CORONATION INSURANCE PLC

Financial Condition Report as at 31 December 2023

May 2024

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1. Appointed Actuary's Statement

I, Jay Kosgei, acting in my capacity as the Appointed Actuary, certify that, as at 31 December 2023, this Financial Condition Report for Coronation Insurance Plc has been prepared in accordance with the "Prudential Guidelines for Insurance Institutions in Nigeria" issued by the National Insurance Commission of Nigeria, as well as generally accepted actuarial principles.

Jay Kosgei
Fellow of the Institute and Faculty of Actuaries
FRC No: FRC/2021/004/00000023786
Appointed Actuary: Coronation Insurance Plc

30 May 2024

2. Executive Summary

Introduction

2.1. The preparation of this Financial Condition Report ("FCR") stems from the National Insurance Commission's ("the Commission") Prudential Guidelines, which states that an insurer shall on annual basis appoint an independent Actuary who shall conduct and submit a Financial Condition Report with details of inter alia; measures governing the business operations, corporate governance, risk management, solvency and financial performance of an insurer."

2.2. The FCR sets out the results of the analysis of the financial condition of Coronation Insurance Plc ("CIP") as at 31 December 2023. This report includes an analysis of the financial progress since the previous financial year end.

2.3. CIP has contracted Zamara Actuaries, Administrators and Consultants Limited ("Zamara") to provide actuarial services. Jay Kosgei, FIA, is the Appointed Actuary and will sign off on the FCR.

2.4. This report is limited to the information of CIP, not the consolidated Group information (i.e. this FCR only covers general insurance business underwritten in Nigeria, and excludes business underwritten by foreign offices belonging to the Group – unless stated otherwise).

2.5. CIP has successfully implemented the newly adopted financial reporting standard for Insurance Contracts, IFRS 17 ("the Standard") which was effective for periods starting in 2023.

2.6. This FCR is the first report under this Standard. As such, where appropriate, we have provided comparative analysis with the previous IFRS 4 Standard to allow for a smooth transition of the trends captured in this report.

2.7. In implementing the standard, CIP has made considerable investments in appropriate technology and human capital to ensure a smooth process and prepare for transition to operating under a Business as Usual ("BAU") model. We provide below a summary of the key steps taken:

a) **Actuarial and Accounting Processes**: CIP's contracts and financial data available supports the use of the simplified measurement method, the Premium Allocation Approach ("PAA"), with contracts that span over one-year periods having passed the PAA eligibility test. CIP has also prepared policy documents on key actuarial and accounting processes that define the treatment of key requirements in line with the Standard's requirements.

   CIP has successfully presented its accounts in the IFRS 17 format by restating the 2021 and 2022 balances, which have been used as comparatives in the 2023 accounts. The accounts comply with the required disclosures for the standard and present insurance and reinsurance contracts separately as expected.

b) **People**: CIP has an internal actuarial function that is capable of conducting IFRS 17 compliant actuarial valuations, having been part of the entire implementation process with the implementation partner, the review process with the appointed actuary, and the IFRS 17 audit process with the external auditor.

The actuarial function works closely with the appointed actuary in the actuarial valuations, and the internal financial reporting function in IFRS 17 reporting so as to satisfy the granularity of the reporting requirements. The internal actuarial and financial reporting functions will play a critical role in the transition to the IFRS 17 BAU model, with key reporting areas such as the strategy and budget plans being some of the key items to be updated.

c) **Products and Contract Aggregation:** CIP's financial reporting calculations are based on the aggregation of insurance contracts based on the similarity of risks insured, year of inception and the degree of profitability.

d) **Systems:** CIP has acquired the Iris IFRS 17 reporting tool for use internally. The Company relies on the software to produce IFRS 17 accounts with the required disclosure requirements.

2.8. Zamara has conducted a review of CIP's IFRS 17 results following the implementation process and is comfortable with the approach adopted by the Company. The sections that follow provide a report on the financial condition of CIP in line with the Commission's guidelines and the requirements of the IFRS 17 Standard where applicable.

Financial Performance

Statement of Profit or Loss – IFRS 17

2.9. Based on the IFRS 17 accounts for 2022 and 2023 as captured in section 5.1, the insurance service results improved from NGN 5.6 billion in 2022 to NGN 6.1 billion in 2023 despite an increase in the insurance service expenses from NGN 7.4 billion in 2022 to NGN 11.0 billion in 2023. The increase in the insurance service result was mainly attributable to the 35.2% growth in GWP in 2023.

2.10. On the other hand, the reinsurance expenses increased from NGN 6.2 billion in 2022 to NGN 7.9 billion in 2023, representing a 26.7% increase, while the reinsurance recoveries increased over the period resulting in a net increase in the reinsurance service result of NGN 7.1 billion compared to NGN 6.7 billion in 2022.

2.11. Overall, the insurance service results (after reinsurance) declined marginally by NGN 41 thousand in 2023 despite the increase in the insurance service expenses and the reinsurance service results during the year.

2.12. The net investment results position improved from NGN 187.4 million in 2022 to NGN 808.3 million in 2023. This was mainly attributable to the increase in investment income from NGN 510.7 million in 2022 to NGN 1.2 billion in 2023 largely due to the realized gains on financial assets held.

2.13. Overall, the improved IFRS 17 profit in 2023 was attributable to the growth in the insurance service revenue and the improved investment returns.

2.14. Further analysis of CIP's performance, over the last two years, based on the IFRS 17 accounts, is provided in section 5.1 of this report.

Statement of Profit or Loss – IFRS 4

2.15. We further analysed CIP's financial performance based on the IFRS 4 accounts to allow for a comparison of the previous years' trends as the insurer fully transitions to the IFRS 17 reporting.

2.16. Based on these accounts, CIP recorded an underwriting profit in 2023 of NGN 4.0 billion compared to a profit of NGN 2.3 billion recorded in 2022. This result was lower than the budget where the insurer had projected a profit of NGN 6 billion.

2.17. The net loss ratio improved from 33.0% in 2022 to 31.1% in 2023. While the net incurred claims increased from NGN 1.8 billion in 2022 to NGN 2.3 billion in 2023, the net earned premiums grew by a higher margin; hence the favourable claims ratio in 2023.

2.18. The investment income increased by NGN 737.4 million from NGN 513.7 million in the 2022 financial year to NGN 1.3 billion in the 2023 financial year representing a 143.6% increase. The higher investment performance was mainly attributable to the realized gains on financial assets amounting to NGN 0.9 billion.

2.19. Overall, the insurer's underwriting result improved in 2023 largely attributable to the top line growth while the improved investment performance contributed to the increase in the profit before tax.

Balance Sheet

2.20. CIP has prepared the 2023 financial statements and also restated the 2022 financials in the IFRS 17 format, the summary of which is provided below:

Asset/Liability Class (NGN '000)	31 December 2023	31 December 2022
Fixed Interest Instruments	3,246,326	1,761,165
Investment Property	94,559	89,750
Equities	2,557,826	1,274,580
Cash and Bank Balances	3,619,570	2,968,272
Invested Assets	9,518,282	6,093,767
Reinsurance Assets	4,322,316	3,719,561
Other balance sheet assets	21,440,438	19,457,148
Total Assets	35,281,035	29,270,476
Insurance Liabilities	9,440,236	8,195,723
Reinsurance Liabilities	1,246,763	295,511
Other Liabilities	4,670,471	2,974,273
Total Liabilities	15,357,471	11,465,506
Net Assets	19,923,564	17,804,969

**Fixed interest assets include deposits with financial institutions*

2.21. The total assets of CIP have grown by 20.5% in the period between 31 December 2022 and 31 December 2023. Invested assets (excl. investments in the associates and subsidiaries) formed 27.0% of the total assets of CIP as at 31 December 2023 with cash and bank balances making up 38% of CIP's total invested assets.

2.22. We observed an increase of NGN 1.5 billion in the fixed interest securities within the year and an increase in equities by NGN 1.2 billion due to fair value changes during the year.

2.23. Overall, the insurance liabilities as at 31 December 2023 increased from NGN 8.2 billion to NGN 9.4 billion. On the other hand, the reinsurance assets increased from NGN 3.7 billion to NGN 4.3 billion while the reinsurance liabilities increased from NGN 0.3 billion to NGN 1.2 billion.

Solvency Position

2.25. The insurer's solvency position over the last three years based on the existing solvency templates provided by the regulator is summarized below:

Capital Item Amounts in N'000	2021	2022	2023
Total Admissible Assets	22,928,248	19,705,388	23,275,275
Total Liabilities	11,901,619	11,465,506	15,357,471
Solvency Margin	11,026,629	8,239,881	7,917,804
Minimum Regulatory Capital	3,000,000	3,000,000	3,000,000
15% of Net Premium	751,089	950,005	1,504,505
Regulatory Capital	3,000,000	3,000,000	3,000,000
Statutory CAR Cover	368%	275%	264%

2.26. As at 31 December 2023, CIP is required to hold minimum capital of NGN 3 billion i.e. the higher of NGN 3 billion and approximately NGN 751 million representing 15% of the net premium income during the last preceding financial year.

2.27. The SCAR was observed to be following a decreasing trend over the period due to decreases in the solvency margin. The decrease in the solvency margin in 2022 was due to the decrease in total admissible assets in 2022 while the decrease in 2023 was attributable to the high increase in the liabilities compared to the increase in the admissible assets.

Improvements Observed

2.28. **Top Line Growth** – It is commendable that management has been able to maintain year on year top line growth over the last two years.

2.29. **Improved Performance in the Motor Classes** – CIP reviewed the premium rates for the Motor classes during the year. Based on the actuarial valuation conducted by Zamara, we observed improved loss ratios in these classes for the 2023 accident year compared to the ratios recorded from the previous accident years. Following the repricing exercise, we urge the insurer to monitor the performance of these classes over the next year to ascertain the reasonability and profitability of the adopted rates.

