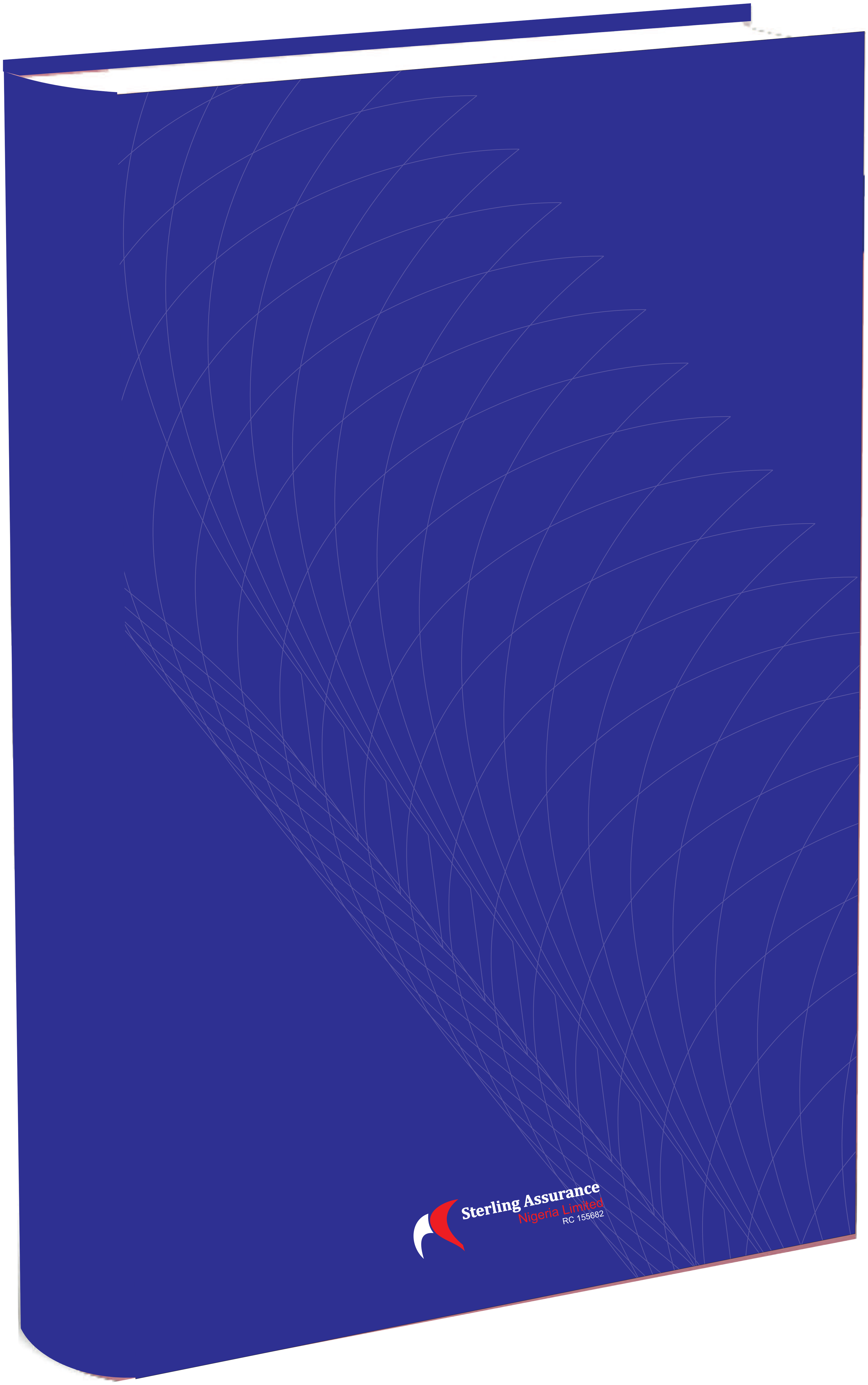
front view


Sterling Assurance
Nigeria Limited
RC 155682
2021
Annual Report
& Accounts

back view



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MISSION STATEMENT

TO BE A WORLD CLASS PROVIDER OF INSURANCE AND OTHER FINANCIAL SERVICES THROUGH INNOVATIVE IDEAS USING HIGHLY MOTIVATED WORKFORCE AND MODERN TECHNOLOGY TO DELIVER SUPERIOR RETURNS TO STAKEHOLDERS.

Core Values

- Teamwork
- Reliability
- Integrity
- Responsiveness

CORPORATE INFORMATION

DIRECTORS:	PROF. T. A. J. OGUNBIYI	CHAIRMAN
	DR. F. K. LAWAL	MANAGING DIRECTOR/CEO
	MR. A. A. AKINGBADE	EXECUTIVE DIRECTOR
	MR S. A. ADEGBESAN	EXECUTIVE DIRECTOR
	MBS, A. FATADE	NON EXECUTIVE DIRECTOR
	MBS. A. SUBAIR	NON EXECUTIVE DIRECTOR
	DR. S. A. ALAO	INDEPENDENT DIRECTOR

SECRETARIES;

NIGERIAN NOMINEES LIMITED
8/9, MUSON CENTRE, ONIKAN,
LAGOS, NIGERIA FRC/2019/00000012 948

REGISTERED OFFICE;

284, IKORODU ROAD, ANTHONY
LAGOS, NIGERIA.

BRANCHES;

(a) S/W 1407, (OPP. HONEY PETROL STATION). RING ROAD. IBADAN.
(b) 22, KOFODIRUA STREET, BESIDE UBA, ZONE 2, ABUJA.
(c) 2, IKWERE ROAD, PORT HARCOURT.
(cl) 229, JAKPA ROAD, EFUNRUN WARRI.
(c) 37, NIGER STREET, KANO.
(f) 6, AHMADU BELLO WAY, KADUNA.
(g) SUITE 10, ANIYELOYE SHOPPING MALL, ALONG FAJUYI RD,, ADO-EKIT1.
(h) 19, UNITY ROAD, ILORIN KWARA STATE.
(i) 31, MARINA, LAGOS.

PRINCIPAL BANKERS:

ACCESS BANK PI.C
FIRST CITY MONUMENT BANK PLC

AUDITORS:

T. A. BALOGUN *& CO.*
(CHARTERED ACCOUNTANTS)
14. ASHIMOWU STREET
1FAKO, GBAGADA
LAGOS, NIGERIA.
FRC/2014/ICAN 00000008630

ACTUARIES

O *&* A HEDGE ACTUARIAL CONSULTING (FRC/2019/00000012909)
SUITE 28, MOTOR WAYS CENTRE,
ALAUSA IKEJA, LAGOS.
FRC/20I6/NAS/00000015764

ESTATE VALUER

NDUBUIS1 MORDI *&* ASSOCIATES (FBC72019/00000013011)
94A, CEMETERY STREET,
EBUTTE-METTA, LAGOS.
FRC/20I3/NIESV/00000004I96

FINANCIAL HIGHLIGHTS

Statement of Financial Position As at 31 December	2021	2020	Change	%
ASSETS	**N000**	**N000**	**N000**	
Cash and Cash Equivalents	737,626	378,939	358,687	94,7
Financial Assets	1,661,626	1,746,775	(85,150)	(4.9)
Trade Receivables	275,537	295,834	(20,297)	(6.9)
Reinsurance Assets	1,368,146	1,468,007	(99,861)	(6.8)
Deferred Acquisition Cost	443,369	140,139	303,230	216.4
Other Receivables and Prepayments	235,553	336,695	(101,142)	(30,0)
Investment Properties	1,430,000	1,270,000	160,000	12,6
Property, Plant and Equipment	724,595	717,350	7,245	1.0
Statutory Deposit	300,150	300,150	-	-
Total Assets	**7,176,602**	**6,653.889**	**522,712**	
LIABILITIES				
Insurance Contract Liabilities	1,135,636	1,154,945	(19,309)	(1.7)
Trade Payables	31,163	56,615	(25,452)	(45.0)
Provisions and Other Payables	210,732	133,879	76,853	57.4
Retirement Benefit Obligations	227,048	206,270	20,778	10.1
Current Income Tax Liabilities	79,414	30,003	49,412	164.7
Deferred Tax Liabilities	86,738	88,309	(1,571)	(1.8)
Total Liabilities	**1,770,731**	**1,670,021**	**100,710**	-
EQUITY				
Paid-up Share Capital	4,064,351	4,064,351		
Share Premium	70,393	70,393		
Statutory Contigency Reserve	1,450,684	1,310,374	140,310	10.7
Retained Earnings/(Accumutated Losses)	(416,068)	(653,128)	(237,060)	36.3
Other Reserves	(47,093)	(58,031)	(10,938)	18.8
Fair- value Reserves	25,663	45,491	(19,828)	(43.6)
Revaluation Reserves	257,94!	204,419	53,522	26.2
Total Equity	**5,405,871**	**4,983,869**	**(73,994)**	
Total Liabilities and Equity	**7,176,602**	**6,653,889**	**26,717**	

Profit or Loss and Other Comprehensive Income For the year ended 31 December	2021	2020	Change	%
	N000	**N0D0**	**N000**	
Gross Premium Written	4,677,009	3,949,079	727,930	18.4
Net Premium Income	3,373,639	3,228,230	145,409	4.5
Underwriting Results	2,045,964	1,403,091	642,873	45.8
Investment Income	161,312	270,329	(109,017)	(40.3)
Profit before Taxation	447,542	214,476	233,065	108.7
Income Tax Expense	(70,172)	(16,987)	(53,185)	313.1
Profit for the year	377,370	197,489	179,881	91.1

Per share data (kobo)		
Earnings	4.64	2.43
Net Assets	66.50	61.31

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 23rd Annual General Meeting of **Sterling Assurance Nigeria Limited** will be held at **The Function Room, Muson Centre, 8/9 Marina, Onikan, Lagos on Wednesday, 14th September, 2022 at 2pm** to transact the following business:

ORDINARY BUSINESS

1. Lay before the meeting the Audited Financial Statements for the year ended 31st December, 2021 with the report of the Directors and Auditors thereon.
2. Authorise the Directors to fix the remuneration of the auditors.
3. Disclose the remuneration of managers of the Company.

SPECIAL BUSINESS

4. Approve the Directors' emoluments.

BY ORDER OF THE BOARD

NIGERIAN NOMINEES LIMITED
SECRETARIES.

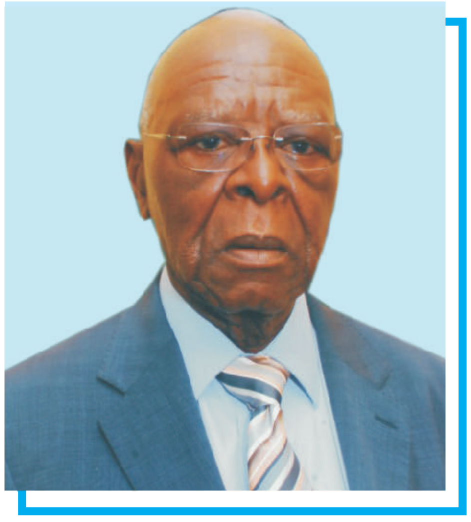
Dated: 31st August, 2022
Lagos, Nigeria.

NOTES

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.

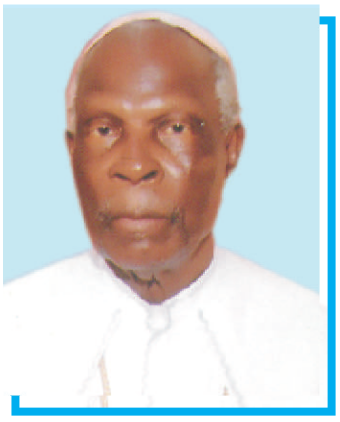
To be valid for the purpose of the meeting, the enclosed Proxy Form must be completed, duly executed and deposited at the office of the Company Secretaries, Nigerian Nominees Limited, 8/9 Marina, Onikan, P. O. Box 1443, Lagos not less than 48hours prior to the time of the meeting.

THE BOARD OF DIRECTORS



Prof. Theo A. J. Ogunbiyi
Chairman

Mrs. A. Fatade
Director



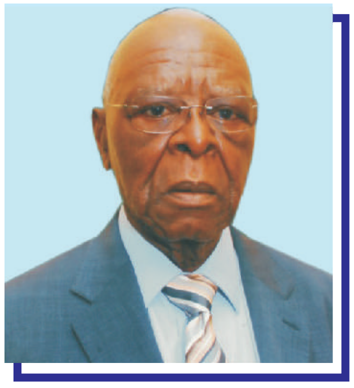
Dr. S. A. Alao
Independent Director

Mrs. A. Subair
Director

S A. Adegbesan
Executive Director

Dr. F. K. Lawal
Managing Director

A. A. Akingbade
Executive Director



Prof. Theo A. J. Ogunbiyi
Chairman

Board Members,
Shareholders & Proxies,
Our Regulatory Authorities, (NAICOM)
Distinguished Guests,
Ladies & Gentlemen,

I am particularly happy to report that Sterling Assurance Nigeria Limited did significantly better in 2021 than in the previous year.

Gross Premium written and Net Premium income exceeded what was achieved in 2020. Accordingly, Underwriting Result surpassed the previous year even though Investment Income was less than what was achieved in 2020 due to the parlous state of the Nigerian economy.

The overall result was positive which has enabled us to further water down the loss brought forward from past years.

Although the year 2021 presented a harsh economic environment, it no doubt marked a gradual return to normalcy from the depressing effects of the Corona Virus (Covid-19) pandemic on business operations globally. The reality of Covid-19 is still with us but, in the midst of this, the company was still able to record some positive changes in 2021.The cheering news is the improvement in profitability in 2021 compared to past performance!

GLOBAL ECONOMIC OUTLOOK
Often times, happenings in other climes usually have significant effect on business activities or otherwise. The impact can be positive or negative as the case may be. Impacts on developing economies and the companies operating therein can be of great consequences.

The global economy was projected by the International Monetary Fund (IMF) to grow by about 6% in 2021 not ruling out the challenges of a persisting pandemic with variants of the virus emerging and spreading all over the globe. The hope of economic growth was predicated on the anticipated improvement in the worldwide vaccine production and distribution. The projection was a sharp contrast to the -4.9% reviewed projection for year 2020 when total lockdown was prevalent for a significant part of that year.

Although economic recovery continued in the early part of the year under review, the International Monetary Fund (IMF) in their October World Economic Outlook Report reviewed the projected growth to 5.9%. This is a 0.1% lower than the earlier projection which was attributed to supply disruption in advanced economies and unabated pandemic signs for low-income countries.

As at January 2021, the price of the benchmark crude Brent which was $54.77 per barrel had moved to $74.00 by December. The rising price of crude in the international market meant additional forex revenue for Nigerian Government. This should ordinarily translate to increase in the country's external reserves and also help in stabilizing the exchange rate of the local currency because oil is the country's major revenue earner.

The above possibilities were eroded by huge fuel subsidy burden as N1.4 trillion was said to have been spent to subsidize local consumption in 2021. However, the global economy emerged stronger in 2021 with a GDP 5.88% (-3.29% in 2020).

Major economies also posted growth figures. Two of the largest economies – the United States and China reported 5.97% and 8.02% respectively while that of the United Kingdom was 6.76%, when compared with the 2020 figures of the three countries (United States: - 3.40%, China 2.35% and United Kingdom: -9.40%).

OPERATING ENVIRONMENT
The Nigerian Government, in a bid to diversify its revenue sources and increase the income from tax, passed the Finance Act 2021 into law. A cardinal part of this law was the increase of Value Added Tax from 5% to 7.5%.

GROSS DOMESTIC PRODUCT
After coming out of the second recession by Q4, 2020, the economy recorded positive growth in the Quarterly Gross Domestic Product rates in 2021. The National Bureau of Statistics reported a GDP of 3.4% for the year. Q1 growth rate was 0.5% which improved to 5.01% in Q2. In Q3, there was a slight drop to 4.03% before the last Quarter closed the year with 3.98%. The Q4 2021 rate was higher than the 0.11% recorded during the corresponding period in 2020.

As at Q4 2021, the growth recorded in the GDP was attributed to significant contributions from the non-oil sector of the economy. While the growth in the oil sector was -8.06%, the non-oil sector driven mainly by Agriculture, Trade, Information and Communication, Finance and Insurance recorded 4.73%.

EXCHANGE RATE
The Exchange Rate of the Nigerian Naira NGN to other major currencies depreciated in 2021. USD $, the major currency which exchanged for $1:N379.50 on the last trading day of 2020 closed year 2021 with $1:N412.99. Measures taken by the Central Bank of Nigeria (CBN) including the stoppage of forex sales to Bureau De Change (BDC) operators continued to exert pressure on the NGN as supply of forex remained limited due to diminished foreign investments and Diaspora inflows. The gap between the official exchange rate and that of the parallel market has thus widened to as much as N145, an all-time high (the volatile parallel market rate got to N575 in 2021 and now above N630).

In the downstream sector of the Petroleum industry, there has been relief for motorists and other consumers of Premium Motor Spirit otherwise known as petrol. The subsidy regime remained in place with price stability at N165 per litre. Conversely, the price of Automotive Gas Oil (AGO or Diesel) which industries and other organisations depend heavily on to power their operations has remained high and recently hit the roofs. From just under N300 per litre in 2021, the price went as high as N800 in recent times.

NIGERIAN INSURANCE ENVIRONMENT
The Nigerian operating environment of the insurance sector in 2021 marked a remarkable departure from the preceding year which was an offshoot of several months of the pandemic-induced lockdown and thereafter the #End-SARS protests. However, the insurance sector cannot be separated from the larger economy where inflation rate remained high and only dropped marginally to 15.63% in December from 17.03% in January of 2021. Single digit rate remains a far cry and this has continued to have serious impact on the disposable incomes of the insuring public.

The insurance industry was able to grow its premium to N630 billion in 2021 from the N513 billion recorded in 2020. This is a 65% growth over a five-year period as the premium income for the entire industry was N380 billion in 2016. The target premium income of N1 trillion based on projections by the regulator – National Insurance Commission (NAICOM) is yet to be attained as several initiatives to deepen insurance penetration are yet to yield the desired results.

Meanwhile, the policy on recapitalization of companies was on hold during the year though there are indications of a resort to the earlier suspended Risk-Based Capital model.

RESULT FOR THE YEAR

You will recall that at the beginning of this my report, I stated that our company recorded some modest improvement despite the harsh economic environment we operate in. The Gross Premium written increased from N3,949,079,000 in 2020 to N4,677,009,000 in 2021 which was an improvement of 18.4%. The Gross Premium Earned increased from N4,097,311,000 in 2020 to N4,646,308,000 in 2021 with a positive variance of 13.40%. The Profit Before Tax (PBT) recorded a significant growth of 108.7% from N214,476,000 in 2020 to N447,542,000 in 2021. The Profit After Tax (PAT) for 2021` was N377,370,000 compared with N197,489,000 attained in 2020.

However, the Investment Income declined by 40.30% comparing the N161,312,000 figure of 2021 with N270,329,000 earned in 2020. The Net Assets increased from N4,983,869,000 in 2020 to N5,405,871,000 in 2021 with a positive variance of 8.47%.

FUTURE OUTLOOK

The effects of the pandemic are still prevalent locally and internationally, mostly affecting the way operations are conducted. Your Company is also leveraging on technology to improve market penetration, processes and efficiency in service delivery.

The rising inflation, insecurity, climate change, Russia-Ukraine war, hike in fuel pump prices, unstable labour market, new waves of covid-19 among other challenges are what to confront in 2022.

However, with the full opening of the global economic activities to the pre-pandemic levels, we are set for a remarkable improvement in our performances.

ACKNOWLEDGEMENTS

In closing, my deep appreciation goes to my colleagues on the Board for their policy guidance and the entire Management and Staff ably led by our committed Managing Director, Dr. Fatai Lawal for their hard work and determination to ensure continuing growth and profitability.

Our gratitude and thanks go to our esteemed Regulators, Insurance Brokers, Auditors, Agents and clients who are the bedrock of our operations and improvements yearly.

I continue to enjoin shareholders to have abiding faith in the company as their investment is secure and valuable.

Thank you all.

