Allianz

ALLIANZ NIGERIA INSURANCE PLC
(formerly known as ENSURE INSURANCE PLC)

REPORT OF DIRECTORS AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Contents

Contents	Page
Directors and professional advisers	3
Directors' report	4
Corporate Governance Report	8
Sustainability Report	15
Complaints and Feedback	17
Operational Risk Management	19
Internal Control and Risk Management System in Relation to the Financial Reporting	29
Regulatory Requirements under IFRS Regime	31
Share Capital History	32
Statement of Directors' Responsibilities in relation to the preparation of the financial statements	33
Report of the Audit Committee	34
Independent Auditor's report from PwC	35
Summary of significant accounting policies	41
Statement of Financial Position	81
Statement of Profit or Loss and Other Comprehensive Income	82
Statement of Changes in Equity	83
Statement of Cash Flows	84
Notes to the financial statements	85
Other National Disclosures:	
- Value Added Statement	176
- Five-year Financial Summary	177
- Non-Life Revenue Account	178
- Life Revenue Account	180

Directors and Professional Advisers

Directors:

Fola Adeola	Chairman	
Olasunkanmi Adekeye	Managing Director	
Dickie Agumba Ulu	Independent Director	
Owolabi Salami	Executive Director	
Asue Ighodalo	Non- Executive Director	
Ayodele Akande	Non- Executive Director	
Andrew Borda	Non- Executive Director	(Australian, resigned July 2018)
Shubhendra Swarup	Non- Executive Director	(British, resigned July 2018)
Coenraad Vrolijk	Non- Executive Director	(Swiss, appointed July 2018)
Anuj Agarwal	Non- Executive Director	(Indian, appointed July 2018)
Hicham Raissi	Non- Executive Director	(French, appointed July 2018)

Secretary: Abimbola Alabi

Registered Office:
307, Adeola Odeku Street,
Victoria Island,
Lagos.

Company's Registration Number: RC: 234883

Auditors:
PricewaterhouseCoopers
5B Water Corporation Road
Landmark Towers, Victoria Island
Lagos, Nigeria.

Registrar:
GTL Registrars LTD
274 Murtala Muhammed way, Yaba
Lagos, Nigeria.

Major Bankers:
Union Bank of Nigeria PLC
Sterling Bank PLC
Guaranty Trust Bank PLC
Zenith Bank PLC
First City Monument Bank PLC
United Bank of Africa PLC
Access Bank PLC
First Bank of Nigeria LTD
Stanbic IBTC PLC

Consulting Actuaries:
Ernst & Young (formerly HR Nigeria Limited)
10th & 13th Floors, UBA House,
57 Marina,
Lagos, Nigeria.

Estate Surveyor and Valuer: Benson Omoruyi & Co. - FRC No. - FRC 2013/NIESV/00000003307

Reinsurers:

International:
Allianz Re
XL - Catlin
Chubb/Ace European Group Limited

Local:
Continental Reinsurance PLC
African Reinsurance Corporation

Directors' Report

For the year ended 31 December 2018

The Directors have the pleasure in presenting their report on the affairs of Allianz Nigeria Insurance plc (formerly known as Ensure Insurance PLC) ("the Company") together with the financial statements and the auditors' report for the year ended 31 December 2018.

Legal form and principal activity

The Company was incorporated in Nigeria as a private limited liability company in 1993 and commenced operations on 2nd October 1998 to transact insurance business as a composite insurer. The Company is principally engaged in the business of providing risk underwriting and related financial services to its customers. Such services include provision of life and non-life insurance services to both corporate and individual customers.

Operating results

The highlights of the Company's operating results for the year ended 31 December 2018 are as follows:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Gross premium written	10,007,524	7,667,258
Loss before income tax expense	(1,446,452)	(773,461)
Income tax expense	557,901	(60,622)
Loss after income tax expense	(888,551)	(834,083)
Accumulated losses, beginning of year	(4,866,919)	(3,865,077)
Accumulated losses, end of year	(5,971,566)	(4,866,919)
Loss per share (k) - Basic	(7.25)	(11.10)
Loss per share (k) - Diluted	(7.05)	(5.33)

Range analysis of shareholding

As at December 31, 2018

Share range	No. of shareholders	Shareholder %	No. of holdings	% of shareholding
1 - 10,000	3	1%	10,200	0.00%
10,001 - 50,000	141	31%	4,006,000	0.03%
50,001 - 100,000	131	29%	12,602,000	0.08%
100,001 - 500,000	134	30%	30,598,812	0.20%
500,001 - 1,000,000	15	3%	12,164,000	0.08%
1,000,001 - 5,000,000	24	5%	54,680,000	0.35%
5,000,001 - 10,000,000	4	1%	29,680,000	0.19%
10,000,001 and above	1	0%	15,494,572,264	99.08%
Total	**453**	**100%**	**15,638,313,276**	**100%**

As at December 31, 2017

Share range	No. of shareholders	Shareholder %	No. of holdings	% of shareholding
1 - 10,000	3	1%	10,200	0.00%
10,001 - 50,000	141	31%	4,006,000	0.05%
50,001 - 100,000	131	29%	12,602,000	0.17%
100,001 - 500,000	134	29%	30,598,812	0.41%
500,001 - 1,000,000	15	3%	12,164,000	0.16%
1,000,001 - 5,000,000	25	5%	56,680,000	0.75%
5,000,001 - 10,000,000	5	1%	35,680,000	0.47%
10,000,001 and above	1	0%	7,363,356,264	97.98%
Total	**455**	**100%**	**7,515,097,276**	**100%**

Directors' Report - continued

Directors who served during the year

Fola Adeola	-	Chairman	-
Olasunkanmi Adekeye	-	Managing Director	-
Dickie Agumba Ulu	-	Independent Director	-
Owolabi Salami		Executive Director	-
Asue Ighodalo	-	Non- Executive Director	-
Ayodele Akande	-	Non- Executive Director	-
Andrew Borda	-	Non- Executive Director	(Australian, resigned July 2018)
Shubhendra Swarup	-	Non- Executive Director	(British, resigned July 2018)
Coenraad Vrolijk	-	Non- Executive Director	(Swiss, appointed July 2018)
Anuj Agarwal	-	Non- Executive Director	(Indian, appointed July 2018)
Hicham Raissi		Non- Executive Director	(French, appointed July 2018)

Directors and their interests in share capital

As at reporting date, the Directors who had interest in the issued share capital of the Company as recorded in the register of Directors shareholding and/or as notified by the Directors for the purposes of Sections 275 and 276 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, are noted below :

	Nature of shareholding	31 December 2018 shareholding	% of shareholding	31 December 2017 shareholding	% of shareholding
Mr. Olasunkanmi Adekeye	Direct	144,000	0.00%	144,000	0.00%
Mr. Ayodele Akande	Direct	200,000	0.00%	200,000	0.00%

Major shareholding
According to the Register of Members, no shareholder other than the under-mentioned held more than 5% of the issued share capital as at 31 December 2018:

	31 December 2018 No. of shares	31 December 2018 Holding (%)	31 December 2017 2017 No. of shares	31 December 2017 2017 Holding (%)
Greenoaks Global Holdings LTD	-	-	7,363,356,264	97.98
Société Foncière Européenne B.V.	15,494,572,264	99.08	-	-

During the year, Greenoaks Global Holdings Limited was issued additional 8,123,216,000 shares in compliance with the terms and conditions of the irredeemable convertible shares loan agreement, thereby increasing its shareholdings by 1.07%. The entire shareholding of Greenoaks Global Holdings Limited was then acquired during the year by Société Foncière Européenne B.V. (a wholly-owned subsidiary of Allianz SE), a member of the Allianz Group.

Acquisition by Allianz Group
On 5 June 2018, the Company received the Letter of No Objection from NAICOM for the acquisition of majority stake by Societe Fonciere Europeenne B.V (a wholly owned subsidiary of Allianz SE), from the Company's core shareholder, Greenoaks Global Holdings Limited. Upon the receipt of all requisite regulatory approvals, the Company officially became a member of the Allianz Group in July 2018.

Change of name
Following approvals from the Company's Board of Directors and regulatory bodies, the name of the Company was changed from Ensure Insurance PLC to Allianz Nigeria Insurance plc on December 17, 2018.

Directors' Report - continued

Directors' interest in contracts

For the purpose of Section 277 of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria, none of the Directors have notified the Company of any direct or indirect interests in contracts or proposed contracts with the Company during the year.

Acquisition of own shares

The Company did not acquire any of its own shares during the year ended 31 December 2018 (2017: Nil).

Property and equipment

Information relating to changes in property and equipment is given in Note 13 to the financial statements.

Donations and charitable gifts

The donations made and charitable gifts given during the year under review totalled ₦6,170,000 (2017: Nil) as detailed in Note 49.

Employment of disabled persons

The Company operates a non-discriminatory policy in the consideration of applications for employment, including those received from disabled persons. The Company's policy is that the most qualified and experienced persons are recruited for appropriate job levels irrespective of an applicant's state of origin, ethnicity, religion or physical condition. In the event of any employee becoming disabled in the course of employment, the Company is in position to arrange appropriate training to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development. Currently, the Company has no physically challenged persons on its staff list.

Health, safety and welfare of employees

The Company maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. The Company operates a flexible working-hour system, where staff are allowed to select any convenient 8-hour working time-frame between 7am and 7pm on weekdays. This system was instituted to encourage work-life balance.

Employee involvement and training

The Company encourages participation of employees in arriving at decisions in respect of matters affecting their well being. Towards this end, the Company provides opportunities where employees deliberate on issues affecting the Company and employee interests, with a view to making inputs to decisions thereon. The Company places a high premium on the development of its manpower.

Consequently, the Company sponsored its employees for various training courses both locally and overseas in the year under review.

Gender analysis

The average number of employees of the Company during the year by gender and level is as follows:

Analysis of total employees

		Gender		**Percentage**	
	year	**Male**	**Female**	**Male**	**Female**
Employees	31 December 2018	66	61	52%	48%
	31 December 2017	59	45	57%	43%
Top management	31 December 2018	10	3	77%	23%
	31 December 2017	8	2	80%	20%
Board	31 December 2018	8	-	100%	0%
	31 December 2017	9	-	100%	0%

Directors' Report - continued

Detailed analysis of the Board and Top Management is as follows as at 31 December 2018:

	Gender		Percentage	
	Male	**Female**	**Male**	**Female**
Senior Manager	4	-	100%	0%
Assistant General Manager	3	2	60%	40%
Deputy General Manager	1	-	100%	0%
General Manager	0	1	0%	100%
Managing Director	1	-	100%	0%
Executive Director	1	-	100%	0%
Non-Executive Director	7	0	100%	0%

Detailed analysis of the Board and Top Management is as follows as at 31 December 2017:

	Gender		Percentage	
	Male	**Female**	**Male**	**Female**
Senior Manager	2	-	100%	0%
Assistant General Manager	4	2	67%	33%
Deputy General Manager	-	1	0%	100%
General Manager	1	-	100%	0%
Managing Director	1	-	100%	0%
Executive Director	1	-	100%	0%
Non-Executive Director	6	-	100%	0%

Effective communication/employee relationship

In line with the Company's open door policy, the Company, once a month, provides employees with the opportunity to air their views and opinions, on matters affecting the performance of their duties.

Events after reporting date

- Rights issue

In October 26, 2018, the Company sought and obtained approval from the shareholders to raise capital. Thereafter, the Company commenced with a capital raising transaction by rights issue and obtained the approval of the Securities and Exchange Commission [SEC] on December 21, 2018. The transaction is ongoing and will be concluded before the end of the first quarter of 2019.

- Allianz Brand launch

Subsequent to requisite approvals and the change of name, the Allianz Brand was formally launched on January 25, 2019.

Auditors

Messrs. PricewaterhouseCoopers have indicated their willingness to act as the Company's External Auditors in accordance with the National Insurance Commission (NAICOM)'s Corporate Governance Regulation and Section 357(2) of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004 .

BY ORDER OF THE BOARD

Abimbola Alabi
FRC/2015/NBA/00000010768
Company Secretary
Allianz Nigeria Insurance plc
307 Adeola Odeku Street
Victoria Island Lagos
25 March 2019

Corporate Governance Report
For the year ended 31 December 2018

Introduction

Allianz Nigeria Insurance plc (the "Company") has implemented corporate policies and standards to encourage a good and transparent Corporate Governance framework to avoid potential conflicts of interest between all stakeholders whilst promoting ethical business practices. This will enable the Company to comply with regulatory guidelines as well as the maintenance of shareholders' confidence.

The Company has consistently reviewed its systems and operations in order to ensure compliance with the guidelines and directives of NAICOM, the statutory requirements of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria, as well as committed to the principles and practice of good Corporate Governance.

The Company has over the years built and retained the confidence of its shareholders by building on its core principles of integrity, sound values and full disclosure.

The Board of Directors

The Corporate Governance policy of the Company rests on the Board of Directors to ensure due compliance with regulations within the Company's operational system.

The Board membership comprises of 9 (nine) members; this includes the Chairman, 1 (one) Managing Director, 1 (one) Executive Director, 5 (five) Non-Executive Directors and (1) one Independent Director appointed as required by NAICOM's Corporate Governance guidelines.

The Independent Director does not have any shareholding interest or any special business relationship with the Company.

The effectiveness of the Board is achieved through a mix of seasoned and highly skilled individuals who have the required skills and professional success to bring independent and valued contribution to the Company.

The oversight function of the Board of Directors is channelled through the establishment of various committees and ad hoc committees (when neccesary) to create a proper outlet for implementing governance policies. In the course of the year under review, the Board had 4 (four) Committees to ensure the proper management and direction of the Company via interactive dialogue on a regular basis.

These Board Committees met regularly and they consist of executive and non-executive directors with clearly defined terms of reference which set out their responsibilities, powers and reporting procedures to the Board.

The Board Committees in operation during the year under review are:

1. Establishment and Corporate Governance Committee;
2. Investment Finance and General Purpose Committee;
3. Statutory Audit and Compliance Committee; and
4. Enterprise Risk Management Committee.

The Board met four (4) times during the year ended 31 December 2018 and additional meetings are called when it is necessary for the Board to meet. The Company also held an Annual General Meetng and Extraordinary General Meeting in the year under review. Furthermore, Board decisions are made by written resolutions as provided under the Articles of Association of the Company.

In addition to the Board Committees, the members of the Senior Management meet regularly in order to achieve effective and good Corporate Governance at Management level.

Corporate Governance Report- continued

Directors' Responsibilities
The Directors are responsible for the strategic growth and development of the Company. In line with this responsibility, they must maintain a balance between compliance with regulatory provisions, governance principles and financial performance.

The Directors' responsibilities include:
i. Ensuring that the Company's financial statements reflect a true and fair position of the Company's financial
ii. Compliance with all statutpry regulations relating to its business
iii. Implementing an effective organisational structure with clearly stated job descriptions, authority levels and working
iv. Creating the Board structure, size and composition, including appointment and removal of Directors, succession the Board and senior management and Board Committee membership;
v. Appointment of key management positions in the Company;
vi. Approval of quarterly, half-yearly and full year financial statements (whether audited or unaudited) and any change in accounting policies and/or practices; and
vii. Approval of major changes to the Company's corporate structure and business activities.

The roles of the Chairman of the Board and the Chief Executive Officer are separate and distinct to avoid concentration of power in one person.

The Chairman

The Chairman's main responsibility is to direct the Board and ensure that it effectively discharges its responsibilities within the provisions of the Law. The Chairman is responsible for calling meetings and updating the Directors on matters affecting the Company.

The Chairman also acts as an intermediary between Executive and Non-executive Directors. The Chairman strives to ensure that any disagreements on the Board are resolved amicably.

The Chief Executive Officer
The Chief Executive Officer (CEO) is responsible for the operational management of the Company. The CEO reports to the Board on managerial decisions and policies implemented by the Company. He ensures due compliance with regulations and policies of both the Board and Regulatory Authorities. The CEO has the overall responsibility for the growth, development and progress of the Company.

The Independent Director
In line with the NAICOM code of Corporate Governance practices, the Board has an independent Director who does not represent any particular shareholding interest nor holds any business interest in the Company.

Company Secretary
The Company Secretary is the coordinating intermediary between the Board and the board committees. It is the responsibility of the Company Secretary to update the Directors with all requisite information promptly and regularly.

The Company Secretary is also responsible for assisting the Chairman and Chief Executive Officer to prepare for Board meetings and ensure the minutes of Board meetings clearly and properly capture the Board's discussions and decisions.

Corporate Governance Report- continued

Shareholders and the other stakeholders
The Company recognises the rights of its shareholders and other stakeholders and is driven by its desire to deliver desired value to its shareholders and stakeholders. The shareholders are provided with detailed information on the Company's activities and financial results via the annual reports to provide an opportunity to make enquiries, obtain information, share ideas and express their concerns and opinions on all issues (if any) directly through the Company Secretary which is communicated to Management and the Board and on a broader scale at the Annual General Meeting of the Company.

Directors' nomination process

The shareholding of an individual in the Company is not considered a criterion for the nomination or appointment of a Director. The appointment of Directors is subject to the approval by NAICOM. The following core values are considered critical in nominating a new director:

(i) Integrity;
(ii) Competence;
(iii) Professionalism; and
(iv) Ability to add value to the Company.

Non-Executive Directors' remuneration
The Company's policy on remuneration of Non-Executive Directors is guided by the provisions of the NAICOM and SEC Codes of Corporate Governance which stipulate that Non-Executive Directors' remuneration should be limited to Directors' fees and reimbursable travel and hotel expenses. Director's fees and sitting allowance was paid to only Non-executive directors as recommended by the Board Establishment and Corporate Governance Committee.

Board Committees
The Board carries out its responsibilities through its Committees, which have clearly defined terms of reference, setting out their roles, responsibilities, functions and scope of authority. The Board has 4 (four) Committees, namely: Board Establishment and Corporate Governance Committee; Board Investment Finance and General Purpose Committee; Statutory Audit and Compliance Commitee and Board Enterprise Risk Management Commitee .

Through these Committees, the Board is able to deal more effectively with complex and specialized issues and to fully utilize its expertise to formulate strategies for the Company. The Committee make recommendations to the Board, which retains the responsibility for final decision making.

All Committees in the exercise of their powers as delegated, conform to the regulations laid down by the Board, with well-defined terms of reference contained in the charter of each Committee. The Committees render reports to the Board at the Board's quarterly meetings.

Corporate Governance Report- continued

A summary of the roles, responsibilities, composition and frequency of meetings of each of the Committees are as stated hereunder:

Board Establishment and Corporate Governance Committee
This Committee has supervisory functions over the whole establishment, staffing, remuneration and Corporate Governance issues.

Board Investment Finance and General Purpose Committee
The Committee is responsible for supervisory functions over investment and other finance-related issues such as capital and funding requirements. The Committee is responsible for the management of the Company's investment portfolio by ensuring that risk identification procedures are adhered to in investment decisions and approved portfolio limits in all areas of asset management by the Company.

The Committee also reviews the Company's information technology platforms and makes recommendations on the system and technological platforms used by the Company.