2.30. **IFRS 17 Compliance** – As highlighted in section 2.4, CIP has made considerable investments in appropriate technology and human capital to ensure a smooth process as it transitions to IFRS 17 reporting. CIP has acquired systems and reviewed the reporting and actuarial process to comply with the requirements of the IFRS 17 Standard. In particular, the insurer has produced the 2023 financials in line with the IFRS 17 requirements.

Material Risks Identified

2.31. The following summarizes the key risks faced by CIP, as well as their impact and implications, based on our review as the Appointed Actuary:

Insurance Risk

2.32. This is the risk that inadequate pricing or inappropriate underwriting, product design, pricing and claims settlements could expose the company to a financial loss or inability to meet its contractual obligations.

2.33. CIP's gross combined ratio deteriorated as observed in the movement from 33.4% in 2022 to 39.0% in 2023 mainly occasioned by worsened gross incurred claims ratio from 12.7% in 2022 to 19.8% in 2023 which is unfavorable.

2.34. However, on a net basis, the combined ratio improved from 57.9% in 2022 to 45.1% in 2023 largely driven by the high recoveries during the year from the Engineering and Marine classes.

2.35. With the adoption of the IFRS 17 Standard, we recommend that CIP assesses the performance of the insurance service result at a class wise basis and analyses the gross performance separately from the reinsurance service result.

Credit Risk

2.36. High proportions of premium debtors relative to the GWP has a significant negative impact on the Company's liquidity which could affect the company's ability to meet its obligation to policyholders when they fall due if not corrected. This could also lead to reputation risk and regulatory risk.

Reinsurance Risk

2.37. Reinsurance arrangements are relied upon to mitigate the insurance exposure amongst other benefits. CIP has experienced a negative reinsurance impact over the last two years whereby the net loss ratio is higher than the gross loss ratio. This is indicative of a mismatch in the cost incurred versus the benefit derived from the reinsurance arrangements.

Liquidity Risk

2.38. Whereas as a going concern, CIP is expected to receive premium income, as well as premiums from new business to offset these cashflows demands, the liquidity position should be monitored closely for the short term as a liquidity gap in this period is observed. A proper asset liability matching exercise should ensure that the assets and liabilities are matched both in respect of timing and amounts.

Compliance Risk

2.39. This is the risk that a change in the current legislation or global reporting requirement will affect a company, or industry. This is especially because companies must abide by regulations set by governing bodies that oversee their industry.

2.40. CIP should be wary of any adverse effects of future compliance requirements. This is especially with the impeding adoption of the global requirements as well the possible shift to the Risk Based regime for the Nigeria insurance industry. Such changes are bound to have implications on operational costs and sometimes could even introduce restrictions to a company's normal operations.

Actuary's Opinions

Recent Experience and Profitability

2.41. We recommend that CIP reviews their budgets or forecasts and aligns these based on the IFRS 17 accounts. This will also allow for the realignment of the key performance indicators.

Insurance Liability Valuation

2.42. As the Appointed Actuary, we are satisfied with the reserves booked by CIP in their audited accounts.

2.43. The approach and methodologies adopted for the measurement of the insurance and reinsurance contracts are in line with the IFRS 17 Standard and key actuarial decisions made by the insurer.

2.44. However, we recommend that CIP, in line with the requirements of the standard under presentation of accounts, aggregate the actuarial insurance liabilities and reinsurance assets with other insurance liabilities and reinsurance assets which were previously presented as separate line items in the financial statements. Such items include the premium receivables and payables, commissions payable and receivables, and claims recoveries etc.

Reserves Adequacy

2.45. The utilization of the undiscounted best estimate liabilities held as at 31 December 2022 was deemed to be reasonable at an overall level. For classes where overutilization was observed, the reserves were strengthened.

Pricing and Premium Adequacy

2.46. Further to the premium rates review undertaken for the Motor classes in 2023, we urge management to monitor the performance in these classes in the subsequent years to ascertain the adequacy of the adopted rates.

2.47. In addition, the requirement under IFRS 17 Standard to have the insurance result presented separately from the reinsurance result will ensure that the performance of the insurance contracts is separately tracked and monitored.

Reinsurance Arrangements

2.48. We recommend that CIP undertake a reinsurance optimisation exercise to ensure that its retentions are at an appropriate level to cover its claims and expenses in the future as well gain from the reinsurance arrangements in place.

2.49. We recommend that CIP develops metrics to be adopted for the performance review of the reinsurance contracts held. This might include setting thresholds for key ratios as highlighted above.

2.50. In addition, we recommend that CIP separately reviews the performance of the insurance service result before reinsurance from that of the reinsurance result at a class wise or portfolio level. This will allow for a better assessment of each class or portfolio.

Status of Prior Year Recommendations

Recommendation	Status	Comment
Insurer's Plans The Company to consider the impact of retaining more business on its underwriting profits, risk profile and future business plans in view of historical claims ratios experienced by the Company. The Company considers the impact on its projections should there be a delay for the initiatives to translate into higher business volumes. This includes the use of sensitivity testing.		CIP is yet to review its business projections. With the adoption of the IFRS 17 Standard, the insurer should align the business projections with the IFRS 17 accounts.
Recent Experience and Profitability The Company performs a detailed expense allocation to each line of business. This will aid in determining the true underwriting results per line and emphasise monitoring of expense levels and its effect on the expense ratio. The Company should take note of the risk it is exposed to from an economic downturn and continue to assess how it can improve its underwriting profitability.		As noted in section 5.16, the underwriting expense (inclusive of net commissions) ratios improved from 24.8% in 2022 to 14.0% in 2023. With the adoption of the IFRS 17 Standard, CIP has identified the attributable expenses for purposes of IFRS 17 accounts. We however, note that the insurer is yet to document the expense allocation policy.
Pricing and Premium Adequacy The Company considers various management actions it can implement to improve its underwriting performance.		CIP reviewed the premium rates in the Motor classes. Based on this review, we project improved performance in the subsequent years if the premium rates continue to be enforced.
Asset and Liability Management The Company should improve its Asset Liability Matching processes to allow for currency risk and inflation risk. For the liquidity gap analysis, the projected cashflow analysis should be performed which allows for all cash inflows and cash outflows. Based on the significant investments in associates and subsidiaries, it is recommended that the Company considers its optimal asset allocation in view of its liquidity requirements and internal risk appetite.		This remains to be an area of concern. As at 31 December 2023, the investments in associates and subsidiaries made up for 48% of the total assets.

Capital Management and Capital Adequacy In line with the observed decreasing trend in the SCAR as at 2022, the Company should monitor this position closely to ensure that appropriate management actions are in place should the SCAR ratio approach the minimum capital requirements.		As at 31 December 2023, the SCAR declined from 275% in 2022 mainly due to an increase in liabilities hence the reduced solvency margin. The insurer should continue to monitor the solvency position.
Risk Management The Company includes management of Group Risk in its ERM Framework. The risk management framework be updated to cover the independent review process and the Company's risk management process be subject to the independent review.		Annual review of the ERM framework was undertaken and the Group Risk added to the policy. In addition, an annual review of the company's processes undertaken for purposes of identifying all inherent risks and provide risk mitigating measures to improve the risks.

Key

Colour	Status	Meaning
Red		Needs immediate action.
Amber		Continues to be an area of focus.
Green		No longer a point of focus.

3. Information Requirements

Data Obtained

3.1. The following data was received from CIP in order to complete the FCR:

- Up to date IFRS 17 financial statements as at 31 December 2023 and restated 2022 financial statements in the IFRS 17 format;
- Insurance Liability Valuation as at 31 December 2023;
- Various documents relating to company governance structure and business plans for CIP, including CIP's:
    - Reinsurance Management Strategy;
    - Investment Policy Document;
    - Budget for the 2023 financial year;
    - Projected budgets for the 2024 - 2026 financial years; and
    - Risk Management Framework.
- Solvency Calculations for the 2023 financial year.

Reliances and Limitations

3.2. This FCR is based on the audited financial statements of CIP as at 31 December 2023 as well as the general business plans of CIP, and company information that was provided to Zamara.

3.3. It was assumed that the data provided by CIP was correct. A full audit of the data provided by CIP was not conducted. However, reconciliations of data were conducted as part of the Insurance Liability Valuation as at 31 December 2023.

3.4. The insurance liability valuation results as at 31 December 2023 were calculated in line with the newly adopted financial reporting standard for Insurance Contracts, IFRS 17 ("the Standard").

3.5. A summary of the insurance liability valuation results including our commentary on the process is included in section 6 of this report.

3.6. It is worth noting that the results produced were based on expected cashflows as captured in the insurer's policy administration systems and not the actual cashflows as captured in the insurer's financial management systems.

3.7. The implication of this is that any other balances that relate to insurance and reinsurance contracts, that is, insurance receivables and payables which are not actuarial inputs will be aggregated with the actuarial inputs for purposes of presentation in the financial statements. This is in line with the requirements of the standard under presentation of accounts.

3.8. We understand that Solvency returns are audited by the External Auditor. As such, whereas we have not audited the returns, we have provided commentary on the solvency margins as at 31 December 2023 in section 8.

4. Business Overview

Company Structure and Key Shareholders

4.1. Coronation Insurance Plc is a general insurance company engaged in various lines of business and is registered and domiciled in Nigeria. The Company was incorporated in 1958 as a private limited liability company under the name of West African Provincial Insurance Company Limited which was converted to a public limited company in 1990.

4.2. The Company became a subsidiary of Access Bank Plc in 2011 and was subsequently divested to enable compliance by the Bank. The Company changed its name to Coronation Insurance Plc with effect from August 12, 2020, citing the name change as one that provides a stronger and more relevant brand identity that appropriately encapsulates the Company's present philosophy, value proposition and business aspirations.