Prof. T. A. J. Ogunbiyi
Chairman

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER, 2021

L. REPORT

The Directors forward to the members herewith the audited accounts for the year ended 31 December, 2021.

2. RESULT

	2021 N000	2020 N000
Underwriting Result	2,045,964	1,403,091
Investment & Other Income	161,312	270,329
Profit Before Tax	447,542	214,476
Profit After Tax	377,370	197,489

3. PRINCIPAL ACTIVITY

The Company's principal activity is the provision of General Insurance Underwriting Services.

4. DIRECTORS

The Directors during the year and their respective Shareholdings are:-

		2021 Units (000)	2020 Units (000)
Prof. T.A.J. Ogunbiyi	Chairman	76,525	76,525
Dr. F. K. Lawal	Managing Director/CEO	54,191	54,191
Mr. A. A. Akingbade	Executive Director		
Mr. S. A. Adegbesan	Executive Director		
Mrs. A. Fatade	Non-Executive Director	20,000	20,000
Mrs. A. Subair	Non-Executive Director		
Dr. S. A. Alao	Independent Director		

5. STAFF

The number of staff presently in employment is:	2021	2020
Executive directors	3	3
Management staff	6	6
Non-management staff	85	96

6. DONATIONS

No donation was made to any political party during the year.

7. EMPLOYMENT AND EMPLOYEES

The Company's employment policy gives equal opportunities to everyone, regardless of gender and any form of disability.

8. HEALTH. SAFETY AND WELFARE OF EMPLOYEES AT WORK

Health and safety regulations are in force within the premises of the Company. The Company provides or subsidises transportation, lunch and medical facilities to all levels of employees. Employees also benefit from the Company through its gratuity scheme.

9. RELATIONSHIP WITH SHAREHOLDERS

The Annual General Meeting is the highest decision making of the Company and it is conducted in a transparent and fair manner.

The Board places a high premium on effective communication with the Shareholders. This is achieved through the medium of annual report and meetings. The Board also welcomes participation of all Shareholders at the Annual General Meeting during which Shareholders are able to ask questions that need clarifications from the Directors.

10. AUDITORS

In accordance with Section 401 (2) of the Companies and Allied Matters Act 2020, Messrs T. A. Balogun & Co. Chartered Accountants, having indicated their willingness, will continue in office as Auditors. A resolution will be proposed at the next Annual General Meeting authorising the Board to fix their remuneration.

11. COMPLIANCE WITH THE NIGERIAN CODE OF CORPORATE GOVERNANCE

The Directors confirm that they have reviewed the structure and activities of the Company in view of the Nigerian Code of Corporate Governance for the Insurance Industry in Nigeria published in March 17, 2021. The directors confirm that the Company has substantially complied with the provisions of the Nigerian Code of Corporate Governance with regards to matters stated therein concerning the Board of Directors, the Shareholders and the Audit Committee.

LAGOS, NIGERIA

BY ORDER OF THE BOARD

11 APRIL, 2022.

NIGERIAN NOMINEES LIMITED

SECRETARIES
FRC/2018/1ODN/000000I8994

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2020, requires the Directors to prepare financial statements for each financial year that present 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 and other comprehensive income. The responsibilities include ensuring that the Company:

i. 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, CAP C20 Laws of the Federation of Nigeria 2020;

ii. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

iii. 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 (IFRS) as issued by the International Accounting Standards Board (IASB), the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2020, Insurance Act 2003 and 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. 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.

The Directors have made an 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 year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Dr.Fatai.K. Lawal	**Prof. T.A.J. Ogunbiyi**
FRC/2013/CIIN/00000003330	FRC/2014/IODN/00000006925
11th April, 2022	11th April, 2022

REPORT OF THE STATUTORY AUDIT COMMITTEE FOR THE YEAR ENDED 31ST DECEMBER 2021

To the members of Sterling Assurance Nigeria Limited;

In accordance with the provision of Section 404 (7) of the Companies and Allied Matters, Act CAP C20, Laws of the Federation of Nigeria 2020, the members of the Audit Committee of Sterling Assurance Nigeria Limited hereby report as follows:

i. We have exercised our statutory functions under Section 404 (7) of the Companies and Allied Matters, Act CAP C20, Laws of the Federation of Nigeria 2020 and acknowledge the co-operation of management and staff in the conduct of these responsibilities,

ii. We are of the opinion that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2021 were satisfactory and reinforce the Company's internal control systems.

iii. We have deliberated with the External Auditors, who have confirmed that necessary co-operation was received from management in the course of their statutory audit and we are satisfied with the management's response to the External Auditor's recommendations on accounting and internal control matters and with the effectiveness of the Company's system of accounting and internal control.

Dr. S. A. Alao
Chairman, Audit Committee
FRC/2019/CIIN/OOOOOO19
421 Lagos, Nigeria.
08 April, 2022

<u>Members of the Audit Committee</u>

(i). Dr. S. A. Alao.	-Chairman
(ii). Mrs. A. Subair	- Member

T.A. BALOGUN & CO
CHARTERED ACCOUNTANTS

14, Ashimohu Street,
Ifako-Gbagada, New Garage, Lagos.
E-mail: balogun@tabc.com. ng
info@tabc.com.ng
Tel: 0703 900 0690, 0805 999 5568
+234-805 551 2555, +234-813-743-4244

INDEPENDENT AUDITOR'S REPORT

To the Members of Sterling Assurance Nigeria Limited.

Report on the Audit of the Financial Statements for the year ended 31 December, 2021.

Our Opinion

Wc have audited the financial statements of Sterling Assurance Nigeria Limited which comprise the statement of financial position as at 31 December, 2021, statement of profit or loss and other comprehensive income for the year then ended; statement of changes in equity for the year then ended; statement of cash flows for the year then ended; and notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, Sterling Assurance Nigeria Limited financial statements give a true and fair view of the financial position of the Company as at 31st December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), the Company and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2020, Insurance Act 2003 & the relevant policy guidelines & circulars issued by the National Insurance Commission of Nigeria (NAICOM) and Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

Wc conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards arc further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We arc independent of the Company in accordance with the International Ethics Standards Boards for Accountants' Code of Ethics for Professional Accountants (IESBA Code). Wc have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Insurance Contract Liabilities (Note 15)

The valuation of insurance contract liabilities involves high estimation uncertainties and significant judgment over uncertain future outcomes. Provisions for reported claims are based on historical experience. Based on the liability adequacy test carried out by an external firm of actuaries, the Management has estimated value of insurance contract liabilities in the financial statements to be N1.135 billion as at the year ended 31 December, 2021 and represents 64% of total liabilities.

The actuarial assumption applied in estimating amounts for IBNR include the expected average ultimate annual loss ratio. This estimate relics on the quality of the underlying data and involves complex and subjective judgments about future events.

This matter is considered a key audit matter in the financial statements.

How our audit addressed the key audit matter?

We evaluated the design effectiveness and implementation of key controls over claims and provision for outstanding claims balance.

We reviewed the valuation methodology for compliance with IFRS. We evaluated whether the actuarial methodologies were consistent with those used in prior years. We assessed the competence, independence and objectivity of the Company's Actuaries.

We tested the accuracy and completeness of the underlying data used in the actuarial valuations by checking to claims, underwriting and other data.

We considered recent experiences and the appropriateness of the judgment applied by Management on how future experiences will evolve and verified that the valuation considered the current estimate of all contractual cash flows

Valuation of Investment Properties (Note 12)

We focused on this area due to the size of the investment property balance and because the assessment of the value of the property involves judgment about the future cash flows from the property, the growth rate and the discount rate applicable to future cash flows

This matter is considered a key audit matter in the financial statements.

How our audit addressed the key audit matter?

We reviewed the valuation methodology to confirm consistency with previous years.

The discount and growth rates applied within the model were assessed for reasonableness by comparing to available market and economic information.

We assessed the competence, independence and objectivity of management's External Valuation Experts.

Other Information

The Directors and CEO are responsible for the other information. The other information comprises all the information in the Sterling Assurance Nigeria Ltd 2021 annual report other than the financial statements and our auditors' report thereon ("the Other Information").
Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, 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.

Based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, if we conclude that there is a materia! misstatement of this other information, we arc required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and those Charged with governance 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 (IFRS) and with the requirements of the Companies and Allied Matters Act, CAP C20, LFN 2020, Financial Reporting Council of Nigeria Act 2011, the Insurance Act 2003 of Nigeria and National Insurance Commission (NAICOM) circulars and for such Internal control as the Directors may determine 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 cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the audit of the Financial Statements

Our objectives arc to obtain reasonable assurance about whether the Financial Statement 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. We report our opinion solely to you, as a body, in accordance with section 404 (1) of the Companies and Allied Matters Act, Cap C20, LFN 2020 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 our audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 uncertainly 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 auditors' report to the related disclosure in the financial statements or, if such disclosures arc inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, further 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial statements. We are responsible for the directions, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance and the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including and significant deficiencies in internal control that we identified during our audit.

We also provide those charged with governance and the audit committee 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 and the audit committee, 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 matter. We describe these matters in our auditors' 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 public interest benefits of such communication.

Penalties

As stated in note 39 of these financial statements, the Company paid the sum of five hundred thousand naira only as penalty to National Commission for Insurance (NAICOM) for late filing of return during the year ended 31 December, 2021.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act CAP C20 (LFN 2020) and Section 28(2) of the Insurance Act, 2003

In accordance with the Fifth Schedule of the Companies and Allied Matters Act CAP C20 (LFN 2020) and Section 28(2) of the Insurance Act, 2003 require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) The Company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us; and

iii) The Company's statements of financial position and statement of Comprehensive Income are in agreement with the books of account.

TAJUDEEN BALOGUN, FCA,
FRC/2014/ICAN/00000008630
FOR; **T. A. BALOGUN & Co.**
Chartered Accountants
Lagos, Nigeria.

11 APRIL, 2022

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2021

	NOTES	2021 N'000	2020 N'000
ASSETS			
Cash and Cash Equivalents	6	737,626	378,939
Financial Assets	7	1,661,626	1,746,775
Trade Receivables	8	275,537	295,834
Reinsurance Assets	9	1,368,146	1,468,007
Deferred Acquisition Cost	10	443,369	140,139
Other Receivables and Prepayments	11	235,553	336,695
Investment Properties	12	1,430,000	1,270,000
Property, Plant and Equipment	13	724,595	717,350
Statutory Deposit	14	300,150	300,150
Total Assets		**7,176,602**	**6,653,889**
LIABILITIES			
Insurance Contract Liabilities	15	1,135,636	1,154,945
Trade Payables	16	31,163	56,615
Provisions and Other Payables	17	210,732	133,879
Retirement Benefit Obligations	18.2	227,048	206,270
Current Income Tax Liabilities	19.2	79,414	30,003
Deferred Tax Liabilit ies	19.3	86,738	88,309
Total Liabilities		**1,770,731**	**1,670,021**
Net Assets		**5,405,871**	**4,983,869**
EQUITY			
Paid-up Share Capital	**20**	4,064,351	4,064,351
Share Premium	**20**	70,393	70,393
Statutory Contigecny Reserve	21	1,450,684	1,310,374
Retained Earnings	**22**	(416,068)	(653,128)
Other Reserves	23.1	(47,093)	(58,031)
Fair- value Reserves	23.2	25,663	45,491
Revaluation Reserve	23.3	257,941	204,419
Total Equity		**5,405,871**	**4,983,869**
Total Liabilities and Equity		**7,176,602**	**6,653,889**

The financial statements were approved by the Board of Directors on 11 April, 2022 and signed on its behalf by:

Prof. T.A.J. Ogunbiyi
FRC/2014/IODN/00000006925 — Chairman

Dr. Fatai K. Lawal
FRC/2013/CI1N/00000003330 — **Managing Dirctor/CEO**

Sule O. Agboola
FRC/2012/1CAN/00000000375 — Chief Finan cial Officer

The accompanying notes form an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2021

	NOTES	2021 N'000	2020 N'000
Gross Premium Written	25	**4,677,009**	**3,949,079**
Gross Premium Earned	25	4,646,308	4,097,311
Reinsurance Premium Expenses	25	(1,272.668)	(869,081)
Net Premium Income		3,373,639	3,228,230
Fee income-insurance		153.109	155,148
Net underwriting Income		**3,526,748**	**3,383,378**
Claims Expense (Net)	27	(924,636)	(1,107,330)
Underwriting Expenses	28	(556.149)	(872,957)
Total Underwriting Expenses		**(1,480,784)**	**(1,980,287)**
Underwriting Results		**2,045,964**	**1,403,091**
Investment Income	29	89.802	183.667
Net realised gain	30	71,510	86,662
Other Operating Income	31	17,981	49,307
Revaluation gain on investment properties		160.000	
Employee Benefit Expense	32	(781,691)	(671,572)
Management Expenses	33a	(966,591)	(691,614)
Impairment on Reinsurance Assets	33b	(122,952)	(122,952)
(Loss)/Gain on Investment Securities	33c	(45,615)	
Results of Operating Activities		**(1,577,556)**	**(1,166,502)**
Finance Costs		**(20,866)**	(22.113)
Profit/(Loss) before Taxation		**447,542**	**214,476**
Income Tax Expense	19.1	(70,172)	(16,987)
Profit/)Loss) for the year		**377,370**	**197,489**
Other Comprehensive Income:			
Items that will not be subsequently reclassified to the profit or loss account:			
Changes in available -for-sale financial assets	23.2	(19,828)	(22.923)
Actuarial gains (losses) on defined benefit pension plans	23.1	10,938	(40.589)
Gains on Property revaluation	23.3	53,522	
Other comprehensive income for the year, net of tax		**44,632**	**(63,512)**
Total comprehensive income for the year		**422,002**	**133,977**
Basic and adjusted earnings per Share		**4.64**	**2.43**

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2021

	Share Capital N'000	Share Premium N'000	Contingency Reserves N'000	Fair-value Reserves N'000	Other Reserves N'000	Revaluation Reserves N'000	Retained Earnings N'000	Total N'000
Balance at 1 January, 2021	4,064,351	70,393	1,310,375	45,491	(58,031)	204,419	(653,128)	4,983,869
Profit for the year	-	-	-	-	-	-	377,370	377,370
Changes in the valuation of gratuity	-	-	-	-	10,938	-	-	10,938
Changes in fair value of available-for-sale	-	-	-	(19,828)	-	-	-	(19,828)
Changes in the valuation of land & building	-	-	-	-	-	53,522	-	53,522
Transfer to the contingency reserves	-	-	140,310	-	-	-	(140,310)	-
Balance at 31 December, 2021	**4,064,351**	**70,393**	**1,450,685**	**25,663**	**(47,093)**	**257,941**	**(416,068)**	**5,405,871**
Balance at 1 January, 2020	4,064,351	70,393	1,191,902	68,414	(17,442)	204,419	(732,145)	4,849,891
Profit for the year	-	-	-	-	-	-	197,489	197,489
Changes in the valuation of gratuity	-	-	-	-	(40,589)	-	-	(40,589)
Changes in fair value of available-for-sale	-	-	-	(22,923)	-	-	-	(22,923)
Changes in the valuation of land & building	-	-	-	-	-	-	-	-
Transfer to the contingency reserves	-	-	118,472	-	-	-	(118.472)	-
Balance at 31 December, 2020	**4,064,351**	**70,393**	**1,310,375**	**45,491**	**(58,031)**	**204,419**	**(653,128)**	**4,983,869**

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOW AS AT 31ST DECEMBER, 2021

	Notes	2021 N'000	2020 N'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Premium Received	47 (a)	4,697,306	3,658,140
Reinsurance Premium Paid	47(b)	(1,428,011)	(960,097)
Fees and Commission Received	47 (c)	153,109	149,899
Claims Paid during the year	47(d)	(1,313,202)	(1,829,098)
Claims Paid Recovered from Reinsurers	47(d)	568,307	758,205
Commission Paid	28	(470,075)	(252,195)
Maintenance Cost Paid	28	(389,304)	(626,011)
Cash Paid to and on behalf of Employees	47(e)	(750,747)	(607,102)
Exchange gains on cash and cash equivalents placements	30	71,510	75,281
Other Management Expenses		(944,403)	(704 ,739)
Tax paid during the year	19.2	(22,331)	(46,394)
Net Cash Flow from Operating Activities (A)		**172,160**	**(384,110)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	47(f)	121,904	205,306
Purchase of property, plant and equipment	13	(11,327)	(43,140)
Purchase of AFS measured at AFS	7(i)2	(80,164)	(322,411)
Purchase of Securities measured at HTM	7(iii)	-	(55,836)
Disposal of Securities measured at HTM	7(iii)	55,836	-
Addition of Loans and Receivables Financial Assets	7(iv)l	(44,461)	-
Repayment of Loans and Receivables Financial Assets	7(iv)1	15,000	162,739
Financial Assets carried at fair value disposed -AFS	7(i)	140,253	161,200
Proceeds from disposal of property, plant and equipment	47(gi)	-	11,381
Other Operating Income	47(gii)	10,353	10,107
Net Cash Flow from I nvesting Activities (B)		**207,393**	**129,346**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance Cost		(20'866)	(22,113)
Net Cash Flow from Financing Activities (C)		**(20,866)**	**(22,113)**
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)		358,687	(276,877)
Cash and cash equivalent at the beginning of the year		378,939	655,816
Cash and cash equivalent at the end of the year		**737,626**	**378,939**

The accompanying notes form an integral part of these financial statements

1.1 Reporting entity

The Company, Sterling Assurance Nigeria Limited formerly, known as Whispering Hope Insurance Limited was incorporated as a Limited Liability Company on 11 October 1990 under the law of Nigeria and is subject to the Nigerian Insurance Act CAP I17 LFN 2003. The Company is licensed mainly to carry out general business underwriting, claims payment and investment. Its head office and registered office is at 284,IkoroduRoad, Lagos, Nigeria.

These Financial Statements were authorised for issue by the Board of directors on 11 April, 2021.

1.2 Regulation

Sterling Assurance Nigeria Limited is regulated by the National Insurance Commission, NAICOM and all regulatory requirements and guidelines of the Commission are operative. This regulatory requirements, is a rigid observance of the 'no premium, no cover' provision of the Insurance Act, 2003.

1.3. Going concern

The Company is a going concern entity with very profitable operations and ready access to financial resources. The management believes that the going concern assumption is appropriate for the company and there is no going concern threats to the operations of the company. These financial statements were prepared on a going concern basis.

2. Basis of preparation and compliance with IFRS

2.1. Statement of compliance

These financial statements for the year 2021 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. (“IASB”), and interpretation issued by IFRS's interpretation committee (IFRIC), the Insurance Act of Nigeria and the relevant National Insurance Commission (NAICOM) guidelines and circulars, Company and Allied Matters Act, CAP C20, LFN 2020, the Financial Reporting Council of Nigeria Act, 2011 and other relevant statutes to the extent that they do not conflict with the provisions of IFRSs.

The financial statements present fairly the statement of financial position, statement of comprehensive income and the statement of cash flows of Sterling Assurance Nigeria Limited for the year ended 31 December, 2021.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the available-for-sale financial assets and investment properties, which are measured at fair value.

3. Changes in accounting policies and adoption of new standards

3.1 Effective standards not yet adopted by the Company

IF'RS 9 *Financial Instruments*
IFRS 9 became effective for financial year commencing on or after 1 January 2018 but the standard has not been adopted in preparing these financial statements as the company elected to adopt the deferral approach available to Insurance companies.

IFRS 9 is part of the lASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through OC1 and fair value through profit or loss.

Furthermore for non-derivative financial liabilities designated at fair value through profit or loss, it requires that the credit risk component of fair value gains and losses be separated and included in OC1 rather than in the income statement.
The Company will adopt IFRS 9 - Financial Instruments from 1 January 2022. The estimated impact of the adoption of the standard on the Company's equity as at 1 January 2022 is based on the assessments summarised below. The actual impacts of adopting the standard at 1 January 2022 are subject to change until the Company presents its first financial statement that includes the date of initial application.