Statutory Audit and Compliance Committee
The Audit Committee reviews established Company procedures to reveal irregularities and ensure the accuracy of data and information provided in the financial statements. The Committee also reviews the internal audit report (on a regular basis) at least quarterly. The Committee ensures that financial statements are in compliance with statutory requirements and relevant accounting framework and other statutory requirements.

The Committee has oversight responsibility for the internal and external audit functions and the adequacy of control environment. The Chief Internal Auditor has access to this Committee and makes quarterly presentations to its members.

Board Enterprise Risk Management Committee
This Committee has supervisory functions over actuarial management, technical and underwriting functions of the Company. It also has oversight on the Company's enterprise risk management framework including defining the risk profile and appetite and risk-reward strategy of the Company.

Attendance at Board and Committee meetings by the Directors

Board meetings

Names of directors	Number of meetings attended	08-Feb-18	25-Apr-18	18-Jul-18	26-Oct-18
Fola Adeola	4	*	*	*	*
Andrew Borda ***	3	*	*	*	
Asue Ighodalo	4	*	*	*	*
Dickie Agumba Ulu	4	*	*	*	*
Shubhendra Swarup ***	3	*	*	*	
Owolabi Salami	4	*	*	*	*
Olasunkanmi Adekeye	4	*	*	*	*
Ayodele Akande	4	*	*	*	*
Anuj Agarwal **	1				*
Coenraad Vrolijk **	0				
Hicham Raissi **	0				

Corporate Governance Report- continued

Composition of the Board Standing Committees

Names of Directors		**Board Establishment and Corporate Governance Committee**	**Board Investment, Finance and General Purpose Committee**	**Board Enterprise Risk Management Committee**	**Statutory Audit and Compliance Committee**
Fola Adeola					
Anuj Agarwal **			*	*	*
Dickie Agumba Ulu		*		*	*
Olasunkanmi Adekeye	*		*	*	
Asue Ighodalo		*			
Hicham Raissi **					
Coenraad Vrolijk		*			
Ayodele Akande		*			*

In the year under review, Allianz Group acquired a 99.08% stake in the shares of the Company, following the execution of an agreement in September 2017 to acquire majority stake in the Company. The stake was acquired from the firm's previous core shareholder, Greenoaks Global Holdings Limited. All regulatory approvals from the National Insurance Commission and the Corporate Affairs Commision have been obtained for the change of the Company from Ensure

The Company did not acquire any of its own shares during the year ended 31 December 2018 (2017: Nil).

Corporate Governance Report - continued

Board Establishment and Corporate Governance Committee

Names of directors	Number of meetings	06-Feb-18	23-Apr-18	25-Oct-18
Asue Ighodalo	3	*	*	*
Dickie Agumba Ulu	3	*	*	*
Ayodele Akande	3	*	*	*
Owolabi Salami ****	2	*	*	
Andrew Borda ***	2	*	*	
Coenraad Christiaan Vrolijk **	-			

Board Investment, Finance and General Purpose Committee

Names of directors	Number of meetings	06-Feb-18	23-Apr-18	25-Oct-18
Shubhendra Swarup ***	3	*	*	
Owolabi Salami	3	*	*	*
Olasunkanmi Adekeye	3	*	*	*
Anuj Agarwal **	1			*

Statutory Audit and Compliance Committee

Names of directors	Number of meetings	06-Feb-18	23-Apr-18	25-Oct-18
Chief Dickie Ulu	2		*	*
Alhaji S.A.A Odenike	3	*	*	*
Akeem Shadare	3	*	*	*
Bolaji Balogun	2		*	*
Shubhendra Swarup***	2		*	*
Ayodele Akande	3	*	*	*
Anuj Agarwal **	1			*

Board Enterprise Risk Management Committee

Names of directors	Number of meetings	06-Feb-18	23-Apr-18	25-Oct-18
Dickie Agumba Ulu	3	*	*	*
Andrew Borda***	2	*	*	
Shubhendra Swarup***	2	*	*	
Owolabi Salami	3	*	*	*
Olasunkanmi Adekeye	3	*	*	*
Anuj Agarwal **	1			*

Corporate Governance Report - continued

Corporate Governance Report - continued

Composition of the Board Standing Committees

Names of directors	Statutory Audit and Compliance Committee	Board Establishment and Corporate Governance Committee	Board Investment, Finance and General Purpose Committee	Board Enterprise Risk Management Committee
Fola Adeola				
Asue Ighodalo		*		
Dickie Agumba Ulu	*	*		*
Ayodele Akande	*	*		
Owolabi Salami			*	*
Andrew Borda ***				
Shubhenda Swarup ***				
Olasunkanmi Adekeye			*	*
Alhaji S.A.A Odenike *****	*			
Bolaji Balogun *****	*			
Anuj Agarwal **	*		*	*
Akeem Shadare *****	*			
Coenraad Vrolijk **		*		
Hicham Raissi **				

** Anuj Agarwal, Hicham Raissi and Coenraad Vrolijk were appointed as Directors of the Company in the year under review following the acquisition of majority shares in the Company.

*** Andrew Borda and Shubhendra Swarup resigned in the year under review.

**** Owolabi Salami is no longer a member of the Board Establishment and Corporate Governance Committee.

***** Alhaji Odenike, Bolaji Balogun and Akeem Shadare are members of the Statutory Audit and Compliance Committee.

Sustainability Report

Introduction

As a forward looking organization, Allianz Nigeria Insurance plc is focused on providing total satisfaction to its stakeholders: customers, staff, suppliers, intermediaries and the communities where we operate. We are an evolving Insurance firm and have consistently operated to deliver economic growth and deepen Insurance penetration in Nigeria. We are committed to change the way Insurance is perceived across the Country. The scope of this report covers work environment, social integration and business sustenance.

Work Environment

We continued the flexi-work-hours scheme which has delivered a healthy work life balance for our employees. We also engaged in various staff engagement programmes such as SPEAR Olympics, Special Fridays events, relaxed dressing culture among others. We adopt a fun-work-place initiatives as part of our corporate philosophy and this has resulted in helping staff to be more productive and living healthy. The company has also encouraged the staff to undertake periodic medical check-up. Health talks was conducted to educate the staff on the importance of health sustainability.

Social Integration

We have consistently driven our cost control initiatives by reducing the use of papers and leveraging on the use of modern technology to aid internal communication and avoid wastages from the use of stationeries. We maintained a zero tolerance for operational practices that are either harmful or pose danger to our employee or the environment where we operate. We consider our operations to be a part of the society and thus our employees are constantly educated on safety and responsible behavior.
The Company pursues its corporate social responsibility by providing supports for people living in the villages and communities that are less developed and outskirts of the cities where we may not necessarily get business patronage. We considered this an approach to improving the standard of living of those individuals and to bridge the gap between the poor and rich.

Business Sustenance

As part of our initiatives to change the way Insurance works for Nigerians, we have carefully designed customer centric products that is geared towards economic growth and expansion. Our philosophy resolves around meeting the expectation of our stakeholders of which the customer is supreme. We strive to continuously ensure that our business is conducted in line with the applicable regulations and international best practice.
The Company is an environmental-friendly organization and therefore has carefully analyzed all our clients to ascertain that we don't transact business with persons or institutions that will pose danger or threat to the peace of the community where we operate. We have maintained a healthy relationship with our business partners, regulators and other stakeholder and this has delivered a tremendous growth to our business value chain and business sustainability

Internal Principles

(i) Waste Reduction & Recycling
The Company continually promotes reduced paperless culture where employees are encouraged to use electronic communications, online approvals and other web- based applications, and to print documents only when required. Document workflows are automated, which minimizes paper usage.

Sustainability Report - continued

(ii) Employee Relations
The Company believes that its people are the driving force behind its success and the main competitive advantage that positions it ahead of competition. The Company is of the view that its future lies in a committed team of individuals who are convinced of their future at the organisation.

To this end, the Company remains committed to creating a healthy, safe and fulfilling work environment that supports personal growth, encourages individuality and instigates team spirit. The Company organizes numerous training programs covering soft skills and negotiation skills to personality development; encouraging all staff to participate actively.

(iii) Diversity
Allianz Nigeria recognizes the need to promote a diverse workforce as a means to attracting top-flight talent and enhancing its competitive advantage. It further recognizes that each employee brings to the workplace experiences and capabilities that are as unique as the individual.

The Company treats all employees fairly and does not discriminate on the basis of gender, race, colour, nationality, religious belief or any other distinctive attribute. Furthermore, we take steps to ensure that underrepresented groups continue to have access to available opportunities within the organisation and that they are upwardly mobile within the system at all managerial levels within the Company.

(iv) Occupational Health & Safety
The health and safety of employees, customers and other stakeholders is of paramount importance to the Company. The Company constantly seek to identify and reduce the potential for accidents or injuries in all its operations. There is ongoing training of health and safety officers in line with the Company's health and safety policy. There is also adequate communication of the health and safety policies across the group to ensure staff are conversant with its content.

(v) Supply Chain Management
The Company will continue to work in active partnership with its suppliers to help them manage their own social and environmental risks, particularly those firms which have more significant impacts than it does and those in countries, where the regulatory framework is sometimes not as stringent as our standards. The Company is also committed to treating its suppliers with respect, especially in areas such as contract terms and conditions and payment terms.

Complaints and Feedback

Allianz Nigeria Insurance plc is a customer focused Company which aims at delivering excellent customer service.

We continually strive to exceed our customers' expectations by ensuring that our customers are delighted at every opportunity we get to interact with them.

To achieve excellent customer service delivery in line with our core values, our staff are constantly trained and tested to be customer centric; not only to our external customers but internal customers as well.
When any of our clients wants to make a complaint, we make sure their views are respected, that they are kept informed as the complaint is dealt with, and have the opportunity to be involved in the resolution process.
We understand that feedback from customers helps positively in good decision making and it also ensures that better services are delivered to the customers at every customer touch point.

We endeavor to carry out effective monitoring of complaints to enable us identify any problems and resolve them before they escalate and cause widespread concern.

Feedback Channels/Customer Touch Points.
We receive complaints and feedbacks from our customers via the under listed channels:

- Contact Centre.
- Experience Centre.
- Website (Online Live Chat and Submissions).
- Social Media Feedback Platform.

Customers' Opinion on Products, Services and Processes.
We regularly integrate customers' feedback into our services and processes in a bid to always improve our products, services and processes.

The feedback review is carried out using the NPS (Net Promoters Score) Survey Monitoring system while focusing on the two key areas listed below:

- Welcome Calls- the opinion of new clients are reviewed to enhance our processing structure.
- Claim Calls- Feedbacks from clients with claim experience are reviewed to enhance our claim processes

Complaints Handling and Resolution Structure.

We ensure that complaints are handled promptly and adequate feedbacks are given to the customers. The customer service unit is responsible for receiving customers' complaints, investigating the complaints, provide corrective measures and resolution of complaints raised.

Each complaint received from the customers are assigned a case number while an automated acknowledgement email is sent to the customer on receipt of the complaint.

In situations where the complaint can be resolved immediately, a feedback is given to the client otherwise the complaint is forwarded to the appropriate unit for resolution while the customer service personnel assigned to such complaint follow through until it is resolved.

Customers are given feedbacks through calls or emails until the issue raised is deemed satisfactory by client to be fully resolved after which, the case is closed.

The complaints process is usually reviewed and customers' views on them are also put into consideration to ensure that such complaints does not become a trend or reoccur.

Regulatory Body
Where the complaint is not resolved within a stipulated time frame the complainant shall escalate same to NAICOM or the complaint bureau.

COMPLAINTS RECEIVED		
	2018	**2017**
COMPLAINTS RECEIVED	441	2,093

RECEIVED COMPLAINTS PER CUSTOMER INTERFACE		
	2018	**2017**
EMAILS	389	1,209
WALK-IN	9	15
PHONECALLS	32	847
WEBSITE	4	9
LIVE CHAT	7	13
SMS	-	-
VOICEMAIL	-	-

RESOLVED COMPLAINTS PER CUSTOMER INTERFACE		
	2018	**2017**
EMAILS	389	1,191
PHONECALLS	32	847
WALK-IN	9	15
WEBSITE	4	9
LIVE-CHAT	7	13
SMS	-	-
VOICEMAIL	-	-

UNRESOLVED COMPLAINTS PER CUSTOMER INTERFACE		
	2018	**2017**
EMAILS	-	18
PHONECALLS	-	-
WALK-IN	-	-
WEBSITE	-	-
LIVE-CHAT	-	-
SMS	-	-
VOICEMAIL	-	-

Operational Risk Management

Operational Risk is the risk of loss resulting from inadequate and /or failed internal processes, people and systems or from external events, including legal risk and any other risks that is deemed fit on an ongoing basis but exclude reputation and strategic risk. Operational risk exists in all products and business activities. Operational Risk is considered a critical risk faced by the Company.

The Company proactively identifies, assesses and manages all operational risks by aligning the people, technology and processes with best risk management Practices towards enhancing stakeholders' value and sustaining industry leadership.

Operational risk objectives includes the following:

- To provide clear and consistent direction in all operations of the Company.
- To provide a standardized framework and appropriate guidelines for creating and managing all operational risk exposures.
- To enable the Company, identify and analyse events (both internal and external) that impact on its business.
- To put in place sound disaster recovery plan and actions for the Company.

The basic principles that guide the operational risk activities include:

Operational risks are identified by the assessments covering risks facing each business unit and risks inherent in processes, activities and products.
Risk assessment incorporates a regular review of risks identified to monitor significant changes.
Risk mitigation, including insurance, is considered where this is cost-effective.

The Company manages its exposure to operational and other non-financial risks using the operational risk management model which involves the process of: identification, assessment, response & control, reporting and monitoring of risks. Officers (Risk Champions) at business unit and operational levels are responsible for overseeing the management of operational risks which arise in their area of control and report to the Enterprise Risk Management unit.

Models for risk collation and analysis are deployed across the organisation to identify and assess risks. The Operational Risk Models assists the Company in implementing Risk policies as it relates to the following:

Loss Incident Reporting – Loss incidents are reported to Enterprise Risk Management team by all operational units within the company. All staff are encouraged to report operational risk events as they occur in their respective business spaces whether these risks crystallize into actual losses or not. This data is being collated and will be used in capital profiling and estimation for the new risk based supervision regime to be adopted by NAICOM.

Risk and Control Self Assessments (RCSAs) – This is a qualitative risk identification tool deployed across the company. All departments are required to complete the Risk Self Assessment process at least once a year. A risk-based approach has been adopted for the frequency of RCSAs to be conducted by, groups units, group and divisions of the company. These assessments enable risk profiling and risk mapping of prevalent operational risks companywide. A detailed risk register classifying key risks identified and controls for implementation is also developed and maintained from this process.

The Business Unit constantly identifies and assesses the operational risk inherent in all material products, activities, processes and systems. It also ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is identified clearly and subjected to adequate assessment procedures.

Operational Risk Management - continued

Key Risk Indicators (KRI) – These are quantitative parameters defined for the purpose of monitoring operational risk trends across the Company. A comprehensive KRI Dashboard is in place and it is supported by specific KRIs for key departments. Medium – High risk trends are reported in the Monthly and Quarterly Operational Risk Status reports circulated to Management and key stakeholders.

Health and Safety procedures – The Company strives to entrench global best practices for ensuring the health and safety of all staff, customers and every visitors to the Company's premises. An HSE policy which complies with international standard and approved by the Board is implemented across the Company to ensure the environment where the Company operates is safe for everyone. Health related incidents are recorded company-wide for identification of causal factors and implementation of appropriate mitigants to forestall reoccurrence. As a result, fire drills are conducted and monitored.

Training and sensitization on operational risk is carried out on an on-going basis across the Company. There was no significant operational risk incident during the financial year.
The Company has assessed its level of exposure in the following operational risk areas:

(a) ***Operational risk***

Operational Risk is the risk of loss resulting from inadequate and /or failed internal processes, people and systems or from external events, including legal risk and any other risks that is deemed fit on an ongoing basis but exclude reputation and strategic risk. Operational risk exists in all products and business activities. Operational Risk is considered a critical risk faced by the Company.

The Company proactively identifies, assesses and manages all operational risks by aligning the people, technology and processes with best risk management Practices towards enhancing stake holders' value and sustaining industry leadership.

Operational risk objectives include the following:

- To provide clear and consistent direction in all operations of the Company.
- To provide a standardized framework and appropriate guidelines for creating and managing all operational risk exposures.
- To enable the Company identify and analyse events (both internal and external) that impact on its business.

The basic principles that guide the operational risk activities include:

Operational risks are identified by the assessments covering risks facing each business unit and risks inherent in processes, activities and products.

Risk assessment incorporates a regular review of risks identified to monitor significant changes.

Risk mitigation, including insurance, is considered where this is cost-effective.

The Operational Risk Unit constantly identifies and assesses the operational risk inherent in all material products, activities, processes and systems. It also ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is identified clearly and subjected to adequate assessment procedures.

The techniques employed by the company in its measurements include the following: Risk Control Self Assessment (RCSA): Key Risk Indicators (KRIs) and the Risk Register. These tools have been quite useful in the identification, measurement and analyses of operational risk in the Company. These are subject to review from time to time.

Operational Risk Management - continued

Training and sensitisation on operational risk is carried out on an ongoing basis across the company.

There was no significant operational risk incidence during the financial year.

(b) Strategic risk

Strategic risk examines the impact of design and implementation of business models and decisions, on earnings and capital as well as the responsiveness to industry changes. This responsibility is taken seriously by the Board and Executive management of the Company and deliberate steps are taken to ensure that the right models are employed and appropriately communicated to all decision makers in the Company. The execution, processes and constant reviews ensures that strategic objectives are achieved. This has essentially driven the Company's sound Insurance culture and performance record to date.

(c) Legal risk

Legal risk is defined as the risk of loss due to defective contractual arrangements, legal liability (both criminal and civil) incurred during operations by the inability of the organisation to enforce its rights, or by failure to address identified concerns to the appropriate authorities where changes in the law are proposed.

The Company manages this risk by monitoring new legislation, creating awareness of legislation amongst employees, identifying significant legal risks as well as assessing the potential impact of these.

Legal risks management in the Company is also being enhanced by appropriate product risk review and management of contractual obligations via well documented Service Level Agreements and other contractual documents.

The Company also has a team of well experienced professionals who handle legal issues across the Company.

(d) Reputational risk

It is recognised that the Company's reputation may suffer adversely due to bad publicity, non-compliance with regulatory rules and legislation, which may lead to a significant drop in new business and/or a significant increase in the number of lapses and/or withdrawals.

The Company promotes sound business ethics among its employees.

The Company also strives to maintain quality customer services and procedures and business operations that enable compliance with regulatory rules and legislation in order to minimize the risk of a drop in the reputation of the Company.

The Company did not record any issue with major reputational effect in the financial year.

(e) Taxation risk

Taxation risk refers to the risk that new taxation laws will adversely affect the Company and/or the loss of non-compliance with tax laws.

The taxation risk is managed by monitoring applicable tax laws, maintaining operational policies that enable the Company to comply with taxation laws and, where required, seeking the advice of tax specialists.

This risk is well managed across the Company.

(f) Regulatory risk

The Company manages the regulatory risk which it is potentially exposed to by monitoring new regulatory rules and applicable laws, and the identification of significant regulatory risks. The Company strives to maintain appropriate procedures, processes and policies that enable it to comply with applicable regulation.

