2793740, 2793401
0700-CUSTODIAN, (+234)1 2774000-9
Fax: (+234) 1 2707203
P.O. Box 2101, Lagos
Email: enquiries@custodianinsurance.com
Website: www.custodianplc.com.ng

**BANKERS**
First Bank of Nigeria Limited
Stanbic IBTC Plc
Zenith Bank Plc
Access Bank Plc
Guaranty Trust Bank Limited
Standard Chartered Bank Nigeria Limited

**AUDITORS**
Deloitte & Touche
Civic Towers
Plot GA 1Ozumba Mbadiwe Avenue
Lagos

**REINSURERS**
Munich Reinsurance Company Limited
African Reinsurance Company
Continental Reinsurance Plc
Swiss Reinsurance Company Limited

**REPORTING ACTUARY**
Ernst and Young
13 & 10 Floors UBA House
57 marina
Lagos, Nigeria
FRC No: FRC/2013/00000000578

# Branch Directory

**Abuja**
Plot 273, UACN Commercial Complex,
Central Business
District Garki, Abuja,
Tel.: 09-7817420

**Kano**
15 Bank Road, Kano
Kano State
Tel.: 064-895969

**Port Harcourt**
180, Aba Road,
Port Harcourt, Rivers State
Tel.: 07085000046

**Akure**
2nd & 3rd Floors
BOI House, Alagbaka, Akure
Tel.: 08034202962, 07086600484

**Benin**
34, Akpakpava Road,
by Igbesamwan Junction
Benin City, Edo State
Tel.: 05-2292480

**Ibadan**
9 Onireke residential layout
Ibadan, Oyo State
Tel.: 022-918538

**Kaduna**
3, Kanta Road
P.O. Box 9301, Kaduna
Kaduna State
Tel.: 06-2293346

# Notice Of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Custodian And Allied Insurance Ltd (the Company) will hold via virtual means on Thursday, March 10, 2022 at 10:45am, to transact the following:

**Ordinary Business**

1. To lay before the members the Audited Financial Statements for the year ended December 31, 2021 together with the Auditors Report.

2. To declare a dividend.

3. To re-elect Directors.

4. To authorise the Directors to fix the remuneration of the Auditors.

5. To note the remuneration of Managers in the employment of the Company.

**Special Business**

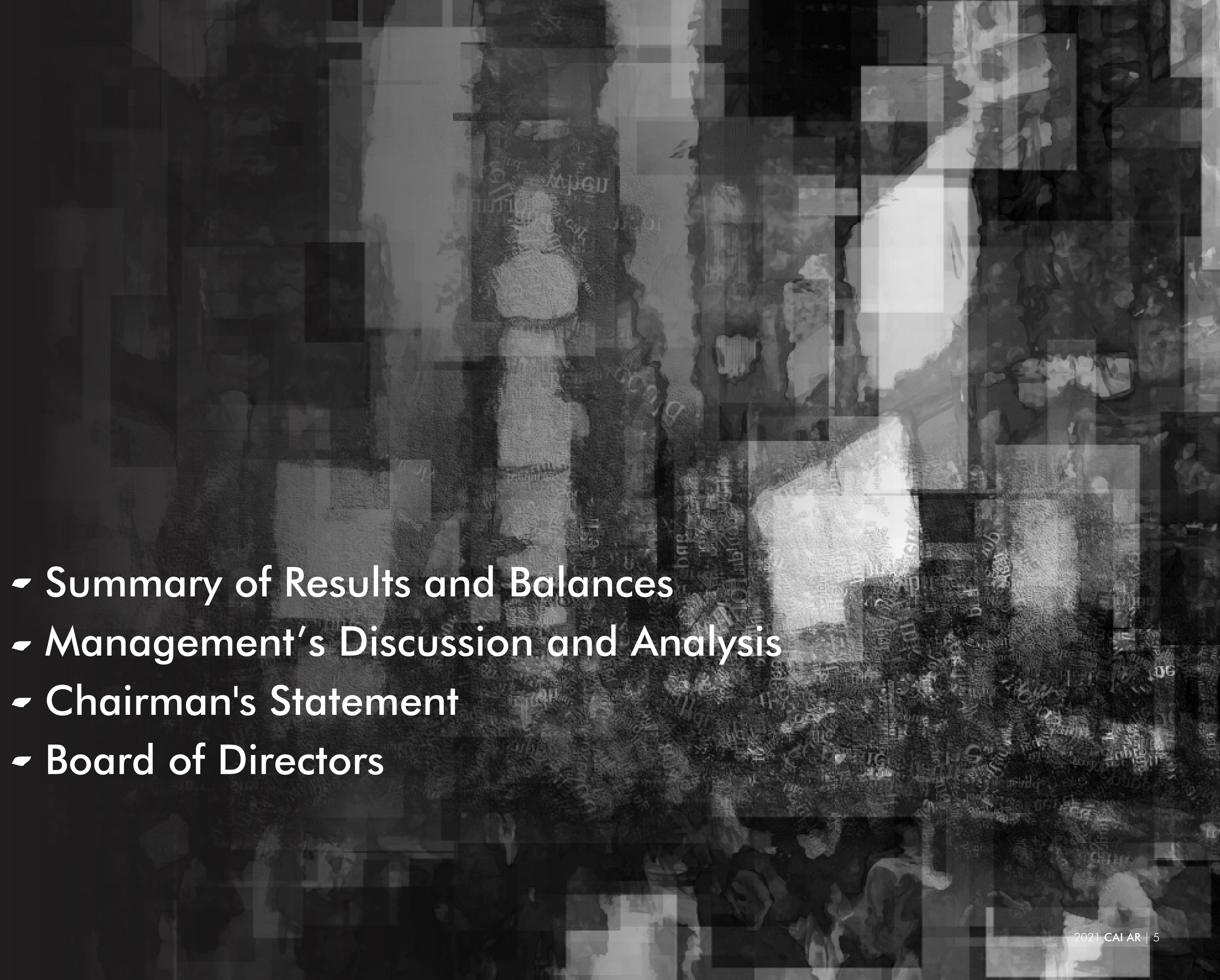
6. To fix the remuneration of the Directors

7. To appoint Independent Consultant to carryout annual board evaluation.

By order of The Board

CUSTODIAN TRUSTEES LTD
AUTHORISED

Adeyinka Jafojo
FRC/2013/NBA/00000002403
Custodian Trustees Limited
Company Secretary



- Summary of Results and Balances
- Management’s Discussion and Analysis
- Chairman's Statement
- Board of Directors

# Summary Of Results And Balances

For The Year Ended 31 December 2021

| Statement of Profit or loss and other Comprehensive Income items | 2021 N'000 | 2020 N'000 | Variance Increase/ (Decrease) N'000 | Growth % |
|---|---|---|---|---|
| Gross premium written | 34,437,522 | 31,587,929 | 2,849,593 | 9% |
| Gross premium income | 33,755,180 | 32,083,331 | 1,671,849 | 5% |
| Net premium income | 10,426,320 | 9,214,365 | 1,211,955 | 13% |
| Underwriting profit | 4,420,855 | 4,065,999 | 354,856 | 9% |
| Interest, investment and other income | 2,534,615 | 2,238,851 | 295,764 | 13% |
| Management expenses | 4,011,947 | 3,025,780 | 986,167 | 33% |
| Profit before income tax expense | 5,022,684 | 4,255,453 | 767,231 | 18% |
| Profit for the year | 4,442,005 | 3,677,086 | 764,919 | 21% |
| **Statement of Financial Position Item** | | | | |
| Total assets | 45,954,162 | 37,819,223 | 8,134,939 | 22% |
| Insurance contract liabilities | 13,160,983 | 11,814,478 | 1,346,505 | 11% |
| Statutory contingency reserve | 10,000,000 | 9,394,735 | 605,265 | 6% |
| Total equity | 22,431,921 | 20,534,906 | 1,897,015 | 9% |

# Management's Discussion and Analysis

For The Year Ended 31 December 2021

This analysis of Custodian and Allied Insurance Limited's performance as at 31 December 2021 should be read in conjunction with the financial statements as at 31 December 2021.

## Business Profile

Custodian and Allied Insurance Limited is a Nigerian company whose vision is to be Africa's insurer of choice, with a mission to develop, package and deliver innovative insurance products that best satisfy customer needs whilst operating a highly profitable, efficient, resourceful and ethical organization that will survive well into the future and be a valuable asset to its shareholders.

Custodian and Allied Insurance Limited ("the Company") is engaged in property-casualty insurance. The products and services are essentially market-driven with emphasis on providing options on policies, paying due regard to production processes employed in various industries. Consequently, our product ranges have been developed to meet and address the needs of our clients, buoyed by the Company's commitment to delivering exemplary service to its clients and outperforming its peers.

## Objectives and Strategies

The Company remains committed to continuous improvement of its structures, systems and processes in order to keep ahead of the challenges of new growth, improving business prospects, transparency, and governance.

The Company's strategy and performance to date are very strong indicators of the Company's vision, mission and long-term growth objectives.

## Highlights of operating performance and financial position

| | 2021 N'000 | 2020 N'000 | Change % |
|---|---|---|---|
| Gross premium written | 34,437,522 | 31,587,929 | 9% |
| | | | |
| Gross premium income | 33,755,180 | 32,083,331 | 5% |
| Net insurance premium income | 10,426,320 | 9,214,365 | 13% |
| Underwriting profit | 4,420,855 | 4,065,999 | 9% |
| Interest, investment and other income | 2,534,615 | 2,238,851 | 13% |
| Management expenses | 4,011,947 | 3,025,780 | 33% |
| Profit before income tax expense | 5,022,684 | 4,255,453 | 18% |
| Profit for the year | 4,442,005 | 3,677,086 | 21% |
| Earnings per share (kobo): | | | |
| Basic/diluted | 32 | 45 | (29%) |
| | | | |
| Cash and cash equivalents | 8,808,248 | 3,506,745 | 151% |
| Total assets | 45,954,162 | 37,819,223 | 22% |
| Insurance contract liabilities | 13,160,983 | 11,814,478 | 11% |
| Total equity | 22,431,921 | 20,534,906 | 9% |

## Underwriting Performance

Gross premium written increased by 9% above prior year while net premium revenue increased by 5%.
During the year, the Company paid out a total of N5.646b (Note 12.2) claims across all general insurance business classes, this is at par compared to prior year claims paid. Underwriting profit is N4.421b compared to N4.066b in 2020, representing an increase of 9%.

## Interest, Investment and other income

Interest, investment and other income for the year was N2.534b up from N2.239b in 2020 representing a 13% increase.

## Management Expenses

Management expenses for the year was N4.011b from N3.026b in 2020 representing an increase of 33%.

## Profitability

The Company's profit before income tax expense was N5.023b compared to N4.255b in 2020, an increase of 18%, the Company's profit for the year was N4.442b compared to N3.677b in 2020, an increase of 21% with basic earnings per share (EPS) decreasing to 32kobo from 45kobo.

Liquidity and financial position

The Company's cash and cash equivalents increased by 151% from N3.507b in 2020 to N8.808b as at 31 December 2021; while Insurance contract liabilities were  N13.161b, 11% increase from N11.814b in 2021. Total assets now stand at N45.954b representing a 22% increase from N37.819b in 2020, while total equity/shareholders' funds increased by 9% to  N22.432b when compared to N20.535b recorded in 2020.

## Future Outlook

Our multi-channel and multiproduct approach, employing digital sales, fulfilment, and premium collection, has continued to deliver on the opportunities created by the current volatile, uncertain, complex, and ambiguous environment. We believe we are well-positioned both to weather the disruption caused by the Covid-19 pandemic, the End SARS Protests and general insecurity in the country, and to support our customers and communities for many years to come. We are confident that we will not only continue to demonstrate our agility and resilience through this period, but that we will emerge from it stronger, more digitally enabled and even better able to serve our customers.

## Management's Discussion and Analysis Contd

We remain focused on our strategic priorities, including to enable our investors to fully benefit from the opportunity presented by our business. We continue to invest and innovate to meet important needs for consumers, we operate a highly resilient business model, and we are dedicated to our purpose of helping people get the most out of life.

The National Insurance Commission (NAICOM) launched its 2021 -2023 strategic plan which is designed to entrench effective and efficient service delivery, ensure safe, sound, and stable insurance sector, adequately protect policyholders and public interest, improve trust and confidence in the insurance sector and encourage innovation and promote insurance market development. Custodian and Allied Insurance Limited is poised to take its leadership position in the non-life segment of the insurance sector in line with our vision to be Africa's Insurer of choice.

- Chairman's Statement
- Board of Directors

## Chairman's Statement

**Distinguished shareholders, members of the board of directors, ladies, and gentlemen. It is my pleasure to welcome you to the Annual General Meeting of our company, Custodian and Allied Insurance Limited, and to present to you the Annual Reports and Account for the year ended 31st December 2021**

Mr. Johnnie Wilcox (Chairman)

# Chairman's Statement Contd

Distinguished shareholders, members of the board of directors, ladies, and gentlemen. It is my pleasure to welcome you to the Annual General Meeting of our company, Custodian and Allied Insurance Limited, and to present to you the Annual Reports and Account for the year ended 31st December 2021, the macroeconomic developments that shaped the period and an outlook for the current year.

The year 2021 was another year of global economic turbulence, with recovery from COVID-19 presenting a mixed picture across the globe. With the emergence of new variants and multiple waves of the virus infection, we had to adapt to a constantly changing landscape. Throughout this time, our company remained committed to safeguarding the interests of shareholders while also maintaining the safety of our employees and supporting our clients and communities. Despite the challenging environment, morale was high, and I am pleased to report that our company weathered the storm.

### Global Economy

The start of the administration of Covid-19 vaccines in the United States and Europe in Q1 of 2021 heralded the opening-up of economic activities which, in turn, drove positive sentiments across global markets and a rise in commodity prices. In the US, the much-awaited stimulus bill of US$1.9trillion was signed into law driving further optimism across US markets.

By Q2 2021, global economy discourse was dominated by the progress in Covid-19 vaccination and the consequent economic recovery as seen in positive macro data from US, China, and other major economies. In the US, conversation also revolved around the infrastructure stimulus, expected inflationary pressure and the possibility of adjusting the FED rate from 0.25% to upwards of 0.6% by 2023.

Vaccine optimism was however dampened in Q3 by concerns over new Covid-19 variants and inflationary pressure which weighed on global financial and commodity markets. This saw crude oil prices fall to $63 per barrel from the high of $76 per barrel. In a bid to boost global liquidity, the International Monetary Fund (IMF) approved the $650bn Special Drawing Rights (SDR) to member countries of which Nigeria's portion of $3.35bn came in August 2021.

Q4 saw continued progress in the administration of vaccines and improved economic activities which drove Brent crude oil to a peak of $86.88 per barrel. The quarter also saw the US FED Reserve begin the unwinding of its massive stimulus program. This, combined with

**Our company remained committed to safeguarding the interests of shareholders while also maintaining the safety of our employees and supporting our clients and communities.**

persistent inflationary pressure, drove the view that the start of a global interest rate tightening cycle is here. Expectation is that Fiscal and monetary support from governments will continue to boost aggregate demand across economies. Global GDP was expected to increase by 5.9% in 2021; while 2022 estimate is put at about 4.9% according to the IMF.

**Domestic Economy**

On a year-on-year basis, the Nigerian economy expanded by 4% in the third quarter of 2021. Growth in Q3 was slightly lower than the 5% recorded in Q2 due to the gradual fading out of the base effect. The growth in GDP was driven by the non-oil sector which grew by 5.4% in the quarter. The oil sector, on the other hand continued its negative trend, declining by 10.73% in the quarter. While the services sector expanded by 8.41%, growth in agriculture sector slowed further to 1.2% in the quarter. The industrial sector declined by 1.6% due to contraction in the oil sector. In the first three quarters of 2021, GDP growth averaged 3.18%. The IMF had projected that the Nigerian economy would grow by 2.6% in 2021 and 2.7% in 2022.

For eight consecutive months, headline inflation rate declined to 15.4% in November 2021 from 18.2% in March 2021, driven by reduced pressure on food inflation rate. December inflation figures however showed an increase in year-on-year inflation to 15.63%. Average inflation rate on an annual basis remained high at 16.98% in 2021 relative to 13.2% recorded in full year 2020. Insecurity, infrastructure deficit and foreign exchange remain driving force for inflation in Nigeria.

In May, the CBN adopted the I&E Window rate as the official exchange rate. As a result, the performance of the Naira on the I&E Window showed some stability. By the end of 2021, exchange rate on the I&E Window stood at N435/US$. This represents a 14% depreciation in 2021. Improved reserve condition, following the external inflows from borrowings, stabilized rates in the short term. However, higher importation of goods and foreign exchange demand to finance services will continue to add pressure on reserves and exchange rate.

Foreign reserves peaked at US$41.8billion in November 2021 and closed the year at US$40.50billion, a decline of 3% for the month. Foreign loans contributed to the growth witnessed in the nation’s foreign reserves. Going into 2022, this trend of declining reserves is expected to continue as FX demand for imported goods and services continue without corresponding FX earnings.

The NGX-ASI recorded a gain of 5.27%, increasing from 40,270.72 index in January to 42,716.44 as of 31 December 2021. This is an upside; however,

**In May, the CBN adopted the I&E Window rate as the official exchange rate. As a result, the performance of the Naira on the I&E Window showed some stability.**

substantially lower than the 50.03% gain recorded in 2020 - the peak year of COVID-19. The gain in the year was driven by 54.38% and 1.72% gains in large-cap stocks in Oil & Gas and Industrial indices, respectively. Also, the Banking and Insurance indices recorded gains of 0.89% and 0.27%, respectively. Consumer Goods index on the other hand lost 3.97%.

### Financial Result

Despite the turbulent economic conditions, our company grew top line gross premium written 9% for the year ended 31 December 2021. Gross premium written grew from N31.59billion in 2020 to N34.44billion in 2021. Profit for the year also recorded 21% increase to close the year at N4.44billion from N3.68billion recorded in 2020. With a total asset base of N45.95billion at 31 December 2021, total asset grew by 22% from the N37.82billion recorded of 2020. Similarly, total equity grew by 9% to close the year at N22.43billion from N20.53billion recorded in 2020. The company will continue to adopt strategies that will ensure steady returns to our shareholders.

### Dividend

In keeping with our practice of consistent dividend payout to our shareholders, the board approved an interim dividend of N1,400,000,000. After due consideration of the need of the company for continuous growth and the need to strengthen its capital base, the Board has proposed a final dividend of N1,400,000,000. If approved, this will bring the total dividend on the year's result to N2,800,000,000.

### Corporate governance

In 2021, we continued to ensure that our corporate governance policies and standards remained congruent with statutory requirements and consistent with our core values.

### Corporate Social Responsibility

As you know, our company remains committed to leaving a positive footprint in the communities where we operate and the society at large. During the year, our company, through Custodian Social Responsibility Foundation, renovated the road and drainage on erstwhile Chapel Street in Yaba. The project has improved access to the community, reduced incidents of flooding and is well lit at night to enhance the

**In keeping with our practice of consistent dividend payout to our shareholders, the board approved an interim dividend of N1,400,000,000.**

economic activities of the neighbourhood. In recognition of our contribution to the development of the community, the Yaba Local Council Development Authority and the Lagos State Government have renamed the street as Custodian Street.

We continue to support the Ilupeju e-library, through provision of alternative power, internet and access to world class e-library platform. Further details of CSR work done can be found in Corporate Social Responsibility and Sustainability section of the Annual Report.

### Outlook

Consensus is that global economic recovery is sustainable despite the lingering scare of Covid-19. Increasing inflationary pressure however remains a downside risk. Recent developments in Ukraine have potential of impacting on energy prices across the world.

On the domestic scene, expected improvement in contribution from the oil sector should provide support for economic output, rising inflation suggests weaker purchasing power, though.

### Conclusion

Though macroeconomic challenges and uncertainties persist, I believe that we will work together to achieve even greater results in the years ahead.

On behalf of the Board of Directors, I would like to thank all our stakeholders for their unwavering commitment to the Company.

God bless you and God bless Nigeria.

**Mr. Johnnie Wilcox**
**Chairman)**

**In recognition of our contribution to the development of the community, the Yaba Local Council Development Authority and the Lagos State Government have renamed the street as Custodian Street.**

# Board of Directors

# Board of Directors

Mr. Johnnie Wilcox (Chairman)

Mr. Edeki Isujeh
(Managing Director)

Mr. Wole Oshin

Mr. Richard Asabia

Mr. Ravi Sharma

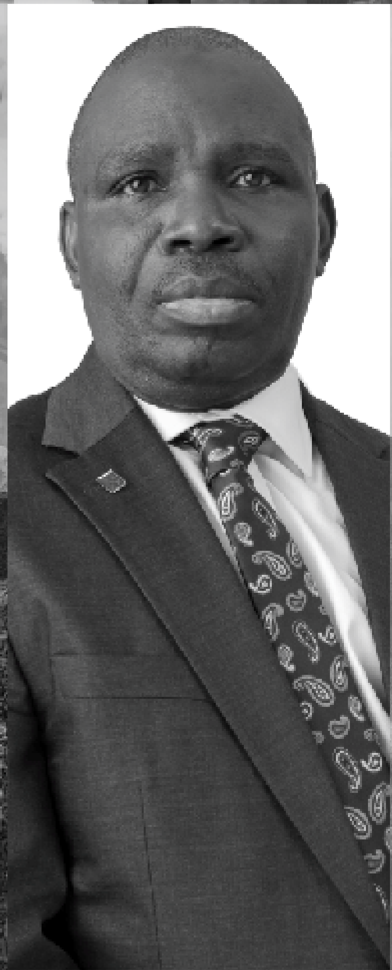
Chief (Mrs.) Margaret Giwa

Mr. Ademola Ajuwon

- Executive Management Team
- Directors Report
- Corporate Governance
- Board Evaluation Report
- Independent Auditors' Report

# Executive Management Team

Mr. Edeki Isujeh
Managing Director



Mr. Kola Lamidi
GM, Operations

Mrs. Olubunmi Aderemi
Head, Management Services

Mr. Abayomi Agiri
Head, Human Resources

Mr. Friday Nwachukwu
Chief Financial Officer

## Executive Management Team Contd

Mr. Anthony Olojede
DGM, Technical

Mr. Olumide Awe
Head, Investment

Mr. Moses Ariyibi
Head, Engineering & Telecoms

Mr. Tunji Anibaba
Head, Oil & Gas

Mrs. Kate Ojih
Head, Northern Region

# Report of The Directors
For the year ended 31 December, 2021

## 1 Accounts

The Directors submit their report on the affairs of Custodian and Allied Insurance Limited ("the Company") together with the Company's audited financial statements for the year ended 31 December 2021.

## 2 Commencement of business

The Company commenced business in 2007.

## 3 Legal form

The Company was incorporated on 16 March, 2007 as a private limited liability company called "Crusader General Insurance Limited". The Company's name was changed to Custodian and Allied Insurance Limited in March 2013 following the successful scheme of merger between Crusader Nigeria Plc and Custodian Investment Plc (formerly Custodian and Allied Plc).

The Company is a wholly owned subsidiary of Custodian Investment Plc (formerly Custodian and Allied Plc).

## 4 Principal activities and business review

The principal activities of the Company during the year were the provision and marketing of general and special risk services and products.

# Report of The Directors Contd

## 5. Directors and their shareholdings

The Directors of the Company and their interest in the share capital of the Company as at the year ended under review were:

| Directors | 2021 | 2020 |
|---|---|---|
| Mr. Johnnie Wilcox | NIL | NIL |
| Mr. Edeki Isujeh | NIL | NIL |
| Mr. Olatoye Odunsi* | NIL | NIL |
| Mr. Oluwole Oshin | NIL | NIL |
| Chief (Mrs.) Margaret Giwa | NIL | NIL |
| Mr. Richard Asabia | NIL | NIL |
| Mr. Ravi Sharma | NIL | NIL |
| Mr. Ademola Ajuwon | NIL | NIL |

*Retired on 31 December 2020
The Company is a fully owned subsidiary of Custodian Investment Plc.

## 6 Directors' interest in contracts

None of the Directors has notified the Company, for the purpose of Section 303 of the Companies and Allied Matters Act, 2020, of any declarable interest in contracts in which the Company was involved as at 31 December 2021.

## 7 Major shareholders

According to the Register of Members, the following Shareholder holds more than 5% of the issued ordinary share capital of the Company as at 31 December 2021:

| Name | Units | % |
|---|---|---|
| Custodian Investment Plc | 13,998,600 | 99.99 |

## 8 Record of Directors' attendance

In accordance with Section 284(2) of the Companies and Allied Matters Act, 2020 the record of the Directors' attendance at Directors' Meetings during 2021 is available for inspection at the Annual General Meeting.

## 9 Analysis of shareholdings

The range of shareholdings as at 31 December 2021 is as follows:

| Range | Number of Holders | Holders % | Holders Cumulative | Units '000 | Units % | Units Cumulative '000 |
|---|---|---|---|---|---|---|
| 1,000,000 | 1 | 50% | 1 | 1,400 | 0.01 | 1,400 |
| 1,000,001 & ABOVE | 1 | 50% | 2 | 13,998,600 | 99.99 | 14,000,000 |

## 10. Results

| | 2021<br>N'000 | 2020<br>N'000 |
|---|---|---|
| Gross premium written | 34,437,522 | 31,587,929 |
| Gross premium income | 33,755,180 | 32,083,331 |
| Profit before income tax expense | 5,022,684 | 4,255,453 |
| Income tax expense | (580,679) | (578,367) |
| Profit for the year | 4,442,005 | 3,677,086 |
| Transfer to statutory contingency reserve | (605,265) | (947,638) |
| | 3,836,740 | 2,729,448 |
| Retained earnings brought forward | 3,793,640 | 6,642,715 |
| Issue of bonus shares | - | (3,500,000) |
| Transfer of fair value reserve of equity instruments designated at FVOCI | - | 21,477 |
| | **7,630,380** | **5,893,640** |
| Final dividend | (1,260,000) | (1,050,000) |
| Interim dividend | (1,400,000) | (1,050,000) |
| **Retained earnings as at 31 December** | **4,970,380** | **3,793,640** |

## 11. Directors' responsibilities

The Directors are responsible for the preparation of the financial statements that present fairly, in all material respects, the state of financial affairs of the Company at the end of each financial year, and of the profit or loss and other comprehensive income for that year, in line with the International Financial Reporting Standards (IFRS) and comply with the Companies and Allied Matters Act, the provision of Insurance Act 2003, the relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011. In so doing, the Directors ensure that:

- Proper accounting records are maintained
- Adequate internal control procedures are established which, as far as is reasonably possible, safeguard the assets and prevent and detect fraud and other irregularities
- Applicable accounting standards are followed
- Suitable accounting policies are adopted and consistently applied
- Judgments and estimates made are reasonable and prudent, and
- The going-concern basis is used, unless it is inappropriate to presume that the Company shall continue in business.

## 12 Corporate governance

The Company maintains corporate policies and standards designed to encourage good and transparent corporate governance, avoid potential conflicts of interest and promote ethical business practices. The business of the Company is conducted with integrity which pays due regard to the legitimate interests of all our stakeholders.

## 13 Personnel

### (a) Employment of disabled persons

No disabled person was employed by the Company during the period under review. It is however the Company's policy to consider disabled persons for employment if academically and mentally qualified.

Average number of persons including Directors employed by the Company during the year was:

| | 2021 Number | 2020 Number |
|---|---|---|
| Management | 11 | 11 |
| Staff | 109 | 111 |

### (b) Health, Safety and Welfare

The Company provides subsidies to all employees for medical care and treatment. Employees are made aware of the safety regulations in force within the premises.

c) **Employee involvement and training**

The Company is committed to keeping its employees fully informed as far as possible regarding the Company's performance and progress, and seeking their views, wherever practicable on matters which particularly affect them as employees. Professional, technical and management expertise are the Company's major assets. Therefore, continuous development thereof is keenly pursued by the Company in the form of regular training for employees.

## 14 Auditors

Deloitte and Touche has indicated their willingness to continue in office as auditors in accordance with Section 401(2) of the Companies and Allied Matters Act, 2020 and Section 6(2) of the National Insurance Commission(NAICOM)'s 2021 Corporate Governance Guidelines for Insurance and Reinsurance Companies in Nigeria.

CUSTODIAN TRUSTEES LTD
AUTHORISED

Adeyinka Jafojo
FRC/2013/NBA/00000002403
For: Custodian Trustees Limited

LAGOS, NIGERIA

COMPANY SECRETARY

10 February 2022

# Statement of Directors Responsibilities

## In Relation To The Preparation Of The Financial Statements for the year ended 31 December, 2021

The Companies and Allied Matters Act, 2020, requires the Directors to prepare financial statements for each financial year that presents fairly, in all material respects, the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, 2020;

b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the preparation and fair presentation of the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board(IASB), the provisions of the Companies and Allied Matters Act, 2020, the Insurance Act 2003 and relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011.

The Directors are of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Company and of its profit and other comprehensive income. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

**Mr. Richard Asabia**
Director
FRC/2013/CISN/00000004762

**10 February 2022**

**Edeki Isujeh**
Managing Director
FRC/2020/003/00000022391

# Certification Pursuant

## To Section 405 Of The Companies And Allied Matters Act, 2020 For The Year Ended 31 December 2021

We the undersigned hereby certify to the following, with regards to the audited financial statements for the year ended 31 December 2021, that: We have reviewed the audited financial statements and based on our knowledge:

i. the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and

ii. the audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the periods covered by the audited financial statements ;

We:

i. are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company is made known to us by other officers of the Company, particularly during the period in which the audited financial statement report is being prepared,

ii. have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of the audited financial statements, and

iii. certify that the Company's internal controls are effective as of that date ;

We have disclosed the following to the Company's auditors and Board audit committee:

i. all significant deficiencies in the design or operation of internal controls which could adversely affect the company's ability to record, process, summarise and report financial data, and has identified for the Company's auditors any material weaknesses in internal controls, and

ii. whether or not, there is any fraud that involves management or other employees who have a significant role in the Company's internal control ; and

We have identified in our report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses. Whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

**Edeki Isujeh**
Managing Director
FRC/2020/003/00000022391

**10 February 2022**

**Friday Nwachukwu**
Chief Financial Officer
FRC/2013/ICAN/00000002207

# Corporate Governance

At Custodian and Allied Insurance Limited, we value our shareholders, we appreciate the fact that our shareholders require ethical behavior and good administration of the Company. The Company has imbibed a culture of compliance to ensure that our operations are conducted in accordance with the principles of probity, accountability, transparency and fairness.

Regulatory compliance is central to our corporate governance framework. The Company ensures strict compliance with the Corporate Governance Guidelines for Insurance & Reinsurance Companies in Nigeria and the Nigerian Code of Corporate Governance 2018 issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria respectively. Our Internal control checks ensure that Custodian meets the legal and ethical standards required of the Board, Management and staff in the day-to-day activities of the Company.

We believe that the input of stakeholders improves our competitiveness and overall performance. We therefore encourage teamwork and recognise contributions from shareholders, employees, clients, creditors and suppliers. Our Corporate Governance framework encapsulates the effective management and promotion of our stakeholders' engagement in achieving our objectives.

## Ethical Standards

The Company is devoted to acting with utmost integrity and expects same of every employee in the Company. The Board has adopted the Corporate Governance Guidelines for Insurance & Reinsurance Companies in Nigeria and the Nigerian Code of Corporate Governance issued by the National Insurance Commission (NAICOM), which sets out the Corporate Governance best practice framework for Custodian and incorporates some of the laws, rules and regulations it is required to comply with. Noting also that the Company is also expected to comply with:

- Companies and Allied Matters Act, 2020
- Nigerian Code of Corporate Governance, 2018
- Financial Reporting Council of Nigeria Act, 2011
- Insurance Act, 2003

# Corporate Governance Contd

- Audit Regulations, 2020
- International best practice.
- The Company's Memorandum and Articles of Association.

Custodian's Code of Conduct and Board Charter corroborates the Company's policy to conduct its affairs in compliance with all applicable laws and regulations and to observe the highest standards of business ethics. Custodian expects that the spirit as well as the letter of these standards are followed by Directors, officers and employees of the Company and its affiliates. This is transmitted to every new Director, officer and employee and was communicated to those in office at the time the Standards of Business Conduct were adopted.

## Corporate Legal Structure

Custodian and Allied Insurance Limited is a limited liability Company as defined under the Companies and Allied Matters Act [the Act]. Corporate powers reside in the Board of Directors and the Shareholders at the Annual General Meeting. The functions and powers of both bodies are stipulated by the Act and the Company's Memorandum and Articles of Association.

## Annual General Meeting

Annual General Meetings are vital to our Corporate Governance framework and are duly convened in line with the Company's Articles of Association and existing statutory requirements. Attendance at Annual General Meetings is open to all Shareholders or their proxies while the principle of 'one share, one vote' applies.

## The Board

Custodian and Allied Insurance Ltd Board of Directors act on behalf of shareholders and is responsible for controlling and managing the strategic business of the Company and constantly reviews and presents a balanced and comprehensive assessment of the Company's performance and future prospects.

It is responsible for putting in place adequate measures that ensure effective risk management and control within the Company; ensures compliance with statutory requirements and internal regulations; approval of periodic financial statements (whether audited or unaudited) and any significant change in accounting policies and/or practices; approval of changes relating to the Company's capital structure, annual operating and capital expenditure budget.

The Board ensures regular training of Board members on issues pertaining to their oversight functions and Corporate Governance. The Board or a Committee of the Board receives and reviews Management reports.

The Board is accountable to Shareholders and ensures that the conduct of the Company's activities is within the applicable regulatory framework. The Board is also responsible for reviewing the Company's performance, setting objectives and determining strategy. In doing this, the Board safeguards the Company's interests and aspires to achieve a long-term increase in the Company's values.

### Delegation to Management

The Board has delegated the responsibility for day-to-day operations of the Company to Management and ensures that Management maintains a balance between promoting long-term growth and delivering short-term objectives. In fulfilling its primary responsibility, the Board is aware of the importance of achieving a balance between adherence to governance principles and economic performance.

### Directors' Independence

Directors are expected to contribute views and judgment at Board deliberations that are independent of Management and free of any business or other relationship or circumstance that could materially interfere with the exercise of objective, unfettered or independent judgment, having regard to the best interests of the Company.

### Meetings of the Board

In order to aid the effective performance of its oversight functions and to adequately monitor Management's performance, the Board meets at least once every quarter. Periodic meetings of the Board are held at such times and places as determined by the Board, while special meetings are held at other times as the Board may consider expedient.

All Directors are provided with notices, agenda and Board documents ahead of each meeting to enable them prepare adequately for meetings. Directors are also provided with regular updates on developments in the regulatory and business environment.

### Change in a Director's Occupation

The Board does not believe that Directors who retire or change the position they held when they became a member of the Board should necessarily leave the Board. However, promptly following such an event, the Director must notify the Board of such event and the Board may take such event into consideration when determining whether to re-nominate such Director.

### Appointment Process, Orientation and Training of Board Members

Custodian and Allied Insurance Ltd's Board Succession Policy ensures that the Company is managed and overseen by knowledgeable, capable and trustworthy individuals. In making Board appointments, the Board recognises knowledge, experience and skill of prospective Directors as well as other qualities considered necessary for the role. The Board Enterprise Risk Management and Governance Committee is responsible for Directors' succession planning and recommends new appointments to the Board.

Upon appointment to the Board, newly appointed Directors are given adequate orientation regarding the Company's business, Corporate Governance and reporting procedures and are updated on such matters on a continuing basis. Directors are briefed on policies and procedures applicable to the Board and Board Committees as well as on the rights and responsibilities of Directors. Various reports are sent to Directors in order to keep them informed of the Company's undertakings.

# Corporate Governance Contd

The Company attaches great importance to training its Directors and for this purpose, continuously offers training and education to its Directors, in order to enhance their performance on the Board and the various committees to which they belong.

## Re-Election of Directors

In accordance with the Company's Articles of Association, one-third of all Non-Executive Directors are presented for re-election every year. In keeping with this requirement, Mr. Oluwole Oshin and Mr. Ravi Sharma will retire at this Annual General Meeting and being eligible will submit themselves for re-election. The Board confirms that following a formal evaluation, these Directors continue to demonstrate commitment to their duties and roles as Non-Executive Directors.

The Board is convinced that the Directors standing for re-election will continue to add value to the Company. The Board believes that they are required to maintain the balance of skill, knowledge and experience on the Board.

The biographical details of Directors standing for re-election are set in the Annual Report.

## Directors Access to Management and Independent Advisers

The Board of Custodian and Allied Insurance Ltd has the authority to retain, terminate and determine the fees and terms of engagement of consultants, legal counsel and other advisers to the Board as the Board may deem appropriate in its discretion. Directors receive operating and financial reports of the Company and have access to Senior Management.

## Board Structure and Composition

Custodian's Board comprises eight [8] Directors. Chief (Mrs.) Margaret Giwa is an Independent Director on the Company's Board and was appointed in accordance with the criteria laid down in the Code of Good Corporate Governance for the Insurance Industry and the Company's Code of Conduct & Board Charter has met the requirement that an Independent Director should not have any significant shareholding interest in the Company.

# Corporate Governance Contd

The Board functions either as a full Board or through any of the under-listed three (3) Committees which are constituted as follows:

**Audit and Compliance Committee**

Chief (Mrs.) Margaret Giwa - Chairperson
Mr. Richard Asabia
Mr. Oluwole Oshin
Mr. Ravi Sharma

**Enterprise Risk Management and Governance Committee**

Mr. Richard Asabia - Chairman
Mr. Wole Oshin
Chief (Mrs.) Margaret Giwa
Mr. Ravi Sharma

**Finance, Investment and General Purpose Committee**

Mr. Ravi Sharma - Chairman
Mr. Richard Asabia
Mr. Oluwole Oshin
Chief (Mrs.) Margaret Giwa
Mr. Edeki Isuieh

A record of attendance at Board of Directors meetings are provided below:

| Directors | February, 2021 | April, 2021 | July, 2021 | October, 2021 |
|---|---|---|---|---|
| Mr. Johnnie Wilcox | ✓ | ✓ | ✓ | ✓ |
| Mr. Edeki Isujeh | ✓ | ✓ | ✓ | ✓ |
| Chief [Mrs.] Margaret Giwa | ✓ | ✓ | ✓ | ✓ |
| Mr. Oluwole Oshin | ✓ | ✓ | ✓ | ✓ |
| Mr. Richard Asabia | ✓ | ✓ | ✓ | ✓ |
| Mr. Ravi Sharma | ✓ | ✓ | ✓ | ✓ |
| Mr. Ademola Ajuwon | ✓ | ✓ | ✓ | ✓ |

A record of the attendance at the Audit and Compliance Committee meetings is provided below:

| Directors | February 2021 | April 2021 | July 2021 | October 2021 |
|---|---|---|---|---|
| Chief (Mrs.) Margaret Giwa | ✓ | ✓ | ✓ | ✓ |
| Mr. Richard Asabia | ✓ | ✓ | ✓ | ✓ |
| Mr. Oluwole Oshin | ✓ | ✓ | ✓ | ✓ |
| Mr. Ravi Sharma | ✓ | ✓ | ✓ | ✓ |

# Corporate Governance Contd

A record of the attendance at the Board Enterprise Risk Management and Governance is provided below:

| Directors | February, 2021 | April, 2021 | July, 2021 | October, 2021 |
|---|---|---|---|---|
| Mr. Richard Asabia | ✓ | ✓ | ✓ | ✓ |
| Mr. Oluwole Oshin | ✓ | ✓ | ✓ | ✓ |
| Chief [Mrs.] Margaret Giwa | ✓ | ✓ | ✓ | ✓ |
| Mr. Ravi Sharma | ✓ | ✓ | ✓ | ✓ |

A record of attendance at Finance, Investment and General-Purpose committee meetings is provided below;

| Directors | February, 2021 | April, 2021 | July, 2021 | October, 2021 |
|---|---|---|---|---|
| Mr. Ravi Sharma | ✓ | ✓ | ✓ | ✓ |
| Mr. Richard Asabia | ✓ | ✓ | ✓ | ✓ |
| Mr. Oluwole Oshin | ✓ | ✓ | ✓ | ✓ |
| Chief [Mrs.] Margaret Giwa | ✓ | ✓ | ✓ | ✓ |

## Profile Of Directors - Custodian & Allied Insurance Limited

### Mr. Johnnie Wilcox- Chairman

Mr. Wilcox is the Chairman of Custodian and Allied Insurance Limited. He began his career as a Consultant with Golding Stewart Wrightson, London in 1986/1987. He joined Nigeria Reinsurance Corporation as the Head of Fire Department and Pools in 1987 from where he left to establish the firm of J.F Wilcox & Associates, a firm of Management Consultants in 1991. He served as the Managing Director/CEO of United Africa Insurance Brokers Limited from 1992 to 2011. He is currently working on several projects for the West African sub region.

### Mr. Wole Oshin- Non-Executive Director

Mr. Oshin is an industry leader with over thirty [30] years of experience and has at various times been a member of the Presidential Committee on Pension Reforms, Chairman of the Nigerian Insurers Association, Council Member of the African Insurance Organisation [Cameroun], Companies Association [Ghana] and External Lecturer – West African Insurance Institute, Banjul, The Gambia. He sits on several Boards including the International Insurance Society [IIS], New York, as well as Nigerian Insurers Association and Advisory Board Member of the Common Wealth Enterprise and Investment Council (United Kingdom). He has received numerous awards including nomination as "African CEO of the Year" by African Reinsurance Corporation and the Harvard Business School Association of Nigeria (HBSAN) Leadership Award for General Management.

### Mr. Richard Asabia- Non-Executive Director

Mr. Richard Gboyega Asabia is a qualified Barrister and a Fellow of the Chartered Institute of Stockbrokers. He served at various times as a Director on the Boards of First Interstate Bank Plc, Banque Internationale Du Benin, Future Unity Glanvilles Ltd and as Chairman, Crusader Nigeria Plc. He is Managing Director/CEO of Interstate Securities Limited and currently sits as a Director on the Board of CrusaderSterling Pensions Limited and as Independent Director of Unity Bank Plc. He is also the Chairman of Custodian Life Assurance Limited [CLA].

### Mr. Ravi Sharma- Non-executive Director

Mr. Sharma has over 15 years' experience obtained in the fields of private banking, investment banking and private equity. He joined Aureos in 2001 as a consultant and was a key member of the local team that participated in the establishment of the Aureos West Africa Fund LLC [AWAF] in 2003; which included opening a new office for Aureos in Nigeria and subsequently the Aureos Africa Fund LLC [AAF] in 2008. Aureos was bought by the Abraaj group in 2012.

His previous experience was gained in private and investment banking with Barclays Private Bank [London] and TAIB Bank [London] and he sits on the board of several companies.

**Mr. Ademola Ajuwon**

Ademola is an accomplished executive with domestic and international experience in Financial Control, ERP Systems Integration, Project Management, Capital Sourcing, Treasury Management and Investment Appraisal. A 1984 graduate of Accounting from the University of Benin and winner of the prestigious CJ Buck's prize for excellent score in Management Accounting at the final examination of the Institute of Chartered Accountants of Nigeria [May, 1986], Ademola started his career with the firm of Akintola Williams & Co and qualified as a chartered accountant with Arthur Andersen & Co. [now KPMG Professional Services] before working, at various times, as Head, Money Markets / Discountable Instruments Unit at Ecobank Nigeria PLC and pioneer Treasury Manager at Zenith International Bank PLC.

He has provided leading-edge consulting services on financial applications analysis and value added technology deployment to world class organizations including the City of Atlanta, Yale University, the George Washington University, City of Detroit, AT&T, Dell Corporation, Lexmark Corporation, Severstal Steel and the American Red Cross.

He has attended several management and professional development courses at home and abroad. A fellow of the Institute of Chartered Accountants of Nigeria and member of the American Institute of Certified Public Accountants, Ademola is certified as a financial applications consultant by both Oracle Corporation and SAGE Corporation.

**Chief [Mrs.] Margaret Giwa**

Chief (Mrs.) Margaret Giwa is a seasoned professional, who brings in a wealth of experience of over three decades in Business Management and Real Estate. She holds a Bachelor of Arts degree in English Education and a Master's in International Law & Diplomacy. She is a member of the Institute of Directors (IOD) and sits on the Board of other companies.

# Corporate Governance Contd

### Edeki Femi Isujeh - Managing Director

Mr. Isujeh started his career in insurance with Security Assurance Plc in 1991 where he worked before joining Perpetual Assurance Company Limited in 1993. While in Perpetual Assurance, he worked in all core departments in various capacities for eight years before joining Custodian and Allied Insurance Plc [now Custodian and Allied Limited] in December 2001.

He is a member of the Chartered Insurance Institute, London. In addition, he is an alumnus of Lagos Business School [LBS SMP 18].

### Communication with Third Parties

Directors are of the opinion that it is the responsibility of Management to speak for the Company regarding communications with third parties such as investors, the press and public in general. Directors only engage in such communications at the request of or after consultation with Management.

### Performance Monitoring and Evaluation

In Custodian's customary manner of imbibing the best corporate governance practices, the Board engaged the services of an Independent Consultant, Society for Corporate Governance Nigeria, to carry out the annual Board and Directors appraisal for the 2021 financial year.

The Board believes that the use of an independent consultant not only encourages Directors to be more honest in their evaluation of the Board performance, but also enhances the objectivity and transparency of the evaluation process.

The annual appraisal covered all aspects of the Board's composition, structure, responsibilities, relationships, processes, individual member's competencies and respective roles in the overall performance of the Board, as well as the Company's compliance status with the provisions of the Nigerian Code of Corporate Governance 2018 and the Corporate Governance Guidelines for Insurance & Reinsurance Companies in Nigeria issued by NAICOM and the Financial Reporting Council of Nigeria. The result also confirmed that the individual Directors and the Board continue to operate at a high level of effectiveness and efficiency.

# Corporate Governance Contd

### Roles of the Chairman and the Managing Director

In line with internationally accepted best practice, there is separation of powers between the Chairman and the Managing Director. The roles of the Chairman and the Managing Director are separate and distinct. The Chairman's priority is to lead the Board and ensure its effectiveness while the Managing Director's priority is the management of the Company.

### Skills, Knowledge and Characteristics of the Board

The profile and qualifications of Board members are periodically reviewed to ensure that the Board possesses diverse and varying expertise in the performance of its functions and a balanced mix of attributes and experiences enabling them to evaluate the Company's related and core business.

### Company Secretariat and Access to Independent Professional Advice

Custodian Trustees Limited acts as Company Secretary to the Company.

The Company Secretary works closely with the Chairman to manage the flow of information between the Board, its Committees and Senior Executives of the Company. The Company Secretary is also responsible for providing advice and support to the Board on governance related matters. The appointment and removal of the Company Secretary is subject to Board approval and all Directors have a right of access to information and advice, facilitated through the Company Secretary.

The Company Secretary is responsible for keeping Directors abreast of statutory requirements relating to Corporate Governance and providing guidance when required in relation to Directors roles and responsibilities. The Secretariat maintains the register and other records of the Company and generally acts as a liaison between the Board and Shareholders.

In addition to the assistance provided by the Company Secretary, the Board reserves the right to obtain advice and assistance from relevant independent external professional advisers and experts at the expense of the Company and as it may consider appropriate to assist it in carrying out its duties.