Classification and Measurement
The standard uses one primary approach to determine whether to measure a financial asset at amortised cost, fair value through other comprehensive income (FVTOCf), or fair value through profit or loss (FVTPL) as against the IAS 39 classifications of FVTPL, Available-for-Sale (AFS) financial assets, Loans and Receivables and Held-to-Maturity (HTM) investments. The Company's business model is the determining factor for classifying its financial assets. Financial assets are measured at amortised cost if the business objective is to hold the asset in order to collect contractual cash flows that are solely payments of principal and interest (SPPI). Financial assets are measured at fair value through OCI if the business's objective is to collect contractual cash flows as well as cash flows from selling the asset.
The final category of financial assets are those assets where the business model is neither to hold for solely to collect the contractual cash flows nor selling to collect the cash flows and therefore classified as at fair value through profit or loss. These are financial assets that are held with the objective of trade and to realize fair value changes. The Company can also designate some of its financial assets at fair value through profit or loss if this helps to eliminate an accounting mismatch.

The table below provides the expected changes in classification on adoption of IFRS 9;

FINANCIAL AS SETS As at 31st December	IAS 39 classification	IFRS 9 classification	Carrying Amount 2021 N 000	Carrying Amount 2020 N000
Cash and Cash Equivalents	Loan & receivables	Amortised cost	737,626	378.939
Financial assets at Available-for-sale (AFS)				
Federal government bonds	AFS	FVTOCI	332,338	379.809
Quoted investments	AFS	FVTPL	313,674	333,502
Unquoted investments	AFS	FVTPL		
Loans and Receivables	Loan & receivables	Amortised cost	593,082	555,097
Held-to-Maturity Investment	H-T-M	Amortised cost		55,836
Trade Receivables	Loan & receivables	Amortised cost	275,537	295.834
Other receivables (less prepayments and other assets)	Loan & receivables	Amortised cost	17,174	96,284
Reinsurance assets (less prepaid reinsurance, outstanding claims *Sc.* IBNR)	Loan & receivables	Amortised cost	819,984	992,935

Impairment:

The Company believes that impairment losses are likely to increase for assets in the scope of IFRS 9 impairment model, although they are not expected to be highly volatile. The approach to impairment assessment under IFRS 9 will be determined by the final classification adopted in 2022.

Expected Credit Loss Impairment Model for Financial Assets

The Company's allowance for credit losses calculations are outputs of model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit to impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deteriorating from inception. The allowance for credit losses reflects an unbiased, probability -weighted outcome which considered multiple scenarios based on reasonable and supportable forecasts.

The Company adopts a three -stage approach for impairment assessment based on changes in credit quality since initial recognition.

- Stage 1 - Where there has not been significant increase in credit risk (SICR) since initial recognition of financial instrument, an amount equal to 12 months. For those instruments with a remained maturity of less than 12 months a probability of default corresponding to remaining term to maturity is used.
- Stage 2. When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

- Stage 3. Financial instruments that are considered to be in default are included in this stage. Similar to stage 2 the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (life lime expected credit loss), unless there has been no significant increase to credit risk since origination. Examples of financial assets with low credit risk (no significant increase in credit risk include Risk free and gilt edged debt investment securities that arc determined to have low risk at the reporting date; and other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Measurement of Expected Credit Losses
The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modeled based on macro-economic variables that arc most closely related with credit losses in the relevant portfolio.
The company employs the usage of international rating agencies PD factors which was modified by factors specific to the Nigerian Economy such as inflation rate, unemployment rate, GDP and so on.

Details of these statistical parameters/inputs arc as follows:-

- PD - The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been precious derecognized and is still in the portfolio.
- 12-months PDs - This is the estimated probability of default occurring with the next 12 months (or over) the remaining life of the financial instruments if that is less than 12 months) This is used to calculate 12 months ECLs
- Lifetime PDs - This is the estimated probability of default occurring over the remaining life of the financial instruments. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3 exposures/PDs arc limited to the maximum period of exposure required by IFRS 9.
- EAD. The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payment.
- LGD - The loss given default is an estimate of the loss arising in the case where a default occurs at a given time, basically, it is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD. However, the group make use of the combination of the following in establishing its LGD.

1) Fixed LGD ratios prescribed by the Bank for international Settlements (BIS) under the foundation approach
2) Recovery rates on insolvencies in Nigeria as published by the World Bank

Definition of Default and Credit Impaired Financial Assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data.

(i) Significant financial difficulty of the borrower or issuer;
(ii) A breach of contract such as a default or past due event
(iii) It is becoming probable that the issuer will enter bankruptcy or other financial reorganization; or
(iv) The disappearance of an active market for a security because of financial difficulties.
(v) The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Presentation of Allowance for ECL in the Statement of Financial Position

The Company assess the possible default events within 12 months for the calculation of the 12month ECL and lifetime for the calculation of life Time ECL. Given the investment policy, the probability of default for new instrument acquired is generally determined to be minimal and the expected loss given default ratio varies for different instruments. In cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

Loan allowances for ECL are presented in the statement of financial position as follows:

Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;

Financial assets measured at FVOCI: loss allowance shall be recognized in the statement of financial position because the carrying amount of these assets shall be their fair value. However, the loss allowance shall be disclosed and recognized in the fair value reserve.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Given the importance of asset and liability management within the insurance industry, the insurance operators and users of financial statements were concerns about the differing effective dates of the two standards - **IFRS 9 Financial instruments in** 2018 and 2022 for the forthcoming insurance contracts standard- IFRS 17.

The concern raised includes:

i. having to apply the IFRS 9 classification and measurement requirements before the adoption of the forthcoming insurance contracts standard;
ii. potential temporary increases in accounting mismatches and volatility in profit or loss and other comprehensive income (OCI) created by the change in classification of financial assets; and
iii. having two consecutive major accounting changes in a short period of time.

Consequently, the IASB issued its amendments to IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, which provide two optional solutions. The first solution is a **temporary exemption from IFRS 9,** effectively deferring its application for some insurers.

The other solution is **an overlay approach** to presentation to alleviate the volatility that may arise when applying IFRS 9 before the forthcoming insurance contracts standard.

Applying Exemption from IFRS 9

Predominance Assessment

The company conducted predominance test as required in paragraphs 20B and 20D of Amendments to

IFRS 4:

	2017		2015	
	Total	Total	Total	Total
	Liabilities	Qualifying	Liabilities	Qua1ifying
	N'000	N'000	N'000	N'000
LIABILITIES	(A)	TEST(B)	(A)	TEST(B)
Insurance Contract Liabilities	1,531.862	1,531,862	1,513,769	1,513.769
Trade Payables	44,027	44,027	15,852	15.852
Provision and other Payables	64,893		36,012	
Retirement Benefit Obligation	83,749	83,749	68,280	68,280
Current Tax Liabilities	45,137	45,137	10,046	10.046
Deferred Tax (connected to insurance contract)	74,238		49.692	
	1,843,906	1,704,775	1,693,651	1,607,947
Predominant Assessment (B/A)%		92.45%		94.94%

The company passed predominance assessment in 2015 as its total eligible liabilities of Nl,607,947,000 was 94.94% of the total liabilities of Nl,693,651,000 considered for predominance assessment.

The company carried out predominance re-assessment as permitted by paragraph 20G of Amendments to IFRS 4 at the end reporting period for 2017, at which date the company' liabilities connected to insurance was higher than 80%.

Paragraph 20J of Amendments to IFRS 4 slates that "If an entity no longer qualifies for the temporary exemption from IFRS 9 as a result of a reassessment (see paragraph 20G(a)), then the entity is permitted to continue to apply the temporary exemption from IFRS 9 only until the end of the annual period that began immediately after that reassessment".

The company has elected to apply the temporary exemption from IFRS 9 (deferral approach) and qualifies for the temporary exemption based on the following;

i. The company has not previously applied any version of IFRS 9

ii. its activities are predominantly connected with insurance contracts (see predominance assessment above and operating segments from which the company earn income and incur expenses);

hi. the eligible liability amount of the total liabilities arising from insurance contracts and insurance connected liabilities for the company sum up to N1.608 billion as at 31 Dec 2015 (31 Dec 2017: N1.705 billion), which is greater than the 80 per cent minimum of the total carrying amount of all its liabilities as at 31 Dec 2015 and 31 Dec 2017 respectively.

iv. as at 31 December 2015, which is the reporting date that immediately precedes 1 April 2016, the carrying amount of the company liabilities arising from insurance contracts was NI.608biIlion which was greater than 90 per cent of the total carrying amount of all its liabilities as at that date.

v. The company's activities have remained the same and are predominantly connected with insurance contracts as stated above.

vi. The nature and carrying amounts of the liabilities connected with insurance contracts are disclosed in note 15.

Based on the above, the Company will apply IFRS 9 together with IFRS 17 in 2023.

Fair value disclosures

The Company financial assets with contractual terms that give rise to cashflows that are solely payments of principal and interest on principal amount outstanding. The financial assets listed below are short - term in nature and are receivable within 12 months from the end of the reporting period and as such the carrying amount of these financial assets are deemed to be a reasonable approximation of its fair value.

Financial Assets that meet the SPPI Test Categories: Available for Sale (Note 7 (i)(2))	IAS 39 Carrying Amount as at December 31,202I N'000	IFRS 9 Fair Value as at December 31, 2021 N'000	Fair Value Changes (Impact on 2021 Accounts) N'000
Federal Government Bond Treasury Bills	332,338	332,338	
Total	**332,338**	**332,338**	
Loans and receivables (Note 7(iii) 1)			
Loan to policyholders	593,082	593,082	
Total	**593,082**	**593,082**	
Cash and Cash Equivalents (Note 6)			
Short term Bank Deposit	401,194	401.194	
Trade Receivables (Note 8) (I)			
Premium Due from Insurance brokers	275,537	275.537	
Grand Total	**1,602,151**	**1,602,151**	

Financial Assets that meet the SPPI Test Categories: Available (or Sale (Note 7 (I) (2)	IAS 39 Carrying Amount as at December 31,2020 N'000	IFRS 9 Fair Value as at December 31,2020 N'000	Fair Value Changes (Impact on 2020 Accounts) N'000
Federal Government Bond Treasury Bills	379,809	379,809	
Total	**379,809**	**379.809**	
Loans and receivables (Note 7(1 v 1)			
Loan to policyholders	555.097	555,097	
Total	**555,097**	**555,097**	
Cash and Cash Equivalents (Note 6)			
Short term Bank Deposit	1 15,205	115,205	
Trade Receivables (Note 8 (i))			
Premium Due from Insurance brokers	295.834	295.834	
Grand Total	**1,345,945**	**1,345,945**	

Financial assets with contractual terms that do not give rise to cash flows that are solely payments of principal and interest. They are listed as follows:

All financial assets other than those that meet SPPI Test

Categories	IAS 39 Carrying Amount as at Dcccmber31, 2021	IFRS 9 Fair Value as at December 31, 2021	Changes in Fair Value
	N'000	N'000	N'000
Statutory Deposit	300,150	300,150	
Available-for-Sale (Note 7(i) (3)) & 7 (ii) 1)			
Quoted investments at fair value (Note 7 (i) 3)	313,674	313,674	
Unlisted Equities Shares at cost (Note 7 (ii)1)	422,531	422,531	
Total	**1,036,355**	**1,036,355**	
as at December 31, 2020	**N'000**	**N'000**	**N'000**
Statutory Deposit	300,150	300,150	
Available-for-Sale (Note 7(i) (3)) & 7 (ii) 1)			
Quoted investments at fair value (Note 7 (i) 3)	333,502	333,502	
Unlisted Equities Shares at cost (Note 7 (ii)1)	422,531	422,531	
Total	**1,056,1 83**	**1,056,183**	

The measurement bases of all financial assets are expected to remain unchanged even after IFRS 9 adoption except for mainly those that meet the SPPI Test. Hence, there will be some changes in the gross carrying amounts of the financial assets upon the adoption of IFRS 9.

3.2. List of Standards, Amendments to Standards and Interpretations effective for a 31 December 2021 year-end

A. The effective interpretations and standards that need to be considered for financial years ended 31 December 2021 are listed below:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform
- Amendment to IFRS 16 - COVID-19-Related Rent Concessions beyond 30 June 2021

B. List of Standards and Interpretations not yet effective (but available for early adoption) for a 31 December 2021 year-end
Effective for the financial year commencing 1 January 2022
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

'C. Effective for the financial year commencing 1 January 2023

IFRS 17 Insurance Contracts, including amendments initial application of IFRS 17 and IFRS 9 - Comparative Information
Classification of liabilities as current or non-current (Amendments to IAS 1)

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12 Income taxes.

Effective at the option of the entity (effective date has been deferred indefinitely)
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

3.3. New and amended standards and interpretations not yet adopted by the Company

The following new or revised standards or amendments which have a potential impact on the Company are not yet effective for the year ended 31 December 2021 and have not been applied in preparing these financial statements. The Company is currently assessing the impact of the new or revised standards or amendments.

IFRS 17 including amendments Initial application of IFRS 17 and IFRS 9 - Comparative Information Insurance Contracts
IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company started a project to implement IFRS 17 and has been performing a high-level impact assessment of the change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure. The Company chooses to apply IFRS 17 in January 2023 with IFRS **9,** as it purely does insurance business.

IAS 8- Amendment to Definition of Accounting Estimates

This amendment provides clarifications to companies on how to distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

The amendment introduces a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendment also clarifies the following:

- an entity develops an accounting estimate to achieve the objective set out by an accounting policy.
- developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique.

a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The definition of accounting policies remains unchanged. The amendments are effective for periods beginning on or after 1 January 2023.

IAS 1 —Amendments to Classification of Liabilities as current or non-current

Under existing IAS l requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

The amendments also clarify how a company classifies a liability that includes a counterparty conversion option, which could either be recognised as cither equity or liability separately from the liability component under IAS 32 Financial Instruments: Presentation.

The standard is effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted.

IAS 12- Amendment to Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition arising from these transactions.

The standard is effective for annual periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If an entity previously accounted for deferred tax on these transactions using the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability

4.0 Foreign currency

Foreign currency translation

Transactions in foreign currencies are translated into Nigerian Naira at exchange rates at the dates of the transaction. At the year-end date, unsettled monetary assets and liabilities are related transaction differences are recognised in income statement. Foreign currency differences arising on translation are recognized in income, except for differences arising on the translation of available-for-sale equity instruments, financial liability designated as a hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

Foreign exchange gains and losses are presented in the income statement under other operating income.

5.0 Summary of significant 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 years presented in these financial statements, unless otherwise stated.

5.1 Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank, unrestricted balances held with a Central Bank, call deposits and short term highly liquid financial assets (bank deposits) with original maturities of about three months, which are subject to insignificant risk of changes in their value and used by the Company in the management of its short-term commitments.

For the purpose of the statement of cash flow, cash and cash equivalents consist of include cash on hand; bank balances, fixed deposits and treasury bill within 90 days,

5.2 Financial assets

The Company classifies its financial assets into the following categories; at fair value through profit or loss, available-for-sale, held-to-maturity and loans and receivables. The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

5.2.1 Classification

(a). Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or if the Company manages such investments and makes purchases and sales decisions based on their fair value in accordance with the Company have documented risk management or investment strategy.

Such investments include but not limited to fixed interest investments (bank deposits) which form part of cash and cash equivalents.

(b). Available-for-sale-financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within twelve months of the end of the financial reporting period.

(c). Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables arise when the Company sells goods and/or provides services directly to a debtor with no intention of trading the receivable. Loans and receivables after initial recognition at fair value are measured at amortised cost, using the effective interest rate method less impairments. Amortised costs is calculated by taking into consideration any discount or premium on fee or costs that are integral part of effective interest rate. The effective interest rate is included in finance income in the income statement.

(d) Held-to-maturity financial assets.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity, other than;

* those that the Company upon initial recognition designates as fair value through profit or loss;
- those that the Company designates as available-for-sale; and

- those that meet the definition of loans and receivables.

Interest on held-to-maturity investments are included in the statements of comprehensive income and are reported as investment income. In the case of an impairment, it is reported as a deduction from the carrying value of the investment and recognised in the statements of comprehensive income as 'Net gains/(losses) on financial assets'.

5.2.2 Recognition and measurements of Financial assets

Financial assets are initially recognised at fair value. Financial assets carried at fair value through profit or loss is initially recognised at fair value and all the transaction costs are recognised in the statement of comprehensive income. However, all the transaction costs associated with financial assets not carried at fair value through profit or loss and are directly attributable to their acquisition are added to the cost of acquisition.

Upon initial recognition, a financial asset classified into the financial assets at fair value through profit or loss category are designated as such if acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is an evidence of short term profit taking or if so designated by management.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in income statement. Net gains or losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income.

Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair-value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of available-for-sale (AFS) measured at fair value are recognised in the equity statement.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Dividend and interest income from available-for-sale (AFS) financial assets are recognised in the statement of comprehensive income when the Company's right to receive payments are established.

5.2.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial asset is based on quoted market prices or dealer price quotations. This includes listed equity securities. The fair values of quoted investments and federal government bonds are based on current bid price. If the market for a financial asset is not active (and for unlisted securities), the Company establishes carrying value by using valuation techniques. These include the use of recent arms' length transactions, reference to other instruments that are substantially the same and discounted cash flows analysis.

A financial instrument is regarded as quoted in an active market if quoted prices arc 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. If the aforementioned criteria are not met, the market is regarded as being inactive. Investments in equity instrument that do not have a quoted market price in active market arc stated at cost using valuation technique. The valuation technique used is the cost of the instruments which is the price at which the transaction is exchanged between knowledgeable parties at arm's length. Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in equity.

5.2.4 Reclassification of financial assets

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and heid-to- maturity categories arc determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

5.2.5 Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset and can be estimated reliably.

Available-for-sale-financial assets

The Company assesses at end of financial reporting period whether there is objective evidence that a financial assets or a group of financial assets is impaired.

A significant or prolonged decline in the fair value of the security below its costs is considered in determining whether the security is impaired. If any such evidence exists for available-for- sale financial assets, the cumulative loss, measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement for a financial asset classified as available for-sale arc not reversed through the income. Impairment losses on available-for-sale investment securities are recognized when, and only when both quantitative and qualitative evidences have been taken to consideration. The cumulative loss that has been recognized in other comprehensive income, and presented in the cumulative loss measured as: the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the in income statement.

If, in a subsequent period, the fair value of an impaired available-for-sale equity security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss, If however, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

5.3 Trade receivables.

Trade receivables are recognized when due and in consonance with NAICOM guideline on 'no premium no cover'. These include amounts due from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the income statement.

Trade receivables are reviewed at every reporting period for impairment.

5.3.1 Impairment on trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is made when there is an objective evidence (such as the probability of solvency or significant financial difficulties of the debtors or indications that a debtor will become bankrupt) that the Company will not be able to collect all the amount due under the original terms of the invoice.

Allowances are made based on an impairment model which considers the loss given default for each customer, probability of default for the sectors in which the customer belongs and emergence period which serves as an impairment trigger based on the age of the debt.

Impaired debts are derecognised when they are assessed as uncollectible. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previous recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its any subsequent reversal of an impairment loss is recognised in the income statement.

The Company considers evidence of impairment for receivables at both a specific asset and collective level all individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

5.3.2 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet for use, the recoverable amount is estimated each year at the same time. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair valueless costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the" cash-generating unit, or CGU").

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

5.3.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.4 Reinsurance assets

Reinsurance assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in compliance with the terms of each reinsurance contract.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated using the incurred loss model for these financial assets.

5.5 Deferred acquisition cost

Deferred acquisition costs represent the proportion of acquisition costs which corresponds to the unearned premium and are deferred as an asset and recognized in the subsequent period Acquisition costs comprise all direct and indirect costs arising from the writing of non-life unearned premium to written premium.

5.6 Other receivables and prepayments

Other receivables and prepayments are carried at amortised cost less accumulated impairment losses. Prepayments are amortised on straight line basis to the profit or loss.

5.7 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes or occupied substantially for use in the operations of the enterprise and/or members of the Company. An occupation of more than 15% of the property is considered substantial.

The Company recognises investment property as an asset when, and only when it is probable that the future economic benefits that are associated with the investment property will flow to the Company; and the cost of the investment property can be measured reliably.

Investment property is initially recognised at its costs and subsequently measured at fair value. A gain or loss arising from a change in the fair value of investment property shall be recognised in the income statement in the year in which it arises.