The Company has continued to maintain zero tolerance posture for any regulatory breaches in all its area of operations.

The strengthening of Compliance during the financial year has further enhanced the process of management of regulatory risk across the Company.

Operational Risk Management - continued

(g) Persistency risk

Persistency risk relates to the risk that policyholders may withdraw their benefits and terminate their contracts prior to the contractual maturity date of the contract. Expenses such as commission and acquisition expenses are largely incurred at the outset of the contract. These upfront costs are expected to be recouped over the term of a contract from fees and charges from the contract. Therefore, if the contract is terminated before the contractual date, expenses might not have been fully recovered, resulting in losses being incurred.

Where a surrender benefit is payable, the benefit amount on withdrawal normally makes provision for recouping any outstanding expenses. However, losses may still occur if the expenses incurred in respect of the policy exceed the value of the policy, or where the withdrawal benefit does not fully allow for the recovery of all unrecouped expenses. This may either be due to a regulatory minimum surrender benefit applying, or because of product design.

(h) Expense risk

There is a risk that the Company may experience a loss due to actual expenses being higher than those assumed when pricing and valuing policies. This may be due to inefficiencies, higher than expected inflation, lower than expected volumes of new business or higher than expected terminations resulting in smaller in-force policies.

To manage this risk, the Company performs expense investigations annually and sets pricing and valuation assumptions to be in-line with the actual expenses experience, with allowance for inflation.

The Company's exposure to unexpected increases in the inflation rate is expected to be minimal due to the short-term nature of the business and their ability to review premium rates at renewals (typically on an annual basis).

(i) Business volume risk

There is a risk the Company may not sell sufficient volumes of new business to meet the expenses associated with distribution and administration. A significant portion of the new business acquisition costs are variable and relate directly to sales volumes.

(j) Capital adequacy risk

There is a risk that the capital held by the Company to back to its insurance liabilities may prove to be inadequate on a regulatory solvency basis. This may then lead to intervention by the Regulator and may further lead to a fall in the reputation of the Company (see Reputational risk above for further details). At an extreme, the Regulator may require the Company not to write new businesses. This will have a further negative impact on the Company.

This risk is monitored and assessed by performing annual valuations on the life insurance liabilities performed by an independent valuation actuary, calculating the Outstanding Claims Reported (OCR) and Incurred But Not Reported (IBNR) contingency reserve, monitoring any regulatory rules applying to the assets and the adequacy of the assets to back the liabilities and adopting an investment strategy which is aimed at investing in admissible assets and maintaining adequate capital. Refer to Note 51 for computation on solvency margin.

In addition, sensitivity and scenario analysis are performed to assess the Company capital adequacy under various scenarios and to ensure that the Company will remain financially sound under some stressed economic conditions.

(k) Asset liability matching risk

Due to the short-term nature of the Company's insurance business, most of the liability cash flows will be of short-term nature. The asset liability matching risk lies in the risk that the cash inflows from the assets held will not match liability cash outflows in terms of timing and/or amounts. Therefore, the risk arises that the Company will be unable to meet policyholder obligations. In this case, the asset liability mismatch risk is similar to liquidity risk described under liquidity risk.

Operational Risk Management - continued

(l) Assumption risk

In determining the value of insurance liabilities, assumptions need to be made regarding future rates of mortality, morbidity, termination rates, expenses and investment performance. The uncertainty of these rates may result in actual experience being different from that assumed and hence actual cash flows being different from those projected, and, in the extreme, that the actual claims and benefits exceed the liabilities. The risk is mitigated to an extent through:

- The addition of margins, specifically where there is evidence of moderate or extreme variation in experience;
- The use of appropriate sources of data; and
- Regular actual versus expected investigations.

Due to the short-term nature of the Company's business, exposure to unexpected changes in trends in experience is mitigated by the fact that premium rates are reviewable at renewal.

(m) Underwriting risk

Underwriting is the process by which an insurer appraises a risk being presented by the proposer and decides whether or not to accept the risk and the consideration (premium) to receive. Weaknesses in the systems and controls surrounding the underwriting process can expose an insurer to the risk of unexpected losses which may threaten the capital adequacy of the insurer. The Company's underwriting process is subjected to internal audit and peer review process to ensure effectiveness.

In addition, there is a process for assessing brokers' procedures and systems to ensure that the quality of information provided to Allianz Nigeria Insurance plc is of a suitable standard; and in the case of reinsurers, audits of ceding companies to ensure that reinsurance assumed is in accordance with treaties.

The government through the Nigerian Local Content Act has empowered insurers to underwrite 70 per cent of risks in the country, which has also paved way for insurers to improve their operations. The factors that the Company uses to classify risks is considered highly objective and clearly related to the likely cost of providing coverage, practical to administer, consistent with applicable law, and designed to protect the long-term viability of the insurance program.

- **Underwriting Process Risk** – This is risk from exposure to financial losses related to the selection and acceptance of risks to be insured.

- **Mispricing Risk –** Risk that insurance premium will be too low to cover the Company's expenses related to underwriting, claim handling and administration.

- **Brokers' Underwriting Risk –** This is the risk that brokers may be inadequately trained to assess the risk and offer professional advice to the client.

(i) Underwriting Risk Appetite

The following factors constitute the basis for the Company underwriting risk appetite:

- Risk not understood shall not be underwritten;
- We will not underwrite unquantifiable risks;
- Extreme caution shall be taken in underwriting risk with low safety standards or businesses with excessively high-risk profile;
- Businesses and opportunities that can create systemic risk exposure will be adequately evaluated;
- We shall exercise caution when underwriting discrete (one-off) risks, particularly where there is no requisite experience or know-how;
- We shall ensure compliance with NAICOM's guideline on K-Y-C.

Operational Risk Management - continued

Allianz Nigeria Insurance plc develops its own products through its research and product development team. We always ensure that our relationship managers interact with our customers in order to get feedbacks. These feedbacks guide us in developing products that meet their individual / corporate needs. The limits, standard and exposure are guided by prudent underwriting procedure and reinsurance agreements.

(ii) Underwriting Responsibilities:

The Underwriting unit has the following responsibilities:

- Ensure adherence to reinsurance strategy and delegated limits;
- Manage risk appetite by adhering to delegated authority standards;
- Ensure compliance with the underwriting plan, policies and manuals and implement correct sign-off process for variations;
- Manage underwriting risk exposure and ensure a high-quality policy standard;
- To put in place, records of all exposures in the different lines of insurance business;
- Demonstrate skills and capability in executing underwriting activities;
- Review the suitability of cover and contract terms, and ensure that all words used are correct, appropriate and authorized.

The overall strategy motive that form the basis for the Company's underwriting policies is to achieve growth in gross written premium/market share and also to price (underwrite) risks to ensure that the company makes a targeted return on equity.

(iii) Underwriting Risk Management and Control:

Risk Management and Control Department of Allianz Nigeria Insurance plc is responsible for the following:

- Ensure compliance with the regulatory requirements at it relates to underwriting;
- Coordinate issues, tracking activities and ensure action plans are developed for all identified gaps;
- Collaborate with the underwriting risk committee to develop risk appetite and tolerance limits;
- Identify and manage the company’s underwriting risks;
- Review and approve reinsurance and retrocession arrangements as mandated by NAICOM.

(iv) Risk Pricing Processes

Good and prudent pricing is a key element of an insurance underwriting process. Stakeholders and decision takers in underwriting are made to know the profit implications of underwriting pricing decisions. It is important to know that appropriate pricing is necessary to maintain the quality of insurance portfolio in terms of risk underwritten. Although all risks can be priced, but not all risks should be underwritten.

Risk Reporting And Monitoring

There is regular reporting and monitoring process for each class of insurance business. This is to evaluate the level of performance of each of the insurance portfolio. The level of information reported ranges from the Statement of Profit or Loss and Other Comprehensive Income to reporting on risk segments. Some of the elements reported are listed:

- Gross Premium written;
- Types of risks written;
- Lines of Business written
- Policy volume

Also monitoring activities include:

- Peer review processes established within the underwriting department;
- Risk management and control review
- Monthly underwriting Risk Committee meetings where result and performances are discussed

Operational Risk Management - continued

(n) Insurance risk

Insurance risk is the risk that future risk claims and expenses will exceed the value placed on insurance liabilities. It occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts. The timing is specifically influenced by future mortality, longevity, morbidity, persistency and expenses about which assumptions are made in order to place a value on the liabilities. Deviations from assumptions will result in actual cash flows differing from those projected in the policyholder liability calculations. As such, each assumption represents a source of uncertainty.

(i) Insurance premium rating

(a) Individual life products – Term Assurance, Endowments and Savings Plan
The price for an individual life product is adjusted for the following risk factors:

- Age;
- Gender;
- Smoker status;
- Medical conditions;
- Financial condition; and
- Hazardous pursuits.

The Company employs the following additional controls and measures to ensure that only acceptable risks are accepted and risks are appropriately priced:

- Underwriting controls, with risk classification based on the above risk factors;
- Regular review of premium rates; and
- Appropriate policy conditions, including any exclusion on the cover on the individual's life.

Premium rates are guaranteed for the year up to the renewal of a policy, typically, after 1 year.

(b) Deposit administration

Premium rating on deposit administration policies distinguishes between the ages and genders of prospective policyholders. Annual premiums, payable up-front, are repriced at renewal of the deposit administration policies.

(c) Group life products

Underwriting on group business is much less stringent than for individual business, as there is typically less scope for anti-selection. The main reason for this is that participation in the group schemes is normally compulsory, and members have limited choice in the level of the benefits.

Company policies are priced using standard mortality tables. The price for an individual scheme is adjusted for the following risk factors:

- Lifestyle;
- Salary structure;
- Gender structure; and
- Industry.

For large schemes, a scheme's past experience is a crucial input in setting rates for the scheme. The larger the scheme the more weight is given to the scheme's past experience. Rates are guaranteed for one year and reviewable at the renewal of the policy.

Operational Risk Management - continued

(n) Insurance risk - continued

(d) Short-term insurance products

Underwriting on short-term insurance products takes the form of the insurance applicant completing a proposal form. The following risk factors are used in the risk classification:

- Age and gender of the insured driver or operator;
- Value of the item(s) to be covered;
- Use of the item(s) to be insured, for example, premium rates distinguish business and personal use for vehicle cover;
- Physical condition of the item(s) to be insured;
- Safety and security features installed; and
- Past claims experience, for example, the premium rate payable on vehicle cover reflects the past claims experience on the vehicle and driver to be insured.

Where the value of the item(s) to be insured exceeds a pre-specified limit, the underwriting becomes more stringent. This is particularly the case for marine and aviation cover. In this case the Company makes use of specialist underwriting agents to assess the risks and set an appropriate premium for cover.

Premium rates are guaranteed for the year up to the renewal of a policy, typically, after 1 year.

(ii) Mortality and morbidity risks

The risk that actual experience in respect of the rates of mortality and morbidity may vary from what is assumed in pricing and valuation, depending on the terms of different products. The material classes of business most affected by these risks are discussed below.

(a) Individual life products – Term assurance, Endowment, Savings Plans

Products are sold directly to individuals providing a benefit on death. The main insurance risk relates to the possibility that rates of death may be higher than expected. This may be due to:

- Normal statistical variation due to the random nature of the insured events;
- Natural catastrophes such as floods, and unnatural catastrophes such as acts of terrorism;
- The impact of HIV/AIDS or other health epidemics like Ebola;
- Anti-selection such as when a policyholder with a pre-existing condition or disease purchases a product where a benefit will be paid on death;
- The effect of selective withdrawal; and
- Concentration risk, which is the risk of a large number of claims from a single event or in a particular geographical area.

For contracts with fixed and guaranteed benefits (such as the minimum death benefits available on savings plan policies) and fixed future premiums, there are no mitigating terms that reduce the risk accepted by Company. The Company therefore employs some underwriting controls to ensure that only acceptable risks are accepted.

The following additional controls and measures are in place in order to ensure that the Company manages its exposure to mortality risk:

- Claims assessment processes to ensure only valid claims are paid;
- Reinsurance to limit liability on particularly large claims or substandard risks; and
- Concentration risk is reduced by diversification of business over a large number of independent lives, as well as by taking out catastrophe reinsurance.

(b) Group life products

Employee benefit products provide life cover to members of a group, such as employees of companies or members of trade unions. A surplus treaty reinsurance agreement is in place to ensure that the exposure to the mortality risk in its group life business is managed and limited to a specified limit.

Operational Risk Management - continued

(c) Deposit administration
Deposit administration contracts provide a guaranteed life annuity conversion at the maturity of the contract. The mortality risk in this case is that the policyholders may live longer than assumed in the pricing of the contract. This is known as the risk of longevity.

The Company manages this risk by allowing for improvements in mortality when pricing and valuing the contracts. The Company also performs more detailed actuarial experience investigations and adjusts assumptions in pricing for new contracts and valuation of existing contracts when necessary.

(o) Claims management risk

This is the risk that the insurer may be unable to manage the settlement process by which insurers fulfils their contractual obligation to policyholders. All insurers are required to have in place a claims management policy and procedure for ensuring that claims are handled fairly and promptly. In establishing and maintaining effective claims handling systems and procedures, Allianz Nigeria Insurance plc considers the following factors:

- Appropriate systems and controls shall be maintained to ensure that all liabilities or potential liabilities notified to the insurer are recorded promptly and accurately. Accordingly, the systems and controls in place should ensure that a proper record is established for each notified claim;
- Suitable controls shall be maintained to ensure that estimates for reported claims and additional estimates based on Guideline for Developing a Risk Management Framework for Insurers and Reinsurers in Nigeria statistical evidence are appropriately made on a consistent basis and are properly categorized;
- Regular reviews of the actual outcome of the estimates made shall be carried out to check for inconsistencies and to ensure that procedures remain appropriate. The reviews should include the use of statistical techniques to compare the estimates with the eventual cost of settling the claims, after deducting the amounts already paid at the time the estimates were made;
- A functional system shall be in place to ensure that claim files without activity are reviewed on a regular basis;
- Appropriate systems and procedures should be in place to assess the validity of notified claims by reference to the underlying contracts of insurance and reinsurance treaties;
- Suitable systems shall be adopted to accommodate the use of suitable experts such as loss adjusters, lawyers, actuaries, accountants etc. as and when appropriate, and to monitor their use; and
- Appropriate procedures shall be put in place to identify and handle large or unusual claims, including system to ensure that senior management are involved from the outset in the processing of claims that are significant because of their size or nature.

(p) Reinsurance risk

This is the risk of inadequate reinsurance cover which may be triggered by a situation such as the insolvency of a reinsurer, omission to cede risk to the treaty, wrong cession to the treaty, assumption of risks without reinsurance cover, acceptance of risks above automatic capacity when/where there is already market saturation and non-payment of reinsurance premium as at when due. Allianz Nigeria Insurance plc ensures that it maintains adequate reinsurance arrangements and treaties in respect of the classes or category of insurance business it is authorized to transact. The Company has put in place a documented policy stating:

- Systems for the selection of reinsurance brokers and other reinsurance advisers;
- Systems for selecting and monitoring reinsurance programmes;
- Clearly defined managerial responsibilities and controls;
- Presence of a well-resourced reinsurance department that prepares clear methodologies for determining all aspects of a reinsurance programme.
- Senior management that review an insurer's reinsurance management systems on a regular basis.

Operational Risk Management - continued

(q) Data risk

Data risk is the risk that data used in the policyholders' liabilities valuation calculations are inaccurate or incomplete and, therefore, are not a true and accurate view of the insurance contracts held by the Company. The data could be inaccurate or incomplete due to incorrect data or valuation extracts between the policy administration system and the actuarial valuation model and/or incorrect capturing of data on the policy administration system.

This risk is managed by the Company through regular data integrity testing in order to assess the appropriateness, accuracy and credibility of the various data sets as well as investigations into data exceptions reported.

Where insufficient internal data is available, the Company makes use of external sources to derive its pricing and valuation assumptions. Frequent monitoring of these external sources is performed, including actual versus expected investigations.

(r) Model risk

There is a risk that the Company may suffer a loss if the model used to calculate the insurance liabilities does not project expected cash flows under the insurance contracts accurately. The expected cash flow projections may be inaccurate either due to the model itself being incorrect, inappropriate to the policies being valued or inaccurate and/or the underlying assumptions used in the model being inappropriate.

The Company makes use of an independent valuation actuary to value its liabilities. The models being used to value the liabilities are, therefore, not internal to the Company but belong to an external third party. The model risk underlying the use of third party models are addressed by:

· Regular actual versus expected cash flow investigations to assess the appropriateness of the external models; and

· Detailed investigations performed annually to ensure the integrity of the data used in the valuation process.

(s) Sustainability Report

The Company is committed to sustainable development and the responsible stewardship of resources. This implies developing solutions that link economic success with social responsibility, which requires balancing short and long term goals and interests and integrating economic, environmental and social considerations into business decisions across the board.

(t) External Principles

(a) Sustainable operations

Sustainability of the environment is central to the Company, and its wider social and environmental impact is of concern. The Company goes beyond concerted efforts to minimise energy usage internally and dispose of waste responsibly, to also having in place lending policies that promote sustainable lending and ensure high environmental standards.

Operational Risk Management - continued

(b) Integrating environmental impact considerations into business decisions across the Company
Allianz Nigeria has established an environmental guideline, management system and governance model that integrates environmental impact considerations into lending decisions across the Company with initial focus on some significant sectors/industries. The Company's lending policies have been redesigned to ensure that facilities are not extended to industries that engage in illegal activities, pollute the environment, have no proper pollution control methods, are involved in manufacturing and selling arms, as well as those engaged in activities that involve harmful or exploitative forms of forced labour or child labour.

The Company has in place an Environmental and Social Management System (ESMS) where the Company does a social and environmental risk analysis for borrowers and takes measures to avoid, mitigate and minimise the risks identified. The ESMS of the Insurance identifies Environmental & Social (E&S) risks in the projects/companies the Insurance finances and encourages mitigatory action by these groups to minimize such risks at a very early stage of the credit evaluation.

Internal Control and Risk Management System in Relation to the Financial Reporting

The Company's Internal Control and Risk Management systems ensure that material errors or inconsistencies in the financial statements are identified and corrected. The Company's internal control framework is patterned after the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Framework.

COSO defines internal control as "a process effected by an entity's Board of Directors, Management and other personnel, to provide reasonable assurance regarding the achievement of objectives" in three categories--effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations. The scope of internal control therefore extends to policies, plans, procedures, processes, systems, activities, functions, projects, initiatives, and endeavors of all types at all levels of the Company.

The Internal Control and Risk Management systems comprise the following areas:
• Control Environment
• Risk Assessment
• Control Activities
• Information and Communication
• Monitoring

Control Environment

The Company has four Board Committees which includes (Establishment & Corporate Governance Committee, Investment & General Purpose Committee, Audit and Compliance Committee and Enterprise Risk Management Committee) that have oversight function on the Company's Risk Management Processes. The Committees are responsible for setting Risk Management policies that ensure material risks inherent in the Company's business are identified and mitigated or controlled. The Company also has an Audit and Compliance Committee which is made up of three shareholders' representatives, two Non - Executive Directors and one Independent director. The Audit and Compliance Committee is therefore independent. Its oversight functions include among others, ensuring that quality accounting policies, internal controls, independent and objective statutory auditors are in place to prevent and detect fraud and material errors in financial reporting.