### Anti-bribery and Corruption Policy

At Custodian and Allied Insurance Limited, we are committed to high ethical standards and integrity. The Company's Anti-Bribery & Corruption policy prohibits offering of or giving something valuable for the purpose of persuading an official or any person to misuse his office to benefit the Company or its employees.

## Corporate Governance Contd

The Policy also prohibits receiving something valuable for the purpose of influencing an official action. The Company's Board of Directors and Senior Management are charged with the responsibility of ensuring that the Company complies with the Policy.

### Remuneration Policy

Consistent with the Company's policy, remuneration of Directors is fixed by the ERM and Governance Committee of the Board, which also has the responsibility of making recommendations to the Board on all payments made to Directors.

Non-Executive Directors are remunerated in line with the Company's policy of providing them with fixed annual fees and sitting allowances for their service on the Board and Committees.

In accordance with the Company's strategy of continuous development, the Company has a Clawback Policy.

### Employee Involvement and Training

Custodian encourages participation of employees in arriving at decisions in respect of matters affecting their well-being through various fora. Towards this end, employees are provided opportunities to deliberate on issues affecting the Company and employees' interests, with a view to making inputs to decisions thereon.

In accordance with the Company's policy of continuous development, employees of the Company are nominated to attend regular training programmes. These are complemented by on-the-job training.

### Sustainability/ Environmental, Social and Governance (ESG) Policy

Consistent with the Company's policy on Sustainability and ESG, Custodian is committed to providing a safe and healthy work environment for the employees of the Company, promoting environmental awareness, and ensuring full compliance with all environmental legislations and regulations.

### Shareholders Rights

The Board treats all the Company's shareholders equally, regardless of the magnitude of their shareholdings and social conditions. The Company ensures that all Shareholders receive notices of meetings.

# Corporate Governance Contd

### External Auditors

Deloitte & Touche acted as the Company's External Auditors for the 2021 financial year. The firm ensures that its responsibilities to the Company are carried out in an independent manner.

### Internal Controls

Custodian's internal audit function provides oversight on significant compliance issues and guide strategies, policies and practices for assessing and managing risk across the Company. The head of the Department is a competent professional Accountant with high integrity.

### Accounting Principles, Disclosure and Reporting

Custodian's accounting practices are fundamental to the information required by its investors, customers, regulators and other stakeholders to facilitate objective evaluation of the Company and its future prospects. Custodian's accounting records are presented in a concise and transparent manner so that the Company's financial position at any given time is adequately disclosed.

Reporting and disclosure requirements are in accordance with International Financial Reporting Standards [IFRS]. The Company ensures prudent financial reporting and maximum disclosure in the Annual Reports & Accounts.

### Diversity

Custodian acknowledges that a diverse workforce is of significant social and commercial value and important to being an inclusive employer. Custodian accepts the value that diversity can bring, which includes:

- Providing greater alignment to customer needs.
- Improving creativity and innovation.
- Broadening the skills and experience of the labour pool from which Custodian can draw and attract top talent to its businesses.

The Company strives to create a work environment which is inclusive to all people regardless of gender, age, race, disability, sexual orientation, cultural background, religion, family responsibilities or any other area of potential difference. All areas of diversity are important and Custodian pays particular attention to gender diversity.

# Corporate Governance Contd

**Code of Ethics**

The Company prioritises high ethical standards and expects its Board, Executives and Employees to observe such standards in all their dealings. The Company's Code of Ethics Policy outlines the minimum standards of conduct expected in the management of its business. All stakeholders are expected to comply with these standards in the discharge of their duties.

**Whistle-blowing**

Custodian has a whistle blowing policy which allows for reporting of suspected breaches of the Company's policies or other unethical practices. The policy also provides for protection against harassment or victimization of employees who report genuine concerns, malpractice or illegal acts or omissions by Directors and employees.

The Company's whistle blowing policy ensures that whistle blowing would assist in uncovering significant risks in line with best practices. Under the policy, a whistle blower who in good faith, reports suspected violations or attempted violation of the Policy or who reports a request or offer of a corrupt payment is protected. A form for this purpose is available on the Company's website.

**Statement of Compliance**

Custodian and Allied Insurance Limited is a Limited Liability Company and is subject to the jurisdiction of the Nigerian Code of Corporate Governance. The Board of Directors charged with the responsibility of ensuring compliance, has submitted that the Company was in compliance with the provisions of the Guidelines in the 2021 financial year.

The Company also complied with all the relevant laws of Nigeria.

CUSTODIAN TRUSTEES LTD
AUTHORISED

ADEYINKA JAFOJO
FRC/2013/NBA/00000002403
Custodian Trustees Limited
Company Secretary
Dated this February 10, 2022.

# Board Evaluation Report

For the Board of Custodian And Allied Insurance Limited

LEADERSHIP & INTEGRITY

**SOCIETY FOR CORPORATE GOVERNANCE NIGERIA**

8 Origefon Road, Palace Way, Oniru. P.O.Box 73002, Victoria Island, Lagos.
Phone: +234 8154080038, 8158380740
Website: www.corpgovnigeria.org

### Executive Summary

The Society for Corporate Governance Nigeria was engaged to conduct an independent evaluation/assessment of the performance of the Board of Custodian and Allied Insurance Limited for 2021as part of stipulated regulatory requirement.

### SCOPE

The scope of the evaluation covered the following areas:

- Composition, commitment, and alignment of the skills/qualifications of directors to business requirement and performance
- Composition/effectiveness of the committees
- Compliance with existing regulatory requirement
- Effectiveness of directors in delivery of their fiduciary responsibilities
- Effective transparency and disclosure channels

Below is a summary of our findings:

### Leadership

The Board Chairman exhibits a leadership style that promotes an environment that encourages and supports the active participation and contribution of Board members at meetings. The position of the Chairman and Managing Director are held by separate individuals which shows clear separation of powers between both offices. The Chairman is a Non-Executive Director and not a member of any board committee in line with regulatory requirements.

# Board Evaluation Report Contd

### Board Meetings

The Board met four (4) times with an aggregate attendance of 100% in the period under review. Meetings held were constructive, aligned to the agenda and directors gave meaningful contributions. Board packs were circulated to directors to better prepare for meetings. The Board adequately performed its oversight and other functions on the company.

### Board Composition & Capacity

The Board comprises of a total of six (6) male directors and one (1) female director. The board composition is as follows- One (1) Executive Directors, five (5) Non-Executive Directors and one (1) Independent Non-Executive Directors. We recommend that the board considers appointing new directors, preferably female for gender balance on the Board. The Board should ensure the approval of the Executive director by NAICOM is finalized.

### Board Committees

The Board has duly constituted committees.

### Board Oversight Functions

All policy documents were sighted and assessed for content and relevance and were found to be detailed, comprehensive, and articulate in efficiently guiding business processes and mitigating risk exposures.

### Strategy & Planning

The Board takes its strategic oversight seriously, setting strategic initiatives and direction for the Company. Transparency and Accountability: Board ensures timely disclosures are made to provide stakeholders with relevant and reliable information about the quality of the company’s governance practices. The Company’s communications are in plain language, readable, and understandable. Dealings of the company and Board are transparent and in the best interest of the company. Stakeholders have a true picture of the Company’s financial position as reflected on its Annual Reports and published on its official website.

## Board Evaluation Report Contd

**Director Appointment & Development**

Directors have shown commitment to regular trainings to update their knowledge and skill. Board members participated in training beneficial to the quality of contributions during board meeting discussions.

Based on the analysis of the result, the Board of Directors have demonstrated its dedication and commitment to the growth and success of the Company. This is demonstrated by their contributions, individual performance, attendance at Board and Committee meetings and the depth of discussions and resolutions arrived at during these meetings. There is also an alignment between the competencies of directors and the requirements / needs of the Company.

In line with Nigerian Code of Corporate Governance (NCCG), we have found Custodian and Allied Insurance Limited to be compliant with regulatory requirements and recommended best practices for the period under review (2021).

In all, we are pleased to state that the Board of Custodian and Allied Insurance Limited conducted its affairs in an acceptable and satisfactory manner in 2021.

**SOCIETY FOR CORPORATE GOVERNANCE NIGERIA**

**Chioma Mordi (Mrs.)**
Chief Executive Officer
FRC/2014/NIM/00000007899

Deloitte.

# Independent Auditors' Report To The Shareholders Of Custodian Investment Plc

## Opinion

We have audited the financial statements of Custodian and Allied Insurance Limited set out on pages 106 to 243 which comprise the statements of financial position as of 31 December 2021, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, the note s to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of financial position of Custodian and Allied Insurance Limited as at 31 December 2021, and it's financial performance and statement of cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act (CAMA), the Insurance Act CAP 117 LFN 2004, circulars and guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act.

## 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of Financial Statements in Nigeria.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matter**

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current year. The matter was addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| **Valuation of Insurance Contracts**<br>Under IFRS 4, the Company is required to perform adequacy test on its insurance contract liabilities to ensure the carrying value of the liabilities is adequate.<br>As disclosed in note 12 to the financial statements, the insurance contract liabilities for the Comp any amounted to N13.161billion [2020: N11.814 billion]. This represents about 55% of the of the Company's total liabilities as at 31 December 2021.<br><br>Determination of the fair value of the contracts is an area that involves exercise of significant judgement and use of key inputs and assumptions. Some of these include operating assumptions in relation to uncertain future outcomes like mortality, morbidity, lapse and surrender, etc., and also economic assumptions relating to interest rates, inflation rates, expenses, return on investments, discount rates, future growth rates etc. These are the key inputs used to estimate these long-term liabilities | Our procedures included the following among others:<br>- We reviewed the methodology and processes adopted by management for making reserves in the books of the company.<br>- We tested entity's control around reserving process and maintenance of data for valuation of insurance contract liabilities.<br>- We validated the data used in the valuation of the insurance contract liabilities.<br>- We considered the validity of management's liability adequacy testing which is a key test performed to check that the liabilities are adequate in the context of expected experience. Our work on the liability adequacy test includes assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of company and industry experience data and specific product features.<br>- We involved Deloitte Actuary in the review of the assumptions and estimates used by management and assessment of the adequacy of |

# Independent Auditors’ Report Contd

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| The Company has an in-house actuary who assesses, on periodic basis, an estimate of the insurance liabilities for the various portfolio managed by the company. At the end of each financial year, management employ the services of an external actuary in the determination of its insurance liability after considering the accuracy and integrity of data used in the valuation. Necessary adjustments are made in the financial statements to reflect the liabilities determined by the actuary. | - We ensured the appropriateness of the journals posted, footed and agreed the figures disclosed in the financial statements to the figures stated in the actuarial valuation after thorough review of the basis and assumptions.<br><br>- We found that the assumptions used by management were comparable with the market, accord with best practices, the key input data used in estimating the fair value of the insurance contracts liabilities were appropriate in the circumstances. We consider the disclosure of the liabilities to be adequate, relevant and useful.<br><br>We found that the assumptions used by management were comparable with the market, reasonable, the key input data used in estimating the fair value of the insurance contracts liabilities were reasonable in the circumstances. We consider the disclosure of the liabilities to be adequate, relevant, and useful. |

## Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, Corporate Governance Report, Risk Management Report and the Management Discussion and Analysis, which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act (CAMA), the Financial Reporting Council Act, 2011 and the Insurance Act CAP I17 LFN 2004, circulars and guidance issued by the National Insurance Commission (NAICOM), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 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 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 Company'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 the directors' 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.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable by the public from such communication.

## Report on Other Legal and Regulatory Requirements

In accordance with the Fifth Schedule of the Companies and Allied Matters Act (CAMA), and section 28(2) of the Insurance Act 117 LFN 2004, we expressly state that:

# Independent Auditors' Report Contd

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) The Company has kept proper books of account, so far as appears from our examination of those books.

iii) The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

No evidence of non-compliance with laws and regulations (NOCLAR) came to our attention during our audit of the financial statements for the year.


**For:** Deloitte & Touché
Chartered Accountants
Lagos, Nigeria

11 February, 2022

**Engagement partner:** Joshua Ojo

FRC/2013/ICAN/00000000849

# Summary of Significant Accounting Policies

# Summary of Significant Accounting Policies

## 1 Corporate information

Custodian and Allied Insurance Limited ("the Company") commenced operations in 2007. The principal objective of the Company is to render qualitative insurance & risks management services. The company is principally engaged in General Insurance activities. It is a provider of non-life insurance services like auto Insurance, travel Insurance, special risks and other non-life insurance services for both corporate and individual customers.

The Company pays claims arising from insurance contract liabilities and invests policy holders' funds in line with the provisions of Insurance Act, CAP I17, LFN 2004 and NAICOM guidelines.

Custodian and Allied Insurance Limited (RC 685235) was incorporated on 16 March, 2007 as a private limited liability company called "Crusader General Insurance Limited". The Company's name was changed to Custodian and Allied Insurance Limited in March 2013 following the successful scheme of merger between Crusader Nigeria Plc and Custodian Investment Plc (formerly Custodian and Allied Plc).

The Company is a wholly owned subsidiary of Custodian Investment Plc.

Custodian and Allied Insurance Limited is regulated by the National Insurance Commission of Nigeria.

## 2 Summary of significant accounting policies

### 2.1 Introduction to summary of accounting policies

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

### 2.2 Basis of presentation and compliance with IFRS

These Financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and IFRS Interpretation Committee (IFRIC) interpretations applicable to companies reporting under IFRS and in the manner required by Companies and Allied Matters Act of Nigeria, the Insurance Act of Nigeria, the Financial Reporting Council of Nigeria( FRC Act) and Nigerian Insurance Commission(NAICOM) guidelines and circulars. Additional information required by national regulations has been included where appropriate.

# Summary of Significant Accounting Policies Contd

The preparation of these financial statements have been based on the historical cost basis except for investment properties and certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

In accordance with IFRS 4 Insurance Contracts, the Company has applied existing accounting policies for Non-life insurance contracts, modified as appropriate to comply with the IFRS framework.

The preparation of financial statements in conformity with IFRS requires the Company's Board of Directors to exercise its judgment in applying the Company's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions or estimates are significant to the financial statements are as disclosed in Note 3.

The financial statements of Custodian and Allied Insurance Limited have been prepared on a going concern basis. The Directors of the Company have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The principal accounting policies are set out below.

## 2.3 Changes in accounting policies and disclosures

### New and amended standards and interpretations

The Company applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

### Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In the prior year, the Company adopted the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

# Summary of Significant Accounting Policies Contd

In the current year, the Company adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Company to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

. A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

. Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued

. Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

Both the Phase 1 and Phase 2 had no impact on the company's financial statements as it does not have any hedging relationships directly affected by interest rate benchmark reform and there was no changing in the basis for determining the contractual cash flows of any of the financial assets or financial liabilities . The Company intends to use the practical expedients in future periods if they become applicable.

**Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16**

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

## 2.4 Presentation and functional currency

The financial statements are presented in Nigeria Naira (N) and are rounded to the nearest thousand ('000) unless otherwise stated.

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The Company is incorporated in Nigeria and has adopted Naira as its functional currency.

## 2.5 Foreign currencies

### Transactions and balances

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary item or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on non-monetary is recognised on profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

## 2.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. These assets are readily convertible into known amounts of cash.

## 2.7 Financial instruments

### Initial recognition and measurement

Financial assets are classified, at initial recognition, as measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies on Revenue from non-insurance contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

## Business model assessment

There are three business models available under IFRS 9:

- Hold to collect Financial assets with objective to collect contractual cash flows.
- Hold to Collect and sell (Financial assets held with the objective of both collecting contractual cash flows and selling financial assets).
- Other Financial Assets held with trading intent or that do not meet the criteria of either "Hold to Collect" or "Hold to Collect and sell".

The Assessment of the business model requires judgment based on the facts and circumstances as at the date of the assessment. Custodian and Allied Insurance Limited has considered quantitative factors (e.g. expected frequency value, volume and timing of sales) and qualitative factors such as how the performance of the business model and financial assets held within the business model are evaluated and reported to management; the risk that affect the performance of the business, model and the financial assets held within the business model. In particular, the way in which those risks are managed; and how management received returns on the assets (i.e. whether the returns are based on fair value of the assets managed or on contractual cash flows collected).

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

## Solely Payments of Principal and Interest (SPPI)

If a financial asset is held in either a Hold to Collect or Hold to Collect and Sell model, then an assessment is determined whether contractual cash flows are solely payments of principal and interest on principal amount outstanding at initial recognition is required to determine the classification.

Contractual cash flows that are SPPI on the principal amount outstanding are considered as basic lending arrangement with interest as consideration for the time value of money and the credit risk associated with the principal amount outstanding during the tenor of the agreed arrangement.

Other basic lending risks like Liquidity risk and cost of administration associated with holding the financial asset for the specified tenor and the profit margin that is consistent with a basic lending arrangement.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

**Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes debt instruments (bonds), loans to staff, fixed deposits with banks and other receivables.

**Financial assets at fair value through OCI (debt instruments)**

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

During the year under consideration, the Company did not have any debt instruments at fair value through OCI.

**Financial assets designated at fair value through OCI (equity instruments)**
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Company elected to classify irrevocably its non-listed equity investments under this category.

**Financial assets at fair value through profit or loss**
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established.

**Derecognition**
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangements and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

# Summary of Significant Accounting Policies Contd

## Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For debt instruments at amortised cost, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the credit rating of the debt instrument by international credit rating agencies like S&P, Moody's and Fitch as well as local ratings by Agusto and Co. It is the Company’s policy to measure ECLs on such instruments on a 12-month basis. Where the credit risk of any bond deteriorates, the Company will sell the bond and purchase bonds meeting the required investment grade.

The Company’s debt instruments at amortised cost comprise solely of quoted bonds that are graded in the top investment category and the credit ratings are tracked by the finance and investment teams via publications by International Credit Rating Agencies and trading exchange platforms.

The Company's fixed income investment portfolio consists of Investment grade and high speculative bonds and, therefore, are considered to be low credit risk investments. It is the Company’s policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the International Credit Rating Agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant estimates Judgements and assumptions - Note 3
- Financial assets at amortised cost - Notes 1.3, 2.3 and 2.4 to the financial statements
- Other receivables and prepayments - Note 6.4

**Write off**

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The Company categorises its receivables for write off when a debtor fails to make contractual payments greater than 360 days past due. Where financial assets have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The gross carrying amount of an asset is written off (either fully or partially) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cashflows to repay the amount subject to write off. However, the financial assets that are subjected to write off could still be subject to enforcement activities in other to comply with the Company's procedures for recovery of amount due.

## 2.8 Financial liabilities and equity instruments

### 2.8.1 Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### 2.8.2 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### 2.8.3 Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to other equity. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the effective interest method. Once the convertible security is not convertible to fixed numbers of ordinary shares, it cannot be considered a compound instrument.

**2.8.4 Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss (FVTPL)' or 'other financial liabilities'. The Company does not have any financial liability that is measured at fair value through profit or loss during the period under review.

**2.8.4.1 Other financial liabilities**

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

**2.8.4.2 Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are extinguished- i.e. when the obligation specified in the contract is discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

**2.8.4.3 Offsetting of financial instruments**

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

**2.9 Other receivables and prepayments**

These principally consists of prepayments, sundry debtors and staff loans (carried at amortised cost). Prepayment is not a financial asset. Thus, it is measured at amount initially paid less amortization to profit or loss.

**2.10 Reinsurance contracts**

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outwards reinsurance premiums are accounted for in the same period as the related premiums for the direct or inwards reinsurance business being reinsured.

**2.10.1 Reinsurance assets**

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and ceded policy claims. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of the reinsurance contract. Reinsurance is recorded as an asset unless a right of set-off exists, in which case the associated liabilities are reduced to take account of reinsurance.

Reinsurance assets are subject to impairment testing when and only when;

(a) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract; and

(b) that event has a reliably measurable impact on the amounts that the cedant will receive from the reinsurer.

The carrying amount is reduced to its recoverable amount when there is an impairment loss. The impairment loss is recognised as an expense in the profit or loss. The asset is impaired if objective evidence is available to suggest that it is probable that the Company will not be able to collect the amounts due from reinsurers.

Reinsurance liabilities are derecognised when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

# Summary of Significant Accounting Policies Contd

### 2.10.2 Reinsurance recoveries

Reinsurance recoveries in respect of Incurred but not reported (IBNR) claims are assumed to be consistent with the historical recoveries on paid and outstanding claims, adjusted to reflect changes in the nature and extent of the Company's reinsurance programmes. An assessment is made of the recoverability of reinsurance having regard to available data on the financial strength of the reinsurance companies.

Gains or losses on buying reinsurance are recognised in income at the date of purchase and are not amortised.

### 2.10.3 Reinsurance liabilities

Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognised as an expense when due.

### 2.11 Deferred acquisition costs

The incremental costs directly attributable to the acquisition of new business are deferred by recognising an asset. For other insurance contracts, acquisition costs including both incremental acquisition costs and other indirect costs of acquiring and processing new business are deferred (deferred acquisition costs).

Where such business is reinsured the reinsurer's share is carried forward as deferred income.

Deferred acquisition costs and deferred origination costs are amortized systematically over the life of the contracts and tested for impairment at each reporting date. Any amount not recoverable is expensed. They are derecognised when the related contracts are settled or disposed of.

#### Deferred income - Reinsurance commissions

The Company recognises commissions receivable on outwards reinsurance contracts as a deferred income and amortised over the average term of the expected premiums payable.

### 2.12 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited independent external valuer applying a valuation model. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised. The amount of consideration to be included in the gain or loss arising from derecognition of investment property is determined in accordance with the requirements for determining the transaction prices in IFRS 15.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If a property initially classified as property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

## 2.13 Intangible assets

### Software

The amount initially recognised for intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Its estimated useful life typically varies between 3 and 5 years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year–end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

## 2.13 Intangible assets

### Acquired Insurance Liabilities

On acquisition of a portfolio of insurance contracts the difference between the fair value and the carrying value of the insurance liabilities measured under the Company's accounting policies is recognised as an intangible asset. This is amortized on a systematic basis over the estimated life of the acquired contracts which typically varies between 1 and 10 years. The carrying value is assessed at each reporting date and any reductions are recognised in profit or loss for the period in which they arise. The subsequent measurement of this asset is consistent with the measurement of the related insurance liability.

## 2.14 Property, plant and equipment

Property, plant and equipment are those owned and used by the Company, and are stated in the statement of financial position at cost, less any accumulated depreciation and accumulated impairment loss (if any).

Properties, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is calculated at the following annual rates:

| Asset Description | Years |
|---|---|
| Motor Vehicles | 4 |
| Furniture and Fittings | 5 |
| Computer and Office Equipment | 4 |
| Plant and Machinery | 5 |

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

## 2.15 Impairment of intangible assets

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The Company tests an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount

(a) annually, and
(b) whenever there is an indication that the intangible asset may be impaired.

If there is any indication that an asset may be impaired, recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the company’s CGUs to which the individual assets are allocated.

Recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.16 Impairment of property, plant and equipment and right of use (ROU) asset

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Such circumstances include, though are not limited to, significant or sustained declines in revenues or earnings and material adverse changes in the economic environment.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets.

A Cash Generating Unit (CGU) is the smallest identifiable unit of asset that generates cash inflows that are largely independent of the cash inflows from other assets or Company of assets. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. To calculate value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Fair value less costs of disposal is determined by taking recent market transactions into accounts. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses, if any, are recognised in profit or loss and are only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised. For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

## 2.17 Leases

### Initial recognition and measurement

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

### Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The cost of a right-of-use asset at inception of the lease includes an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Company incurs the obligation for those costs at the commencement date or as a consequence of having used the underlying asset during a particular period.

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets (Real Estate 2 to 5 years)

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section(s) Impairment of non-financial assets Property plant and equipment- (Note 2.16).

The Company's lease arrangements are majorly real estate leases which include leases of office spaces. These lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition.

### ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not clearly stated in the lease contract. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

### iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

### Company as a lessor

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

The Company enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. if the head lease is a short-term lease that the entity, as a lessee, has accounted for applying paragraph 6, the sublease shall be classified as an operating lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

**Rent receivables**

Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost. Refer to accounting policies on financial assets in this note 2.7.

**Tenant deposits**

Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term. Refer also to accounting policies on financial liabilities in note. 2.8.4.

### 2.18 Statutory deposit

Statutory deposit represents a deposit of 10% of the regulatory minimum share capital (N3bn) for a non-life insurance business kept with the Central Bank of Nigeria. The cash amount held is considered to be a restricted cash balance.

### 2.19 Insurance contract liabilities

### 2.19.1 Provision for Outstanding claims and Incurred but not reported (IBNR) claims

Provision for liabilities of insurance contracts is made for outstanding claims and settlement expenses incurred at the reporting date including an estimate for the cost of claims incurred but not reported (IBNR) at that date. Included in the provision is an estimate of the internal and external costs of handling the outstanding claims.

Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, environmental and pollution exposures, the ultimate cost of which may vary from the original assessment. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately, if material. The liability for Incurred but not Reported (IBNR) claims is calculated at the end of the reporting period, using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability was discounted for time value of money; and no further provision was made for equalisation or catastrophe reserves (as prohibited by IFRS 4).

These liabilities are derecognised when the obligation to pay a claim is extinguished (i.e. expired, discharged or cancelled).

### 2.19.2 Provision for unearned premiums and unexpired risks

The provision for unearned premiums represents that part of written premiums, gross of commission payable to intermediaries that is estimated to be earned in subsequent periods. The change in the provision is recorded in the profit or loss to recognise revenue over the period of the risk.

### 2.19.3 Liability adequacy

At each reporting date the Company performs a liability adequacy test on its insurance liabilities less related deferred acquisition costs and intangible assets to ensure that the carrying value is adequate, using current estimates of future cash flows, taking into account the relevant investment return.

If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognised as an expense in the profit or loss initially by writing off the intangible assets and subsequently by recognising an additional liability for claims provisions or recognising a provision for unexpired risks.

The unexpired risks provision is assessed in aggregate for business classes which are managed together.

### 2.20 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted.

**2.21 Other payables**

**2.21.1 Other payables and Provisions**

Other payables are initially recognised at fair value, fair value represents transaction price and subsequently measured at amortised cost. Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**2.22 Taxation**

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

**2.22.1 Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The current taxes include: Company Income Tax at 30% of taxable profit; Education Tax at 2% of assessable profit; Capital Gain Tax at 10% of chargeable gains; and Information Technology Development Levy at 1% of accounting profit. Minimum tax may be computed based on CITA.

### 2.22.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is provided and accounted for using liability method. Deferred tax assets are generally recognised for all deductible temporary difference, unutilised tax loss and unutilised tax credits.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

### 2.22.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

The Company offsets deferred tax assets and deferred tax liabilities if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or
(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered

### 2.23 Employee benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

This is done in line with the Pension Reform Act 2014, whereby the minimum rate of Pension Contribution is 18% of monthly emolument, where 8% will be contributed by employee and 10% by the employer.

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are recognised as employee benefit expense and accrued when the associated services are rendered by the employees of the Company.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 2.24 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

**2.25 Statutory contingency reserve**

The Company maintains Statutory contingency reserve in accordance with the provision of Section 21(2) of the Insurance Act CAP I17, LFN 2004 to cover fluctuations in securities and variations in statistical estimates at a rate equal to greater of 3% of gross premium or 20% of net profits until the accumulated amount reaches the greater of the minimum paid-up capital or 50% of the net premium.

**2.26 Dividends**

Interim dividend paid to the shareholders of the Company is recognised in the period in which the interim dividend approved by the Board of Directors or a second interim dividend approved by the Company's shareholders at the Company's annual general meeting is paid.

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders at the Annual General Meeting.

**2.27 Revenue recognition**

**2.27.1 Gross written Premium**

Written premiums comprise the premiums on contracts incepted in the financial year. Written premiums are stated gross of commissions that are payable to intermediaries and exclusive of taxes and duties on premiums.

Unearned premiums are those proportions of the premium which relate to periods of risk after the reporting date.
Unearned premiums are calculated on a time apportionment basis.

**2.27.2 Fees and commission income**

Fees and commission income consist primarily of agency and brokerage commission, reinsurance and profit commissions, policyholder administration fees and other contract fees. Reinsurance commission receivables are deferred in the same way as acquisition costs. All other fees and commission income are recognised as the services are provided.

**2.27.3 Investment income**

Investment income consists of dividend, interest and rental income on investment properties, realized gains and losses, and unrealized gains and losses on fair value assets.

### Interest income

Interest income comprises amount calculated using effective interest method.

The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss as it accrues and is calculated by using the effective interest method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

### The effective interest rate method

If expectations of fixed rate financial asset's cash flows are revised for reasons other than credit risk, the changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference to the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset in the statement of financial position with a corresponding increase or decrease in interest income.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

When a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Company calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial assets cures (and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

### Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividend income is recognised in profit or even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

# Summary of Significant Accounting Policies Contd

**Rental income**
Rental income is recognised on an accrual basis.

**Realized gains and losses**
Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and carrying amount and are recorded in profit or loss on occurrence of the sale transaction.

**Unrealised gains and losses**
Unrealized gains or losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals during the year.

## 2.28 Benefits, claims and expenses recognition

### 2.28.1 Insurance Benefits and claims
Insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

**Reinsurance claims**
The Company recognises reinsurance claims when the related gross insurance claims are recognised according to the terms of the relevant contracts.

### 2.28.2 Underwriting expenses
Underwriting expenses refer to all expenses, inclusive of net commissions, that are applicable to the servicing of net premiums written. These expenses encompass all that are incurred by an insurance company.

Underwriting expenses for insurance contracts are recognised as expense when incurred, with the exception of acquisition costs which are recognised on a time apportionment basis in respect of risk.

Acquisition costs comprise all direct and indirect costs arising from the writing of insurance contracts. Other underwriting expenses are those incurred in servicing existing policies/contract. These expenses are charged in the accounting period in which they are incurred.

### 2.28.3 Other expenses

All other operating expenses are recognised directly in profit or loss when incurred.

### 2.29 Fair value measurement

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumption that market participant would use when pricing the asset or liability, assuming that market participant's act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest input that is significant to the fair value measurement as a whole:

- Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date, without any adjustment for transaction costs.

For other financial instruments other than investment in equity instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist and other relevant valuation models. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Company's best estimate of the most appropriate model assumptions.

For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

### Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

3. **Critical judgments in applying the Company's accounting policies**

The following are the critical judgments, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

**Going Concern**

The financial statements have been prepared on the going concern basis and there is no intention to curtail business operations. Capital adequacy, profitability and liquidity ratios are continuously reviewed and appropriate action taken to ensure that there are no going concern threats to the operation of the Company.

The Directors have made assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the next 12 months ahead.

**Insurance product classification and contract liabilities**

The Company's non-life insurance contracts are classified as insurance contracts. As permitted by IFRS 4, assets and liabilities of these contracts are accounted for under previously applied GAAP.

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

**Determining the lease term of contracts with renewal and termination options – Company as lessee**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Company included the renewal period as part of the lease term for leases of office spaces and plant and machinery with shorter non-cancellable period (i.e., three to five years) where this is expressly stated in the lease contract or enforceable at law per the lease contract. The Company typically exercises its option to renew for these leases because there will be a significant negative effect on its operation if a replacement asset is not readily available. The renewal periods for leases of office spaces are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

**Property lease classification – Company as lessor**

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Estimates are made for both the expected ultimate cost of claims reported and claims incurred but not reported (IBNR) at the reporting date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder, Stochastic reserving (Bootstrap) 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. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim 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.

**Valuation of liabilities of non-life insurance contracts**

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 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 likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

The carrying amount for non-life insurance contract liabilities at the reporting date is N13 billion (2020: N12 billion).

**Fair value of financial instruments using valuation techniques**

The Directors use their judgment in selecting an appropriate valuation technique. Where possible, financial instruments are marked at prices quoted in active markets. In the current market environment, such price information is typically not available for all instruments and the company uses valuation techniques to measure such instruments. These techniques use “market observable inputs” where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters the company estimates the non-market observable inputs used in its valuation models.

Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates although some assumptions are not supported by observable market prices or rates.

## Summary of Significant Accounting Policies Contd

The carrying amount of financial assets designated as at the report date is N24 billion (31 December 2020: N 22 billion).

**Impairment under IFRS 9**
The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortised cost.

The determination of impairment loss and allowance moves from the incurred credit loss model whereby credit losses are recognised when a defined loss event occurs under IAS 39, to expected credit loss model under IFRS 9, where expected credit losses are recognised upon initial recognition of the financial asset based on expectation of potential credit losses at the time of initial recognition. Under IFRS 9, The Company first evaluates individually whether objective evidence of impairment exists.

**Staged Approach to the Determination of Expected Credit Losses**
IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition. These stages are as outlined below:

**Stage 1**:The Company recognises a credit loss allowance at an amount equal to the 12 month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after the initial recognition.

**Stage 2**: The Company recognises a credit loss allowance at an amount equal to the lifetime expected credit losses (LTECL) for those financial assets that are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on Lifetime probabilities of default that represents the probability of a default occurring over the remaining lifetime of the financial assets. Allowance for credit losses is higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in stage 1.

**Stage 3**: The Company recognises a loss allowance at an amount equal to life-time expected credit losses, reflecting a probability of default (PD) of 100% via the recoverable cash flows for the asset. For those financial assets that are credit impaired. The Company's definition of default is aligned with the regulatory definition. The treatment of the loans and other receivables in stage 3 remains substantially the same as the treatment of impaired financial assets under IAS 39 except for the portfolios of assets purchased or originated as credit impaired

# Summary of Significant Accounting Policies Contd

The Company does not originate or purchase credit impaired loans or receivables.

The determination of whether a financial asset is credit impaired focuses exclusively on default risk, without taking into consideration the effect of credit risk mitigants such as collateral or guarantees. Specifically, the financial asset is credit impaired and in stage 3 when the Company considers the obligor is unlikely to pay its credit obligations to the company. The termination may include forbearance actions, where a concession has been granted to the borrower or economic or legal reasons that a qualitative indicators of credit impairment; or contractual payments of either principal or interest by the obligor are pass due by more than 90 days.

For financial assets considered to be credit impaired, the ECL allowance covers the amount of loss the Company is expected to suffer. The estimation of ECLs is done on a case by case basis for non-homogenous portfolios, or by applying portfolio based parameters to individual financial assets in this portfolios by the Company's ECL model for homogenous portfolios.

Forecast of future economic conditions when calculating ECLs are considered. The lifetime expected losses are estimated based on the probability – weighted present value of the difference between:

1) The contractual cash flows that are due to the Company under the contract; and
2) The cash flows that the Company expects to receive.

Elements of ECL models that are considered accounting judgements and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

**Assessment and calculation of ECL**

The level of estimation uncertainty has increased since 31 December 2019 as a result of the economic disruption and consequential impact of the Covid-19 pandemic. This includes significant judgements relating to:

- The selection and weighting of macro-economic scenarios;
- The effect of government and other support measures put in place to mitigate the negative economic impact;
- The uncertainty over the duration and severity of the effect of the pandemic as well as the timing and duration of the recovery;
- Determination of the impact of the macro-economic scenarios on ECL and whether the required parameters can be modelled given the unavailability of historical information for a similar event;
- Identification and assessment of significant increases in credit risk and impairment especially for counterparties who have received\ support under the various government and bank support schemes and the inherent limitations in data availability to facilitate a reliable segmentation

**Impact on modelled ECL allowance**

The Company's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The severity of the current macro-economic projections and the added complexity caused by the various support schemes and regulatory guidance affecting different counterparties in the Company's investment and treasury operations could not be reliably modelled for the time being. As a consequence, the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio/segment. As a result, post-model adjustments are needed. Given model changes take a significant amount of time to develop and test and the data limitation issues noted above, the Company expects that post model adjustments which results from the use of the most recent crises adjusted probability of default as published by Moody's for emerging markets will be applied for the foreseeable future.

### Impact on modelled ECL allowance

Post-model adjustments made in estimating the reported ECL as at 31 December 2021 and 2020 are set out in the following table:

| 31-Dec-21 | Cash and Cash Equivalents N'000 | Bond Exposure N'000 | Other Receivables N'000 |
|---|---|---|---|
| Modelled ECL | 116,152 | 201,423 | 120,730 |
| Post-model adjustments | 54,679 | 74,229 | (24,096) |
| Total ECL | 170,831 | 275,652 | 96,634 |
| Adjustments as a % of total ECL | 32% | 27% | -25% |

| 31-Dec-20 | | | |
|---|---|---|---|
| Modelled ECL | 40,411 | 214,518 | 110,333 |
| Post-model adjustments | 30,317 | 101,489 | (16,349) |
| Total ECL | 70,728 | 316,007 | 93,984 |
| Adjustments as a % of total ECL | 43% | 32% | -17% |

### Post-model adjustments

Post-model adjustments (both positive and negative) represent adjustments in relation to data and model limitations as a result of the Covid-19 economic disruption as well as Moody's crisis adjusted probabilities of default for emerging markets which reflect the significant uncertainty as a consequence of the Covid-19 pandemic which included the potential severity and duration of the economic disruption and the heightened credit risk of specific sectors, financial asset type and Industrial sector, such as banking, energy, aviation and hospitality. The adjustments are based on a combination of portfolio level credit risk analysis and an evaluation of ECL coverage at asset exposure level.

Additional information and sensitivity analysis in respect of the inputs to the ECL model under multiple economic scenarios is provided in Note 44.4.

**Expected lifetime:**
The expected life time of a financial asset is a key factor in determining the life time expected credit losses. Lifetime expected credit losses represents default events over the expected life of a financial asset. The company measures expected credit losses considering the risk of default over the maximum contractual period (including any borrower's extension option) over which it is exposed to credit risk.

**Re-assessment of useful lives and residual values**
The Company carries its property, plant and equipment at cost in the statement of financial position. The annual review of the useful lives and residual value of property, plant and equipment result in the use of significant management judgements.

**Leases - Estimating the incremental borrowing rate**
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

## 4 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

**IFRS 17 Insurance Contracts**
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

# Summary of Significant Accounting Policies Contd

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short- duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)

- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cashflows of a Company of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)

"

- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.

- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice

- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period

- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in profit or loss, but are recognised directly on the statement of financial position.

- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense

- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

At its March 2020 meeting, the IASB tentatively decided to defer the effective date of IFRS 17 by two years, such that entities would apply the amended Standard for annual periods beginning on or after January 1, 2023. The IASB also tentatively decided on a consequential amendment to IFRS 4 Insurance Contracts to defer the fixed expiry date for the temporary exemption from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Company has formalized its IFRS 17 implementation road map. It has performed gap analysis, financial and operational impact assessment, and is in the process of deploying the required software solution in readiness for full implementation of IFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is to have a significant impact on profit and total equity together with presentation and disclosure.

**Amendments to IAS 1: Classification of Liabilities as Current or Non-current**
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

# Summary of Significant Accounting Policies Contd

- That classification is unaffected by the likelihood that an entity will exercise its deferral right

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements(if any) may require renegotiation.

**Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of f IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies , if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Company.

**Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

# Summary of Significant Accounting Policies Contd

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to only items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company's financial statements.

**Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Company.

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

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions.

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted. The amendments are not expected to have any impact on the Company.

### Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board.

The amendments is intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on Custodian and Allied Insurance Limited's financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Earlier application is permitted.

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

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences with effect from annual periods beginning on or after 1 January, 2023.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

# Summary of Significant Accounting Policies Contd

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**
In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
  And
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

Earlier application of the amendments to IAS 1 is permitted as long as this fact is disclosed. Since the amendments to the PS provide non-mandatory guidance on the application of the definition of material to accounting policy information, the Board concluded that transition requirements and an effective date for these amendments were not necessary

The amendments are effective for annual periods beginning on or after 1 January 2023 and may impact the accounting policy disclosures of the Company. Determining whether accounting policies are material or not requires use of judgement. The is the need to carefully consider whether 'standardised information, or information that only duplicates or summarises the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements. Therefore, the Company will revisit their accounting policy information disclosures to ensure consistency with the amended standard.

Check appropriateness of Notes till final issuance

## Summary of Significant Accounting Policies Contd

**IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments will not be applicable to the Company.

**IAS 41 Agriculture – Taxation in fair value measurements**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Company

**IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

# Summary of Significant Accounting Policies Contd

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

- Financials
- ERM Framework Report

# Statement of Financial Position

As at 31 December, 2021

| Assets | Notes | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|---|
| Cash and cash equivalents | 1 | 8,808,248 | 3,506,745 |
| Financial assets | 2 | 23,947,860 | 22,073,818 |
| Trade receivables | 3 | 109,967 | 132,603 |
| Reinsurance assets | 4 | 7,826,349 | 7,196,988 |
| Deferred acquisition costs | 5 | 673,104 | 583,433 |
| Other receivables and prepayments | 6 | 297,262 | 163,990 |
| Investment properties | 7 | 3,676,770 | 3,637,178 |
| Property, plant and equipment | 8 | 303,954 | 211,944 |
| Right of use assets | 9 | 7,221 | 6,250 |
| Intangible assets | 10 | 3,427 | 6,274 |
| Statutory deposits | 11 | 300,000 | 300,000 |
| **Total assets** | | **45,954,162** | **37,819,223** |
| **Liabilities** | | | |
| Insurance contract liabilities | 12 | 13,160,983 | 11,814,478 |
| Trade payables | 13 | 6,951,553 | 2,092,099 |
| Other payables and accruals | 14 | 1,493,142 | 1,653,323 |
| Deferred income | 15 | 325,955 | 277,348 |
| Current income tax payable | 16.2 | 836,792 | 878,769 |
| Deferred tax liabilities | 17 | 753,816 | 568,300 |
| **Total liabilities** | | **23,522,241** | **17,284,317** |
| **Equity** | | | |
| Share capital | 18.2 | 7,000,000 | 7,000,000 |
| Share premium | 18.2 | 84,607 | 84,607 |
| Statutory contingency reserve | 19.1 | 10,000,000 | 9,394,735 |
| Retained earnings | 19.2 | 4,970,380 | 3,793,640 |
| Fair value reserve | 19.3 | 376,934 | 261,924 |
| **Total equity attributable to Owners** | | **22,431,921** | **20,534,906** |
| **Total liabilities and equity** | | **45,954,162** | **37,819,223** |

"These financial statements were approved by the Board of Directors and authorized for issue on 10 February 2022 and signed on its behalf by:

**Mr. Richard Asabia**, Director
FRC/2013/CISN/00000004762

**Edeki Isujeh**, Managing Director
FRC/2020/003/00000022391

**Friday Nwachukwu**, Chief Financial Officer
FRC/2013/ICAN/00000002207

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December, 2021

| | Notes | 2021<br>₦'000 | 2020<br>₦'000 |
|---|---|---|---|
| Gross premium written | | 34,437,522 | 31,587,929 |
| (Increase)/Decrease in Unearned Premium Reserve | | (682,342) | 495,402 |
| Gross premium income | 20 | 33,755,180 | 32,083,331 |
| Premiums ceded to reinsurers | 4.1, 21 | (23,328,860) | (22,868,966) |
| Net premium income | | 10,426,320 | 9,214,365 |
| Fees and commission income | 22 | 1,610,329 | 1,650,205 |
| Net underwriting income | | 12,036,649 | 10,864,570 |
| Claims expenses: | | | |
| Gross benefits and claims expenses | 23.1 | (6,309,938) | (6,002,845) |
| Claims expenses ceded to reinsurers | 23.2 | 1,637,141 | 1,921,145 |
| Net claims expenses | | (4,672,797) | (4,081,700) |
| Underwriting expenses | 24 | (2,942,997) | (2,716,871) |
| Total underwriting expenses | | (7,615,794) | (6,798,571) |
| Underwriting profit | | 4,420,855 | 4,065,999 |
| Interest income | 25 | 2,374,677 | 2,086,390 |
| Other investment and sundry income | 26 | 159,938 | 152,461 |
| Net realised (loss)/gain | 27 | (211,808) | 534,119 |
| Fair value gain | 28.1 | 31,028 | 66,203 |
| Foreign exchange gain | 28.2 | 2,287,869 | 459,884 |
| Impairment loss charge | 29 | (27,928) | (83,823) |
| Management expenses | 30 | (4,011,947) | (3,025,780) |
| **Profit before income tax expense** | | **5,022,684** | **4,255,453** |
| Income tax expense | 16 | (580,679) | (578,367) |
| **Profit for the year** | | **4,442,005** | **3,677,086** |
| Other Comprehensive Income: | | | |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | | |
| Net gain on equity instruments designated at fair value through other comprehensive income | 31 | 115,010 | 90,885 |
| Other comprehensive profit for the year, net of tax | | 115,010 | 90,885 |
| **Total comprehensive income for the year, net of tax** | | **4,557,015** | **3,767,971** |
| **Earnings per share:** | | | |
| Basic (kobo) | 33 | 32 | 45 |
| Diluted (kobo) | 33 | 32 | 45 |

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

# Statement of Changes In Equity

For the year ended 31 December, 2021

| | Attributable to equity holders | | | | | |
|---|---|---|---|---|---|---|
| **For the year ended 31 December 2021** | **Issued and paid -up share capital ₦'000** | **Share Premium ₦'000** | **Statutory Contingency Reserve ₦'000** | **Retained Earnings ₦'000** | **Fair value reserve ₦'000** | **Total Equity ₦'000** |
| **At 1 January 2021** | 7,000,000 | 84,607 | 9,394,735 | 3,793,640 | 261,924 | 20,534,906 |
| Profit for the year | - | - | - | 4,442,005 | - | 4,442,005 |
| Other comprehensive income, net of tax (Note 31) | - | - | - | - | 115,010 | 115,010 |
| Total Comprehensive income | - | - | - | 4,442,005 | 115,010 | 4,557,015 |
| Issue of shares (Note 18) | - | - | | - | - | - |
| Dividend for last financial result (2020) (Note 34) | - | - | - | (1,260,000) | - | (1,260,000) |
| Interim dividend (for current year) ( Note 34) | - | - | - | (1,400,000) | - | (1,400,000) |
| Transfer of fair value reserve of equity instruments | - | - | - | - | - | - |
| designated at FVOCI (Note 19.2) | | | 605,265 | (605,265) | | |
| Transfer between reserves (Note 19) | **7,000,000** | **84,607** | **10,000,000** | **4,970,380** | **376,934** | **22,431,921** |
| **At 31 December 2021** | | | | | | |
| **For the year ended 31 December 2020** | | | | | | |
| **At 1 January 2020** | 3,500,000 | 84,607 | 8,447,097 | 6,642,715 | 192,516 | 18,866,935 |
| Profit for the year | - | - | - | 3,677,086 | - | 3,677,086 |
| Other comprehensive income, net of tax (Note 31) | - | - | - | - | 90,885 | 90,885 |
| Total Comprehensive income | - | - | - | 3,677,086 | 90,885 | 3,767,971 |
| Issue of shares (Note 17) | 3,500,000 | - | - | (3,500,000) | - | - |
| Dividend for last financial result (2019) (Note 34) | - | - | - | (1,050,000) | - | (1,050,000) |
| Interim dividend (for current year) ( Note 34) | - | - | - | (1,050,000) | - | (1,050,000) |
| Transfer of fair value reserve of equity instruments | | | | | | |
| designated at FVOCI (Note 19.2) | | | | 21,477 | (21,477) | - |
| Transfer between reserves (Note 19) | - | - | 947,638 | (947,638) | - | - |
| **At 31 December 2020** | **7,000,000** | **84,607** | **9,394,735** | **3,793,640** | **261,924** | **20,534,906** |

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

# Statement of Cash Flows

For the year ended 31 December, 2021

| Cash flows from operating activities | Notes | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|---|
| Premiums received from policyholders | | 33,887,187 | 30,789,386 |
| Premiums received in respect of future policies | 13 | 4,366,048 | 572,971 |
| Reinsurance premium paid during the year | | (23,867,595) | (21,634,958) |
| Minimum deposit on premium paid | 4.4 | (31,384) | (55,408) |
| Cash payments to and on behalf of employees | 30 | (843,034) | (733,430) |
| Other sundry income | 26.1 | - | 1,380 |
| Staff loan disbursed during the year | 6.1 | (125,600) | (22,650) |
| Staff loan repayment during the period | 6.1 | 77,993 | 15,830 |
| Other operating cash paid | | (2,768,884) | (1,898,853) |
| Commissions received | 15 | 1,670,186 | 1,556,636 |
| Commissions paid | | (1,655,254) | (2,244,580) |
| Maintenance cost paid | 24 | (358,543) | (270,805) |
| Claims and benefits paid | 12.2 | (5,645,775) | (5,650,710) |
| Claims and benefit received | | 1,632,858 | 1,893,511 |
| Cash flows generated from operating activities | | 6,338,203 | 2,318,321 |
| Income tax paid | 16.2 | (437,140) | (445,023) |
| **Net cash provided by operating activities** | 36 | **5,901,063** | **1,873,298** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 8 | (215,356) | (109,771) |
| Purchase of intangible software | 10 | (328) | (706) |
| Addition to right of use asset | 9 | (6,354) | (9,000) |
| Addition to investment properties | 7 | (21,947) | (1,829) |
| Proceeds on disposal of property, plant and equipment | | 11,368 | 4,028 |
| Interest income received | | 1,758,712 | 2,169,173 |
| Rental income received | 15 | 66,500 | 66,500 |
| Dividend income received | 26 | 77,351 | 69,720 |
| Proceeds on disposal of investments | 2.5 | 4,127,148 | 6,776,433 |
| Purchase of investments | 2.5 | (10,883,865) | (11,093,098) |
| Proceed from redemption of financial assets measured at amortised costs | 2.5 | 7,359,747 | 1,593,101 |
| **Net cash provided/ (used in) by investing activities** | | **2,272,976** | **(535,449)** |
| **Cash flows from financing activities** | | | |
| Dividends paid to shareholders | | (2,660,000) | (2,800,000) |
| **Net cash used in financing activities** | | **(2,660,000)** | **(2,800,000)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **5,514,039** | **(1,462,151)** |
| Net foreign exchange difference | | (212,536) | 451,336 |
| Cash and cash equivalents at 1 January | | 3,506,745 | 4,517,560 |
| **Cash and cash equivalents at 31 December** | 1 | **8,808,248** | **3,506,745** |
| **Cash and cash equivalents as at 31 December (Carrying amount)** | | 8,808,248 | 2,506,745 |
| Impact of ECL impairment loss during the year | | 170,831 | 70,728 |
| **Cash and cash equivalents as at 31 December (Gross amount)** | | **8,979,079** | **2,577,473** |

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

# Notes To The Financial Statements

| | | Notes | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|---|
| 1 | **Cash and cash equivalents** | | | |
| | Cash and bank balances | 1.1 | 1,937,565 | 875,490 |
| | Short-term deposits | 1.2 | 7,041,514 | 2,701,983 |
| | Less: Allowance for credit losses | 1.3 | 8,979,079 | 3,577,473 |
| | Cash and cash equivalents(per statement of cash flows) | | (170,831) | (70,728) |
| | | | **8,808,248** | **3,506,745** |
| 1.1 | Cash and banks is made up of the following: | | | |
| | Cash on hand | | 57 | 52 |
| | Balances held with local banks | | 539,027 | 480,876 |
| | Balances held in domiciliary accounts | 1.3 | 1,398,481 | 394,562 |
| | | 1.3 | 1,937,565 | 875,490 |
| | Less: Allowance for credit losses | | (34,364) | (15,936) |
| | Total Cash and banks | | 1,903,201 | 859,554 |
| 1.2 | Short term deposit is made up of: | | | |
| | Call deposits | 1.3 | 4,570 | 1,039,763 |
| | Term deposits | 1.3 | 7,036,944 | 1,662,220 |
| | | | 7,041,514 | 2,701,983 |
| | Less: Allowance for credit losses | | (136,467) | (54,792) |
| | | | 6,905,047 | 2,647,191 |

Interest income on calls and term deposits with banks amounted to N234.9m (2020: N146.3m). See note 25 to the financial statements.