When there is a decline in value of an investment property, the carrying amount of the property is written down to recognise the loss. Such a reduction is charged to the statement of comprehensive income. Reductions in carrying amount are reversed when there is an increase, following a revaluation in accordance with the company's policy, on investment property, or if the reasons for the reduction no longer exist.

An increase in carrying amount arising from the revaluation of investment property is credited to Revaluation Reserve Account. To the extent that a decrease in carrying amount offsets a previous increase, for the same property that has been credited to revaluation surplus and not subsequently reversed or utilised, it is charged against that revaluation surplus rather than the profit and loss account (Income Statement).

An increase in revaluation which is directly related to a previous decrease in carrying amount for the same property that was charged to the profit and loss account is credited to profit and loss account to the extent that it offsets the previously recorded decrease.

Investment properties arc classified separately from other properties used for the purposes of the business.

When the use of a property changes such that it is reclassified as property, plant and equipment, its cost less impairment (if any) at the date of reclassification becomes its cost for Subsequent accounting.

The investment property in these financial statements is stated at fair value which is the revalue amount as being reported by Ndubuisi Mordi and Associate a registered professional estate surveying and valuation with registration number FRC/2019/00000013011 on their revaluation exercise carried out on these investment properties on December 2021. Valuation of investment property is reviewed annually by an independent valuation expert (FRC/2013/NIESV/00000004196).

5.8 Property, plant and equipment

Land and buildings comprise mainly outlets and offices occupied by the Company.

All categories of property, plant equipment (except freehold property) are initially recorded at cost. Subsequently, land and buildings are measured using revaluation model at the end of the financial period. Any increase in the value of the assets is recognized in other comprehensive income and accumulated surplus ,unless the increase is to reverse a decrease in value previously recognized in profit or loss where by the increase will be recognized in profit or loss .A decrease in value of land and building as a result of revaluation will be recognized in profit or loss unless the decrease is to reverse an increase in value previously recognized in other comprehensive income whereby the decrease will be recognized in other comprehensive income.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The estimated useful lives for the current and comparative period are as follows:

Land	Nill
Building	50 years
Office furniture and fittings	5 years
Motor vehicles	4 years
Office equipment	5 years

The assets residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount.

Property and equipment are derecognised at the disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These arc included within other income in the Statement of Comprehensive Income.

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 an item of 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 the income statement. Upon the disposal of such investment property any surplus previously recorded in equity is transferred to retained earnings net of associated tax; the transfer is not made through profit or loss.

5.9 Statutory deposit

Statutory deposit represents 10% of the minimum paid up share capital of the Company deposited with the Central Bank of Nigeria (CBM) in pursuant to Section 10(3) of the Insurance Act, 2003. Statutory deposit is measured at cost.

5.10 Insurance contracts

5.10.1 Classification

Insurance contracts are those contracts that transfer significant insurance risks. Such contracts may also transfer financial risks. In the case of Sterling Assurance Nigeria Limited, these insurance contracts are: fire insurance business; general accident insurance business; motor vehicle insurance business, marine and aviation insurance business; oil and gas insurance business; engineering insurance business, bonds credit guarantee and surety ship insurance business; and miscellaneous insurance business. These can be broadly classified as General Accident and Property Insurance.

General Accident Insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability)and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Others include but not limited to oil & gas, engineering, special risk, workmen compensation motor and marine.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for receivables. The impairment loss is calculated under the same method (incurred loss method) used for these financial assets.

5.10.2 Premiums and claims

For all the insurance contracts, premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability or unexpired risks.

Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance.

Refund of premium

Under certain circumstances, the Company may declare a refund to its policy holders based on the premiums paid in the year, when, and only when, the risks associated with the policy are no longer under the Company's cover . This refund is recognised as a reduction of revenue in the year for which it is declared.

5.10.3 Reinsurance

The Company holds the under-noted reinsurance contracts:

Treaty Reinsurance Outward is usually between the Company and Reinsurers.

Facultative Reinsurance Outward is usually between the Company and other insurance companies or between the Company and Reinsurers.

Facultative Reinsurance Inwards is usually between the Company and other insurance Companies or between the Company and Reinsurers.

All business written under these reinsurance contracts are on cash and carry basis except where brokers give credit note to the fact that they have collected money from the insured. Premiums due to the reinsurers are paid and all claims and recoverable due from reinsurers are received.

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

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

In certain cases, a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Company's property or casualty insurance contracts. Where the premium due to their insurer differs from the liability established by the Company for the related claim, the difference is amortised over the estimated remaining settlement period.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for receivables.

The impairment loss is calculated following the same method (incurred loss method) used for these financial assets.

Reinsurers' share of unearned premium

The reinsurers' share of unearned premium is recognised as an asset using principles consistent with the Company's method for determining unearned premium liability.

Reinsurers share of provisions for unpaid claims and adjustment expenses

The Company enters into reinsurance contracts in the normal course of business in order to limit same period as the related premiums for the direct insurance business being reinsured. Reinsurance liabilities, comprise premiums payable for the purchase of reinsurance contracts and are included in accounts payable and are recognised as an expense in the income statement when due. Expected reinsurance recoveries on unpaid claims and adjustment expenses are recognised as assets at the same time and using principles consistent with the Company's method for establishing the related liability.

5.10.4 Claims

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the impute of assessments for individual cases reported to the Company and analysis for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Balances arising from insurance contracts primarily include premiums and unearned premiums, provisions for unpaid claims and adjustment expenses, the reinsurers' share of provisions for unearned premiums and unpaid claims and adjustment expenses, deferred policy acquisition expenses and salvage and subrogation receivables.

Claims and loss adjustment expenses are charged to income statement as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims other than disability claims. Liabilities for unpaid claims arc estimated using the input of assessments for individual cases.

5.10.5 Underwriting expenses

Underwriting expenses comprise acquisition costs and other underwriting expenses. Acquisition costs comprise all direct and indirect costs arising from the writing of insurance contracts. Examples of these costs include, but are not limited to, commission expense, supervisory levy, superintending fees and other technical expenses. Other underwriting expenses are those incurred in servicing existing policies/contract.
Underwriting expenses are measured at amortised costs and are recognised in the financial statements as expense using the effective interest rate method.

5.10.6 Salvages

Some insurance contracts permit the Company to sell (usually damaged) property acquired in the process of settling a claim. The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).
Salvage recoveries are used to reduce the claim expense when the claim is settled.

5.10.7 Subrogation

Subrogation is the right for an insurer to pursue a third party that caused an insurance loss to the insured.

This is done as a means of recovering the amount of the claim paid to the insured for the loss. A receivable for subrogation is recognized in other assets when the liability is settled and the Company has the right to receive future cash flow from the third party.

5.10.8 Reserves for unearned premium

In compliance with Section 20(1)(a) of Insurance Act, 2003, the reserve for unearned premium is calculated on a time apportionment basis in respect of the risks accepted during the year.

5.10.9 Reserves for outstanding claim

The reserve for outstanding claims is maintained at the total amount of outstanding claims incurred and reported plus claims incurred but not reported (IBNR) as at the balance sheet date. The IBNR is based on the liability adequacy test carried out by independent actuary.

5.10.10 Reserves for unexpircd risk

A provision for Additional Uncxpircd Risk Reserve (AURR) is recognized for an underwriting year where it is envisaged that the estimated cost of claims and expenses would exceed the Unearned Premium Reserve (UPR)”

At each date, liability adequacy tests are performed by an actuary to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to income statement by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

5.10.11 Deferred policy acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the writing of non-life insurance contracts. Deferred Acquisition Costs (DAC) represents a proportion of commission which are incurred during a financial year and are deferred to the extent that they are recoverable out of future revenue margins. It is calculated by applying to the acquisition expenses the ratio of unearned premium to written premium.

5.10.12 Valuation of insurance contract liability

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a period of time before the ultimate claims cost can be established with certainly.

The ultimate cost of outstanding claims is estimated by using one of the range of standard actuarial claims projection techniques - Chain Ladder method.

Unearned Premium Reserve (UPR) was based on each policies unexpired insurance period (UP) as the exact number of days of insurance cover available after the review date and calculate the UPR as the annualised premium.

Unexpired Risk Reserve (URR) was calculated by multiplying the loss ratio by unexpired premium
(UP).This is the indication of the cost of the future claims and all expenses expected to be incurred in the future by the unexpired portion of existing policies.

Assumptions

Chain Ladder method is calculated on the assumption that the future claims will follow a regression pattern from the historical data.

Hence payment patterns will be broadly similar in each accident year. Thus the proportionate increases in the known cumulative payments from one development year to the next, is used to calculate the expected cumulative payments for the future development periods.

An implicit assumption of the chain ladder is that weighted past average inflation will remain unchanged over the claim projected period.

Gross claim amounts include all related claim expenses. If this is not the case, wc will hold separate reserve to cover claim expenses.

The UPR is calculated on the assumption that risk will occur evenly during the duration of the policy.

The Liability Adequacy Test (LAT)

At the end of each reporting period. Liability Adequacy Tests are performed by an Actuary to ensure that material and reasonably foreseeable losses arising from existing contractual obligations are recognised. In performing these tests, current best estimates of future contractual cash flows, claims handling and administration expenses, investment income backing such liabilities arc considered. Long-term insurance contracts are measured based on assumptions set out at the inception of the contract. Any deficiency is charged to profit or loss by increasing the carrying amount of the related insurance liabilities.
The Liability Adequacy Test (LAT) was carried out by O & A Hedge Actuarial Consulting (Consultant Actuaries and Chartered Insurers) with FRC number FRC/2016/NAS/00000015764.

5.11 Trade and other payables

Trade and other 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 of the liability is less than one year discounting is omitted.

Trade payables are derecognised when the obligation under the liability is settled, cancelled or expired.

5.12 Provisions, contingent liabilities and contingent assets

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. Provision will be measured at the Director's best of estimate of the expenditure required to settle the obligation at the end of the reporting period. Provisions will be reviewed at the end of the reporting period and adjusted to reflect the current best estimate.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or the company has a present obligation as a result of past events but is not recognized because it is not likely that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated.

Contingent liabilities normally comprise legal claims under arbitration or court process in respect of which a liability is not likely to materialize.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

Contingent liabilities and contingent assets are never recognised rather they are disclosed in the financial statements when they are due.

5.13 Employee benefits

5.13.1 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized 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.

5.13.2 Defined contribution plans

The Company operates a defined contributory pension scheme as stipulated in the Pension Reform Act 2014. Under the defined contributory scheme, the Company pays 10% of total emolument as defined by the Act to Pension Fund Administrator while employees pay 8% to the same entity. Total emolument comprises basic salary, housing and transport allowances. Once the contributions have been paid, the Company retains no legal or constructive obligation to pay further contributions if the fund docs not hold sufficient assets to finance benefits accruing under the retirement benefit plan. The Company's obligations are recognized in the profit and loss account as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in the future payments is available.

5.13.3 Defined benefit plan

The company operates a non-contributory defined benefits service gratuity scheme for its employees. The employees' entitlement to retirement benefits under the service gratuity scheme depends on the individual years of service, terminal salary and condition of service. The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets, together with adjustment for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method.

Gratuity basis

Any employee leaving either voluntarily or otherwise is entitled to:
Less than 5 years = NIL

Above 5yrs = 4 weeks basic salary for every completed year

The company funds the gratuity benefit by setting aside certain amount.

Valuation of post- employment benefit obligation

The cost of defined gratuity plan and the present value of the gratuity obligation are determined periodically.

The valuation involves making assumptions about discount rates, future salary increases, and expected years in employment. The valuation of the defined benefit obligation is highly sensitive to changes in these underlying assumptions. All assumptions are reviewed at each reporting date.

The valuation of the staff gratuity plan was professionally carried out by O & A Hedge Actuarial Consulting at Suite 28, Motorways Centre, Alausa Ikeja, Lagos with FRC number FRC/2016/NAS/0000001 5764.

Actuarial gains and losses are recognised in full in other comprehensive income when they occur. Past-service costs are recognised immediate in income.

5.13.4 Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whatever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed either to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal, or to provide termination benefits as a result of an offer made to encourage voluntarily redundancy if it is probable that the offer will be accepted and the number of acceptances can be estimated. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value,

5.14 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax arc recognized in income except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

5.14.1 Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years. It further excludes items that are never taxable or deductible. The company's liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

5.14.2 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

5.15 Share capital and premium

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

5.16 Contingency reserves

In compliance with Section 21 (2) of Insurance Act, 2003, the contingency reserve is credited with the greater of 3% of total premiums, or 20% of the net profits. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50 percent of net premium.

5.17 Retained earnings

The retained earnings comprise undistributed profit/(loss) from previous years and current year. Retained earnings are classified as part of equity in the statement of financial position.

5.18 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for- sale financial assets until the investments are derecognized.

Revaluation reserve is one of the reserves under equity. A revaluation reserve is an increase in the value of property, plant and equipment. The Company credit it when noncurrent assets like building or land is revalued.

This line item is used when the revaluation finds the current and probable future value of the asset is higher than the recorded historic cost of the same asset,

5.19 Other reserve-actuarial surplus

Actuarial surplus/dcficit on employee benefits represents changes in benefit obligation due to changes in actuarial valuation assumptions or actuarial experience. The gains/losscs for the year, net of applicable deferred tax asscts/Iiability on employee benefit obligation, arc recognised in other comprehensive income.

5.20 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

5.21 Dividends

Dividends on the Company's ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the year in which the dividend is approved by the Company's shareholders.

5.22 Revenue recognition

Revenue comprises the fair value of services rendered, net of value-added tax.

Revenue is recognised as follows:

(a). Premium is recognised in the financial statement when the revenue can be reliably measured and that it is probable that the economic benefits associated with the transaction will flow to the entity.

(b). Interest income from financial assets is recognised monthly on an accrual basis when it is probable that the economic benefits will flow to the entity and the amount of income benefits can be measured reliably.

Interest income is accrued on a time basis with reference to the principal outstanding (face value) and the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is recognised in these financial statements using the effective interest method.

(c). Dividend income: Dividend income from available-for-sale equities is recognised when the right to receive payment is established; this is the ex-dividend date for equity securities.

5.23 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

A commission is payable according to a pre-determined formula as an incentive and reward for profitable underwriting. The following are examples of profit commission:

(a) the commission paid to a cover holder by a managing agent for underwriting a profitable account;

(b) the commission paid by a member to a managing agent in respect of the profitability of its syndicate in a given year of account; and

(c) the commission paid by a reinsurer to an insurer in respect of a profitable reinsurance treaty.

Fee and commission income is reported on the statement of comprehensive income.

5.24 Interest income and expenses

Interest income and expenses for all interest-bearing financial instruments including financial instruments measured at fair value through profit or loss, are recognised within 'investment income and finance cost in the income statement using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

5.25 Reinsurance expenses

Reinsurance cost represents outward premium paid to reinsurance companies less the unexpired portion as at the end of the accounting year.

5.26 Underwriting expenses

Underwriting expenses comprise acquisition costs and other underwriting expenses. These costs incurred by an insurer when deciding whether to accept or decline a risk may include meetings with the insured or brokers, actuarial review of loss history, or physical inspections of exposures. All expenses deducted from the Company revenues, inclusive of net commissions, salaries, and advertising costs are aggregated to determine underwriting profit.

Underwriting expenses are measured at amortised costs and are recognised in the financial statements as expense using the effective interest rate method.

5.27 Management expenses

Management expenses are charged to profit or loss when the goods are received or services rendered. They are expenses other than claims, investments and underwriting expenses and include employee benefits depreciation charges and other operating expenses.

5.28 Finance cost - Comprises interest on borrowing and other finance costs such as bank charges, COT, etc.

Finance costs are interest costs. Usually they are thought to refer to interest expense on short- term borrowings (for example bank overdraft and notes payable) and long-term borrowings (for example term loans and real estate mortgages). The term "finance cost" is broader and also includes costs other than just interest expense.

Finance costs are "interest and other costs that the Company incurs in connection with the borrowing of funds and bank service charges".

Finance cost is measured at fair value and it is recognised as expense in the period in which they are incurred using the effective rate method. When this treatment for recognizing finance cost is used, these costs should be expensed regardless of how they are applied.

5.29 Critical accounting estimates and judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The estimates and underlying assumptions are reviewed on an on-going 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.

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 recognized in financial statements.

5.29.1 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 years ahead.

5.29.2 Product classification and contract liabilities

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.

i. 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:

ii. Valuation of liabilities of non-life insurance contracts

Estimates are made for both the expected ultimate cost of claims reported and claims incurred but not reported (IBNR) at the statement of financial position 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. 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 N1.135billion (2020; N1.153billion).

5.29.3 Impairment on receivables

In accordance with the accounting policy, the Company tests annually whether premium receivables have suffered any impairment. The recoverable amounts of the premium receivables have been determined based on the incurred loss model. These calculations required the use of estimates based on passage of time and probability of recovery.

5.29.4 Valuation of property, plant and equipment and investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The Company engaged an independent valuation specialist to assess fair value as at 31 December 2021 for Investment properties and revalued land and buildings. For investment properties, a valuation methodology based on discounted cash flow model was used as there is a lack of comparable market data because of the nature of the properties. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognized in OCI. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

5.29.5 Deferred tax assets

Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors such as experience of previous tax audits and differing interpretations by the taxable entity.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

5.29.6 Income Tax

The Company is subject to the Companies Income Tax Act (CITA). Total amount of tax payable under CITA is determined based on the higher of two (2) components, namely Company income tax (based on taxable income (or loss) for the year; and Minimum tax, based on the provision of the same Act.

i. The current income tax

The current income tax charge is calculated on taxable income on the basis of the tax laws enacted or substantively enacted at the reporting date. Taxes based on taxable profit for the year are treated as current income tax in line with IAS 12. The Company applies Section 16 of the Company Income "Tax Act. It states that an Insurance business shall be taxed as:

- an insurance company, whether proprietary or mutual, other than a life insurance company; or
- a Nigerian company whose profit accrued in part outside Nigeria, the profit on which tax may be imposed, shall be ascertained by taking the gross premium interest and other income receivable in Nigeria less reinsurance and deducting from the balance so arrived at, a reserve fund for unexpired risks at the percentage consistently adopted by the company in relation to its operation as a whole for such risks at the end of the period for which the profits are being ascertained, subject to the limitation below:

An insurance company, other than a life insurance company, shall be allowed as deductions from its premium the following reserves for tax purposes, (a) for unexpired risks, 45 percent of the total premium in case of general insurance business other than marine insurance business and 25 percent of the total premium in the case of marine cargo insurance; (b) for other reserves, claims and outgoings of the company an amount equal to 25 percent of the total premium,

ii. Minimum tax

Minimum tax for companies in respect of returns for years of assessments due between 01 January 2020 and 31 December 2021 has been reduced from 0.5% to 0.25% of gross turnover less franked investment income. As amended in finance Act 2020.

5.29.7 Provision for unpaid claims

The estimation of the provision for unpaid claims and the related reinsurers' share are the Company's most critical accounting estimates. There are several sources of uncertainty that need to be considered by the Company in estimating the amount that will ultimately be paid on these claims. The uncertainty arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Changes in the estimate of the provision can be caused by receipt of additional claim information, changes in judicial interpretation of contracts, or significant changes in severity or frequency of claims from historical trends. The estimates are based on the Company's historical experience and industry experience.

5.29.8 Impairment of available- for-salc investments

The Company determines that available-for-sale investments are impaired when there has been a significant or prolong decline in fair value below its cost. The determination of what is significant or prolong requires judgment. In making this judgment the Company considers among other factors, the normal volatility in market price, the financial health of the investors, industry and sector performance.

	2021	2020
	N'000	N'000
6. Cash and Cash Equivalents		
Cash	3,446	2,937
Bank balances	332,986	260,797
Short-term Bank deposits	401,194	115,205
Total	**737,626**	**378,939**

Cash and cash equivalents comprise of short term deposites and placements with maturity period of less than 90 days from the value date of the placements.