The Company's management committees are responsible for implementing Risk Management policies set out by the Board. They are also responsible for setting internal control policies and monitoring the effectiveness of the internal control systems. They ensure proper books of accounts are kept and accounting policies are in conformity with: International Financial Reporting Standards; Insurance Act 2003; Prudential Guidelines for licensed Insurance Companies; Circulars issued by the National Insurance Commission (NAICOM); the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria and the Financial Reporting

Operational Risk Management - continued

Internal Control and Risk Management System in Relation to the Financial Reporting - continued

Risk Assessment

The Board and Senior Management regularly assess the risks the Company is exposed to, including risks relating to financial reporting. Management Committees meet on a regular basis to assess the credit, market, interest rates, liquidity, legal and reputational risks facing the company. Senior Management also regularly considers whether the existing internal controls are effective in relation to the risks identified in the financial reporting process.

The Board also assesses the effectiveness of the Company's internal control over financial reporting on an ongoing basis and specifically at mid-year and year end. The Management letter issued by the external auditors which contains the auditors' observations on the control environment in the Company is discussed at the Audit and Compliance Committee meetings.

The Company's Senior Management has set up control structure to ensure control activities are defined at every business area. Examples of the Company's control activities include the following:

Top Management Reviews

• Internal Audit Reports eliciting control weaknesses are presented periodically to Management and Board Audit Committee.
• Preparation of financial statements on a monthly basis for Management review.
• Monthly and quarterly profitability review, where the Company's financial performance is reviewed and compared with set budgets.
• Quarterly reports of the Chief Risk Officer to the Board, eliciting the existing and potential risks facing the Company and the mitigants deployed.

Activity Control

Control functions are embedded within each business area for self-checking of activities within the areas (for instance, transactions call over for timely detection of errors is carried out by all posting units).

Physical Controls

There are policies guiding access to the Company's physical and financial assets, access control, use of overrides etc.

Compliance with Limits

The Company sets internal limits guiding its trading book activities, liquidity and interest rate gaps, credit Approval and Authorisation Limits

• There are segregation of duties; no officer can start and conclude transactions
• Limits exist for credit and expense approvals. Transactions are approved at appropriate levels.

Verifications and Reconciliations

All internal ledgers are regularly proofed and reconciled; exception reports are generated.

Whistle Blowing

The Company has instituted a strong whistle blowing culture among staff and also created awareness among its stakeholders. The whistle blowing platform is accessible to all and the aim is primarily to ensure that all cases of irregularities are made known and addressed by the Company.

Operational Risk Management - continued

Internal Control and Risk Management System in Relation to the Financial Reporting - continued

Information and Communication/ Monitoring

The Company's Management understands the need for a timely, reliable and accurate information flow within the Company, for effective decision making and enhanced financial reporting. Every activity of the Company is codified in the Company's Standard Operating Procedure (SOP), which outlines the process flow and specifies the duties and responsibilities of every officer in relation to the activity. The SOP further highlights requirement for reporting, the frequency of reporting as well as those within the organization to whom the report would be directed to.

The following are some of the generic internal reports used by Management for decision making and monitoring purposes:

• FINSTAT- Financial Statements Report
• MPR- Monthly Profitability Report
• APR- Account Profitability Report
• ECR- Expense Control Report

Regulatory Requirements under IFRS Regime

The insurance industry had faced challenges to engendering efficient liquidity coverage, profitability and operational efficiency in recent times. A major cause of such challenge is traced to huge level and growth in premium receivables reported in the financial statements which are subject to impairment in compliance with the regulatory guidelines and IFRS requirements. In response to the above menace, the regulator, National Insurance Commission on 1 January 2013 issued a guideline on Insurance Premium Collection and Remittance laying emphasis on the strict observance of Section 50 of the Insurance Act 2003 stating that all insurance covers shall be provided strictly on "no premium no cover" basis meaning only policies for which premium has been received will be recognized in the financial statements.

The Company adheres to this regulation in its totality as the Company's system and processes are designed to recognize only covers for which premium has been received. Where we have receivable within the provision of the guidelines in the case of Brokers, other Insurance Companies and Reinsurers, we keep such in our books in line with the prescribed duration of 30 days and ensure credit notes are received.

Share Capital History
For the year ended 31 December 2018

The Company began operations in 1998 to transact insurance as a composite insurer. The company is principally engaged in the business of providing risk underwriting, claims settlement, investment and related financial services to its customers. The Company started with a share capital of ₦20 million in 1993 and has subsequently increased its capital to meet up economic and regulatory capital requirement. The Company changed its name from Union Assurance Company Plc to Ensure Insurance Plc in May 2015 and re-launched its brand in January 2016. Ensure was listed on the National Association of Securities Dealers (NASD) platform in October 2016.

On 5 June 2018, the Company received the Letter of No Objection from NAICOM for the acquisition of majority stake in Ensure Insurance PLC by Allianz Group from the Company's core shareholder, Greenoaks Global Holdings Limited. Upon the receipt of all requisite regulatory approvals, the Company officially became a member of the Allianz Group in October 2018.

Following approvals from the Company's Board of Directors and regulatory bodies, the name of the Company was changed from Ensure Insurance PLC to Allianz Nigeria Insurance plc on December 17, 2018.

The changes in the share capital of the Company since incorporation are summarised below;

Date	Authorised share increase	Cumulative	Issued share increase	Cumulative	Par value of each share
	₦	₦	₦	₦	
1993	20,000,000	20,000,000	20,000,000	20,000,000	=N=1.00
1998	70,000,000	90,000,000	70,000,000	90,000,000	=N=1.00
2002	160,000,000	250,000,000	160,000,000	250,000,000	=N=1.00
2003	100,000,000	350,000,000	100,000,000	350,000,000	=N=1.00
2006	4,650,000,000	5,000,000,000	70,000,000	420,000,000	=N=1.00
2007	-	5,000,000,000	3,337,548,638	3,757,548,638	=N=0.50
2008	5,000,000,000	10,000,000,000	-	3,757,548,638	=N=0.50
2018	-	10,000,000,000	4,061,608,000	7,819,156,638	=N=0.50

Statement of Directors' Responsibilities In Relation to the Preparation of the Financial Statements
For the year ended 31 December 2018

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, requires the Directors to prepare Financial Statements 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. The responsibilities include ensuring that the Company:

a) keeps proper accounting records that disclose with reasonable accuracy, the financial position and performance of the Company and comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004;

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

c) prepares its Financial Statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, which are consistently applied.

The Directors accept responsibility for the preparation of the Financial Statements which have been prepared using appropriate accounting policies supported by reasonable, prudent judgements and estimates that is in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act No. 6, 2011, the Insurance Act 2003 and the relevant National Insurance Commission (NAICOM) guidelines and circulars.

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 its performance. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the Financial Statements, as well as adequate systems of internal financial control.

The Directors have assessed 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 for at least twelve months from the date of this statement.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Fola Adeola
FRC/2013/ICAN/00000002958
Chairman
25 March 2019

Olasunkanmi Adekeye
FRC/2016/CIIN/00000013813
Managing Director/Chief Executive Officer
25 March 2019

Report of the Audit Committee
For the year ended 31 December 2018

To the members of Allianz Nigeria Insurance plc (formerly known as Ensure Insurance PLC)

In compliance with the provisions of Section 359(6) of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria, the members of the Audit Committee of Allianz Nigeria Insurance plc. hereby report as follows:

We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria and acknowledge the co-operation of management and staff in the conduct of these responsibilities.

We are of the opinion that the accounting and reporting policies of the Company are in compliance 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 2018 were satisfactory and reinforce the Company's internal control systems.

We have deliberated with the external auditors who have confirmed that necessary cooperation was received from management in the course of their statutory audit and we are satisfied with Management's responses to their recommendations for improvement and with the effectiveness of the Company's system of accounting and internal control.

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 for at least twelve months from the date of this statement.

Chief Dickie Agumba Ulu
FRC/2015/IODN/00000011620
Chairman, Audit Committee
25 March 2019

Members of the Audit Committee are:

1	Chief. Dickie Agumba Ulu	- Independent Director/Chairman
2	Mr. Bolaji Balogun	- Shareholder's representative
3	Mr. Akeem Shadare	- Shareholder's representative
4	Alhaji S.A.A Odenike	- Shareholder's representative
5	Mr. Ayodele Akande	- Non-Executive Director
6	Mr. Shubhendra Swarup***	- Non-Executive Director
7	Mr Anuj Agarwal**	- Non-Executive Director

In attendance:

Abimbola Alabi - Secretary

** Anuj Agarwal, Hicham Raissi and Coenraad Vrolijk were appointed as Directors of the Company in the year under review following the acquisition of majority shares in the Company.
*** Andrew Borda and Shubhendra Swarup resigned in the year under review

Independent auditor's report
To the Members of Allianz Nigeria Insurance Plc

Report on the audit of the financial statements

Our opinion
In our opinion, Allianz Nigeria Insurance Plc's ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Insurance Act and the Financial Reporting Council of Nigeria Act.

What we have audited

Allianz Nigeria Insurance Plc's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements and a summary of significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence
We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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.

Key audit matter	How our audit addressed the key audit matter
Valuation of Insurance contract liabilities - (refer to notes 3l, 4a and 16) The Company classifies its insurance contract liabilities into non-life and life insurance contracts. The estimation of insurance contract liabilities involves a significant degree of judgement about future events made by management and its internal actuary about a variety of uncertain future outcomes. Note 16 to the financial statements describes the elements that makes up the insurance contract liabilities balance. Below, we comment on the most judgemental aspects of these elements, which we consider to be key audit matters: *a) Individual life insurance contract liabilities – N1.8 billion* The individual life fund is estimated using the gross premium valuation approach, which includes the use of economic assumptions such as valuation interest rate, mortality, expense inflation and business assumptions such as expenses per policy. *b) Outstanding claims – N4.4 billion* The reserve for outstanding claim is determined as the total amount of outstanding claims reported and loss adjustment expenses plus claims incurred but not reported (IBNR) at the reporting date. IBNR reserves are made on non-life and group life policies. Management's expert has applied a combination of Chain Ladder (CL) and Bornhuetter-Ferguson (BF) methods to determine the IBNR reserve for its short-term contracts and the loss ratio for the its group life business.	Our audit procedures included: • understanding and evaluating the design and operating effectiveness of controls over the underwriting process, claims processing and payments; • assessing the competence, independence and objectivity of management's external expert; • understanding management's process for calculating the reserves for its individual life business and IBNR for its non-life and group life policies; • testing the accuracy, completeness and appropriateness of the underlying data used in the actuarial valuations by performing checks between the data recorded in the financial statements and actuarial data used by management experts; • performing substantive tests over claims paid during the year; • testing on a sample basis, correspondences and policy documents which were used in determining the provision for outstanding claims; • assessing the reasonableness of the disclosure of insurance contract liabilities by comparing with the requirements of the standard. We obtained support from our actuarial experts to test the individual life insurance contract liabilities and the IBNR reserve for the non-life and group life businesses. For the individual life valuation, we: • assessed the reasonableness of the gross premium valuation approach used in determining the reserve for the life business; and • assessed the reasonableness of the actuary's assumption for valuation interest rate, mortality rates and expense inflation by comparing to independent external information. The expense

This estimate relies on the quality of the underlying data and involves complex and subjective judgements about future events, both internal and external to the business, for which minor changes in assumptions could result in material impacts to the estimates. Assumptions applied to this estimate include the ultimate loss ratio, inflation rate, discount rate and future claims development experience.

per policy assumption was compared to the company's historical performance.

For the IBNR reserve in the non-life and group life businesses, we:

- assessed the reasonableness of the combination of Chain Ladder/Bornhuetter-Ferguson (BF) methods and loss ratio approach for the valuation of non-life and group life businesses respectively;
- assessed the methodology used to set the ultimate loss ratio is consistent with generally accepted actuarial techniques;
- assessed the reasonableness of the inflation and discount rate used by the actuary by comparing to external information sources;
- assessed the accuracy and sufficiency of the historical data in capturing the future claims development patterns.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report are Directors and professional advisers, Directors' report, Corporate Governance Report, Sustainability Report, Complaint and Feedback, Operational Risk Management, Regulatory Requirement under IFRS regime, Internal Control and Risk Management System in Relation to Financial Reporting, Share Capital History, Statement of Directors' Responsibilities in relation to the preparation of the financial statements, Report of the Audit Committee, Value Added Statement, Five-year Financial Summary, Non-Life Revenue Account and Life Revenue Account, but does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, and the Insurance Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements

The Companies and Allied Matters Act and the Insurance Act 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;

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

Obioma Ubah

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

29 March 2019

Engagement Partner: Obioma Ubah
FRC/2013/ICAN/00000002002

Summary of significant accounting policies
For the year ended 31 December 2018

1 Company information

Allianz Nigeria Insurance plc (formerly known as Ensure Insurance PLC) is a public limited liability company which was incorporated in Nigeria in 1993 and commenced operations on 2 October 1998 to transact insurance business as a composite insurer. The Company is principally engaged in the business of providing risk underwriting, claims settlement, investment and related financial services to its customers. Such services include provision of life and non-life insurance services to both corporate and individual customers. The Company currently has its Head Office located at 307, Adeola Odeku Street, Victoria Island, Lagos State, Nigeria.

Going Concern

These Financial Statements have been prepared on the going concern basis. The Company has no intention or need to substantially reduce its business operations. The Management believes that the going concern assumption is appropriate for the Company due to the sufficient capital adequacy ratio and projected liquidity, based on historical experience that short term obligations will be refinanced in the normal course of business. Liquidity ratio and continuous evaluation of current ratio of the Company is carried out by the Company to ensure that there are no going concern threats to the operations of the Company.

2(a) Basis of accounting

Statement of compliance with International Financial Reporting Standards

The Financial Statements have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), and in the manner required by the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria, the Financial Reporting Council of Nigeria Act No. 6, 2011, the Insurance Act 2003, and relevant National Insurance Commission (NAICOM) guidelines and circulars to the extent that they do not conflict with the requirements of International Financial Reporting Standards (IFRS).

The Financial Statements, which have been prepared in accordance with IAS 1, include the Statement of Financial Position as at 31 December 2018 and the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The financial statements were authorised for iss 25 March 2019.

(b) Basis of preparation, measurement and presentation currency

The Financial Statements have been prepared on a historical cost basis except for the following:

(i) Financial instruments at fair value through profit or loss are measured at fair value.
(ii) Available-for-sale investment securities are measured at fair value.
(iii) Investment properties are measured at fair value.
(iv) Insurance liabilities are based on actuarial valuations.

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency) which is the Nigerian Naira. The Financial Statements are presented in thousands of Naira (₦'000) (the presentation currency), except where otherwise stated.

Summary of significant accounting policies - continued

(c) New IFRS standards and interpretations not yet adopted

The following new or revised standards and amendments are effective for annual periods beginning on or after January 1, 2019 and earlier aplication is permitted; however, the Company has elected not to early adopt these standards in preparing these financial statements as it plans to adopt the standards at their respective effective dates.

(i) IFRS 17 - Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

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

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting year (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a Company of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service year (i.e., coverage year)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service year
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the year
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the profit or loss, but are recognised directly on the statement of financial position
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for annual reporting years beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided 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 Company of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company plans to adopt the new standard on the required effective date together with IFRS 9, based on the paragraph above. The Company started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

Summary of significant accounting policies - continued

(ii) IFRS 16 – Leases

This is a new standard introduced by IASB to replace existing standard IAS 17 - Leases. IFRS 16 is effective for annual years beginning on or after 1 January 2019.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual years beginning on or after 1 January 2019. Early application is permitted. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Although the Company has elected not to early adopt this Standard, the impact assessment is stated below:

The lease arrangement in our branches located across the country are as follows:

	Head Office	**Ikeja**	**Abuja**	**Ibadan**	**Port - Harcourt**	**Yaba**	**Others**
Lease subject	Building	Building	Building	Building	Building	Building	Building
Lease term (in years)	2	2	5	5	4	4	5
Actual lease payments (per year in thousands)	94,500	4,350	13,000	1,076	14,350	465	5000
New lease payments (per year in thousands)	-	-	-	-	15,351	497	-
Incremental borrowing	18%	18%	18%	18%	18%	18%	18%
Initial costs	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lease incentives	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Prepayment /restoration	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Consumer Price Index (n-	258	258	258	120	258	258	258
Consumer Price Index (n)	276	276	276	125	276	276	276

Summary of significant accounting policies - continued

Statement of financial position (extract)

	Pre ₦'000	Adjustments ₦'000	Post ₦'000
Prepayments and other receivables*	652,265	125,403	777,668
Cash and cash equivalents (cash at bank)	3,582,363	(133,775)	3,448,588
Accruals and other payables**	407,013	137,709	544,722

Statement of profit or loss (extract)

	Pre ₦'000	Adjustments ₦'000	Post ₦'000
Depreciation on right-of-use assets	-	98,589	98,589
Management and administrative expenses (finance costs and bank	2,761,070	47,492	2,808,562

Statement of changes in equity (extract)

	Accumulated losses ₦'000	Other equity line items ₦'000	Total ₦'000
Balance at 31 December 2018	(5,971,566)	15,582,399	9,610,833
Adjustments on adoption of IFRS 16 (net of tax)	(146,081)	-	(146,081)
Restated balance	(6,117,647)	15,582,399	9,464,752

Statement of cash flows (extract)

	Pre ₦'000	Adjustments ₦'000	Post ₦'000
Cash flows from operating activities:			
Other operating cash payments	1,950,162	133,775	2,083,937

*Right-of-use assets are included in the line item "Prepayments and other assets" in the statement of financial

**Lease liabilities are included in line item "Accruals and other payables" in the statement of financial position

The Company's leasing activities and how they are accounted for:
The Company leases various properties across its branch locations within the country. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Summary of significant accounting policies - continued

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.
Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability any lease payments made at or before the commencement date less any lease incentives received any initial direct costs, and restoration costs. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

(iii) IFRS 9 - Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting years beginning on or after 1 January 2018, with early adoption permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Impact assessment

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 will be based on the following assessments below as the actual impact of adopting the standard at 1 January 2022 will be subject to change until the Company prepares and presents its first financial statements that include the date of initial application.

Classification and measurement

The Company currently categorizes the majority of its financial assets as available for sale with the fair value changes recognised in other comprehensive income. Under IFRS 9, the Company has designated these investments as measured at fair value through OCI. Consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognised in profit or loss and gains or losses will be reclassified to profit or loss on disposal.
Based on its assessment, the Company does not expect that the new classification requirements will have a material impact on its accounting for trade receivables, loans and other receivables, short term placements and other assets, investment in debt securities and investments in equity securities that are managed on a fair value basis.

The above intended classification may change due to the continuous assessment of the requirements of the standard and review of business practices until the first set of financial statements under IFRS 9 is issued.

Impairment

The Company expects 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.

Summary of significant accounting policies - continued

(iv) IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting years beginning on or after 1 January 2019, but certain transition reliefs are available. The Company does not expect any effect on its financial statements.