Cash and cash equivalents comprise cash and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts(if any). The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the reporting position as shown above. Short–term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company. All deposits are subject to an average variable interest rate of 6% per annum (2020: 4%).

## 1.3 Impairment loss on cash and cash equivalents

An analysis of the gross carrying amount and corresponding ECLs is as follows:

| | 31-Dec-21 | | | |
|---|---|---|---|---|
| **Gross carrying amount** | **Stage 1 Individual ₦'000** | **Stage 2 Individual ₦'000** | **Stage 3 Individual ₦'000** | **Total ₦'000** |
| Cash on hand | 57 | - | - | 57 |
| Balances held with local banks and domiciliary accounts (Note 1.1) | 1,937,508 | - | - | 1,937,508 |
| Call deposits (Note 1.2) | 4,570 | - | - | 4,570 |
| Term deposits (Note 1.2) | 7,036,944 | - | - | 7,036,944 |
| | 8,979,079 | - | - | 8,979,079 |
| **Expected credit losses** | | | | |
| Cash on hand | - | - | - | - |
| Balances held with local banks and domiciliary accounts (Note 1.1) | 34,364 | - | - | 34,364 |
| Call deposits (Note 1.2) | 114 | - | - | 114 |
| Term deposits (Note 1.2) | 136,353 | - | - | 136,353 |
| | 170,831 | - | - | 170,831 |

## 1.3 Impairment loss on cash and cash equivalents - continued

An analysis of the gross carrying amount and corresponding ECLs is as follows:

| | 31-Dec-20 | | | |
|---|---|---|---|---|
| **Gross carrying amount** | **Stage 1 Individual ₦'000** | **Stage 2 Individual ₦'000** | **Stage 3 Individual ₦'000** | **Total ₦'000** |
| Cash on hand | 52 | - | - | 52 |
| Balances held with local banks and domiciliary accounts (Note 1.1) | 875,438 | - | - | 875,438 |
| Call deposits (Note 1.2) | 1,039,763 | - | - | 1,039,763 |
| Term deposits (Note 1.2) | 1,662,220 | - | - | 1,662,220 |
| | **3,577,473** | - | - | **3,577,473** |
| **Expected credit losses** | | | | |
| Cash on hand | - | - | - | - |
| Balances held with local banks and domiciliary accounts (Note 1.1) | 15,936 | - | - | 15,936 |
| Call deposits (Note 1.2) | 19,138 | - | - | 19,138 |
| Term deposits (Note 1.2) | 35,654 | - | - | 35,654 |
| | **70,728** | - | - | **70,728** |

## 1.3a Analysis of impairment allowance on cash and cash equivalents

| **Gross carrying amount** | **Notes** | **31-Dec-21 ₦'000** | **31-Dec-20 ₦'000** |
|---|---|---|---|
| At 1 January | | 70,728 | 76,895 |
| Writeback during the year | 29 | | (5,394) |
| Charged for the year | 29 | 100,658 | |
| Foreign exchange adjustments | 28.2 | (556) | (773) |
| At 31 December | | **170,831** | **70,728** |

Foreign exchange adjustments relating to impairment allowance on cash and cash equivalents above are reported in net unrealised loss on foreign bank balances and deposits in Note 28.2.

## 1.3b An analysis of changes in the gross carrying amount and corresponding ECLs is as follows:

| | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| Cash and cash equivalents | Gross carrying amount ₦'000 | ECL ₦'000 | Gross carrying amount ₦'000 | ECL ₦'000 | Gross carrying amount ₦'000 | ECL ₦'000 | Gross carrying amount ₦'000 | ECL ₦'000 |
| As at 1 January 2021 | 3,577,473 | 70,728 | - | - | - | - | 3,577,473 | 70,728 |
| New assets purchased | 7,015,948 | 138,708 | - | - | - | - | 7,015,948 | 138,708 |
| Assets derecognised or matured (excluding write-offs) | (1,642,447) | (32,472) | - | - | - | - | (1,642,447) | (32,472) |
| Amounts written off | - | - | - | - | - | - | - | - |
| Changes to models and inputs used for ECL calculations | | (5,578) | - | - | - | - | | (5,578) |
| Unrealised foreign exchange adjustments | 28,105 | (556) | - | - | - | - | 28,105 | (556) |
| At 31 December 2021 (Note 1) | 8,979,079 | 170,831 | - | - | - | - | 8,979,079 | 170,831 |

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| As at 1 January 2020 | 4,594,392 | 76,895 | - | - | - | - | 4,594,392 | 76,895 |
| New assets purchased | 1,107,379 | 35,604 | - | - | - | - | 1,107,379 | 35,604 |
| Assets derecognised or matured (excluding write-offs) | (1,553,094) | (49,934) | - | - | - | - | (1,553,094) | (49,934) |
| Amounts written off | - | - | - | - | - | - | - | - |
| Changes to models and inputs used for ECL calculations | | 8,937 | - | - | - | - | | 8,937 |
| Unrealised foreign exchange adjustments | (571,204) | (773) | - | - | - | - | (571,204) | (773) |
| At 31 December 2020 (Note 1) | 3,577,473 | 70,728 | - | - | - | - | 3,577,473 | 70,728 |

During the year, there were no transfers between stages (2020: nil). The total Income Statement charge/(writeback) for the allowance for ECL on cash and cash equivalents for the year was N100.6 million (2020: N5.3 million). Related foreign exchange adjustments are reported as part of net unrealised (loss)/gain on foreign exchange in note 28.2.

## 2. Financial Assets

| Below is an analysis of the Company's financial assets | Notes | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|
| Equity : Fair Value through profit or loss (FVTPL) | Note 2.1 | 913,131 | 799,650 |
| Equity : Fair Value through OCI (FVTOCI) | Note 2.2 | 885,415 | 770,405 |
| Debt instruments measured at amortised cost: | | | |
| Federal government bonds | | 10,731,363 | 7,082,283 |
| State government bonds | | 708,195 | 654,437 |
| Corporate bonds | | 10,720,821 | 12,758,814 |
| Other debt securities - term deposits | | 264,587 | 324,236 |
| Impairment losses on financial assets measured at amortised cost | 2.4, 29 | (275,652) | (316,007) |
| Total debt instruments measured at amortised cost | 2.3 | 22,149,314 | 20,503,763 |
| | | 23,947,860 | 22,073,818 |

## 2.1 Equity : Fair Value through Profit or Loss (FVTPL)

The Company's fair value through profit or loss (FVTPL) financial assets consist of investment in quoted equities of entities whose stock are actively traded on the stock exchange. The investments are held primarily for trading purposes and are fair valued frequently. The Fair values of these equities are determined by reference to published price quotations in an active market. The resulting fair value adjustments are recorded in the profit or loss.

## 2.1 Equity : Fair Value through Profit or Loss (FVTPL) contd

| Listed Equities | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|
| Dangote Cement Plc | 32,125 | 30,613 |
| Dangote Sugar Refinery Plc | 8,700 | 8,800 |
| FBN Holdings Plc | 122,550 | 5,363 |
| Flour Mills Nig. Plc. | 17,422 | 15,977 |
| Guaranty Trust Bank Limited | 42,469 | 52,841 |
| Portland Paints & Products Nigeria Plc | - | 4,072 |
| Stanbic IBTC Holdings Plc | 11,028 | 11,566 |
| Tourist Company of Nigeria Plc. | 8,987 | 9,968 |
| United Bank for Africa Plc | 20,125 | 21,625 |
| Union Homes Savings and Loans Plc. | 48 | 48 |
| Zenith Bank Plc | 303,435 | 299,212 |
| | 566,889 | 460,085 |
| **Managed Funds** | | |
| ARM Aggressive Fund | 25,101 | 23,113 |
| ARM Discovery Fund | 10,881 | 9,801 |
| Coral Growth Fund | 77,494 | 75,981 |
| FBN Heritage Fund | 86,990 | 93,070 |
| Stanbic IBTC Bond Fund | 117,785 | 112,420 |
| Zenith Equity Fund | 27,991 | 25,180 |
| | 346,242 | 339,565 |
| **Total FVTPL Financial assets** | 913,131 | 799,650 |

The reconciliation of movement in financial assets above is contained in Note 2.5.

## 2.1a Analysis of fair value gains on FVTPL financial assets

| | Notes | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|
| Unrealised gain on equities at FVTPL | 28 | 13,383 | 68,032 |
| Net realised gain on equities at FVTPL | 27 | 728 | 82,783 |
| | | 14,111 | 150,815 |

The Company received dividends of N45.5million on equity holdings reported as fair valued through profit or loss during the year(2020: N30.9million ).

## 2.2 Equity : Fair Value through Other Comprehensive Income (FVTOCI)

Equity I instruments designated at fair value through other comprehensive income include investments in equity shares of non listed companies and other OTC traded equities. The Company holds non controlling interest (between 2% and 9%) in these companies. These investments were irrevocably designated at fair value through OCI as the Company considers these investments to be strategic in nature.

The fair values of the non listed equities are determined using either income or market approach (See Note 44.1- Valuation bases) while fair value of OTC listed equities are determined by reference to the published price quotation in the active market. The resulting fair value adjustments of all equities designated at fair value through other comprehensive income(FVTOCI) are recorded in other comprehensive income.

2.2

| | | 31-Dec-2021<br>₦'000 | 31-Dec-2020<br>₦'000 |
|---|---|---|---|
| ARM Properties Plc. | | 8,800 | 11,000 |
| Friesland Wamco Nig. Plc. | | 5,596 | 6,143 |
| ARM Hospitality Fund | | 119,482 | 108,342 |
| African Reinsurance Corporation | | 241,473 | 247,304 |
| Energy and Allied Insurance Pool of Nigeria | | 285,065 | 212,233 |
| Mainstreet Technologies Limited | | 173,171 | 160,804 |
| WSTC Financial Services Limited | | 51,828 | 24,579 |
| **Total FVTOCI Financial assets** | Note 2.5 | 885,415 | 770,405 |

The reconciliation of movement in financial assets above is contained in Note 2.5.

The Company received dividends of N31.9million on equity shares designated as FVTOCI during the year(2020: N38.8million ).

## 2.3 Debt instruments at amortised cost

| | Credit Rating | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|
| Federal Government Debt Securities | | | |
| FGN Naira Bonds | | | |
| FGN Bond 14.5% July 2021 | B2/Moodys | - | 278,260 |
| FGN Bond 12.75% Apr 2023 | B2/Moodys | 649,718 | 646,665 |
| FGN Bond 12.5% 22 Jan 2026 | B2/Moodys | 601,934 | 602,677 |
| FGN Bond 13.98% 23 Feb 2028 | B2/Moodys | 2,372,828 | 2,391,177 |
| FGN Bond 12.15% 18 JUL 2034 | B2/Moodys | 225,674 | - |
| FGN Bond 12.5% 27 MAR 2035 | B2/Moodys | 386,861 | - |
| Impairment allowance of FGN NGN Bonds | | (4,714) | (4,490) |
| a | | 4,232,301 | 3,914,289 |
| FGN Eurobonds | | | |
| NIGERIA 7.625% 21-Nov-2025 | B2/Moodys | 2,391,454 | 2,022,222 |
| NGERIA 7.143% 23-Feb-2030 | B2/Moodys | 1,309,735 | 1,141,282 |
| NGERIA 8.747% 23-Feb-2031 | B2/Moodys | 2,793,158 | - |
| Impairment allowance on FGN Euro Bonds | | (89,224) | (51,852) |
| b | | 6,405,123 | 3,111,652 |
| | | | |
| c=a+b | | 10,637,424 | 7,025,941 |
| | | | |
| State Government Debt Securities | | | |
| ONDO 15.50% 14 FEB 2022 | A-/ Agusto | 3,667 | 3,980 |
| LAGOS IIA 16.75% 11-AUG-2024 | A+/Augusto | - | 149,827 |
| ONDO 13% 30-JAN-2027 | A-/ Agusto | 453,577 | 500,630 |
| LAGOS IIA 13.00% 20 DEC-2031 | A+/Augusto | 250,951 | - |
| Impairment on State Bonds | | (1,441) | (1,387) |
| d | | 706,754 | 653,050 |

2.3

| | Credit Rating | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|
| Corporate Debt Securities | | | |
| FCMB I 14.25% 20-NOV-2021 | B2/Moodys | - | 102,096 |
| PRIMERO BRT-SPV 17.00%15-MAY-2026 | Bbb-/Agusto | 234,110 | 266,646 |
| FLOURMILLS IIIB 11.10% 27-FEB-2025 | A/Agusto | 259,870 | 259,897 |
| NOVAMBL SPV I 12.00% 23-JUL-2027 | Bbb-/Agusto | 37,032 | 37,034 |
| LAPO MFB II 13.00% 30-MAR-2025 | Bbb+/ Agusto | 311,633 | 312,495 |
| FBNQ SPV I 10.50% 5-FEB-2023 | A/Agusto | 41,832 | 41,830 |
| Impairment on Corporate Bonds | | (15,389) | (17,076) |
| e | | 869,088 | 1,002,922 |
| Corporate Eurobonds | | | |
| UBA 7.75% 8-JUN-2022 | | - | 3,026,462 |
| FBNL 8.625% 27-OCT-2025 | B2/Moodys | 1,945,223 | 692,535 |
| SEPLAT 9.25% 04-JAN-2023 | B2/Moodys | 2,182,272 | 3,090,610 |
| ECOTRA 9.5% 18-APRIL-2024 | B3/Moodys | 2,299,239 | 3,829,043 |
| ZENITN 7.375% 30-MAY-2022 | B2/Moodys | 1,253,331 | 1,100,047 |
| ACCESS 10.50% 19-OCT-2021 | B2/Moodys | 2,156,279 | 119 |
| Impairment on Corporate Euro Bonds | | (159,451) | (234,604) |
| f | | 9,676,893 | 11,504,212 |
| Other debt securities - term deposits | | | |
| FCMB Euro deposit | B2/Moodys | 147,837 | 145,649 |
| Interstate securities commercial papers* | Not rated | 10,213 | 60,420 |
| Meristem Wealth Management deposits | Not rated | 103,884 | 103,800 |
| Accured interest on CBN deposit | | 2,654 | 14,367 |
| Impairment on other debt securities | | (5,433) | (6,598) |
| g | | 259,155 | 317,638 |
| Total Amortised Cost Financial assets( c+d+e+f+g) | | **22,149,314** | **20,503,763** |

*The amortised cost less impairment charge amounts to N10.0m (2020: N59.1m).

The reconciliation of movement in the financial assets above is contained in Note 2.5.

2.4 An analysis of changes in the gross carrying amount and corresponding ECLs is as follows:

| | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| Ammortised cost | Gross carrying amount ₦'000 | ECL ₦'000 | Gross carrying amount ₦'000 | ECL ₦'000 | Gross carrying amount ₦'000 | ECL ₦'000 | Gross carrying amount ₦'000 | ECL ₦'000 |
| As at 1 January 2021 | 20,819,770 | 316,007 | - | - | - | - | 20,819,770 | 316,007 |
| New assets purchased | 10,779,695 | 163,617 | - | - | - | - | 10,779,695 | 163,617 |
| Assets derecognised or matured (excluding write-offs) | (11,482,094) | (174,278) | - | - | - | - | (11,482,094) | (174,278) |
| Amounts written off | - | - | - | - | - | - | - | - |
| Changes to models and inputs used for ECL calculations | - | (64,719) | - | - | - | - | - | (64,719) |
| Unrealised foreign exchange adjustments | 2,307,595 | 35,025 | - | - | - | - | 2,307,595 | 35,025 |
| At 31 December 2021 | 22,424,966 | 275,652 | - | - | - | - | 22,424,966 | 275,652 |

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| As at 1 January 2020 | 17,237,777 | 220,818 | - | - | - | - | 17,237,777 | 220,818 |
| New assets purchased | 10,931,028 | 140,028 | - | - | - | - | 10,931,028 | 140,028 |
| Assets derecognised or matured (excluding write-offs) | (8,378,472) | (108,171) | - | - | - | - | (8,378,472) | (108,171) |
| Amounts written off | - | - | - | - | - | - | - | - |
| Changes to models and inputs used for ECL calculations | - | 65,757 | - | - | - | - | - | 65,757 |
| Unrealised foreign exchange adjustments | 1,029,437 | (2,424) | - | - | - | - | 1,029,437 | (2,424) |
| At 31 December 2020 | 20,819,770 | 316,007 | - | - | - | - | 20,819,770 | 316,007 |

## 2.5 Analysis of movement in financial assets

| | Fair value through OCI ₦'000 | Fair value through profit or loss ₦'000 | Amortised Cost ₦'000 | Total ₦'000 |
|---|---|---|---|---|
| At 1 January 2020 | 703,179 | 674,987 | 16,796,141 | 18,174,307 |
| Additions | - | 302,099 | 10,790,999 | 11,093,098 |
| Maturities and redemptions | - | | (1,593,101) | (1,593,101) |
| Proceeds on disposals | (23,658) | (328,251) | (6,424,524) | (6,776,433) |
| Realised fair value gains recorded in profit or loss (Note 27) | | 82,783 | | 82,783 |
| Fair value gains recorded in OCI (Note 31) | 90,885 | - | - | 90,885 |
| Unrealised fair value gains taken to profit or loss ( Note 28.1) | - | 68,032 | - | 68,032 |
| Impairment charge during the year (Note 29) | - | - | (97,613) | (97,613) |
| Foreign exchange adjustments | - | - | 1,031,861 | 1,031,861 |
| At 31 December 2020 | **770,405** | **799,650** | **20,503,763** | **22,073,819** |
| Additions | - | 104,170 | 10,779,695 | 10,883,865 |
| Maturities and redemptions | - | - | (7,359,747) | (7,359,747) |
| Proceeds on disposals | - | (4,800) | (4,122,348) | (4,127,148) |
| Realised fair value gains recorded in profit or loss (Note 27) | - | 728 | - | 728 |
| Unrealised fair value gains recorded in OCI (Note 31) | 115,010 | - | - | 115,010 |
| Unrealised fair value gains taken to profit or loss ( Note 28.1) | - | 13,383 | - | 13,383 |
| Impairment writeback during the year (Note 29) | - | - | 75,380 | 75,380 |
| Unrealised foreign exchange adjustments | - | - | 2,307,595 | 2,307,595 |
| Unrealised foreign exchange adjustments on ECL relating to Amortised cost financial assets | - | - | (35,025) | (35,025) |
| At 31 December 2021 | **885,415** | **913,131** | **22,149,314** | **23,947,860** |

## 2.6 Maturity profile of debt instruments at amortised cost (gross):

| | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|
| Within one year | 3,210,480 | 3,582,199 |
| More than one year | 18,938,834 | 16,921,564 |
| | 22,149,314 | 20,503,763 |

The Company's "debt instrument measured at amortised costs" under IFRS 9 consist of investment in bonds and other securities that the Company holds within a business model of collecting the contractual cashflow till maturity. These investments are carried at their amortised cost and interest income is recognised using the effective interest rate.

The financial assets with the exception of those carried at fair value through profit or loss (FVTPL) and fair value through OCI (FVTOCI) are monitored and tested for impairment when applicable. Additional information and breakdown are listed above.

## 2.7 Investment Income from Financial Assets

| Financial Assets | Notes | Carry amount ₦'000 | Income type | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|---|---|
| Equity: Fair value through Profit or loss | 2.1 | 913,131 | Dividends | 45,451 | 30,920 |
| Equity: Fair value through Other Comprehenive Income | 2.2 | 885,415 | Dividends | 31,900 | 38,800 |
| Total dividend received | 26 | | | 77,351 | 69,720 |
| | | | | | |
| Debt instruments measured at amortised cost: | | | | | |
| Federal government Bond | 2.3 | | | | |
| State government bonds | 2.3 | 10,637,424 | Interest | 913,045 | 1,042,991 |
| Corporate bonds | 2.3 | 706,754 | Interest | 14,140 | 76,963 |
| Treasury bills | | 10,545,981 | Interest | 1,198,714 | 745,183 |
| | | - | Interest | 1,983 | - |
| Other debt securities- Term deposits | 25 | | | 2,127,882 | 1,865,137 |
| Total interest received/receivables | 2.3 | 259,155 | Interest | 13,964 | 35,126 |
| | | | | 2,141,846 | 1,900,263 |

| 3. | Trade receivables | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|
| | Due from brokers | 105,034 | 128,887 |
| | Due from insurers | 4,933 | 3,716 |
| | | 109,967 | 132,603 |

| 3.1 | Aging analysis of trade receivables: | | |
|---|---|---|---|
| | Within 30 days | 109,967 | 132,603 |
| | More than 30 days | - | - |
| | | 109,967 | 132,603 |

All insurance receivables are designated as Trade receivables and their carrying values approximate fair value at the reporting date. A total amount of N109.97m (2020: N132.60m ) was received after year end as at 31 January 2022.

| 4 | Reinsurance assets | Notes | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|---|
| | Prepaid reinsurance | 4.1 | 4,914,142 | 4,272,491 |
| | Reinsurance share of outstanding claims | 4.2a | 1,368,692 | 1,388,408 |
| | Reinsurance share of claims | 4.2b | 1,068,055 | 1,002,806 |
| | | 12 | 7,350,889 | 6,663,705 |
| | Due from reinsurance brokers | 4.3 | 436,625 | 477,875 |
| | Minimum deposit on premiums paid | 4.4 | 38,835 | 55,408 |
| | | | 7,826,349 | 7,196,988 |

| 4.1 | Reinsurance share of unearned premium reserve | | | |
|---|---|---|---|---|
| | At 1 January | | 4,272,491 | 5,402,557 |
| | Reinsurance ceded during the year | 21 | 23,970,511 | 21,738,900 |
| | Reinsurance expense during the year | 21 | (23,328,860) | (22,868,966) |
| | At 31 December | | 4,914,142 | 4,272,491 |

# Notes To The Financial Statements Contd

| | | Notes | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|---|
| 4.2 | **Reinsurer's share of claims** | | | |
| | At 1 January | | 2,391,214 | 2,255,326 |
| | Increase credited to Profit or loss | 23.2 | 45,533 | 135,888 |
| | At 31 December | | 2,436,747 | 2,391,214 |
| 4.2a | **Reinsurer's share of outstanding claims** | | | |
| | At 1 January | | 1,388,408 | 1,291,875 |
| | Increase credited to Profit or loss | | (19,716) | 96,533 |
| | At 31 December | | 1,368,692 | 1,388,408 |
| 4.2b | **Reinsurer's share of IBNR** | | | |
| | At 1 January | | 1,002,806 | 963,451 |
| | Increase credited to Profit or loss | | 65,249 | 39,355 |
| | At 31 December | | 1,068,055 | 1,002,806 |
| 4.3 | **Due from reinsurance brokers** | | | |
| | At 1 January | | 477,875 | 586,129 |
| | Claims recovered from brokers during the year | | (41,250) | (108,254) |
| | At 31 December | | 436,625 | 477,875 |

Amount due from reinsurance brokers represent net claims recoverable from reinsurance. They are valued after an allowance for their recoverability, and the carrying amount is a reasonable approximation of fair value. For cash flow purpose, the increase during the year of N41 million (2020: N108 million) has been adjusted to arrive at claims and benefit received of N1.632billion (2020:N1.894billion).

| | | Notes | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|---|
| 4.4 | **Minimum deposit on premiums paid** | | 55,408 | 47,957 |
| | At 1 January | | 31,384 | 55,408 |
| | Addition | 23.2 | (47,957) | (47,957) |
| | Expensed during the year | | **38,835** | **55,408** |

The amount expensed during the year is included in reinsurance expense while M&D premuim paid during the year are reported seperately in the statement of cashflow and adjusted against premium paid to reinsurers on the cash flows.

| | | Notes | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|---|
| 5 | **Deferred Acquisition Costs (DAC)** | | | |
| | At 1 January | | 583,433 | 543,304 |
| | Acquisition cost during the year | | 2,674,123 | 2,486,195 |
| | Acquisition cost expensed during the year | 24 | (2,584,452) | (2,446,066) |
| | At 31 December | | **673,104** | **583,433** |
| 5.1 | **Reconciliation of Acquisition cost expensed during the year** | | | |
| | Acquisition cost during the year | | 2,674,123 | 2,486,195 |
| | Decrease in deferred acquisition cost during the year | | (89,671) | (40,129) |
| | | | **2,584,452** | **2,446,066** |

## 5.2 Breakdown of deferred acquisition cost per class

| | Motor ₦'000 | Accident ₦'000 | Bond ₦'000 | Marine ₦'000 | Aviation ₦'000 | Fire ₦'000 | Engineering ₦'000 | Oil & Energy ₦'000 | Total ₦'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2021 | 73,571 | 46,056 | 105 | 42,723 | 3,620 | 201,272 | 52,605 | 163,481 | 583,433 |
| Acquisition cost during the year | 380,558 | 410,556 | 519 | 281,408 | 45,369 | 793,970 | 107,706 | 654,038 | 2,674,124 |
| Acquisition cost expensed during the year | (362,307) | (372,473) | (433) | (279,038) | (44,391) | (748,815) | (125,448) | (651,549) | (2,584,454) |
| At 31 December 2021 | 91,822 | 84,139 | 191 | 45,093 | 4,598 | 246,427 | 34,863 | 165,970 | 673,103 |
| | | | | | | | | | |
| At 1 January 2020 | 70,723 | 44,270 | 264 | 25,526 | 12,309 | 181,958 | 100,861 | 107,390 | 543,301 |
| Acquisition cost during the year | 341,097 | 339,661 | 480 | 214,892 | 20,890 | 630,686 | 70,364 | 868,128 | 2,486,198 |
| Acquisition cost expensed during the year | (338,249) | (337,875) | (639) | (197,695) | (29,579) | (611,372) | (118,620) | (812,037) | (2,446,066) |
| At 31 December 2020 | **73,571** | **46,056** | **105** | **42,723** | **3,620** | **201,272** | **52,605** | **163,481** | **583,433** |

## 6. Other receivables and prepayments

| | Notes | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|
| Staff loans | 6.1 | 120,924 | 71,507 |
| Prepayments and sundry debtors | 6.2 | 258,026 | 179,817 |
| Withholding tax credit notes | 6.3 | 14,946 | 6,650 |
| | | 393,896 | 257,974 |
| *Allowance for impairment on Other receivables | 6.4 | (96,634) | (93,984) |
| | | **297,262** | **163,990** |

*Individual impairment of items were carried out to arrive at this value.

## 6.1 Staff loans

| | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|
| At 1 January | 71,507 | 63,039 |
| Addition during the period | 125,600 | 22,650 |
| Accrued Interest | 1,810 | 1,648 |
| Repayment during the period | (77,993) | (15,830) |
| | 120,924 | 71,507 |
| ECL impairment provision | (37,962) | (37,952) |
| At 31 December | **82,962** | **33,555** |

Included in staff loans is an amount of N12.3m (2020: N15.0m) granted to key management staff. See note 38.3
Prepayment and sundry debtors

## 6.2 Prepayment and sundry debtors

| | Notes | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|
| Sundry debtors | 6.2.1 | 51,003 | 69,983 |
| Prepaid others | 6.2.2 | 135,100 | 30,741 |
| Deposit for property | 6.2.3 | 25,337 | 33,120 |
| Prepaid insurance on owned assets | | 33,000 | 28,234 |
| Prepaid rent | | 13,585 | 17,739 |
| | | **258,025** | **179,817** |

6.2.1 Sundry debtors represents deposit for various services not yet received and recoverable from suppliers and service providers.

6.2.2 Prepaid others relates to prepayments made for services rendered by vendors.

6.2.3 This relates to a property development for which an initial deposit of N36.8million was made. The property development has been stalled and the developer has so far refunded the sum of N1.4million whilst the balance of N25.3million has been fully impaired.

### 6.3 Withholding tax credit notes

| | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|
| Balance as at 1 Jan | 6,650 | - |
| Additional credit notes received | 8,296 | 19,972 |
| Utilised credit notes (Note 16.2) | - | (13,322) |
| Balance as at 31 December | 14,946 | 6,650 |

## 6.4 Impairment loss on other receivables

The impairment loss relates to staff loans, deposit for properties and sundry debtors. An analysis of changes in the gross carrying amount and corresponding ECLs is as follows:

| Impairment loss on other receivables | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| These items are not rated. | Gross carrying amount ₦'000 | ECL ₦'000 | Gross carrying amount ₦'000 | ECL ₦'000 | Gross carrying amount ₦'000 | ECL ₦'000 | Gross carrying amount ₦'000 | ECL ₦'000 |
| As at 1 January 2021 | 65,852 | 446 | - | - | 93,538 | 93,538 | 159,390 | 93,984 |
| New assets purchased | 130,366 | 883 | - | - | - | - | 130,366 | 883 |
| Assets derecognised or matured (excluding write-offs) | (95,309) | (646) | - | - | (7,783) | (7,783) | (103,091) | (8,430) |
| Amounts written off | - | | - | - | - | - | - | - |
| Changes to models and inputs used for ECL calculations | - | (403) | - | - | 10,600 | 10,600 | 10,600 | 10,197 |
| Unrealised foreign exchange adjustments | - | - | - | - | - | - | - | - |
| At 31 December 2021 | 100,909 | 279 | - | - | 96,355 | 96,355 | 197,265 | 96,634 |

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| As at 1 January 2020 | 151,643 | 8,842 | - | - | 93,538 | 93,538 | 245,181 | 102,380 |
| New assets purchased | 8,468 | 494 | - | - | - | - | 8,468 | 494 |
| Assets derecognised or matured (excluding write-offs) | (94,259) | (8,891) | - | - | - | - | (94,259) | (8,891) |
| Amounts written off | - | | - | - | - | - | - | - |
| Changes to models and inputs used for ECL calculations | - | 1 | - | - | - | - | - | 1 |
| Unrealised foreign exchange adjustments | - | | - | - | - | - | - | - |
| At 31 December 2020 | 65,852 | 446 | - | - | 93,538 | 93,538 | 159,390 | 93,984 |

## 6.4 Impairment loss on other receivables- continues

### Analysis of impact of impairment 2021

| | Asset | | Impairment | | Asset |
|---|---|---|---|---|---|
| | Gross carrying amount as at 31 December ₦'000 | Balance as at 1 January ₦'000 | Increase/ (Write-back) during the year ₦'000 | Balance as at 31 December ₦'000 | Carrying amount as at 31 December ₦'000 |
| Staff loans | 120,924 | 37,952 | 10 | 37,962 | 82,962 |
| Prepayments | 181,685 | - | - | - | 181,685 |
| Sundry debtors | 51,004 | 22,912 | 10,423 | 33,335 | 17,669 |
| Deposit for property | 25,337 | 33,120 | (7,783) | 25,337 | - |
| Withholding tax credit notes | 14,946 | - | - | - | 14,946 |
| Total | 393,896 | 93,984 | 2,650 | 96,634 | 297,262 |

### Analysis of impact of impairment 2020

| | | | | | |
|---|---|---|---|---|---|
| Staff loans | 71,507 | 37,951 | 1 | 37,952 | 33,555 |
| Prepayments | 76,714 | - | - | - | 76,714 |
| Sundry debtors | 54,763 | 31,309 | (8,397) | 22,912 | 31,850 |
| Claims debtors | 15,220 | - | - | - | 15,220 |
| Deposit for property | 33,120 | 33,120 | - | 33,120 | - |
| Withholding tax credit notes | 6,650 | - | - | - | 6,650 |
| Total | 257,974 | 102,380 | (8,396) | 93,984 | 163,989 |

## 7. Investment properties

| | Notes | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|
| At 1 January | | 3,637,178 | 3,637,178 |
| Additions during the year | | 21,947 | 1,829 |
| Net gain on fair value adjustments | 28.1 | 17,645 | (1,829) |
| At 31 December | | **3,676,770** | **3,637,178** |

Further analysis and details of the investment properties including their location are stated below. These include the carrying amount and the corresponding fair value adjustments recognized in the profit or loss.

## 7.1 Description of properties and movement

| Description of properties and movement | 1-Jan-2021 ₦'000 | Additions during the year ₦'000 | Fair value adjustments ₦'000 | Disposals during the year ₦'000 | 31- Dec 2021 ₦'000 |
|---|---|---|---|---|---|
| 88, Adetokunbo Ademola Street, Victoria Island, Lagos | 230,000 | - | - | - | 230,000 |
| 3, Aja Nwachukwu Close, Off Bourdillon Road, Ikoyi, Lagos* | 2,850,000 | - | - | - | 2,850,000 |
| 156 Awolowo Road, Ikoyi, Lagos | 405,000 | - | - | - | 405,000 |
| Plot 3243, Block 71, Peace Prayer Estate, Amuwo Odofin, Lagos | 41,770 | - | - | - | 41,770 |
| Plot 676 Cadastral Zone, Abuja | 30,000 | - | - | 20,000 | 50,000 |
| 5 Chapel Street, Yaba | 80,408 | - | 21,947 | (2,355) | 100,000 |
| | **3,637,178** | **-** | **21,947** | **17,645** | **3,676,770** |

The Company did not acquire any new investment properties during the year. Improvements during the year represent directly attributable expenditure(e.g. survey cost, remodelling costs) incurred. There was no disposal of investment properties during the year(2020:Nil).

The Investment property located at 3, Aja Nwachukwu Close, Off Bourdillon Road, Ikoyi, Lagos is jointly owned by Policyholders and Shareholders. A fixed portion of N1,513m is owned by policyholders while shareholder own any excess above the same value. Shareholders bear the full exposure to the related risk (Fair valuation gains and losses on the property) while rental income on the property is shared proportionally based on holdings.

## 7.1 Description of properties and movement

| | 1-Jan-2020 ₦'000 | Additions during the year ₦'000 | Fair value adjustments ₦'000 | Disposals during the year ₦'000 | 31- Dec 2020 ₦'000 |
|---|---|---|---|---|---|
| 88, Adetokunbo Ademola Street, Victoria Island, Lagos | 230,000 | - | 629 | 629 | 230,000 |
| 3, Aja Nwachukwu Close, Off Bourdillon Road, Ikoyi, Lagos* | 2,850,000 | - | - | - | 2,850,000 |
| 156 Awolowo Road, Ikoyi, Lagos | 405,000 | - | - | - | 405,000 |
| Plot 3243, Block 71, Peace Prayer Estate, Amuwo Odofin, Lagos | 41,770 | - | - | - | 41,770 |
| Plot 676 Cadastral Zone, Abuja | 30,000 | - | - | - | 30,000 |
| 5 Chapel Street, Yaba | 80,408 | - | 1,200 | (1,200) | 80,408 |
| | **3,637,178** | **-** | **1,829** | **(1,829)** | **3,637,178** |

### Valuation techniques used for fair valuation of Investment properties

This represents the Company's investment in building and landed property for the purpose of capital appreciation. The investment properties are stated at fair value, which has been determined based on valuations performed by a qualified estate surveyor. The investment properties were independently valued by Barin Epega & Company (a registered estate surveyor & valuer) as at 31 December 2021 and 31 December 2020 based on valuation model in accordance with that recommended by the International Valuation Standards Committee. The determination of fair value of the investment property was supported by market evidence.  The rental income arising from these properties during the year is included in other investment and sundry income.

### Details of the Valuer

The investment properties were independently valued as at 31 December 2021 and 31 December 2020 by Barin Epega & Co(an estate surveyor & chartered valuer firm) duly registered with the Financial Reporting Council of Nigeria with number FRC/2020/00000013769, with office located at No. 98, Norman Williams Street Ikoyi, Lagos. The valuation report was signed by Sir Obarinsola Epega KJW who is a qualified member of the Nigerian Institution of Estate Surveyors and Valuers with FRC No. FRC/2012/NIESV/00000000597.

The rental income arising during the year amounted to N77.8million (year ended 31 December 2020: N77.8million) which is included in other investment and sundry income. Direct operating expenses arising in respect of such properties during the year are included within management expenses.

## 7. Investment properties

| | Notes | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|
| Rental income derived from investment properties | 25 | 77,750 | 77,750 |
| Direct operating expenses in generating rental income | | (2,796) | (2,506) |
| Profit from investment properties carried at fair value | | 74,954 | 75,244 |

There are no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal. The Company has no contractual obligations to purchase, construct or develop investment property or for repairs or enhancement.

### Valuation techniques used for fair valuation of investment properties - 31 December 2021

| Location of Investment properties | Status of Title | Valuation technique | Significant unobservable inputs |
|---|---|---|---|
| 88, Adetokunbo Ademola Street, Victoria Island, Lagos | Title is covered by the Lagos State Land certificate Title No LO8556 which was registered and perfected on 1 September 2011 | Depreciated replacement cost approach. | -Construction cost/M2 : N180,000 for Main Building of 300.3m2, N150,000 for Domestic Staff Quarters of 47.4m2 and N100,000 for Gate house of 8.48m2<br>Depreciation rate of 70% |
| 3, Aja Nwachukwu Close, Off Bourdillon Road, Ikoyi, Lagos | Title is covered by the Lagos State Land certificate Title No LO8707 which was registered and perfected on 7 September 2011. | Income approach (DCF Method) | - Estimated unit rental per annum N18,000,000 – N21,040,000<br>- Rent growth p.a 5%<br>- Long-term vacancy rate less 10%<br>- Discount rate 10% |
| 156 Awolowo Road, Ikoyi, Lagos | Title is covered by the Lagos State Land certificate Title No LO5032 which was registered and perfected on 29 June 1994. | Income approach (DCF Method). | - Estimated rental per annum N22,500,000<br>- Rent growth p.a 5%<br>- Long-term vacancy rate 2%<br>- Discount rate 10% |

| Location of Investment properties | Status of Title | Valuation technique | Significant unobservable inputs |
|---|---|---|---|
| 3243, Block 71, Peace Prayer Estate, Amuwo Odofin, Lagos | Title is evidenced by the D160Deed of Assignment dated 1995. Title perfection is ongoing with the Lagos State Government since April 2017. | Market comparison approach | - Estimated price per square metre N35,000 - N45,000 |
| Plot 676 Cadastral Zone, Abuja | Title is evidenced by the Federal Government Certificate of Occupancy No 149123 and registered as No 11488 in Volume 58 of the Certificate of Occupancy register in Land registry office Abuja. Title was perfected and obtained on 1 September 2011. | Market comparison approach. | - Estimated price per square meter N8,000 - N12,000 |
| 5 Chapel Street, Yaba, Lagos | Title perfection is ongoing with the Lagos State Government since acquisition in September 2019. | Depreciated replacement cost approach was adopted in arriving at the market value. | -Construction cost per square meter : N110,000 - N175,000,<br>- Land cost/M2: N100,000- N145,000/m2<br>Depreciation rate of building), 45% (Fence) |
| **Valuation techniques used for fair valuation of investment properties - 31 December 2020** | | | |
| 88, Adetokunbo Ademola Street, Victoria Island, Lagos | Title is covered by the Lagos State Land certificate Title No LO8556 which was registered and perfected on 1 September 2011 | Depreciated replacement cost approach. | -Construction cost/M2 : N180,000 for Main Building of 300.3m2, N150,000 for Domestic Staff Quarters of 47.4m2 and N100,000 for Gate house of 8.48m2<br>Depreciation rate of 70% |

| Location of Investment properties | Status of Title | Valuation technique | Significant unobservable inputs |
|---|---|---|---|
| 3, Aja Nwachukwu Close, Off Bourdillon Road, Ikoyi, Lagos | Title is covered by the Lagos State Land certificate Title No LO8707 which was registered and perfected on 7 September 2011. | Income approach (DCF Method) | - Estimated rental per annum N34,200,000 – N41,040,000<br>- Rent growth p.a 1.14%<br>- Long-term vacancy rate 0%<br>- Discount rate 10% |
| 156 Awolowo Road, Ikoyi, Lagos | Title is covered by the Lagos State Land certificate Title No LO5032 which was registered and perfected on 29 June 1994. | Income approach (DCF Method). | - Estimated rental per annum N22,500,000<br>- Rent growth p.a 5%<br>- Long-term vacancy rate 2%<br>- Discount rate 10% |
| Plot 3243, Block 71, Peace Prayer Estate, Amuwo Odofin, Lagos | Title is evidenced by the Deed of Assignment dated 1995. Title perfection is ongoing with the Lagos State Government since April 2017. | Market comparison approach. | - Estimated price per square metre N35,000 - N45,000 |
| Plot 676 Cadastral Zone, Abuja | Title is evidenced by the Federal Government Certificate of Occupancy No 149123 and registered as No 11488 in Volume 58 of the Certificate of Occupancy register in Land registry office Abuja. Title was perfected and obtained on 1 September 2011. | Market comparison approach. | - Estimated price per square meter N8,000 - N12,000 |
| 5 Chapel Street, Yaba, Lagos | Title perfection is ongoing with the Lagos State Government since acquisition in September 2019. | Depreciated replacement cost approach was adopted in arriving at the market value. | -Construction cost/M2 : N120,000 for Main Building of 169.4m2<br>- Land cost/M2: N145,000 for 454.3m2<br>- Depreciation rate of 35% (Main Building), 45% (Fence) |

### Investment Properties carried at fair value

All Investment properties are carried at fair value as determined by an independent valuer. Valuation under the market approach is based on open market capital valuation using the market comparison approach through analysis of recent transactions of sale of comparable properties in the neighbourhood to arrive at the value of the property. The income approach using discounted cashflows method is also used in arriving at the fair value of income yielding investment properties. The Depreciated replacement cost approach was used in arriving at the fair value of dilapidated structures due to the specialised nature of the property. Investment properties are categorised as Level 3 assets based on the methodology adopted in determining the fair value.

### Investment Properties carried at fair value using income approach

Using the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases/(decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower)/fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower/(higher) fair value. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long term vacancy rate.

### Investment Properties carried at fair value using market approach

Market comparable method is used when there exist a good volume of transactions involving comparable properties in the area during the year. Under the market comparable approach, a property's fair value is estimated based on comparable transactions. This approach is based on the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparism applied by the Company is the price per square meter(sqm). The valuations have been performed by the valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition.

### Investment Properties carried at depreciated replacement cost approach

Depreciated replacement cost (DRC) method of valuation is used where there is no active market for the asset being valued – that is, where there is no useful or relevant evidence of recent sales transactions due to the specialised nature of the asset. The cost of a modern equivalent asset is estimated and then adjusted to reflect the subject asset's physical condition and utility together with obsolescence and relative disabilities affecting the actual asset.