4.3. The Company also underwrites life business through its wholly owned subsidiary – Coronation Life Assurance Limited. The Company also operates a general insurance business in Ghana under the name Coronation Insurance (Ghana) Limited.

4.4. This report is limited to the information of CIP, not the consolidated Group information (i.e. this FCR only covers general insurance business underwritten in Nigeria, and excludes business underwritten by foreign offices belonging to the Group – unless stated otherwise).

4.5. The shareholding structure of the company over the reporting period was as follows:

Shareholder	% Shareholding - 2022	% Shareholding - 2023
Coronation Capital (Mauritius) Limited	41%	41%
Reunion Energy Limited - MAIN	21%	21%
Coronation Asset Management	5%	5%
Others (with shareholding of below 5%)	33%	33%

4.6. There were no changes in the shareholding structure during the year from the position as at 2022.

4.7. The Commission has in place "Corporate Governance Guidelines for Insurance and Reinsurance Companies in Nigeria". These guidelines highlight key requirements and provide guidance for effective corporate governance of the regulated entities.

4.8. As at 2023, CIP's Board comprised of nine (9) members, out of which two (2) are executive directors. Three of the non-executive directors are independent and meet the criteria set by the guidelines on independent directors.

4.9. Various board committees are in place to oversee various activities within the company. The committees in place during the 2023 financial year were:

a) Audit and Compliance Committee;
b) Enterprise Risk Management Committee;
c) Finance, Investment and General Purpose Committee;
d) Establishment and Remuneration Committee; and
e) Information Technology Committee.

Products

4.10. CIP currently underwrites the following classes of general insurance business:

a) Engineering
b) Fire
c) General Accident
d) Marine
e) Motor
f) Oil & Energy

4.11. The Company was previously writing business in the Aviation and Bonds classes of business, but this has been discontinued over the recent years. However, these classes are noted to still have outstanding claims from prior financial years.

4.12. CIP did not launch or revamp any products in 2023.

5. Recent Experience and Profitability

Financial Performance

5.1. This section highlights the performance of CIP over the recent years. We first give the results based on the IFRS 17 Standard and provide associated commentary on the performance of the insurer. In the subsequent section, we review CIP's performance using the IFRS 4 accounts which allow for the continued trend analysis from the prior year's performance and provides a basis for the transition into the IFRS 17 performance analysis in the subsequent years.

Statement of Profit or Loss Amounts in NGN '000	2023	2022
Insurance Contract Revenue		
PAA premium reserve release (Earned Gross Premiums)	17,156,330	13,028,734
Insurance Service Expenses		
Incurred claims and other directly attributable expenses	12,935,396	11,463,878
Changes that relate to past service - adjustments to the LIC	(5,369,842)	(6,804,187)
Losses on onerous contracts and reversal of the losses	349,243	0
Insurance acquisition cash flows amortization	3,117,443	2,719,800
Total	**11,032,241**	**7,379,491**
Insurance service result before reinsurance (A)	6,124,090	5,649,243
Reinsurance Expenses		
PAA premium reserve release (Earned Ceded Premiums)*	**7,865,435**	**6,208,682**
Reinsurance Recoveries		
Reinsurance claims incurred	739,138	(442,809)
Increase in losses on onerous contracts	-	-
Total	**739,138**	**(442,809)**
Reinsurance Service Result (B)	7,126,297	6,651,491
Insurance Service Result (C) = (A) - (B)	(1,002,207)	(1,002,248)
Net Investment income**	1,169,889	510,727
Insurance finance expense	(595,464)	(634,765)
Insurance finance income	233,876	311,452
Net Investment Result (D)	808,301	187,414
IFRS 17 Profit (E) = (C) +(D)	(193,906)	(814,834)
Other (Expenses)/Income	874,435	911,001
Profit Before Tax	680,529	96,167

**Includes changes in deferred commission income; **Includes fair value changes and credit impairment*

(i) Improved Insurance Service Results (before Reinsurance)

5.2. We observed an improvement in insurance service results from NGN 5.6 billion in 2022 to NGN 6.1 billion in 2023 despite an increase in the insurance service expenses from NGN 7.4 billion in 2022 to NGN 11.0 billion in 2023. The increase in the insurance service result was mainly attributable to the increase in the insurance service revenue from NGN 13.0 billion in 2022 to NGN 17.2 billion in 2023, representing a 31.7% growth over the years. this follows from the top line growth mainly in the Motor and Fire classes of business.

5.3. As highlighted in the previous table, the insurance service expense is made up of the incurred claims and other directly attributable expenses, changes that relate to past service, insurance acquisition cashflows amortization, and the losses on onerous contacts and reversal of the losses. In 2023, all the outflows increased from the levels in 2022 except for the changes that relate to past service. The changes that relate to past service decreased from NGN 6.8 billion to NGN 5.4 billion in 2023.

5.4. The reinsurance expenses, which represent the reinsurance costs or reinsurance share of earned premiums (including changes in the deferred commission income) increased from NGN 6.2 billion in 2022 to NGN 7.9 billion in 2023, representing a 26.7% increase. Similarly, the reinsurance recoveries increased over the period resulting in a net increase in the reinsurance service result of NGN 7.1 billion compared to NGN 6.7 billion in 2022.

5.5. Overall, the insurance service results (after reinsurance) declined marginally by NGN 41 thousand in 2023 despite the increase in the insurance service expenses and the reinsurance service results during the year.

(ii) Improved Net Investment Results

5.6. The net investment results position improved from NGN 187.4 million in 2022 to NGN 808.3 million in 2023. This was mainly attributable to the increase in investment income from NGN 510.7 million in 2022 to NGN 1.2 billion in 2023 largely due to the realized gains on financial assets held.

5.7. Overall, the improved IFRS 17 profit in 2023 was attributable to the growth in the insurance service revenue and the improved investment returns.

5.8. We have further assessed CIP's performance based on the previous IFRS 4 accounts. This is to allow for trend analysis based on the previous metrics and to allow for a smooth transition to the IFRS 17 performance metrics in the subsequent years.

5.9. The table below details the profitability of CIP for the 2021-2023 financial years, as well as a comparison of the 2023 actual and budgeted performance. Key financial ratios have also been included that can be used to assess trends in the business.

Financial Performance Statement (NGN '000')	31 December 2023	31 December 2023	31 December 2022
	Budget (NGN '000)	Actual (NGN '000)	Actual (NGN '000)
Gross written premium	20,222,143	18,816,356	13,915,064
Net earned premium	10,710,702	7,371,119	5,360,122
Net claims incurred	(2,788,485)	(2,292,083)	(1,771,475)
Net commissions incurred	(1,952,513)	395,628	249,774
Underwriting expenses		(1,427,336)	(1,580,094)
Underwriting profit/(loss)	5,969,704	4,047,328	2,258,327
Investment Income	1,014,998	1,251,105	513,663
Other Income	-	910,295	1,217,454
Other Expenses	(5,036,362)	(5,256,396)	(3,788,997)
Profit/(Loss) before tax	1,948,340	952,332	200,447
Ratios			
Net loss ratio	26.0%	31.1%	33.0%
Expense ratio*	18.2%	14.0%	24.8%
Net combined ratio	44.3%	45.1%	57.9%

**Combined underwriting expenses and net commission ratio*

5.10. Consideration of the underwriting performance for the 2023 financial year against the budget shows that underwriting profit was NGN 1.9 billion lower than the budgeted level. Additionally, the profit before tax was NGN 1.9 billion lower than the budget.

5.11. While the insurer did not achieve the budget, the overall performance in 2023 was observed to have improved from the position as at 2022.

5.12. We assessed the movement in the key drivers of overall profitability (profit before tax) year on year vis a vis any changes in management actions and the wider industry dynamics. Details on these and their effect on the profitability are as given below:

(i) Increased net earned premium following the top line growth

5.13. The gross written premium grew by NGN 4.9 billion from NGN 13.9 billion in the 2022 financial year to NGN 18.8 billion in the 2023 financial year representing an 35.2% increase. However, this was lower than the budget by NGN 1.4 billion. The net earned premium increased by NGN 2.0 billion from NGN 5.3 billion in 2022 to NGN 7.4 billion in 2023.

5.14. The growth in premiums was mainly observed in the Motor and Engineering classes of business whose premiums grew by NGN 4.1 billion during the year.

(ii) Improved claims experience

5.15. The net loss ratio improved from 33.0% in 2022 to 31.1% in 2023. While the net incurred claims increased from NGN 1.8 billion in 2022 to NGN 2.3 billion in 2023, the net earned premiums grew by a higher margin; hence the favourable claims ratio in 2023. The claims ratio was however higher than the budgeted ratio of 26.0%.

(iii) Improved underwriting expense ratios

5.16. The underwriting expenses (inclusive of net commissions) declined by NGN 298.6 million from NGN 1.3 billion in the 2022 financial year to NGN 1.0 billion in the 2023 financial year, representing a 22.4% decrease. Consequently, the underwriting expense ratios improved from 24.8% in 2022 to 14.0% in 2023. The underwriting expense ratio was further lower than the budgeted ratio of 18.2%.

(iv) Improved investment performance

5.17. The investment income increased by NGN 737.4 million from NGN 513.7 million in the 2022 financial year to NGN 1.3 billion in the 2023 financial year representing a 143.6% increase. The higher investment performance was mainly attributable to the realized gains on financial assets held amounting to NGN 0.9 billion.

5.18. Overall, the insurer's underwriting result improved in 2023 largely attributable to the top line growth while the improved investment performance contributed to the increase in the profit before tax.

Actuary's Opinion

5.19. We recommend that CIP reviews their budgets or forecasts and aligns these based on the IFRS 17 accounts. This will also allow for the realignment of the key performance indicators.