(v) Long-term interests in associates and joint ventures - Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. Entities must apply the amendments which is effective for annual years beginning on or after 1 January 2019. retrospectively, with certain exceptions. The amendment also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 -Investments in Associates and Joint Ventures. Early application of the amendment is permitted and must be disclosed. This amendment has no impact on the Company. The amendment is effective for annual reporting years beginning on or after 1 January 2019

(vi) Prepayment Features with Negative Compensation – Amendments to IFRS 9

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

The amendments are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small.

Most likely, the costs to terminate a 'plain vanilla' interest rate swap that is collateralised, so as to minimise the credit risks for the parties to the swap, will meet this requirement. the IASB also clarified that the requirements in IFRS 9 for adjusting the amortised cost of a financial liability, when a modification (or exchange) does not result in derecognition, are consistent with those applied to the modification of a financial asset that does not result in derecognition.

These amendments is not expected to have any impact on the Company's financial statement as it does not have such financial instruments. The amendment is effective for annual reporting years beginning on or after 1 January

Summary of significant accounting policies - continued

(vii) Plan Amendment, Curtailment or Settlement – Amendments to IAS 19

The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting year. When accounting for defined benefit plans under IAS 19, the standard generally requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting year. Similarly, the net interest is generally calculated by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting year. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting year, an entity is required to:

- Determine current service cost for the remainder of the year after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the year after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change.

The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts. The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting year that begins on or after 1 January 2019. Early application is permitted and should be disclosed.As the amendments apply prospectively to plan amendments, curtailments or settlements that occur on or after the date of first application. The Company will likely not be affected by these amendments on transition.

(viii) Annual Improvements to IFRS Standards 2015-2017 Cycle

Following is a summary of the amendments from the 2015-2017 annual improvements cycle issued in December 2017, all of which are not expected to have any material impact on the Company's financial statements:

- IFRS 3 Business Combinations

The amendment apply to previously held Interests in a joint operation

- The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value.
- In doing so, the acquirer remeasures its entire previously held interest in the joint operation.
- An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting year beginning on or after 1 January 2019. Earlier application is permitted.

Summary of significant accounting policies - continued

- IFRS 11 Joint Arrangements
The amendment apply to previously held Interests in a joint operation

- A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.
- An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting year beginning on or after 1 January 2019. Earlier application is permitted.

- IAS 12 Income Taxes
The amendment apply to income tax consequences of payments on financial instruments classified as equity.

- The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.
- An entity applies those amendments for annual reporting years beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative year.

- IAS 23 Borrowing Costs
The amendment apply to borrowing costs eligible for capitalisation

- The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.
- An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting year in which the entity first applies those amendments.
- An entity applies those amendments for annual reporting years beginning on or after 1 January 2019. Earlier application is permitted.

Summary of significant accounting policies - continued

(d) New standards and improvements

The accounting policies adopted in the preparation of the 2018 financial statements are consistent with those followed in the preparation of the Company's 2017 financial statements. Some standards and interpretations apply for the first time to financial reporting years commencing on or after 1 January 2018.

The nature and impact of each new standards and amendments that are effective for years before 31 December 2018 are described below:

(i) IFRS 15 - Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. IFRS 15 supersedes IAS 18, IAS 11, and a number of revenue- related interpretations. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.
The standard was applied for the first time to the financial year beginning on 1 January 2018. The Company subjected the service contracts existing as at that date to analysis and did not identify any significant changes relative to current practice. The predominant activity of the Company falls within the scope of IFRS 4. Given that insurance contracts and rental income from investment properties and income on its investment management activities, which are respectively in scope of IFRS 4, IAS 17 and IFRS 9, are not covered in IFRS 15, the application of IFRS 15 using the modified retrospective approach had no impact on the financial statements as it was only effective for other sources of sundry income like asset disposal as well as other one-off incomes all of which were based on specified contacts with single performance obligations and one-off performance. Consequently, services in scope of IFRS 15 did not have any significant implication overall for the Company's net assets, financial position or result of operations. The Company adopted IFRS 15 using the cumulative effect method on the required effective date, and as a result, did not apply the requirements of IFRS 15 to the comparative year presented.

See note 3(x) for the accounting policy for revenue recognition.

(ii) Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17). The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual years beginning before 1 January 2021 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting year for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual years beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

IFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standards becomes effective.

The Company performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2015. During year ended 31 December 2018, there had been no significant change in the activities of the Company that requires reassessment. The Company has applied the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in

The Company met the eligibility criteria of the temporary exemption from IFRS 9 and has deferred the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting years beginning on or after 1 January 2021, applying the temporary exemption from applying IFRS 9 as introduced by the amendments. This conclusion is based on the following:

- the Company has not previously applied any version of IFRS 9 *Financial Instruments*
- As at 31 December 2015, which is the reporting date immediately preceding 1 April 2016, the Company's activities
- were predominantly connected with insurance contracts;
  the carrying amount of its liabilities arising from insurance contracts and insurance connected liabilities for the
- Company sum up to ₦ 5.95 billion as at 31 December 2015, which is 93% of the total carrying amount of all its liabilities totalling ₦6.4 billion as at that date; this is illustrated in the computation table below
- the Company was acquired during the reporting year. However, this did not result in a change in the Company's predominant activities. Hence, no reassessment was necessary as at 31 December 2018, in compliance with Paragraphs 20D and 20E of the Guidance on *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* issued by IFRS.
- the Company's activities have remained the same and are predominantly connected with insurance contracts as

Computation of predominance ratio

Balances as at December 31. 2015	**Total liabilities (A) ₦'000**	**Unqualifying assets ₦'000**	**Qualifying assets (B) ₦'000**
Insurance contract liabilities	4,221,829	-	4,221,829
Investment contract liabilities	1,252,195	-	1,252,195
Trade payables	479,054	-	479,054
Accruals and other payables	294,495	294,495	-
Income tax liability	102,988	102,988	-
Deferred tax liability	43,503	43,503	-
	6,394,064	440,986	5,953,078
		= (B/A) %	93%

Fair value disclosures

a) Financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest (SPPI)

The financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding are as follows:

	Loans and receivables ₦'000	Other financial assets at ₦'000	Carrying amount ₦'000	Fair value ₦'000
Trade receivables	69,838	-	69,838	69,838
Loans and other receivables	10,489	-	10,489	10,489
Other receivables (less prepayments)	408,803	-	408,803	408,803
Cash and cash equivalents	3,582,363	-	3,582,363	3,582,363
Reinsurance assets (less prepaid reinsurance, IBNR and reserves)	-	-	162,500	162,500
Statutory deposits	-	500,000	500,000	500,000
	4,071,493	500,000	4,733,993	4,733,993

The assets listed above 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 asset are deemed to be a reasonable approximation of its fair value. The credit risk rating of these financial assets have been disclosed in Note 50.2 of the financial statements.

b) Financial assets with contractual terms that do not give rise to cash flows that are solely payments of principal and interest

These are financial assets that meets the definition of financial assets designated at fair value through profit or loss in line with IFRS 9; or that is managed and whose performance is evaluated on a fair value basis. These assets are as follows:

	Available for sale ₦'000	Fair value through profit or loss ₦'000	Carrying amount ₦'000	Fair value ₦'000
Treasury bills	6,505,211	-	6,505,211	6,505,211
Quoted equities available for sale	742,500	-	742,500	742,500
Mutual funds	88,286	-	88,286	88,286
Quoted equities designated at fair value through profit or loss	-	2,660	2,660	2,660
	7,335,997	**2,660**	**7,338,657**	**7,338,657**

Summary of significant accounting policies - continued

(c) Expected impacts of IFRS 9 adoption on the classification and measurement of financial assets as at 31 December 2018 and 1 January 2019

Financial assets 31 December 2018	IAS 39 classification	IFRS 9 classification and measurement	Carrying amount ₦'000
Cash and cash equivalents	Loans and receivables	Amortised cost	3,582,363
Investment securities:			
- Fair value through profit or loss	FVTPL	FVTPL	2,660
- Available-for-sale			
Treasury bills	Available-for-sale	FVTOCI	6,505,211
Quoted equities available for sale	Available-for-sale	FVTOCI	742,500
Mutual funds	Available-for-sale	FVTOCI	88,286
Loans and other receivables	Loans and receivables	Amortised cost	10,489
Trade receivables	Loans and receivables	Amortised cost	69,838
Other receivables (less prepayments)	Loans and receivables	Amortised cost	408,803
Reinsurance assets (less prepaid reinsurance, IBNR and reserves)	Loans and receivables	Amortised cost	162,500
Statutory deposits	Loans and receivables	Amortised cost	500,000

The measurement basis of all financial assets are expected to remain unchanged even after IFRS 9 adoption. This, there will be no change in the gross carrying amounts of the financial assets upon the adoption of IFRS 9.

(d) Expected impact of IFRS 9 on shareholders' funds with corresponding impact on net income

There is no reclassification of financial instruments or change in measurement in the Company's books, except for a change in nomenclature between IAS 39 and IFRS 9.

We are in the process of building the Expected Credit Loss (ECL) model, thus we do not have the estimates for the impairment charge to the statement of profit or loss and other comprehensive income at this time.

Summary of significant accounting policies - continued

(iii) Amendments to IFRS 2- Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior years, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual years beginning on or after 1 January 2018, with early application permitted. The amendments had no impact on the Company's financial statements since it had no share based payment transactions.

(v) IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting year in which the entity first applies the interpretation, or

(ii) The beginning of a prior reporting year presented as comparative information in the financial statements of the reporting year in which the entity first applies the interpretation.

The Interpretation is effective for annual years beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. Management has assessed the impact of the amendment and identified that the amendment does not have a significant impact on the company's financial statements as the Company’s current practice is in line with the Interpretation.

(vi) Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting year in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is without the use of hindsight. Effective for annual years beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The clarification aligns with the Company’s practice and the application of the amendment did not have any effect on its financial statements.

(vii) Annual Improvements 2014-2016 Cycle

These improvements were issued on 8 December 2016 and amendments to IFRS 1 and IAS 28 are effective for annual years beginning on or after 1 January 2018. The improvements amended the following standards:

Standards

The short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted, because they have now served their intended purpose. This amendment is not applicable to the Company.

Summary of significant accounting policies - continued

- IAS 28 Investments in Associates and Joint Ventures

The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. These amendments does not have an impact on the Company's financial statements since it had no associate or joint venture during the year under review.

(e) Regulatory authority and financial reporting

The Company is regulated by the National Insurance Commission (NAICOM) under the National Insurance Act of Nigeria. The Act specifies certain provisions which have impact on financial reporting as follows:

i. Section 20 (1a) provides that provisions for unexpired risks shall be calculated on a time apportionment basis of the risks accepted in the year. See note 3(l) on accounting policy on insurance contract liabilities
ii. Section 20 (1b) which requires the provision of 10 percent for outstanding claims in respect of claims incurred but not reported at the end of the year under review. See note 3(m)(vi) on accounting policy for outstanding claims;
iii. Sections 21 (1a) and 22 (1b) require maintenance of contingency reserves for general and life businesses respectively at specified rates as set out under note (23) and note 3(t) to cover fluctuations in securities and variation in statistical estimates;
iv. Section 22 (1a) requires the maintenance of a general reserve known as life fund which shall be credited with an amount equal to the net liabilities on policies in force at the time of the actuarial valuation as set out under note 15(b). The valuation is done annually by the Company, using independent consulting actuaries;
v. Section 24 requires the maintenance of a margin of solvency to be calculated in accordance with the Act as set out under note 49.1;
vi. Section 10(3) requires insurance companies in Nigeria to deposit 10 percent of the minimum paid-up share capital with the Central Bank of Nigeria as set out under note 14;
vii. Section 25 (1) requires an insurance company operating in Nigeria to invest and hold invested in Nigeria assets equivalent to not less than the amount of policy holders' funds in such accounts of the insurer. See note 53 for assets allocation that covers policy holders' funds.

The Financial Reporting Council of Nigeria Act No. 6, 2011 which requires the adoption of IFRS by all listed and significant public interest entities provides that in matters of financial reporting, if there is any inconsistency between the Financial Reporting Council of Nigeria Act No. 6, 2011 and other Acts which are listed in section 59(1) of the Financial Reporting Council of Nigeria Act No. 6, 2011, the Financial Reporting Council of Nigeria Act No. 6, 2011 shall prevail. The Financial Reporting Council of Nigeria acting under the provisions of the Financial Reporting Council of Nigeria Act No. 6, 2011 has promulgated IFRS as the national financial reporting framework for Nigeria. Consequently, the following provision of the National Insurance Act, 2003 which conflict with the provisions of IFRS have not been adopted:

i) Section 22(1a) which requires additional 25 percent of net premium to general reserve fund. See note 3(m)(ii) on accounting policy for unexpired risk and unearned premium.

3 Significant accounting policies

(a) Foreign currency translations

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities, and on investments recorded at fair value through profit and loss, denominated in foreign currencies are recognised in the profit or loss. Such foreign exchange gains and losses are presented in the profit or loss within 'Other operating income'.

Summary of significant accounting policies - continued

Changes in the fair value of monetary assets denominated in foreign currency are analysed between translation differences resulting from changes in the fair value of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss; other changes in carrying amount are recognised in 'other comprehensive income'.

Translation differences on non-monetary assets held at fair value such as equities classified as available-for-sale financial assets are included in 'other comprehensive income'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, call deposits and short term highly liquid financial assets with original maturities of three months or less from the acquisition date, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial position.

The Company has applied the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting year starting on 1 January 2018.

(c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

The Company has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting year starting on 1 January 2018.

(a) Financial assets

The classification of investment securities depends on the purpose for which the investments were acquired or originated. The Company classifies its investment securities into the following categories:

(i) Financial assets at fair value through profit or loss;
(ii) Held-to-maturity investments;
(iii) Available-for-sale investment securities
(iv) Loans and receivables

The Company's financial assets include cash and cash equivalents, trade and other receivables, loans and receivables, quoted and unquoted investment securities, debt securities and statutory deposits.

Financial assets are set off and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Significant accounting policies - continued

(c) Financial instruments - continued

(b) Initial recognition

The Company initially recognises fixed deposits and securities on the transaction date. All other financial assets and liabilities are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

All financial assets are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss. Subsequent to initial recognition, financial assets are measured either at fair value or amortised cost.

(c) Subsequent measurement

(i) Financial assets held at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets classified as trading are acquired principally for the purpose of selling in the short term.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are re-measured at fair value, with gains and losses arising from changes in this value recognised in the profit or loss in the year in which they arise. The fair values of quoted investments in active markets are based on current bid prices. The fair values of unquoted equities, and quoted equities for which there is no active market, are established using valuation techniques corroborated by independent third parties. These may include reference to the current fair value of other instruments that are substantially the same and discounted cash flow analysis.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in investment income in the profit or loss.

(ii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that management has both the positive intention and ability to hold to maturity other than:

- Those that the Company designates as available for sale.
- Those that meet the definition of loans and receivables.

Such instruments include government bonds and are carried at amortised cost, using the effective interest rate method less any allowance for impairment.

(iii) Available-for-sale

Available-for-sale investments are non-derivative instruments that are not designated as another category of financial assets.

Available-for-sale financial assets are carried at fair value, with the exception of investments in unquoted equity instruments where fair value cannot be reliably determined, which are carried at cost. Fair values are determined in the same manner as for investments at fair value through profit or loss. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income while the investment is held, and are subsequently transferred to the Statement of Profit or Loss and Other Comprehensive Income upon sale or de-recognition of the investment.

Interest income is recognised in profit or loss using the effective interest method. Dividends received on available-for-sale instruments are recognised in profit or loss when the Company's right to receive payment has been established.

Such investments included unlisted equities and treasury bills. Treasury bills represent short term instruments issued by the Central Bank of Nigeria.

Significant accounting policies - continued

(c) Financial instruments - continued

(iv) 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 are measured at amortized cost using the effective interest method, less any impairment. Loans and receivables in the Statement of Financial position comprise staff loans and loans to policy holders.

Loans and receivables, after initial measurement, are measured at amortized cost, using the effective interest rate method less any impairment (if any). Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate.

Interest on loans and receivables are included in profit or loss and reported as investment income. When the asset is impaired, they are carried on the Statement of Financial position as a deduction from the carrying amount of the loans and receivables and recognised in the statement of profit or loss as “impairment losses”.

Trade receivables arising from insurance contracts are stated after deducting allowance made for specific debts considered doubtful of recovery. Trade receivables are recognised when confirmation of premium is received from insurance brokers and co-insurance in the form of credit notes and are within 30 days, in conformity with the "No premium, No cover" policy. Trade receivables are reviewed at every reporting year for impairment (see note 3(d)(iii) for the accounting policy on impairment of trade receivables).

(v) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where an appropriate and reliable valuation technique cannot be achieved the instrument is carried at cost.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis during the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where an appropriate and reliable valuation technique cannot be achieved the instrument is carried at cost.

Significant accounting policies - continued

(c) Financial instruments - continued

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price. Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting year during which the change has occurred. The Company discloses fair value of all its financial instruments.

See Note 4 on critical accounting judgments and estimates and Note 52 on fair value methods and assumptions. Note 54 includes fair value balances of financial assets and liabilities.

(vi) De-recognition of financial instruments

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when its rights to receive the contractual cash flows on the financial asset in a transaction that transfers substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Company enters into transactions whereby it transfers assets recognised on its Statement of Financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by extent to which it is exposed to changes in the value of the transferred asset.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(d) Impairment of assets

(i) Financial assets carried at amortised cost

The carrying amounts of these assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. Debt securities are considered to be impaired if objective evidence indicates that one or more events that have occurred since the initial recognition of the asset have had a negative effect on the estimated future cash flows of that asset and can be reliably estimated. Observable data or evidence that the Company uses to determine if an impaiment allowance is required on a debt securities include:

Summary of significant accounting policies - continued

- Significant financial diffifcuty of the issuer or debtor;
- A breack of contract, such as default or delinquency in payments;
  Becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization
- The disappearance off an active market for that financial asset becasue of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease ccannot yet be identified with the individual financial assets of the Company.

For financial assets measured at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract.

If in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss.

Trade receivables arising from insurance contracts represent premium debtors with determinable payments that are not quoted in an active market and the Company has no intention to sell. Trade receivables are recognised when confirmation of premium is received from insurance brokers and co-insurance in the form of credit notes and are within 31 days, in conformity with the "No premium, No cover" policy. Trade receivables that are individually identified as impaired are assessed for specific impairment. All other trade receivables are assessed for collective impairment.

Receivables are stated net of impairment determined in line with financial assets carried at amortised cost.

(ii) *Assets classified as available-for-sale*

Available-for-sale debt securities are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20% or more is regarded as significant, and a year of 9 months or longer is considered to be prolonged. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account.

Summary of significant accounting policies - continued

(d) Impairment of assets - continued

All impairment losses are recognised through profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to the profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in the profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

Subsequent decreases in the amount relating to an impairment loss for a debt instrument classified as available for sale, that can be linked objectively to an event occurring after the impairment loss was recognised in the profit or loss, is reversed through the profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through the profit or loss, but the increase in fair value is accounted for directly in equity.

(iii) Impairment of non-financial assets

The Company's non-financial assets with carrying amounts other than investment property 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 intangible assets that have indefinite useful lives or that are available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less 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.