**Fair value hierarchy of Investment Properties**

| | Level 1<br>₦'000 | Level 2<br>₦'000 | Level 3<br>₦'000 | Total<br>₦'000 |
|---|---|---|---|---|
| At 31 December 2021 | | | | |
| Investment properties | - | - | 3,676,770 | 3,676,770 |
| At 31 December 2020 | | | | |
| Investment properties | - | - | 3,637,178 | 3,637,178 |

## 8 Property, plant and equipment

| Cost | Motor Vehicles ₦'000 | Furniture and Fittings ₦'000 | Computer and Office Equipment ₦'000 | Plant and Machinery ₦'000 | Total ₦'000 |
|---|---|---|---|---|---|
| At 1 January 2020 | 387,786 | 78,395 | 151,583 | 9,679 | 627,443 |
| Additions | 77,151 | 1,199 | 31,181 | 240 | 109,771 |
| Disposals | (37,838) | - | (2,402) | - | (40,240) |
| At 31 December 2020 | 427,099 | 79,594 | 180,362 | 9,919 | 696,975 |
| Additions | 194,740 | 1,593 | 14,728 | 4,295 | 215,356 |
| Disposals | (98,125) | - | - | - | (98,125) |
| At 31 December 2021 | 523,714 | 81,187 | 195,090 | 14,214 | 814,206 |
| **Accumulated depreciation:** | | | | | |
| At 1 January 2020 | 244,288 | 70,070 | 114,183 | 4,897 | 433,438 |
| Charge for the year | 64,684 | 3,037 | 22,336 | 1,359 | 91,416 |
| Disposals | (37,421) | - | (2,402) | - | (39,823) |
| At 31 December 2020 | 271,551 | 73,106 | 134,118 | 6,256 | 485,031 |
| Charge for the year | 88,037 | 2,834 | 23,941 | 2,003 | 116,815 |
| Disposals | (91,594) | - | - | - | (91,594) |
| At 31 December 2021 | 267,994 | 75,941 | 158,059 | 8,259 | 510,252 |
| **Carrying Amount** | | | | | |
| At 31 December 2021 | **255,720** | **5,247** | **37,031** | **5,955** | **303,954** |
| At 31 December 2020 | **155,548** | **6,488** | **46,245** | **3,662** | **211,944** |

8.1 The Company had no capital commitment as at the end of the period (2020: Nil).

8.2 Impairment assessment was carried out during the period and there was no indication of impairment of any of the assets in use by the Company, hence no impairment test was performed during the period.

8.3 None of the property, plant and equipment of the Company has been pledged as security for borrowings or otherwise, as at the end of the year (2020: Nil).

## 9 Right of use assets

| | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|
| At 1 January | 6,250 | - |
| Additions during the year | 6,354 | 9,000 |
| Depreciation expense | (5,383) | (2,750) |
| At 31 December | 7,221 | 6,250 |

The Company leases buildings used as office premises and land spaces used for storing accidented vehicles. The total lease term for the office spaces are 12 month or less which are treated as short term lease (See prepaid rent in note 6.2). In many of the lease contracts, there are no extension options and where there exist in other contracts, the company is not reasonably certain that extension options will be exercised and termination options are exercisable by both leasee and lessor without penalty.

During the year, The company leased a property located in Abuja from UPDC Plc for a term of 2 years and the remaining lease term is 15months . The unutilised leased term amounts to N3.97m. See note 38.3 .

In 2020, the company leased a vacant land for storing its salvage vehicles. The lease term for the land space is three (3) years and the remaining lease term for the leased land space as at 31 December 2021 is 13 months. The lease payments were made in advance for the entire period of lease and depreciation is computed on straight-line basis; hence, no lease liability has been recognised as at 31 December, 2021. The depreciation expense computed represents 9months out of 24 months lease period for the Abuja property (See note 38, transactions with related parties for further details) and 11 months out of 36-month lease period for the rented salvage park.

## 10. Intangible assets

| Cost: | Software costs ₦'000 | Total ₦'000 |
|---|---|---|
| At 1 January 2020 | 127,508 | 127,508 |
| Additions | 706 | 706 |
| At 31 December 2020 | 128,214 | 128,214 |
| Additions | 328 | 328 |
| At 31 December 2021 | 128,542 | 128,542 |
| **Accumulated amortisation and impairment:** | | |
| At 1 January 2020 | 118,243 | 118,243 |
| Charge for the year | 3,697 | 3,697 |
| At 31 December 2020 | 121,940 | 121,940 |
| Charge for the year | 3,175 | 3,175 |
| At 31 December 2021 | 125,115 | 125,115 |
| Carrying amount: | | |
| **At 31 December 2021** | **3,427** | **3,427** |
| **At 31 December 2020** | **6,274** | **6,274** |

## 11. Statutory deposits

| | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|
| Deposits with CBN | 300,000 | 300,000 |

In line with Section 10 (3) of the Insurance Act of Nigeria, a deposit of 10% of the regulatory share capital required for non-life insurance business (N3billion) is kept with the Central Bank of Nigeria(CBN). The cash amount held is considered to be a restricted cash balance.

According to Section 10(4), statutory deposits with the CBN attracts an interest at the minimum lending rate on every 1st of January of each year. The interest accrued for the second half of 2020 was observed to have been over accrued given that actual cash interest received in February 2021 indicated that the CBN further reviewed downward the initial minimum lending rate in 2020. Income earned for the 2021 financial year was therefore not substantial enough to clear the prior year excess interest accrued, hence interest income reported during the year was negative. A net interest expense of N4.089m was reported for the year (2020: net interest income of N36.643m). See note 25 to the financial statements.

## 12 Insurance contract liabilities

### 12.1 Carrying amount

| | Note | Gross | | Reinsurers' Assets | | Net | |
|---|---|---|---|---|---|---|---|
| | | 2021 ₦'000 | 2020 ₦'000 | 2021 ₦'000 | 2020 ₦'000 | 2021 ₦'000 | 2020 ₦'000 |
| Non-life: | | | | | | | |
| Outstanding claims | 12.3 | 3,266,597 | 3,127,929 | 1,368,692 | 1,388,408 | 1,897,905 | 1,739,521 |
| IBNR | | 2,215,400 | 1,689,905 | 1,068,055 | 1,002,806 | 1,147,345 | 687,099 |
| | 12.2a | 5,481,997 | 4,817,834 | 2,436,747 | 2,391,214 | 3,045,250 | 2,426,620 |
| Unearned premiums | 12.2b | 7,678,986 | 6,996,644 | 4,914,142 | 4,272,491 | 2,764,844 | 2,724,153 |
| Total non-life | 12.2 | **13,160,983** | **11,814,478** | **7,350,889** | **6,663,705** | **5,810,094** | **5,150,773** |
| | | | | | | | |
| Within one year | | 7,320,288 | 8,653,081 | 4,816,878 | 4,816,878 | 2,503,411 | 3,836,204 |
| More than one year | | 5,840,695 | 3,161,397 | 2,534,011 | 1,846,827 | 3,306,683 | 1,314,569 |
| | | **13,160,983** | **11,814,478** | **7,350,889** | **6,663,705** | **5,810,094** | **5,150,773** |

### 12.2 Movement

| | Note | Gross 2021 | Gross 2020 | Reinsurers' Assets 2021 | Reinsurers' Assets 2020 | Net 2021 | Net 2020 |
|---|---|---|---|---|---|---|---|
| At 1 January | | 11,814,478 | 11,957,745 | 6,663,705 | 7,657,883 | 5,150,773 | 4,299,862 |
| Change in unearned premium | 20 | 682,342 | (495,402) | 641,651 | (1,130,066) | 40,691 | 634,664 |
| Claims charged during the period | | 6,309,938 | 6,002,845 | 1,637,141 | 1,921,145 | 4,672,797 | 4,081,700 |
| Claims paid during the period | | (5,645,775) | (5,650,710) | (1,591,608) | (1,785,257) | (4,054,167) | (3,865,453) |
| At 31 December | | **13,160,983** | **11,814,478** | **7,350,889** | **6,663,705** | **5,810,094** | **5,150,773** |

| | Note | Gross 2021 ₦'000 | Gross 2020 ₦'000 | Reinsurers' Assets 2021 ₦'000 | Reinsurers' Assets 2020 ₦'000 | Net 2021 ₦'000 | Net 2020 ₦'000 |
|---|---|---|---|---|---|---|---|
| **12.2a Movement in outstanding claims** | | | | | | | |
| At 1 January | | 4,817,835 | 4,465,700 | 2,391,214 | 2,255,326 | 2,426,621 | 2,210,374 |
| Claims charged during the year | | 6,309,938 | 6,002,845 | 1,637,141 | 1,921,145 | 4,672,797 | 4,081,700 |
| Claims paid during the year | | (5,645,775) | (5,650,710) | (1,591,608) | (1,785,257) | (4,054,167) | (3,865,453) |
| At 31 December | 12.1 | 5,481,997 | 4,817,835 | 2,436,747 | 2,391,214 | 3,045,251 | 2,426,621 |
| **12.2b Movement in unearned premiums** | | | | | | | |
| At 1 January | | 6,996,644 | 7,492,046 | 4,272,491 | 5,402,557 | 2,724,151 | 2,089,488 |
| Premium written during the year | | 34,437,522 | 31,587,929 | 23,970,511 | 21,738,900 | 10,467,011 | 9,849,029 |
| Premium earned during the year | 20 | (33,755,180) | (32,083,331) | (23,328,860) | (22,868,966) | (10,426,320) | (9,214,365) |
| At 31 December | 12.1 | 7,678,986 | 6,996,644 | 4,914,142 | 4,272,491 | 2,764,842 | 2,724,151 |

## 12.3 Age analysis of outstanding claims

| 12.3a Age analysis of outstanding claims by claim status<br>2021 claims status | Gross ₦'000 | 0 - 90 days ₦'000 | 91- 180 days ₦'000 | 181-270 days ₦'000 | 271-365 days ₦'000 | 365 days and above ₦'000 |
|---|---|---|---|---|---|---|
| Discharged vouchers signed by client | 343,149 | 343,149 | - | - | - | - |
| Discharge vouchers not yet signed & returned by clients | 8,820 | 8,820 | - | - | - | - |
| Awaiting loss adjuster's report | 159,696 | 159,696 | - | - | - | - |
| Awaiting Documentation | 2,754,932 | 339,129 | 350,426 | 155,101 | 277,483 | 1,632,793 |
| Incomplete documentation | - | - | - | - | - | - |
| Repudiated | - | - | - | - | - | - |
| Awaiting court decisions | - | - | - | - | - | - |
| | **3,266,597** | **850,794** | **350,426** | **155,101** | **277,483** | **1,632,793** |

12.3a **Age analysis of outstanding claims by claim status**

**2020 claims status**

| | Gross ₦'000 | 0 - 90 days ₦'000 | 91- 180 days ₦'000 | 181-270 days ₦'000 | 271-365 days ₦'000 | 365 days and above ₦'000 |
|---|---|---|---|---|---|---|
| Discharged vouchers signed by client | 4,120 | 4,120 | - | - | - | - |
| Discharge vouchers not yet signed & returned by clients | 119,374 | 119,374 | - | - | - | - |
| Awaiting loss adjuster's report | 336,490 | 336,490 | - | - | - | - |
| Awaiting Documentation | 2,667,945 | 997,067 | 397,687 | 178,250 | 167,612 | 927,329 |
| Incomplete documentation | - | - | - | - | - | - |
| Repudiated | - | - | - | - | - | - |
| Awaiting court decisions | - | - | - | - | - | - |
| | **3,127,929** | **1,457,051** | **397,687** | **178,250** | **167,612** | **927,329** |

12.3b **Age analysis of outstanding claims by class of business**

**2021 outstanding claims**

| | Gross ₦'000 | 0 - 90 days ₦'000 | 91- 180 days ₦'000 | 181-270 days ₦'000 | 271-365 days ₦'000 | 365 days and above ₦'000 |
|---|---|---|---|---|---|---|
| Motor | 341,080 | 161,735 | 61,861 | 31,562 | 32,597 | 53,325 |
| Accident | 693,872 | 137,352 | 142,184 | 48,003 | 74,694 | 291,639 |
| Bond | 54 | - | - | - | - | 54 |
| Fire | 1,713,617 | 464,366 | 75,969 | 47,500 | 119,971 | 1,005,811 |
| Marine | 143,936 | 32,571 | 19,481 | 11,829 | 27,904 | 52,151 |
| Aviation | 7,559 | 2,947 | 1,057 | - | - | 3,555 |
| Engineering | 135,090 | 28,483 | 42,510 | 11,161 | 8,360 | 44,576 |
| Oil & Energy | 231,389 | 23,340 | 7,364 | 5,046 | 13,957 | 181,682 |
| | **3,266,597** | **850,794** | **350,426** | **155,101** | **277,483** | **1,632,793** |

12.3b Age analysis of outstanding claims by class of business

| 2020 outstanding claims | Gross ₦'000 | 0 - 90 days ₦'000 | 91- 180 days ₦'000 | 181-270 days ₦'000 | 271-365 days ₦'000 | 365 days and above ₦'000 |
|---|---|---|---|---|---|---|
| Motor | 316,062 | 188,148 | 24,866 | 24,681 | 31,042 | 47,324 |
| Accident | 598,267 | 230,182 | 58,803 | 22,572 | 59,076 | 227,634 |
| Bond | 54 | - | - | - | - | 54 |
| Fire | 1,593,689 | 911,358 | 257,188 | 60,142 | 52,671 | 312,330 |
| Marine | 200,202 | 59,872 | 23,510 | 51,811 | 10,384 | 54,624 |
| Aviation | 5,211 | - | - | - | 20 | 5,191 |
| Engineering | 103,751 | 61,291 | 9,774 | 14,394 | 8,818 | 9,475 |
| Oil & Energy | 310,692 | 6,200 | 23,547 | 4,650 | 5,600 | 270,695 |
| | **3,127,929** | **1,457,051** | **397,687** | **178,250** | **167,612** | **927,329** |

## 12.4 Changes in historical reserves for loss and loss adjustment expenses (LAE)

The analysis of loss and LAE reserves by actuaries and management is conducted by line of business and separately for specific claim type e.g. motor claims or fire claims.

The origin year of losses is taken into consideration by analysing each line of business also by accident year. While this determines the estimates of reserves for loss and LAE by accident year as recorded in the statement of financial position, the effect in the profit or loss in the respective calendar year combines the accident year loss ratio for the current year with the favourable or adverse development from prior years (run-off). The tables below first show the loss development by accident year followed by the resulting change for the most recent calendar years.

The technical reserves were independently valued as at 31 December 2021 by Ernst and Young Nigeria duly registered with the Financial Reporting Council of Nigeria. The actuary, Rotimi O Okpaise, whose office is located at 10 Floor, UBA House, 57 Marina, Lagos, Nigeria is an associate of the Society of Actuaries, USA and Fellow of the Institute of Actuaries, England with FRC No. FRC/2012/NAS/00000000738.

## 12.5 Actuarial assumptions

Chain-ladder techniques are applied to premiums, paid claims and incurred claims (i.e. paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on historical patterns. The selected development factors are then applied to cumulative claims data for each underwriting year that is not yet fully developed to produce an estimated ultimate claims cost for each underwriting year.

Chain-ladder techniques are most appropriate for classes of business that have a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business or for underwriting years that are still at immature stages of development where there is a higher level of assumption volatility.

The Bornhuetter-Ferguson method uses a combination of a benchmark/market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims observed to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations where developed claims experience was not available for the projection (i.e. recent underwriting years or new classes of business).

The expected loss ratio method uses a benchmark/market-based estimate applied to the expected premium and is used for classes with little or no relevant historical data.

The choice of selected results for each underwriting year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual underwriting years or groups of underwriting years within the same class of business. As such, there are many assumptions used to estimate general insurance liabilities.

# Notes To The Financial Statements Contd

The valuation approach/methodology is similar to those adopted in the last valuation cycle. See table below for valuation methodology and the large loss cut off level assumed for each class of business. The large loss for 2021 are the same as 2020 due to stable claims distribution experience during the year

| Class of Business | Valuation Methodology | Large Loss | Comment on Derivation |
|---|---|---|---|
| Motor | Undiscounted IABCL | 7,000,000 | 7m assumed |
| General Accident | Undiscounted IABCL | 20,000,000 | N20m Assumed |
| Bond | Undiscounted IABCL | N/A | Not Applicable |
| Fire | Undiscounted IABCL | 50,000,000 | N50m Assumed |
| Marine | Undiscounted IABCL | 16,093,882 | Mean + 3SD |
| Aviation | Expected Loss ratio | N/A | Not Applicable |
| Engineering | Undiscounted IABCL | 19,764,423 | Mean + 3SD |
| Oil & Gas | Expected Loss ratio | N/A | Not Applicable |

## 12 Insurance contract liabilities - continued

To illustrate the robustness of the reserves, the loss development tables below provide information about historical claims development by eight classes of business – accident, aviation, bond, engineering, fire, marine, motor and oil & energy. The tables are by underwriting year which in view provides the most transparent reserving basis.

### Gross claim reserving - Fire

Incremental Chain ladder-Yearly Projections (N'000) (Table of claims paid excluding large claims (Attritional Table))

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 110,128 | 105,252 | 46,861 | 5,562 | 412 | - | - | - | - | - | 1,535 |
| 2009 | 126,838 | 95,969 | 25,312 | 12,116 | 668 | 58 | - | - | - | 120 | - |
| 2010 | 80,509 | 111,961 | 37,658 | 20,129 | 2,892 | 1,679 | - | - | - | - | - |
| 2011 | 145,673 | 375,819 | 72,612 | 44,635 | 28,323 | 603 | - | 284 | - | - | - |
| 2012 | 172,376 | 225,242 | 81,969 | 16,442 | 160 | 140 | - | 295 | - | - | - |
| 2013 | 206,698 | 272,940 | 73,266 | 12,904 | 4,237 | 2,173 | - | - | - | - | - |
| 2014 | 285,229 | 230,783 | 43,717 | 32,190 | 4,139 | 606 | 239 | 477 | - | - | - |
| 2015 | 332,516 | 279,154 | 22,671 | 20,630 | 12,137 | 1,303 | - | - | - | - | - |
| 2016 | 273,934 | 353,278 | 50,066 | 20,397 | 1,281 | 15,994 | - | - | - | - | - |
| 2017 | 273,077 | 235,134 | 31,616 | 36,678 | 36,461 | - | - | - | - | - | - |
| 2018 | 325,889 | 292,644 | 30,557 | 1,674 | - | - | - | - | - | - | - |
| 2019 | 490,517 | 373,530 | 79,975 | - | - | - | - | - | - | - | - |
| 2020 | 444,751 | 2,193,164 | - | - | - | - | - | - | - | - | - |
| 2021 | 409,450 | - | - | - | - | - | - | - | - | - | - |

## 12 Insurance contract liabilities - continued

### Cumulative Chain Ladder - Annual projections (N'000)

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 556,575 | 1,018,725 | 1,199,377 | 1,218,554 | 1,219,842 | 1,219,842 | 1,219,842 | 1,219,842 | 1,219,842 | 1,219,842 | 1,222,286 |
| 2009 | 556,930 | 926,895 | 1,014,175 | 1,052,052 | 1,053,916 | 1,054,065 | 1,054,065 | 1,054,065 | 1,054,065 | 1,054,256 | 1,054,256 |
| 2010 | 310,365 | 696,422 | 814,146 | 870,331 | 877,805 | 881,812 | 881,812 | 881,812 | 881,812 | 881,812 | 881,812 |
| 2011 | 502,301 | 1,677,171 | 1,879,847 | 1,995,203 | 2,062,793 | 2,064,106 | 2,064,106 | 2,064,558 | 2,064,558 | 2,064,558 | 2,064,558 |
| 2012 | 538,874 | 1,167,573 | 1,379,418 | 1,418,655 | 1,419,003 | 1,419,260 | 1,419,260 | 1,419,683 | 1,419,683 | 1,419,683 | |
| 2013 | 576,937 | 1,282,339 | 1,457,180 | 1,485,277 | 1,493,063 | 1,496,525 | 1,496,525 | 1,496,525 | 1,496,525 | | |
| 2014 | 737,161 | 1,287,898 | 1,383,086 | 1,442,243 | 1,448,836 | 1,449,704 | 1,450,010 | 1,450,487 | | | |
| 2015 | 793,512 | 1,401,330 | 1,442,993 | 1,475,854 | 1,493,227 | 1,494,893 | 1,494,893 | | | | |
| 2016 | 596,453 | 1,245,688 | 1,325,438 | 1,354,636 | 1,356,274 | 1,372,268 | | | | | |
| 2017 | 501,846 | 876,394 | 921,651 | 968,536 | 1,004,998 | | | | | | |
| 2018 | 519,113 | 938,017 | 977,077 | 978,752 | | | | | | | |
| 2019 | 702,148 | 1,179,633 | 1,259,608 | | | | | | | | |
| 2020 | 568,528 | 2,761,692 | | | | | | | | | |
| 2021 | 409,450 | | | | | | | | | | |
| Loss Dev Factors (LDF) | | 2.208 | 1.099 | 1.034 | 1.011 | 1.002 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |

## 12 Insurance contract liabilities - continued

### Projected Inflation Adjusted Chain ladder (discounted results -Annual projections (N'000))

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 556,575 | 1,018,725 | 1,199,377 | 1,218,554 | 1,219,842 | 1,219,842 | 1,219,842 | 1,219,842 | 1,219,842 | 1,219,842 | 1,219,842 |
| 2009 | 556,930 | 926,895 | 1,014,175 | 1,052,052 | 1,053,916 | 1,054,065 | 1,054,065 | 1,054,065 | 1,054,065 | 1,054,256 | 1,054,256 |
| 2010 | 310,365 | 696,422 | 814,146 | 870,331 | 877,805 | 881,812 | 881,812 | 881,812 | 881,812 | 881,812 | 881,812 |
| 2011 | 502,301 | 1,677,171 | 1,879,847 | 1,995,203 | 2,062,793 | 2,064,106 | 2,064,106 | 2,064,558 | 2,064,558 | 2,064,558 | 2,064,558 |
| 2012 | 538,874 | 1,167,573 | 1,379,418 | 1,418,655 | 1,419,003 | 1,419,260 | 1,419,260 | 1,419,683 | 1,419,683 | 1,419,683 | 1,419,683 |
| 2013 | 576,937 | 1,282,339 | 1,457,180 | 1,485,277 | 1,493,063 | 1,496,525 | 1,496,525 | 1,496,525 | 1,496,525 | 1,496,525 | 1,496,525 |
| 2014 | 737,161 | 1,287,898 | 1,383,086 | 1,442,243 | 1,448,836 | 1,449,704 | 1,450,010 | 1,450,487 | 1,450,592 | 1,450,592 | 1,450,592 |
| 2015 | 793,512 | 1,401,330 | 1,442,993 | 1,475,854 | 1,493,227 | 1,494,893 | 1,494,893 | 1,501,054 | 1,501,054 | 1,501,054 | 1,501,054 |
| 2016 | 596,453 | 1,245,688 | 1,325,438 | 1,354,636 | 1,356,274 | 1,372,268 | 1,380,879 | 1,380,879 | 1,380,879 | 1,380,879 | 1,380,879 |
| 2017 | 501846 | 876,394 | 921,651 | 968,536 | 1,004,998 | 1,010,072 | 1,010,072 | 1,010,072 | 1,010,072 | 1,010,072 | 1,010,072 |
| 2018 | 519113 | 938,017 | 977,077 | 978,752 | 1,008,078 | 1,010,819 | 1,010,819 | 1,010,819 | 1,010,819 | 1,010,819 | 1,010,819 |
| 2019 | 702148 | 1,179,633 | 1,259,608 | 1,377,023 | 1,395,576 | 1,399,403 | 1,399,403 | 1,399,403 | 1,399,403 | 1,399,403 | 1,399,403 |
| 2020 | 568528 | 2,761,692 | 3,015,505 | 3,138,112 | 3,180,963 | 3,189,802 | 3,189,802 | 3,189,802 | 3,189,802 | 3,189,802 | 3,189,802 |
| 2021 | 409,450 | 1,093,956 | 1,212,605 | 1,257,957 | 1,273,807 | 1,277,077 | 1,277,077 | 1,277,077 | 1,277,077 | 1,277,077 | 1,277,077 |

## 12 Insurance contract liabilities - continued

### Summary of results

| Accident year | Exposure/ Earned Premium (N'000) | Total Paid Amounts (N'000) | O/S Reported LG Reserve | No. of Large Losses | Claim Frequency (%) | Average Paid Cost (N'000) | Ult Avg Cost | Ultimate Freq (%) | Ultimate Paid Amounts (N'000) | Large Loss Reserves (N'000) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 849525 | 238,941 | - | 3 | 0 | 79,647 | 79,647 | 0 | 238,941 | - |
| 2009 | 849525 | - | - | - | - | - | - | - | - | - |
| 2010 | 849525 | - | - | - | - | - | - | - | - | - |
| 2011 | 849525 | 355,878 | - | 4 | 0 | 88,969 | 88,969 | 0 | 355,878 | - |
| 2012 | 1425419 | 341,378 | - | 8 | 0 | 42,672 | 42,672 | 0 | 341,378 | - |
| 2013 | 1643663 | 104,511 | - | 3 | 0 | 34,837 | 34,837 | 0 | 104,511 | - |
| 2014 | 2662425 | 160,326 | - | 5 | 0 | 32,065 | 32,065 | 0 | 160,326 | - |
| 2015 | 2732559 | 474,109 | - | 6 | 0 | 79,018 | 79,018 | 0 | 474,109 | - |
| 2016 | 3363252 | 51,649 | - | 2 | 0 | 25,825 | 25,825 | 0 | 51,649 | - |
| 2017 | 4731622 | 1,392,131 | - | 4 | 0 | 348,033 | 348,033 | 0 | 1,392,131 | - |
| 2018 | 4713463 | 507,064 | - | 6 | 0 | 84,511 | 84,511 | 0 | 507,064 | - |
| 2019 | 4989617 | 1,111,215 | 62,488 | 8 | 0 | 130,411 | 130,411 | 0 | 1,173,703 | 62,488 |
| 2020 | 6092960 | 80,000 | 1,004,727 | 1 | 0 | 180,788 | 180,788 | 0 | 1,084,727 | 1,004,727 |
| 2021 | 7526883 | - | - | - | - | - | - | - | 295,006 | 295,006 |
| **Total** | | | **1,067,214** | | | | | | | **1,362,221** |

## 12 Insurance contract liabilities - continued

### Gross claim reserving - General Accident

### Incremental Chain ladder-Yearly Projections (N'000) (Table of claims paid excluding large claims (Attritional Table))

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 93,564 | 117,991 | 43,719 | 29,067 | 24,068 | 14,124 | 2,169 | - | 350 | - | 1,535 |
| 2009 | 142,888 | 178,819 | 32,999 | 22,321 | 34,515 | 14,792 | - | 119 | 1,244 | 1,481 | - |
| 2010 | 103,424 | 161,672 | 91,990 | 24,421 | 23,990 | 3,897 | 2,065 | - | 2,347 | 28,330 | - |
| 2011 | 114,804 | 214,937 | 46,760 | 60,251 | 7,607 | 12,678 | 2 | 1,840 | 94 | - | - |
| 2012 | 119,637 | 150,849 | 106,089 | 14,296 | 3,287 | 3,480 | 8,660 | 248 | 1,664 | 312 | - |
| 2013 | 70,883 | 161,350 | 61,683 | 25,878 | 6,697 | 4,154 | 839 | - | 2,942 | - | - |
| 2014 | 103,234 | 100,861 | 30,956 | 4,530 | 11,375 | 2,150 | 1,723 | 7 | - | - | - |
| 2015 | 153,854 | 91,909 | 17,555 | 48,723 | 3,803 | 422 | 237 | - | - | - | - |
| 2016 | 126,331 | 145,759 | 45,263 | 5,878 | 4,323 | 1,307 | - | - | - | - | - |
| 2017 | 100,401 | 128,739 | 29,242 | 12,128 | 5,599 | - | - | - | - | - | - |
| 2018 | 93,463 | 148,735 | 18,867 | 14,409 | - | - | - | - | - | - | - |
| 2019 | 148,155 | 124,156 | 48,575 | - | - | - | - | - | - | - | - |
| 2020 | 145,055 | 221,948 | - | - | - | - | - | - | - | - | - |
| 2021 | 188,508 | - | - | - | - | - | - | - | - | - | - |

## 12 Insurance contract liabilities - continued

### Cumulative Chain Ladder - Annual projections (N'000)

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 472,864 | 990,947 | 1,159,487 | 1,259,715 | 1,334,954 | 1,374,377 | 1,379,981 | 1,379,981 | 1,380,744 | 1,380,744 | 1,383,188 |
| 2009 | 627,405 | 1,316,759 | 1,430,545 | 1,500,322 | 1,596,660 | 1,634,889 | 1,634,889 | 1,635,148 | 1,637,434 | 1,639,793 | 1,639,793 |
| 2010 | 398,704 | 956,174 | 1,243,750 | 1,311,914 | 1,373,915 | 1,383,216 | 1,387,713 | 1,387,713 | 1,391,450 | 1,432,002 | 1,432,002 |
| 2011 | 395,863 | 1,067,789 | 1,198,306 | 1,354,022 | 1,372,174 | 1,399,778 | 1,399,781 | 1,402,712 | 1,402,846 | 1,402,846 | 1,402,846 |
| 2012 | 374,004 | 795,056 | 1,069,239 | 1,103,354 | 1,110,510 | 1,116,906 | 1,130,702 | 1,131,057 | 1,133,184 | 1,133,497 | 1,137,142 |
| 2013 | 197,849 | 614,851 | 762,050 | 818,396 | 830,703 | 837,320 | 838,522 | 838,522 | 841,464 | 842,814 | 842,814 |
| 2014 | 266,805 | 507,498 | 574,901 | 583,226 | 601,346 | 604,423 | 606,625 | 606,632 | 609,875 | 609,875 | 609,875 |
| 2015 | 367,154 | 567,273 | 599,535 | 677,146 | 682,590 | 683,129 | 683,366 | 686,801 | 686,801 | 686,801 | 686,801 |
| 2016 | 275,067 | 542,934 | 615,033 | 623,447 | 628,973 | 630,280 | 647,384 | 647,736 | 647,736 | 647,736 | 647,736 |
| 2017 | 184,511 | 389,580 | 431,438 | 446,942 | 452,542 | 475,726 | 477,583 | 477,877 | 477,877 | 477,877 | 477,877 |
| 2018 | 148,879 | 361,785 | 385,903 | 400,312 | 431,434 | 439,094 | 441,027 | 441,333 | 441,333 | 441,333 | 441,333 |
| 2019 | 212,076 | 370,785 | 419,360 | 449,749 | 467,915 | 477,269 | 479,630 | 480,004 | 480,004 | 480,004 | 480,004 |
| 2020 | 185,424 | 407,372 | 549,389 | 593,480 | 619,671 | 633,158 | 636,561 | 637,100 | 637,100 | 637,100 | 637,100 |
| 2021 | 188,508 | 437,729 | 525,025 | 569,744 | 596,309 | 609,988 | 613,440 | 613,987 | 613,987 | 613,987 | 613,987 |

## 12 Insurance contract liabilities - continued

### Summary of results

| Accident year | Exposure/ Earned Premium (N'000) | Total Paid Amounts (N'000) | O/S Reported LG Reserve | No. of Large Losses | Claim Frequency (%) | Average Paid Cost (N'000) | Ult Avg Cost | Ultimate Freq (%) | Ultimate Paid Amounts (N'000) | Large Loss Reserves (N'000) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 954,044 | 23,903 | - | 1 | 0.00010% | 23,903 | 23,903 | 0.00010% | 23,903 | - |
| 2009 | 954,044 | - | - | - | 0.00000% | - | - | 0.00000% | - | - |
| 2010 | 954,044 | 57,572 | - | 2 | 0.00021% | 28,786 | 28,786 | 0.00021% | 57,572 | - |
| 2011 | 954,044 | 95,337 | - | 9 | 0.00094% | 10,593 | 10,593 | 0.00094% | 95,337 | - |
| 2012 | 835,123 | 100,449 | - | 2 | 0.00024% | 50,225 | 50,225 | 0.00024% | 100,449 | - |
| 2013 | 1,201,245 | 26,574 | - | 1 | 0.00008% | 26,574 | 26,574 | 0.00008% | 26,574 | - |
| 2014 | 1,159,496 | 119,330 | - | 13 | 0.00112% | 9,179 | 9,179 | 0.00112% | 119,330 | - |
| 2015 | 1,418,197 | 31,497 | - | 3 | 0.00021% | 10,499 | 10,499 | 0.00021% | 31,497 | - |
| 2016 | 1,733,251 | 124,367 | - | 4 | 0.00023% | 31,092 | 31,092 | 0.00023% | 124,367 | - |
| 2017 | 1,381,811 | 75,042 | - | 3 | 0.00022% | 25,014 | 25,014 | 0.00022% | 75,042 | - |
| 2018 | 1,362,222 | 81,109 | - | 5 | 0.00037% | 16,222 | 16,222 | 0.00037% | 81,109 | - |
| 2019 | 1,837,363 | 99,538 | 27,000 | 1 | 0.00011% | 99,538 | 99,538 | 0.00011% | 126,538 | 27,000 |
| 2020 | 2,051,688 | - | 20,000 | - | 0.00005% | - | - | 0.00005% | 20,000 | 20,000 |
| 2021 | 2,264,054 | - | 137,452 | - | 0.00000% | - | 68,726 | 0.00000% | 187,502 | 187,502 |
| Total | | | 184,452 | | | | | | | 234,502 |
| | | | | | | | | | Discounted* | **208,144** |

## 12 Insurance contract liabilities - continued

### Summary of results

| Accident year | Paid to date (N,000) | Latest Paid Large Loss (N'000) | Total Ultimate (N'000) | Gross Claims Reserve (N'000) | Gross Earned Premium (N'000) | Ultimate Loss Ratio |
|---|---|---|---|---|---|---|
| 2008 | 1,383,188 | 23,903 | 1,407,091 | - | 954,044 | 147% |
| 2009 | 1,639,793 | - | 1,639,793 | - | 954,044 | 172% |
| 2010 | 1,432,002 | 57,572 | 1,489,575 | - | 954,044 | 156% |
| 2011 | 1,402,846 | 95,337 | 1,498,183 | - | 954,044 | 157% |
| 2012 | 1,133,497 | 100,449 | 1,237,402 | 3,455 | 835,123 | 148% |
| 2013 | 841,464 | 26,574 | 869,318 | 1,280 | 1,201,245 | 72% |
| 2014 | 606,632 | 119,330 | 729,037 | 3,074 | 1,159,496 | 63% |
| 2015 | 683,366 | 31,497 | 718,120 | 3,256 | 1,418,197 | 51% |
| 2016 | 630,280 | 124,367 | 771,162 | 16,515 | 1,733,251 | 44% |
| 2017 | 452,542 | 75,042 | 551,370 | 23,787 | 1,381,811 | 40% |
| 2018 | 400,312 | 81,109 | 519,141 | 37,720 | 1,362,222 | 38% |
| 2019 | 419,360 | 99,538 | 599,202 | 80,304 | 1,837,363 | 33% |
| 2020 | 407,372 | - | 631,309 | 223,938 | 2,051,688 | 31% |
| 2021 | 188,508 | - | 723,462 | 534,954 | 2,264,054 | 32% |
| Total | | | | **928,284** | | |

## 12 Insurance contract liabilities - continued

### Gross claim reserving - Engineering

Incremental Chain ladder-Yearly Projections (N'000) (Table of claims paid excluding large claims (Attritional Table))

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 10,320 | 18,812 | 3,234 | 40 | - | - | - | - | - | - | - |
| 2009 | 10,588 | 21,981 | 685 | 566 | 8 | 669 | - | - | - | 15 | - |
| 2010 | 25,334 | 27,088 | 13,545 | 1,316 | 916 | - | 52 | - | - | - | - |
| 2011 | 41,121 | 37,530 | 6,827 | 786 | 2,160 | 4 | 1,272 | - | - | - | - |
| 2012 | 39,982 | 32,423 | 11,309 | 10,862 | 2,189 | 9,516 | - | 1,786 | 2,159 | - | - |
| 2013 | 34,179 | 16,546 | 5,025 | 771 | 5,958 | - | - | - | - | - | - |
| 2014 | 32,268 | 21,790 | 16,105 | 67 | - | - | - | - | - | - | - |
| 2015 | 16,793 | 46,258 | 8,567 | 2,154 | 15 | - | - | - | - | - | - |
| 2016 | 24,725 | 38,213 | 6,751 | 17,357 | 1,888 | 1,248 | - | - | - | - | - |
| 2017 | 17,448 | 48,920 | 26,757 | 3,724 | 6 | - | - | - | - | - | - |
| 2018 | 37,865 | 56,824 | 5,676 | 2,213 | - | - | - | - | - | - | - |
| 2019 | 65,344 | 34,062 | 11,868 | - | - | - | - | - | - | - | - |
| 2020 | 34,516 | 69,094 | - | - | - | - | - | - | - | - | - |
| 2021 | 34,412 | - | - | - | - | - | - | - | - | - | - |

## 12 Insurance contract liabilities - continued

### Cumulative Chain ladder-Annual Projections (N'000)

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 52,156 | 134,756 | 147,223 | 147,361 | 147,361 | 147,361 | 147,361 | 147,361 | 147,361 | 147,361 | 147,361 |
| 2009 | 46,490 | 131,225 | 133,586 | 135,355 | 135,377 | 137,104 | 137,104 | 137,104 | 137,104 | 137,127 | 137,127 |
| 2010 | 97,664 | 191,068 | 233,412 | 237,087 | 239,455 | 239,455 | 239,569 | 239,569 | 239,569 | 239,569 | 239,569 |
| 2011 | 141,793 | 259,117 | 278,171 | 280,204 | 285,357 | 285,367 | 287,705 | 287,705 | 287,705 | 287,705 | 287,705 |
| 2012 | 124,989 | 215,487 | 244,716 | 270,635 | 275,402 | 292,890 | 292,890 | 295,447 | 298,206 | 298,206 | 298,206 |
| 2013 | 95,401 | 138,163 | 150,154 | 151,832 | 162,782 | 162,782 | 162,782 | 162,782 | 162,782 | 163,349 | 163,349 |
| 2014 | 83,394 | 135,394 | 170,461 | 170,583 | 170,583 | 170,583 | 170,583 | 170,583 | 170,583 | 170,583 | 170,583 |
| 2015 | 40,075 | 140,794 | 156,538 | 159,970 | 159,992 | 159,992 | 159,992 | 159,992 | 159,992 | 159,992 | 159,992 |
| 2016 | 53,836 | 124,062 | 134,816 | 159,662 | 162,075 | 163,323 | 163,323 | 163,323 | 163,323 | 163,323 | 163,323 |
| 2017 | 32,065 | 109,990 | 148,291 | 153,051 | 153,058 | 155,104 | 155,104 | 155,104 | 155,104 | 155,104 | 155,104 |
| 2018 | 60,315 | 141,656 | 148,911 | 151,124 | 153,487 | 155,812 | 155,812 | 155,812 | 155,812 | 155,812 | 155,812 |
| 2019 | 93,537 | 137,079 | 148,947 | 155,079 | 157,818 | 160,514 | 160,514 | 160,514 | 160,514 | 160,514 | 160,514 |
| 2020 | 44,122 | 113,216 | 181,836 | 189,952 | 193,577 | 197,144 | 197,144 | 197,144 | 197,144 | 197,144 | 197,144 |
| 2021 | 34,412 | 157,683 | 181,125 | 189,675 | 193,494 | 197,252 | 197,252 | 197,252 | 197,252 | 197,252 | 197,252 |

## 12 Insurance contract liabilities - continued

### Summary of results

| Accident year | Exposure/ Earned Premium (N'000) | Total Paid Amounts (N'000) | O/S Reported LG Reserve | No. of Large Losses | Claim Frequency (%) | Average Paid Cost (N'000) | Ult Avg Cost | Ultimate Freq (%) | Ultimate Paid Amounts (N'000) | Large Loss Reserves (N'000) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 328,030 | - | - | - | 0.00000% | - | - | 0.00000% | - | - |
| 2009 | 328,030 | - | - | - | 0.00000% | - | - | 0.00000% | - | - |
| 2010 | 328,030 | 52,140 | - | 2 | 0.00061% | 26,070 | 26,070 | 0.00061% | 52,140 | - |
| 2011 | 328,030 | 1,699 | - | 2 | 0.00061% | 850 | 850 | 0.00061% | 1,699 | - |
| 2012 | 385,887 | 77,690 | - | 4 | 0.00104% | 19,422 | 19,422 | 0.00104% | 77,690 | - |
| 2013 | 283,277 | - | - | - | 0.00000% | - | - | 0.00000% | - | - |
| 2014 | 394,657 | 322,650 | - | 7 | 0.00177% | 46,093 | 46,093 | 0.00177% | 322,650 | - |
| 2015 | 533,391 | 65,410 | - | 5 | 0.00094% | 13,082 | 13,082 | 0.00094% | 65,410 | - |
| 2016 | 488,027 | 92,779 | - | 1 | 0.00020% | 92,779 | 92,779 | 0.00020% | 92,779 | - |
| 2017 | 411,656 | - | - | - | 0.00000% | - | - | 0.00000% | - | - |
| 2018 | 520,219 | - | - | - | 0.00000% | - | - | 0.00000% | - | - |
| 2019 | 568,295 | 41,901 | - | 1 | 0.00018% | 41,901 | 41,901 | 0.00018% | 41,901 | - |
| 2020 | 626,574 | - | 20,727 | - | 0.00016% | - | - | 0.00016% | 20,727 | 20,727 |
| 2021 | 653,647 | - | - | - | 0.00% | - | - | 0.00% | 24,097 | 24,097 |
| | | | **20,727** | | | | | | | **44,825** |
| | | | | | | | | | **Discounted*** | **40,910** |

## 12 Insurance contract liabilities - continued

### Summary of results

| Accident year | Paid to date (N,000) | Latest Paid Large Loss (N'000) | Total Ultimate (N'000) | Gross Claims Reserve (N'000) | Gross Earned Premium (N'000) | Ultimate Loss Ratio |
|---|---|---|---|---|---|---|
| 2008 | 147,361 | - | 147,361 | - | 328,030 | 45% |
| 2009 | 137,127 | - | 137,127 | - | 328,030 | 42% |
| 2010 | 239,569 | 52,140 | 291,708 | - | 328,030 | 89% |
| 2011 | 287,705 | 1,699 | 289,404 | - | 328,030 | 88% |
| 2012 | 298,206 | 77,690 | 375,896 | - | 385,887 | 97% |
| 2013 | 162,782 | - | 163,320 | 538 | 283,277 | 58% |
| 2014 | 170,583 | 322,650 | 493,234 | - | 394,657 | 125% |
| 2015 | 159,992 | 65,410 | 225,402 | - | 533,391 | 42% |
| 2016 | 163,323 | 92,779 | 256,103 | - | 488,027 | 52% |
| 2017 | 153,058 | - | 154,998 | 1,940 | 411,656 | 38% |
| 2018 | 151,124 | - | 155,345 | 4,221 | 520,219 | 30% |
| 2019 | 148,947 | 41,901 | 201,059 | 10,211 | 568,295 | 35% |
| 2020 | 113,216 | - | 211,141 | 97,924 | 626,574 | 34% |
| 2021 | 34,412 | - | 202,928 | 168,516 | 653,647 | 31% |
| Total | | | | **283,350** | | |

## 12 Insurance contract liabilities - continued

### Gross claim reserving - Motor

Incremental Chain ladder-Yearly Projections (N'000) (Table of claims paid excluding large claims (Attritional Table))

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 507,461 | 204,505 | 22,153 | 22,657 | 1,761 | 4,242 | 863 | - | - | - | - |
| 2009 | 569,042 | 238,715 | 38,021 | 18,622 | 5,096 | 3,554 | - | - | - | - | - |
| 2010 | 473,569 | 307,040 | 53,176 | 12,395 | 2,877 | - | - | - | 40 | - | - |
| 2011 | 609,346 | 278,893 | 33,978 | 7,180 | - | - | - | - | - | - | 450 |
| 2012 | 560,502 | 218,623 | 21,106 | 331 | 1,564 | - | - | 40 | - | - | - |
| 2013 | 654,322 | 206,000 | 11,291 | 795 | 868 | 20 | 25 | - | - | - | - |
| 2014 | 753,530 | 129,455 | 3,290 | 321 | 242 | - | 1,087 | - | - | - | - |
| 2015 | 813,262 | 202,678 | 6,740 | 3,496 | - | - | - | - | - | - | - |
| 2016 | 883,565 | 215,311 | 9,241 | 1,333 | - | 2,422 | - | - | - | - | - |
| 2017 | 911,733 | 197,368 | 10,083 | - | 1,402 | - | - | - | - | - | - |
| 2018 | 816,536 | 142,904 | 5,824 | - | - | - | - | - | - | - | - |
| 2019 | 873,149 | 172,568 | 34,041 | - | - | - | - | - | - | - | - |
| 2020 | 869,945 | 297,072 | - | - | - | - | - | - | - | - | - |
| 2021 | 1,245,88 | - | - | - | - | - | - | - | - | - | - |

## 12 Insurance contract liabilities - continued

Projected Inflation Adjusted Chain ladder (discounted results -Annual projections (N’000))
Cumulative Chain Ladder-Annual Projections (N'000)

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 2,564,658 | 3,462,615 | 3,548,015 | 3,626,139 | 3,631,646 | 3,643,485 | 3,645,714 | 3,645,714 | 3,645,714 | 364571400 | 3,645,714 |
| 2009 | 2,498,598 | 3,418,852 | 3,549,954 | 3,608,170 | 3,622,393 | 3,631,577 | 3,631,577 | 3,631,577 | 3,631,577 | 3,631,577 | 3,631,577 |
| 2010 | 1,825,622 | 2,884,341 | 3,050,578 | 3,085,175 | 3,092,610 | 3,092,610 | 3,092,610 | 3,092,610 | 3,092,674 | 3,092,674 | 3,092,674 |
| 2011 | 2,101,118 | 2,972,980 | 3,067,821 | 3,086,377 | 3,086,377 | 3,086,377 | 3,086,377 | 3,086,377 | 3,086,377 | 3,086,377 | 3,086,827 |
| 2012 | 1,752,215 | 2,362,438 | 2,416,984 | 2,417,774 | 2,421,179 | 2,421,179 | 2,421,179 | 2,421,236 | 2,421,236 | 2,421,236 | 2,421,236 |
| 2013 | 1,826,350 | 2,358,748 | 2,385,693 | 2,387,424 | 2,389,019 | 2,389,051 | 2,389,087 | 2,389,087 | 2,389,087 | 2,389,087 | 2,389,087 |
| 2014 | 1,947,465 | 2,256,394 | 2,263,558 | 2,264,148 | 2,264,533 | 2,264,533 | 2,265,923 | 2,265,923 | 2,265,923 | 2,265,923 | 2,265,923 |
| 2015 | 1,940,757 | 2,382,060 | 2,394,447 | 2,400,016 | 2,400,016 | 2,400,016 | 2,400,016 | 2,400,016 | 2,400,016 | 2,400,016 | 2,400,016 |
| 2016 | 1,923,836 | 2,319,523 | 2,334,244 | 2,336,152 | 2,336,152 | 2,338,574 | 2,338,574 | 2,338,574 | 2,338,574 | 2,338,574 | 2,338,574 |
| 2017 | 1,675,531 | 1,989,922 | 2,004,355 | 2,004,355 | 2,005,757 | 2,008,341 | 2,008,341 | 2,008,341 | 2,008,341 | 2,008,341 | 2,008,341 |
| 2018 | 1,300,670 | 1,505,229 | 1,512,674 | 1,512,674 | 1,514,816 | 1,514,816 | 1,514,816 | 1,514,816 | 1,514,816 | 1,514,816 | 1,514,816 |
| 2019 | 1,249,865 | 1,470,459 | 1,504,500 | 1,516,476 | 1,518,912 | 1,518,912 | 1,518,912 | 1,518,912 | 1,518,912 | 1,518,912 | 1,518,912 |
| 2020 | 1,112,055 | 1,409,127 | 1,497,476 | 1,510,910 | 1,513,642 | 1,513,642 | 1,513,642 | 1,513,642 | 1,513,642 | 1,513,642 | 1,513,642 |
| 2021 | 1,245,884 | 1,509,189 | 1,551,268 | 1,566,758 | 1,569,908 | 1,569,908 | 1,569,908 | 1,569,908 | 1,569,908 | 1,569,908 | 1,569,908 |