6. Insurance Liability Valuation

Reserving Methodology

6.1. In line with the requirements of the IFRS 17 Standard ("the Standard"), the valuation of insurance liabilities covers liabilities for remaining coverage (LRC) and liabilities for incurred claims (LIC) at gross and reinsurance levels using prescribed methodologies and assumptions.

6.2. Following the adoption of the premium allocation approach (PAA) for the measurement of the insurance contracts issued and reinsurance contracts held by CIP, the following components are estimated as part of the LRC and LIC.

a) Liability for remaining coverage (unexpired service): Unearned Premium Reserve (UPR)

b) Liability for incurred claims (expired service): Fulfilment Cashflows

Liabilities for Remaining Coverage

6.3. The liability for remaining coverage is estimated as the Unearned Premium Reserve (UPR) less the Deferred Acquisition Cost (DAC) asset, both calculated using the 365ths method in which the risk profile is assumed to be spread evenly over the year.

6.4. The LRC reserve is adjusted for the Deferred Acquisition Cost (DAC) asset which represents the portion of prepaid acquisition costs (commissions) yet to be recognized.

6.5. In addition, CIP has made an allowance to adjust the carrying amount of the liability for remaining coverage to reflect the time value of money for contracts with coverage periods of over one year. This implies that the LRC for such contracts allows for a financing component for the period of coverage beyond one year.

Liability for Incurred Claims (LIC)

6.6. The fulfilment cashflows in respect of incurred claims comprise, in line with the standard requirements, the Best Estimate Liabilities (BEL) and the Risk Adjustment (RA).

6.7. The undiscounted best estimate liability for incurred claims is made up of the Outstanding Claims Reserves (OCR) and the Incurred But Not Reported (IBNR) claims reserves.

6.8. The IBNR reserve is estimated by use of triangulation methods based on the historic claims' development pattern of the Company. Future claim settlement cashflows, as well as related expenses are extracted from the triangles and discounted accordingly.

6.9. Cashflows relating to incurred claims are discounted to reflect the time value of money with respect to the expected time of settlement derived from the payment pattern for each class of business.

6.10. CIP has adopted the Bottom-up approach in discounting its LIC. This is in line with the guidance from the Commission. In addition, the company has adopted an illiquidity premium of 1% across all portfolios. The applicable yield curve used for discounting, after allowing for the illiquidity premium, as at the Valuation Date is attached in the appendix.

6.11. The risk adjustment was determined using the Value at Risk (VaR) statistical method and was estimated at a portfolio level. The adopted confidence level was 70%. A summary of the applicable risk adjustment factors per portfolio is provided in the appendix of this report.

6.12. In summary, the insurance liabilities were calculated using the following methodologies and assumptions:

Insurance Liabilities	Methodology and Assumptions	
	31 December 2023	31 December 2022
Liabilities for Incurred Claims		
IBNR	Loss Ratio, Chain Ladder and Bornhuetter-Fergusson	Loss Ratio, Chain Ladder, Cape Cod and Bornhuetter-Fergusson
OCR	Sum of case estimates	Sum of case estimates
Discount Rate	FGN Yield Curve adjusted for illiquidity premium	FGN Yield Curve
Risk Adjustment	Value at Risk with a 70% confidence interval; estimated per portfolio	N/A
Liabilities for Remaining Coverage		
UPR	365ths Method; with an allowance for financing component	365ths Method
URR	Fulfilment cashflows relating to unexpired duration (discounted with risk adjustment) plus DAC less UPR	Consideration of combined ratio

6.13. As seen above, the methodology employed in computing the best estimate liabilities was reviewed in line with the requirements of the IFRS 17 Standard and the measurement approach adopted by CIP, that is, the Premium Allocation Approach.

6.14. For the LIC, the key changes for CIP are with regard to the discounting of the future cashflows and the application of a risk adjustment margin to the discounted best estimate liabilities. For the LRC, the methodology on the estimation of the loss component presents a variation over the two years.

Valuation Results

6.15. The insurance liability valuation results as at 31 December 2023 were calculated in line with the newly adopted financial reporting standard for Insurance Contracts, IFRS 17 ("the Standard").

6.16. Zamara computed the undiscounted Best Estimate Liabilities which inform the cashflows required for IFRS 17 reporting. Subsequently, Zamara produced the IFRS 17 accounts using their internal IFRS 17 tool in line with Coronation's IFRS 17 adopted methodologies and policy choices on key actuarial and accounting areas.

6.17. The IFRS 17 results as at the Valuation Date are summarized in the table below:

Liabilities/Assets	Reserves as at 31 December 2023 (NGN '000)	
	Insurance Liabilities	Reinsurance Assets
Liability for Incurred Claims		
Discounted Best Estimate Liabilities (BEL)	4,309,762	2,163,569
Risk Adjustment	468,803	215,157
Liability for Remaining Coverage		
LRC Excl. Loss Component	4,312,427	696,826
Loss Component	349,243	0
Total Liabilities/Assets	9,440,236	3,075,552

6.18. Overall, the total insurance liabilities were NGN 9.4 billion while the reinsurance assets were NGN 3.1 billion as at the Valuation Date.

6.19. For comparison, the IFRS 17 results as at the previous valuation date are summarized in the table below:

Liabilities/Assets	Reserves as at 31 December 2022 (NGN '000)	
	Insurance Liabilities	Reinsurance Assets
Liability for Incurred Claims		
Discounted Best Estimate Liabilities (BEL)	4,775,512	1,905,690
Risk Adjustment	640,012	247,280
Liability for Remaining Coverage		
LRC Excl. Loss Component	2,780,199	1,271,080
Loss Component	0	0
Total Liabilities/Assets	8,195,723	3,424,050

6.20. The total insurance liabilities were NGN 8.2 billion while the reinsurance assets were NGN 3.4 billion. Overall, the insurance liabilities and reinsurance assets held in 2023 decreased marginally from those held in 2022.

Actuary's Opinion

6.21. As the Appointed Actuary, we are satisfied with the reserves booked by CIP in their audited accounts.

6.22. The approach and methodologies adopted for the measurement of the insurance and reinsurance contracts are in line with the IFRS 17 Standard and key actuarial decisions made by the insurer.

6.23. However, we recommend that CIP, in line with the requirements of the standard under presentation of accounts, aggregate the actuarial insurance liabilities and reinsurance assets with other insurance liabilities and reinsurance assets which were previously presented as separate line items in the financial statements. Such items include the premium receivables and payables, commissions payable and receivables, and claims recoveries etc.

7. Reserves Adequacy

Adequacy of Reserves Held as at 31 December 2022

7.1. The adequacy of the IBNR estimate held as at 31 December 2022, in respect of accident years 2022 and prior, has been assessed as follows:

Class of Business	Reserves Adequacy Amounts in NGN '000s				
	Gross IBNR as at 31 December 2022	Pure IBNR	Emerging IBNER	Utilisation	% Utilised
Aviation	-	-	9,775	9,775	0.0%
Engineering	25,759	57,730	218,009	275,739	1070.5%
Fire	542,250	82,564	(424,796)	(342,232)	-63.1%
General Accident	33,775	107,447	(59,468)	47,978	142.1%
Marine	60,947	55,609	(38,814)	16,795	27.6%
Motor	6,770	121,723	(84,297)	37,426	552.8%
Oil & Energy	617,303	669,183	429,581	1,098,763	178.0%
Total	1,286,804	1,094,254	49,991	1,144,245	88.9%

7.2. The utilization analysis was performed on the undiscounted best estimate liabilities which exclude the effect of discounting and risk adjustment.

7.3. The Gross IBNR as at 31 December 2022 was sufficient at an overall level with an utilization of 88.9% as at the Valuation Date.

7.4. Overutilization was noted in all classes except the Fire and Marine classes. While the impact of large losses was attributable to the overutilization in some classes such as the Engineering and the Oil & Energy classes, the reserves recommended as at the Valuation Date were adjusted to allow for the high utilization in other classes such as the Motor and the Engineering classes.

Actuary's Opinion

7.5. The utilization of the undiscounted best estimate liabilities held as at 31 December 2022 was deemed to be reasonable at an overall level. For classes where overutilization was observed, the reserves were strengthened.

8. Capital Management & Capital Adequacy

Capital Management Framework

8.1. The Company's Capital Management Policy documents the guidelines for the allocation and management of capital and resources in the Company. The capital management framework describes the minimum requirement for allocation, taking into consideration current business realities and capabilities; the framework comprises of the principles and governance structures as well as the monitoring and reporting requirements which are necessary for the efficient allocation of capital by the Company. The framework is reviewed every two to three years based on emerging realities, new developments and changes in the Company's minimum capital requirement.

8.2. The Company manages and monitors its capital level in order to ensure its going concern and compliance with its regulatory capital requirements. The Company differentiates between the following capital components:

a) **Regulatory Capital:** This is the minimum capital the Regulator requires the Company to have for its business operations and is estimated based on rules as specified by the Regulator.

b) **Economic Capital:** This is the estimate of the amount of capital at a given confidence level required by the Company to absorb unexpected losses arising from business activities. The Company measures this based on risks assumed in its business operations.

c) **Available Capital or Own Funds:** This is the amount in excess of the required capital that the Company has. The Company further differentiates its available capital between Accounting Capital and Regulatory Available Capital.

Solvency Margin Requirement

8.3. According to regulatory requirements, insurers need to ensure that their Solvency Margin exceeds the maximum of 15% of the net premium income and the minimum regulatory requirement of NGN 3 billion. The Solvency Margin is calculated as the excess of admissible assets over admissible liabilities.

8.4. The Statutory Capital Adequacy Ratio (SCAR) calculated as the excess assets over regulatory capital is estimated at 264% as at 31 December 2023. This has decreased from 275% in 2022 mainly due to an increase in liabilities hence reduced solvency margin.