7. Financial Assets	**N'000**	**N'000**
Available-for-sale (See Note 7(i))	1 ,068,543	1,135,842
Held-to-Maturity (See Note 7(iii))	-	55,836
Loans and receivables (See Note 7(iv))	593,082	555,097
Total	**1,661,626**	**1,746,775**

7 (i) Total Available-for-sale (AFS)	**N'000**	**N'000**
Available-for-sale measured at fair value (See Note 7(i)l)	646,012	713,311
Available-for-sale measured at cost (See Note 7(h))	422,531	422,531
	1,068,543	**1,135,842**

7 (i) I. Available-for-sale at fair value		
Federal government bonds (See Note 7(1)2 below)	332,338	379,809
Quoted investments (See Note 7(i)4 below)	313,674	333,502
	646,012	**713,311**

7 (i) 2. Movement in Available-for-sale at fair value		
(Federal Government & Corporate bonds)		
Balance at the beginning	379,809	218,598
Acquired during the year	80,164	322,411
Accrued Interest	12,618	
Disposed during the year	(140,253)	(161,200)
Balance at the end	**332,338**	**379,809**

7 (i) 3. Movements in Available-for-sale at fair value (quoted investments)		
Balance at the beginning	333,502	356,425
Acquired during the year		
Disposed during the year		
Fair value changes	(19,828)	(22,923)
Balance at the end	**313,674**	**333,502**

Quoted Investments and Government bonds are stated at market value which is the value at which they can be exchanged between knowledgeable parties at arms length.
The Company recognises dividend income in the financial statements whenever it has right to do so.

	2021 N'000	2020 N'000
7 (ii) Available-for-sale at cost		
Investment in unlisted Shares (See Notes 7(ii)l & 7 (ii)2 below)	**422,531**	**422,531**

The unquoted shares of N422,53I,000 reported under Available-for-sale investment were carried at cost and were assessed for impairment during the year and found to have passed impairment test in accordance with the requirement of IAS 39. We deferred the adoption of IFRS till January 1, 2023 when it will be jointly invoked with IFRS 17.

	2021 N'000	2020 N'000
7(ii)I Movements in Available-for-sale at fair value (Unlisted shares)		
Balance at the beginning	422,531	422,531
Disposed during the year		
Fair value changes		
Acquired during the year	-	-
Balance at the end	**422,531**	**422,531**
7(ii)2 Analysis of unlisted available for sale instruments is shown:		
NLPC Pension Fund Administrators Limited	96,526	96.526
Golden Capital Pic.	4,422	4,422
WAICARe	78,087	78,087
Energy and Allied Insurance Pool of Nig. Ltd	31,059	31,059
Medexia Limited	117,437	117,437
Grand Cereals Limited	95,000	95,000
	422,531	**422,531**
7 (iii) 1. Movements in held - to - Maturity Investment (Securities Investment- Fixed Deposit)		
Balance at the beginning	55,836	-
Acquired during the year	-	55,836
Disposed during the year	(55,836)	
Fair value changes	-	-
Balance at the end	**-**	**55,836**
7 (iv) Loans and Receivables	-	-
Policy holders' Loans (Sec Note 7 (iv)I below)	**593,082**	**555,097**
7 (iv)l Movement in Loans and Receivables		
Balance at the beginning	555,097	700,275
Addition during the year	44,461	-
Repayment during the year	(15.000)	(162,739)
Accrued interest (See Note 29)	8,524	17,561
Balance at the end	**593,082**	**555,097**

Schedule of Investments and the funds they represent

Asset Type	Policyholders' 2021 N'000	Shareholders' & other funds 2021 N'000	Total 2021 N'000
Cash and Cash Equivalents			
Cash	3,446	-	3,446
Local bank balances	332,986	-	332,986
Short-term Bank deposits	401,194	-	401,194
Sub-Total	**737,626**	-	**737,626**
Financial assets at Available for-salc(AFS)			
Federal government bonds			
Quoted investments	93,502	220,172	313,674
Unquoted investments	-	422,531	422,531
Sub-Total	**425,840**	**642,703**	**1,068,543**
Loans and Receivables			
Policyholders' Loans			
Shareholders and Other Funds Loans		593,082	593,082
Sub-Total		**593,082**	**593,082**
Grand Total	**1,163,467**	**1,235,785**	**2,399,252**

	2021 N000	2020 N000
8. Trade Receivables		
Premium Receivable (Note 8 (i) & Note 8 (ii)	**275,537**	**295,834**
8 (i) Breakdown of Insurance Receivables		
Due from Insurance brokers	108,640	161,558
Due from Insurance agents	17,852	7,439
Due from Insurance companies	149,045	126,837
	275,537	**295,834**
8 (ii) Maturity day of Trade Receivables arc stated below:		
Within 30 Days	275,537	295,834
Above 30 Days		
Total	**275,537**	**295,834**
9. Reinsurance Assets		
Prepaid reinsurance(See Note 9.1)	335,120	202,400
Reinsurance share of Incurred But Not Reported (IBNR) (See Note 9.2)	86,960	113,510
Reinsurance share of outstanding claims (See Note 9.3)	126,082	156,332
Reinsurance share of AURR(See Note 9.4)	-	2,830
Balance as per Actuarial Estimates	**548,162**	**475,072**
Reinsurances share of paid claims (Sec Note 9.5)	819,984	992.935
Total Reinsurance Assets	**1,368,146**	**1,468,007**
Current	1,368,146	1,468,007
Non-current	-	-

	2021 N000	2020 N000
9.1 Movement in prepaid reinsurance		
Balance at the beginning of the year	202,400	139,319
Additions during the year (Reinsurance Cost)	132,720	932,162
Amortised during the year (Reinsurance Expenses)	-	(869,081)
Balance at the end of the year	**335,120**	**202,400**
9.2 Movement in IBNR		
Balance at the beginning of the year	113,510	156,672
Additions during the year	(26,550)	(43,162)
Balance at the end of the year	**86,960**	**113,510**
9.3 Movement in Outstanding Claims		
Balance at the beginning of the year	156,332	137,605
Addition during the year	-	18,727
Claim Recovered	(30,250)	-
Balance at the end of the year	**126,082**	**156,332**
9.4Movement in Reinsurance Share of AURR		
Balance at the beginning of the year	2,830	
Increase / (Decrease) during the year	(2,830)	2,830
Balance at the end of the year	**-**	**2,830**
9.5 Movement in Claims paid		
Balance at the beginning of the year	992,935	1,067,358
Addition to reinsurance assets during the year	518,308	881,157
Reinsurance claims recovered during the year	(568,307)	(758,205)
Increase / (Decrease) in impairment during the year (See Note 33(b))	(122,952)	(122,952)
Changes during the year	-	(74,423)
Balance at the end of the year	**819,984**	**992,935**
Changes in reinsurance share of Claims paid not yet received	(172,951)	(74,423)
Reconciliation of movement in impairment of claims paid recoverable		
Balance as at January 1	122,952	
Increase/(Dccrcase) in impairment during the year	122,952	122,952
Write-back/reversal of impairment during the year		
Previous impairment recovered during the year	-	-
Balance as at December 31	**245,904**	**122,952**

	2021 N000	2020 N000
(a) The age analysis of claims paid is as follows:		
0 - 30 days	203,355	290,726
31 -90 days		228,000
91- 180 days	105,420	228,305
181- 360 days	115,315	206,904
Above 365 days	395,894	39,000
	819,984	**992,935**

10. Deferred Acquisition Cost		
Motor	7,182	10,402
General accident	8,877	7,092
Fire	9,704	13,718
Engineering	9,527	9,468
Marine	3.343	5,142
Oil and energy	398,628	85,040
Bond	6,039	9,277
Agric	69	-
Balance at the end of the year	**443,369**	**140,139**
Current	**443,369**	**140,139**
Non-current		

10(i) Movement in deferred acquisition costs

Acquisition costs brought forward	140,139	134,890
Addition duringthe year	470,075	252,195
Amortisation during the year (See Note 28.1(i))	(166,845)	(246,946)
Balance at the end of the year	**443,369**	**140,139**

The deferred acquisition cost above represents commission on unearned premium relating to unexpired period of risks.

II. Other Receivables and Prepayments

Prepayments (See Note 11 (i))	172,614	212,069
Withholding Tax Receivables	45,765	28,342
Sundry Debtors -Staff Loans and advances	17,174	96,284
	235,553	**336,695**
Current	**235,553**	**336,695**
Non-current	-	-

(II (i)) Prepayments breakdown	2021	2020
Rent and Service charge	5,840	5,209
Assets Insurance	5,934	6,380
Housing and other allowance	155,424	151,807
Medical Expenses	613	613
Security Expenses	1,988	-
Electricity Bill	1,153	-
Group Life Assurance Scheme	-	11,552
NAICOM Levy	-	21,720
Management Consultants Fees	-	13,126
Internet Connectivity	1,662	1,662
	172,614	**212,069**

12. Investment Properties

Location/Address	Status of title Document	2021 N000	2020 N000
1. Plot 318, Ikorodu Road, Maryland, Lagos	Perfected	450.000	420.000
2. 6A & 6B Onipinla Street, Off James Oluyele Street, Adeniyi Jones, Ikeja, Lagos	Perfected	300.000	250.000
3. Plot 72 (8B) Herbert Macauley Street, Amadi Layout, Old GRA, Port Harcourt.	Perfected	500.000	450.000
4. Plot 1, Cadastral Zone E13, Guide District, Abuja, FCT.	Perfected	1 80,000	I 50,000
Balance at the end of the year		**1,430,000**	**1,270,000**

12(i) Movement in Investment Properties

	Balance as at 01/01/2021 N000	Addition N000	Disposal N000	Fair value gain(loss) N000	Balance as at 31/12/2021 N000
1. Plot 318, Ikorodu Road, Maryland, Lagos	420.000	-	-	30.000	450.000
2. 6A & 6B Onipinla Street, Off James Oluyele Street, Adeniyi Jones, Ikeja, Lagos	250.000	-	-	50.000	300.000
3. Plot 72 (8B) Herbert Macauley Street, Amadi Layout, Old GRA, Port Harcourt.	450.000	-	-	50.000	500.000
4. Plot 1, Cadastral Zone El3, Guide District, Abuja, FCT.	150.000	-	-	30.000	180.000
	1,270,000	**-**	**-**	**160,000**	**1,430,000**

Investment properties are held for Capital appreciation purposes only and not for rental income.

Details of the Valuer

The investment properties were independently valued as at 31 December 2021 by Ndubuisi Mordi and Associate (an estate surveyors & valuer) duly registered with the Financial Reporting Council of Nigeria, The valuer, which is located at 94A, Cemetery Street, Ebutte -Metta, Lagos, is a quali fied member of the Nigerian institution of Estate Surveyors and Valuers with FRC No.FRC/2013/NIESV/00000004196.

13. Property, Plant and Equip as at 31 December, 2021	Land	Building	Motor Vehicles	Office Equipment	Furniture & Fittings	Total
(i). Cost	N000	N000	N000	N000	N000	N000
Balance at January, 2021	315,500	225,000	372,482	142,444	34,264	1,089,690
Additions/Renovation	-	2.500	370	6,827	1,630	11,327
Disposals	-	-	-	-	-	-
Revaluation surplus/(Deficit)	53,522	-	-	-	-	53,522
Balance at December, 2021	**369,022**	**227,500**	**372,852**	**149,271**	**35,894**	**1,154,539**
Balance at January, 2020	300,500	225,000	372,287	127,468	33,453	1,058,708
Additions/Renovation	15,000	-	12,195	15,134	811	43,140
Disposals	-	-	(12,000)	(158)	-	(12,158)
Revaluation surplus/(Deficit)	-	-	-	-	-	-
Balance at December, 2020	**315,500**	**225,000**	**372,482**	**142,444**	**34,264**	**1,089,690**
(ii). Accumulated Depreciation						
Rates		**2%**	**25%**	**20%**	**20%**	
Balance at January, 2021	-	12,022	215,077	111.355	33,886	372,340
Charge for the year	-	4,500	38,800	14,245	59	57,604
Disposals	-	-	-	-	-	-
Balance at December, 2021	-	**16,522**	**253,877**	**125,600**	**33,945**	**429,944**
Balance at January, 2020	-	7,522	197,457	100,719	33,029	338,727
Charge for the year	-	4,500	29,620	10,794	857	45,771
Disposals	-	-	(12,000)	(158)	-	(12,158)
Balance at December, 2020	-	**12,022**	**215,077**	**111,355**	**33,886**	**372,340**
(iii). Carrying Amount						
At 31 December, 2021	**369,022**	**210,978**	**118,975**	**23,671**	**1,949**	**724,595**
At 31 December. 2020	**315,500**	**212,978**	**157,405**	**31,089**	**378**	**717,350**

(iv). Land& Building Schedule of movement during the year
284, Ikorodu Road, Anthony, Lagos.

Status of Title to Land & Building	Bal as at Jan. 1,2020 N'000	Additions N'000	Disposal N'000	Depreciation N'000	Fair Value gain/(loss) N'000	Balance Dec. 31,2021 N'000	Bal as at Dec. 31,2020 N'000
Perfected	**528.478**	**2,500**	-	**(4.500)**	**53.522**	**580,000**	**528,478**

Land and building were professionally revalued by Messrs Ndubuisi Mordi and Associate with FRC No,FRC/2013/NIESV/00000004196 (Estate Surveyors and Valuers) as at 31 December, 2021 in which valuations performed by the valuer are based on active open market values. The revised value of the was N580,000,000. Tire revalued property is the company's head office building located at 284, Ikorodu Road, Lagos

14. Statutory Deposit	2021 N000	2020 N000
Statutory deposit	300,150	300,150
	300,150	**300,150**

This represents the amount deposited with the Central Bank of Nigeria (CBN) as at 31 December, 2021 in accordance with sections 9(1) and10(3) of insurance Act, 2003.
The amount is not available for the day to - day use in the working capital of the Company. Therefore, it is excluded from cash and cash equivalents.

15. Insurance Contract Liabilities	**2021 N000**	**2020 N000**
Provision for outstanding claims (See Notes 15(a) & 15(a)4)	296.679	337,872
Provision for claims IBNR (See Notes 15(a)! & I5(a)2)	173,211	182,028
Total Outstanding Claims (Including IBNR)	469,890	519,900
Provision for unearned premium (See Notes 15(b) & 15(b)!)	665,746	630,691
Provision for AURR	-	4,354
	1,135,636	**1,154,945**
Current	**1,135,636**	**1,154,945**
Non-current		

'The net liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs. The Company's net liability for insurance contracts was tested for adequacy as at 31 December, 2021 by O & A Hedge Actuarial Consulting at Suite 28, Motorways Centre, Alausa Ikeja, Lagos with FRC number FRC/2016/NAS/00000015764.

15a.Outstanding Claims - General Business		
Motor	52,962	31.322
General accident	80,208	77,457
Fire	106,311	128,823
Engineering	16,129	35,680
Marine	16.946	30,934
Oil & energy	14,123	18.656
Bond	10.000	15.000
Outstanding claims	296,679	337,872
Plus IBNR (See Notes 15(a) 1 & 15(a)2)	173,211	182,028
Total claims liabilities	**469,890**	**519,900**

15(a) Provision for claims incured but not reported (IBNR)		
Motor	34,885	20,520
General accident	38,497	37,069
Fire	79,368	96.711
Engineering	2,363	5,260
Marine	7,103	13,551
Oil & energy	3,447	5,805
Bond	1.058	3.112
Agric	6,490	-
	173,211	**182,028**

15(a)2**Thc movement in outstanding claims reserve during** the year is as follows:		
Provision for outstanding claims - opening	337,872	424,914
Increase/(Decreasc) in the provision for outstanding claims and IBNR	(41,193)	(87,042)
Provision for outstanding claims - closing	**296,679**	**337,872**

	2021 N000	2020 N000
15(a)3 The movement in the IBNR during the year		
Provision for IBNR- opening	182,028	157,407
Increase /(Decrease) in the provision for IBNR	(8.817)	24,621
Provision for IBNR- closing	**173,211**	**182,028**
15(a)4 The age analysis of provision for outstanding claims is as follows;		
0-30 days	5,273	13,043
31-90 days	29,693	42,094
91-180 days	33,221	76,704
181-360 days	57,270	68.426
Above 365 days	171,222	137,605
	296,679	**337,872**

Of the outstanding claims, 11.79% are within 90 days holding days period whilst 88.21% are above Outstanding claims above 90 days are outstanding as a result of difficulties in getting relevant claims documents from the insured/brokers.

15b.Provision for unearned premium reserve

Motor	64,865	91,600
General Accident	53,315	37,938
Fire	47,183	69,248
Engineering	48,061	44,250
Marine	16,853	25,001
Oil & Gas	403,232	316,696
Bond	30,281	45,958
Agric	1,956	-
Gross provision for unearned premium	**665,746**	**630,691**

15(b) The movement in unearned premium account during the year was as follows:

Balance at the beginning of the year	630,691	783,277
Movement during the year	35,055	(152,586)
Balance at the end of the year	**665,746**	**630,691**

No additional provision is required for unexpired risk.

15(b)2 The movement in the AURR during the year	2021 N000	2020 N000
Balance at the beginning of the year	4,354	
Movement during the year	(4,354)	4,354
Balance at the end of the year	**-**	**4,354**

16. Trade Payables

Reinsurance Premium Payables	**31,163**	**56,615**
Current	31,163	56,615
Non-current		

Reinsurance premium payables are amounts due but yet to be paid to reinsurance companies. This was as a result of arrangements made with reinsurance companies on certain insurance contracts so as to reduce the eventual liability in case of occurrence.

17. Provision and Other Payables

Industrial Trainning Fund	7,987	7,987
National Insurance Commission Levy	49,810	21,720
National Pension Scheme-NPS-NLPC	120,972	74,426
Co-operative Deductions	-	16,654
Staff Salaries Payable	2,938	-
PPP	230	-
National Housing Fund	1,320	-
Provision for actuary fee	8,737	4,852
Tax Consultant-Retainership	2,678	2,678
Ajibade Durojaye & Co.	5.000	500
Opee Creations Ltd	1,326	1,326
Property valuation fee	500	-
Provision for legal fee	1.000	-
Unclaimed dividend payable	1,500	1,500
PAYE	6,685	2,187
WHT - Fedcral/States	49	49
	210,732	**133,879**
Current	210,732	133,879
Non-current		

18. Retirement Benefit Obligations

This represents the company's liabilities from its defined benefit contribution pension plan which is in compliance with the Pension Reform Act 2014.

All pension contributions are remitted to the relevant registered Pension Fund Administrators (PFAs).

The amounts recognised in the statements of financial position at the reporting date are as follows:

Present value of the defined benefit obligation

	2021	2020
The movement in the defined benefit obligation is as follows;	**N000**	**N000**
Balance at the beginning of the year	206,270	141,800
Pension expense for the year	83,438	16,636
Actuarial (Gain)/ Loss	(10,938)	40,589
Benefit paid during the year	(51,722)	7,245
Balance at the end of the year	**227,048**	**206,270**

19.Taxation

19.1 Current Tax Expense

Company income tax	53,711	15,455
Education Tax	13,563	3,122
Info. Tech. Dev. Levy	4,469	2,132
	71,743	20,709
Deferred taxation	(1,571)	(3,722)
Income tax expense recognised in the current year	**70,172**	**16,987**

19.2Taxation Payable Account

The movement in taxation payable account during the year is as follows:

Balance brought forward	30,003	55,688
Charged for the year	71,743	20,709
Tax paid during the year	(22,331)	(46,394)
Balance at the end of the year	**79,414**	**30,003**

19.3 Deferred Taxation

The movement in deferred taxation account during the year was as follows:

Balance at the beginning of the year	88,309	92,031
Charge / (credit) to profit and loss account for the year	(1,571)	(3,722)
Balance at the end of the year	**86,738**	**88,309**

The Company's Deferred taxation is computed using the liability method.

	2021	2020
	N000	N000
20. Authorised Share Capital		
10,000,000,000 Ordinary Shares of 50kobo each	**5,000,000**	**5,000,000**
20a Issued and Fully Paid		
8,069,714,635units ordinary shares of 50kobo each	4,064,351	4,064,351
Issue during the year	-	-
Balance at the end of the year	**4,064,351**	**4,064,351**
20b. Share Premium	**70,393**	**70,393**

Share premium comprises additional paid -in capital in excess of the par value. However, this reserve is not available for distribution.

21. Contingency Reserve

This is maintained in compliance with section 21(1) and (2) and it is credited with the greater of 3% of total premiums, or 20% of profits. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50% of net premium.