## 12 Insurance contract liabilities - continued

Reserve For Large Losses

| Accident year | Exposure/ Earned Premium (N'000) | Total Paid Amounts (N'000) | O/S Reported LG Reserve | No. of Large Losses | Claim Frequency (%) | Average Paid Cost (N'000) | Ult Avg Cost | Ultimate Freq (%) | Ultimate Paid Amounts (N'000) | Large Loss Reserves (N'000) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 1,414,954 | 53,897 | - | 5.00 | 0.00% | 10,779 | 10,779 | 0 | 53,897 | - |
| 2009 | 1,414,954 | 34,239 | - | 3.00 | 0.00% | 11,413 | 11,413 | 0 | 34,239 | - |
| 2010 | 1,414,954 | 45,122 | - | 3.00 | 0.00% | 15,041 | 15,041 | 0 | 45,122 | - |
| 2011 | 1,414,954 | 73,332 | - | 5.00 | 0.00% | 14,666 | 14,666 | 0 | 73,332 | - |
| 2012 | 1,693,838 | 34,079 | - | 4.00 | 0.00% | 8,520 | 8,520 | 0 | 34,079 | - |
| 2013 | 2,061,524 | 64,637 | - | 6.00 | 0.00% | 10,773 | 10,773 | 0 | 64,637 | - |
| 2014 | 2,534,137 | 10,083 | - | 1.00 | 0.00% | 10,083 | 10,083 | 0 | 10,083 | - |
| 2015 | 2,369,361 | 98,820 | - | 18.00 | 0.00% | 5,490 | 5,490 | 0 | 98,820 | - |
| 2016 | 2,451,788 | 86,841 | - | 13.00 | 0.00% | 6,680 | 6,680 | 0 | 86,841 | - |
| 2017 | 2,458,016 | 103,799 | - | 11.00 | 0.00% | 9,436 | 9,436 | 0 | 103,799 | - |
| 2018 | 2,453,988 | 79,931 | - | 7.00 | 0.00% | 11,419 | 11,419 | 0 | 79,931 | - |
| 2019 | 2,733,523 | 133,398 | - | 15.00 | 0.00% | 8,893 | 8,893 | 0 | 133,398 | - |
| 2020 | 3,182,841 | 134,954 | - | 18.00 | 0.00% | 7,497 | 7,497 | 0 | 134,954 | - |
| 2021 | 3,428,551 | - | 83,343 | - | 0.00% | - | 41,671 | 0 | 145,199 | 145,199 |
| Total | | | **83,343** | | | | | | | **145,199** |

## 12 Insurance contract liabilities - continued

### Summary of results

| Accident year | Paid to date (N,000) | Latest Paid Large Loss (N'000) | Total Ultimate (N'000) | Gross Claims Reserve (N'000) | Gross Earned Premium (N'000) | Ultimate Loss Ratio |
|---|---|---|---|---|---|---|
| 2008 | 3,645,714 | 53,897 | 3,699,611 | - | 1,414,954 | 261% |
| 2009 | 3,631,577 | 34,239 | 3,665,816 | - | 1,414,954 | 259% |
| 2010 | 3,092,674 | 45,122 | 3,137,796 | - | 1,414,954 | 222% |
| 2011 | 3,086,827 | 73,332 | 3,160,159 | - | 1,414,954 | 223% |
| 2012 | 2,421,236 | 34,079 | 2,455,315 | - | 1,693,838 | 145% |
| 2013 | 2,389,087 | 64,637 | 2,453,724 | - | 2,061,524 | 119% |
| 2014 | 2,265,923 | 10,083 | 2,276,006 | - | 2,534,137 | 90% |
| 2015 | 2,400,016 | 98,820 | 2,498,836 | - | 2,369,361 | 105% |
| 2016 | 2,338,574 | 86,841 | 2,425,416 | - | 2,451,788 | 99% |
| 2017 | 2,005,757 | 103,799 | 2,112,005 | 2,450 | 2,458,016 | 86% |
| 2018 | 1,512,674 | 79,931 | 1,594,636 | 2,031 | 2,453,988 | 65% |
| 2019 | 1,504,500 | 133,398 | 1,651,326 | 13,429 | 2,733,523 | 60% |
| 2020 | 1,409,127 | 134,954 | 1,641,374 | 97,293 | 3,182,841 | 52% |
| 2021 | 1,245,884 | - | 1,679,879 | 433,995 | 3,428,551 | 49% |
| Total | | | | **483,639** | | |

## 12 Insurance contract liabilities - continued

### Gross claim reserving - Marine

Incremental Chain ladder-Yearly Projections (N'000) (Table of claims paid excluding large claims (Attritional Table))

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 60,705 | 38,216 | 8,058 | 3,728 | 66 | - | 3,640 | - | - | - | - |
| 2009 | 42,659 | 60,540 | 14,796 | 330 | 65 | - | - | - | - | - | - |
| 2010 | 61,564 | 49,384 | 3,763 | 3,519 | - | - | - | - | - | - | - |
| 2011 | 130,414 | 115,549 | 20,498 | 3,831 | - | - | - | - | - | - | - |
| 2012 | 115,319 | 106,445 | 14,829 | - | - | - | - | - | - | - | - |
| 2013 | 73,632 | 73,428 | 14,419 | - | 2,880 | 14 | - | - | - | - | - |
| 2014 | 116,891 | 47,890 | 16,292 | 5,333 | 16 | - | - | 256 | - | - | - |
| 2015 | 109,572 | 95,168 | 11,946 | 1,178 | 145 | - | - | - | - | - | - |
| 2016 | 64,212 | 67,377 | 6,801 | - | - | - | - | - | - | - | - |
| 2017 | 67,681 | 64,828 | 9,275 | 1,308 | - | - | - | - | - | - | - |
| 2018 | 64,869 | 91,951 | 20,200 | 49,935 | - | - | - | - | - | - | - |
| 2019 | 106,440 | 82,996 | 19,927 | - | - | - | - | - | - | - | - |
| 2020 | 39,237 | 118,017 | - | - | - | - | - | - | - | - | - |

## 12 Insurance contract liabilities - continued

Projected Inflation Adjusted Chain ladder (discounted results -Annual projections (N'000))

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 306,798 | 474,600 | 505,664 | 518,517 | 518,722 | 518,722 | 528,130 | 528,130 | 528,130 | 528,130 | 528,130 |
| 2009 | 187,310 | 420,695 | 471,713 | 472,745 | 472,928 | 472,928 | 472,928 | 472,928 | 472,928 | 472,928 | 472,928 |
| 2010 | 237,332 | 407,616 | 419,379 | 429,200 | 429,200 | 429,200 | 429,200 | 429,200 | 429,200 | 429,200 | 429,200 |
| 2011 | 449,686 | 810,910 | 868,124 | 878,025 | 878,025 | 878,025 | 878,025 | 878,025 | 878,025 | 878,025 | 878,025 |
| 2012 | 360,504 | 657,614 | 695,939 | 695,939 | 695,939 | 695,939 | 695,939 | 695,939 | 695,939 | 695,939 | 695,939 |
| 2013 | 205,523 | 395,294 | 429,703 | 429,703 | 434,996 | 435,018 | 435,018 | 435,018 | 435,018 | 435,018 | 435,018 |
| 2014 | 302,101 | 416,386 | 451,858 | 461,658 | 461,683 | 461,683 | 461,683 | 461,939 | 461,939 | 461,939 | 461,939 |
| 2015 | 261,482 | 468,697 | 490,651 | 492,527 | 492,734 | 492,734 | 492,734 | 492,734 | 492,734 | 492,734 | 492,734 |
| 2016 | 139,812 | 263,634 | 274,468 | 274,468 | 274,468 | 274,468 | 274,468 | 274,468 | 274,468 | 274,468 | 274,468 |
| 2017 | 124,380 | 227,645 | 240,922 | 242,595 | 242,595 | 247,053 | 247,053 | 247,053 | 247,053 | 247,053 | 247,053 |
| 2018 | 103,331 | 234,954 | 260,776 | 310,711 | 319,022 | 319,022 | 319,022 | 319,022 | 319,022 | 319,022 | 319,022 |
| 2019 | 152,364 | 258,458 | 278,385 | 298,474 | 298,868 | 298,868 | 298,868 | 298,868 | 298,868 | 298,868 | 298,868 |
| 2020 | 50,157 | 168,173 | 271,800 | 277,321 | 277,686 | 277,686 | 277,686 | 277,686 | 277,686 | 277,686 | 277,686 |
| 2021 | 74,931 | 198,367 | 212,881 | 217,201 | 217,486 | 217,486 | 217,486 | 217,486 | 217,486 | 217,486 | 217,486 |

## 12 Insurance contract liabilities - continued

Reserve for Large Losses

| Accident year | Exposure/ Earned Premium (N'000) | Total Paid Amounts (N'000) | O/S Reported LG Reserve | No. of Large Losses | Claim Frequency (%) | Average Paid Cost (N'000) | Ult Avg Cost | Ultimate Freq (%) | Ultimate Paid Amounts (N'000) | Large Loss Reserves (N'000) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 829,549 | 114,804 | - | 5 | 0.00060% | 22,961 | 22,961 | 0.00060% | 114,804 | - |
| 2009 | 829,549 | 23,045 | - | 1 | 0.00012% | 23,045 | 23,045 | 0.00012% | 23,045 | - |
| 2010 | 829,549 | - | - | - | 0.00000% | - | - | 0.00000% | - | - |
| 2011 | 829,549 | 51,007 | - | 2 | 0.00024% | 25,504 | 25,504 | 0.00024% | 51,007 | - |
| 2012 | 460,425 | 572,475 | - | 6 | 0.00130% | 95,413 | 95,413 | 0.00130% | 572,475 | - |
| 2013 | 1,169,328 | 20,064 | - | 1 | 0.00009% | 20,064 | 20,064 | 0.00009% | 20,064 | - |
| 2014 | 1,012,106 | 393,583 | - | 6 | 0.00059% | 65,597 | 65,597 | 0.00059% | 393,583 | - |
| 2015 | 995,999 | 46,673 | - | 4 | 0.00040% | 11,668 | 11,668 | 0.00040% | 46,673 | - |
| 2016 | 765,664 | - | - | - | 0.00000% | - | - | 0.00000% | - | - |
| 2017 | 990,821 | 100,870 | - | 3 | 0.00030% | 33,623 | 33,623 | 0.00030% | 100,870 | - |
| 2018 | 793,735 | 34,963 | - | 2 | 0.00025% | 17,481 | 17,481 | 0.00025% | 34,963 | - |
| 2019 | 982,526 | 36,853 | - | 1 | 0.00010% | 36,853 | 36,853 | 0.00010% | 36,853 | - |
| 2020 | 1,103,865 | - | - | - | 0.00000% | - | - | 0.00010% | - | - |
| Total | 1,400,937 | - | - | - | 0.00% | - | - | 0.00% | 16,637 | 16,637 |
| | | | | | | | | | | 16,637 |
| | | | | | | | | | **Discounted*** | **15,580** |

## 12 Insurance contract liabilities - continued

Gross IBNR & ULR Results

Summary of Results - Gross IBNR & ULR

| Accident year | Paid to date (N,000) | Latest Paid Large Loss (N'000) | Total Ultimate (N'000) | Gross Claims Reserve (N'000) | Gross Earned Premium (N'000) | Ultimate Loss Ratio |
|---|---|---|---|---|---|---|
| 2008 | 528,130 | 114,804 | 642,934 | - | 829,549 | 78% |
| 2009 | 472,928 | 23,045 | 495,973 | - | 829,549 | 60% |
| 2010 | 429,200 | - | 429,200 | - | 829,549 | 52% |
| 2011 | 878,025 | 51,007 | 929,032 | - | 829,549 | 112% |
| 2012 | 695,939 | 572,475 | 1,268,415 | - | 460,425 | 275% |
| 2013 | 435,018 | 20,064 | 455,082 | - | 1,169,328 | 39% |
| 2014 | 461,939 | 393,583 | 855,523 | - | 1,012,106 | 85% |
| 2015 | 492,734 | 46,673 | 539,407 | - | 995,999 | 54% |
| 2016 | 274,468 | - | 274,468 | - | 765,664 | 36% |
| 2017 | 242,595 | 100,870 | 347,923 | 4,459 | 990,821 | 35% |
| 2018 | 310,711 | 34,963 | 353,985 | 8,311 | 793,735 | 45% |
| 2019 | 278,385 | 36,853 | 335,720 | 20,483 | 982,526 | 34% |
| 2020 | 168,173 | - | 277,686 | 109,512 | 1,103,865 | 25% |
| 2021 | 74,931 | - | 233,066 | 158,135 | 1,400,937 | 17% |
| Total | | | | **300,900** | | |

## 12 Insurance contract liabilities - continued

### Gross claim reserving - Oil & Gas

Expected Loss Ratio Method Table

| Accident year | Gross Earned Premium (N'000) | Claims Paid till date (N'000) | Total O/S as at 31 Dec 2020 (N'000) | Current Incurred (N'000) | Current Loss Ratio | Ultimate Loss Ratio | Ultimate Losses (N'000) | O/S Claim Reserves (N'000) |
|---|---|---|---|---|---|---|---|---|
| 2008 | 684,534 | 3,592 | - | 3,592 | 1% | 1% | 3,592 | - |
| 2009 | 1,984,218 | 135,019 | - | 135,019 | 7% | 7% | 135,019 | - |
| 2010 | 10,031,505 | 280,612 | - | 280,612 | 3% | 3% | 280,612 | - |
| 2011 | 5,498,418 | 1,358,826 | 373 | 1,359,198 | 25% | 25% | 1,359,198 | 373 |
| 2012 | 7,231,193 | 1,899,027 | 6,165 | 1,905,192 | 26% | 26% | 1,905,192 | 6,165 |
| 2013 | 13,276,573 | 922,978 | - | 922,978 | 7% | 7% | 922,978 | - |
| 2014 | 8,213,427 | 170,568 | - | 170,568 | 2% | 2% | 170,568 | - |
| 2015 | 8,414,832 | 661,109 | 1,213 | 662,322 | 8% | 8% | 662,322 | 1,213 |
| 2016 | 7,490,611 | 862,550 | 73,161 | 935,711 | 12% | 12% | 935,711 | 73,161 |
| 2017 | 9,612,977 | 4,618,530 | 6,246 | 4,624,776 | 48% | 48% | 4,624,776 | 6,246 |
| 2018 | 12,553,206 | 333,652 | 28,832 | 362,484 | 3% | 3% | 362,484 | 28,832 |
| 2019 | 13,888,032 | 203,815 | 35,760 | 239,575 | 2% | 2% | 288,412 | 84,596 |
| 2020 | 18,826,148 | 18,432 | 47,584 | 66,016 | 0% | 2% | 390,961 | 372,529 |
| 2021 | 18,187,552 | 24,373 | 32,054 | 56,427 | 0% | 2% | 451,440 | 427,067 |
| Total | | | 231,389 | | | | | 1,000,183 |
| | | | | | | | Discounted | 826,618 |

## 12 Insurance contract liabilities - continued

### Gross claim reserving - Bond

Expected Loss Ratio Method Table

| Accident year | Gross Earned Premium (N'000) | Claims Paid till date (N'000) | Total O/S as at 31 Dec 2020 (N'000) | Current Incurred (N'000) | Current Loss Ratio | Ultimate Loss Ratio | Ultimate Losses (N'000) | O/S Claim Reserves (N'000) |
|---|---|---|---|---|---|---|---|---|
| 2008 | - | - | - | - | 0% | 0% | - | - |
| 2009 | - | - | - | - | 0% | 0% | - | - |
| 2010 | - | - | - | - | 0% | 0% | - | - |
| 2011 | 53,249 | - | - | - | 0% | 0% | - | - |
| 2012 | 53,249 | - | - | - | 0% | 0% | - | - |
| 2013 | 53,249 | - | - | - | 0% | 0% | - | - |
| 2014 | 5,938 | - | - | - | 0% | 0% | - | - |
| 2015 | 5,090 | - | - | - | 0% | 0% | - | - |
| 2016 | 5,946 | 53 | - | 53 | 1% | 1% | 53 | - |
| 2017 | 6,450 | 602 | - | 602 | 9% | 9% | 602 | - |
| 2018 | 6,016 | 557 | - | 557 | 9% | 9% | 557 | - |
| 2019 | 5,835 | 728 | 54 | 782 | 13% | 14% | 840 | 112 |
| 2020 | 5,321 | 249 | - | 249 | 5% | 5% | 272 | 23 |
| 2021 | 13,038 | - | - | - | 0% | 6% | 846 | 846 |
| Total | | | 54 | | | | | 982 |

## 12 Insurance contract liabilities - continued

### Gross claim reserving - Aviation

Expected Loss Ratio Method Table

| Accident year | Gross Earned Premium (N'000) | Claims Paid till date (N'000) | Total O/S as at 31 Dec 2020 (N'000) | Current Incurred (N'000) | Current Loss Ratio | Ultimate Loss Ratio | Ultimate Losses (N'000) | O/S Claim Reserves (N'000) |
|---|---|---|---|---|---|---|---|---|
| 2008 | - | - | - | - | 0% | 0% | - | - |
| 2009 | - | - | - | - | 0% | 0% | - | - |
| 2010 | - | - | - | - | 0% | 0% | - | - |
| 2011 | 20,869 | - | - | - | 0% | 0% | - | - |
| 2012 | 20,869 | - | - | - | 0% | 0% | - | - |
| 2013 | 20,869 | 36,659 | - | 36,659 | 176% | 176% | 36,659 | - |
| 2014 | 20,869 | 53,774 | - | 53,774 | 258% | 258% | 53,774 | - |
| 2015 | 20,869 | 3,653 | - | 3,653 | 18% | 18% | 3,653 | 0 |
| 2016 | 20,869 | 6 | - | 6 | 0% | 0% | 6 | - |
| 2017 | 63,968 | - | 999 | 999 | 2% | 2% | 999 | 999 |
| 2018 | 349,344 | 68 | 1,320 | 1,387 | 0% | 0% | 1,387 | 1,320 |
| 2019 | 172,952 | 97,360 | 2,692 | 100,052 | 58% | 58% | 100,052 | 2,692 |
| 2020 | 193,934 | 5,634 | - | 5,634 | 3% | 4% | 7,574 | 1,939 |
| 2021 | 280,519 | - | 2,548 | 2,548 | 1% | 3% | 9,561 | 9,561 |
| Total | | | 7,559 | | | | | 16,512 |

## 13 Trade payables

| | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|
| Reinsurance payable | 507,945 | 460,437 |
| Commission payable (Note 13.1) | 2,077,560 | 1,058,691 |
| Premium deposit (Note 13.2) | 4,366,048 | 572,971 |
| | **6,951,553** | **2,092,099** |

All amounts are payable within one year.

### 13.1 Commission payable

| | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|
| Due to agents | 33,458 | 29,199 |
| Due to brokers | 1,625,111 | 887,551 |
| Due to insurance companies | 418,991 | 141,941 |
| | **2,077,560** | **1,058,691** |

### 13.2 Premium deposit

For cashflow purpose, premium deposit received in any reporting year is taken into consideration when determining the cash flow for the premium received from policyholders for the subsequent year.

| | | Notes | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|---|
| 14 | **Other payables and accruals** | | | |
| | Accrued expenses | 14.1 | 573,208 | 320,175 |
| | Intercompany payables | 38.3 | 59,369 | 514,600 |
| | Statutory payables | 14.2 | 467,899 | 242,404 |
| | Survey fees payables | 14.3 | 320,809 | 247,443 |
| | Other payables | 14.4 | 71,857 | 328,701 |
| | | | 1,493,142 | 1,653,323 |
| 14.1 | **Accrued expenses** | | | |
| | Audit fee | | 7,095 | 7,095 |
| | Fees and subscriptions | | 19,780 | 16,413 |
| | NAICOM levy | | 293,486 | 97,110 |
| | Corporate branding expenses | | 24,218 | 14,599 |
| | Performance bonus | | 185,039 | 151,835 |
| | General welfare and entertainment | | 33,772 | 26,213 |
| | Other accruals | | 9,818 | 6,910 |
| | | | 573,208 | 320,175 |
| 14.2 | **Statutory payables** | | | |
| | Withholding tax due to Federal government | | 87,139 | 47,499 |
| | Value added tax payables | | 4,444 | - |
| | Nigerian content development levy | | 374,515 | 193,890 |
| | Withholding tax due to State government | | 1,801 | 1,015 |
| | | | 467,899 | 242,404 |

14.3 Survey fees payable are fees payable to external consultants for inspection and survey services rendered in the course of underwriting engineering, oil and gas and other special risk policies.

14.4 Other payables relates to amounts due to suppliers and service providers in respect of services rendered.

## 15 Deferred Income

| | Rent ₦'000 | Deferred commission ₦'000 | Total ₦'000 |
|---|---|---|---|
| **At 1 January 2020** | 55,750 | 326,417 | 382,167 |
| Additions during the year | 66,500 | 1,556,636 | 1,623,136 |
| Credit to profit or loss (Note 26 and 22) | (77,750) | (1,650,205) | (1,727,955) |
| **At 31 December 2020** | 44,500 | 232,848 | 277,348 |
| Additions during the year | 66,500 | 1,670,186 | 1,736,686 |
| Credit to profit or loss (Note 26 and 22) | (77,750) | (1,610,329) | (1,688,079) |
| **At 31 December 2021** | **33,250** | **292,705** | **325,955** |

Deferred income consists of rental income received in advance on investment properties leased by the Company to third parties, and commissions received in advance. These are released to income in-line with the terms of the individual contract that it relates to.

## 16 Income taxes

### 16.1 Per Statement of profit or loss and other comprehensive income:

| | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|
| - Recognised in profit or loss: | | |
| Income tax | 299,058 | 393,847 |
| Tertiary Education tax | 45,876 | 3,043 |
| Information technology development levy (NITDA) | 50,229 | 42,201 |
| Current tax charge for the year | 395,163 | 439,091 |
| Deferred tax (credit)/charge | 185,516 | 139,276 |
| **Income tax expense** | **580,679** | **578,367** |

16.2 **Current income tax payable as per statement of financial position:**

| | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|
| At 1 January | 878,769 | 898,023 |
| Charge for the year | 395,163 | 439,091 |
| Withholding tax credit Note 6.3 | - | (13,322) |
| Payment during the year | (437,140) | (445,023) |
| **At 31 December** | **836,792** | **878,769** |

The charge for income tax in these financial statements is based on the provisions of the Finance Act 2021 which amended some sections of the Companies Income Tax Act, CAP C21 LFN 2004 as amended and Education Tax Act, CAP E4 LFN 2004.

## 16.3 Reconciliation of income tax expense

| | 31-Dec-2021<br>₦'000 | 31-Dec-2020<br>₦'000 |
|---|---|---|
| The income tax expense of the Company for the year can be reconciled to the accounting profits as follows: | | |
| Profit before income tax expense | 5,022,684 | 4,255,453 |
| Income tax expense calculated at 30% | 1,506,805 | 1,276,636 |
| Effect of income that is exempt from taxation | (1,528,506) | (1,859,310) |
| Effect of expenses not tax deductible | 276,763 | 309,181 |
| Effect of minimum tax | 227,748 | 806,410 |
| Education tax | 45,876 | 3,043 |
| Information technology development levy (NITDA) | 50,229 | 42,202 |
| Tax rate differential on fair value gains on investment properties | 1,765 | 205 |
| Company income tax | 580,679 | 578,367 |
| Effective tax rate | 12% | 14% |

The tax rate applied for the 2021 and 2020 reconciliations above is the corporate tax rate of 30% and payable by the Company. Education tax of 2.5% (2020:2%) is applied on the assessable profits.

## 17. Deferred Tax Liabilities

| | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|
| Fair value gains on investment properties | 137,466 | 135,701 |
| Unrealised exchange gains on financial assets at amortised costs | 696,702 | 513,154 |
| Accelerated depreciation for tax purposes | 54,505 | 39,642 |
| Impairment of financial assets: | | |
| Impairment of cash and cash equivalents | (51,249) | (21,218) |
| Impairment of debt instruments at amortised cost | (82,696) | (94,802) |
| Impairment of other receivables | (911) | (4,177) |
| Total impairment of financial assets | (134,856) | (120,197) |
| **Deferred tax liabilities** | **753,816** | **568,300** |

Reconciliation of deferred tax liabilities is as shown below:

| | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|
| At 1 January | 568,300 | 429,024 |
| Amounts recorded in profit or loss (Note 16) | 185,516 | 139,276 |
| At 31 December | 753,816 | 568,300 |

Per Statement of profit or loss and other comprehensive income:

| | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|
| Fair value gains on investment properties | 1,765 | (205) |
| On unrealised exchange (loss)/gains | 183,548 | 163,254 |
| Accelerated depreciation for tax purposes | 14,863 | 3,353 |
| Write-back/impairment of financial assets | (14,659) | (27,125) |
| | 185,516 | 139,276 |

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 18 Share capital and premium

| | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|
| **Authorised share capital** | | |
| 24,000,000,000 ordinary shares at 50 kobo each | 12,000,000 | 12,000,000 |

**Issued and paid up capital comprises:**

14,000,000,000(2020: 14,000,000,000) fully paid ordinary shares at 50 Kobo each

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Share Capital ₦'000 | Share Premium ₦'000 | Share Capital ₦'000 | Share Premium ₦'000 |
| Balance at 1 January | 7,000,000 | 84,607 | 3,500,000 | 84,607 |
| Issue of shares during the year | - | - | 3,500,000 | - |
| Balance at 31 December | 7,000,000 | 84,607 | 7,000,000 | 84,607 |

In October 2020, the company issued bonus shares of one new share for every existing share held at 50kobo (fifty kobo) ranking in all respect pari passu with the existing shares of the company through the capitalisation of retained earnings.

## 19. Reserves

The nature and purpose of the reserves in equity are as follows:

### 19.1 Statutory contingency reserve:

The solvency regulations in Nigeria require the Company to establish a contingency reserve to be utilised against abnormal future losses arising in certain classes of business. The regulations prescribed that the reserve is increased every year by an amount that is calculated as a percentage of higher of: 3% of the total premium and 20% of net profits for the year until it reaches the amount of the minimum paid-up capital or 50 per centum of the net premiums (whichever is greater)" in accordance with Section 21(2) of the Insurance Act 2003.

## 19.1 Statutory contingency reserve continues

| | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|
| Required annual transfers: | | |
| Total premium | 34,437,522 | 31,587,929 |
| Net profit | 5,022,684 | 4,255,453 |
| | | |
| The higher of the below: | | |
| 3% of total gross premium | 1,033,126 | 947,638 |
| 20% of net profit | 1,004,537 | 851,091 |
| | | |
| Transfer to contingency reserves | 1,033,126 | 947,638 |
| | | |
| Maximum limit: | | |
| 50% of Net premium | 5,213,160 | 4,607,183 |
| Minimum paid up capital | 3,000,000 | 3,000,000 |
| | | |
| Movement in contingency reserve: | | |
| As at 1 January | 9,394,735 | 8,447,097 |
| Transfer from retained earnings | 605,265 | 947,638 |
| As at 31 December | **10,000,000** | **9,394,735** |

In 2021, transfer from retained earnings to statutory contingency reserve was limited to N605milion given that the company had exceeded the statutory limit of 50% of net premium. The company had been appropriating retained earnings to its statutory contingency reserve over the years in view of the proposed recapitalization plan which was eventually put on hold.

## 19.2 Retained earnings:

Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

| | 31-Dec-2021<br>₦'000 | 31-Dec-2020<br>₦'000 |
|---|---|---|
| As at 1 January | 3,793,640 | 6,642,715 |
| Profit for the year | 4,442,005 | 3,677,086 |
| Distributions made and proposed | (2,660,000) | (2,100,000) |
| Transfer to contingency reserves (Note 19.3) | (605,265) | (947,638) |
| Issue of bonus shares (Note 18) | - | (3,500,000) |
| Transfer to fair value reserves (Note 19.2) | - | 21,477 |
| As at 31 December | **4,970,380** | **3,793,640** |

## 19.3 Fair value reserve:

The fair value reserve comprise the net cumulative change in the fair value of financial assets measured at fair value through other comprehensive income.

| | 31-Dec-2021<br>₦'000 | 31-Dec-2020<br>₦'000 |
|---|---|---|
| As at 1 January | 261,924 | 192,516 |
| Net gain on equity instruments designated at fair value through other comprehensive income(Note 31) | 115,010 | 90,885 |
| Transfer to retained earnings (Note 19.1) | - | (21,477) |
| As at 31 December | **376,934** | **261,924** |

## 19.3a Reconciliation of fair value gain reclassified to retained earnings

In 2020 financial year, Investment in Nigeria liability Insurance pool was disposed at the end of the pool term (2015-2019). The exit settlement was based on the valuation of the pool as conducted by the pool's management.

| | 2021<br>₦'000 | 2020<br>₦'000 |
|---|---|---|
| Cost at initial recognition of Financial assets at FVOCI | - | 2,181 |
| Accumulated fair value gain prior to derecognition | - | 21,477 |
| Carrying amount of financial assets at FVOCI at derecognition date | - | 23,658 |
| Profit on disposal of financial asset at FVOCI | - | - |
| Proceeds from disposal of financial assets at FVOCI | - | 23,658 |
| Accumulated fair value gain prior to derecognition | - | 21,477 |
| Profit on disposal of financial asset at FVOCI | - | - |
| Fair value gains reclassified to retained earnings | - | 21,477 |

## Revenue account

| | Motor ₦'000 | Accident ₦'000 | Bond ₦'000 | Marine ₦'000 | Aviation ₦'000 | Fire ₦'000 | Engineering ₦'000 | Oil & Energy ₦'000 | 2021 Total ₦'000 |
|---|---|---|---|---|---|---|---|---|---|
| Gross premium written | 3,538,297 | 2,373,088 | 20,019 | 1,415,811 | 268,457 | 8,150,471 | 563,993 | 18,107,386 | 34,437,522 |
| Decrease/(Increase) in unearned premium reserve | (109,746) | (109,034) | (6,981) | (14,874) | 12,062 | (623,588) | 89,654 | 80,165 | (682,342) |
| **Premium written:** | | | | | | | | | |
| Insurance premium revenue | 3,428,551 | 2,264,054 | 13,038 | 1,400,937 | 280,519 | 7,526,883 | 653,647 | 18,187,551 | 33,755,180 |
| **Reinsurance cost** | | | | | | | | | |
| Local reinsurance cost | 88,024 | 994,612 | 2,356 | 539,561 | 42,860 | 5,644,231 | 415,606 | 13,926,950 | 21,654,200 |
| Foreign reinsurance cost | - | - | - | - | - | - | - | 1,674,660 | 1,674,660 |
| Total reinsurance cost | 88,024 | 994,612 | 2,356 | 539,561 | 42,860 | 5,644,231 | 415,606 | 15,601,610 | 23,328,860 |
| **Net insurance premium revenue** | 3,340,527 | 1,269,442 | 10,682 | 861,376 | 237,659 | 1,882,652 | 238,041 | 2,585,941 | 10,426,320 |
| Fee and commission income | 9,524 | 115,469 | 641 | 99,680 | - | 473,918 | 93,739 | 817,358 | 1,610,329 |
| **Net Underwriting Income** | **3,350,051** | **1,384,911** | **11,323** | **961,056** | **237,659** | **2,356,570** | **331,780** | **3,403,299** | **12,036,649** |
| Insurance claims and claims expenses | 1,644,484 | 654,529 | 370 | 269,828 | (5,316) | 3,119,089 | 148,876 | 478,078 | 6,309,938 |
| Insurance claims and claims expenses recovered and recoverable from reinsurers | (111,856) | (16,680) | (41) | (138,330) | - | (1,356,944) | (83,347) | 70,057 | (1,637,141) |
| **Net insurance benefits and claims** | **1,532,628** | **637,849** | **329** | **131,498** | **(5,316)** | **1,762,145** | **65,529** | **548,135** | **4,672,797** |
| **Underwriting Expenses:** | | | | | | | | | |
| Acquisition | 362,307 | 372,473 | 433 | 279,038 | 44,391 | 748,815 | 125,448 | 651,549 | 2,584,454 |
| Maintenance | 71,744 | 18,187 | 61 | 44,773 | 826 | 73,585 | 4,141 | 145,226 | 358,543 |
| **Total underwriting expenses** | **1,966,679** | **1,028,509** | **823** | **455,309** | **39,901** | **2,584,545** | **195,118** | **1,344,910** | **7,615,794** |
| **Underwriting Profit/(loss)** | **1,383,372** | **356,402** | **10,500** | **505,747** | **197,758** | **(227,975)** | **136,662** | **2,058,389** | **4,420,855** |

## Revenue account

| | Motor ₦'000 | Accident ₦'000 | Bond ₦'000 | Marine ₦'000 | Aviation ₦'000 | Fire ₦'000 | Engineering ₦'000 | Oil & Energy ₦'000 | 2020 Total ₦'000 |
|---|---|---|---|---|---|---|---|---|---|
| Gross premium written | 3,272,946 | 2,120,555 | 7,106 | 1,188,049 | 154,643 | 6,201,612 | 386,797 | 18,256,221 | 31,587,929 |
| Decrease/(Increase) in unearned premium reserve | (90,105) | (68,867) | (1,785) | (84,184) | 39,291 | (108,652) | 239,777 | 569,927 | 495,402 |
| **Premium written:** | | | | | | | | | |
| Insurance premium revenue | 3,182,841 | 2,051,688 | 5,321 | 1,103,865 | 193,934 | 6,092,960 | 626,574 | 18,826,148 | 32,083,331 |
| **Reinsurance cost** | | | | | | | | | |
| Local reinsurance cost | 165,369 | 842,069 | 1,492 | 385,025 | 59,090 | 4,573,139 | 371,707 | 14,742,297 | 21,140,188 |
| Foreign reinsurance cost | - | - | - | - | - | - | - | 1,728,778 | 1,728,778 |
| Total reinsurance cost | 165,369 | 842,069 | 1,492 | 385,025 | 59,090 | 4,573,139 | 371,707 | 16,471,075 | 22,868,966 |
| **Net insurance premium revenue** | 3,017,472 | 1,209,619 | 3,829 | 718,840 | 134,844 | 1,519,821 | 254,867 | 2,355,073 | 9,214,365 |
| Fee and commission income | 18,438 | 109,332 | 419 | 61,748 | 9,855 | 402,813 | 86,019 | 961,581 | 1,650,205 |
| **Net Underwriting Income** | **3,035,910** | **1,318,951** | **4,248** | **780,588** | **144,699** | **1,922,634** | **340,886** | **3,316,654** | **10,864,570** |
| Insurance claims and claims expenses | 1,321,183 | 673,738 | 695 | 295,362 | 2,421 | 1,955,071 | 67,088 | 1,687,287 | 6,002,845 |
| Insurance claims and claims expenses recovered and recoverable from reinsurers | (91,957) | (77,208) | (427) | (207,367) | 1,695 | (1,162,364) | (101,285) | (282,232) | (1,921,145) |
| **Net insurance benefits and claims** | **1,229,226** | **596,530** | **268** | **87,995** | **4,116** | **792,707** | **(34,197)** | **1,405,055** | **4,081,700** |
| **Underwriting Expenses:** | | | | | | | | | |
| Acquisition | 338,249 | 337,875 | 639 | 197,695 | 29,579 | 611,372 | 118,620 | 812,037 | 2,446,066 |
| Maintenance | 72,791 | 15,889 | 34 | 28,181 | 381 | 46,282 | 6,284 | 100,963 | 270,805 |
| **Total underwriting expenses** | **1,640,266** | **950,294** | **941** | **313,871** | **34,076** | **1,450,361** | **90,707** | **2,318,055** | **6,798,571** |
| **Underwriting Profit/(loss)** | **1,395,644** | **368,657** | **3,307** | **466,717** | **110,623** | **472,273** | **250,179** | **998,599** | **4,065,999** |

| | | 31-Dec-2021 ₦'000 | 31-Dec-2020 ₦'000 |
|---|---|---|---|
| 20. | **Net insurance premium income** | | |
| | **Insurance premium Income** | | |
| | Gross premium written | 34,437,522 | 31,587,929 |
| | Change in unearned premiums (Note 12.2) | (682,342) | 495,402 |
| | Gross earned premiums | **33,755,180** | **32,083,331** |
| 21. | **Reinsurance expenses** | | |
| | Gross written reinsurance premiums (Note 4.1) | 23,970,511 | 21,738,900 |
| | Change in reinsurance unearned premiums (Note 12.2) | (641,651) | 1,130,066 |
| | **Reinsurers' share of gross earned premiums** | **23,328,860** | **22,868,966** |
| | **Net insurance premium income** | **10,426,320** | **9,214,365** |
| 22. | **Fees and commission income** | | |
| | **Reinsurance commissions and profit commissions** | | |
| | Fire | 473,918 | 402,813 |
| | Accident | 115,469 | 109,332 |
| | Engineering | 93,739 | 86,019 |
| | Marine | 99,680 | 61,748 |
| | Oil & Energy | 817,358 | 961,581 |
| | Motor | 9,524 | 18,438 |
| | Aviation | - | 9,855 |
| | Bond | 641 | 419 |
| | | **1,610,329** | **1,650,205** |

## 23 Insurance claims and benefit paid

### Analysis of Net Claims Expenses

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Gross claims incurred ₦'000 | Reinsurance recoverable ₦'000 | Net ₦'000 | Gross claims incurred ₦'000 | Reinsurance recoverable ₦'000 | Net ₦'000 |
| Motor | 1,644,484 | (111,856) | 1,532,628 | 1,321,183 | (91,957) | 1,229,226 |
| Accident | 654,529 | (16,680) | 637,849 | 673,738 | (77,208) | 596,530 |
| Bond | 370 | (41) | 329 | 695 | (427) | 268 |
| Fire | 3,119,089 | (1,356,944) | 1,762,145 | 1,955,071 | (207,367) | 1,747,704 |
| Marine | 269,828 | (138,330) | 131,498 | 295,362 | 1,695 | 297,057 |
| Aviation | (5,316) | - | (5,316) | 2,421 | (1,162,364) | (1,159,943) |
| Engineering | 148,876 | (83,347) | 65,529 | 67,088 | (101,285) | (34,197) |
| Oil & Energy | 478,078 | 70,057 | 548,135 | 1,687,287 | (282,232) | 1,405,055 |
| | 6,309,938 | (1,637,141) | 4,672,797 | 6,002,845 | (1,921,145) | 4,081,700 |

The insurance claims comprise of claims paid, claims expenses paid including loss adjuster fees and the movement in the insurance fund liability. The insurance fund liability is adjusted to reflect the movement in the estimated claims liabilities as determined by the actuary. The effect of the adjustment is reflected in the profit or loss. The effect of the movement in the insurance fund on the claims expenses is stated in the following Note 23.1.

## 23.1 Analysis of gross benefit and claims expenses

The effect of the movement in the insurance fund on the claims expenses is stated below:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Gross | | Net | | | Net |
| | Gross claims and benefit paid ₦'000 | Changes in outstanding claims and IBNR ₦'000 | Total claims incurred ₦'000 | Gross claims and benefit paid ₦'000 | Changes in outstanding claims and IBNR ₦'000 | Total claims incurred ₦'000 |
| Motor | 1,578,925 | 65,559 | 1,644,484 | 1,230,469 | 90,714 | 1,321,183 |
| Accident | 472,782 | 181,747 | 654,529 | 406,891 | 266,847 | 673,738 |
| Bond | 33 | 337 | 370 | 688 | 7 | 695 |
| Fire | 2,735,684 | 383,405 | 3,119,089 | 1,219,533 | 735,538 | 1,955,071 |
| Marine | 263,066 | 6,762 | 269,828 | 180,594 | 114,768 | 295,362 |
| Aviation | - | (5,316) | (5,316) | 5,634 | (3,213) | 2,421 |
| Engineering | 117,730 | 31,146 | 148,876 | 216,705 | (149,617) | 67,088 |
| Oil & Energy | 477,555 | 523 | 478,078 | 2,390,196 | (702,909) | 1,687,287 |
| | 5,645,775 | 664,163 | 6,309,938 | 5,650,710 | 352,135 | 6,002,845 |

Insurance recovered and recoverable consists of actual amount recovered from the reinsurers and also the effect of the movement in the reinsurance assets. The reinsurance asset is adjusted to reflect the movement in the estimated amount recoverable from the reinsurers based on the estimate computed by the actuary.

## 23.2 Analysis of claims expenses ceded to reinsurers

The effect of the movement in the reinsurance assets on the amount insurance claims and claims expenses recovered and recoverable from reinsurers.

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Recoveries ₦'000 | Changes in reinsurance share of claims and IBNR ₦'000 | Total claims incurred ₦'000 | Recoveries ₦'000 | Changes in reinsurance share of claims and IBNR ₦'000 | Total claims incurred ₦'000 |
| Motor | (97,701) | (14,155) | (111,856) | (59,706) | (32,251) | (91,957) |
| Accident | (27,303) | 10,623 | (16,680) | (34,705) | (42,503) | (77,208) |
| Bond | (39) | (2) | (41) | (239) | (188) | (427) |
| Fire | (1,129,840) | (227,104) | (1,356,944) | (667,476) | 460,109 | (207,367) |
| Marine | (155,910) | 17,580 | (138,330) | (121,064) | 122,759 | 1,695 |
| Aviation | - | - | - | - | (1,162,364) | (1,162,364) |
| Engineering | (63,775) | (19,572) | (83,347) | (129,489) | 28,204 | (101,285) |
| Oil & Energy | (117,040) | 187,097 | 70,057 | (772,578) | 490,346 | (282,232) |
| | (1,591,608) | (45,533) | (1,637,141) | (1,785,257) | (135,888) | (1,921,145) |

Insurance recovered and recoverable consists of actual amount recovered from the reinsurers and also the effect of the movement in the reinsurance assets. The reinsurance asset is adjusted to reflect the movement in the estimated amount recoverable from the reinsurers based on the estimate computed by the actuary.

## 24 Underwriting expense

This is made up of both acquisition and maintenance costs incurred in the normal course of the insurance contracts.

| Acquisition expense | 2021 ₦'000 | 2020 ₦'000 |
| --- | --- | --- |
| Marine | 279,038 | 197,695 |
| Aviation | 44,391 | 29,579 |
| Fire | 748,815 | 611,372 |
| Motor | 362,307 | 338,249 |
| General accident | 372,473 | 337,875 |
| Bond | 433 | 639 |
| Oil & Energy | 651,549 | 812,037 |
| Engineering | 125,448 | 118,620 |
| | **2,584,454** | **2,446,066** |
| **Maintenance cost** | | |
| Marine | 44,773 | 28,181 |
| Aviation | 826 | 381 |
| Fire | 73,585 | 46,282 |
| Motor | 71,744 | 72,791 |
| General accident | 18,187 | 15,889 |
| Bond | 61 | 34 |
| Oil & Energy | 145,226 | 100,963 |
| Engineering | 4,141 | 6,284 |
| | 358,543 | 270,805 |
| **Total** | **2,942,997** | **2,716,871** |

## 25 Interest income based on effective interest rate

| | Notes | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|---|
| Interest income on bonds | Note 2.7 | 2,127,882 | 1,865,137 |
| interest income on other debt securities- Term deposits | Note 2.7 | 13,964 | 35,126 |
| interest on current accounts with banks | Note 1.1 | 209 | 1,539 |
| Interest income on calls and term deposits with banks | Note 1.2 | 234,901 | 146,297 |
| Interest income on statutory deposits | Note 11 | (4,089) | 36,643 |
| Interest income on staff loans | Note 6.1 | 1,810 | 1,648 |
| | a | **2,374,677** | **2,086,390** |
| **26. Other investment and sundry income** | | | |
| Rental income | Note 15 | 77,750 | 77,750 |
| Dividend income | Note 2.7 | 77,351 | 69,720 |
| Sundry income | Note 26.1 | 4,837 | 4,991 |
| | b | **159,938** | **152,461** |
| **26.1 Sundry income** | | | |
| Gain on disposal of property, plant and equipment | | 4,837 | 3,611 |
| Other sundry income | | - | 1,380 |
| | | 4,837 | 4,991 |
| Investment and sundry income is attributable to: | | | |
| Policy holders' funds | | 623,591 | 550,825 |
| Shareholders' funds | | 1,911,024 | 1,688,026 |
| | a + b | 2,534,615 | 2,238,851 |
| **27 Net realised (loss)/ gain** | | | |
| Realised on: | | | |
| Net realised gain on equities at fair value through profit or loss | Note 2.5 | 728 | 82,783 |
| Net realised (loss)/gain on foreign exchange | Note 38.2 | (212,536) | 451,336 |
| | | (211,808) | 534,119 |

Net realised gain on foreign exchange is based on the sale of foreign currency.

## 28 Fair value gain/ (loss)

### 28.1 Fair value gain

| | Notes | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|---|
| Unrealised gain on fair value of FVTPL equities | 2.5 | 13,383 | 68,032 |
| Net fair value (loss)/ gains on investment properties | 7 | 17,645 | (1,829) |
| | a | 31,028 | 66,203 |

### 28.2 Foreign exchange gain

| | Notes | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|---|
| Net unrealised gain/(loss) on foreign exchange on the gross amount of cash and cash equivalents | | 28,105 | (571,204) |
| Foreign exchange adjustments on the ECL relating to cash and cash equivalents | 1.3a | (556) | (773) |
| Foreign exchange adjustments on financial assets (AC) | | 2,307,595 | 1,031,861 |
| Foreign exchange adjustments on the ECL relating to financial assets (AC) | | 35,025 | (2,424) |
| Unrealised foreign exchange (loss)/gain other payables | | (82,301) | 2,425 |
| | b | 2,287,869 | 459,884 |
| | a+b | 2,318,897 | 526,087 |

## 29 Impairment loss (charge)/ write back

| | Notes | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|---|
| (Charge)/Write back on cash and cash equivalents | 1.3a | (100,658) | 5,394 |
| Writeback/(Charge) on financial assets at amortised costs | 2.5 | 75,380 | (97,613) |
| (Charge)/Write back on other receivables | 6.4 | (2,650) | 8,396 |
| | | (27,928) | (83,823) |

## Analysis of Impairment loss (charge)/ write back

| | Cash and cash equivalent ₦'000 | Financial asset at amortised cost ₦'000 | Other receivables ₦'000 | Total ₦'000 |
|---|---|---|---|---|
| At 1 January 2021 | 70,728 | 316,007 | 93,984 | 480,719 |
| Increase/(write-back) during the year | 100,658 | (75,380) | 2,650 | 27,928 |
| Foreign exchange adjustments | (556) | 35,025 | - | 34,470 |
| Total movement during the year | 100,102 | (40,355) | 2,650 | 62,398 |
| At 31 December 2021 | 170,831 | 275,652 | 96,634 | 543,117 |
| At 1 January 2020 | 76,895 | 220,818 | 102,381 | 400,094 |
| Increase/(write-back) during the year | (5,394) | 97,613 | (8,397) | 83,823 |
| Foreign exchange adjustments | (773) | (2,424) | - | (3,197) |
| At 31 December 2020 | 70,728 | 316,007 | 93,984 | 480,719 |

## 30. Management expenses

| | Notes | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|---|
| Employee benefit expenses | 30.2 | 843,034 | 733,430 |
| Adverts and publicity | | 751,601 | 552,402 |
| Shared costs | 38.2 | 795,384 | 526,176 |
| Administrative expenses | 30.1 | 698,011 | 449,039 |
| Repairs and maintenance | | 191,507 | 131,472 |
| NAICOM insurance levy | | 344,375 | 315,879 |
| Professional fees | | 153,672 | 117,275 |
| Depreciation on property, plant and equipment | 8 | 116,815 | 91,416 |
| Depreciation on right of use asset | 9 | 5,383 | 9,000 |
| Rent and rates | | 29,581 | 26,215 |
| Directors' fees | | 30,534 | 27,984 |
| Audit fees | | 22,000 | 22,000 |
| Subscriptions | | 26,875 | 18,851 |
| Amortization of intangible assets - software | 10 | 3,175 | 3,697 |
| AGM expenses | | - | 944 |
| | | 4,011,947 | 3,025,780 |

The auditors did not provide any non-audit service to the Company during the year (2020: Nil).