8.5. The following provides a summary of the SCAR over the last three years.

Capital Item Amounts in N'000	2021	2022	2023
Total Admissible Assets	22,928,248	19,705,388	23,275,275
Total Liabilities	11,901,619	11,465,506	15,357,471
Solvency Margin	11,026,629	8,239,881	7,917,804
Minimum Regulatory Capital	3,000,000	3,000,000	3,000,000
15% of Net Premium	751,089	950,005	1,504,505
Regulatory Capital	3,000,000	3,000,000	3,000,000
Statutory CAR Cover	368%	275%	264%

8.6. As at 31 December 2023, CIP is required to hold minimum capital of NGN 3 billion i.e. the higher of NGN 3 billion and approximately NGN 751 million representing 15% of the net premium income during the last preceding financial year.

8.7. The SCAR was observed to be following a decreasing trend over the period due to decreases in the solvency margin. The decrease in the solvency margin in 2022 was due to the decrease in total admissible assets in 2022 while the decrease in 2023 was attributable to the high increase in the liabilities compared to the increase in the admissible assets.

9. Pricing and Premium Adequacy

Pricing Policy

9.1. CIP has in place an underwriting policy which provides guidelines for acceptable non-life underwriting practice in the Company. The policy provides the procedures, documents to be relied upon, performance measures and the risk and controls to be employed in the underwriting process.

9.2. The document covers the business acquisition process including its interaction with other units in the organization such as reinsurance, IT and customer service. In particular, the document provides guidance on management of new business, management of renewal business, risk acceptance criteria and approval limits.

9.3. The Company also has an Underwriting Risk Management Policy in place which is intended to address the management of exposures in light of business strategies and other management policies put in place by the Company.

Premium Adequacy

9.4. Based on the underwriting result using the IFRS 17 results, we note that CIP recorded a positive insurance service result before reinsurance at an overall level over the two years. This implies that the premiums charged on a gross basis were sufficient at an overall level.

9.5. However, the performance after the reinsurance cost is noted to be negative over the two years.

Statement of Profit or Loss Amounts in NGN '000	2023	2022
Insurance Service		
Insurance Service Revenue	17,156,330	13,028,734
Insurance Service Expense	(11,032,241)	(7,379,491)
Insurance Service Result Before Reinsurance (A)	6,124,090	5,649,243
Reinsurance		
Reinsurance Costs	7,865,435	6,208,682
Reinsurance Recoveries	(739,138)	442,809
Reinsurance Service Result (B)	7,126,297	6,651,491
Insurance Service Result (C) = (A) - (B)	(1,002,207)	(1,002,248)

9.6. We have further reviewed the premium adequacy on a gross basis using the IFRS 4 accounts. The table below indicates the values of key gross financial ratios for CIP for the financial year ended 31 December 2023. The corresponding statistics from the previous year have been included for comparative purposes.

Key Financial Ratios	31 December 2023	31 December 2022
Gross loss ratio	19.8%	12.7%
Expense ratio*	19.2%	20.8%
Gross combined ratio	39.0%	33.4%

**includes net commission incurred and underwriting expenses*

9.7. The above statistics indicate that the overall mix of exposure for CIP resulted in a gross combined ratio of 39.0% as at 2023. The combined ratio worsened by 5.5% from the ratio as at 2022 largely driven by the decline in the gross loss ratio in 2023.

9.8. The overall gross combined ratio cannot, however, be relied upon to give useful information on the appropriateness of premium rates for individual classes of business. Significant changes in the future mix of business underwritten by CIP can have a material impact on the overall combined ratio and profitability of CIP.

9.9. We have therefore assessed the appropriateness of the premiums charged per class of business using the gross combined ratios over the last three years. The tables below indicate the values of key financial ratios for CIP for the financial years ending 31 December 2021 to 31 December 2023.

9.10. A summary of the key ratios as at 31 December 2023 is provided in the table below.

Class of Business	31 December 2023		
	Gross Loss Ratio	Gross Expense Ratio*	Gross Combined ratio
Engineering	8.6%	27.4%	36.0%
General Accident	16.9%	16.8%	33.7%
Bond	0.0%	0.0%	0.0%
Fire	5.8%	10.3%	16.1%
Marine	32.2%	11.6%	43.7%
Motor	45.8%	22.0%	67.8%
Oil & Energy	27.6%	13.6%	41.2%
Total	19.8%	19.2%	39.0%

**includes net commission incurred and underwriting expenses*

9.11. A summary of the key ratios as at 31 December 2022 is provided in the table below.

Class of Business	31 December 2022		
	Gross Loss Ratio	Gross Expense ratio*	Gross Combined ratio
Engineering	2.0%	14.6%	16.6%
General Accident	17.3%	15.7%	33.0%
Bond	-609.9%	0.0%	-609.9%
Fire	18.4%	11.5%	29.9%
Marine	-9.4%	9.0%	-0.4%
Motor	96.2%	36.4%	132.6%
Oil & Energy	3.4%	37.6%	41.0%
Total	12.7%	20.8%	33.4%

includes net commission incurred and underwriting expenses

9.12. A summary of the key ratios as at 31 December 2021 is provided in the table below.

Class of Business	31 December 2021		
	Gross Loss Ratio	Gross Expense ratio*	Gross Combined ratio
Engineering	-1.9%	16.1%	14.2%
General Accident	37.8%	25.9%	63.7%
Bond	0.0%	0.0%	0.0%
Fire	521.6%	6.3%	527.9%
Marine	43.1%	11.2%	54.3%
Motor	69.6%	27.2%	96.9%
Oil & Energy	29.4%	23.2%	52.7%
Total	51.2%	20.0%	71.2%

includes net commission incurred and underwriting expenses

9.13. While the overall loss ratio worsened over the 2022 to 2023 financial year from 33.4% to 39.0%, it was noted that no class of business had a combined ratio of above 100%.

9.14. CIP reviewed the premium rates in the Motor classes which were observed to record improved performance based on the accident year analysis carried out for the actuarial valuation of the insurance liabilities. Based on this review, we project improved performance in the subsequent years if the premium rates continue to be enforced.

Actuary's Opinion

9.15. Further to the premium rates review undertaken for the Motor classes in 2023, we urge management to monitor the performance in these classes in the subsequent years to ascertain the adequacy of the adopted rates.

9.16. In addition, the requirement under IFRS 17 Standard to have the insurance result presented separately from the reinsurance result will ensure that the performance of the insurance contracts is separately tracked and monitored.

10. Asset and Liability Management

10.1. The financial statements as at December 2023 were prepared in accordance with the IFRS 17 requirements. This includes a change in the presentation of the financial statements in addition to the level of disclosures required compared to the previous years' financial statements.

10.2. We provide below a summary of the balance sheet including the IFRS 17 results based on the IFRS 17 accounts produced by CIP as at 31 December 2023 and the restated IFRS 17 2022 financials:

Asset/Liability Class (NGN '000)	31 December 2023	31 December 2022
Fixed Interest Instruments	3,246,326	1,761,165
Investment Property	94,559	89,750
Equities	2,557,826	1,274,580
Cash and Bank Balances	3,619,570	2,968,272
Invested Assets	**9,518,282**	**6,093,767**
Reinsurance Assets	4,322,316	3,719,561
Other balance sheet assets	21,440,438	19,457,148
Total Assets	**35,281,035**	**29,270,476**
Insurance Liabilities	9,440,236	8,195,723
Reinsurance Liabilities	1,246,763	295,511
Other Liabilities	4,670,471	2,974,273
Total Liabilities	**15,357,471**	**11,465,506**
Net Assets	**19,923,564**	**17,804,969**

Assets

Valuation of Assets

10.3. For the purposes of this FCR, we are not aware of any assets that are not held at fair value. Therefore, the assets adopted for our review total NGN 35.3 billion as at 31 December 2023. The total assets of CIP have grown by 20.5% in the period between 31 December 2022 and 31 December 2023.

Asset Admissibility

10.4. The following assets held by CIP are inadmissible for the purposes of demonstrating regulatory solvency under the existing solvency templates:

- Other receivables & prepayments
- Portion of the Investment properties
- Portion of Investment in associates
- Investment in subsidiaries
- Intangible assets
- Property, plant and equipment
- Right of use asset
- Deferred tax asset

Liabilities

Currency of liabilities

10.5. CIP underwrites the following classes of business: Engineering, Fire, General Accident, Marine, Motor and Oil & Energy.

10.6. The Company is exposed to foreign exchange currency risk primarily through transactions denominated in foreign currency, as well as currency fluctuations in its investments. The Company regularly reviews its investment policy with a view to taking advantage of the foreign exchange volatility and immunizing the liability obligations of the Company.

Nature and term of liabilities

10.7. Liability, Marine, Engineering, Oil & Energy, and some General Accident claims are generally long tailed and may take more than 3 years to settle.

10.8. Claims arising from these classes may also increase with inflation, specifically court awards and price inflation.

10.9. Property Damage, Personal Accident, Motor (Property Damage) claims are generally reported and settled soon after occurrence and thus are considered short-tailed.

10.10. Property Damage claims are generally not affected by inflation from occurrence to settlement.

10.11. The currency, nature and term of the liabilities impact the assets that CIP should be investing in so as to reduce the risk of a mismatch between assets and liabilities.