Balance at the beginning of the year	1,310,374	1,191,902
Transfer from retained earnings	140,310	118,472
	1,450,684	**1,310,374**

22. Retained Earnings of Accumulated Losses)

Balance at the beginning of the year	(653,128)	(732,145)
Transfer from profit & loss account	377,370	197,489
Transfer to contingency reserves	(140,310)	(118,472)
Balance at the end of the year	**(416,068)**	**(653,128)**

	2021 N000	2020 N000
Retained earnings represents the total amount of money available for dividend distributions to the equity shareholders of the Company.		

23. Reserves

23.1. Other Reserves

This represents gain or loss on actuarial valuation relating to retirement benefit obligations.

Movement in other reserves

	2021 N000	2020 N000
Opening balance	(58,031)	(17,442)
(Decrease) / Increase during the year	10,938	(40,589)
Closing balance	**(47,093)**	**(58,031)**

23.2. Fair-value Reserve

Fair-value reserve is the net accumulated changes in the fair value of quoted and unquoted investments.

Movement in fair-value reserve

	2021 N000	2020 N000
Opening balance	45,491	68,414
Prior year adjustment-Reversal on fair value		
Appreciation/(Depreciation) during the year	(19,828)	(22,923)
Closing balance	**25,663**	**45,491**

23.3.Revaluation reserve

This is an increase in the value of property, plant and equipment.

	2021 N000	2020 N000
Opening balance	204,419	204,419
Appreciation/(Depreciation) during the year	53,522	-
Closing **balance**	**257,941**	**204,419**

24. Revenue Account

	Marine N'000	Motor N'000	Fire N'000	Bond N'000	Oil & gas N'000	Gen. Acident N'000	Engnr N'000	Agric N'000	2021 TOTAL N'000	2020 TOTAL N'000
INCOME:										
Prem. Inc, Direct	281,286	601,623	639,809	220,192	1,863,746	435,808	294,100	145,046	4,481,610	3,734,016
Prem. Inc. Fac.	15,460	18,772	93,182	1,228	35,442	**10,734**	17,733	2,846	195,398	215,062
Gross Premium Written	296,746	**620,395**	**732,991**	221,421	1,899,189	446,541	311,833	147,892	4,677,009	3,949,078
Decrease/!Increase) in Unexpired Risk	2,710	3,245	7,985	4,342	(30,894)	(4,019)	(9,252)	(4,818)	(30,701)	148,232
Gross Premium Earned	299,457	623,640	740,977	225,763	1,868,295	442,522	302,581	143,074	4,646,308	4,097,310
Less:Reinsurance Premium Expenses	(78,729)	(27,776)	(146,327)	(46,994)	(753,892)	(22,861)	(93,089)	(103,000)	(1,272,668)	(869,081)
Net Premium Income	220,728	595,864	594,649	178,769	1,114,403	419,661	209,492	40,074	3,373,639	3,228,229
Fee Income - Insurance	10,252	3,004	44,322	14,866		17,036	24,551	39,078	153,109	155,148
Net Underwriting Income	**230,980**	**598,868**	**638,971**	**193,635**	**1,114,403**	**436,697**	**234,043**	**79,152**	**3,526,748**	**3,383,377**
EXPENSES:										
Claims Expenses (Gross)	23,512	246,817	254,864		273,400	446,475	54,716	13,417	1,313,202	1,829,097
Decrease / Increase) in Qut/s Claims	(7,130)	2,477	(22,370)	(2,974)	(3,243)	(7,622)	(9,149)		(50,010)	(62,421)
Gross Claims Incurred	16,382	249,294	232,494	(2,974)	270,157	438,854	45,568	13,417	1,263,192	1,766,676
Claims Expenses Recovered	(32,458)	(28,123)	(283,417)	2,549	15,396	(10,498)	(2,004)		(338,556)	(659,347)
Claims Expenses (Net)	(16,076)	221,172	(50,923)	(426)	285,553	428,355	43,563	13,417	924,636	1,107,329
Acquisition Costs	12,448	11,037	33,041	8,978	70,319	15,979	12,931	2,111	166,845	246,946
Maintenance Costs	29,046	25,754	77,095	20,949	164,078	37,285	30,172	4,926	389,304	626,011
Total Underwriting Expenses	**25,418**	**257,963**	**59,212**	**29,502**	**519,950**	**481,619**	**86,667**	**20,454**	**1,480,784**	**1,980,286**
UNDERWRITING RESULTS	**205,562**	**340,905**	**579,759**	**164,133**	**594,453**	**(44,922)**	**147,376**	**58,698**	**2,045,964**	**1,403,091**

	2021	2020
25.Net Premium Income	N'000	N'000
Gross premium written	4,677,009	3,949,079
Decrease/(Increase) in provision for unearned premium	(35,055)	148,232
(Increase) / Decrease in AURR	4,354	-
Gross premium earned	**4,646,308**	**4,097,311**
Reinsurance costs	1,402,558	934,992
(Increase)/Decrease in prepaid reinsurance	(132,720)	(65,911)
(Increase)/Decrease in AURR	2,830	-
Reinsurance premium expenses	**1,272,668**	**869,081**
Net premium income	**3,373,639**	**3,22 8,230**

26. Fee Income - Insurance

Fee income is the total commission received on direct business and transactions ceded to reinsurance in the year under review.

	2021	2020
Motor	3,004	13,695
Gen. acc.	17,036	733
Fire	44,322	58,595
Engr	24,551	37,985
Marine	10,252	22,585
Bond	14.866	21,555
Agric	39,078	-
	153,109	**155,148**

Movement in fees and commission income are as follows:

	2021	2020
Balance as at January 1		
Fees and commission received during the year	153,109	155,148
Deferred fees and commission at year end		
Fees and commission earned during the year	**153,109**	**155,148**

27. Claims Expenses

	2021	2020
Claims paid during the year (See Note 27.1)	1,313,202	1,829,098
Movement in Outstanding claims (See Note 27.2)	(50,010)	(62,421)
	1,263,192	1,766,677
Reinsurance Recoveries (See Note 27.3)	(338,556)	(659,347)
Net Claims expense for the year	**924,636**	**1,107,330**

27.1 Gross Claims Paid

Motor	246,817	212,814
General Accident	446,475	141,124
Fire	254,864	461,244
Engineering	54,716	36,403
Marine	23,512	243,452
Oil & Gas	273,400	734,060
Agric	13,417	-
	1,313,202	**1,829,097**

27.2 Breakdown of movement in outstanding claims

Motor	2,477	(30,461)
General Accident	(7,622)	10,014
Fire	(22,370)	738
Engineering	(9,149)	(20,311)
Marine	(7,130)	(27,290)
Oil & Gas	(3,243)	4,889
Bond	(2,974)	-
Agric	-	-
	(50,010)	**(62,421)**

27.3 Breakdown of movement in Reinsurance Recoveries

Recoveries and recoverable on paid claims	568,307	758,205
Changes in reinsurance share of Outstanding Claims	(30,250)	18,727
Changes in Reinsurance share of IBNR	(26,550)	(43,162)
Changes in reinsurance share of claims paid not yet received	(172,951)	(74,423)
Reinsurance Recoveries	**338,556**	**659,347**

28. Underwriting Expenses

Underwriting expenses is sub-divided into acquisition and maintenance expenses. Acquisition expenses are those incurred in obtaining and renewing insurance contracts.
Examples of these costs include, but are not limited to, commission expense, superintending fees and other technical expenses.

Maintenance expenses are those incurred in servicing existing policies/contracts.These include processing costs and other incidental costs attributable to maintenance.

	2021	2020
	N'000	N'000
Acquisition expenses (See Notes 28.1 (i) & Note 28.1(h)	166,845	246,946
Maintenance expenses (See Note 28.2)	389,304	626,011
Total underwriting expenses	**556,149**	**872,957**

28.1(i) Acquisition expenses

Commission (Acquisition) cost paid during the year	470,075	252,195
Changes in Deferred Acquisition Cost during the year	(303,230)	(5,249)
Acquisition Expenses	**166,845**	**246,946**

28.1 (ii) Breakdown of acquisition expenses

Marine	12,448	15,417
Motor	11,037	21,617
Fire	33,041	34,927
Bond	8,978	7,630
Oil & Gas	70,319	131,061
General Accident	15,979	18,011
Engineering	12,931	18,285
Agric	2,111	-
	166,845	**246,947**

28.2 Breakdown of maintenance expenses

Marine	29,046	39,082
Motor	25,754	54,800
Fire	77,095	88,542
Bond	20,949	19,341
Oil & Gas	164,078	332,236
General Accident	37,285	45,658
Engineering	30,172	46,353
Agric	4,926	-
	389,304	**626,011**

	2021	2020
29. Investment Income	**N'000**	**N'000**
Dividend Income	54,197	29,766
Interest income on investment securities	-	112,722
Interest on cash and cash equivalents	14,463	23,618
Accrued Interest(See Note 7(iv)l	21,142	17,561
	89,802	**183,667**

30. Net realised gains/loss)		
Profit on disposal of PPE	-	11,381
Exchange gain	71,510	75,281
	71,510	**86,662**

Exchange gains(loss)

The exchange rates used for the conversion of domiciliary accounts part of cash and cash equivalent placement with original maturities of about three months vary and the conversion rates for the year end placement is N412.99/$, N556.42/£ and N467.50/€ as at 31 December 2021 base on CBN publication exchange rate

31. Other operating income		
Sundry income	10,353	10,107
Interest on statutory deposits	7,628	39,200
	17,981	**49,307**

	2021	2020
32. Employee Benefit Expense	**N'000**	**N'000**
Salaries	655,808	590,151
Staff training and development	6,910	10,105
Staff medical expenses	12,504	8,287
Pension Contribution	83,438	59,964
Other employee benefits	23,031	3,065
	781,691	**671,572**

Key Management Personnel Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Directors and the Financial Controller of the Company,

	N'000	N'000
Short term employee benefits	46,233	46,233
Post employment benefits (Pension Contributions)	8,322	8,322

33a.ManagementExpenses	**N'000**	**N'000**
Repairs & Maintenance expenses (See 33.1)	211,449	122,072
Operating expenses (33.2)	298,420	240,912
Other costs (See 33.3)	118,011	95,821
General expenses (See 33.4)	281,107	187,038
Depreciation	57,604	45,771
	966,591	**691,614**

33.1 Analysis of Repairs & Maintenance expenses are shown:	**N'000**	**N'000**
Fuel	43,197	19,773
Repairs & MaintenanceMachine	39,279	28,161
Repairs & Maintenance Building	12,422	62
Repairs & MaintenanceVehicle	40,179	24,963
Rent, Rate & Service Charge	53,962	40,304
Electricity	22,409	8,809
	211,449	**122,072**

33.2Analysis of Operating Expenses		
Travelling Expenses	97,957	85,917
Gift and Donations	72,145	55,111
Entertainment	36,685	28,721
Public Relations	91,633	71,163
	298,420	**240,912**

33.3Analysis of Other Costs		
Directors'fees	39,880	34,912
Directors' expenses	73,630	56,409
Audit fee	4,500	4,500
	118,011	**95,821**

	2021	2020
	N'000	N'000
33.4 General expenses		
Subscriptions -Professional Bodies	8,969	7,906
Other Professional Fees	95,895	49,705
Subscriptions -Clubs & Association	467	369
Advertisement	928	824
Newspapers & Periodicals	7,438	4,383
Communication Expenses	36,382	29,976
Printing & Stationeries	43,767	29,264
Filing Fee	1.000	500
NA1COM Levies	47,000	28,370
Stamp Duties	1.000	4,291
Penalties & Fine	845	-
1TF Levy	4,684	9,046
Local Govt. Levies	1,923	1,924
Office Expenses	30,810	20,480
	281,107	**187,038**

33b. Impairment loss on non - financial assets

Impairment on Reinsurance assets	122,952	122,952
33c. Loss/gain on investment securities	**45,615**	-

34.Finance Costs.

Finance costs are interests charged on various transactions with our bankers such as COT and interest cost on benefit obligation

Finance Costs	20,866	22,113

35.Directors' Emoluments

(a)The aggregate emoluments of Directors' were:

Fees	39.880	34,912
Expenses	73,630	56,409
	113,511	**91,321**
(b) The emoluments of the Chairman	19,940	17,456
(c) The emoluments of the highest paid Director	**19,940**	**17,456**

The table below shows the number of Directors of the Company (excluding the Chairman) whose remuneration in respect of services to the Company fell within the range shown below:

	2021 Number	2020 Number
Above N5,000,000	3	3

36.Employees

(a), i. Employees, other than the executve directors, received emoluments (excluding pension contribution and other allowances) in the following ranges:

	2021 Number	2020 Number
400.001 - 800,000	2	2
800.001 - 1,200,000	19	24
1,200,001 - 1,600,000	18	16
1.600.001 - 2,000,000	13	15
2,000,001 -2,400,000	14	15
2,400,001 - 2,800,000	12	12
2.800.001 -3,200,000	9	10
3.200.001 -4,000,000	4	4
Above N4,000,000	3	3
	94	**101**

36a. Staff

ii. The average number of full time person employed by the company during the year was as follows:

	2021 Number	2020 Number
Executive directors	3	3
Management staff	6	6
Non -management staff	85	96
	94	**105**

(b). Directors' remuneration

Executive compensation	48,454	46,233
Directors' fees	39,880	34,912
Other directors' expenses	73,630	56,409
Defined contribution	8,322	8,322

Related parties

Transactions with key management personnel

The Company's key management personnel, and persons connected with them are considered to be related parties for disclosure purposes. The definition of key management includes close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non -executive directors of the Company. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Sterling Assurance Nigeria Limited.

37. Events after the reporting period

There are no events after the statement of financial position date that require adjustments in the financial statement. Management has assessed the impact of the COV1D 19 on the going concern of the company especially with respect to the aviation insurance products and has concluded that the use of the going concern is appropriate and that the company will be able to recover its assets and discharge its liabilities in the foreseeable future.

38. Comparative Figures

Comparative figures have been adjusted to conform with changes in presentation of the current year in accordance with the International Accounting Standards (IASI) where necessary.

39. Contraventions and Penalties

The Company paid N500,000 to the National Insurance Commission (NAICOM) as late submission penalty at 31 December, 2021 and N250.000 at 31 December, 2020.

40. Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems arc reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The primary objective of the Company's risk and financial management framework is to protect the Company's stakeholders from events that hinder the sustainable achievement of financial performance objectives, including failure to exploit opportunities. Management recognizes the importance of having an effective and efficient risk management system in place.

The Company strategy for managing risk exposures is to establish and maintain a robust Enterprise Risk Management (ERM) programme that is embedded in all processes and driven by technology with emphasis on protection from unwanted risk while maintain stakeholders' value.

The ERM programme will assist to structure and coordinate all direct and indirect risk management activities within the company, while eliminating redundancies and ensuring consistency in the risk management process. The risk management strategy also entails constantly monitoring daily risk positions, attracting and retaining qualified personnel, reducing or eliminating employee turnover, reducing volatility in supplies, and managing political risk both internal and external. This is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the Board of Directors to Executive Management Committee and Senior Management.

The Company has a policy framework which sets out the risk profiles; a risk management, control and business conduct standard for the Company's operations has been put in place.

41. Insurance Risk

These are fortuitous events that can lead to losses or damage to insured properties. 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.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principle 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 is 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 about 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.

(a) Premium and Reinsurance Receivables

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liabilities as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The credit worthiness 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 Committee to assess the credit worthiness of all reinsurer 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 mechanism, 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-off.

Internal audit makes regular reviews to assess the degree of compliance with the Company procedures on credit.

Exposures to individual policyholders and groups 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 groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company risk department.

42. Property Insurance Contracts
Frequency and Severity of Claims

For property insurance contract, 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 and duty 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 contracts that are subdivided into the following risk groups: 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 building. The Company does not underwrite property insurance contracts outside Nigeria.

(a) **Sources 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 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. However, more permanent changes in the climate may produce a higher frequency and severity of claims than currently expected.

(b) Process used to decide on Assumption
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 observe historical developments. In certain instance, this has meant that different techniques or combination of techniques has been selected for individual accident years or groups of accident years within the same class of business. The Company has selected an average cost per claim method using actuarial extrapolation techniques applied to the experience observed for such years. The Company has calculated estimates assuming that the settlement period has remained unchanged. Through this analysis, the Company determines the need for an IBNR or an expired risk liability to be held at each reporting date.

(c) Changes in Assumption
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.

43. Non-life Insurance Contracts (which comprise general insurance)
The Company principally issues the following types of general insurance contracts: motor, fire, marine general accident, bonds, engineering and oil and gas. Risks under-non-life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk. For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

Strict claim review policies to assess all new and ongoing claims, regular detailed review of claim handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The company further enforces a policy of actively managing and promptly pursing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business, inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

44. Finance risk management

Credit risk
Liqudity risk
Market risk

This note presents information about the Company's exposure to each of the above risks from the use of its financial instruments, the Company's objectives, policies and process for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

44.1 Credit risk
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. Key areas where the Company is exposed to credit risk are

i. Reinsurers' share of insurance liabilities;
ii. Amounts due from reinsurers in respect of claims already paid;
iii. Amounts due from insurance contract holders;
iv. Amounts due from insurance intermediaries;
v. Amounts due from loans and receivables;
vi. Amount due from debts securities; and
vii. Amounts due from money market and cash positions.

The Company is exposed to the following categories of credit risk:

Direct default risk- the risk of non-receipt of the cash flow or assets to which it is entitled because brokers, clients and other debtors default on their obligations.

Concentration risk this is the exposure to losses due to excessive concentration of business activities to individual counterparties, groups of individual counterparties or related entities, counterparties in specific geographical locations, industry sectors, specific products, etc.

Counterparty risk-this is the risk that is counterparty is not able or willing to meet its financial obligations as they fall due.

The Company's credit tolerance limit to all categories of brokers is as set by NAICOM in its circular on 'No Premium No Cover1.

44.1.2 Credit risk management

The credit risk management process involves the identification, measurement, mitigation and control, monitoring and reporting credit risk.

Risk Management Committee has the primary responsibility of ensuring that an appropriate, adequate and effective system of risk management and internal control which address credit control is established and maintained.

Impairment model

Premium debtors, which technically falls under receivables is recognized at a fair value and subsequently measured at amortized cost, less provision for impaired receivables. Under IFRS, an asset is impaired if the carrying amount is greater than the recoverable amount. The standard favors the use of the incurred loss model in estimating the impairment of its receivable. Following the provisions of IAS 39, the impairment of the premium debtors will be assessed at two different levels, individually or collectively.

However, based on NAICOM's "No Premium No Cover" guidelines which state that "all insurance covers shall be provided on a strict 'no premium no cover' basis", only cover for which payment has been received shall be booked. However brokers have a 30 day period to make payments from the date of the credit notes. The Company uses the aging of receivables as the major parameter in calculating impairment.

Below is the analysis of the Company's maximum exposure to credit risk at the year end.

Maximum Exposure to credit risk	Notes	**Carrying Amount 2021 N'000**	**Carrying Amount 2020 N'000**
Cash and Cash Equivalents		737,626	378,939
Available-for-sale (Less Equity security)	7i & 7ii	332,338	379,809
Held-to-Maturity	7 iii		55,836
Loans and Receivables	7 iv	593,082	555,097
Trade Receivables	8	275,537	295,834
Reinsurance Assets (Less prepaid reinsurance & IBNR)	9	946,066	1,149,267
Other Receivables and Prepayments	11	62,939	124,626
Statutory Deposit	15	300,150	300,150
		3,247,738	**3,239,558**

The Company's investment portfolio is exposed to credit risk through its fixed income and money market instruments.

Exposure to credit risks is managed through counterparty risks using instituted limits as approved the MU1C. These limits are based on counterparty credit ratings amongst other factors.