## 30.1 Administrative expenses

| | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|
| Printing and stationary | 16,832 | 9,426 |
| General entertainment | 26,640 | 20,621 |
| General welfare | 380,878 | 234,049 |
| Investment management expenses | 12,110 | 17,126 |
| Business promotion expenses | 184,620 | 120,321 |
| Other general expenses | 76,931 | 47,496 |
| | 698,011 | 449,039 |

## 30.2 Employee benefit expenses

| | | |
|---|---|---|
| Wages and salaries | 383,940 | 336,744 |
| Defined contribution pension costs | 40,008 | 34,204 |
| Other staff allowances | 419,086 | 362,482 |
| | 843,034 | 733,430 |

Other staff allowances includes dressing allowance, furniture allowance and bonuses to employee.

## 31. Net gain on equity instruments designated at fair value through OCI

| | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|
| Gain during the year* | 115,010 | 90,885 |

*Income from these instruments is exempted from tax. Hence no tax is recognised in the financial statements.

## 32. Profit for the year

| Profit for the year has been arrived at after: | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|
| Net foreign exchange gain | 2,075,333 | 911,220 |
| Depreciation of property and equipment | (116,815) | (91,416) |
| Amortisation of intangible assets | (3,175) | (3,697) |
| Staff costs and other expenses | (843,034) | (733,430) |
| Auditors' remuneration | (22,000) | (22,000) |
| Gain/(loss) on disposal of property plant and equipment | 4,837 | 3,611 |
| Credit loss/(write back) on financial assets | (27,928) | (83,823) |
| Change in fair value of investment properties | 17,645 | (1,829) |

## 33 Earnings per share

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The diluted earnings per share is the same as the basic earnings per share because there are no potential ordinary shares outstanding during the year.

| | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|
| Profit for the year attributable to owners of the Company ('N'000) | 4,442,005 | 3,677,086 |
| Weighted average number of ordinary shares('000) | 14,000,000 | 8,166,667 |
| Basic and diluted earnings per share (kobo) | 32 | 45 |

## 34 Dividends paid and declared

| | | |
|---|---|---|
| Final dividend 2020: 9kobo (2019:15kobo) (Note 14.1) | 1,260,000 | 1,050,000 |
| Interim dividend 2021:10kobo (2020:15kobo) (Note 14.1) | 1,400,000 | 1,050,000 |
| | 2,660,000 | 2,100,000 |

During the year, the Board of Directors declared an interim dividend of N1.4 billion (2020:N1.05 billion). This was fully paid during the year.

## 35. Hypothecation of Investment

| Assets 2021 | Notes | Insurance Funds ₦'000 | Shareholder's Funds ₦'000 | Total ₦'000 |
|---|---|---|---|---|
| Cash and cash equivalents | 1 | 627,851 | 8,180,397 | 8,808,248 |
| Financial assets | 2 | | | |
| -Fair Value through Profit or Loss (FVTPL) | | 102,204 | 810,927 | 913,131 |
| -Fair Value through OCI (FVOCI) | | - | 885,415 | 885,415 |
| - FGN Bonds at AC* | | 4,232,301 | 6,405,123 | 10,637,424 |
| - State Government Bonds at AC* | | 456,372 | 250,382 | 706,754 |
| - Corporate Bonds at AC* | | 577,557 | 9,968,424 | 10,545,981 |
| - Other debt instruments at AC* | | - | 259,155 | 259,155 |
| Statutory deposits | 11 | - | 300,000 | 300,000 |
| Investment properties | 7 | 1,513,600 | 2,163,170 | 3,676,770 |
| Trade receivables | 3 | - | 109,967 | 109,967 |
| Other receivables and prepayments | 6 | - | 297,262 | 297,262 |
| Reinsurance assets | 4 | 7,350,889 | 475,460 | 7,826,349 |
| Deferred acquisition costs | 5 | - | 673,104 | 673,104 |
| Right of use assets | 9 | | 7,221 | 7,221 |
| Intangible assets | 10 | - | 3,427 | 3,427 |
| Property, plant and equipment | 8 | - | 303,954 | 303,954 |
| **Total Assets** | | **14,860,774** | **31,093,388** | **45,954,162** |
| | | | | |
| **The Funds** | | | | |
| Insurance funds | 12 | 13,160,983 | - | 13,160,983 |
| Shareholders' and other Funds | | - | 32,793,179 | 32,793,179 |
| **Total Funds** | | **13,160,983** | **32,793,179** | **45,954,162** |
| | | | | |
| **Surplus/(Deficit)** | | **1,699,791** | **(1,699,791)** | **-** |

## 35. Hypothecation of Investment

| Assets 2020 | Notes | Insurance Funds ₦'000 | Shareholder's Funds ₦'000 | Total ₦'000 |
|---|---|---|---|---|
| Cash and cash equivalents | 1 | 397,983 | 3,108,762 | 3,506,745 |
| Financial assets | 2 | | | |
| -Fair Value through Profit or Loss (FVTPL) | | 108,879 | 690,771 | 799,650 |
| -Fair Value through OCI (FVOCI) | | - | 770,405 | 770,405 |
| - FGN Bonds at AC* | | 3,914,288 | 3,111,653 | 7,025,941 |
| - State Government Bonds at AC* | | 503,495 | 149,555 | 653,050 |
| - Corporate Bonds at AC* | | 711,201 | 11,795,933 | 12,507,134 |
| - Other debt instruments at AC* | | - | 317,638 | 317,638 |
| Statutory deposits | 11 | - | 300,000 | 300,000 |
| Investment properties | 7 | 1,513,600 | 2,123,578 | 3,637,178 |
| Trade receivables | 3 | - | 132,603 | 132,603 |
| Other receivables and prepayments | 6 | - | 163,990 | 163,990 |
| Reinsurance assets | 4 | 6,663,705 | 533,283 | 7,196,988 |
| Deferred acquisition costs | 5 | - | 583,433 | 583,433 |
| Right of use assets | 9 | | 6,250 | 6,250 |
| Intangible assets | 10 | - | 6,274 | 6,274 |
| Property, plant and equipment | 8 | - | 211,944 | 211,944 |
| **Total Assets** | | **13,813,151** | **24,006,072** | **37,819,223** |
| | | | | |
| **The Funds** | | | | |
| Insurance funds | 12 | 11,814,478 | - | 11,814,478 |
| **Shareholders' and other Funds** | | - | 26,004,745 | 26,004,745 |
| **Total Funds** | | 11,814,478 | 26,004,745 | 37,819,223 |
| | | | | |
| **Surplus/(Deficit)** | | **1,998,673** | **(1,998,673)** | **-** |

*AC - Amortised Cost

Investments representing insurance funds are not co-mingled with shareholders' investments. All assets representing policyholders' fund (excluding reinsurance assets) have been transferred to a Custodian, Stanbic Nominees Limited. Notations of proprietary and preferential interests of the policyholders have been made in the mandate given to the Custodian of the assets.

## 36. Notes to the statement of cash flows

| | Notes | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|---|
| Profit before income tax expense | | 5,022,684 | 4,255,453 |
| Fair value gains on financial assets at fair value through profit or loss | 28 | (13,383) | (68,032) |
| Depreciation and impairment of property, plant and equipment and right-of-use assets | 8 & 9 | 122,198 | 94,166 |
| Gain on disposal of investments | | (728) | (82,783) |
| Amortisation of intangible assets | 10 | 3,175 | 3,697 |
| Fair value gain on investment property | 7.1, 7.2 | (17,645) | 1,829 |
| Gain on disposal of property, plant and equipment | | (4,837) | (3,611) |
| Impairment loss charge | 29 | 27,928 | 83,823 |
| Net foreign currency exchange gain | | (1,530,320) | (843,020) |
| Interest income | 25 | (2,374,677) | (2,086,390) |
| Other investment and sundry income | 26 | (159,938) | (152,461) |
| | | 1,074,457 | 1,202,670 |
| **Operating cash flows before movements in working capital** | | | |
| (Increase)/decrease in reinsurance assets | | (629,361) | 1,094,981 |
| Increase in deferred acquisition costs | | (89,671) | (40,129) |
| Increase/(decrease) in insurance contract liabilities | | 1,346,505 | (143,267) |
| Decrease)/(increase) in trade receivables | | 22,636 | (25,285) |
| (Increase)/decrease in other receivables | | (133,272) | 104,407 |
| Increase in trade payables | | 4,859,454 | 97,313 |
| Increase in right of use assets | | (971) | (6,250) |
| Increse/(decrease) in deferred income | | 48,607 | (104,819) |
| Increase in other payables | | (160,181) | 138,700 |
| Cash generated by operations | | 6,338,203 | 2,318,321 |
| Income tax paid | 16 | (437,140) | (445,023) |
| Net cash (used in)/ from operating activities | | **5,901,063** | **1,873,298** |

## 37 Contingencies and commitments

The Company, in its ordinary course of business, is presently involved in 5 cases as a defendant (31 December 2020: 4).

The Company has been advised by its legal counsel of total legal claims of N707.8million (2020: N205.8million). However, the Management is of the opinion that the claims are only possible but not probable to materialise. Accordingly, no provision was made for this liability in the financial statements for the year ended 31 December 2021.

The litigations indicating defendants, status of each case and the contingent liability are listed below:

### Suit 1

Mr. Chinenye Gerald Onwuachu V Nigerian Breweries Plc (Adeboye Badejo & Co.)

#### Facts and contingent liability

The Product Liability case is being held at the High Court of the Federal Capital Territory, Abuja Judicial Division.

Claim is for the sum of N111,002,720 as damages, purportedly caused by the claimant ingesting the contents of a contaminated Heineken beer bottle.

#### Update/status

The court ruled on the claimant's application to reopen the case which stalled the defence by the Company. The adjourned date for continuation of trial is 3rd March 2022.

### Suit 2

Chief Livinus Igwebuike/Alhaji Lawal Bankole [Multilectrics Enterprises] V Custodian and Allied Insurance Limited & Mainstream Energy Solutions Limited (Adeboye Badejo & Co.)

#### Facts and contingent liability

Dispute on alleged refusal of Second Defendant to allow Claimant take possession of Salvage. The claimant claims from the defendants jointly and severally the sum of N31m, general damages of N5m and cost of litigation of N1m.

#### Update/status

The case was assigned to a judge on November 2021 who in turn slated 31st January 2022 for mention of the case in court. The case file is still in the Alternative Dispute Resolution office.

**Suit 3**

Gray and Savoy V Custodian and Allied Insurance Plc (Sofunde, Osakwe, Ogundipe & Belgore)

**Facts and contingent liability**

Purported theft case reported prior to payment of premium and inspection of vehicle. The case commenced in 2011 and has been through mediation with no settlement. Claim is for the value of the Jeep – : N6.8m and interest at 28% from 2008 until final settlement by court. Presently this amounts to :N24,752,000.

**Update/status**

The claimant is experiencing difficulties bringing his witness to court and has made oral application craving the indulgence of the court to allow his witness to virtually testify via means of a teleconference. The court adjourned the matter for definite trial while stating that the Claimant must find a way around it, either the virtual hearing is provided for, or the witnesses come down to Nigeria for the trial and/or the Claimant puts in the necessary application to substitute its witnesses. The matter was adjourned for definite trial to May 4, 2021. The definite trial could not hold on the 4th of May 2021 as the witness was not available. The matter is ongoing and the next adjourned date is yet to be communicated.

**Suit 4**

Soddel Company Nig. Ltd. & ANOR. V Custodian and Allied Insurance Limited: (LEXX & SOPHY Barristers, Solicitors & Intellectual Property Attorneys).

**Facts and contingent liability**

The dispute on alleged refusal of the Company to release the Claimant's original land title document following the completion of their Performance Bond. The sum of N35m is being claimed for general and aggravated damages

**Update/status**

The matter is ongoing and the next adjourned date is 16th of June 2022 for the cross examination of claimant's witness.

**Suit 5**

Abubakar Alli v. West African Seasoning Company Limited & Ors: (JB Majiyagbe & Co.)

**Facts and contingent liability**

Custodian and Allied Insurance issued a Group and Personal Accident (GPA) cover to West African Seasoning, (upon the payment of premium), for the benefits of the latter's staff, of which the Claimant was described as one. Upon a ghastly accident involving the Claimant, a referral letter, issued and signed by a Chief Medical Officer of a Government Hospital, was required by Custodian before an overseas treatment abroad could be processed. Upon failure to produce this letter, and further demand by West African Seasoning Cube, Custodian paid the Permanent Disability benefit to the Company for the sake of the Claimant. Following from the above, The Claimant in this suit seeks, inter alia, the sum of N500,000,000 (Five hundred million) to be paid, severally or jointly, between parties for his permanent disability state.

**Update/status**

The matter is ongoing and the next adjourned date is yet to be communicated.

## 38 Related parties

Details of transactions and balances between the Company and other related parties are disclosed below.

### 38.1 Transactions with related parties

The Company enters into transactions with parent, affiliates and its key management personnel in the normal course of business. The transactions with related parties are made at normal market prices and conducted at arm's length.

| Companies | Status of relationship | Interest (%) |
|---|---|---|
| Interstate Securities Limited | Associate of the parent company | Nil |
| Custodian Investments Plc | Parent Company | Nil |
| Custodian Life Assurance Limited | Fellow subsidiary of the parent company | Nil |
| Custodian Trustees Limited | Fellow subsidiary of the parent company | Nil |
| Crusader Sterling Pensions Limited | Fellow subsidiary of the parent company | Nil |
| UPDC Plc | Fellow subsidiary of the parent company | |

## 38.2 Transactions with related parties

Detail of transactions carried out during the year with related parties are as follows:

| | Nature of transaction | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|---|
| Interstate Securities Limited | Investment | 1,826 | 311,806 |
| UPDC Plc (UPDC REITS) | Lease expense | 2,384 | - |
| Key management personnel | Loan | 606 | 606 |
| Custodian Investment Plc | Shared cost | 795,384 | 526,176 |
| | Dividend | 2,660,000 | 2,100,000 |
| | Refundable funds* | 550,000 | - |

*During the year, refundable funds of $1m due to Custodian Investment Plc since 2020 was refunded at the rate of N550 per dollar. This resulted in a foreign exchange loss of N169m which accounts for the material part of the realised FX loss of N212.5m reported for the year.

## 38.3 Balances with related parties

The following balances were outstanding at the end of the reporting period

Receivables from and payables to related parties are as follows:

| Due from related parties: | Nature of transaction | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|---|
| Interstate Securities Limited | Investment | 10,826 | 59,121 |
| UPDC Plc (UPDC REITS) | Right of use | 3,969 | - |
| Key management personnel | Loan | 12,320 | 15,004 |
| | | 27,115 | 74,125 |
| **Due to related parties:** | | | |
| Custodian Investment Plc | Shared cost | 59,369 | 133,909 |
| | Refundable funds | - | 380,691 |
| | | 59,369 | 514,600 |

Shared cost relates to expenses incurred by the parent Company on behalf the Company which includes rents and salaries of management staffs.

The outstanding balances of the payables at the reporting date are unsecured and non-interest bearing. The settlements will involve physical delivery of cash.

In relation to the receivable balances with related parties, the expected credit loss charge on investment with Interstate Securities Ltd was N0.198million (2020: N1.299million). The terms and conditions of the loan grated to Key management personnel complied with the requirements of Section 77(1) of the Insurance Act 2003. The loan granted to key management personnel is fully collaterised and no impairment charge for the year (2020: Nil).

## 39. Directors and employees

### 39.1 Chairman and Directors' emoluments

| Emoluments: | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|
| Chairman | 8,831 | 8,531 |
| Other Directors | 21,703 | 19,453 |
| | 30,534 | 27,984 |
| As Directors' fees | 4,700 | 4,156 |
| Other emoluments | 25,834 | 23,828 |
| | 30,534 | 27,984 |

### 39.2 Employees remuneration

a. The number of employees whose emoluments, excluding allowances within the following ranges were:

| ₦ ₦ | 2021 Number | 2020 Number |
|---|---|---|
| 60,000 - 999,999 | 3 | 8 |
| 1,000,000 - 1,999,999 | 8 | 18 |
| 2,000,000 - 2,999,999 | 25 | 19 |
| 3,000,000 - 3999999 | 26 | 23 |
| 4,000,000 - 4,999,999 | 11 | 14 |
| 5,000,000 - 5,999,999 | 10 | 6 |
| 6,000,000 and above | 37 | 34 |
| | 120 | 122 |

| b. Staff | 2021 Number | 2020 Number |
|---|---|---|
| Average number of persons employed during the year were: | 11 | 11 |
| Management staff | 109 | 111 |
| Non-management staff | 120 | 122 |
| Staff cost excluding the Directors relating to the above | ₦'000 | ₦'000 |
| Wages and salaries | 383,940 | 336,744 |
| Defined contribution pension costs | 40,008 | 34,204 |
| Other staff allowances | 419,086 | 362,482 |
| | 843,034 | 733,430 |

## 39.3. Compensation of key management personnel

Key management personnel of the Company includes all directors, executive and non- executive, and senior management. The summary of compensation of key management personnel for the year is as follows:

| | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|
| Short-term employee benefits | 185,385 | 179,468 |
| Post employment benefit | 18,818 | 17,557 |
| | **204,203** | **197,025** |
| Fees and other emolument disclosed above includes amount paid to: | | |
| Chairman | **8,831** | **8,531** |
| Highest paid director | **18,511** | **17,702** |

40. **Events after the reporting period**

No significant event has occurred since the reporting date which requires adjustment of, or further disclosure in the financial statements.

41. **Contraventions**

The Company did not incur any penalty in the year under review( 2020: Nil)

42. **Impact of COVID 19 on the Company's performance**

The global Coronavirus (COVID-19) pandemic continues to create economic and social uncertainty throughout the world. Following unprecedented commitments to fiscal and monetary stimulus by governments and central banks and industry regulators locally and globally in 2020, we witnessed a strong recovery in asset values which continued through the end of the year 2021. The emergence of further waves, particularly in developing economies, and more virulent strains remains a risk despite the roll out of vaccines globally as well as the efforts to get it distributed worldwide. Whilst volatility generally subsided during the period, the ultimate impact of the pandemic still remains difficult to predict. Economic uncertainties, which may materially affect the valuation of portfolio investments and business operations remain prevalent as economies move tentatively to ease restrictions. The long-term effect of the aforementioned fiscal and monetary intervention remains unpredictable.

Custodian has continuously assessed the impact of the COVID -19 pandemic on the Company's assets and liabilities which is reflected in the financial statements. Having adapted to the "new normal" that is still unfolding and the evolving structural changes in the market (such as changes in customer behaviour), management performed an assessment to determine how this impacts its going concern and liquidity, impairment assessment, contract modifications, fair value measurement, government assistance and tax, and the results are summarized below. These assessments are carried out on an on-going basis and covers our short, medium, and long-term horizon.

**Going concern and Liquidity**

Custodian and Allied Insurance Limited adopted the going concern basis in the preparation of its financial statements. The Company continues to test its business continuity plan to mitigate the risk of business disruptions that may result from any shutdown or partial lockdown instituted by the Federal and State government. The Company was able to carry out uninterrupted service delivery and continuous operations as it continues to reaped the dividend of its past investments in information technology.

The Company's ability to access traditional funding based on internally generated funds and shareholders' funds was not impacted by the pandemic as the Company had no debt funding obligations or financing arrangements containing terms that limit the company's ability to obtain additional funding and neither were its asset pledged in any form.

The Company continues to assess its financial position for any impending recapitalisation requirement in the insurance industry. In view of this, the Company already has enough retained earnings to meet up with the last minimum paid-up capital requirement which was put on hold.

Based on the above, the company concluded that there are no material uncertainties that might cast significant doubt on the ability of the company to continue to operate as a going concern even into the foreseeable future.

**Expected credit loss assessment.**

Following the onset of the COVID 19 pandemic, the Company generated a baseline scenario that reflected the recent economic forecast. The Forward-looking adjustments were arrived at based on external consensus forecast assembled from key sources including the National Bureau of Statistics (NBS) and Trading economies web site, alongside updated month on month scenario-based Probability of Defaults (PDs) obtained from Moody's inventory for emerging market. The range of future economic conditions was described by using a statistical and balance score card approach which was used to reassess the impact of the pandemic crisis. Considering internal stress test assessment together with the internal control mechanism within the Company's investment management framework, the adverse scenarios were calibrated to reflect the IFRS 9 sensitivities and non-linearity of benchmarked downside effects. The scenarios assumed strong contraction in GDP and sharp rise in unemployment in 2021 as experienced in Nigeria.

The resulting 2021 COVID 19 baseline scenarios are reported in Note 44.4 and the impact on modelled ECL allowance are reported in Note 3(Critical accounting judgments and key sources of estimation uncertainty) which detailed the aggregates of post model adjustments which are financial instrument specific modifications to reflect the significant range of uncertainty conditions surrounding the COVID-19 pandemic.

The economic environment remain uncertain and future impairment charges may be subject to further volatilities depending on the longevity of the pandemic and related containment measure as well as the longer-term effectiveness of the Central bank of Nigeria and government and other support measures.

The COVID-19 pandemic impacted our modelled Expected Credit Loss (ECL) allowance and resulted to an increase in ECL charge during year. ECL charge for the year amounted to N27.9 million (2020: N83.8 million).

**Contract modifications**

There was no major contract modification which would have significantly affected the Company's cash flows and projections other than a few requests for shorter periods insurance cover and a request to pay for the annual rent of one of our investment properties in two instalments. In addition to its cost optimization strategy aimed at reducing costs, the company was able to renegotiate with some of its service providers (to ensure their services conforms with the requirement for remote working) to further drive down costs. Nevertheless, the Company did not lay-off any staff nor slashed the salaries of its staff during the year. The company as a lessee did not have any lease modification in the form of rent concessions arising as a direct consequence of the Covid-19 pandemic.

No onerous contracts or additional provisions have been recognised as a direct impact of the COVID 19 pandemic.

**Fair value measurement**

Some of the company's financial assets designated at fair value through other Comprehensive Income (FVTOCI) are measured through a level 3(significant unobservable inputs) approach under IFRS 13. This methodology involves using the issue prices in most recent round of equity raising conducted by each company assuming this was within the last 12 months and the comparism of issue prices movements and price multiples to listed peers over the same period.

In the second half of the year, the COVID 19 variants emerged and with it was the fear of impending changes market conditions, possibilities of a government-imposed lockdowns, and uncertainty on the impact to company's earnings. This whole impact of the pandemic eased out as both the Government and the private sector was able to better manage the cases. This led management to also ease the COVID 19 adjusted inputs used in analysing the investees and to support the current fair value methodology. In the absence of recent pricing activity, additional criteria included the review of performance of investments against targets/budgets in the period before COVID-19 and following onset of COVID-19 related lockdowns and restrictions, cost reductions and cash flow measures put in place to limit COVID -19 impacts, review of the trajectory of the business through the recovery period following the COVID 19 lockdown period and impact on long term revenue generation potential.

Valuation of Insurance contract was based on actuarial best estimates and judgement. Risk and uncertainties have been considered in the measurement of the liabilities and are reflected in the key inputs and judgements. The key risk associated with the estimation of the provisions is the under /over estimation of the claims rate and to a lesser extent the under/over estimation of the claims savings (net of risk equalization) impact.

The revised procedures and ongoing COVID 19 impact did not lead to a significant change in the fair value of the unlisted equity financial assets in the financial year.

**Government assistance and income tax**

In the attempt to mitigate the COVID 19 pandemic, the government introduced measures to aid entities. The palliatives were targeted at Small and medium scaled enterprises while large and listed entities had waivers on late filing penalties and extension of filing deadlines. Recent government responses also included income tax concessions and other forms of rebates.

Custodian did not receive any grant or rebate from government and have therefore not recognized any grants or rebates in the financial statements due to the impact of COVID -19.

The Company along with other well-meaning Insurance companies provided donations and free Life Insurance cover for both Lagos state Government and Federal Government frontline health workers. This was our own way of encouraging the otherwise stretched and exhausted health workers to be rest assured that should they fall ill or lose their lives their families will be taken care of. This donation is considered an allowable expense and has been factored in the computation of company income tax for the year.

Notwithstanding the positive progress made on the medical front, the impact of the COVID-19 pandemic will continue to cast its shadow over the global economy for some time to come, and therefore continue to be the defining force affecting businesses. The Company's diversified model has proved its value, and it countinue to pursue its business priorities going forward. The Company remains determined to shape its future and seeks to leverage pioneering vision and mission to serve its customers, clients and the communities to the best of its abilities

## 43 Capital management

The Company manages its capital to ensure that the Company will be able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders of the company, comprising issued capital, reserves and retained earnings. Reinsurance is also used as part of capital management.

### The solvency margin requirement

The regulatory capital (as required under Section 24 of the Insurance Act 2003 and NAICOM Guideline) within the Company have been maintained and preserved over the reporting periods. The Section defines Solvency Margin of a Non-Life Insurer as the difference between the admissible assets and liabilities and this shall not be less than 15% of Net Premium Income (Gross Premium Income less Re-insurance premium paid) or the minimum capital base of N3 billion, whichever is higher. The regulatory capital within the Insurance Industry in Nigeria, in which the entity has its major operations is as follows:

| | 2021 | 2020 |
|---|---|---|
| **Minimum capital requirement** | ₦'000 | ₦'000 |
| ** Non-life business | 3,000,000 | 3,000,000 |

The Solvency Margin for the Company as at 31 December 2021 is as follows:

| Assets: | Total ₦'000 | Admissible ₦'000 | Inadmissible ₦'000 |
|---|---|---|---|
| Cash and cash equivalents | 8,808,248 | 8,492,468 | 315,780 |
| Financial assets: | | | |
| -Fair Value through Profit or Loss (FVTPL) | 913,131 | 913,131 | - |
| -Fair Value through OCI (FVOCI) | 885,415 | 765,933 | 119,482 |
| -Amortised Cost | 22,149,314 | 21,464,571 | 684,743 |
| Trade receivables | 109,967 | 109,967 | - |
| Reinsurance assets | 7,826,349 | 7,389,724 | 436,625 |
| Deferred acquisition costs | 673,104 | 673,104 | - |
| Other receivables and prepayments | 297,262 | 82,961 | 214,301 |
| Right of use assets | 7,221 | 7,221 | - |
| Investment properties | 3,676,770 | 2,513,600 | 1,163,170 |
| Intangible assets | 3,427 | 3,427 | - |
| Property, plant and equipment | 303,954 | 303,954 | - |
| Statutory deposits | 300,000 | 300,000 | - |
| **Total assets** | 45,954,162 | 43,020,061 | 2,934,101 |
| | | | |
| **Liabilities:** | | | |
| Insurance contract liabilities | 13,160,983 | 13,160,983 | - |
| Trade payables | 6,951,553 | 6,951,553 | - |
| Other payables and accruals | 1,493,142 | 1,493,142 | - |
| Deferred income | 325,955 | 325,955 | - |
| Current income tax payable | 836,792 | 836,792 | - |
| Deferred tax liabilities | 753,816 | - | 753,816 |
| **Total liabilities** | 23,522,241 | 22,768,425 | 753,816 |
| | | | |
| **Solvency margin** | | 20,251,636 | |
| **Subject to the higher of:** | | | |
| | | | |
| A. Minimum capital requirement | 3,000,000 | | |
| B. 15% of net premium (Premium less reinsurance) | 1,563,948 | | |
| C. Higher of A and B | | (3,000,000) | |
| D. Surplus achieved | | 17,251,636 | |

## 43. Capital management - continued

The Solvency Margin for the Company as at 31 December 2020 is as follows:

| Assets: | Total ₦'000 | Admissible ₦'000 | Inadmissible ₦'000 |
|---|---|---|---|
| Cash and cash equivalents | 3,506,745 | 3,190,032 | 316,713 |
| Financial assets: | | | |
| -Fair Value through Profit or Loss (FVTPL) | 799,650 | 799,650 | - |
| -Fair Value through OCI (FVOCI) | 770,405 | 662,064 | 108,341 |
| -Amortised Cost | 20,503,763 | 20,503,763 | - |
| Trade receivables | 132,603 | 132,603 | - |
| Reinsurance assets | 7,196,988 | 6,719,113 | 477,875 |
| Deferred acquisition costs | 583,433 | 583,433 | - |
| Other receivables and prepayments | 163,990 | 33,555 | 130,435 |
| Right of use assets | 6,250 | 6,250 | - |
| Investment properties | 3,637,178 | 2,513,600 | 1,123,578 |
| Intangible assets | 6,274 | 6,274 | - |
| Property, plant and equipment | 211,944 | 211,944 | - |
| Statutory deposits | 300,000 | 300,000 | - |
| **Total assets** | 37,819,223 | 35,662,281 | 2,156,942 |
| | | | |
| **Liabilities:** | | | |
| Insurance contract liabilities | 11,814,478 | 11,814,478 | - |
| Trade payables | 2,092,099 | 2,092,099 | - |
| Other payables and accruals | 1,653,323 | 1,653,323 | - |
| Deferred income | 277,348 | 277,348 | - |
| Current income tax payable | 878,769 | 878,769.00 | - |
| Deferred tax liabilities | 568,300 | - | 568,300 |
| **Total liabilities** | 17,284,317 | 16,716,017 | 568,300 |
| | | | |
| **Solvency margin** | | 18,946,264 | |
| **Subject to the higher of:** | | | |
| | | | |
| A. Minimum capital requirement | 3,000,000 | | |
| B. 15% of net premium (Premium less reinsurance) | 1,382,155 | | |
| C. Higher of A and B | | (3,000,000) | |
| D. Surplus achieved | | 15,946,264 | |

## 44 Financial risk management framework

The Company monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Company may seek to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

### 44.1 Valuation bases

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values are determined at prices quoted in active markets. In the current environment, such price information is typically not available for all instruments and the Company applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

Fair values are subject to a control framework designed to ensure that input variables and output are assessed independent of the risk taker. These inputs and outputs are reviewed and approved by a valuation committee. The Company has minimal exposure to financial assets which are valued at other than quoted prices in an active market.

The table below shows financial assets carried at fair value.

| 31 December 2021 | Notes | Fair value through profit or loss ₦'000 | Fair value through OCI ₦'000 | Fair value ₦'000 |
|---|---|---|---|---|
| Quoted equities at FVTPL | 2 | 913,131 | - | 913,131 |
| Fair value through OCI - quoted | | - | 14,396 | 14,396 |
| Fair value through OCI - unquoted | 2 | - | 871,019 | 871,019 |
| | | 913,131 | 885,415 | 1,798,546 |
| **31 December 2020** | | | | |
| Quoted equities at FVTPL | 2 | 799,650 | - | 799,650 |
| Fair value through OCI - quoted | | - | 17,143 | 17,143 |
| Fair value through OCI - unquoted | 2 | - | 753,262 | 753,262 |
| | | 799,650 | 770,405 | 1,570,055 |

The management assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair value of unquoted equity measured at fair value and other debt securities whose fair values are disclosed.

i. **Unquoted equity**

The fair values of the unquoted ordinary shares have been estimated using either of Income approach or Market approach.

Under the income approach, the valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

Under the market approach, the Company determines comparable public companies (Peers) based on industry, size, leverage and strategy and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value.

The Company classifies the fair value of these investments as Level 3.

ii. **Unlisted managed funds**

The Company invests in managed funds, including private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets.

The Company's investment manager considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate. Therefore, the NAV of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Company classifies these funds as Level 3.

iii. **Listed debt securities - bonds**

Fair values of publicly traded debt securities are based on quoted market prices in an active market for identical assets with adjustments for accrued interest on the instrument after the last interest/coupon payment date. The Company values these investments at closing bid price.

iv. **Money market funds and similar securities (treasury bills)**

The estimated fair value of money market funds is based on discounted cash flows using prevailing quoted Money-market interest rates for debts with similar credit risk and maturity.

44. Financial risk management framework - continued

Quantitative information of significant observable inputs - unquoted equity instruments

| Investment | Valuation technique (Significant unobservable valuation input) | Range* (weighted average) | Sensitivity used* | Effect on fair value (N'000) |
|---|---|---|---|---|
| African Reinsurance Corporation | Market Approach | Average EBITDA multiple of peers | 2021: 5%<br>2020: 5% | 2021: N230<br>2020: N32 |
| | | Discount to average multiple (10%) | 2021: 1%<br>2020: 1% | 2021: N10,484<br>2020: N729 |
| Mainstreet Technologies incorporation | Market Approach | Average EBITDA multiple of peers | 2021: 5%<br>2020: 5% | 2021: N8,631<br>2020: N8,748 |
| | | Discount to average multiple (10%) | 2021: 1%<br>2020: 1% | 2021: N1,210<br>2020: N1,910 |
| WSTC Financial Services Limited | Income approach | Cost of capital (16.78%) | 2021: 5%<br>2020: 5% | 2021: N4,887<br>2020: N1,022 |
| | | Dividend growth rate (7.62) | 2021: 5%<br>2020: 5% | 2021: N3,175<br>2020: N4,559 |
| Energy and Allied Insurance Pool of Nigeria | Adjusted NAV | Discount for lack of liquidity | Unappropriated reserves | 2021: N17,025<br>2020: N6,218 |

44. **Financial risk management framework - continued**

**Financial Assets measured at Fair Value**

| | 2021 ₦'000 | 2020 ₦'000 |
|---|---|---|
| Quoted prices in active markets (level 1) | 927,527 | 816,793 |
| Valuation technique: | | |
| Market observable data (level 2) | - | - |
| Other than observable market data (level 3) | 871,019 | 753,262 |
| | 1,798,546 | 1,570,055 |

**Financial Assets measured at Amortised Cost:**

| | | |
|---|---|---|
| Amortised cost | 22,149,314 | 20,503,763 |
| | 22,149,314 | 20,503,763 |

### Fair value and fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, into Levels 1 to 3 based on the degree to which the fair value is observable. The categorisation also includes items not measured at fair value but whose fair value is disclosed.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily Nigerian Stock Exchange equity investments classified as trading securities.

### Financial instruments in level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

### Financial instruments in level 3

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

| Items measured at fair value | 2021 | | | |
|---|---|---|---|---|
| **Financial assets** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial assets at FVTPL: | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Equity shares | 913,131 | - | - | 913,131 |
| | 913,131 | - | - | 913,131 |
| Financial assets at FVOCI: | | | | |
| Equity shares | 14,396 | - | 871,019 | 885,415 |
| | 927,527 | - | 871,019 | 1,798,546 |
| **Items whose fair values are disclosed** | | | | |
| Debt instruments | - | - | 22,865,068 | 22,865,068 |
| | - | - | 22,865,068 | 22,865,068 |
| Total financial assets | 927,527 | - | 23,736,087 | 24,663,614 |

-

| Items measured at fair value | 2020 | | | |
|---|---|---|---|---|
| **Financial assets** | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at FVTPL: | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Equity shares | 799,650 | - | - | 799,650 |
| | 799,650 | - | - | 799,650 |
| Financial assets at FVOCI: | | | | |
| Equity shares | 17,143 | - | 753,262 | 770,405 |
| | 816,793 | - | 753,262 | 1,570,055 |
| **Items whose fair values are disclosed** | | | | |
| Debt instruments | - | - | 21,456,987 | 21,456,987 |
| | - | - | 21,456,987 | 21,456,987 |
| Total financial assets | 816,793 | - | 22,210,249 | 23,027,042 |

There were no transfers between level 1 and 2 or in and out of level 3 in 2021 and 2020.

| Fair value of financial assets and liabilities | 31-Dec-2021 | | 31-Dec-2020 | |
|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value |
| **Financial assets** | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Cash and cash equivalents: | | | | |
| Cash and bank balances | 1,903,201 | 1,903,201 | 859,554 | 859,554 |
| Short-term deposits | 7,041,514 | 7,041,514 | 15,965,149 | 15,965,149 |
| Debt instruments: | | | | |
| Federal Government bonds | 10,731,363 | 10,730,762 | 7,082,283 | 7,891,562 |
| State Government bonds | 708,195 | 713,003 | 654,437 | 722,416 |
| Corporate bonds | 10,720,821 | 11,149,148 | 12,758,814 | 12,509,499 |
| Short term deposits | 264,587 | 272,154 | 324,236 | 333,509 |

## 44.2 Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities.

The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's Investment committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with all stakeholder's expectations.

### Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Company has minimal exposure to currency risk as the Company's financial assets are primarily matched to the same currencies as its insurance contract liabilities.

Carrying amounts of the Company's foreign currency denominated assets and liabilities:

## 44.2. Market risk - continued

Carrying amounts of the Company's foreign currency denominated assets and liabilities:

| | 2021 | | | |
|---|---|---|---|---|
| **Assets** | **Pounds Sterling ₦'000** | **Euro ₦'000** | **US dollars ₦'000** | **Total ₦'000** |
| Cash and cash equivalents | 843 | 3,278 | 6,528,744 | 6,532,865 |
| Financial assets | - | 147,591 | 16,857,229 | 17,004,820 |
| Reinsurance assets | - | - | 3,015,912 | 3,015,912 |
| | 843 | 150,869 | 26,401,885 | 26,553,597 |
| **Liabilities** | | | | |
| Insurance contract liabilities | - | - | 4,349,981 | 4,349,981 |
| | - | - | 4,349,981 | 4,349,981 |
| Net assets | 843 | 150,869 | 22,051,904 | 22,203,616 |

| | 2020 | | | |
|---|---|---|---|---|
| **Assets** | **Pounds Sterling ₦'000** | **Euro ₦'000** | **US dollars ₦'000** | **Total ₦'000** |
| Cash and cash equivalents | 788 | 4,922 | 1,801,008 | 1,806,718 |
| Financial assets | - | 145,411 | 15,361,859 | 15,507,270 |
| Reinsurance assets | - | - | 2,882,106 | 2,882,106 |
| | 788 | 150,333 | 20,044,973 | 20,196,094 |
| **Liabilities** | | | | |
| Insurance contract liabilities | - | - | 4,167,791 | 4,167,791 |
| | - | - | 4,167,791 | 4,167,791 |
| Net assets | 788 | 150,333 | 15,877,182 | 16,028,303 |

## 44.2. Market risk - continued

| Cash and cash equivalents | Changes in variables ₦'000 | 31-Dec-21 Impact on Profit before tax ₦'000 | 31-Dec-21 Impact on Equity ₦'000 | 31-Dec-20 Impact on Profit before tax ₦'000 | 31-Dec-20 Impact on Equity ₦'000 |
|---|---|---|---|---|---|
| Sterling | +10% | 84 | - | 79 | - |
| | -10% | (84) | - | (79) | - |
| Euro | +10% | 15,087 | - | 15,033 | - |
| | -10% | (15,087) | - | (15,033) | - |
| USD | +10% | 2,205,190 | 6,700 | 1,587,718 | 8,259 |
| | -10% | (2,205,190) | (6,700) | (1,587,718) | (8,259) |

## 44.3. Interest rate risk management

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

The Company has no significant concentration of interest rate risk because:
- It invests in fixed income securities carried at fixed and not floating rates
- Its fixed income securities are measured at amortised cost and not at fair value.

### Price risk management

The Company is exposed to equity price risks arising from equity investments primarily from investments not held for unit-linked business. The shares included in financial assets represent investments in listed and unlisted securities that present the Company with opportunity for return through dividend income and capital appreciation. Equity investments designated as fair value through OCI are held for strategic rather than trading purposes.

The analysis below is performed for reasonably possible movements in market indices with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets whose fair values are recorded in the statement of profit or loss).

| Cash and cash equivalents | Changes in variables ₦'000 | 31-Dec-21 Impact on Profit before tax ₦'000 | 31-Dec-21 Impact on Equity ₦'000 | 31-Dec-20 Impact on Profit before tax ₦'000 | 31-Dec-20 Impact on Equity ₦'000 |
|---|---|---|---|---|---|
| Fair value through profit or loss | +1% | 9,131 | - | 7,997 | - |
| | -1% | (9,131) | - | (7,997) | - |
| Fair value through OCI | +1% | - | 8,854 | - | 7,704 |
| | -1% | - | (8,854) | - | (7,704) |

### 44.4. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio, loan receivables, cash and cash equivalents reinsurance programme and to a lesser extent amounts due from policyholders and intermediaries.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent to investment grade and above.

This information is supplied by independent rating agencies where available and if not available the Company uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers.

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

## 44.4. Credit risk - continued

| Industry analysis | Financial services ₦'000 | Government ₦'000 | Consumers ₦'000 | Retail and Wholesale ₦'000 | Construction and Materials ₦'000 | Manufacturing and Petroleum ₦'000 | Others ₦'000 | Total ₦'000 |
|---|---|---|---|---|---|---|---|---|
| **31 December 2021** | | | | | | | | |
| Cash and cash equivalents | 8,808,248 | - | - | - | - | - | - | 8,808,248 |
| Debt instruments at amortised costs | 10,545,239 | 11,344,178 | - | - | - | | 259,897 | 22,149,314 |
| Staff loans and advances | - | - | - | - | - | - | 120,924 | 120,924 |
| Sundry debtors | - | - | - | - | - | - | 51,003 | 51,003 |
| Deposit for properties | - | - | - | - | - | - | 25,337 | 25,337 |
| Trade receivables | 10,178 | 1,966 | 14,434 | 16,561 | 7,775 | 58,716 | 337 | 109,967 |
| Reinsurance assets | - | - | - | - | - | - | 436,625 | 436,625 |
| Statutory deposits | - | 300,000 | - | - | - | - | - | 300,000 |
| | 19,363,665 | 11,646,144 | 14,434 | 16,561 | 7,775 | 58,716 | 894,123 | 32,001,418 |
| **31 December 2020** | | | | | | | | |
| Cash and cash equivalents | 3,506,745 | - | - | - | - | - | - | 3,506,745 |
| Debt instruments at amortised costs | 15,395,695 | 4,581,525 | - | - | - | 266,646 | 259,897 | 20,503,763 |
| Staff loans and advances | - | - | - | - | - | - | 71,507 | 71,507 |
| Sundry debtors | - | - | - | - | - | - | 54,763 | 54,763 |
| Deposit for properties | - | - | - | - | - | - | 33,120 | 33,120 |
| Trade receivables | 17,900 | 14,984 | 3,999 | 20,190 | 4,893 | 56,795 | 13,842 | 132,603 |
| Reinsurance assets | - | - | - | - | - | - | 477,875 | 477,875 |
| Statutory deposits | - | 300,000 | - | - | - | - | - | 300,000 |
| | 18,935,560 | 4,896,509 | 3,999 | 20,190 | 4,893 | 323,441 | 911,004 | 25,095,596 |

## 44.4. Credit risk - continued

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counter parties:

| 31 December 2021 | Investment Grade ₦'000 | Non Investment Grade: Satisfactory ₦'000 | Unrated Non Investment Grade: Unsatisfactory ₦'000 | Total ₦'000 |
|---|---|---|---|---|
| Debt instruments at amortised costs | - | 22,037,425 | 111,889 | 22,149,314 |
| Cash and cash equivalents | - | 8,979,079 | - | 8,979,079 |
| Staff loans and advances | - | - | 120,924 | 120,924 |
| Sundry debtors | - | - | 51,003 | 51,003 |
| Deposit for properties | - | - | 25,337 | 25,337 |
| Trade receivables | - | - | 109,967 | 109,967 |
| | - | 31,016,504 | 419,120 | 31,435,624 |
| **31 December 2020** | | | | |
| Debt instruments at amortised costs | - | 20,301,653 | 202,110 | 20,503,763 |
| Cash and cash equivalents | - | 3,577,473 | - | 3,577,473 |
| Staff loans and advances | - | - | 71,507 | 71,507 |
| Sundry debtors | - | - | 54,763 | 54,763 |
| Deposit for properties | - | - | 33,120 | 33,120 |
| Trade receivables | - | - | 132,603 | 132,603 |
| | - | 23,879,126 | 494,103 | 24,373,229 |

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

## 43.4. Credit risk - continued

### Impairment assessment

The Company's ECL assessment and measurement method is set out below.

### Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due, In addition, the Company also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

• The counterparty having past due liabilities to public creditors or employees
• The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection
• Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

The Company considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL.

There has been no significant increase in credit risk or default for financial assets during the year.

### Expected credit loss

The Company assesses the possible default events within 12 months for the calculation of the 12mECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio varies for different instruments. In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

**Impairment losses on financial investments subject to impairment assessment**

**Debt instruments measured at amortised cost**

The table below shows the credit quality and the maximum exposure to credit risk based on Moody's credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's internal grading system are also provided.

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **Moody's rating**<br>**Performing**<br>**Cash and cash equivalents** | **12mECL**<br>**₦'000** | **LTECL**<br>**₦'000** | **Total**<br>**₦'000** | **12mECL**<br>**₦'000** | **LTECL**<br>**₦'000** | **Total**<br>**₦'000** |
| AAA-A+ | - | - | - | - | - | - |
| BBB-B+ | 8,979,079 | - | 8,979,079 | 3,577,473 | - | 3,577,473 |
| C-CCC | - | - | - | - | - | - |
| Not rated | | | | | | |
| **Total Gross Amount** | 8,979,079 | - | 8,979,079 | 3,577,473 | - | 3,577,473 |
| ECL | (170,831) | | (170,831) | (70,728) | | (70,728) |
| Total Net Amount | 8,808,248 | - | 8,808,248 | 3,506,745 | - | 3,506,745 |
| **Financial assets - amortised cost** | | | | | | |
| AAA-A+ | - | - | - | - | - | - |
| BBB-B+ | 22,313,077 | - | 22,313,077 | 20,659,066 | - | 20,659,066 |
| C-CCC | - | - | - | - | - | - |
| Note rated | 111,889 | - | 111,889 | 160,704 | - | 160,704 |
| **Total Gross Amount** | 22,424,966 | - | 22,424,966 | 20,819,770 | - | 20,819,770 |
| ECL | (275,652) | - | (275,652) | (316,007) | - | (316,007) |
| Total Net Amount | 22,149,314 | - | 22,149,314 | 20,503,763 | - | 20,503,763 |

## Debt instruments measured at amortised cost

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **Unrated** | **12mECL ₦'000** | **LTECL ₦'000** | **Total ₦'000** | **12mECL ₦'000** | **LTECL ₦'000** | **Total ₦'000** |
| Other receivables | 197,264 | 96,355 | 293,619 | 159,390 | 93,538 | 252,928 |
| **Total Gross Amount** | 197,264 | 96,355 | 293,619 | 159,390 | 93,538 | 252,928 |
| ECL | (279) | (96,355) | (96,634) | (446) | (93,538) | (93,984) |
| Total Net Amount | 196,985 | - | 196,985 | 158,944 | - | 158,944 |

### Collateral for other receivables

Some of the Company's receivables (e.g. mortgage loans and car loans) are collaterised with assets including properties and cars. As at 31 December 2021, the value of assets accepted as collateral that the Company is permitted to repossess or sell in the absence of default in respect of the staff loans was N165million (2020: N69.5million) against the receivables balances of N783 million (2020:N33million).