Asset Liability Matching

10.12. The following is a Gap analysis showing the projected asset/liability profile of CIP. The analysis is based on the internal computation undertaken by CIP:

Class of Asset (NGN '000)	Time Period				
	Gross nominal	1 - 3 months	3 -6 months	6 - 12 months	1 - 5 years
Cash and cash equivalents	3,619,570	3,619,570	-	-	-
Financial assets at fair value through OCI	1,732,244	43,999	69,290	59,936	1,559,020
Financial assets at amortised cost	1,249,553	187,433	-	499,821	562,299
Trade receivables	340,896	340,896	-	-	-
Reinsurance assets	4,322,316	-	-	-	-
Other receivables (excluding prepayments & WHT)	1,404,249	1,404,249	-	-	-
Statutory deposit	300,000	-	-	-	300,000
Total Income from Assets	12,968,828	5,596,147	69,290	559,757	2,421,319
Liabilities	Gross nominal	1 - 3 months	3 -6 months	6 - 12 months	1 - 5 years
Trade payables	714,777	714,777	-	-	-
Other payables (excluding non-financial liabilities)	3,116,342	3,116,342	-	-	-
Insurance liabilities (excl. IBNR and unearned premium)	4,388,203	4,388,203	-	-	-
Total liabilities outgo	8,219,322	8,219,322	-	-	-
Gap	4,749,506	(2,623,175)	69,290	559,757	2,421,319

10.13. As seen above, CIP has sufficient liquidity to meet its financial obligations in the short term, which is ideal given the relatively short-term nature of the contractual obligations of general insurance companies.

10.14. Whereas as a going concern, CIP is expected to receive premium receivables income, as well as premiums from new business to offset these cashflow demands, this position should be monitored closely.

Investment Policy

10.15. CIP has an Investment Policy in place. The Policy based on the Insurance Act and Prudential Guidelines, in accordance with the Company's risk appetite, outlines the investment philosophies and objectives of the Company, and establishes appropriate investment guidelines for the strategic and operational execution of the Company's investment strategy, in order to ensure that investment opportunities are maximized, as they occur, within acceptable risk limits, while providing reasonable parameters to ensure prudence, attention to relevant market details, care in executing investment decisions and appropriate portfolio performance evaluation.

10.16. Furthermore, the Policy provides guidance for, expectations of, and limitations on all parties who are responsible for the Company's investment activities.

10.17. The Policy is subject to periodical reviews in order to reflect changes in market conditions, company objectives, risk profile or other factors relevant to the company.

10.18. Overall, the Policy gives clear guidance on the investment process for the insurer's funds. The Policy is robust as it addresses key issues in the investment cycle.

10.19. The investment policy as approved by the Board shall be filed with the Commission on an annual basis.

Investment Objectives

10.20. The Company's investment objectives as stipulated in the Investment Policy as provided are:

a) To achieve portfolio returns in line with benchmarked assets and deliver superior risk adjusted returns, thereby ensuring that the Company's capital and policyholder funds are not eroded.

b) To minimize the risk of the fund under management to enable the Company to meet its obligations as at when due.

c) To maintain quality investment portfolio in line with the Company's strategic investments initiatives in securities which provide consistent returns.

d) To consistently provide the required liquidity to support business operations.

e) To ensure diversification of the Company's income lines.

Investment Strategy

10.21. The Company's investment strategy aims at maximizing total return i.e. capital gains (realized and unrealized), plus income obtained from dividends and interests, to enhance earnings and liquidity.

10.22. The Company shall adopt a balanced investment strategy in managing its investment portfolios (Policyholders Fund and Shareholders Funds), in order to ensure the realization of superior long-term risk adjusted returns on a consistent basis, in line with the Company's risk appetite and income target.

Duties and Responsibilities

10.23. The duties and responsibilities of the parties involved in the investment decision making process are also highlighted in the Policy. Responsible parties include the Board, the Finance, Investment and General-Purpose Committee, Senior Management, Investment Managers and Consultants.

10.24. **The Board** has the ultimate responsibility for management of the investment process. It is responsible for providing the strategic guidance for the development and achievement of the Company's investment objectives and overseeing operations of the funds to ensure the policies are being adhered to.

10.25. Further, there exists a **Finance, Investment & General-Purpose Committee** that implements the set policies and guidelines. The committee is tasked with overseeing the effectiveness and administration of investment related policies including operations and compliance with legal investment limits and review the Compliance with regulatory risk-based supervision framework.

10.26. The **Senior Management** has the responsibility and authority to:

a) Assist the Board and its committee in establishing investment and administrative policy.

b) Implement the policies and programs established by the Board.

c) Report to the Board on the status and performance of the funds.

10.27. **Investment Managers** shall:

a) Comply with the provisions of the Investment Policy.

b) Evaluate, review and recommend purchase or sale securities.

c) Keeping appropriate records of all investment transactions.

d) Review and monitor market developments to guide investments decisions

e) Review and implement investment strategies.

f) Prepare and present periodic portfolio performance reports to the Finance and Investment Management Committee and the Board.

g) Adhere to all regulatory requirements.

Asset Allocation

10.28. In terms of the Asset Allocation, the strategic asset allocation and movement in the percentage allocation for different asset classes shall be within the range below unless tactical strategy is approved for adoption.

Asset Class	Shareholder Funds	Band (-/+)	Policyholder Funds	Band (-/+)
Term deposits	15.0%	15	20.0%	20
Treasury bills	10.0%	10	8.0%	8
Bonds	29.0%	29	40.0%	5
State bond	1.0%	1	1.0%	1
Corporate bond	10.0%	10	7.0%	7
Mutual fund	10.0%	10	10.0%	10
Real estate	10.0%	10	1.0%	1
Equities	15.0%	15	13.0%	13
Total	**100%**		**100%**	

10.29. However, the above asset allocation shall be altered from time to time, in line with market direction to ensure optimal returns for the Company.

Performance Measurement

10.30. As prescribed in the Policy, the adopted performance benchmarks for each asset class is summarised in the table below:

Investment Class	Benchmark
Term Deposits	91days -Treasury bill rate
Treasury Bills, Bankers' Acceptance, Commercial Paper	1-year Treasury bill
Fixed-Income (Bonds)	5-year Bond index
Quoted Equities	NSEASI
Real Estate	Real Estate Investment Trust Returns

10.31. The benchmarks adopted however do not provide a performance benchmark for property investments, which constitute 38% of the insurer's investment assets.

11. Reinsurance Arrangements

Reinsurance Management Strategy

11.1. The Company has a reinsurance risk management policy in place. The policy provides guidelines governing the Company's reinsurance strategy. The policy also considers:

a) Systems for the selection of reinsurance brokers and other reinsurance advisers.

b) Systems for selecting and monitoring reinsurance programmes.

c) Clearly defined managerial responsibilities and controls.

d) Senior management responsible for reviewing reinsurance management systems in place.

e) Profiling and categorization of reinsurers into tiers in determining Company exposure limit.

f) Presence of well-resourced reinsurance department responsible for preparing clear methodologies for determining all aspects of a reinsurance programme.

11.2. The remainder of this section details the Company's reinsurance management practices.

Placing Reinsurers

11.3. The Company only considers reinsurance counterparties with good track records and strong financial positions. The Company profiles and categorizes reinsurers into different tiers that determine the Company's allowed exposure limits.

11.4. The Company considers the following factors when determining the choice of reinsurer and reinsurance method:

a) Characteristics of the reinsurance programme, including associated counterparty risk.

b) Evaluation of reinsurers outside the minimum investment grade.

c) Limits or guidelines that reflect the security and size of the business, in relation to the Company's maximum aggregate exposure to any reinsurer or a group of related reinsurers.

d) Ease of monitoring aggregate exposures.

e) Ease of timely and complete report due to and from reinsurers.

f) Availability of specific processes in place to approve, monitor and confirm the placement of each facultative risk.

2023 Reinsurance Programme

11.5. CIP has a combination of surplus and Excess of Loss (XOL) treaties with various reinsurers. The table below shows the various treaties in place by risk exposures and a summary of their characteristics as at 2023:

NON-SPECIAL RISK 2023 TREATY SUMMARY			
CLASS OF BUSINESS	CORONATION RETENTION	TREATY COVER	UNDERWRITING CAPACITY
FIRE AND ALLIED PERILS [20 LINES]	500,000,000	10,000,000,000	10,500,000,000
Minimum Probable Maximum Loss of 60%			
FIRE TERRORISM & SABOTAGE COVER [9LINES]	100,000,000	900,000,000	1,000,000,000
FIRE WXL	250,000,000	250M XS 250M	
FIRE CATXL	500,000,000	1B XS 500M	
FIRE FACULTATIVE ACCEPTANCE [25% OF CAPACITY]	125,000,000	2,500,000,000	2,625,000,000
ENGINEERING SURPLUS [20LINES]	350,000,000	7,000,000,000	7,350,000,000
ENGINEERING FACULTATIVE ACCEPT [25%] OF CAPACITY	87,500,000	1,750,000,000	1,837,500,000
MARINE CARGO SURPLUS (18 LINES)	300,000,000	5,400,000,000	5,700,000,000
MARINE CARGO EXCESS OF LOSS	300,000,000	900M XS 300M	
FACULTATIVE ACCEPTANCE {50%] OF CAPACITY	150,000,000	2,700,000,000	2,850,000,000
MARINE HULL SURPLUS [20LINES]	50,000,000	1,000,000,000	1,050,000,000
MARINE HULL FACULTATIVE ACCEPTANCE [25%] OF CAPACITY	12,500,000	250,000,000	262,500,000
GENERAL ACCIDENT SURPLUS			
Burglary			
Private Premises	100,000,000	2,000,000,000	2,100,000,000
Business Premises	200,000,000	4,000,000,000	4,200,000,000
Professional Indemnity	100,000,000	2,000,000,000	2,100,000,000
Occupiers Liability	100,000,000	2,000,000,000	2,100,000,000