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include: investment contract liabilities, borrowings, trade payables and other payables.

Summary of significant accounting policies - continued

(e) Financial liabilities -continued

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied.

Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of profit or loss.

(f) Other receivables and prepayments

Other receivables are measured at amortised cost and stated after deductions of amount considered impaired. See 3(d)(i) for policy on impairment of assets. When a debt is deemed not collectible, it is written-off against the related provision or directly to the profit and loss account to the extent not previously provided for. Any subsequent recovery of written-off debts is credited to the profit and loss account. Other receivables are primarily sundry debtors and accrued income.

Prepayments are carried at cost less accumulated impairment losses and are amortised on a straight line basis to the profit and loss account.

(g) Investment properties

Recognition and measurement

Investment property comprises investment in land and buildings held primarily to earn rentals or capital appreciation or both.

Investment property is initially recognised at cost including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes cost of day to day servicing of an investment property. The Company's investment property is subsequently measured at fair value, adjusted if necessary, for any difference in the nature, location or condition of the specific asset, with any change therein recognised in profit or loss. Fair values are determined individually, on a basis appropriate to the purpose for which the property is intended and with regard to recent market transactions for similar properties in the same location.

Subsequent expenditure on investment property is capitalized only if future economic benefit will flow to the Company; otherwise they are expensed as incurred.

Investment properties are disclosed separate from the property and equipment used for the purposes of the business. Valuations are conducted annually by an independent valuation specialist.

Summary of significant accounting policies - continued

(g) **Investment properties - continued**

Derecognition

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of profit or loss in the year of de-recognition.

Transfers

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change. Subsequently, the property is re-measured to fair value and reclassified as investment property.

(h) Intangible assets

Software

Recognition of software acquired is only allowed if it is probable that future economic benefits to this intangible assets are attributable and will flow to the Company.

Software acquired is initially measured at cost. The cost of acquired software comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use. After initial recognition, software acquired is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Maintenance costs are not included.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is four years subject to annual reassessment.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Intangible assets are reviewed at each reporting date for impairment (see note 3(d)(iii) for accounting policy on impairment of non financial assets).

(i) Property and equipment

(a) Recognition & measurement

All items of property and equipment are initially measured at cost, except for leasehold land and buildings, and subsequently at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Leasehold land and buildings is initially measured at cost and subsequently at fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value changes are recognised in other comprehensive income. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.
Gains and losses on disposal of items of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised within other income in profit or loss.

(i) Property and equipment - continued

When leasehold land is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the land and the net amount restated to the revalued amount. If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income. The revaluation surplus on the leasehold land is transferred to retained earnings when the assets is derecognised.

When an individual property is revalued, any increase in its carrying amount (as a result of revaluation) is transferred to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense in the profit or loss, in which case it is recognised in profit or loss.

When the value of an individual property is decreased as a result of a revaluation, the decrease is charged against any related credit balance in the revaluation reserve in respect of that property. However, to the extent that it exceeds any surplus, it is recognised as an expense in the statement of profit and loss.

(b) Subsequent costs

Subsequent costs on replacement parts on an item of property are recognised in the carrying amount of the asset and the carrying amount of the replaced or renewed component is derecognised.

(c) Depreciation

Depreciation is calculated on property and equipment on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life. Depreciation methods, useful lives and residual values are reassessed at each reporting date. Depreciation is not charged on property and equipment until they are available for use.

Depreciation reduces an asset's carrying value to its residual value at the end of its useful life, and is allocated on a straight line basis over the estimated useful lives, as follows:

Office equipment	-	3 years to 5 years
Computer equipment	-	3 years to 5 years
Furniture and fittings	-	3 years to 5 years
Motor vehicles	-	4 years to 6 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. The estimated useful lives of property and equipment were adjusted in the year to reflect the present economic consumption of the assets.

(d) De-recognition

Upon disposal of any item of property and equipment or when no future economic benefits are expected to flow from its use, such items are derecognised from the books. Gains and losses on disposal of assets are determined by comparing proceeds with their carrying amounts and are recognised in the profit or loss in the year of de-recognition. Any revaluation reserve relating to an asset being sold is transferred to retained earnings.

(j) Statutory deposit

These deposits represent bank balances required by the insurance regulators of the Company to be placed with the Central Bank of Nigeria in accordance with section 10 (3) of the Insurance Act of Nigeria. These deposits are stated at cost. Interest on statutory deposits is recognised as earned in other operating income.

Summary of significant accounting policies - continued

(k) Insurance contract

(i) Types of insurance contracts

The Company classify insurance contract into non- life and life insurance contracts.

- Non life insurance contract

These contracts are accident and casualty and property insurance contracts.

Accident and casualty 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. They are short term in nature.

- Life insurance contract

These contracts insure events associated with human life (for example, death or survival) over a long duration.

(ii) Classification of insurance contracts

The Company enters into insurance contracts as its primary business activities. Insurance contracts are those that the Company accepts significant insurance risk from another party (the policy holder) by agreeing to compensate the policy holder or other beneficiary, if a specified uncertain future event (the insured event) adversely affects the policy holder or the other beneficiary.

(l) Insurance contract liabilities

The recognition and measurement of insurance contracts have been set out under note 3(m). Insurance contract liabilities are determined as follows:

(i) Non-life insurance contract

Reserve for unearned premium and unexpired risk

The reserve for unearned premium is calculated on a time apportionment basis in respect of risk accepted during the year. A provision for additional unexpired risk reserve is recognised for an underwriting year where it is determined that the estimated cost of claims and expenses would exceed the unearned premium reserve.

Reserve for outstanding claims

The reserve for outstanding claims is maintained as the total amount of outstanding claims incurred plus claims incurred but not reported ("IBNR") as at the reporting date. The IBNR is based on the liability adequacy test.

Liability adequacy test

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. Where a shortfall is identified, an additional provision is made and the Company recognizes the deficiency in the profit or loss. Insurance contract liabilities are subject to liability adequacy testing on an annual basis. The method of valuation and assumptions used, the cash flows considered and the discounting and aggregation practices adopted have been set out as part of the note below.

Reserving Methodology and Assumptions

For non-life insurance risks, the Company uses different methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The two methods more commonly used are the Discounted Inflation-adjusted Basic Chain Ladder and the Expected Loss Ratio methods adjusted for assumed experience to date.

Summary of significant accounting policies - continued

Claims data was grouped into triangles by accident year or quarter and payment year or quarter. The choice between quarters or years was based on the volume of data in each segment. The claims paid data was sub – divided into large and attritional claims. Large claims were projected separately as they can significantly distort patterns. Where there was insufficient claim data, large and attritional claims were projected together as removing large claims would reduce the volume of data in the triangles and compromise the credibility.

Discounted Inflation-adjusted Basic Chain Ladder method

Historical incremetal claims paid were grouped into 7 to 10 years cohorts by class of business – representing when they were paid after their accident year. These cohorts are called claim development years and the patterns for 7 to 10 years was studied. The historical paid losses are projected to their ultimate values for each underwriting year by calculating the loss development factors for each development year. The ultimate claims are then derived using the loss development factors and the latest paid historical claims.

The historical paid losses are inflated using the corresponding inflation index in each of the accident years to the year of valuation and then accumulated to their ultimate values for each accident year to obtain the projected outstanding claims. These projected outstanding claims are then further multiplied by the future inflation index from the year of valuation to the future year of payment of the outstanding claims.

The resulting claims estimated is discounted to the valuation date using an appriopriate discount rate of to allow for a margin of prudence.

The future claims (the ultimate claim amount less paid claims to date) are allocated to future payment years in line with the development patterns. The outstanding claims reported to date are then subtracted from the total future claims to give the resulting IBNR figure per accident year or quarter. i.e. IBNR = Ultimate claim amount minus paid claims till date minus claims outstanding.

Expected Loss Ratio method

This model assumes that the average delay in the payment of claims will continue into the future. Additionally, an estimate of the average ultimate loss ratio was assumed. The method was adopted for the classes of business where there was very limited data. For the four classes of business namely Aviation, Bond, Marine and Oil and Gas, there was very limited data. A Discounted Inflation-adjusted Basic Chain Ladder method was therefore inappropriate. The reserve was calculated as the expected average ultimate loss ratio for the assumed average delay year multiplied by earned premium for the assumed delay year minus current experience to the reporting date relating to the accident months that the delay affects.

Assumptions underlying the methods:

- The future claims follows 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 used to calculate the expected cumulative payments for the future development years.
- The run off year is eight (8) years and hence the method assumes no more claims will be paid subsequently.
- For the chain ladder, it is assumed that weighted past average inflation will remain unchanged into the future.
- The gross claim amount includes all related claim expenses else , a separate reserve would be held to cover claim expenses.
- The Unexpired premium reserve is calculated on the assumption that risk would occur evenly during the duration of the policy.

Summary of significant accounting policies - continued

Discounting
No allowance has been made for discounting as these reserve are for short-term contracts, the effect of discounting is not expected to have a significant impact on the reserve.

Sensitivity analysis
Sensitivity analyses are performed to test the variability around the reserve that are calculated at the best estimate level. The sensitivity analysis is done to determine how the IBNR reserve amount would change if a 75th percentile is considered as opposed to the best estimate figures included in reserve reviews as at 31 December 2018. The 75th percentile is a generally accepted level of prudency. Refer to Note 16 for more details.

(ii) Life insurance contracts
(a) Life fund
This is made up of net liabilities on policies in force as determined by qualified actuaries at the reporting date. Surplus or deficit arising from the periodic valuation of the life insurance contracts are recognised in the statement of profit or loss.

(b) Reserving methodology and assumptions
Data segmentation

The data used for reserving is segmented into the 2 classes as follows:
- Individual life business
- Group life business

Valuation and assumptions
The basic chain ladder method is used for both the individual business and group business

- the valuation age is taken as Age Last Birthday at the valuation date;
- the year to maturity is taken as the full term of the policy less the expired term;
- full credit is given to premiums due between valuation date and the end of the premium paying term.

An unexpired premium reserve is included for Group Life business, after allowing for acquisition expenses at a ratio of 20% premium. The UPR is tested against an additional Unexpired Risk Reserve (AURR), using pooled industry claims data for the underlying assumptions. The resulting AURR was zero, giving comfort that the UPR is sufficient.

(iii) Commission income
Commission income is recognised on ceding business to the reinsurer, and are credited to the statement of profit or loss and other comprehensive income.

(iv) Underwriting expenses
Underwriting expenses comprise acquisition and maintenance expenses.

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

(m) Insurance contract - Recognition and measurement
(i) Gross premium written

Gross premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting year.

Premiums on reinsurance inward are included in gross premium written and accounted for as if the reinsurance was direct business, taking into account the product classification of the reinsured business.

Summary of significant accounting policies - continued

Outward reinsurance premiums are accounted for in the same accounting year as the premiums for the related direct insurance or reinsurance business assumed. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of premium earned.

The gross premium earned represents premiums as earned from the date of attachment of risk, over the insurance year on a time apportionment basis.

(ii) Unearned premiums

Unearned premiums are proportion of premiums written in the year that relate to years of risks after the reporting date. It is computed separately for each insurance contract using a time proportionate basis, or another suitable basis for uneven risk contracts. Provision for unexpired risk is made for unexpired risks arising where the expected value of claims and expenses attributable to the unexpired year of policies in force at the reporting date exceeds the unearned premium in relation to such policies after deduction of any deferred acquisition costs.

(iii) Reinsurance assets and liabilities

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net potential losses on policies written. Premium ceded comprise written premiums ceded to reinsurers, adjusted for the reinsurers' share of the movement in the provision for the unearned premiums. Reinsurance arrangements do not relieve the Company from its direct credit obligations to its policyholders.

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 in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when incurred.

The Company had the right to set-off re-insurance payables against the amount due from re-insurance and brokers in line with the agreed arrangement between both parties.

Reinsurance recoverable are estimated in a manner consistent with the outstanding claims provision and claims incurred associated with the reinsurer's polices and in accordance with the related insurance contract. They are measured at their carrying amount less impairment charges. Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. If there is objective evidence of impairment, the Company reduces the carrying amount of its insurance assets to its recoverable amount and recognizes the impairment loss in the statement of profit or loss and other comprehensive income.

(iv) Reinsurance expense

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

(v) Claims expenses

Claims and loss adjustment expenses are charged to statement of profit or loss as incurred based on the estimated liability for compensation owed to the contract holders or beneficiaries. They include direct and indirect claims settlement cost and arise from events that have occurred up to the reporting year, whether they have been reported or not.

Summary of significant accounting policies - continued

(vi) Outstanding claims

The provision for outstanding claims, is estimated based on historic information on reported cases and the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provision for prior years are reflected in the income statement in the financial year in which adjustments are made, and disclosed separately if material.

The measurement of outstanding claims have been detailed out under note 3(l) (Insurance contract liabilities).
Reinsurance recoverable are recognised when the Company records the liability for the claims and are not netted off claims expense but are presented separately in the statement of profit or loss and other comprehensive income.

(vii) Salvages

Some non-life 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 of damages to its clients property (i.e. subrogation right).

Salvage recoveries are used to reduce the claim expense.

(viii) 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 recognised in other assets when the liability is settled and the Company has the right to receive future cash flow from the third party.

(ix) Receivables and payables related to insurance contracts

Insurance receivables and payables are recognised when due. These include amounts due to and from agents, brokers, insurance contract holders and claims expenses receivable from re-insurers. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in the income statement. The Company determines the objective evidence that an insurance receivable is impaired using the same methodology adopted for financial assets held at amortised cost. The impairment loss is calculated using the same method used for these financial assets.

(x) Deferred acquisition cost

Acquisition costs comprise all direct and indirect costs arising from the origination of insurance contracts.
Deferred acquisition costs represent a portion 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 the ratio of unearned premium to written premium.

(n) Investment contracts

Investment contracts are those contracts that transfer financial risks with no significant insurance risk.
Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.
The Company enters into investment contracts with guaranteed returns and other businesses of savings nature. Those contracts are recognised as liabilities and are measured at amount payable at each reporting date. The Company does not have contracts with discretionary participating features. The investment contracts are accounted for as financial instruments and measured at amortised cost.

Summary of significant accounting policies - continued

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial year of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the year in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.
Bank overdrafts are the Company's primary source of borrowed funds.

(p) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year discounting is omitted. The company has the right to set-off reinsurance payables against the amount due from reinsurers and brokers in line with the agreement between both parties. Trade payables includes reinsurance liabilities which are primarily premiums payable on reinsurance contracts entered into by the company and are recognised as at when incurred. Commissions payable to brokers also form part of trade payables.

(q) Other payables

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. Other payables includes settlements due to suppliers and contractors who provide goods and services to the Company.

(r) Provisions

A provision is recognised 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 the rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

(s) Taxation

Income tax comprises current and deferred tax currently payable. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(s1) *Current income tax*

Income tax comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax assets and current tax 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 realised simultaneously.

The Company applies the provisions of the Companies Income Tax Act that mandate a minimum tax assessment, where a Company incurred a tax loss or where a Company's total profit results in no tax payable or tax payable which is less than the minimum tax, the Company would be liable to pay the minimum tax.

Summary of significant accounting policies - continued

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(s2) *Deferred tax*

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, if the deferred tax arises from initial recognition of the asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting year and are expected to apply when the related deferred income tax is realisable or the deferred income tax liability is payable.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax 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 realised simultaneously.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

Deferred tax related to fair value re-measurement of available-for-sale investments, which are charged or credited directly in other comprehensive income, is also credited or charged to other comprehensive income and subsequently recognised in the statement of profit or loss and other comprehensive income, together with the deferred gain or loss.

Deferred tax is not recognised for differences arising from investment property measured at fair value whose carrying amount will be recovered through use.

(t) Equity

(t1) Share capital & equity reserve

(a) Share capital

The Company classifies ordinary shares and share premium as equity when there is no obligation to transfer cash or other assets.

Incremental costs directly attributable to issue of shares are recognised as deductions from equity net of any tax effects.

(b) Dividend on ordinary shares

Dividends on the Company's ordinary shares are recognised in equity in the year in which they are paid or, if earlier, approved by the Company's shareholders.

Dividend distribution to the Company's shareholders is recognised as a liability in the Financial Statements in the year in which the dividends are approved by the Company's shareholders. Dividends that are proposed but not yet declared are disclosed in the notes to the Financial Statements.

(c) Retained earnings/(accumulated losses)

The net profits or losses from operations in current and prior years are accumulated in retained earnings less distributions to equity holders.

Summary of significant accounting policies - continued

(d) Irredeemable convertible notes

The Company classifies capital instruments as financial liabilities or equity in accordance with the applicable IFRS. The Company's convertible notes are irredeemable by the holder. Accordingly they are presented within equity.

(t2) Statutory contingency reserve

In compliance with Section 21(1) of Insurance Act 2003, the contingency reserve for non-life insurance business is credited with the greater of 3% of total premiums, or 20% of the profits. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50 per cent of net premium. While life business the contingency reserve is credited with an amount equal to 1% of gross premium or 10% of net profit (which ever is greater) and accumulated until it reached the amount of minimum paid up capital.

(u) Asset revaluation reserve

Assets revaluation reserve represents the fair value differences on the revaluation of items of property and equipment as at the reporting date.

(v) Fair value reserve

Fair value reserve represents the fair value differences on available for sale financial assests carried at fair value as at the reporting date.

(w) Contingent liabilities

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 event which is not recognised because it is not probable 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 or court process in respect of which a liability is not likely to crystallize.

(x) Revenue recognition

Insurance contracts:
Revenue and expenses in respect of insurance contracts are summarised in Note 3(m).

IFRS 15 – Revenue from Contracts with Customers, published on May 28, 2014, amended on September 11, 2015 and on April 12, 2016, provides a principle-based approach for revenue recognition. The new model applies to all revenues arising from contracts with customers except those that are within the scope of other IFRS such as: insurance contracts, lease contracts and financial instruments.

Under IFRS 15, revenue is recognised when the Company satisfies a performance obligation by transferring a service to a customer. Revenue is recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

The new insurance contracts standard explicitly addresses the unbundling of non-insurance goods and services. For revenue recognition purposes, the Company looks first to the unbundling guidance in other standards and therefore does not change the current guidance for unbundling goods and services within insurance contracts under IFRS 4.

Summary of significant accounting policies - continued

However, under IFRS 4, the Company may voluntarily change their accounting policies to unbundle contracts with customers and recognise and measure them in accordance with the new revenue standard if this change makes the financial statements more relevant and no less reliable, or more reliable and no less relevant. Integrated service components, such as claims handling within a property/casualty contract or asset management services within a life insurance contract are separated. This service may theoretically occur over-time, with a time-based measure of progress, which is relevant as the service is provided continuously over the contract year. However, according to IFRS 15, revenue is recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Where revenue received by the Company are generally calculated based on an explicit contactual agreement and identified performance, transaction price is allocated to all promises in the arrangement. Multiple elements of services are documented, performance obligations are identified and revenue allocated where material. Variable considerations, which are subject to market volatility and are recognised only when uncertainty is resolved.

An insurance entity will apply the separation and/or measurement guidance in other applicable standards to determine whether all or part of a contract is within the scope of another standard, and then apply the guidance in the new revenue standard to any remaining components. An insurance entity will apply the separation and/or measurement guidance in the new revenue standard if the other standard does not include separation and/or measurement guidance.