As at 31 December 2021, the Company had no asset repossessed as security against asset. The group policy is to pursue timely realisation of collateral in an orderly manner in the case of default. The Company does not generally use the non cash collateral for its own operations.

As at 31 December 2021, the Company has not pledged any of its assets as collateral for any liability or payable balance (2020: nil)

**Amounts arising from ECL**

**Inputs, assumptions and techniques used for estimating impairment**

When determining whether the credit risk(i.e. Risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost of effort, This includes both qualitative and quantitative information analysis based on the Company's experience, expert credit assessment and forward looking information. The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by using days past due and assessing other information obtained externally.

Whenever available, the Company monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in the published rating, the group also reviews changes in Bond yields together with available press and regulatory information about issuers.

Where external credit ratings are not available, the Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of default(including but not limited to the audited financial statement, management accounts and cashflow projections, available regulatory and press information about the borrowers and apply experienced credit judgement. Credit risk grades are defined by using qualitative and quantitative factors that are indicative of the risk of default and are aligned with the external credit rating definition from Moody's and standards and Poor.

The Company has assumed that the credit risk of a financial asset has not increased significantly since the initial recognition if the financial asset has low credit risk at reporting date. The company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Company considers this to be Baa3 or higher based on the Moody rating.

**Amounts arising from ECL**

As a back-stop, the Company considers that a significant increase in credit risk occurs no later than when the asset is more than 30 days past due. Days past due are determined by counting the numbers of days since the earliest elapsed due date in respect of which full payments has not been received. Due dates are determined without considering any grace period that might be available to the borrower. The Company monitors the effectiveness of the criteria used to identify significant increase in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increase in credit risk before an exposure is in default;
-The average time between The identification of a significant increase in credit risk and default appears reasonable
- The criteria do no align with the point in time when the asset becomes 30 days past due;
-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 ECL and Lifetime ECLmeasurement.

### Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the borrower. An existing financial asset whose terms have been modified may be derecognized and the renegotiated asset recognized as a new financial asset at fair value in accordance with the accounting policies. When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of:

- Its risk of default occurring at the reporting date based on the modified term; with
- The risk of default occurring estimated based on data on initial recognition and the original contractual terms.

### Definition of default

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or the financial asset Is more than 90 days past due.

In assessing whether a borrower is in default, the Company considers indicators that are:
- qualitative: e.g. breaches of covenant and the other indicators of financial distress;

- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

**Incorporation of forward looking information**

The Company incorporates forward-looking information into its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Company's Investment and Risk committee, economic experts and consideration of a variety of external actual and forecast information. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Nigeria, supranational organizations such as the Organisation for Economic Cooperation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

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

**Measurement of ECL**

The calculation of the expected credit loss is based on the key risk parameters of Probability of default(PD), Loss given default(LGD) and Exposure at default (EAD)

To determine the Lifetime and 12-month PDs, the Company uses the PD tables supplied by Moody's based on the default history of sovereign and corporate obligors with the same credit rating. The Company adopts the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. The PDs are recalibrated and adjusted to reflect forward looking information as described below. changes in the rating for counterparties and exposure lead to a change in estimate of the associated PD.

Loss Given Default is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against the defaulted counterparties. The LGD for sovereign fixed income exposures are based on publications by Moody's and the models consider the structure, collateral, seniority of claims and recovery of any collateral that is integral to the financial asset. For loans secured with properties or asset, loan to value ratios are key parameter in determining LGD. LGDs are calculated on discounted cash flow basis using effective interest rate as the discounting factor.

### Measurement of ECL

EAD represents the expected exposure in the event of a default. The 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 in the accounting policy, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the 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 Company considers a longer period. The modelling of parameter is carried out on an individual basis.

An overview of the approach to estimating ECLs is set out in Note 2 Summary of significant accounting policies and in Note 3 critical accounting judgements and key sources of estimation uncertainty. To ensure completeness and accuracy, the Company obtains the data used from third party sources (Moodys, Standards and Poor, Economist associate etc.) and its investment team verifies the accuracy of inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Company's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios for Nigeria, as at 31 December 2021 and 31 December 2020.

The Company has identified and documented key divers of credit risk and ECL for each portfolio of financial instruments and using an analysis of historical data, has estimated relationships between macro economic variables and credit risk and credit losses. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided below.

## 44.4. Credit risk - continued

### Analysis of inputs to the ECL model under multiple economic scenarios 31 December 2021

| Key drivers | ECL Scenario | Assigned Weightings/ Probabilities | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| Macroeconomic variable | | | | | | | |
| GDP Growth rate (%) | | | | | | | |
| | Upside | 12% | 4.08 | 2.71 | 2.69 | 2.60 | 2.68 |
| | Base case | 79% | 4.04 | 2.67 | 2.65 | 2.56 | 2.64 |
| | Downside | 9% | 4.00 | 2.63 | 2.61 | 2.52 | 2.60 |
| Inflation rates (%) | | | | | | | |
| | Upside | 12% | 14.44 | 13.29 | 11.81 | 11.54 | 11.54 |
| | Base case | 79% | 14.40 | 13.25 | 11.77 | 11.50 | 11.50 |
| | Downside | 9% | 14.36 | 13.21 | 11.73 | 11.46 | 11.46 |
| Oil Prices "USD" | | | | | | | |
| (price per barrel) | Upside | 12% | 112.39 | 100.85 | 101.81 | 102.79 | 103.79 |
| | Base case | 79% | 71.54 | 60.00 | 60.96 | 61.94 | 62.94 |
| | Downside | 9% | 46.61 | 35.07 | 36.03 | 37.01 | 38.01 |
| Unemployment rates (%) | | | | | | | |
| | Upside | 12% | 23.36 | 23.16 | 22.46 | 22.16 | 21.96 |
| | Base case | 79% | 32.70 | 32.50 | 31.80 | 31.50 | 31.30 |
| | Downside | 9% | 48.80 | 48.60 | 47.90 | 47.60 | 47.40 |

Since the beginning of the year, as the Company has reassessed the key economic indicators used in its ECL models, the expected GDP growth rate over the next few years has been revised downwards, given the slowdown of Nigeria's economy which is majorly due to the unstable political outlook of the country. Unemployment and oil price assumptions follow a similar trend. Central Bank base rates have been revised downward while inflation rate is on the rise with the expected minimum wage legislation as aprt of governmental response. Long-term expectations remain unchanged.

## 44.4. Credit risk - continued

### Analysis of inputs to the ECL model under multiple economic scenarios 31 December 2020

| Key drivers | ECL Scenario | Assigned Weightings/ Probabilities | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|
| Macroeconomic variable | | | | | | | |
| GDP Growth rate (%) | | | | | | | |
| | Upside | 11% | 0.84 | 7.26 | 6.76 | 7.46 | 8.16 |
| | Base case | 80% | -3.62 | 2.80 | 2.30 | 3.00 | 3.70 |
| | Downside | 8% | -9.09 | -2.67 | -3.17 | -2.47 | -1.77 |
| Inflation rates (%) | | | | | | | |
| | Upside | 11% | 10.90 | 11.41 | 10.71 | 9.51 | 8.01 |
| | Base case | 80% | 14.89 | 15.40 | 14.70 | 13.50 | 12.00 |
| | Downside | 8% | 19.35 | 19.86 | 19.16 | 17.96 | 16.46 |
| Oil Prices "USD" | | | | | | | |
| (price per barrel) | Upside | 11% | 83.13 | 86.13 | 92.13 | 94.28 | 96.52 |
| | Base case | 80% | 41.00 | 44.00 | 50.00 | 52.15 | 54.39 |
| | Downside | 8% | 14.68 | 17.68 | 23.68 | 25.83 | 28.07 |
| Unemployment rates (%) | | | | | | | |
| | Upside | 11% | 22.76 | 24.76 | 25.26 | 25.76 | 26.26 |
| | Base case | 80% | 30.00 | 32.00 | 32.50 | 33.00 | 33.50 |
| | Downside | 8% | 44.91 | 46.91 | 47.41 | 47.91 | 48.41 |

Since the beginning of the year, as the Company has reassessed the key economic indicators used in its ECL models, the expected GDP growth rate over the next few years has been revised downwards, given the slowdown of Nigeria's economy which is majorly due to the unstable political outlook of the country. Unemployment and oil price assumptions follow a similar trend. Central Bank base rates have been stable while inflation rate is on the rise with the expected minimum wage legislation. Long-term expectations remain unchanged.

## 44.4. Credit risk - continued

The following tables outline the impact of multiple scenarios on the allowance

| 31 December 2021 | | Cash and cash equivalents | Financial assets - amortised cost | Other receivables | Total |
|---|---|---|---|---|---|
| Upside | 12% | 21,183 | 34,181 | 11,983 | 67,346 |
| Base case | 79% | 134,119 | 216,414 | 75,867 | 426,401 |
| Downside | 9% | 15,529 | 25,057 | 8,784 | 49,369 |
| | | 170,831 | 275,652 | 96,634 | 543,117 |
| **31 December 2020** | | | | | |
| Upside | 11% | 8,116 | 36,263 | 10,785 | 55,164 |
| Base case | 80% | 56,766 | 253,628 | 75,432 | 385,826 |
| Downside | 8% | 5,846 | 26,116 | 7,767 | 39,729 |
| | | 70,728 | 316,007 | 93,984 | 480,719 |

## 44.5. Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due.

The Company has adopted an appropriate liquidity risk management framework for the management of the Company's liquidity requirements. The Company manages liquidity risk by maintaining banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Company is exposed to liquidity risk arising from clients on its insurance contracts. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers.

## 44.5. Liquid risk - continued

Liquidity management ensures that the Company has sufficient access to funds necessary to cover insurance claims. In practice, most of the Company's assets are marketable securities which could be converted to cash when required.

The following table shows details of the expected maturity profile of the Company's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance contract liabilities. Unearned premiums are excluded from this analysis. The table includes both interest and principal cash flows. Cash and cash equivalents including insurance receivables which are used to manage liquidity risk are included in this table.

| 31 December 2021 | < 1 month ₦'000 | 1 - 3 months ₦'000 | 3 - 12 months ₦'000 | 1 - 5 years ₦'000 | > 5 years ₦'000 | Total ₦'000 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 5,467,838 | 3,511,241 | - | - | - | 8,979,079 |
| Financial assets (debt securities at amortised cost) | 1,010,212 | 255,387 | 1,944,881 | 8,417,103 | 10,566,118 | 22,193,700 |
| Trade receivables | 109,967 | - | - | - | - | 109,967 |
| | 6,588,017 | 3,766,628 | 1,944,881 | 8,417,103 | 10,566,118 | 31,282,746 |
| Insurance contract liabilities | 511,802 | 1,850,794 | 350,426 | 544,845 | 8,730 | 3,266,597 |
| Trade payables | 4,366,048 | 507,945 | 858,250 | 1,219,310 | - | 6,951,553 |
| Other payables | 1,100,476 | 392,666 | | - | - | 1,493,142 |
| | 5,978,326 | 2,751,405 | 1,208,676 | 1,764,155 | 8,730 | 11,711,292 |
| Liquidity Gap | 609,691 | 1,015,223 | 736,205 | 6,652,948 | 10,557,388 | 19,571,454 |
| **31 December 2020** | | | | | | |
| Cash and cash equivalents | 3,545,748 | | - | - | - | 3,545,748 |
| Financial assets (debt securities at amortised cost) | 304,978 | 1,496,236 | 1,780,984 | 10,500,631 | 8,266,272 | 22,349,101 |
| Trade receivables | 132,603 | - | - | - | - | 132,603 |
| | 3,983,329 | 1,496,236 | 1,780,984 | 10,500,631 | 8,266,272 | 26,027,452 |
| Insurance contract liabilities | 1,050,789 | 578,927 | 876,259 | 234,845 | 387,109 | 3,127,929 |
| Trade payables | 1,631,662 | 460,437 | - | - | - | 2,092,099 |
| Other payables | 964,582 | 367,000 | 321,741 | - | - | 1,653,323 |
| | 3,647,033 | 1,406,364 | 1,198,000 | 234,845 | 387,109 | 6,873,351 |
| Liquidity Gap | 336,296 | 89,872 | 582,984 | 10,265,786 | 7,879,163 | 19,154,101 |

## 44.6. Maturity analysis of the amounts in the statement of financial position

**Maturity analysis on expected maturity bases**

The table below summarises the expected maturity of assets and liabilities.

**31 December 2021**

| Asset | Current ₦'000 | Non- current ₦'000 | Total ₦'000 |
|---|---|---|---|
| Cash and cash equivalents | 8,808,248 | | 8,808,248 |
| Financial assets | 3,210,480 | 20,737,380 | 23,947,860 |
| Trade receivables | 109,967 | | 109,967 |
| Reinsurance assets | 7,826,349 | | 7,826,349 |
| Deferred acquisition costs | 673,104 | | 673,104 |
| Other receivables and prepayments | 297,262 | | 297,262 |
| Right of use assets | 6,117 | 1,104 | 7,221 |
| Investment properties | | 3,676,770 | 3,676,770 |
| Property, plant and equipment | | 303,954 | 303,954 |
| Intangible assets | | 3,427 | 3,427 |
| Statutory deposit | | 300,000 | 300,000 |
| **Total assets** | **20,931,527** | **25,022,635** | **45,954,162** |
| **Liabilities** | | | |
| Insurance contracts liabilities | 5,840,695 | 7,320,288 | 13,160,983 |
| Trade payables | 6,951,553 | | 6,951,553 |
| Other liabilities | 1,493,142 | | 1,493,142 |
| Deferred income | 325,955 | | 325,955 |
| Current income tax payable | 836,792 | | 836,792 |
| Deferred tax liabilities | - | 753,816 | 753,816 |
| **Total liabilities** | **15,448,137** | **8,074,105** | **23,522,241** |

## 44.6. Maturity analysis of the amounts in the statement of financial position

**Maturity analysis on expected maturity bases**

The table below summarises the expected maturity of assets and liabilities.

**31 December 2020**

| Asset | Current ₦'000 | Non- current ₦'000 | Total ₦'000 |
|---|---|---|---|
| Cash and cash equivalents | 3,506,745 | | 3,506,745 |
| Financial assets | 3,582,199 | 18,491,619 | 22,073,818 |
| Trade receivables | 132,603 | | 132,603 |
| Reinsurance assets | 7,196,988 | | 7,196,988 |
| Deferred acquisition costs | 583,433 | | 583,433 |
| Other receivables and prepayments | 163,990 | | 163,990 |
| Right of use assets | 3,000 | 3,250 | 6,250 |
| Investment properties | | 3,637,178 | 3,637,178 |
| Property, plant and equipment | | 211,944 | 211,944 |
| Intangible assets | | 6,274 | 6,274 |
| Statutory deposit | | 300,000 | 300,000 |
| **Total assets** | **15,168,958** | **22,650,265** | **37,819,223** |
| | | | |
| **Liabilities** | | | |
| Insurance contracts liabilities | 3,161,397 | 8,653,081 | 11,814,478 |
| Trade payables | 2,092,099 | | 2,092,099 |
| Other liabilities | 1,653,323 | | 1,653,323 |
| Deferred income | 277,348 | | 277,348 |
| Current income tax payable | 878,769 | | 878,769 |
| Deferred tax liabilities | - | 568,300 | 568,300 |
| **Total liabilities** | **8,062,936** | **9,221,381** | **17,284,317** |

## 45. Insurance risk management

The Company accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework.

Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria.

Reinsurance is purchased to mitigate the effect of potential loss to the Company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

Regulatory capital is also managed (though not exclusively) by reference to the insurance risk to which the Company is exposed.

The Company writes property, liability and motor risks primarily over a twelve month duration. The most significant risks arise from natural disasters, climate change and other catastrophes (i.e. high severity, low frequency events). A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

The concentration of non-life insurance by the location of the underlying risk is summarised below by reference to liabilities.

| | Gross premium | | Reinsurance premium | | Net | |
|---|---|---|---|---|---|---|
| | 2021<br>₦'000 | 2020<br>₦'000 | 2021<br>₦'000 | 2020<br>₦'000 | 2021<br>₦'000 | 2020<br>₦'000 |
| Within Nigeria | 33,755,180 | 32,083,331 | 21,654,200 | 21,140,188 | 12,100,980 | 10,943,143 |
| Outside Nigeria | - | - | 1,674,660 | 1,728,778 | (1,674,660) | (1,728,778) |
| | **33,755,180** | **32,083,331** | **23,328,860** | **22,868,966** | **10,426,320** | **9,214,365** |

## 45. Insurance risk management - continues

The concentration of non-life insurance by type of contract is summarised below by reference gross premium and premium ceded to reinsurers.

| | Gross premium | | Reinsurance premium | | Net | |
|---|---|---|---|---|---|---|
| | 2021 ₦'000 | 2020 ₦'000 | 2021 ₦'000 | 2020 ₦'000 | 2021 ₦'000 | 2020 ₦'000 |
| Accident | 2,264,054 | 2,051,688 | 994,612 | 842,069 | 1,269,442 | 1,209,619 |
| Aviation | 280,519 | 193,934 | 42,860 | 59,090 | 237,659 | 134,844 |
| Bond | 13,038 | 5,321 | 2,356 | 1,492 | 10,682 | 3,829 |
| Engineering | 653,647 | 626,574 | 415,606 | 371,707 | 238,041 | 254,867 |
| Fire | 7,526,883 | 6,092,960 | 5,644,231 | 4,573,139 | 1,882,652 | 1,519,821 |
| Marine | 1,400,937 | 1,103,865 | 539,561 | 385,025 | 861,376 | 718,840 |
| Motor | 3,428,551 | 3,182,841 | 88,024 | 165,369 | 3,340,527 | 3,017,472 |
| Oil and Energy | 18,187,551 | 18,826,148 | 15,601,610 | 16,471,075 | 2,585,941 | 2,355,073 |
| | **33,755,180** | **32,083,331** | **23,328,860** | **22,868,966** | **10,426,320** | **9,214,365** |

## 45.1 Assumptions and sensitivities

The risks associated with the non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for non-life insurance claims recognised in the statement of financial position is adequate. However, actual experience will differ from the expected outcome.

| 2021 Discounted IABCL Class of business | ₦'000 Base | ₦'000 5% Loss ratio | ₦'000 (-5%) Loss ratio | ₦'000 1% Inflation rate | ₦'000 (-1) %Inflation rate | ₦'000 1% Discount rate | ₦'000 (-1)% Discount rate |
|---|---|---|---|---|---|---|---|
| Accident | 928,284 | 1,032,083 | 793,157 | 932,207 | 924,361 | 919,522 | 937,280 |
| Engineering | 283,350 | 304,274 | 262,424 | 284,360 | 282,341 | 281,276 | 285,472 |
| Fire | 2,576,152 | 2,826,204 | 2,324,575 | 2,577,201 | 2,575,112 | 2,556,482 | 2,596,254 |
| Marine | 300,900 | 338,129 | 263,671 | 302,728 | 299,073 | 299,271 | 302,556 |
| Motor | 549,198 | 596,078 | 502,256 | 549,752 | 548,644 | 545,765 | 552,696 |
| Oil & Gas | 16,512 | 30,538 | 2,486 | 16,512 | 16,512 | 16,512 | 16,512 |
| Bond | 982 | 1,634 | 330 | 982 | 982 | 982 | 982 |
| Aviation | 826,618 | 1,578,189 | 75,048 | 826,618 | 826,618 | 813,995 | 839,626 |
| Total | 5,481,996 | 6,707,127 | 4,223,946 | 5,490,359 | 5,473,643 | 5,433,803 | 5,531,378 |
| Oustanding claims | 3,266,597 | 3,266,597 | 3,266,597 | 3,266,597 | 3,266,597 | 3,266,597 | 3,266,597 |
| IBNR | 2,215,400 | 3,440,530 | 957,350 | 2,223,762 | 2,207,046 | 2,167,207 | 2,264,782 |
| Percentage change | | 22% | -23% | 0% | 0% | -1% | 1% |

## 45.1 Assumptions and sensitivities

| 2020<br>Discounted IABCL<br>Class of business | ₦'000<br><br>Base | ₦'000<br>5%<br>Loss ratio | ₦'000<br>(-5%)<br>Loss ratio | ₦'000<br>1%<br>Inflation rate | ₦'000<br>(-1)<br>%Inflation rate | ₦'000<br>1%<br>Discount rate | ₦'000<br>(-1)%<br>Discount rate |
|---|---|---|---|---|---|---|---|
| Accident | 746,537 | 754,118 | 748,266 | 748,081 | 746,389 | 746,686 | 746,686 |
| Engineering | 252,205 | 252,205 | 252,205 | 252,205 | 252,205 | 252,205 | 252,205 |
| Fire | 2,192,748 | 2,219,332 | 2,219,332 | 2,191,944 | 2,203,337 | 2,193,551 | 2,191,944 |
| Marine | 294,138 | 296,796 | 296,796 | 293,274 | 307,305 | 295,003 | 293,274 |
| Motor | 483,639 | 486,797 | 486,797 | 482,927 | 494,754 | 484,351 | 482,927 |
| Oil & Gas | 21,828 | 75,669 | 75,669 | 20,712 | - | - | - |
| Bond | 645 | - | - | - | - | - | - |
| Aviation | 826,095 | 828,823 | 2,728 | (2,154) | - | - | - |
| **Total** | 4,817,834 | 4,913,739 | 4,081,792 | 3,986,989 | 4,003,990 | 3,971,795 | 3,967,035 |
| | | | | | | | |
| Oustanding claims | 3,127,929 | 3,180,783 | 2,676,365 | 2,578,751 | 2,598,569 | 2,579,023 | 2,561,727 |
| IBNR | 1,689,905 | 1,732,956 | 1,405,427 | 1,408,238 | 1,405,421 | 1,392,773 | 1,405,308 |
| Percentage change | | 20% | -19% | 0% | 0% | -1% | 1% |

The Company's method for sensitivity testing has not changed significantly from the prior year.

## 45.2 Claims development tables

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. In 2012, in the year of adoption of IFRS, only 5 years were required to be disclosed. This will be increased in each succeeding year, until 8 - 10 years of information is presented. The top half of the table shows how the estimates of total claims for each accident year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the Statement of Financial Position.

### Analysis of claims development – Gross

| Estimate of ultimates: End of accident year | **Before 2012 ₦'000** | **2013 ₦'000** | **2014 ₦'000** | **2015 ₦'000** | **2016 ₦'000** | **2017 ₦'000** | **2018 ₦'000** | **2019 ₦'000** | **2020 ₦'000** | **2021 ₦'000** | **Total ₦'000** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 year later | 3,953,051 | 6,081,643 | 6,559,766 | 6,770,286 | 6,852,525 | 6,903,787 | 6,921,028 | 6,921,028 | 6,921,791 | 6,921,791 | - |
| 2 years later | 3,916,733 | 6,214,426 | 6,599,973 | 6,768,644 | 6,881,274 | 6,930,563 | 6,930,563 | 6,930,822 | 6,933,108 | - | - |
| 3 years later | 2,869,687 | 5,135,621 | 5,761,265 | 5,933,707 | 6,012,985 | 6,026,293 | 6,030,904 | 6,030,904 | - | - | - |
| 4 years later | 3,590,761 | 6,787,967 | 7,292,269 | 7,593,831 | 7,684,726 | 7,713,653 | 7,715,994 | - | - | - | - |
| 5 years later | 3,150,586 | 5,198,168 | 5,806,296 | 5,906,357 | 5,922,033 | 5,946,174 | - | - | - | - | - |
| 6 years later | 2,902,060 | 4,789,395 | 5,184,780 | 5,272,632 | 5,310,563 | - | - | - | - | - | - |
| 7 years later | 3,336,926 | 4,603,570 | 4,843,864 | 4,921,858 | | - | - | - | - | - | - |
| 8 years later | 3,402,980 | 4,960,154 | 5,084,164 | - | - | - | - | - | - | - | - |
| 9 years later | 2,989,004 | 4,495,841 | - | - | - | - | - | - | - | - | - |
| 10 years later | 2,132,308 | - | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - | - |
| Current estimate of ultimate claims | 2,132,308 | 4,495,841 | 5,084,164 | 4,921,858 | 5,310,563 | 5,946,174 | 7,715,994 | 6,030,904 | 6,933,108 | 6,921,791 | 53,360,397 |
| Cummulative payments | (2,125,718) | (4,495,341) | (5,080,726) | (4,918,872) | (5,303,681) | (5,849,781) | (7,647,812) | (5,757,700) | (5,336,265) | (5,710,212) | (52,226,108) |
| **Outstanding claims provision at 31 December 2020** | 6,590 | 500 | 3,438 | 2,986 | 6,882 | 96,393 | 68,182 | 273,204 | 1,596,843 | 1,211,579 | 3,266,597 |

# Statement Of Value Added

For The Year Ended 31 December 2021

| | 2021 ₦'000 | % | 2020 ₦'000 | % |
|---|---|---|---|---|
| Net premium income | 10,426,320 | | 9,214,365 | |
| Fees and commission income | 1,610,329 | | 1,650,205 | |
| Interest income | 2,374,677 | | 2,086,390 | |
| Other investment and sundry income | 159,938 | | 152,461 | |
| | 14,571,264 | | 13,103,421 | |
| Claims incurred, commission paid and other operating expenses - Local | (8,004,877) | | (7,735,397) | |
| Value added | **6,566,387** | **100** | **5,368,024** | **100** |
| **Applied as follows:** | | | | |
| **Insurance contract liabilities** | | | | |
| Salaries, wages and benefits | 843,034 | 13 | 439,091 | 8 |
| **To pay Government:** | | | | |
| Taxes | 395,163 | 6 | 439,091 | 8 |
| **Retained for asset replacement and future expansion of business:** | | | | |
| - Deferred taxation | 185,516 | 3 | 139,276 | 3 |
| - Depreciation and amortization | 119,990 | 2 | 95,113 | 2 |
| - Profit for the year | 5,022,684 | 76 | 4,255,453 | 79 |
| | **6,566,387** | **100** | **5,368,024** | **100** |

Value added is the wealth created by the efforts of the Company and its employees and the allocation between employees, shareholders, government and that retained in the future for the creation of more wealth.

# Five-Year Financial Summary

As at 31 December 2021

| | 31 December | | | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| **Assets** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Cash and cash equivalents | 8,808,248 | 3,506,745 | 4,517,560 | 9,070,412 | 3,909,124 |
| Financial assets | 23,947,860 | 22,073,818 | 18,174,307 | 15,818,595 | 15,263,802 |
| Trade receivables | 109,967 | 132,603 | 107,318 | 350,091 | 85,218 |
| Reinsurance assets | 7,826,349 | 7,196,988 | 8,291,969 | 8,413,518 | 6,452,705 |
| Deferred acquisition costs | 673,104 | 583,433 | 543,304 | 666,147 | 542,317 |
| Other receivables and prepayments | 297,262 | 163,990 | 268,397 | 267,986 | 238,917 |
| Investment properties | 3,676,770 | 3,637,178 | 3,637,178 | 3,555,000 | 3,541,000 |
| Right of use assets | 7,221 | 6,250 | - | - | - |
| Property, plant and equipment | 303,954 | 211,944 | 194,005 | 167,564 | 170,032 |
| Intangible assets | 3,427 | 6,274 | 9,265 | 8,467 | 14,566 |
| Statutory deposits | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| **Total assets** | **45,954,162** | **37,819,223** | **36,043,303** | **38,617,780** | **30,517,681** |
| | | | | | |
| **Liabilities and equity** | | | | | |
| Insurance contract liabilities | 13,160,983 | 11,814,478 | 11,957,745 | 12,826,281 | 10,908,515 |
| Trade payables | 6,951,553 | 2,092,099 | 2,035,944 | 5,383,622 | 1,221,983 |
| Other payables and accruals | 1,493,142 | 1,653,323 | 1,473,465 | 725,825 | 628,569 |
| Deferred income | 325,955 | 277,348 | 382,167 | 442,480 | 383,049 |
| Current income tax payable | 836,792 | 878,769 | 898,023 | 847,743 | 720,642 |
| Deferred tax liabilities | 753,816 | 568,300 | 429,024 | 443,854 | 455,622 |
| **Total liabilities** | **23,522,241** | **17,284,317** | **17,176,368** | **20,669,805** | **14,318,380** |
| | | | | | |
| **Equity** | | | | | |
| Issued and paid-up share capital | 7,000,000 | 7,000,000 | 3,500,000 | 3,500,000 | 3,500,000 |
| Share premium | 84,607 | 84,607 | 84,607 | 84,607 | 84,607 |
| Statutory contingency reserve | 10,000,000 | 9,394,735 | 8,447,097 | 7,677,566 | 6,743,668 |
| Retained earnings | 4,970,380 | 3,793,640 | 6,642,715 | 6,218,660 | 5,696,298 |
| Fair value reserve | 376,934 | 261,924 | 192,516 | 467,142 | - |
| Available for sale reserve | - | - | - | - | 174,728 |
| **Total equity** | **22,431,921** | **20,534,906** | **18,866,935** | **17,947,975** | **16,199,301** |
| | | | | | |
| **Total liabilities and equity** | **45,954,162** | **37,819,223** | **36,043,303** | **38,617,780** | **30,517,681** |

# Five-Year Financial Summary Contd

For the year ended 31 December 2021

| | 2021<br>₦'000 | 2020<br>₦'000 | 2019<br>₦'000 | 2018<br>₦'000 | 2017<br>₦'000 |
|---|---|---|---|---|---|
| Gross premium written | 34,437,522 | 31,587,929 | 25,651,020 | 23,811,985 | 20,064,233 |
| Net premium income | 10,426,320 | 9,214,365 | 7,377,618 | 7,571,024 | 7,341,916 |
| Profit before income tax expense | 5,022,684 | 4,255,453 | 3,440,531 | 4,669,492 | 5,035,234 |
| Income tax expense | (580,679) | (578,367) | (461,240) | (844,736) | (582,858) |
| Profit for the year | 4,442,005 | 3,677,086 | 2,979,291 | 3,824,756 | 4,452,376 |
| Transfer to retained earnings | 4,442,005 | 3,677,086 | 2,979,291 | 3,824,756 | 4,452,376 |
| **Basic earnings:** | | | | | |
| per share (kobo) | 32 | 45 | 43 | 55 | 64 |
| **Diluted earnings:** | | | | | |
| per share (kobo) | 32 | 45 | 43 | 55 | 64 |

# ERM Framework

## 1.0 Introduction and Overview

The Board of Directors appreciates that risks are inherent in all aspects of the Company's operations and that it cannot totally eliminate risks. It therefore acknowledges the critical role of risk management in the achievement of the objectives of the Company in order to meet the varied expectations of its stakeholders.

The Enterprise Risk Management Framework establishes the criteria within which enterprise risks are managed. The intent of the framework is to ensure the effective communication and management of risk categories across all business units. The scope of the Framework is enterprise-wide and is applicable to Board, Management and employees of the Company.

Enterprise risk management is a process, applied by our organization in a strategic setting, which enables management to identify potential risk events that may affect the entity; and provides a framework to manage risk within the organization's risk appetite in order to provide reasonable assurance regarding the achievement of the organization's objectives.

The Board is committed to managing risk in accordance with established risk management standards and has overall responsibility for the establishment and oversight of the enterprise risk management framework. There is an established Board Risk Committee, which is responsible for developing and monitoring the enterprise risk management policies. It meets quarterly to receive reports from the Management Risk Committee. The Management Risk Committee in turn meets every two months to review risk reports from the Chief Risk Officer.

The enterprise risk management policies are established to give broad guidance on how strategic objectives are to be set, and cascaded through to operational, reporting and compliance objectives. To identify and analyze the risks faced by the Company, risks are attached to objectives, core processes and key dependencies. The Company's risk policies set appropriate risk limits and appetites that form the basis for prioritizing identified risks. Risk controls are set and reviewed continually to monitor adherence to risk appetite and limits.

# ERM Framework Contd

The Company has a policy to review the risk management policies and systems annually in order to reflect changes associated with its activities and the global economy generally. The Company, through regular risks workshops, trainings and design of standard operating procedures, aims to embed a risk culture in which all employees are aware of the risks in their respective roles and obligations.

The Company's risk management framework functions on three lines of risk defense. Core Process owners function as the first line of risk defense and they have responsibility for risk prevention. The risk management unit assumes the second line of risk defense and is assigned responsibility to holistically coordinate the risk control functions, enterprise-wide. The internal audit function, as the last line of risk defense, functions to secure assurance that risk controls are effective and efficient.

## 1.1 Objectives

The Company is committed to the management of inherent risks. The Company’s enterprise risk management framework aims to:

- Promote proactive recognition of external factors and anticipate uncertainties that may affect the achievement of strategy.
- Protect the interests of the Company’s shareholders.
- Provide assurance to counterparts, customers, employees and the community.
- Recognize that risk is embedded in all our activities and that the underlying risk appetite is key to effective decision making.
- Provide appropriate, consistent and transparent ownership and accountability around risk mitigation.
- Enable the design and implementation of controls
- Improve performance measurement; the Company’s improved understanding of its risk profile enables appropriate allocation of risk and economic capital to individual lines of business, which allows improved performance measurement and evaluation of activities
- Ensure better control of operations; the Company expects that increased understanding of risk activities within various business units, the Board and senior management will lead to improvements in the control of operations and the emergence of a more proactive enterprise risk management culture

# ERM Framework Contd

## 2.0 Philosophy and Principles

The continued successful safeguarding, maintenance and expansion of the Company's businesses requires a comprehensive approach to risk management.

It is the policy of the Company to identify, assess, control and monitor all risks that the business may incur to ensure that the risks are appropriate in relation to the scale and benefit of the associated project, business or practice and to ensure that no individual risk or combination of risks result in a likely material impact to the financial performance, brand or reputation of the Company.

By acknowledging that risk and control are part of everyone's job, and by incorporating risk management into the Company's daily business practices the Company will be better equipped to achieve its strategic objectives, whilst maintaining the highest ethical standards.

The Company adopts a risk philosophy aimed at maximizing business opportunities and minimizing adverse outcomes, thereby enhancing shareholder value by effectively balancing risk and reward.

The Board of Directors is responsible for setting the enterprise risk management strategy of the Company and its implementation. All staff are expected to demonstrate the highest ethical standards of behaviour in development of strategy and pursuit of objectives.

The following philosophy and principles govern the management of enterprise risk in the Company:

- The Board approves and periodically reviews the enterprise risk management framework.
- Ownership, management and accountability for risk is decentralised with business and functional units.
- There are consistent standards for defining, evaluating, measuring, monitoring and reporting risks.
- The Company's enterprise risk management practices are subject to regular independent review internally and externally.

# ERM Framework Contd

- Enterprise risk management is governed by well-defined policies and procedures which are clearly communicated across the Company.
- Enterprise risk-related issues are taken into consideration in business decisions including new product and process designs.
- Various risk and loss events are reported openly and fully to the appropriate levels once they are identified.
- Adequate processes and systems for identifying, measuring, monitoring, reporting and controlling risks are being implemented by the Company.

## 2.1 Strategy

Failure to manage risk effectively often results in significant financial losses, regulatory fines or censure, reputational damage, brand erosion or even the loss of insurance licence, all of which directly impact shareholder value. Accordingly, the Company's enterprise risk strategy aims to minimise the impact of various risks on its shareholders' value. In more specific terms, the Company's strategy is to:

- reduce the likelihood of occurrence of unexpected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation in earnings;
- minimise the impact of unexpected and catastrophic events including related costs through risk financing strategies that support the Company's long-term growth, cash flow management and balance sheet protection; and
- make all managers responsible for the management of risk and thus minimise actual or potential losses. The Company recognises that some losses, such as operational errors, are inevitable and are normal business cost but will ensure these costs are kept within acceptable levels and potential losses are minimised.

In implementing this strategy, the Company:

- has put in place best-practice enterprise risk management policies and procedures. These include procedures to help identify, assess, control, manage and report various risks within the Company;
- ensures that roles and responsibilities are agreed and clearly understood by employees at all levels;

- ensures that all staff in business and support functions are aware of their responsibilities for risk management; •considers the potential risk impact of its activities and products at the outset with a view to minimising these as far as possible;
- has put in place structures and processes for reporting control failures to designated individuals and escalating material issues to the Board Audit & Risk Committees respectively;
- ensures that staff are provided with appropriate enterprise risk management training that is commensurate to their roles;
- establishes a workable business continuity plan (including disaster recovery and crisis management procedures) that minimises the impact of unexpected and catastrophic events on business operations and customer service;
- minimises the financial impact of losses, through management of risk factors and utilisation of insurance and other risk transfer strategies; and
- ensures that staff responsibility with respect to enterprise risk management is communicated through on-going risk awareness workshops and management action.

## 3.0 Governance and Culture

The overall responsibility for enterprise risk management in the Company resides with the Board. The responsibility of the day-to-day management has been delegated as described in this section. On a regular basis, the Board receives reports on Company's risk profile through the Board Risk Management Committee.

To ensure consistency and prudent management of risks, the responsibility for managing risk has been split as follows:

- the overall governance owned by the Board and Board Committees (Board Audit & Risk Committees) and Management Risk Committee;
- the approval of enterprise risk management policies and standards for risk identification, measurement, assessment, monitoring and reporting is the responsibility of the Board Risk Management Committee;
- the enterprise risk management framework implementation and review is owned by the Risk Management department;
- the implementation of the enterprise risk management framework within the branches, departments/business units and the day-to-day management of risks is owned by respective core processes and executed through management structure.

# ERM Framework Contd

- The assurance role that risk management controls are effective and efficient is owned by the internal audit function.
- Legal and Compliance unit ensures that the Company adheres to laws, regulations, guidelines and specifications relevant to its business

## 3.1 The Board and Board Committees

The Board of Directors, Board Risk Committees and the Management Risk Committee shall have overall oversight function for enterprise risk management. It shall be their responsibility to ensure effective management of risks and adherence to the approved enterprise risk policies.

### 3.1.1 Board of Directors

The Board of Directors:

- sets the Company's enterprise risk strategy and direction in line with the Company's corporate strategy;
- gives final approval for the Company's enterprise risk management framework, policies and procedures;
- periodically reviews the framework to ensure its relevance and effectiveness; and ensures that senior management is performing its risk management responsibilities; and
- Sets risk appetite levels

### 3.1.2 Board Risk Committee

The Board Committees:

- ensures that the enterprise risk management framework is comprehensive and in line with the Company's strategy;
- approves the enterprise risk management framework and oversees its implementation;

- establishes a management structure capable of implementing the framework with clear lines of responsibility, accountability and reporting; and
- reports significant risk issues to the Board of Directors.

### 3.1.3 Management Risk Committee

The Company's Management Risk Committee:

- ensures that the framework is implemented consistently across the Company;
- ensures policies and procedures are developed for managing risk in the Company's products, activities, systems and processes;
- ensures that all levels of staff understand their responsibilities with respect to enterprise risk management;
- reviews the Company's risk dashboard and assesses potential impact on the activities of the Company or business unit;
- ensures the Company's risk profile is within established risk parameters;
- ensures that staff are adequately trained and have access to the necessary resources;
- obtains and reviews periodic reports on loss events, risk profiling, control failures enterprise-wide and monitors that corrective measures are being implemented;
- ensures that the outputs from the enterprise risk management process are factored into the day-to-day management decisions of the Company; and
- ensures that the Company's enterprise risk management policies and procedures promote the desired risk culture.

### 3.2 Chief Risk Officer

The Chief Risk Officer:

- Leads the development and implementation of enterprise risk management across the Company.
- Develops enterprise risk management strategy, principles, framework and policy.
- Implements appropriate enterprise risk management processes and methodologies.

# ERM Framework Contd

- Advises and coaches management and business units on risk management.
- Coordinates the appropriate and timely delivery of risk management information.
- Approves all reports, risk policy proposals, recommendations and other documents prepared for presentation to the Management Risk Committee, and Board Audit & Risk Committees.

The Enterprise Risk Management seeks to build a strong risk management and control culture by setting the appropriate tone at the top, promoting awareness, ownership and proactive management of key risks, and promoting accountability. In short, we seek to promote a risk-conscious workforce across the enterprise.

The Company's risk culture is based on the following:

- Ownership of Risk Management by top executives and senior management with appropriate delegation down the line.
- Integration of risk management into all business units of the company.
- Compliance with company's culture and value system
- Proactive risk management process
- Risk Management training, education and awareness
- Effective risk management and controls
- Constant monitoring of risk environment and risk management process and system
- Compliance with all relevant statutory, regulatory and supervisory rules, regulations, pronouncements and requirements
- Ensuring risk management owners are responsible and accountable relative to their function and position
- Ensure crises free management of risk issue when and if it occurs

## 4.0 Risk Identification and Prioritization

Risk identification is a deliberate and systematic effort to identify and document the enterprise’s key risks. Risks emanate from internal or external sources which affects implementation of strategy or achievement of objectives.

## ERM Framework Contd

The objective of risk identification is to understand what is at risk within the context of the enterprise explicit and implicit objectives and to generate a comprehensive inventory of risks based on the threats and events that might prevent, degrade or delay the achievement of the objectives. The Company adopts a rigorous and ongoing process of risk identification that also includes mechanisms to identify new and emerging risks timely. These risks form the basis of the overall risk profile for the enterprise.

The following broad categories of risk are used to enable appropriate aggregation and to assist with the identification of inherent risks across the Company:

- Business Strategy Risk
- Credit Risk
- Compliance Risk
- Insurance Risk
- Legal/Regulatory Risk
- Liquidity Risk
- Market Risk
- Operational Risk
- Reputation/Brand Risk

The risks identified are then assessed in order to prioritize the most important risks. Risk assessment is a process to quantify or qualify the level of risk associated with a specific threat or event, to enrich the risk intelligence available to the enterprise.

Risks are prioritized, considering likelihood and impact of a given outcome, to determine how they should be managed. The purpose of prioritizing the risk is to determine the level of action needed for the identified and assessed risks. The objectives at this step are to separate the minor risks from major ones. The level of risk is determined by measuring the likelihood of each event arising and the associated consequences.

# ERM Framework Contd

Risk Identification Methods:

The following are the methods adopted in identifying risks faced by the enterprise:

**Brainstorming:** Risk identification through brainstorming sessions on risk areas, vulnerabilities and threats.
**Questionnaire:** Risk identification by issuing questionnaires to members of various units in order to identify risks peculiar to them

## 5.0 Risk Appetite/Risk Tolerance

It is not always efficient to manage risks to zero residual risk or very low residual threshold because of the time, cost and effort that will be required. However, it is also poor risk management practice to accept risks which create unnecessary exposure for the enterprise.

As a result, the enterprise will not accept risks which could expose her to:

- Unacceptable levels of financial loss relative to strategic and operational targets
- Breaches of legislation or regulatory non-compliance
- Damage to its reputation
- Unacceptable interruption to the provision of services to customers
- Damage to relationships with its customers and key stakeholders

The Company's risk tolerance statement is defined below which guides strategic decision making;

The Company shall hold capital at the 99.6% Value-at-risk level. No risk driver for example, line of business or asset class must consume more than 5% of shareholder's equity when looking at the 95% Value at Risk. No extreme scenario with a probability of higher or equal to a 1 in 250 years must result in a loss which exceeds 15% of the shareholder's equity.

# ERM Framework Contd

## 6.0 Risk Reporting And Communication

Information is needed at all levels to identify, assess and respond to risks. Like any other process, the success of risk management depends on the availability of reliable information and effective communication at various levels. Pertinent information has been identified, captured and communicated in a form and time frame that enables members of staff to carry out their responsibilities.

A reporting system is designed to provide assurance that the enterprise risks are adequately managed. Information is provided on risk management status and actions taken for continuous improvement. The report provides information on the effectiveness of achieving corporate objectives; a forward looking report that anticipates emerging risks.

Information and communication channels are in place to make various business units aware of risks that fall into their area of responsibility and the expected behavior to mitigate negative outcomes.

Relevant information, properly and timely communicated is essential to equip the relevant officials to identify, assess and respond to risks. The Enterprise's risk communication and reporting process supports enhanced decision making and accountability through; dissemination of relevant, timely, accurate and complete information.

## 7.0 Risk Management and Controls

In the management and control of risks, the information gained during risk assessments is used to develop control measures that would be applied to ensure appropriate management of risks. It involves the implementation of new polices and standards, physical changes and procedural changes that can reduce or eliminate certain risks within the various business units.

## ERM Framework Contd

The following are the risk control measures the enterprise employs to mitigate risk:

- **Risk Avoidance**: this involves committing to stop executing the activities that give rise to the risk. Risk avoidance is usually a function of consolidating business processes and implementing preventative controls to halt deviations from acceptable norms.

- **Risk Reduction**: The risk reduction strategy involves reorganizing business processes to reduce the risk exposure inherent in them. Risk reduction involves reducing the severity of the loss or the likelihood of the loss occurring.

- **Risk Transfer**: A risk transfer strategy involves reducing risk likelihood or impact by transferring or otherwise sharing a portion of the risk. Common risk transfer techniques used includes purchasing insurance products, pooling risks and engaging in hedging transactions.

- **Risk Acceptance**: A risk acceptance strategy is a well-informed decision to accept loss, or benefit of gain, from a risk when it occurs. This involves making resources available internally to mitigate or accommodate such risks. An acceptance strategy is an effective way of addressing emerging risks which are those risks that are anticipated to arise in the future.

Control activities are also established to ensure that risk management decisions are carried out effectively and consistently throughout the Company. This involves formalizing risk management decisions in the Company's policies, ensuring clear accountability, utilizing self-assessment and monitoring tools and designing controls into the systems and critical business processes.

### 8.0 Risk Factors and Types

### 8.1 Insurance Risk

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

# ERM Framework Contd

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

## 8.1.1 General Accident insurance risks

### 8.1.1.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant is the long tailed nature of occupational hazards and employers liability. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The Company manages these risks through prudent underwriting, adequate reinsurance arrangements and proactive claims handling.

Prudent underwriting attempts to ensure that bad risks are rejected and the underwritten pool of risks are well diversified in terms of type and amount of risk, industry and geography.

Underwriting policies are in place to enforce proper risk selection. For example, the Company does not write or renew individual policies with established moral hazards. It also imposes excesses and deductibles to make the insured bear a proportion of a loss and thus check negligent or indulgent tendencies. The Company undertakes loss investigation that most times results in downward adjustments of reported claims. The Company rejects payment of fraudulent claims that are thrown up by its investigation search light. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs through its subrogation rights. Any contract in which a branch office of the Company is committed to cover risks in excess of its prescribed limits requires head office approval.

The reinsurance arrangements include excess of loss and catastrophe covers that are used to protect the Company's net account. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses of more than N70 million in any one event.

### 8.1.1.2 Sources of uncertainty in the estimation of future claim payments

Claims on long-tail general accident insurance contracts are payable on a claims-occurrence basis. Coverage applies to bodily injury or property damage that occurs during the policy period, regardless of when claims for damages are made. As a result, liability claims are settled over a long period of time (long-tail), and a larger element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

# ERM Framework Contd

The amount of casualty claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Casualty contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of the reporting period.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For general accident insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

### 8.1.1.3 Process used to decide on assumptions

The risks associated with these insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. However, the Nigerian market has not had severe losses from asbestos-related diseases which is usually material and is therefore not too complicated to come up with reasonable assumptions.