NON-SPECIAL RISK 2023 TREATY SUMMARY			
CLASS OF BUSINESS	CORONATION RETENTION	TREATY COVER	UNDERWRITING CAPACITY
Product Liability	100,000,000	2,000,000,000	2,100,000,000
All risk	30,000,000	600,000,000	630,000,000
Directors and Officers liability	100,000,000	1,200,000,000	1,300,000,000
Group personal accident	200,000,000	4,000,000,000	4,200,000,000
Individual personal accident	100,000,000	2,000,000,000	2,100,000,000
Goods in Transit	50,000,000	1,000,000,000	1,050,000,000
Money Policies			
Cash in Safe	50,000,000	1,000,000,000	1,050,000,000
Cash in Transit	50,000,000	1,000,000,000	1,050,000,000
Cash in Vault	50,000,000	1,000,000,000	1,050,000,000
Fidelity Guarantee			
Per Person	50,000,000	1,000,000,000	1,050,000,000
Per Firm	100,000,000	2,000,000,000	2,100,000,000
Public Liability	100,000,000	2,000,000,000	2,100,000,000
General Liability	100,000,000	2,000,000,000	2,100,000,000
GENERAL ACCIDENT FACULTATIVE ACCEPTANCE [25% OF CAPACITY]			
MOTOR EXCESS OF LOSS			
First Layer	15,000,000	35,000,000	
Second Layer	50,000,000	50,000,000	

11.6. The following table illustrates the current treaty reinsurance counterparties the Company is exposed to:

PANEL OF REINSURERS	RATING		
	(AM BEST)	(S&P)	(GCR)
AFRICA REINSURANCE CORPORATION	A	A-	
SWISS REINSURANCE COMPANY LTD	A+	AA-	
CONTINENTAL REINSURANCE PLC	B+		
WAICA REINSURANCE CORPORATION			B+
NIGERIA REINSURANCE CORPORATION			B
FBS REINSURANCE			

Impact of Reinsurance on Insurance Service Result

11.7. We assessed the impact of the reinsurance arrangements on CIP's performance over the last two years based on the IFRS 17 results over these periods as shown below.

Reinsurance Impact Amounts in NGN '000	2023	2022
Insurance Service		
Insurance Service Revenue	17,156,330	13,028,734
Insurance Service Expense	(11,032,241)	(7,379,491)
Insurance service result before reinsurance (A)	6,124,090	5,649,243
Reinsurance		
Reinsurance Costs	7,865,435	6,208,682
Reinsurance Recoveries	(739,138)	442,809
Reinsurance Service result (B)	7,126,297	6,651,491
Insurance Service Result (C) = (A) - (B)	(1,002,207)	(1,002,248)
Ratios		
Reinsurance Cost/Insurance Service Revenue	45.8%	47.7%
Reinsurance Recoveries/Insurance Service Expense	6.7%	-6.0%

11.8. At an aggregate level, we note that CIP's reinsurance impact on the insurance service result was negative for the 2022 and 2023 financial years. This is indicative of higher reinsurance costs compared to the revalue for money from a cost versus benefit analysis of reinsurance which is unfavorable. CIP should aim to improve the benefits of the reinsurance arrangements in place.

11.9. Based on the 2023 results, the proportion of reinsurance cost incurred to the insurance service revenue reduced to 45.8% in 2023 from 47.7% in 2022 while the recoveries increased from -6.0% in 2022 to 6.7% as at 2023. While this is commendable, we note that the reinsurance costs are not commensurate with the benefits on the claims recoveries.

Actuary's Opinion

11.10. We recommend that CIP undertake a reinsurance optimisation exercise to ensure that its retentions are at an appropriate level to cover its claims and expenses in the future as well gain from the reinsurance arrangements in place.

11.11. We recommend that CIP develops metrics to be adopted for the performance review of the reinsurance contracts held. This might include setting thresholds for key ratios as highlighted above.

11.12. In addition, we recommend that CIP separately reviews the performance of the insurance service result before reinsurance from that of the reinsurance result at a class wise or portfolio level. This will allow for a better assessment of each class or portfolio.

12. Risk Management

Risk Management Strategy

12.1. This section provides a high-level description of the Company's risk management framework, including the risk management process. This section should be read with reference to the Company's Enterprise Risk Management ("ERM") Framework.

12.2. The Commission has developed minimum standards for risk management frameworks within insurance companies to provide stakeholders with assurance that the risks they are exposed to are adequately managed. As part of the risk management guidelines all insurers are required to:

a) Documented Risk Management Strategy

b) Documented Risk Management Policies, Procedures and Controls

c) A written Business Plan that is approved by the Board

d) A Chief Risk Officer

e) An Enterprise Risk Management Committee

f) Up-to-date Risk Registers

g) A Review Process

h) A well-defined Risk Governance and Responsibilities

i) Defined Risk Appetite

j) A system for Independent Review

k) Address all material risk (at a minimum covering Market risk, Credit risk, Operational risk, Liquidity risk, Reinsurance risk, Underwriting risk, Reserving risk, Claims management risk, Group risk, Reputational risk and Legal risk.

12.3. The guidelines require that the risk management framework address all material risks including, Credit Risk, Operational Risk, Liquidity Risk, Reinsurance Risk, Underwriting Risk, Reserving Risk, Claims Management Risk, Reputational Risk, Group Risk and Legal Risk.

Risk Management Framework

12.4. The major focus of the Company's ERM Framework is to ensure that the Company complies with sound risk management practices in achieving its business goals and objectives, as well as ensuring that material risks are focused on in an integrated manner, rather than in isolation.

12.5. The Company's ERM framework aims to enable the Company to:

a) Identify and understand the full spectrum of risks facing the Company.

b) Define its appetite for risk, based on its strategic objectives.

c) Assess, measure and quantify the risks identified.

d) Develop risk mitigation and control techniques.

e) Enhance the overall performance of the Company; and,

f) Comply with all regulatory requirements with respect to risk management practices

12.6. The Risk Management Strategy refers to the Company's strategy with regards to the types of business and risks that it is willing to participate in and provides guidance on the approach to measuring and managing risk and return, which is consistent with the overall business strategy.

12.7. NAICOM's guidance on risk management requires that all insurers within the Nigerian insurance market develop a Risk Management Strategy. The Company confirmed that the Risk Management Strategy utilized is embedded in the Risk Management Framework.

12.8. Management identified the main risks the company is exposed to as being Counterparty Default Risk, Insurance Risk, Liquidity Risk, Reputational Risk, Operational Risk and Counterparty Default Risk

12.9. The Company's risk strategy for the next year is:

a) To focus on macro-economic risks ranging from inflation rate risk, foreign exchange risk, political risk, business risk, operational risk, risks associated with engagements with counterparties and their potential impact on the company's operations.

b) To ensure the adequacy of mitigants to avoid undue exposure to its insurance risk, credit and counterparty risk, and regulatory risk.

12.10. The company also intends to improve the risk management framework by:

a) Entrenching the risk culture company wide.

b) Adopting risk-adjusted performance measurement techniques in the company's operations.

c) Process automation across key functions.

d) Improved cyber risk management.

e) Implementation of an ESG framework.

Risk Appetite Framework

12.11. The Company has a risk appetite statement that articulates its appetite for Underwriting risk, Counterparty Default Risk, Operational risk, Market risk, Investment risk, Liquidity risk, Reputational risk, Strategic/Business risk and Legal risk. These are articulated by using a combination of quantitative and qualitative statements.

Risk Governance

12.12. The Company identified a few of the major risk areas and is addressed in the ERM Framework, including the insurance-specific risks namely, Reinsurance Risk, Underwriting Risk, Reserving Risk and Claims Management Risk, as prescribed by the regulatory guidelines. However, Group Risk required by the regulatory guidelines is not addressed in the framework.

12.13. The following table sets out the roles and responsibilities of the Board, Board Enterprise Risk Management Committee ("BERMC") Risk Committees and Risk Management Department as stated in the ERM framework:

Board of Directors	BERMC Risk Committees	Risk Management Function
The Board is responsible for: • Establishment of governance structure (board subcommittees, executive responsibilities and risk management and assurance functions) • Approval of risk policies to mandate a set of standards for risk management throughout the Company that include risk identification, measurement, setting of exposure and risk limits, monitoring and control and risk reporting • Forming a view of the risk culture in the Company, and the extent to which that culture supports its ability to operate consistently within its risk appetite, identifying any desirable changes to the risk culture and ensuring the organization takes steps to address those business risks	The BERMC is responsible for: •Effectively coordinating the efforts of management risk committees to provide an integrated view of risks faced by the Company to the Board at regular intervals • Effectively implement the Board's strategy for risk management • Reviewing reports on the Company's risk profile, the action plans in place to manage high risks, and monitoring progress against plans to achieve these actions • Making suitable recommendations to the Board as it sees fit and examining any other matters referred to it by the Board • Reviewing issues raised by Internal Audit that impact risk management and making suitable recommendations to the Board	The Risk Management Function is responsible for: • Understanding the business strategy of the Company and using necessary measures to influence both the Board and the managers and employees responsible for making day-to-day decisions • Providing overall direction for enterprise-wide risk management framework across the Company, for the management of risks • Defining policies, processes and strategy for the management of risks, including risk philosophy, appetite, tolerance limits • Extending risk principles into wider business strategy • Enabling the Company to make decisions based on a better appreciation of the relationship between risk and reward

Board of Directors	BERMC Risk Committees	Risk Management Function
• Overseeing the ERM framework and its operationalization by management • Setting appetite for risk taking at the firm level and at various levels consistent with business strategies • Approving the Company's risk management strategy • Ensuring effectiveness, independence, and integrity of the risk management system through internal control and audit	• Approval of exceptions to the risk policies upon thorough enquiry into circumstances leading to exceptions, nature, size and genuineness of exceptions	• Identifying and monitoring emerging risk that may be material for the Company in future due to changes in the risk environment • Reviewing and performing analysis of the Company's business and investment proposals to ensure that risks have been adequately identified and mitigating factors put in place • Ensuring business continuity, defined as the ability to sustain operations in the event of major losses and have crisis management policies in place

Three Lines of Defence Model

12.14. The Company has adopted the three lines of defence model for its risk governance framework, specifying roles and responsibilities for each line of defence and ensuring independence of the parties involved.