44.1.3 Credit Quality

Except for staff loans included in loans and receivables, other receivables and trade receivables, all financial assets are neither past due nor impaired. The credit qualities of the assets are as analysed below:

31-Dec-21	Unrated	AAA	AA	B	BB	BBB	TOTAL
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cash and Cash Equivalents		737,626					737,626
Available -for-sale (Less Equity security)		332,338					332,338
Loans and Receivables	593,082						593,082
Trade Receivables	275,537						275,537
Reinsurance Assets (Less prepaid reinsurance & IBNR	946,066						946,066
Other Receivables (Less Prepayments)	62,939						62,939
Statutory Deposit						300,150	300,150
	1,877,624	**1,069,964**				**300,150**	**3,247,738**
31-Dec-20	**Unrated**	**AAA**	**AA**	**B**	**BB**	**BBB**	**TOTAL**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Cash and Cash Equivalents		378,939					378,939
Available -for-sale (Less Equity security)		435,645					435,645
Held-to-Maturity	55,836						
Loans and Receivables	555,097						555,097
Trade Receivables	295,834						295,834
Reinsurance Assets (Less prepaid reinsurance & IBNR	1,149,267						1,149,267
Other Receivables (Less Prepayments)	124,626						124,626
Statutory Deposit						300,150	300,150
	2,180,660	**814,584**				**300,150**	**3,239,558**

AAA	Extremely strong financial security characteristics and is the highest FSR assigned by GCR.
AA	Has very strong financial security characteristics, differing only slightly from those rated higher.
	Has strong financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than assurance with higher ratings.
BBB	Has good financial security characteristics, but is much more likely to be affected by adverse business conditions than assurance with higher ratings.
BB	Has vulnerable financial security characteristics, which might outweigh its strengths. The ability of these companies to discharge obligations is not well safeguarded in the future.
	Possessing substantial risk that obligations will not be paid when due. Judged to be speculative to a high degree.

Trade receivable and reinsurance assets (claims receivable) subject to credit risk are further assessed below:

	2021	2020
	N'000	N'000
Gross premium receivables	275,537	295,834
Co-insurance receivable		
Reinsurers' share of outstanding claims	126,082	156,332
Recoverables from reinsurers on claim paid	819,984	992,935
Total	**1,221,603**	**1,445,101**
Neither due nor impaired	1,221,603	1,445,101
Impaired		
Carrying amount	**1,221,603**	**1,445,101**

Loans & receivables and other receivables subject to credit risk are further assessed below:

	2021	2020
Neither due nor impaired	N'000	N'000
Other Receivables (Less Prepayments)	62,939	124,626
Loans and Receivables	593,082	555,097
Total receivables neither due nor impaired	**656,021**	**679,723**
Impaired		
Carrying amount	**656,021**	**679,723**

Credit quality

Credit Rating

Internally, the Company categorizes brokers and reinsurers into grade A, B, C, D and E on the basis of previous premium contribution, future prospect and recommendation. The rating determines the outstanding credit limit of the broker. The credit limit of brokers is as follows:

Grade A	No credit limit
Grade 13	Outstanding credit limit not exceeding N50 million
Grade C	Outstanding credit limit not exceeding N25 million
Grade D	Outstanding credit limit not exceeding N0.5 million
Grade E	Zero Credit

The Company's categorization of Trade and Reinsurance receivable (less prepaid reinsurance and IBNR) as at 31 December 2021 is as follows:

	2021	2020
	N'000	N'000
Trade receivable	275,537	295,834
Reinsurance receivable	946,066	1,149,267
Total	**1,221,603**	**1,445,101**
	2021	**2020**
	N'000	**N'000**
Category	D	I)
Insurance brokers	108,640	295,834
Insurance companies	149,085	
Insurance Agents	17,852	
Policy holders		
	275,577	**295,834**
Impairment	-	-
Net carrying amount	**275,577**	**295,834**

44.1.4 Concentration of credit risk

The Company monitors concentration of credit risk by sector.

31st December 2021 Concentration of credit risk	**Financial Services**	**Govern ment**	**Public Sector**	**Other**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
Cash and Cash Equivalents	737,626	-			737,626
Available -for-sale	-	332,338			332,338
Held -to Maturity	-				
Loans and Receivables	-	-	593,082	-	593,082
Trade Receivables	-			275,537	275,537
Reinsurance Assets	946,066		-		946,066
Other Receivables	-			62,939	62,939
Statutory Deposit	-	-	300,150	-	300,150
	1,683,692	**332,338**	**893,232**	**338,476**	**3,247,738**

31st Dccembcr 2020					
Concentration of credit risk	**Financial Services**	**Govern ment**	**Public Sector**	**Other**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
Cash and Cash Equivalents	378,939				378,939
Available-for-sale		332,338			332,338
Held to Maturity				55,836	55,836
Loans and Receivables			555,097		555,097
Trade Receivables				295,834	295,834
Reinsurance Assets	1,149,267				1,149,267
Other Receivables				124,626	124,626
Statutory Deposit			300,150		300,150
	1,528,206	**332,338**	**855,247**	**476,296**	**3,192,087**

44.1.5 Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that arc subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

Similar financial assets and liabilities include trade receivables and payables.

None of these agreements met the criteria for offsetting in the statement of financial position. Reinsurance payable and receivables create for the parties to the agreement a right of set -off of recognised amounts that is enforceable only following predetermined events as stipulated within the treaty agreements. Also, under the 'IFRS 4 - Insurance contract' requirements, reinsurance assets and liabilities arc disclosed gross. Receivables and payables from insurance companies and insurance brokers or agents allow for a net settlement by the counterparties when both elect to settle on a net basis. Each party to the agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. An event of default includes a failure by a party to make payment when due. At the point of payment, the offsetting agreement is used to settle on a net basis with the Counterparty.

Financial assets subject to off setting, enforceable master netting arrangements and similar agreements (not offset in the financial statements)

				Related amounts not offset in the statement of financial position		
31 December, 2021.	Gross amount of recognised financial assets	Gross amount of financial liab offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Financial instruments not offset in the statement of financial position	Cash collateral received	Net amount
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Trade receivables	275,537		275,537			275,537
Reinsurance assets	946,066		946,066			946,066
Total	**1,221,603**		**1,221,603**			**1,221,603**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements 31 December, 2021.

				Related amounts not offset in the statement of financial position		
	Gross amount of recognised financial liability	Gross amount of financial assets offset in the statement of financial position	Net amount of financial liab presented in the statement of financial position	Financial instruments not offset in the statement of financial position	Cash collateral received	Net amount
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Trade payables	31,163		31,163			31,163
Reinsurance and co-insurance payable						
Total	**31,163**		**31,163**			**31,163**

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements (not offset in the financial statements)

				Related amounts not offset in the statement of financial position		
31 December, 2020.	Gross amount of recognised financial assets	Gross amount of financial liab offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Financial instruments not offset in the statement of financial position	Cash collateral received	Net amount
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Trade receivables	295,834	-	295,834			295,834
Reinsurance assets	1,149,267		1,149,267			1,149,267
Total	**1,445,101**	**-**	**1,445,101**			**1,445,101**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements 31 December, 2020.

				Related amounts not offset in the statement of financial position		
	Gross amount of recognised financial liability	Gross amount of financial assets offset in the statement of Financial position	Net amount of financial liab presented in the statement of Financial position	Financial instruments not offset in the statement of Financial position	Cash collateral received	Net amount
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Trade payables	56,615	-	56,615			56,615
Reinsurance and co -insurance payable	-	-	-	-	-	
Total	**56,615**	**-**	**56,615**			56,615

The gross amount of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the statement of financial position on the following bases:

Trade receivables and payables	Amortised cost
Reinsurance receivables and payables	Amortised cost

44.2.1 Liquidity risk

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 en sure, 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. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 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.

Liquidity Risk Management

Liquidity risk exposure is strongly related to the credit and investment risk profile. For instance, an increase in our credit risk exposure may increase our liquidity risk profile; poor performance of the investment portfolio may have severe liquidity risk implications for the Company.

Failure of insurance brokers and clients to meet their premium payment obligation as and when due is the primary cause of liquidity to the Company since premium accounts for the largest portion of income. However, the Company's strategy for managing liquidity risks arc as follows:

* Maintain a sound and optimum balance between having sufficient stock of liquid assets, profitability and investment needs.
* Ensure unrestricted access to financial markets to raise funds and also put in place measures to check excesses.
* Develop liquidity risk control limits and strictly adhere to it.
* Communicate to all relevant staff the liquidity risk management objectives and control limits, receive and review feedback.

In managing liquidity risk mitigation and control, one way is having access to financial markets. This is by ensuring that the company has sufficient and unhindered access to funding from a range of sources in the financial markets, also assessing periodically the ability to obtain funds in both local and foreign currencies.

The Company's investment policy requires that a minimum of 35% of the Company's life and non-life portfolio be held in liquid money market instruments and highlighting the availability of liquid marketable securities sufficient to meet its liabilities as at when due. The money market instruments include cash, treasury bills and term deposits with an original maturity of less than 90 days.

The limits are monitored and reported on a weekly and monthly basis to ensure that exposure of the Company's investment portfolio to this risk is properly managed.

Below is a summary of undiscounted contractual cashflows of financial assets matched with financial liabilities.

December 31,2021	Carrying Amount N'000	Gross total N'000	1-3 months N'000	3-6 months N'000	6-12 months N'000	1-5 years N'000	>5ycars N'000
Cash and Cash Equivalents	737,626	737,626	737,626				
Available -for-sale (Less Equity security)	332,338	332,338				379,809	
Loans and Receivables	593,082	593,082			593,082		
Trade Receivables	275,537	275,537	275,537				
Reinsurance Assets							
(Less prepaid reinsurance & IBNR)	946,066	946,066	946,066				
Other Receivables (Less Prepayments)	62,939	62,939	62.939				
Total Financial Assets	**2,947,588**	**2,947,588**	**2,022,168**		**593,082**	**379,809**	
Trade Payables	31,163	31,163	31,163				
Provisions and Other Payables	210,732	210,732	210,732				
Retirement Benefit Obligations	227,048	227,048	227,048				
Total financial liabilities	**468,943**	**468,943**	**468,943**				
Net financial assets/(liabilities)	2,478,646	2,478,646	1,553,225	—	593,082	379,809	
Insurance contract liabilities	**1,137,994**	**1,137,994**	—		—	—	

December 31,2020	Carrying amount	Gross total	1 - 3 months	3-6 months	6-12 months	1-5 years	>5years
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cash and Cash Equivalents	378,939	378,939	378,939				
Available -for-sale (Less Equity security)	379,809	379,809				379,809	
Loans and Receivables	555,097	555,097			555,097		
Trade Receivables	295,834	295,834	295,834				
Reinsurance Assets							
(Less prepaid reinsurance & IBNR)	1,149,267	1,149,267	1,149,267				
Other Receivables(Less Prepayments)	124,626	124,626	124,626				
Total Financial Assets	**2,883,572**	**2,883,572**	**1,948,666**		**555,097**	**379,809**	
Trade Payables	56,615	56,615	56,615				
Provisions and Other Payables	133,879	133,879	133,879				
Retirement Benefit Obligations	206,270	206,270	206,270				
Total financial liabilities	**396,764**	**396,764**	**396,764**				
Net financial assets/(liabilities)	2,486,808	2,486,808	1,551,902		555,097	379,809	
Insurance contract liabilities	1,154,945	1,154,945	1,058,601		187,772	490,984	

Expected Credit Loss Impairment Model for Financial Assets

The Company's allowance for credit losses calculations are output of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all shortfalls related to default event either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability -weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Company adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition.

**Stage I - Where there has not been a significant increase in credit risk (SICR) since initial recognition of financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

•*Stage 2. When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

Stagc 3. Financial instruments that are considered to be in default are included in this stage. Similar to stage 2 the allowance for credit losses captures he lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase to credit risk since origination. Examples of financial assets with low credit risk (no significant increase in credit risk include Risk free and gilt edged debt investment securities that are determined to have low risk at the reporting date; and other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Measurement of Expected Credit Losses

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macro-economic variables that are most closely related with credit losses in the relevant portfolio.

The Company employs the usage of international rating agencies PD factors which was modified by factors specific to the Nigerian Economy such as inflation rate, unemployment rate, GDP and so on.

Using the probabilities of default (PD) as provided by Standard & Poor, our model employs Nigeria-centric forward looking macro-economic factors which have been determined to be statistically significant, to adjust the PD Country-specific factors are also applied to the LGD factors which originate from Basel recommendations and at thereby adjusted to our specific circumstances. Base, optimistic and pessimistic scenarios are employed at projected cash flows arc discounted to present value at using the effective rates of interest. The resulting EAD compulations are therefore appropriately probability-weighted and consider relevant forward-looking information as well as the time value of money.

Details of these statistical parameters/inputs are as follows

? PD - The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been precious derecognized and is still in the portfolio.

12-months PDs - This is the estimated probability of default occurring with the next 12 months (or over) the remaining life of the financial instruments if that is less than 12 months) This is used to calculate 12 months ECLs

Lifetime PDs - This is the estimated probability of default occurring over the remaining life of the financial instruments. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3 exposurcs/PDs are limited to the maximum period of exposure required by IFRS 9,

? EAD, The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LCD — The loss given default is an estimate of the loss arising in the case where a default occurs at a given time, basically, it is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD. However, the Company makes use of the combination of the following in establishing its LGD.

- Fixed LGD ratios prescribed by the Bank for international Settlements (BIS) under the foundation approach
- Recovery rates on insolvencies in Nigeria as published by the World Bank

Forward-looking Information

The measurement of expected credit losses for each stage and the assessment of significant increase in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Macroeconomic factors

The Company relies on a broad range of forward looking information as economic inputs, such as; GDP growth employment rates, central bank base rates, crude oil prices, inflation rates and foreign exchange rates. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expect credit judgement.

Multiple forward-looking Scenarios

The Company determines allowance for credit losses using probability-weighted forward looking scenarios.

The Company considers both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Company prepares the scenarios using forecasts generated by credible sources such as Business Monitor International (BMI) International Monetary Fund (IMF), Nigeria Bureau of Statistics (NBS), World Bank, Central Bank of Nigeria (CBN), Financial Markets Dealers Quotation (FMDQ) and Trading Economics.

The Company estimates three scenarios for each risk parameter (LGD, EAD, CCF and PD). Normal, Upturn and Downturn, which in turn are used in the estimation of the multiple scenarios ECLs. The normal case represents die most likely outcome and is aligned with information used by the Company for other purposes such as strategy planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcome. The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of Financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

Assessment of significant Increase in Credit Risk (SICR)

At each reporting date, the Company assesses whether there has been a significant increase in credit risk to exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower- specific quantitative and qualitative information about the issuers without consideration of collateral, and the impact of forward-looking macroeconomic factors. The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance each specific macroeconomic factor depend on the type of product, characteristics of the financial instrument and the issuer and the geographical region.

The Company adopts a multi factor approach in assessing changes in credit risk. This approach considers: Quantitative (primary). Qualitative (secondary and Back stop indicators which arc critical in allocating financial assets into stages.

Quantitative Elements

The quantitative element is the primary indicator of significant increases in credit risk, with the qualitative element playing a secondary role. The quantitative element is calculated based on the change in lifetime PDs by comparing:

- The remaining lifetime PD as at the reporting date; with
- The remaining lifetime PD for this point in line that was estimated based on facts and circumstances at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Qualitative Elements

In general, qualitative factors that are indicative of an increase in credit risk are reflected in PD models on timely basis and thus are included in the quantitative assessment and not in a separate qualitative assessment. However, if it is not possible to include all current information about such qualitative factors in the quantitative assessment, they arc considered separately in a qualitative assessment as to whether there has been a significant increase in credit risk. If there are qualitative factors that indicate an increase in credit risk that have not been included in the calculation of PDs used in the quantitative assessment, the Company recalibrates the PD or otherwise adjusts its estimate when calculating ECLs.

Backstop Indicators

Instruments which are more than 30 days past due or have been granted forbearance are generally regarded and having significantly increase in credit risk and may be credit-impaired. There is a rebuttable presumption that the credit risk has increased significantly if contractual payments are more than 30 days past due; the presumption is applied uncles the Company has reasonable and supportable information demonstrating that the credit risk has not increased significantly since initial recognition.

Definition of Default and Credit Impaired Financial Assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOC1 are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cashflows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data.

(i) Significant financial difficulty of the borrower or issuer;
(ii) A breach of contract such as a default or past due event
(iii) It is becoming probable that the issuer will enter bankruptcy or other financial reorganization; or
(iv) The disappearance of an active market for a security because of financial difficulties.
(v) The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

An asset that has been renegotiated due to a deterioration in the issuer's condition is usually considered to be credit impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors:-

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies assessments of creditworthiness
- The country's ability to access the capital markets for new debts issuance
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness
- The international support mechanisms in place to provide the necessary support as lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent whether there I s the capacity to fulfil the required criteria.

Presentation of Allowance for ECL in the Statement of Financial Position

The Company assess the possible default events within 12 months for the calculation of the 12month ECL and lifetime for the calculation of life Time ECL, Given the investment policy, the probability of default for new instrument acquired is generally determined to be minimal and the expected loss given default ratio varies for different instruments. In cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

Loan allowances for ECL are presented in the statement of financial position as follows:

Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;

- Financial assets measured at FVOCI: loss allowance shall be recognized in the statement of financial position because the carrying amount of these assets shall be their fair value. However, the loss allowance shall be disclosed and recognized in the fair value reserve.

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 primary identifies whether a significant increase in credit risk has occurred for an exposure by using days past due and assessing other information obtained externally. Whether 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 company 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 predictive of the risk of default (including but not limited to the audited financial) statements, management accounts and cash flows projections, available regulatory and press information about the borrowers and apply experienced credit judgments. Credit risk grades are defined by using quantitative and quantitative factors that are indicative of the risk of default and are aligned with the external credit rating definition from Moody's and Standard 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 Bass 3 or higher based on the Moody rating.

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 arc determined by counting the numbers of days since the earliest elapsed due dale 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 borrowers.

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 in credit risk before an exposure is in default;
- The criteria do no align with the point in time when the asset becomes 30days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable
- Exposure are not generally transferred from 12month ECL measurement to credit impaired and

• There is no unwarranted volatility in loss allowance from transfers between 12 month ECL Lifetime ECL measurements.

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 docs not result in recognition, the determination of whether the asset's credit risk has increase 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,

Investment portfolio

The Company's investment portfolio comprise of fixed income and money market instruments, Federal Government bonds and quoted and unquoted securities.

The table below shows the investment portfolio structure of the Company.

Investment	Class	2021	
		N'000	%
Money market instruments	Cash & cash equivalent A	737,626	40.84
Federal Government Bond	Available -for -sale	332,338	18.40
Quoted Securities	Available -for -sale	313,674	17.37
Un-quoted Securities		422,531	23.39
		1,806,169	**100**
Investment	**Class**	**2020**	**%**
		N'000	
Money market instruments	Cash & cash equivalent	378,939	25.02
Federal Government Bond	Available -for-sale	379,809	25.07
Quoted Securities	Available -for-sale	333,502	**22.02**
Un-quoted Securities	Available -for-sale	422,531	27,89
		1,514,781	**100**

The Company's exposure to credit risk is cash & cash equivalent accounted for the largest part, 40.44% of the total investments as at December, 2021; 27.89% as at December, 2020,

Fair Value Hierarchy

Level 1: Fair value measurements classified as level 1 include exchange -trade prices of fixed maturities and equity securities unadjusted in active market for identical assets.

Level 2: Input other than quoted prices included within Level 1 that are obs ervable for the asset either directly or indirectly. This category of instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for similar instruments in market that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: This includes financial instruments, the valuation in which incorporate significant inputs in the assets that is not based on observable mar ket date (unobservable input). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the products.

The table below analyses financial instruments measured at fair value at the end of the report ing period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

December31, 2021 Asset Type				
	Level 1	**Level 2**	**Level 3**	**Total**
	N'000	**N'000**	**N'000**	**N'000**
Equity securities; Available for sale				
* Federal Government bonds	**332,338**			**332,338**
* Quoted Investments	**313,674**			**313,674**
* Unlisted Investments			**422,531**	**422,531**
Total	**646,012**		**422,531**	**1,068,543**
December 31, 2020 Asset Type				
	Lcvcl1	**Level 2**	**Level 3**	**Total**
	N'000	**N'000**	**N'000**	**N'000**
Equity securities: Available for sale				
* Federal Government bonds	**379,809**			**379,809**
* Quoted Investments	**333,502**			**333,502**
* Unlisted Investments			**422,531**	**422,531**
Total	**713,311**		**422,531**	**1,135,842**

Outstanding premium

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 arc a specific loss component that relates to individually significant exposures, and a collective loss component established for groups 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 on historical data of payment statistics for similar financial assets.