The Company uses assumptions based on a mixture of internal and market data. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual insurance contracts carried out at year-end 2017 to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims

### 8.1.1.4 Change in assumptions and sensitivity analysis

There were no additional net insurance reserves (outstanding claims) arising in respect of prior years that has arisen due to changes in the assumptions used to estimate the ultimate cost of claims, including public liability claims.

Because the assumptions used to estimate these liabilities require judgment, they are subject to great uncertainty.

### 8.1.2 Property insurance contracts

### 8.1.2.1 Frequency and severity of claims

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, flooding) and their consequences (for example, flood claims). For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

The Company has the right to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage. The Company has reinsurance cover for such damage to limit losses to N300 million in any one catastrophe event.

Property insurance contracts are subdivided into the following risk Companys: fire, business interruption, and theft. The insurance risk arising from these contracts is not concentrated in any of the territories in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings. The Company does not underwrite property insurance contracts outside Nigeria.

### 8.1.2.2Sources of uncertainty in the estimation of future claim payments

The shorter settlement period for these claims allow the Company to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year-end. However, the longer time needed to assess the emergence of a flood claim make the estimation process more uncertain for these claims.

The uncertain nature of the costs of this type of claim causes greater uncertainty in the estimates than in previous years. The Company has been monitoring numbers of reported claims on a weekly basis and reflected such information in its assessment of the adequacy of the unearned premium provision held at year end. The effect of this unexpected weather may affect prior year claims, due to the re-opening of old claims and higher settlement costs for flood claims in the current market. At year-end 2017, the Company believes that its liabilities for fire claims are adequate. However, more permanent changes in the climate may produce a higher frequency and severity of claims than currently expected.

### 8.1.2.3 Process used to decide on assumptions

For non-subsidence-related property risks, the Company uses similar statistical methods used for general accident insurance risks that incorporate the various assumptions made in order to estimate the ultimate cost of claims.

Similar to the approach for the assumptions underlying the casualty insurance liabilities, the choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combination of techniques have been selected for individual accident years or Companys of accident years within the same class of business.

### 8.1.2.4 Changes in assumptions

The Company did not change its assumptions for the insurance contracts disclosed in this note other than updating the costs of rebuilding properties, replacement or indemnity for contents for time value of money.

## 8.2 Credit Risks

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio, reinsurance programme and to a lesser extent amounts due from policyholders and intermediaries. Key areas where the Company is exposed to credit risk are:

### Principal Credit Risks

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders;
- Amounts due from insurance intermediaries;
- Amounts due from loans and receivables;
- Amounts due from debt securities; and
- Amounts due from money market and cash positions.

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

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent to investment grade and above.

This information is supplied by independent rating agencies where available and if not available the Company uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers.

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

### 8.2.1 Credit Risk Measurement, Control and Mitigation

#### i. Premium and Reinsurance Receivables

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The Credit Control Committee works closely with the Underwriting and Reinsurance departments to assess the creditworthiness of all reinsurers and intermediaries by setting and reviewing regularly the credit rating of each reinsurer using internal records and other publicly available financial information.

Individual operating units maintain records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on loans and receivables and subsequent write-offs. Internal audit makes regular reviews to assess the degree of compliance with the Company procedures on credit. Exposures to individual policyholders and Companys of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

Where there exists significant exposure to individual policyholders, or homogenous Companys of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company's risk department.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Companys of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

### ii. Investments

The Company limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have a credit rating of at least BBB- from rating agencies. Management actively monitors credit ratings and given that the Company only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

## 8.3 Liquidity Risks

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

# ERM Framework Contd

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of over 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company does not maintain any lines of credit as it does not envisage any liquidity stress that would stretch its liquidity position.

## 8.4 Market Risks

Market risk is the risk that changes in market prices, such as; foreign exchange rates, interest rates and equity prices which will affect the Company's income or the value of its holdings of financial instruments.

Market risk arises due to fluctuations in both the value of assets held and the value of liabilities.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company has established policies and procedures in order to manage market risk.

## 8.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The Company recognises the significance of operational risk, which is inherent in all areas of our business. Operational risk is managed within acceptable levels through an appropriate level of management focus and resources.

The Company is committed to the management of operational risks. The Company's operational risk management strategy aims to:

- reduce losses arising from operational risk – a key role of operational risk management in the Company is to reduce losses from operational failure and in particular avoid potentially large or catastrophic risk losses;

## ERM Framework Contd

- provide early warning signals of deterioration in the Company's internal control system; and
- raise awareness of operational risk in the Company from top to bottom through the implementation of an enterprise-wide risk approach.

One of the foremost operational risks faced by the Company are financial crimes (internal fraud, external fraud and money laundering). Each incident is analysed, control failures identified and new controls designed. The Company is also investing in enhanced loss control. Key counter-measures put in place include:

- enhanced staff training;
- enhanced Know Your Policyholder (KYP) drive and background checks on employees;
- issuance of appropriate and deterrent circulars;
- job rotation and segregation;
- dissemination of email and SMS alerts to the Company's customers for each activity on their accounts;
- imposition of stiff disciplinary measures including prosecution of fraudulent staff, agents and brokers; and
- Installation of panic alarm system, CCTV.

### 8.5.1 Outsourcing Risk

Outsourcing risk is the risk inherent in the usage of vendors. The Company's extensive use of vendors enables the enterprise to deliver products and services to consumers and benefits to our employees. Risks inherent with using vendors includes: vendor performance, financial risks, reputation/brand, business continuity, information security, and legal/regulatory.

The Key counter-measures put in place includes:

- Maintain Enterprise policies to ensure appropriate management review, approval, and oversight of vendor risks.
- Hold vendors accountable for performance and utilize Management of Service Level Objectives.

## ERM Framework Contd

- Monitor whether the value of the services provided by a vendor are commensurate with the vendor expense.
- Through the Vendor Management Community, train associates responsible for vendor management on compliance processes, managing vendor risks, and sharing best practices.
- Review critical vendors and corporate department vendor oversight through the Internal Audit program.
- Conduct vendor vulnerability assessments on critical vendors to validate logical and physical controls protecting Custodian information and business processes.
- Manage vendor relationships and risk through Vendor Management Units.
- Identify Enterprise relationship owners for vendors that span multiple departments at Custodian.
- Use shared information repositories for contracts and vendor relationship management.

### 9.0 Future Outlook

The Company has succeeded in establishing a robust Enterprise Risk Management Framework, practice, culture and environment beyond complying with regulatory requirements. However, this is a continuous and on-going process which is been improved upon consistently.

The ultimate goal is to make risk management a value driver that enhances and contributes to stakeholders' value and the long-term existence and survival of the institution.

Some of the key initiatives and projects to be embarked upon to ensure a better and more efficient risk management framework are;

- Sourcing of a risk solution that has capacity to support the management of insurance risks, operational risk, credit risk and market risk in line with best practices and ultimately complying with risk-based capital regulation in anticipation.
- Structuring a business continuity management framework and infrastructure.
- On-going aggressive Company-wide risk awareness campaign to increase employees' risk-awareness level, competence and involvement in managing risks.

- Corporate Social Responsibility/ Sustainability Report
- HSE Report

# Corporate Social Responsibility/Sustainability Report

## About the Report

Globally, the impact of COVID-19 pandemic was felt throughout 2021, as the developed nations doubled efforts to combat the pandemic by obtaining approvals for and the actual production of vaccines. During the year, a few vaccines were approved which ensured that citizens of many of the western countries had opportunities to get the two doses of vaccines as well as booster shots, to reduce hospitalizations and certain death. On the contrary, most African countries including Nigeria had very little supply, obtained through donations. Consequently, though Coalition Against COVID-19 (CACOVID) helped to fight against the spread of the disease, very few Nigerians were fully vaccinated during the year. By the end of 2021, Nigeria had recorded 242,341 Covid cases, with 3.031 deaths with only 9.2% of the population vaccinated with the first dose of Astra Zeneca vaccine, whilst only 4% had been vaccinated with the second dose. Though relatively, we recorded relatively fewer deaths in Nigeria, the prevalence of the disease still affected corporate work as many organizations, including ours were forced to observe social distancing.

Consequently, only a certain proportion of employees could work physically in the office while others worked virtually, by rotation, having social and economic sustainability implications. Continued insurgency in the northeastern part of the country, accompanied by mass kidnapping of school-age children which started in the Northern part extended to other parts of Nigeria, contributing to migration of citizens and general insecurity in the country, known to have accounted for at least 10,366 deaths. These factors and more had serious consequences on activity nationwide and in the corporate world.

At Custodian, a sizeable amount of our business is insurance-based and premium collected and insurance investment both contribute to the GDP growth of the country, which impacts on economic sustainability. Insurance is a contract represented by a policy in which an individual or entity receives financial protection or reimbursement against losses from an Insurer. Insurance companies therefore provide a guarantee of compensation in the event of specified losses varying from life, burglary, household, motor vehicles and others in exchange for the payment of specified premium by the Insured. Insurance therefore directly impacts the economic, social, environmental, and cultural aspects of a community.

Custodian Social Responsibility Foundation, (CSRF) is the Corporate Social Responsibility arm of the company. Through CSRF, we invest in our host communities to alleviate hardship and increase environmental and social progress, whilst the company makes sound business decisions around risk management, underwriting, sustenance through pensions, housing needs, investments, and other general operations.

## Section 1: Custodian Group

Custodian Investment Plc (CIP) is a leading Nigerian Investment Group with operations in the Other Financial Services Sector of the Nigerian economy. The group has significant holding in companies and brands which offer services including general insurance, life insurance, pensions fund administration, Trustees and real estate, through its subsidiaries.

## Custodian Investment And Allied Insurance Limited

Custodian and Allied Insurance Limited (CAIL): CAIL is a provider of general insurance services such as Motor, Home, Travel, Personal Accident insurance, Special Risks and so on to individuals and corporate entities. The company is registered with National Insurance Commission (NAICOM) and is a member of the Nigerian Insurers Association (NIA)

# Corporate Social Responsibility/Sustainability Report Contd

The Company contributes 1% of its Profit Before Tax (PBT) to fund the Custodian Social Responsibility Foundation (CSRF), thereby ensuring the success of the Foundation and the incorporation of sustainability in the Group as a whole.

## Key business statistics in 2021

| | |
|---|---|
| Total Revenue | N33.8billion |
| Total Assets | N46.0billion |
| Employees | 120 |
| Office spread | 8 locations across all Nigerian states |

## Section 2: Highlights of 2021 CSR activities

As a responsible organization, the Custodian Group believes in investing in not only the local community, but also in its Employees, Shareholders, the local community, and the nation. This it does through CSRF, the Corporate Social Responsibility arm of the Group.

CSRF intervenes in projects revolving around the following four pillars: Community Development, Education, Health and Sustainability, each of which will be discussed in-depth in the next chapter.

Though the Covid -19 pandemic persisted in 2021, affecting many of the planned events for the year, the chosen activities we participated in were such that would not contravene the established protocols, especially regarding social distancing. This also dictated the level of participation in such activities.

# Corporate Social Responsibility/Sustainability Report Contd

Highlights of our activities during year 2021 shown below are detailed within the following frameworks which are discussed in the next chapter:

1.The United Nations Environment Programme – Finance Initiative (UNEP-FI) Principles for Sustainable Insurance (PSI).

2. The Nigerian Stock Exchange (NSE) Sustainability Disclosure Guidelines.

3. The Sustainable Development Goals (SDG)

| Pillars | Activity highlights | Page Reference | Key PSI Reference | NGX Disclosure Guidelines | Direct SDG Reference |
|---|---|---|---|---|---|
| **Community Development** | • Following the repair of the broken part of Commercial Avenue, Yaba , we continued with the rehabilitation of roads in the local community of our Head Office by repairing and restoring the street once known as Chapel Street in Yaba<br>• In early 2021, we cleaned the external façade mosaic tiles and frames at Area C Police Command in Surulere, Lagos, not far from our Head Office, within the community.<br>• We decorated the Sabo roundabout during the festive season | Page 274 | Not Applicable | **Principle 8:** Businesses should support inclusive growth and equitable development<br>**Principle 9:** Businesses should respect, protect and make efforts to restore the environment | **Goal 4:** Quality Education – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.<br>**Goal 9:** Industry, Innovation and infrastructure – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. |

## Corporate Social Responsibility/Sustainability Report Contd

| Pillars | Activity highlights | Page Reference | Key PSI Reference | NGX Disclosure Guidelines | Direct SDG Reference |
|---|---|---|---|---|---|
| **Education** | • As it is the custom of our Custodian Graduate Trainees to take on a CSR project, the 2021 set renovated and revamped the main hall of Lagos City College.<br>• We had the third edition of the Mentor's Conference in August 2021<br>• We continued to maintain equipment earlier donated to facilities such as the Ilupeju library. | Page 275 | **Principle 3:** We will work together with governments, regulators and other stakeholders to promote widespread action across society on environment, social and governance issues | **Principle 6:** Businesses should respect the interest of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized | **Goal 4:** Quality Education – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.<br>**Goal 8:** Good jobs and economic growth – Promote sustained inclusive and sustainable economic growth, full and productive employment and decent work for all.<br>**Goal 17:** Strengthen the means of implementation and revitalize the global partnership for sustainable development |

## Corporate Social Responsibility/Sustainability Report Contd

| Pillars | Activity highlights | Page Reference | Key PSI Reference | NGX Disclosure Guidelines | Direct SDG Reference |
|---|---|---|---|---|---|
| **Health** | • We sponsored a patient for an open-heart surgery at First Cardiology Consultants Hospital, Ikoyi<br>• We regularly conduct a blood-donation exercise where staff voluntarily donate blood through the Lagos State Blood Transfusion Services to the needy.<br>• A major health goal remains to build a facility to cater for accident victims that need to be stabilized before transfer to hospitals. | Page 276 | N/A | **Principle 7:** Businesses should respect and promote human rights | **Goal 3:** Good health and wellbeing - Ensure healthy lives and promote wellbeing for all at all ages. |

# Corporate Social Responsibility/Sustainability Report Contd

| Pillars | Activity highlights | Page Reference | Key PSI Reference | NGX Disclosure Guidelines | Direct SDG Reference |
|---|---|---|---|---|---|
| **Sustainability** | • Digitized claims and complaints management processes.<br>• We streamlined our application stack to make for a better User experience such as quicker response to reconciliation issues<br>• Revamped the self-service portal for Custodian Life products to enable clients to personally manage their policies, including downloading of their policy statements, claims processes etc<br>• We continued to maintain our collection digital channels with financial institutions including First Bank, GT Bank and Stanbic IBTC bank and last year included United Bank for Africa.<br>• We have in place an anti-bribery and corruption policy as well as a Code of Ethics for all employees | Page 277 | **Principle1:**<br>We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.<br><br>**Principle 2:**<br>We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions. | **Principle 1:**<br>Businesses should conduct and govern themselves with ethics, transparency, and accountability<br><br>**Principle 2:**<br>Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.<br><br>**Principle 3:**<br>Businesses should provide products or services that are safe and contribute to sustainability throughout their life cycle | **Goal 7:**<br>Ensure access to affordable, reliable, sustainable and modern energy for all.<br><br>**Goal 12:**<br>Ensure responsible consumption and production patterns<br><br>**Goal 13:**<br>Take urgent action to combat climate change and its impact<br><br>**Goal 15:**<br>Protect , restore and promote sustainable |

| Pillars | Activity highlights | Page Reference | Key PSI Reference | NGX Disclosure Guidelines | Direct SDG Reference |
|---|---|---|---|---|---|
| **Sustainability** continues | • Due to the group-wide digital transformation, we continued to make progress with the reduction of paper usage and waste, thereby saving natural resource usage leading to protection of Clients data.<br><br>• We entered into an agreement with a recycling company – Wecyclers Smart Cities Recyclers, to collect all our plastic waste for recylcling.<br><br>• We maintain sustainable solutions in form of micro-insurance products including Esusu, Personal Accident (Safety Plus), Home Shield and Term Assurance.<br><br>• We have a fair representation of women on the Board and will continue to improve on it | Page 277 | | **Principle 4:** Businesses should engage with and provide value to their customers and consumers in a responsible manner<br><br>**Principle 5:** Businesses should promote the well being of all employees<br><br>**Principle 6:** Businesses should respect the interest of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized | use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and biodiversity loss. |

# Corporate Social Responsibility/Sustainability Report Contd

| Pillars | Activity highlights | Page Reference | Key PSI Reference | NGX Disclosure Guidelines | Direct SDG Reference |
|---|---|---|---|---|---|
| **Sustainability** continues | • We promote Employee diversity with a mix of religion, States of origin and age.<br><br>• Our Head Office building complies with the HSE requirements. It is accessible to all citizens as it is equipped with ramps and special toilets for the use of the physically challenged.<br><br>• Employee wellbeing is ensured at Custodian with the provision of a Group Life Assurance and Personal Accident Policies, mandatory training hours, creche etc | Page 278 | | **Principle 7:** Businesses should respect and promote human rights | |

# Corporate Social Responsibility/Sustainability Report Contd

## Section 3: Our Corporate Social Responsibility Strategy

The Corporate Social Responsibility Foundation (CSRF) supports initiatives relating to the following activities which represent the pillars of the Foundation:

- Community Development
- Education
- Health
- Sustainability

We believe these pillars are material to our future and that of our immediate community and have chosen them based on our general understanding of the barriers hindering sustainable development in Nigeria.

**Education**
We will support formal and informal education to enhance skill levels of Nigerians

**Community Development**
We will contribute to the development of our local communities

**Health**
We will support interventions that preserve life and good health and wellbeing

**Sustainability**
We are committed to using natural resources in a responsible manner for our operations

## Community Development:

Our focus is to help the local communities we operate from to ensure they thrive, since we know the society cannot make much progress without the development of the communities within which we operate. We therefore look for opportunities to contribute to improving the standard of living of community members directly or indirectly. This is done by providing or improving infrastructure, utilities, and other resources, depending on the particular needs. Across the country, communities are not adequately provided essential resources to live meaningful lives that will in addition enhance the wellbeing of their members. Most communities lack basic amenities such as good and clean water supply, power, good sanitation, and good roads. Many have problems with adequate waste management, good roads and standard health and education facilities. As a result of continued insurgency in the northeastern part of Nigeria and mass kidnapping of school-age children, there has been an increase in migration and damaged institutions. All these factors impede growth, which affects the standard of living of the masses, which all lead to low economic growth for Nigeria as a whole.

## Justification for supporting Community Development:

- Rural population growth decreased from about 2.5% in 1978 to about 0.9% in 2022
- In 2020, 66% of Nigerian children in rural areas could neither read nor write
- Rural population to total population decreased from about 65% in 1961 to about 48% in 2020
- The COVID-19 pandemic has caused kids in rural and under-served communities in Lagos State, Nigeria to be left behind as they are not equipped to adapt or transition to the new methods of learning.
- 63% of children in rural areas cannot read at all

(Source: UNICEF, World Bank, Global Partnership for Education, World Economic Forum), Federal Government of Nigeria, UNICEF (WASH NORM REPORT 2019)

## Our plan for Community Development:

- To contribute as much as possible to the enhancement of local communities, especially around where we operate by providing solutions focused on critical development of such communities
- Help to provide or improve the much-needed infrastructure critical to development of the areas

## Education

We will help the development of skills by supporting formal and informal education. Not everyone has the capacity for engaging in formal education in tertiary institutions. Indeed, not everybody can. There are gaps in the economy because of a dearth in skilled people who ordinarily require informal training in vocational schools to learn trades that would equip them with life-long skills to live independently which will not only lead to a reduction in unemployment, but also ensure growth in the economy. On the other hand, formal education needs to be supported by the private sector even as Government is not always able to meet the needs of running educational facilities.

We will therefore continue to work on interventions that will enhance skill levels of Nigerians through knowledge sharing, donation of educational facilities to disadvantaged schools, sponsorships etc. Of utmost concern is the fact that we have low literacy levels in the country which directly implies many live in poverty, given that illiterate populations are associated with low income jobs and high unemployment levels. This translates to low standard of living for many, increased crime rates, use of drugs, engagement in illegal activities and so on.

## Justification for supporting Education

- Over 6.9 million children were out of school in 2020
- 76 million adults, representing 38% of the estimated 200 million population of Nigeria cannot read and write (published in Sept. 2021)
- Nigeria contributes approximately 20% of the total global out-of-school population
- There are 11,000 newborns every day in Nigeria, which overburdens the system capacity to deliver quality education

## Our plan for Education

- We will enhance knowledge of up to 100 students especially on the subject of Insurance on an annual basis
- We will continue to monitor the progress of the Vocational and Professional Development Academy (VPDA) to ensure the training of youth sin the community in the acquisition of skills
- We will continue to mentor youths across the country through our Conferences specifically geared towards this
- We remain committed to the maintenance of equipment previously donated to educational facilities

## Health:

We will work on interventions targeted at preserving good health and wellbeing of Nigerians, thereby helping to save lives proactively, through donation of blood and other resources and facilitating quick and effective response to health emergencies. Our goal in this regard remains the provision of a standard facility to cater to accident emergency responses which will no doubt enable a more efficient health care system in Nigeria, especially for disadvantaged citizens.

Nigeria's health care situation generally is poor, with inadequate financial and human resources to cater to the needs of the populace especially the poor and this has put a strain on Government's ability to provide good emergency and public health systems in place. There is still needless loss of lives due to lack of funds to seek care in hospitals or in complex medical situations where surgeries are required.

## Justification for Health

- We have too few health facilities for the use of the whole population of 200 million
- Mortality rate is still high
- No fewer than 6,175 people died in road accidents in Nigeria from Q3 2020 to Q2 2021
- In 2018, the Nigeria Center for Disease Control (NCDC) struggled on a government budget that was less than $4m. This translates to 0.02 cents per Nigerian per year.
- Over 1,000 Nigerian Doctors emigrated to the United Kingdom between 2018 and 2019 and more in the next two years (statistics are not yet available). This contributes to the low ratio of working Doctors to Nigeria's population
- Of health care spend in Nigeria, 77% is out-of-pocket, according to the World Health Organization's latest data, from 2017.

Most Nigerians do not have health insurance of any kind, whilst the poorest have limited access to quality health care.

(Source: Global Citizen, NBS, FRSC, Pharma Access Foundation)

### Our plan for Health

- Building of an accident and emergency center in a suitable area outside the main city to cater to accident victims
  To be operational by 2023
- Continue to donate blood internally to save up to 75 lives annually
- Direct interventions that would result in the saving of lives as need be.

### Sustainability

Our operations and activities on a daily basis as a company can impact sustainability of the environment. Being mindful of this, we are committed to using natural resources in a responsible manner for our operations, while practicing sustainable insurance by the promotion of responsible and ethical business behaviour when making crucial business decisions through our underwriting, pensions, risk management and investment decisions.

We all should live in a healthy environment because that is what human and economic activities depend on. There are however existing environmental challenges we face which include land pollution which prevents people from growing food to feed their families, changes in the weather situation due to the release of poisonous gases emitted by generators used by almost every organization in Nigeria and many households, gas flaring and deforestation. All these lead to loss of life from water, air and even land. Access to potable water remains a problem, especially in the rural areas and in the urban areas, many, including Manufacturers have been forced to sink boreholes where there is no provision of good clean water by the Authorities to enable them produce. This and the increasing scarcity of other natural resources and the negative effects of changing climate cause disruptions.

### Justification for Sustainability

- Nigeria remains in the top 10 countries with the highest number of fatalities from air pollution
- According to United Nations reports, Nigeria generates about 43.2 million tons of waste annually

- According to IFRC 2020 report, a total of 91,254 people (15,209 households) were affected and 22,357 people were displaced by flood
- We still experience water and land pollution due to oil spills especially in the riverine areas
- Nigeria's forest ecosystems are threatened by rapid population growth and economic activities with annual deforestation rate ranging between 0.72 and 2.38%, according to FAO 2018 report

(Source: IAMAT, UNICEF, Every Breath Counts Coalition, International Federation of Red Cross and Red Crescent Society (IFRC) Report, Food and Agricultural Organization (FAO)

## Our plan for Sustainability

- We will continue to improve every year on incorporating Environment, Social and Governance (ESG) issues in our products and services, including Underwriting, Investments, risk management and in our relationships with the vendors we use
- Endeavor to reduce carbon emissions every year
- Ensure we incorporate ESG issues into how Employees are treated

## Section 4: The Community Development Pillar

We recognize that the success of any nation largely depends on the success of the communities that make up the nation. At Custodian, we recognize we have a role to play in the development of our local communities within which we operate. Our Head Office strategically situated in Yaba, Lagos ensures we can facilitate sustainable development of the area, and it is in our interest to do so since doing so enhances the community's development.

## Highlights

- We spent about N48million on the drainage works and rebuilding of the former Chapel Street, which has since been re-named Custodian Street.
- Cleaning of the external façade of a Police Command building at about N2million
- As we have done in recent years, we decorated the Sabo roundabout during the year end festive season.

## Key Challenges

The enablement to implement future community development projects would likely involve liaising with different groups including community leaders and the Local Government. This process would usually involve extensive engagements which are potentially long, and which may be barriers to timely delivery of projects. We therefore will continue to increase our community engagement skills and build close working relationships with the Yaba community. We will also involve members of the organization in projects in the community as much as possible. Yaba area is central in Lagos and in the event of unrest, has the potential to be a center for the jobless and unemployed youths to foment trouble. Our involvement of staff with the immediate community would help to forestall any plans that troublemakers may have that could lead to disruption of work.

## Chapel Street rehabilitation (now known as Custodian Street)

Chapel street (now Custodian Street linking the major Commercial Avenue to Aje Street in Yaba, Lagos had become so bad it was almost impassable especially during the rainy season. In the previous year CSRF had repaired the broken portion of Commercial Avenue. It was therefore decided that the rehabilitation work should be extended to the former Chapel Street. In order to ensure a good quality job that would last, it was decided to fix the drainage first, to ensure free passage of water in the gutters especially during the rainy season. Thereafter, the road was cleared of the remnants of tar left on the road, levelled and built up with interlocking tiles. Concrete slabs were produced to cover up the drainage which hitherto was exposed and posed a threat to pedestrians and to complete the work, streetlamps were provided to light up the area at night. This helps to expose dangerous activities perpetuated in the dark, making it safe to travel at night. The renovation of the road has a positive impact on all the households and organizations in the local community. It also has the effect of increased value of the properties in the area and rental income. The road rehabilitation which took about ten weeks to complete was commissioned in March 2021 by the Representative of the Lagos Governor, and it was during the commissioning that the Executive Chairman pledged to rename the Street to Custodian Street. Following the requirements, the Street formally was re-named.

## Cleaning of Area 'C' Police Command Building

We are always taking up opportunities we find to help our local community, and, in that spirit, it was decided we should help those who provide security for our environment.

The building of the Ojuelegba Surulere-based Area C Command was unkempt and needed a good wash to make it more recognizable. CSRF therefore engaged the services of professionals to clean the external mosaic, tile glasses, windows and frames and remove loose debris on the tiles.

## Decoration of the Sabo roundabout at Christmas

Every Christmas, we decorate the environment during the end of year festivities. Residents in our local community have come to expect this, which increases the ambience of the environment. Children in the local community flock around the roundabout to take pictures.

## Other initiatives

Other initiatives taken up by our Foundation under Community Development also fall under the Education pillar, which are below.

## Section 5: The Education Pillar

We have huge gaps in education in Nigeria, hence our desire to support initiatives in the sector. We will use our resources, influence, and expertise in the core areas of our business, including Insurance and risk management to support education in the Insurance industry as well as our local communities. We are always on the lookout for opportunities that present themselves where we can help to meet basic education needs which in turn lead to the empowerment of the masses.

# Corporate Social Responsibility/Sustainability Report Contd

## Highlights

- Our Custodian Graduate Trainees renovated/revamped the main hall of Lagos City College, off Commercial Avenue, Sabo and made donations of wastepaper baskets. We maintained the 25 terminals previously provided for the college in 2017 at a cost of about N2.05m.

- We had the third edition of the Custodian Mentor's Conference

## Key Challenges

Challenges we have faced in this area have to do with bureaucracies when dealing with public institutions. Often, there are specific requirements and approvals to be given before projects can be embarked upon. This affects plans made as well as timelines. We aim to work around these issues by incorporating the risks caused by bureaucracy in our timelines.

## Corporate Social Responsibility/Sustainability Report Contd

### Lagos City College

One of the pre-requisites for completing the Custodian Graduate Training Programme is for all Trainees to undertake and complete a CSR project that includes fund raising.

In 2021, our CGTP Trainees renovated and revamped the main hall of Lagos City College. The group also donated several waste baskets placed in strategic locations around the school to ensure cleanliness of the surroundings.


We also continued to maintain our twenty-five terminals which were provided for the school in 2018 and replaced the inverter there as well as some reconfiguration work.

## Custodian Mentors Conference

The idea of the Mentors Conference came about as a realization that many of the youths in our society are discouraged, jobless, hopeless and often without focus. The series which began in 2018 and held in 2019 was not held in 2020 as a result of the Covid-19 pandemic. Though the pandemic was still raging in 2021, it had somewhat subsided, so it was decided to host it but in a subdued way to accommodate the Government-imposed social distancing protocols. We reached out to interested candidates and as at the close of registration, 673 candidates had registered. Different methods were employed to select 100 candidates from the number, out of which 87 attended the ceremony.



The Mentors this time included Mr. Leke Alder, the Founder and Principal of Alder Consulting, Mr. Bankole Wellington, Founder of Empire Mates Entertainment (EME) and Ms Funke Bucknor-Obruthe, the Founder of Zapphaire Events. The free conference enabled the three Mentors to share about growing up, entrepreneurship, their faith and the values they held dear that made them successful. The Mentees were able to ask questions and engage the Mentors after the conference for advice that would impact them hopefully for life. Our plan is to follow each of the Mentees of the 2021 class as well as previous editions and assign each to Mentors for continuous guidance.

## Our work with VPDA

The Vocational and Professional Development Academy which the CSRF actively supported by renovating the structure and providing equipment to provide vocational skills especially for unemployed youths in the area unfortunately remained closed for most of the year due to the on-going COVID-19 pandemic. Prior to the pandemic, there had been recruitment drives to get a sizeable number of unemployed youths in the community to acquire skills. CSRF had renovated a second building within the Academy to accommodate the electrical and plumbing units where trainees would be taught. The plan was to gradually introduce classes for other Artisans like Tilers and other professions the expertise of which we lack in the country. The pioneer classes recruited began classes in 2020 before the compulsory lockdown enforced by the Government. Since then, it has not been possible to gather the pioneer members together to complete their training, since there are still Government rules guiding congregations and association of people in enclosed places. As the pandemic eases, it is hoped the school will resume at the earliest possible time when there is little or no restriction.

## Ilupeju Library

We continued to maintain the 14 terminals and a desktop provided back in 2016 for the e-library at Ilupeju, Lagos. During the year, there was need to replace the inverter we originally provided with a new one. We also continued to provide internet services to enable the Users log on and paid for the subscription to the world class Questia on-line e-library. In 2021, the library recorded a total of 7,360 Users, out of which 4,012 were adults.

## Section 6: The Health Pillar

Our plan for the health pillar is aimed at closing existing gaps in the healthcare system of the country by providing a facility to stabilize accident victims before being taken to hospitals. This has been a major goal of the CSRF almost from the on-set. However, bureaucracies relating to authorities that will give approvals and allocation of land and similar problems have continued to prevent us from actualizing this dream. We hope in the near future to achieve our aim, in order to directly contribute to the saving of lives of people living in communities not too far from where we operate.

## Highlights

- We sponsored an individual for open heart operation in 2021at a cost of N3m.

## Key Challenges

Though we are aware that the cost of putting up a facility that would cater to the needs of accident victims would be much, our internally generated resources cannot be enough to build and maintain the facility. We would require potential partners both locally and internationally. We intend to build partnerships with relevant organizations to achieve this objective.

## Establishment of an Accident and Emergency Centre

Our flagship initiative remains to put up a structure under the health initiative which will be the first major initiated project. The sourcing of such a facility has been a problem over the years as the Authorities have not been able to provide suitable land to put up such a facility. Ideally, such a facility should be accessible. Also, there is the need to locate where there is adequate security and existence of power. Though we have not yet been successful in getting an allocation for land, we are determined to see this through, even if it means considering other locations that would require such a facility. It is expected that once the project starts, this would attract local and foreign Donors and other stakeholders who believe in saving lives.

Staff of First Cardiology, Mr Agiri, Ms Modupe Holloway Olugbile with Mr Adamu Tanko, 4 days post operation

A major consideration when decisions about the interventions we embark upon are taken is if our intervention would make a difference. Under the Health Pillar, in September 2021, we partnered with another Foundation, VOOM Foundation, who in partnership with First Cardiology Consultants (FCC) and Healthy Heart Foundation were offering free open-heart surgeries to needy patients. We therefore sponsored Mr Adamu Tanko for a Mitral Valve Surgery & RA Thrombectomy, which was successful, and the patient is enjoying a new lease of life.

### Blood Donation Exercise

We began an annual blood donation exercise in 2016, where members of staff voluntarily donate blood with the collaboration of the Lagos State Blood Transfusion Services. This exercise ran until 2019 without hitch, when we had 49 successful donors, with the blood distributed among 61 patients of anaemia, various cancers, road traffic accidents, pregnant women, and sickle cell disease. However, with the onset of Covid-19 in 2020, necessitating lockdowns and which encouraged isolation of people, this has had to be suspended. In 2021, when we began to receive vaccines in the country, this was only available to a small number of recipients and so majority of Nigerians are yet to be vaccinated. We therefore thought it wise to play safe and not hold the event. We are hopeful however that with more vaccines made available to our Citizens, we will be able to have exercises in the future.

## Section 7: The Sustainability Pillar

We recognize that operating as ethical and responsible members of society is not restricted to our social impact on communities but also includes our activities around environmental stewardship, ethical contributions, social responsibility to our employees and good governance. That is the reason why we made one of our last pillars Sustainability.

Sustainability is the ability to meet present needs whilst ensuring future generations can meet their needs. For this to happen, the current generation must avoid the depletion of resources and maintain an ecological balance. Sustainability happens when there is a balance of economic, environmental social and governance issues. Our sustainability initiatives are therefore hinged on these concepts. Our sustainability activities are guided by the four UNEP-FI Principles of Sustainability (PSI) and how these relate to our internal operations in Insurance, such as relationships with external clients, partnerships in the Insurance industry, underwriting and risk management processes and other players. We also carry out our internal operations and relationships with clients according to the guidelines set out by the Nigerian Stock Exchange which mandate transparency, accountability, ethics and responsibility in all decisions relating to products and services, employees, community, environment and the general public.

## Highlights

- All our employees were trained at least once
- We partnered with a recycling company to carry away our plastic waste used to manufacture other things
- Our Executive Management use Solar energy-powered generating sets instead of diesel.

## Our Frameworks

We are measuring ourselves against both local and international guidelines for sustainability, including the four UNEP-FI Principles, the seventeen Sustainable Development Goals (SDG) and the nine Nigerian Stock Exchange (NSE) Sustainable Disclosure Guidelines.

### The UNEP-FI Principles for Sustainable Insurance (PSI)

The PSI was launched at the United Nations Conference on Sustainable Development held in 2012 in Rio de Janeiro, Brazil and it is a framework for the global insurance industry to address Environmental, Social and Governance (ESG) risks and opportunities. For years, insurers have been at the forefront of the corporate world in alerting society to the risks of climate change and more recently, threats such as the loss of biological diversity and the growing pressures on forests, freshwater, and other essential ecosystems.

Custodian and Allied Insurance Limited which today is one of the subsidiaries of Custodian Investment Plc (CIP) was the first Insurance company in Nigeria to become a signatory to the UNEP-FI's PSI back in 2016 and remained a member. Our company strives to incorporate the PSI into our daily business, our local communities, our people and our environment.

#### PSI Principle 1

We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles

- Risk Management And Underwriting
- Product And Service Development
- Investment Management
- Company Strategy
- Claims Management
- Sales And Marketing

#### PSI Principle 2

We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues

- Clients And Suppliers
- Insurers, Reinsurers And Intermediaries

## Corporate Social Responsibility/Sustainability Report Contd

### PSI Principle 3

We will work to embed in our decision-making environmental, social and governance issues relevant to our insurance business

### PSI Principle 4

We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues

- Governments, Regulators And Other Policymakers
- Other Key Stakeholders

## The Nigerian Stock Exchange Sustainability Disclosure Guidelines

The Nigerian Stock Exchange (NSE) published the Sustainability Disclosure Guidelines in 2019. We will continue to incorporate the Principles into the management of all our businesses. The nine principles include:

**1**

Businesses should conduct and govern themselves with ethics, transparency and accountability

**2**

Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

**3**

Businesses should provide products and services that are safe and contribute to sustainability throughout their life cycle

**4**

Businesses should engage with and provide value to their customers and consumers in a responsible manner

**5**

Businesses should promote the wellbeing of all employees

**6**

Businesses should respect the interest of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized

**7**

Businesses should respect and promote human rights

**8**

Businesses should support inclusive growth and equitable development

**9**

Businesses should respect, protect and make efforts to restore the environment

### Our role as a Sustainable Insurer

We became a member of the UNEP-FI and a signatory to its Principles of Sustainable Insurance, thereby demonstrating our support for incorporating the ESG principles into our operations and business decisions in an accountable manner.

### Good governance

The Board of Directors of CAIL is the highest responsible body for ESG issues and it is chaired by a woman. During 2021, a Board Evaluation was carried out by the Society for Corporate Governance in Nigeria. The evaluation report revealed that Board of Directors conducted its affairs in an acceptable manner.

### Anti-bribery and anti-corruption

At Custodian, our anti-bribery and anti-corruption policy prohibits offering of anything of value for persuading an official or any person to misuse his office to benefit Custodian or any employee. The policy prohibits any employee, including Board members from receiving anything of value for influencing an official action. Our Board of Directors and Senior Management are responsible for ensuring that all employees comply with the policy.

All our employees attended the two mandatory anti-money laundry trainings in 2021.

### Code of Ethics

We prioritize high ethical standards for all personnel from the Board of Directors to the employees in their official dealings within the company. Our policy on this is widely known and outlines the minimum standard of conduct expected in the management of all our businesses across the Group. All stakeholders are expected to comply with the stipulated standards

# Corporate Social Responsibility/Sustainability Report Contd

## Responsible Claims process

Our claims process are automated which make it possible for clients to easily make claims on-line from start to finish without having to visit the office at all. This has increased accessibility and reduced paper resources and time. Our claims processes are clear and transparent. Our policy is to settle claims within 48 working hours on receipt of executed Discharge Voucher.

## Responsible Supplier/Vendor assessments

We operate ethical procurement practices that foster transparency and fairness, as outlined in our procedural manual. All Vendors are evaluated before being on-boarded and are closely monitored, with bad ones quickly released. The Internal Control/Auditors regularly review the assessments to ensure procurement processes are ethical.

We plan in the near future to include a mandate that would require Suppliers to disclose the state of ESG in their companies as part of the on-boarding process. This will pertain to tools used and processes.

## Sustainable solutions

We recognize that the masses do not have the economic capacity to access basic insurance, given barriers caused by poverty and low standards of living. We believe that no population should be excluded from accessing insurance and so, we introduced our micro-insurance products characterized by low barriers of entry, to foster inclusion.

Some of our retail products have been designed to meet the needs of those who ordinarily would have been excluded.

Our current advertising campaign theme of 'Your Choice, Our Priority' emphasizes our preparedness to accommodate whatever existing and potential clients desire and our ability to offer unique solutions. We promote in a responsible manner that will not confuse or mislead clients.

## Energy efficiency

We continue to implement a steady plan to migrate from the conventional electrical light bulbs to energy-efficient Light Emitting Diodes (LED) in our branches across the country following the transition implemented at the Head Office. This has proved to be more efficient, cost -saving, generates less heat and last longer, making it a more eco-friendly option. The ultimate plan is to transit to renewable sources in the near future

## Reduced Generator Usage

Mindful of the damage generator fumes cause to the environment, we have implemented a generator shut-down policy ensuring hat generators are shut down strictly by a specified time. This would limit the amount of fumes that go into the environment. We are currently exploring ways to reduce generator usage company -wide to the barest minimum in the nearest possible future by using other means other than generators. Members of the Executive Management have been encouraged and have begun to use solar-powered inverters, instead of the standard diesel-powered generators.

## Our use of natural resources

## Water reduction strategies

Most of our toilet bowls in the Head office have dual flush cisterns which help to minimize water usage after flushing. This serves to conserve water. Even before the Covid-19 pandemic, we had hand sanitizer machines installed on every floor of the Head office and promote the use of hand sanitizers in all our branches across the country. This serves not only as protection against bacteria-carrying diseases but also minimizes the usage of water.

## Paper reduction strategies

We continued to manage the use of paper during the year in our operations. Only a small proportion of the annual reports are printed out and handed over to Shareholders who attend in person and other officers who attend the meeting. We continue to send compact discs to Shareholders who in the last two years mostly attend virtually. This is not only cost efficient but reduces wastage.

In the office, employees are encouraged to use recycled paper for internal work, by printing on the blank side of paper. Our management team now read e-newspapers instead of the hard copies.

A lot of our internal processes have been automated. The payment system in the subsidiary companies is totally automated and approvals are now done electronically. This also relates to external payments to Banks, Vendors and Contractors. This has increased efficiency, cuts time and reduced the use of paper.

## Waste reduction

We continued to make progress regarding waste disposal. Apart from the designated bins used to sort and separate plastic material from other waste, we engaged a recycling company to pick up the plastic waste from our premises. Wecyclers a recycling company in existence for over 9 years now collect plastic waste from our premises which is bailed

and shipped to Alkem and Lexis companies, which grind them and use as raw materials for pillow stuffing, clothing material, paper cartons, notebooks etc. Polyethylene Terephthalate (P E T) bottle covers recovered from waste are ground and used to manufacture slippers and similar products.

The general practice in Custodian is to recycle wastepaper. Following recycling, wastepaper generated within the company are shredded and given out for stuffing of fragile products by retailers.

We have a sewage treatment plant at the Head office basement which treats human waste. The Lagos State Wastewater Management visited last year to test the waste water and certified the process okay.

### Diversity in the workplace

We are committed to being an inclusive employer, convinced that a diversified office improves creativity and innovation. This in turn translates to greater alignment to client needs, ability to come up with new products and services and identify new markets which all allow us to create higher economic value, which equally enables us to attract the best talent in the industries we are in.

We ensure we maintain a work environment that is inclusive and considerate to all people regardless of gender, age, race, disability, tribe, culture, religion, or any other area of potential difference.

We use several strategies to encourage diversity including the following:

- We operate a non-discriminatory policy regarding applications for employment
- Our Head office where we have the highest concentration of staff is accessible to the physically challenged
- We hire based on qualification, competence, and experience for job roles
- There are avenues for discourse, feedback, issue resolution and transparent information in an equitable manner, such as during Annual General Meetings and other suitable for a.

## Employee wellbeing

We care about the wellbeing of our staff as we recognize that a healthy workforce is essential for greater efficiency. Our employees are therefore encouraged to take their health seriously in terms of getting enough exercise and eating healthy food. Observing the Covid-19 protocols put paid to close associations and so the Custodian Fit-Fam initiative was put aside the whole year. However, employees especially at the Head office were encouraged to travel through the staircase as against the elevator after arrival at the Head office. Also, free food is provided for all members of the company. However, in observing the Covid-19 protocols, instead of members sitting in the canteen, food is packaged and distributed individually. Also, the number of elevator users in the Head office was limited to 4 from the pre-Covid period of up to 10.

## Creche facilities

The creche facilities introduced a few years ago was closed during the year, as the pandemic raged. However, the facility is still available and will be put to use as soon as the pandemic subsides, and it is considered safe to use. The creche enables mothers with babies there to have easy access to their babies during office hours. This will enable then concentrate better and have a peace of mind knowing their babies are well taken care of. This promotes social sustainability which will lead to economic sustainability, since productivity level of concerned staff will expectedly rise.

## Employee health and safety

We work to provide our employees with comfortable working spaces that are well ventilated, well lit, spacious and well furnished. As a result of the Covid-19 pandemic, staff were spaced out even more, to allow social distancing, whilst previously unused spaces were now made use of to ensure staff spread out effectively. With a high rate of vaccination over time and achievement of herd immunity, staff will return to heir former seating positions.

## Human rights

Our Health, Safety and Environment (HSE) policy mandates that human rights are upheld for all employees. We offer competitive salaries to employees and provide them with benefits such as Housing allowance, leave allowance, dressing allowance, maternity leave etc.

## Employee training

Every year, we conduct the Custodian Graduate Trainee Programme (CGTP) which is aimed at attracting brilliant young graduates across different disciplines to be engaged in a highly educative programme in the Insurance practicing subsidiaries. The company therefore uses this to build a strong workforce of home-grown talent for the company and by extension, the Insurance industry.

On a yearly basis, every Employee must undergo at least one training in a year. In 2021, every employee had about hours of mandatory training as well as role-specific trainings.

## Conclusion

At the Custodian Group, we understand that our actions can affect the community and natural environment within which we operate. We are therefore committed to continued action towards maximizing the positive effects of our operations and investments on host communities, the natural environment and the economy at large.

We will continue to work around the initiatives we have chosen to support with the hope of achieving various objectives around our four strategic pillars of Community Development, Education, Health and Sustainability. As we execute the initiatives, we will work hard to refine our processes and re-evaluate the objectives from time to time. We hope to achieve success which will be reported as we make progress, with the mindset of continuous improvement.

# HSE Report

In order to maintain the culture of workplace safety, health and well-being, the organization has continued to promote the safety culture. Employee training, hazard identification, and leadership participation has been a driver of the culture.

It is our believe that a safe and healthy workplace protects workers from injury and illness, it can also cost, reduce absenteeism, employee turnover, as well as increase productivity and raises employee morale.

The company has established and maintained a system for the identification of its operations and activities which are associated with known hazards, when the implementation of controls is needed to manage HSE risk.

The company’s safety culture is designed to maintain safe operation and avoid compromises, it is built on values, constant training, feedback from all levels of employees, employee involvement and constant support from management.

It is designed to enable all employees, visitor, contractors and subcontractors participate in the program.

As part of the policy, it is mandatory for all new joiners to meet with the Health and Safety team during their induction program. Whilst existing staff are continuously trained in-house or externally to achieve reinforcement of the culture.

In order to ensure that the company safety policy is up-to-date and in tune with current realities, there are periodic reviews of the established system with management involvement.

The effectiveness of the company’s safety culture was rigorously tested during the peak of the pandemic as employees were concerned about their safety at work at a time normal routine were removed from the workplace.

In response to the concerns shown by employees, management deployed strategies which included daily meeting by executive management to review the safety requirement of the organization in reaction to daily developments regarding the pandemic.

# HSE Report Contd

Daily updates were communicated and employees were educated about the virus; how to stay safe even outside of the workplace, the pharmaceutical and non-pharmaceutical measures for the prevention of spread, information about vaccination and where to get vaccinated and other matters relating to support during the pandemic.

The achievement of a healthier and safer work environment that promotes the well-being of employees remains an important focus of Management at Custodian.

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