12.15. The following table provides a brief summary of the model:

Line of Defence	Parties Responsible	Risk Management Function
First line of Defence	Business Units and support functions with primary responsibility for risk management	• Identifying, reporting and prioritizing existing and emerging risks • Implementing the Company's policies and managing daily risk exposures by using appropriate procedures and internal controls • Identifying risk events and losses, reporting and escalating material risks and implementing remedial actions to address these issues
Second line of Defence	Business units and functions responsible for providing independent risk oversight, monitoring and challenge of the effectiveness of the Company's risk management process	• Establishing risk policy, standards and limits, and monitoring adherence • Providing risk oversight and independent reporting to Executive Management and the Board • Assisting the first line of defence in implementing the Company's risk management framework and policy • Establishing a measurable and systemic process for risk assessment and governance reporting

Line of Defence	Parties Responsible	Risk Management Function
		• Ensuring the effectiveness of risk management actives and allocating resources to execute risk management initiatives • Providing analytics, guidance and coordination among diverse business units • Providing independent review and reporting on the effectiveness of the risk management policy as implemented by the first line of defence
Third line of Defence	Functions with primary responsibility for assessing and providing independent assurance on the adequacy, appropriateness and effectiveness of the Company's overall risk management framework, policy and actions	• Assessing the adequacy and effectiveness of the Company's risk management and control framework • Monitoring compliance of business units and support functions with the risk policies and procedure

Risk Management Process

Risk Identification

12.16. The objective of the risk identification process is to generate a comprehensive list of known and emerging risks and sources of risks which could have a material adverse impact on the financial condition, capital position, reputation and sustainability of the Company. The Risk Register is also populated and updated as part of the risk identification process.

12.17. The various methods or techniques that are utilised as part of the risk identification process includes Workshops and Brainstorming sessions, One-on-one interactions with various parties within the Company, Questionnaires and Surveys, Risk and Control Self-Assessment and Data Analysis.

Risk Assessment

12.18. As a next step, all risks that are identified during the risk identification process are assessed. The assessment is conducted through Desktop-based assessments, facilitated workshops, Structured interviews and Questionnaires.

12.19. As part of the assessment process all risks are assigned a probability of occurring and the expected impact on the Company if the risk should materialize. A residual risk rating is calculated by taking the effectiveness of the respective risk controls into account.

12.20. The assessment of the various risks is used as an input into deciding how that risk needs to be managed. A qualitative assessment method is adopted that assigns "Rare", "Unlikely", "Possible", "Likely and "Almost Certain" to the likelihood of occurrence. Similarly, the Impact is assigned a rating of "Insignificant", "Minor", "Moderate", "Major" and "Catastrophic".

Risk Mitigation

12.21. Following the assessment of the risks within the Company, the appropriate risk management techniques and various control mechanisms are identified for each risk. As part of the process, it is ensured that those risks that are retained are managed to be within the Company's risk appetite and available resources.

12.22. Risk management and mitigation decisions include Risk Tolerance; Risk Avoidance and Risk Transfer/ Sharing.

12.23. The 2023 Financial Statements specify how Credit Risk, Operational Risk, Market Risk, Liquidity Risk, Underwriting Risk, Strategic Risk, Capital Risk, Reputational Risk, and Information Technology ("IT") Risk is managed within the Company. The Company has identified the following main risk types and the method of management for these risks:

Risk	Risk Management Process
Credit Risk	• The Company's exposure to credit risk is primarily derived from unpaid premium from those insured or brokers, non-recovery of claims paid from insurers and inability of financial institutions to remit the matured principal investment and accrued interest. • The Company has reviewed its Counterparty Credit Risk policy to incorporate the mitigation against default arising from Co-insurance transactions. • Monitoring of the Banking Industry. • The Company further manages its exposure through established limits as approved by the Board.
Market Risk	The Company's identification, management, measurement, and reporting of market risk is designed along the following major risk factors: interest rate risk, foreign exchange risk and equity price risk.
Liquidity Risk	• The Company's policy is to maintain adequate liquidity and contingent liability to meet its need under normal conditions. • The Company also mitigates liquidity risk by monitoring cash activities and expected cashflows. • The Company has zero tolerance for liquidity risk and is committed to meeting all liabilities as they fall due. • The Board approves the Company's liquidity policy and contingency funding plan, which includes establishing liquidity tolerance levels. • Liquidity positions are monitored and measured by calculating the net liquidity gap.

Risk	Risk Management Process
Underwriting Risk	• The Company's risk management and control function ensures that underwriting standards are never compromised due to pressure from various stakeholders. • The Company analyzes insurance exposures, claims, product profitability and other relevant risk issues. • The Company investigates unusual claims, large sum assureds and high variability in quotations submitted to the clients to ensure that unnecessary risks are not taken. • The Company ensures compliance with the regulatory requirements as it relates to underwriting. • There is a process for assessing brokers' procedures and systems. • Audits of ceding companies are performed to ensure reinsurance assumed is in accordance with treaties. • The factors that the Company uses to classify risk is highly objective, clearly related to the likely cost of providing coverage, practical to administer, consistent with applicable law, and designed to protect long-term viability of the insurance program.
Insurance Risk	The Company assesses and monitors insurance risks through data analysis and stress testing.
Capital Risk	• The Company's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations. • The company steers its portfolio using a comprehensive view of risk and return, i.e., results based on the internal risk model, including scenario-based analysis, are actively used for decision making. On one hand, economic risk and concentrations are actively restricted by means of limits. On the other hand, return on risk capital (RORC) is a key input in the Company. The latter allows the company to identify profitable lines of business on a sustainable basis, which provides reasonable profits on allocated risk capital. • The Company further developed an internal capital adequacy model that assesses the risk of assets, policy liabilities and other exposures by applying various factors. The model calculates the capital required for each class of the broad risks identified by the Company and aggregates through co-variance methodology that considers the relationship among these risk categories.

Risk Monitoring

12.24. The Company monitors its risks to ensure the Company's risk priorities and risk treatment plans remain relevant. Actual progress against the risk treatment plan is monitored and is used as a performance measure of the plan. Risk reviews form part of normal management reviews.

Risk Reporting

12.25. Reporting enables the decision-makers to evaluate potential risks in a timely manner. Progress reports and benchmarks against previous reports and leading industry practices are reported. The Company's ERM framework stipulates various attributes that need to be included in the Company's reporting system. The Company will need to ensure that these are followed and implemented effectively.

Business Continuity

12.26. The Company has confirmed that a Business Continuity Plan and Framework is in place. The Business Continuity Plan is tested regularly in line with the Business Continuity and Disaster Recovery Policy.

Material Risks Identified

12.27. The following summarizes the key risks faced by CIP, as well as their impact and implications, based on our review as the Appointed Actuary:

Insurance Risk

12.28. This is the risk that inadequate pricing or inappropriate underwriting, product design, pricing and claims settlements could expose the company to a financial loss or inability to meet its contractual obligations.

12.29. CIP's gross combined ratio deteriorated as observed in the movement from 33.4% in 2022 to 39.0% in 2023 mainly occasioned by worsened gross incurred claims ratio from 12.7% in 2022 to 19.8% in 2023 which is unfavorable.

12.30. However, on a net basis, the combined ratio improved from 57.9% in 2022 to 45.1% in 2023 largely driven by the high recoveries during the year from the Engineering and Marine classes.

12.31. With the adoption of the IFRS 17 Standard, we recommend that CIP assesses the performance of the insurance service result at a class wise basis and analyses the gross performance separately from the reinsurance service result.

Credit Risk

12.32. High proportions of premium debtors relative to the GWP has a significant negative impact on the Company's liquidity which could affect the company's ability to meet its obligation to policyholders when they fall due if not corrected. This could also lead to reputation risk and regulatory risk.

Reinsurance Risk

12.33. Reinsurance arrangements are relied upon to mitigate the insurance exposure amongst other benefits. CIP has experienced a negative reinsurance impact over the last two years whereby the net loss ratio is higher than the gross loss ratio. This is indicative of a mismatch in the cost incurred versus the benefit derived from the reinsurance arrangements.

Liquidity Risk

12.34. Whereas as a going concern, CIP is expected to receive premium income, as well as premiums from new business to offset these cashflows demands, the liquidity position should be monitored closely for the short term as a liquidity gap in this period is observed. A proper asset liability matching exercise should ensure that the assets and liabilities are matched both in respect of timing and amounts.

Compliance Risk

12.35. This is the risk that a change in the current legislation or global reporting requirement will affect a company, or industry. This is especially because companies must abide by regulations set by governing bodies that oversee their industry.

12.36. CIP should be wary of any adverse effects of future compliance requirements. This is especially with the impeding adoption of the global requirements as well the possible shift to the Risk Based regime for the Nigeria insurance industry. Such changes are bound to have implications on operational costs and sometimes could even introduce restrictions to a company's normal operations.

13. Appendix

Yield Curve as at 31 December 2023

Year	Discount Rate
1	12.5
2	14.8
3	14.6
4	15.4
5	16.2
6	16.4
7	16.1
8	15.9
9	16.2
10	16.9
11	17.4
12	17.5
13	18.6
14	19.0
15	18.9
16	18.8
17	18.8
18	18.7
19	19.7
20	21.1

Risk Adjustment Factors

IFRS 17 Portfolio	2023
Aviation	0.0%
Bond	0.0%
Engineering	7.7%
Fire	10.8%
General Accident	10.5%
Marine	14.0%
Motor	7.8%
Oil & Energy	6.4%