The Company established the following credit risk management strategies as measures to reduce its exposure to credit risks.

* Formulating credit policies with strategic business units, underwriters, brokers, covering brokers grading, reporting, assessment, legal procedures and compliance with regulatory and statutory bodies.

* Identification of credit risk drivers within the Group in order to coordinate and monitor the probability of default that could have an unfortunate impact.

* Continuous reviewing of compliance and processes in order to maintain credit risk exposure within acceptable parameters.

44.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates (currency risks), market interest rates (interest rate risks) and market or equity prices (price risks) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policy holders' liabilities and those assets arc held to deliver income and gains for policyholders which are in accordance with expectations of the policyholders.

The Company invested in money and capital market instruments, and investments in these instruments are basically for liquidity purposes. Therefore, the values of assets in the investment portfolio are at risk due to volatility in security prices, interest rates, and other market and economic variables.

Interest rate risk:

This is the risk of exposures to the volatility of interest rates. It is the risk of the value or future cash flows of financial instruments being affected by changes in interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk. The Company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets in such a way that Interest rate risk is minimal.

The Company has no significant concentration of interest rate risk.

Currency risk

The Company's principal transactions are carried out in naira and its exposure to foreign exchange risk is minimal. The Company's financial assets are primarily denominated in the same currencies as its insurance contract liabilities. This mitigates the foreign currency exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets (bank placement) denominated in currencies other than those in which insurance contract liabilities are expected to be settled.

The Company has no significant concentration of currency risk.

Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices.
The Company has no significant concentration of price risk,

45. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's process, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory' requirements and generally accepted standards or corporate behavior. Operational risks arise from all the Company's operations. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.
The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

I. requirements for appropriate segregation of duties, including the independent authorization of transactions
ii. requirements for the reconciliation and monitoring of transactions
iii. compliance with regulatory and other legal requirements
iv. documentation of controls and procedures
v. requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified
vi. requirements for the reporting of operational losses and proposed remedial actions vii. development of contingency plans
viii. training and professional development ix. ethical and business standards
x. risk mitigation, including insurance when this is effective

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the executive management of the Company.

46. Capital Management

The National Insurance Commission (NAICOM), sets and monitors capital requirements for Insurance Companies. The Company's policy is to maintain a strong capital base to foster investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also recognised and afforded by a sound capital position.

46.1 Capital Management Objectives

The Company has established the following capital management objectives that affect its capital structure:

To ensure that the Minimum Capital Requirement ratio as required by the Insurance Act 2003 be maintained at all times.

This is a risk based capital method of measuring the minimum amount appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile.

To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders; and

To provide an adequate return to shareholders by pricing insurance contracts and other services commcnsuralciy with the level of risk.

To maintain, at all times, the required level of stability of the Company thereby providing a degree of confidence to policy holders;

To maintain financial strength to support new business growth and satisfy the requirements of the policy holders, regulators and other stakeholders;

To ensure that capital is efficiently allocated and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;

To maintain adequate financial asset portfolio in order to maximize the use of fund and high solvency margin. The insurance Act, 2003 specifies the amount of capital that must be held in proportion to the Company's liabilities, i.e. in respect of outstanding claim liability risk, unearned premium liability risk, investment risk, catastrophe risk and reinsurance ceded.

The Company is also subject to a solvency requirement under the Insurance Act 2003 and is required to maintain its solvency at the minimum capital required at all times.

The Company's operations are also subject to regulatory requirements of the National Insurance Commission (NAICOM). Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimize the risk of default and insolvency on the part of the insurance company and enhance its ability to meet unforeseen liabilities as they arise.

46.2 Capital Management Approach

The primary source of capital used by the Company is equity shareholders' funds. The Company's capital management strategy focuses on the creation of shareholders' value while meeting the crucial and equally important objective of providing an appropriate level of capital to protect stakeholders' interests and satisfy regulators.

The adequacy level of capital determines the degree of confidence that stakeholders (suppliers, clients, investors, depositors and counterparties) would have in a business. Hence, the company ensures that adequate capital exists to buffer the following:

* Absorb large unexpected losses;
* Provide confidence to external investors and rating agencies
* Run operations of the Company efficient and generate commensurate returns
* Protect clients and other creditors
* Support a good credit rating; and
* Maintain adequate solvency margin

46.3 Capital Management Process

The capital management process is governed by the Board of Directors who has the ultimate responsibility for it. The Board of Directors is supported by the ERM committee drawn from various departments and Financial Control Department who all have various inputs into the capital management process.

The capital management process involved establishing the methodology for determining and maintaining an appropriate quantity of capital and solvency. The capital adequacy and solvency margin comprises the:

* Valuation of liabilities (including liability adequacy test);
* Requirements on assets, including requirements for valuation of assets;
* Definition of appropriate forms of capital; and
* Required solvency margin

The Company maintains economic capital levels sufficient to meet internal capital needs. The capital plan reflects the Company's current capital needs, planned capital consumption, targeted future capital level given the risk appetite/tolerance, and the plans for external and internal sources of capital. To withstand adverse economic conditions, the capital plan incorporates various potential scenarios and is responsive to changes in the economy, market, competitive/political and other external factors. The Company plans its capital needs throughout the product and business life cycle, and also ensures that capital management is integrated with the business plan and risk management systems.

Capital is carefully allocated to activities that provide considerable returns. The process clearly specifies the basis for the calculation of capital to be allocated to risk types (known as the 'risk capital") and the limits on capital to be allocated to each of the risk categories, business activities and units. The allocation of capital is based on the risk profiles of the business activities and business units (i.e. based on the "contribution" of each business unit to the overall volatility of cash flows).

46.4 Regulatory Capital

Management uses regulatory capital to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on the regulatory capital, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Management, and is subject to review by the Board of Directors as appropriate. The Company ensures it maintains the minimum required capital at all times throughout the year.

	2021	2020
	N'000	N'000
Regulatory capital held	**5,405,871**	**4,983,869**
Minimum regulatory capital	**3,000,000**	**3,000,000**

During the year under review, the Company complied with externally imposed capital requirements to which they are subject by NAICOM.

46.5 Solvency Margin

During the year under review the Company attains the minimum solvency margin requirement of N3b stipulated by NAICOM. The solvency margin achieved by the company was N4,309,995,000. compared to the minimum requirement of N3b giving a surplus of N 1,309,995,000.

Consequences of non - compliance

The consequences of non -compliance with the minimum regulatory capital as stated in Section 24 (5) -(8) of the Insurance Act, 2003 are:

(i) The Company to make good the deficiency by way of cash payment into its account and satisfactory evidence of such payment shall be produced to the Commission within 60 days of the receipt of the directive;

(ii) If satisfactory evidence of payment is not produced within the time stipulated, the Company shall not undertake a new insurance business until it produces satisfactory evidence of payment to the Commission;

Failure to comply with (i & ii) above, shall constitute a ground for the cancellation of the registration of the Company under section 8 of the Insura nce Act, 2003.

SOLVENCY MARGIN COMPUTATION FOR THE COMPANY AS AT 31 DECEMBER, 2021

	TOTAL	INADMISSIBLE	ADMISSIBLE	TOTAL
ASSETS	**2021 N'000**	N'000	**2021 N'000**	**2020 N'000**
Cash and Cash Equivalents	737,626	-	737.626	378,939
Financial Assets	1,661,626	-	1,661,626	1,746,775
Trade Receivables	275,537	-	275,537	295,834
Reinsurance Assets	1,368,146	-	1,368,146	1,468,007
Deferred Acquisition Cost	443,369	-	443,369	140,139
Other Receivables and Prepayments	235,553	172,614	62,939	336,695
Investment Properties	1,430,000	430,000	1,000,000	1,270,000
Property, Plant and Equipment	724,595	580,000	144,595	717,350
Statutory Deposits	300,150	-	300,150	300,150
TOTAL ASSETS (A)	**7,176,602**	**1,182,614**	**5,993,988**	**6,653,889**
LIABILITIES				
Insurance Contract Liabilities	1,135,636		1,135,636	1,154,945
Trade Payables	31,163		31,163	56,615
Provision and Other Payables	210,732		210,732	133,879
Retirement Benefit Obligation	227,048		227,048	206,270
Current Income Tax Liabilities	79,414		79,414	30,003
Deferred Tax Liabilities	86,738	86,738		88,309
TOTAL LIABILITIES (B)	**1,770,730**	**86,738**	**1,683,993**	**1,670,021**
SOLVENCY MARGIN (A -B) *(Admissible Assets Minus Admissible Liabilities)*			**4,309,995**	**4,983,863**
Subject to higher of:				
Gross premium written			4,646,308	
Less: Reinsurance expense			**(1,272,668)**	
Net premium			**3,373,640**	
15% of Net Premium. Premium			506,046	
OR				
Minimum capital base: Non -life business			3,000,000	
The higher thereof:			3,000,000	3,000,000
Solvency margin surplus			**1,309,995**	**1,983,868**
Solvency Ratio			**43.67%**	**66.13%**

The Company's capital requirement ratio and solvency margin above is the requirements of the Insurance Act Cap 117, LFN 2004.

Assets and Liabilities Management (ALM)

The Company is exposed to a range of financial risks through its financial assets, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Company manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. Within the ALM framework, the Company periodically produces reports at portfolio, legal entity and asset and liability class level that are circulated to the Company's key management personnel. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. For each distinct class of liabilities, a separate portfolio of assets is maintained. The Company has not changed the processes used to manage its risks from previous periods.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other classes of financial assets and liabilities not directly associated with insurance and investment liabilities (in particular, borrowings and investments in foreign operations). The notes below explain how financial risks are managed using the categories utilized in the Company's ALM framework. In particular, the ALM Framework requires the management of interest rate risk, equity price risk and liquidity risk at the portfolio level. The notes below show how the Company has managed its financial risks.

	Policyholders' Fund	Shareholders' & Other Fund	Total
ASSETS	**2021**	**2021**	**2021**
Cash and Cash Equivalents	**N'000**	**N'000**	**N'000**
Financial Assets:	**737,626**		**737,626**
Available for Sale (Fed. Govt, Bond)			
Available for Sale (Quoted Equities)	**332,338**		**332,338**
Available for Sale (Unquoted Equities)	**93,502**	**220,172**	**313,674**
Held to Maturity (Fixed Deposit)		**422,531**	**422,531**
Loans and Receivables			
Trade Receivables		**593,082**	**593,082**
Reinsurance Assets		**275,537**	**275,537**
Deferred Acquisition Cost		**1,368,146**	**1,368,146**
Other Receivables and Prepayments		**443,369**	**443,369**
Investment Properties		**235,553**	**235,553**
Property, Plant and Equipment		**1,430,000**	**1,430,000**
Statutory Deposits		**724,595**	**724,595**
		300,150	**300,150**
Total Assets	**1,163,466**	**6,013,135**	**7,176,602**
Insurance Contract Liabilities			
Trade payables	**1,135,636**		**1,135,636**
Accruals and other payables		**31,163**	**31,163**
Retirement Benefit Obligations		**210,732**	**210,732**
Current income tax liabilities		**227,048**	**227,048**
Deferred Tax Liabilities		**79,414**	**79,414**
Shareholders fund		**86,738**	**86,738**
		5,405,871	**5,405,871**
Total Liabilities	**1,135,636**	**6,040,965**	**7,176,601**
Surplus Asset Cover	**27,830**	**27,830**	**-**

	Policyholders' Fund	Shareholders' & Other Fund	Total
ASSETS	**2020**	**2020**	**2020**
Cash and Cash Equivalents	**N'000**	**N'000**	**N'000**
Financial Assets:	378,939		378,939
Available for Sale (Fed. Govt. Bond)			
Available for Sale (Quoted Equities)	379,809		379,809
Available for Sale (Unquoted Equities)	93.502	240,000	333,502
Held-to-Maturity	115,494	307,037	422,531
Loans and Receivables		55,836	55,836
Trade Receivables		555,097	555,097
Reinsurance Assets		295,834	295,834
Deferred Acquisition Cost		1,468,007	1,468,007
Other Receivables and Prepayments		140,139	140,139
Investment Properties		336,695	336,695
Property, Plant and Equipment	288,736	981,264	1,270,000
Statutory Deposits		717,350	717,350
		300,150	300,150
Total Assets	**1,256,480**	**5,397,409**	**6,653,889**
Insurance Contract Liabilities			
Trade payables	1,154,945		1,154,945
Provisions and other payables		56,615	56,615
Retirement benefit obligations		133,879	133,879
Current income tax liabilities		206,270	206,270
Deferred tax liabilities		30,003	30,003
Shareholders' Funds		88,309	88,309
		4,983,869	4,983,869
Total Funds	**1,154,945**	**5,498,944**	**6,653,889**
Surplus/(Shorfall) Asset Cover			
	101,535	101,535 -	0

	Notes	2021 N'000	2020 N'000
47. Reconciliation of Statement of Cash flow			
(a) Premium received			
Gross written premium per income statement	25	4,677,009	3,949,079
Add: Opening receivables	8	295,834	4,895
Less: Closing receivables	8	(275,537)	(295,834)
		4,697,306	**3,658,140**
(b) Reinsurance premium paid			
Reinsurance premium per income instatement	25	(1,402,558)	(934,992)
Add; Closing reinsurance payable	16	31,163	56,615
Less: Opening reinsurance payable	16	(56,615)	**(81,720)**
		(1,428,011)	**(960,097)**
c) Commission received			
Change in deferred commission income	10		(5.249)
Fees and commission income per income statement	26	153,109	155,148
		153,109	**149,899**
(d) Gross claims paid net of recoveries			
Claims recovered	27.3	568,307	758,205
Gross claims paid per income statement	27	(1,313,202)	(1,829,098)
		(744,895)	**(1,070,893)**
(e) Payments to employees			
Employee benefits expenses		781,691	671,572
Benefit paid during the year		(51,722)	
Decrease/ (Increase) in employee benefit obligations		20,778	(64,470)
		750,747	**607,102**
(f) Investment income received			
Dividend income on AFS equity		54,197	29,766
Interest income on statutory deposit with CBN		7,628	39,200
Interest income on fixed placement		14,463	23,618
Interest income on treasury bills		45,615	112,722
		121,904	**205,306**
(g)i. Other Income received			
Recoveries from other receivables			
Sundry Income		10.353	10.107
		10.353	**10.107**
(g)ii. Proceeds from sale of property and equipment			
Cost of property and equipment disposed		158	12,158
Accumulated depreciation of property and equipment disposed		(158)	(12.158)
Gain on disposal of property and equipment			11.381
Proceeds on disposal		**-**	**11.381**

	2021		2020	
	N'000	%	N'000	%
Gross premium earned	4,646,308		4,097,311	
Reinsurance, claims and commission and others	(3,467,254)		(3,398,466)	
Investment and other income	107,783		232,974	
VALUE ADDED	**1,286,836**		**931,819**	
Applied as follows:				
I Staff costs	781,691	60.7	671,572	72.1
2 Government as tax	70,172		16,987	
3 Depreciation	57,604		45,771	
4 Retained for Company's growth	377,370	29.3	197,489	21.2
VALUE ADDED	**1,286,836**	**100.0**	**931,819**	**100.0**

Value - Added represents the additional wealth the Company has been able to create on its own and its employees' efforts. The statement shows the allocation of the wealth among employees, shareholders, government and that retained for future creation of more wealth.

FIVE -YEAR FINANCIAL SUMMARY

	2021	2020	2019	2018	2017
STATEMENTOF FINANCIAL POSITION					
ASSETS	**N '000**	**N '000**	**N '000**	**N '000**	**N '000**
Cash and Cash Equivalents	737,626	378,939	655,816	811,154	1,069,645
Trade and Other Receivables	511,090	632,529	412,284	235,023	120,653
Deferred Acquisition Cost	443,369	140,139	134,890	161,416	118,463
Reinsurance Assets	1,368,146	1,468,007	1,500,954	1,852,071	1,317,999
Financial Assets	1,661,626	1,746,775	1,697,829	1,589,321	1,384,402
Investment Properties	1,430,000	1,270,000	1,270,000	1,060,000	1,060,000
Statutory Deposit	300,150	300,150	300,150	300,150	300,150
Property, Plant and Equipment	724,595	717,350	719,981	439,987	463,082
Total Assets	**7,176,602**	**6,653,889**	**6,691,904**	**6,449,122**	**5,834,394**
LIABILITIES					
Trade and Other Payables	(321,309)	(220,497)	(242,584)	(130,291)	(154,057)
Deferred Taxation	(86,738)	(88,309)	(92,031)	(86,305)	(74,238)
Retirement Benefit Obligations	(227,048)	(206,270)	(141,800)	(94,565)	(83,749)
Insurance Contract Liabilities	(1,135,636)	(1,154,945)	(1,365,598)	(1,907,786)	(1,531,862)
Total Liabilities	**(1,770,731)**	**(1,670,021)**	**(1,842,013)**	**(2,218,947)**	**(1,843,906)**
NET ASSETS	**5,405,871**	**4,983,869**	**4,849,892**	**4,230,175**	**3,990,488**
EQUITY					
Share Capital	4,064,351	4,064,351	4,064,351	4,064,351	4,050,351
Share Premium	70,393	70,393	70,393	70,393	70,393
Contingency Reserves	1,450,684	1,310,374	1,191,902	1,075,338	962,288
Other Reserves	236,511	191,879	255,391	140,856	216,702
Retained Earnings	(416,068)	(653,128)	(732,145)	(1,120,763)	(1,309,246)
Share Holders Fund	**5,405,871**	**4,983,869**	**4,849,892**	**4,230,175**	**3,990,488**
STATEMENT OF PROFIT OR LOSS					
OTHER COMPREHENSIVE INCOME					
Gross Premium Written	4,677,009	3,949,079	3,885,447	3,768,341	3,009,865
Net Premium Earned	3,373,639	3,228,230	3,213,718	2,757,156	2,426,441
Profit /(Loss) Before Tax	447,542	214,476	550,230	349,808	414,469
Profit/(Loss) for the year	377,370	197,489	505,181	301,534	372,974
Total comprehensive income for the year	422,002	133,977	619,716	225,687	547,724
Basic Earnings Per Share (k)	4.64	2.43	6.21	3.71	4.60

MANAGEMENT

Dr. F. K. Lawal
Managing Director

A. A. Akingbade
Executive Director

S. A. Adegbesan
Executive Director

S. A. Adedigba
GM (Special Risks)

S. O. Agboola
DGM (Finance & Admin)

T. A. Olorunmakomi
AGM (Claims)

Mrs. I. O. Adeyemi
AGM (Internal Audit)

S. A. Olabanji
AGM (Marketing)

PROXY FORM

I/We...
(In Block)......................................
....
....

FOR OFFICE USE
HOLDING

A member/members of the above named Company, appoint………………………………. or failing him, the duly appointed Chairman of the meeting to be my/our proxy to vote on my/our behalf at the **Annual General Meeting** of the company to be held on **Wednesday, 14th September, 2022 at 2pm** and any adjournment thereof.

Date................................ Signature(s).....................................
....

Please indicate below with a cross how you wish your votes to be cast.

ORDINARY BUSINESS

	FOR	AGAINST
1. Lay before the meeting the audited Financial Statements for the Year ended 31st December 2021		
2. Authorise the Directors to fix the remuneration of the Auditors.		
3. Disclose the remuneration of managers of the Company		
SPECIAL BUSINESS 4. Approve the Directors' emoluments		

NOTES:

If this **Proxy Form** is to be valid, it must be **duly stamped** by the member concerned, and be lodged with the Secretaries, Nigerian Nominees Limited, New Africa House (12th Floor), 31 Marina, Lagos not less than forty-eight(48) hours before the time fixed for holding the meeting or any adjournment thereof.

The signature of any one of joint holders will be accepted but the names of all joint holders must be stated.

In the event of this form not indicating as to how the proxy shall vote on any resolution, the proxy may exercise his discretion as to how he votes or he may abstain from voting.

If the appointor is a corporation this form must be under the Common Seal or signed by an officer or attorney duly authorised to do so.