Investment contracts partially within the scope of the new revenue standard .

An example of 'an arrangement partly in the scope of the new revenue standard' under IFRS is an investment contract that has a service component (see 'Asset management services provided by insurance entities' below).

Insurance entities evaluate the terms of the contract and their customary business practices to identify each performance obligation. The transaction price for the contract is allocated to each performance obligation and recognised when those obligations are satisfied.

Performance obligations include promises that are explicit or implied by customer business practices, published policies or specific statement. Insurance entities that previously did not allocate revenue to services, because they did not arise from an explicit contractual arrangement, will need to allocate the transaction price to all promises in the arrangement under the new standard.

Multiple elements of any services will need to be documented, performance obligations identified and revenue allocated where material.

If the entire contract qualifies as an insurance contract, the insurance contracts guidance should be applied.

(i) Investment income

Investment income comprises interest income earned on short-term deposits, rental income and income earned on trading of securities including all realised and unrealised fair value changes, interest, dividends and foreign exchange differences. Investment income is accounted for on an accrual basis.

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 costs' in the profit or loss using the effective interest rate method. Fees and commissions that form part of an integral part of the effective yield of a financial instrument are recognised as an adjustment to the effective interest rate of the instrument. When a receivable is impaired, the Company reduces the carrying amount to its impaired amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument.

Summary of significant accounting policies - continued

(ii) Dividend income

Dividend income from investments is recognised when the Company's right to receive payment has been established and is stated net of withholding tax. The right to receive dividend is established when the dividend has been duly declared.

(iii) Other operating income

Other operating income comprise income of a secondary nature in relation to the Company's activities, including gains on disposal of property and equipments, unrealised foreign exchange gain and other sundry income.

(y) Management and other operating expenses

Management expenses are expenses other than claims and underwriting expenses. They are accounted for on an accrual basis and comprise employee benefits, depreciation and other operating expenses.

(z) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations include wages, salaries and other benefits which the Company has a present obligation to pay, as a result of employees' services provided up to the reporting date. The accrual is calculated on an undiscounted basis, using current salary rates.

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

(ii) Post Employment Benefits

The Company operates a defined contributory retirement scheme as stipulated in the Pension Reform Act 2014. Under the defined contribution scheme, the Company pays fixed contributions of 10% to a separate entity – Pension Fund Administrators; employees also pay (through deduction from payroll) 8% to the same entity. Once the contributions have been paid, the Company retains no legal or constructive obligation to pay further contributions if the Fund does not hold enough assets to finance benefits accruing under the retirement benefit plan. The Company's obligations are recognised in the profit or loss account.

(aa) Hypothecation of assets

The Company structured its assets to meet the requirements of the Insurance Act 2003 wherein the policyholders' assets and funds are not co-mingled with assets and funds that belong to shareholders and other funds.

In particular, investment properties, investment securities (equities and fixed income securities) and insurance funds hypothecated to policyholders are distinguished from those owned by the shareholders.
The assets hypothecated are shown in Note 53 to the Financial Statements.

(ab) Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The responsibility for the defining the business segment lies with the Managing Director, who is the Chief Operating Decision Maker (CODM) for the Company.

The Company's primary format for segment reporting is based on business segments: Life and Non-life (general).

Summary of significant accounting policies - continued

(ac) Annuity

The Company operates deferred and immediate annuity plans with guaranteed interest to its annuitants. Annuity is a contract that ensures steady cashflow to annuitants for a defined year usually for the entire remaining life of the annuitant subject to a guaranteed year of 10 years.

The purchase amount on annuity contracts is recognised as premium written on day of attachment and the periodic cash payments made to annuitants are recognised as claims expense.

Reserve for annuity liabilities are recognised in the profit or loss as changes in insurance contract liabilities. The adequacy of the liabilities are reviewed annually by an independent actuary.

4 Critical accounting estimates and judgements

The Company makes estimates and assumptions 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 are believed to be reasonable under the circumstances.

(a) IBNR claims liability made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is one of the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

The IBNR reserves are determined using deterministic calculations which provide a "best estimate" of the reserve. The "best-estimate" is determined by applying a combination of the Basic Chain Ladder ("BCL") and the BornhuetterFerguson ("BF") methods to attritional paid claims triangles. The combination between a BCL and BF methods aims to reflect the reliability of information when estimating the IBNR. For earlier accident years, where the development is reasonably mature, a BCL approach was used which relied more heavily on the data to set the ultimate level of claims. For later accident periods where there still exists a large degree of uncertainty about the ultimate level of claims and the reported to date is a less reliable estimate of the ultimate loss, a BF method is used which makes use of an estimate of the ultimate loss ratio.

The results of the Inflation Adjusted Chain Ladder method (Discounted) and Bornhuetter-Ferguson are dependent upon the stability of the triangulated claims information used to derive the claims development patterns.The triangulations are examined for any anomalous movements that may have distorted the estimated patterns in order to smooth these out. This prevents distortion of the results by once-off extreme movements and therefore ensures a stable result from year to year

The main assumption underlying these technique is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, this method extrapolates 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 and the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example 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. The carrying value at the reporting date of insurance contract liabilities (note 16(c)) is ₦ 8,266,705,000 (Dec 2017: ₦7,441,452,000).

The Company's available-for-sale equity financial assets were assessed for impairment during the year, but no objective evidence of impairment was identified. See note 6(b)(iii).

(b) Fair value of financial instruments

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3(c)(iii) of the accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

4 Critical accounting estimates and judgements - continued

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the requirements.

- Level 1: Quoted market price in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable market inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them.

Where an appropriate and reliable valuation technique cannot be achieved, the instrument is carried at cost.

All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

Financial instruments measured at fair value

Below is the analysis of financial instruments measured at fair value at the end of the reporting year, by the level in the fair value hierarchy into which the fair value measurement is categorised:

In thousands of Nigerian Naira	Note	Level 1	Level 2	Level 3	Total
31 December 2018					
Available-for-sale financial assets	6(b)	6,505,211	830,786	-	7,335,997
Financial assets at fair value through profit or loss	6(c)	2,660	-	-	2,660
		6,507,871	830,786	-	7,338,657
31 December 2017					
Available-for-sale financial assets	6(b)	-	81,171	-	81,171
		-	81,171	-	81,171

4 Critical accounting estimates and judgements - continued

Determination of fair value for instruments measured at fair value

The Company's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy.

The Chief Financial Officer (CFO) validates fair value estimates by:

- Benchmarking prices against observable market prices or other independent sources
- Re-performing model calculations
- Evaluating and validating input parameters

The CFO also challenges the model calibration on at least an annual basis or when significant events in the relevant markets occur. The CFO is responsible for ensuring that the final reported fair value figures are in compliance with IFRS and proposes adjustments when needed. When relying on third-party sources (e.g., broker quotes, or other micro or macro-economic inputs), the CFO is also responsible for:

- Verifying and challenging the approved list of providers
-Understanding the valuation methodologies and sources of inputs and verifying their suitability for IFRS reporting requirements

Valuation techniques and specific considerations for Level 3 inputs are further explained below:

In the course of the year, investments in UBN Properties classified as available-for-sale financial assets hitherto carried at amortised cost in the books were subsequently measured and carried at fair value. See note 6b(ii)) for details.

Valuation methods and assumptions

The fair value of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The following methods and assumptions were used to estimate the fair values:

- The fair value of financial assets such as cash and cash equivalents, treasury bills, reinsurance assets, loans and receivables as well as financial liabilities such as borrowings, investment contract liabilities and other payables are estimated by discounting future cash flows using rates currently available for debt with similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates. The valuation requires management to use unobservable inputs in the model, of which the significant unobservable inputs are disclosed in the tables below. Management regularly assesses a range of reasonably possible alternatives for the significant unobservable inputs and determines their impact on the total fair value.

- Fair value of other financial assets at fair value through OCI is derived from quoted market prices in active markets.

4 Critical accounting estimates and judgements - continued

Financial instruments not measured at fair value

The table below sets out the fair value of financial instruments not measured at fair value and analyses them by level in the fair value hierarchy into which each fair value measurement is categorised.

In thousands of Nigerian Naira	Note	Fair Value	Level 1	Level 2	Level 3	Carrying Amount
31 December 2018						
Assets						
Cash and cash equivalents	5	3,582,363	-	3,582,363	-	3,582,363
Loans and receivables	6(d)	10,489	-	-	10,489	10,489
Trade receivables	7	69,838	-	-	69,838	69,838
Recoverable from reinsurers on claims paid	8	162,500	-	-	162,500	162,500
Other receivables		208,803	-	-	208,803	208,803
Statutory deposits	14	500,000	-	500,000	-	500,000
		4,533,993	-	4,082,363	451,630	4,533,993
Liabilities						
Borrowings	15	166,755	-	166,755	-	166,755
Investment contract liabilities	17	934,245	-	-	934,245	934,245
Trade payables	18	297,474	-	-	297,474	297,474
Other creditors		242,268	-	-	242,268	242,268
		1,640,742	-	166,755	1,473,987	1,640,742

In thousands of Nigerian Naira	Note	Fair Value	Level 1	Level 2	Level 3	Carrying Amount
31 December 2017						
Assets						
Cash and cash equivalents	5	8,627,523	-	8,627,523	-	8,627,523
Debt securities-held to maturity	6(a)	196,016	-	196,016	-	202,505
Available-for-sale financial assets	6(b)	495,000	-	-	495,000	495,000
Loans and receivables	6(d)	50,932	-	-	50,932	50,932
Trade receivables	7	47,710	-	-	47,710	47,710
Recoverable from reinsurers on clc	8	46,718	-	-	46,718	46,718
Other receivables		44,206	-	-	44,206	44,206
Statutory deposits	14	500,000	-	500,000	-	500,000
		10,008,105	-	9,323,539	684,566	10,014,594
Liabilities						
Borrowings	15	254,208	-	-	254,208	254,208
Investment contract liabilities	17	1,055,087	-	-	1,055,087	1,055,087
Trade payables	18	542,370	-	-	542,370	542,370
Other payables		1,782,249	-	-	1,782,249	1,782,249
		3,379,706	-	-	3,379,706	3,379,706

The fair value for these financial instruments is calculated by applying other valuation techniques for which all significant inputs are based on observable market data. There have been no significant transfers between Levels 1 and 2 in 2018 and 2017.

4 **Summary of significant accounting policies - continued**

Determination of fair value for instruments not measured at fair value

Management has assessed that the fair values of cash and cash equivalents, reinsurance assets, other receivables, statutory deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of loans and receivables was determined using the discounting cashflow method with prime lending rate of 17% (2017: 17%) as the discount factor.

(b) Impairment of trade receivables (premium debtors)

The Company assesses at the end of every reporting year whether there is any objective evidence that its premium receivable is impaired (See note 7).

The Company also determines whether impairment losses are incurred if and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the receivable (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivable that can be reliably estimated, or a trigger event is identified.

The following impairment triggers have been set by the Company:

(a) significant financial difficulty of the premium debtor;
(b) significant financial difficulty of the broker;
(c) a breach of agreements, such as payment defaults or delinquency in premium payments;
(d) it becoming probable that the premium debtor will enter bankruptcy or other financial reorganisation.

If any of the impairment triggers are identified, the Company specifically assesses the premium debt for

In line with the NAICOM guideline, trade receiveables outstanding after 30 days are considered impaired and allowance made for them (See note 7).

(c) Outstanding claims arising from insurance contracts

Liabilities for unpaid claims are estimated on case by case basis. The reserve made for claims fluctuate based on the nature and severity of the claim reported. Claims incurred but not reported are determined using statistical analyses and the Company deem the reserve as adequate.

(d) Determination of impairment of property and equipment, and intangible assets

Management is required to make judgments concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. This requires management to make significant judgments and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgment is also required when assessing whether a previously recognised impairment loss should be reversed.

4 **Summary of significant accounting policies - continued**

(e) Recognition of deferred tax assets

Deferred tax is recognised 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 recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that in management's judgements it is probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The recoverability of deferred tax asset is assessed by management annually by considering the future profitability of the Company over a projected period of 5 years. Recognition of deferred tax asset is to the extent that management deems recoverable and can be utilised against future profits.

(f) Valuation of investment properties

Investment properties are measured at fair value. Fair value is determined by an independent valuer. The valuation is based on open market capital valuation using the market comparison approach through analysis of recent transactions of sale of comparable properties in the neighborhood to arrive at the value of the property. Comparable prices are adjusted for specific market factors such as nature, location and condition of the property (See note 11).

Statement of Financial Position

As at 31 December 2018

	Notes	31 December 2018 ₦'000	31 December 2017 ₦'000
Assets			
Cash and cash equivalents	5	3,582,363	8,627,523
Investment securities	6	7,349,146	829,608
Trade receivables	7	69,838	47,710
Reinsurance assets	8	3,913,090	3,795,649
Deferred acquisition costs	9	257,278	176,077
Prepayments and other receivables	10	652,265	116,815
Investment properties	11	2,354,100	2,594,100
Intangible assets	12	12,611	-
Property and equipment	13	603,195	201,102
Statutory deposits	14	500,000	500,000
Deferred tax assets	21	527,821	-
Total assets		**19,821,707**	**16,888,584**
Liabilities			
Borrowings	15	166,755	254,208
Insurance contract liabilities	16	8,266,705	7,441,452
Investment contract liabilities	17	934,245	1,055,087
Trade payables	18	297,474	542,370
Accruals and other payables	19	407,013	2,020,928
Current income tax payable	20	138,681	163,082
Total liabilities		**10,210,873**	**11,477,127**
Net assets		**9,610,834**	**5,411,457**
Equity			
Share capital	22	7,819,157	3,757,549
Share premium	23	780,047	864,902
Irredeemable convertible notes	22c	5,000,000	4,061,608
Statutory contingency reserve	24	1,498,813	1,282,717
Fair value reserve	25	203,831	31,049
Asset revaluation reserve	26	280,551	280,551
Accumulated losses	27	(5,971,565)	(4,866,919)
Shareholders' funds		**9,610,834**	**5,411,457**

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

The financial statements were approved by the Board of Directors on 25 March 2019 and signed on its behalf by:

Mr.Fola Adeola
FRC/2013/ICAN/00000002985
Chairman

Mr. Olasunkanmi Adekeye
FRC/2016/CIIN/00000013813
Managing Director

Mr. Uyi Osagie
FRC/2016/ICAN/00000015704
Chief Financial Officer

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2018

	Notes	31 December 2018 ₦'000	31 December 2017 ₦'000
Gross premium written	28	10,007,524	7,667,258
Gross premium income	29	9,750,309	6,702,232
Reinsurance premium expense	30	(6,034,259)	(4,589,814)
Net premium income		3,716,050	2,112,418
Fees and commission income	31	726,088	594,090
Net underwriting income		4,442,138	2,706,508
Changes in individual life reserve		90,499	41,823
Net claims expenses	32	(2,214,626)	(877,149)
Benefit payments	33	(507,165)	(409,437)
Underwriting expenses	34	(1,222,019)	(832,915)
Underwriting profit		588,827	628,830
Management and administrative expenses	40	(2,761,070)	(3,244,236)
Impairment reversal	41(a)	-	101,812
Operating loss		(2,172,243)	(2,513,594)
Investment income	35	308,865	193,822
Gain/ (loss) on investment contract liabilities	36	80,665	(71,382)
Net realised loss	37	(28,500)	(4,222)
Net fair value gain	38	190,000	71,049
Other operating income	39	174,761	1,550,866
Loss before income tax expense		(1,446,452)	(773,461)
Income tax write-back / (charge)	42	557,901	(60,622)
Loss after income tax expense		(888,551)	(834,083)
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent years (net of tax);			
Net gain on available-for-sale financial assets	25	172,782	17,956
Other comprehensive income for the year		172,782	17,956
Total comprehensive loss for the year		(715,769)	(816,127)
Loss per share - Basic	27(b)	(7.25)	(11.10)
Loss per share - Diluted	27(b)	(7.05)	(5.33)

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

Statement of Changes in Equity

For the year ended 31 December 2018

	Share Capital ₦'000	Share premium ₦'000	Irredeemable Convertible Notes ₦'000	Statutory contingency reserve ₦'000	Fair value reserve ₦'000	Asset revaluation reserve ₦'000	Accumulated losses ₦'000	Total ₦'000
Balance at 1 January 2018	**3,757,549**	**864,902**	**4,061,608**	**1,282,717**	**31,049**	**280,551**	**(4,866,919)**	**5,411,457**
Total comprehensive income for the year:								
Loss for the year	-	-	-	-	-	-	(888,551)	(888,551)
Transfer to statutory contingency reserve	-	-	-	216,096	-	-	(216,096)	-
	-	**-**	**-**	**216,096**	**-**	**-**	**(1,104,647)**	**(888,551)**
Other comprehensive income:								
Fair value gain on available-for-sale financial assets (net of tax)	-	-	-	-	172,782	-	-	172,782
Total comprehensive income for the year	**-**	**-**	**-**	**216,096**	**172,782**	**-**	**(1,104,647)**	**(715,769)**
Transactons with owners in their capacity as owners:								
Share issue expenses	-	(84,855)	-	-	-	-	-	(84,855)
Issue of additional irredeemable convertible notes	-	-	5,000,000	-	-	-	-	5,000,000
Conversion of irredemable convertible notes (note 22(c))	4,061,608		(4,061,608)	-	-	-	-	-
	4,061,608	**(84,855)**	**938,392**	**-**	**-**	**-**	**-**	**4,915,145**
Balance as at 31 December 2018	**7,819,157**	**780,047**	**5,000,000**	**1,498,813**	**203,831**	**280,551**	**(5,971,566)**	**9,610,833**

For the year ended 31 December 2017	Share Capital ₦'000	Share premium ₦'000	Irredeemable Convertible Notes ₦'000	Statutory contingency reserve ₦'000	Fair value ₦'000	Asset revaluation reserve ₦'000	Accumulated losses ₦'000	Total ₦'000
Balance as at 1 January 2017	**3,757,549**	**864,902**	**4,061,608**	**1,114,958**	**13,093**	**280,551**	**(3,865,077)**	**6,227,584**
Total comprehensive income for the year:								
Loss for the year	-	-	-	-	-	-	(834,083)	(834,083)
Transfer to statutory contingency reserve	-	-	-	167,759	-	-	(167,759)	-
	-	-	-	167,759	-	-	(1,001,842)	(834,083)
Other comprehensive income:								
Fair value loss on available-for-sale financial assets (net of tax)	-	-	-	-	17,956	-	-	17,956
Total comprehensive income for the year:	**-**	**-**	**-**	**167,759**	**17,956**	**-**	**(1,001,842)**	**(816,127)**
Balance as at 31 December 2017	**3,757,549**	**864,902**	**4,061,608**	**1,282,717**	**31,049**	**280,551**	**(4,866,919)**	**5,411,457**

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

Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 ₦'000	2017 ₦'000
Cash flows from operating activities:			
Premium received	7(e)	9,985,396	7,731,284
Commission received	31	756,728	656,047
Commission paid	18(a)	(1,099,855)	(708,047)
Maintenance cost	34(a)	(218,937)	(164,196)
Reinsurance premium paid		(6,190,092)	(5,871,094)
Recoveries from reinsurance on claims paid	8(e)	3,664,958	1,528,090
Payment of NAICOM fine		(1,499,000)	-
Claims paid	32	(5,230,088)	(2,471,270)
Benefit paid	16(d)	(520,245)	(383,113)
Payment to employees		(1,042,566)	(661,193)
Unallocated premiums received		93,189	283,324
Other operating cash payments		(1,950,162)	(375,518)
Other income received		76,830	74,468
Withdrawals from investment contract liabilities	17	(293,598)	(406,835)
Deposits received	17	126,663	163,349
Rent paid		(246,586)	(4,600)
Loans/(repayments) to policyholders		(45,065)	58,543
NITDA paid		-	(10,922)
Rent received		22,250	22,379
Income tax paid	20	(41,241)	(29,077)
Net cash flows used in operating activities		**(3,651,421)**	**(568,381)**
Cash flows from investing activities:			
Proceeds from sale of property and equipment		8,248	161
Proceeds from principal maturity on held--to-maturity securities		202,505	-
Interest received		178,666	21,500
Purchase of equity		(2,660)	-
Purchase of treasury bills		(6,500,351)	-
Purchase of property and equipment	13(a)	(574,023)	(136,008)
Purchase of intangible assets	12	(13,368)	-
Proceeds on the disposal of financial assets at fair value through profit or loss	6(iv)	-	304,826
Proceeds from the disposal of investment property	11(b)	400,000	-
Dividends received		69,445	2,995
Net cash flows from investing activities		**(6,231,538)**	**193,474**
Cash flows from financing activities:			
Increase in overdraft facility		32,410	134,345
(Repayment of)/proceeds from short term facility		(119,863)	119,863
Additional irredeemable convertible notes issued	22c	5,000,000	-
Net cash flows from finacing activities		**4,912,547**	**254,208**
Net decrease in cash and cash equivalents		**(4,970,412)**	**(120,699)**
Cash and cash equivalents, beginning of the year		24,016	286,241
Release of escrow funds	5b	8,603,507	-
Net foreign exchange differences in cash and cash equivalents		(74,748)	(141,526)
Cash and cash equivalents, end of the year	5(c)	**3,582,363**	**24,016**

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

Notes to the financial statements

5 Cash and cash equivalents

(a) Cash and cash equivalents represent bank accounts balances and short-term placements with maturity of less than 3 months and comprises;

	31 December 2018 ₦'000	31 December 2017 ₦'000
Cash in hand	652	423
Cash at bank - local currency	97,537	3,654
Cash at bank - foreign currency	575,413	18,797
Short-term placements	2,908,761	1,142
Funds in escrow account (see note 5(b) below)	-	8,603,507
Cash and short-term placements on the statement of financial position	**3,582,363**	**8,627,523**

Short-term placements are made for periods varying from one day to three months from origination date, depending on the immediate cash requirements of the Company. The average interest rate is 9.64% per annum (2017: 11%). The carrying amounts disclosed above reasonably approximate the fair value at the reporting date.

(b) Funds in escrow account

"The sum of $23,913,214 was held in an escrow account with Guaranty Trust Bank PLC. An escrow agreement, which governs the maintenance of the fund and conditions precedent to its release, was executed between Ensure Insurance PLC, Greenoaks Global Holdings Ltd and Guaranty Trust Bank PLC in 2015.

During the year, the Company met all the conditions precedent to the release of the funds, as stated in the escrow agreement between the Company, Greenoaks Global Holdings LTD and Guaranty Trust Bank PLC. The sum of $23,831,000, being the principal amount held in the escrow account with Guaranty Trust Bank PLC, was converted to its Naira equivalent of ₦8,557,329,000 as at date of conversion (31 December 2017: ₦8,603,507,325) as well as the outstanding accrued interest amounting to ₦36,102,000.

Below is an analysis of the reconciliation of the amount in the escrow account and the irredeemable convertible loan:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance, beginning of the year	8,603,507	7,397,797
Withdrawals of accrued interest during the year	(55,701)	(267,024)
Withdrawals of principal during the year	(8,557,329)	-
Interest earned	36,102	137,877
Realised foreign exchange loss during the year	(26,579)	-
Unrealised foreign exchange gain during the year	-	1,334,857
Balance, end of the year	**-**	**8,603,507**

(c) Reconciliation of cash flow statement to cash and cash equivalents

	31 December 2018 ₦'000	31 December 2017 ₦'000
Cash and cash equivalents	3,582,363	8,627,523
Funds in escrow account	-	(8,603,507)
Cash as per statement of cash flows	**3,582,363**	**24,016**

Notes to the financial statements - continued

6 Investment securities

(i) The investment securities are summarised below by measurement category in the table below:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Held-to-maturity (see note 6(a) below)	-	202,505
Available-for-sale (see note 6(b) below)	7,335,997	576,171
Fair value through profit or loss (see note 6(c) below)	2,660	-
Loans and receivables (see note 6(d) below)	10,489	50,932
	7,349,146	**829,608**

The carrying amounts disclosed above reasonably approximate the fair value at the reporting date.

(ii) Analysis of pledged and non-pledged assets

31 December 2018

	Pledged assets ₦'000	Non-pledged ₦'000	Total ₦'000	Fair value ₦'000
Available for sale	-	7,335,997	7,335,997	7,335,997
Financial assets at fair value through profit or loss	-	2,660	2,660	2,660
Loans and receivables	-	10,489	10,489	9,138
	-	**7,349,146**	**7,349,146**	**7,347,795**

During the course of the year, the Company's investment in FGN Bonds previously pledged as collateral for the overdraft facility was matured and redeemed.

31 December 2017	Pledged assets ₦'000	Non-pledged ₦'000	Total ₦'000	Fair value ₦'000
Held to maturity	202,505	-	202,505	196,016
Available for sale	-	576,171	576,171	576,171
Loans and receivables	-	50,932	50,932	44,371
	202,505	**627,103**	**829,608**	**816,558**

(iii) The investment securities are summarized below by nature of investment in the table below:

	At amortised cost		***At fair value***		
31 December 2018	Held to maturity ₦'000	Loans and receivables ₦'000	Available for Sale ₦'000	Fair value through profit or loss ₦'000	Total ₦'000
Treasury bills (see note 6(b(i))	-	-	6,505,211	-	6,505,211
Quoted equity and mutual funds (see note 6(b & c))	-	-	830,786	2,660	833,446
Loans to policy holders and other receivables (see note 6(d))	-	10,489	-	-	10,489
	-	**10,489**	**7,335,997**	**2,660**	**7,349,146**

Notes to the financial statements - continued

	At amortised cost		*At fair value*		
31 December 2017	**Held to maturity ₦'000**	**Loans and receivables ₦'000**	**available for Sale ₦'000**	**Fair value through profit or loss ₦'000**	**Total ₦'000**
Government bonds (see note 6(a) below)	202,505	-	-	-	202,505
Quoted equity and mutual funds (see note 6(b) below)	-	-	576,171	-	576,171
Loans to policy holders and other receivables (see note 6(d) below)	-	50,932	-	-	50,932
	202,505	**50,932**	**576,171**	**-**	**829,608**

(iv) *Movement in investment securities is shown below:*	**31 December 2018 ₦'000**	**31 December 2017 ₦'000**
Balance, beginning of the year	829,608	1,123,498
Settlement of loans and receivables	(40,443)	(58,542)
Proceeds received on disposal of equity	-	(304,828)
Net realised loss on financial assets	-	(4,222)
Accrued interest on bonds	8,107	23,183
Interest received on bonds	(10,612)	(21,500)
Maturity of bonds	(200,000)	-
Purchase of treasury bills	6,466,259	-
Accrued interest on treasury bills	34,093	
Impairment reversal during the year	-	12,700
Fair value gain through profit or loss	2,660	41,363
Fair value gain through other comprehensive income	259,474	17,956
Balance, end of the year	**7,349,146**	**829,608**

(a) *Held-to-maturity financial assets at amortised cost*	**31 December 2018 ₦'000**	**31 December 2017 ₦'000**
(i) Debt securities – Government instruments with fixed interest rate:		
– Federal Government Bonds (see (ii) below)	-	202,505
	-	**202,505**

At the reporting date, no held-to-maturity assets were past due or impaired.

(ii) Held-to-maturity instruments comprise the following:	**31 December 2018 ₦'000**	**31 December 2017 ₦'000**
Quoted Debt securities - Federal Government Bonds:		
10.75% FGN May 2018	-	202,505
	-	**202,505**

The FGN bonds matured in May 2018 and was duly redeemend.

Current	-	202,505
Non Current	-	-
	-	**202,505**

Notes to the financial statements - continued

(iii) The movement in held-to-maturity investments is shown below:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance, beginning of year	202,505	200,821
Accrued interest	8,107	23,184
Principal element of matured bonds	(200,000)	-
Interest received	(10,612)	(21,500)
	-	**202,505**

During the year, the Company redeemed the FGN bonds with a par value of ₦200million and the accrued interest to the sum of ₦10.6million.

(b) Available-for-sale financial assets

(i) Available for sale instruments represents treasury bills as well as interests in entities as at year-end and comprise the following:

	31 December 2018 ₦'000	31 December 2017 ₦'000
– Treasury bills	6,505,211	-
– Listed	742,500	-
– Unlisted	88,286	576,171
Total available-for-sale financial assets	**7,335,997**	**576,171**

(ii) Analysis of available for sale instruments are analysed below:

	31 December 2018 ₦'000	31 December 2017 ₦'000
At cost:		
Investment in UBN Property Limited***	-	495,000
*At fair value:** *		
Treasury bills*	6,505,211	-
Investment in UBN Property Limited***	742,500	-
Investment in MTN Linked Fund	70,804	64,653
Investment in CEAT Fixed Income Fund (formerly BGL Sapphire Fund)	17,482	16,518
	7,335,997	**576,171**

* Treasury bills are carried at dirty price (market price of the instrument including all interest accrued since purchase). The input used in determining the market value of treasury bill were based on year end prices on FMDQ Over-the-Counter Securities Exchange.

** The inputs used in the fair value measurement of UBN Property Limited, MTN linked fund and CEAT Fixed income funds are the over-the-counter market price as at 31 December 2018.

*** Investment in UBN Property Limited which was previously measured at cost, as the instrument was not hitherto quoted, was listed on the NASD OTC Securities Exchange on 17 February 2018 and is now measured at fair value.

	31 December 2018 ₦'000	31 December 2017 ₦'000
Current	-	-
Non Current	7,335,997	576,171
	7,335,997	**576,171**

Notes to the financial statements - continued

		31 December 2018	31 December 2017
(iii)	Movement in available for sale	**₦'000**	**₦'000**
	Balance beginning of the year	576,171	545,515
	Pruchase of treasury bills	6,466,259	
	Interest accrued on treasury bills	34,093	
	Impairment reversal during the year	-	12,700
	Fair value gain through other comprehensive income	259,474	17,956
		7,335,997	576,171

The impairment of the investment in BGL Sapphire Funds of ₦12.7million made in a prior year has been reversed. See Note 6(b)(ii) for more details.

		31 December 2018	31 December 2017
(c)	*Financial assets at fair value through profit or loss*	**₦'000**	**₦'000**
	Equity securities		
	– Listed	2,660	-
	Total financial assets at fair value through profit or loss	2,660	-

The fair value of these quoted equity shares are determined by reference to published price quotations in an active market.

(i) The sectoral distribution of equity investments was as follows;

	31 December 2018	31 December 2017
	₦'000	**₦'000**
Banking	1,422	-
Petroleum	1,238	-
	2,660	-
Current	2,660	-
Non-current	-	-
	2,660	-

(ii) Below is an analysis of equity investments

	31 December 2018	31 December 2017
	₦'000	**₦'000**
Cost	2,660	-
Allowance for diminution	-	-
Fair value	2,660	-

		31 December 2018	31 December 2017
(iii)	Movement in fair value gains/(losses) for held-for-trading	**₦'000**	**₦'000**
	Balance, beginning of the year	-	427,428
	Fair value gain/(loss) through profit or loss	2,660	41,363
	Disposals during the year	-	(468,791)
	Balance, end of the year	2,660	-

Balance on fair value losses were written off during the year as a result of disposal of the related financial assets.

Notes to the financial statements - continued

(iv) The movement in financial assets measured at fair value through profit or loss	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance beginning of the year	-	267,687
Proceeds received on disposal of equity	-	(304,828)
Fair value gain/(loss) through profit or loss	2,660	41,363
Net realised loss on disposal of financial assets	-	(4,222)
Balance, end of the year	2,660	-

(d) *Loans and receivables*	31 December 2018 ₦'000	31 December 2017 ₦'000
Ex- staff loan	-	10,379
Loans to policy holders	10,489	55,554
	10,489	65,933
less: Allowance for impairment	-	(15,001)
	10,489	**50,932**
Current	10,489	50,932
Non Current	-	-
	10,489	**50,932**

(i) The movement in loan and receivables during the year was as follows:	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance, beginning of the year	50,932	109,475
Additional loans to policyholders during the year	5,625	5,470
Cash repayment	(5,823)	(14,013)
Offset against customers' policies	(44,867)	-
Ex-staff loans written off	(10,379)	-
Reversal of impairments no longer required	15,001	
Reclassification of receivables from Union Homes Savings and Loans to investment pr	-	(50,000)
Balance, end of the year	**10,489**	**50,932**

Policyholder's' loans are secured against the paid up value of the policyholders' liabilities.

(ii) The movement in allowance for impairment during the year was as follows:	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance, beginning of the year	15,001	15,001
Write-offs of impaired loans during the year	(15,001)	-
Balance, end of the year	**-**	**15,001**

Fully impaired balances were approved for write-off by the Board during the year.

Notes to the financial statements - continued

		31 December 2018	31 December 2017
7	**Trade receivables**		
(a)	Analysis of trade receivables:	**₦'000**	**₦'000**
	– Trade receivables (see note (b) below)	69,838	1,501,299
	– Less allowance for impairment (see note (c) below)	-	(1,453,589)
		69,838	**47,710**
	Current	69,838	47,710
	Non Current	-	-
		69,838	**47,710**

		31 December 2018	31 December 2017
(b)	Counterparty categorisation of trade receivables:	**₦'000**	**₦'000**
	Insurance companies	23,689	203,750
	Brokers	46,149	1,297,549
		69,838	**1,501,299**

(c) The movement in allowance for impairment of trade receivables during the year was as follows:

	31 December 2018	31 December 2017
	₦'000	**₦'000**
Balance beginning of year	1,453,589	1,453,589
Write-off of impairments during the year	(1,453,589)	-
Balance, end of year	**-**	**1,453,589**

Fully impaired premium receivables, amounting to ₦1,453,589,000 were approved for write-off by the Board during the year.

		31 December 2018	31 December 2017
(d)	Below is the ageing analysis of trade receivables	**₦'000**	**₦'000**
	0-30 days	69,838	47,710
	Above 30 days	**-**	**-**
		69,838	**47,710**

Notes to the financial statements - continued

(e) The movement in trade receivables during the year was as follows:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance beginning of year	47,710	111,736
Gross premium written during the year (see note 28)	10,007,524	7,667,258
Premium received	(9,985,396)	(7,731,284)
Balance, end of year	**69,838**	**47,710**

8 Reinsurance assets

(a) Analysis of reinsurance assets:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Reinsurers' share of IBNR	1,124,647	1,844,146
Reinsurers' share of outstanding claims reserve	1,432,172	794,064
Total claims recoverables (see note c below)	2,556,819	2,638,210
Recoverables from reinsurers on claims paid (see note e below)	162,500	46,718
Reinsurers' share of unearned premium reserve (see note d below)	1,193,771	1,110,721
	3,913,090	**3,795,649**
Current	3,913,090	3,795,649
Non Current	-	-
	3,913,090	**3,795,649**

8 Reinsurance assets - continued

Analysis of reinsurance assets per business segment:

	Non-life 31 December ₦'000	Life 31 December 2018 ₦'000	Total 31 December 2018 ₦'000
Reinsurers' share of IBNR	396,030	728,617	1,124,647
Reinsurers' share of outstanding claims recoverable	1,093,443	338,729	1,432,172
Total claims recoverable (see note (c) below)	1,489,473	1,067,346	2,556,819
Recoverables from reinsurers' on claims paid	29,655	132,845	162,500
Reinsurers' share of unearned premium reserve (see note (d) below)	463,571	730,200	1,193,771
	1,982,699	**1,930,391**	**3,913,090**

Analysis of reinsurance assets per business segment:

	Non-life 31 December ₦'000	Life 31 December 2017 ₦'000	Total 31 December 2017 ₦'000
Reinsurers' share of IBNR	886,344	957,802	1,844,146
Reinsurers' share of outstanding claims recoverable	212,881	581,183	794,064
Total claims recoverable (see note (c) below)	1,099,225	1,538,985	2,638,210
Recoverables from reinsurers' on claims paid	4,145	42,573	46,718
Reinsurers' share of unearned premium reserve (see note (d) below)	208,251	902,470	1,110,721
	1,311,621	**2,484,028**	**3,795,649**

(b) The Company conducted an impairment review of the reinsurance assets during the year and determined that there was no objective evidence of impairment. The carrying amounts disclosed above are in respect of the reinsurers' share of insurance contract liabilities and these carrying amounts reasonably approximate fair value at the reporting date.

Notes to the financial statements - continued

(c) Reinsurance claims recoverable

The movement in reinsurance recoverable is as follows:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance beginning of year	2,638,210	695,297
Movement during the year (see note 32)	(81,391)	1,942,913
Balance, end of year	**2,556,819**	**2,638,210**

(d) Movement in reinsurers' share of unearned premium reserve

The movement in reinsurers' share of unearned premium reserve is as follows:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance beginning of year	1,110,721	367,644
Movement during the year (see note 30)	83,050	743,077
Balance, end of year	**1,193,771**	**1,110,721**

8 Reinsurance assets - continued

(e) Movement in recoverables from reinsurers' on claims paid

	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance beginning of year	46,718	36,544
Recoverables on claims paid (see note 32)	3,780,740	1,538,264
Recovery on claims paid from reinsurance	(3,664,958)	(1,528,090)
Balance, end of year	**162,500**	**46,718**

Notes to the financial statements - continued

9 Deferred acquisition costs

(a) Deferred acquisition expenses represent commissions on unearned premium relating to the unexpired risks for the year and comprise:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Non-life business		
Oil & Gas	42,192	23,677
Fire	43,032	32,724
General accident	16,373	12,952
Motor	24,618	21,537
Aviation	14,172	5,412
Engineering	25,112	16,826
Marine Cargo	10,652	1,717
Marine Hull	7,461	1,987
Workmen	588	408
	184,200	**117,240**
Life business		
Group life	73,078	58,837
	257,278	**176,077**
Current	257,278	176,077
Non Current	-	-
	257,278	**176,077**

b) Movement in deferred acquisition costs

	Non-life ₦'000	Life ₦'000	Total ₦'000
At 1 January 2017	110,675	10,504	121,179
Commission expense (see note 34(a)(ii))	460,154	263,463	723,617
Amortisation to profit or loss (see note 34(a)	(453,589)	(215,130)	(668,719)
At 31 December 2017	117,240	58,837	176,077
Commission expense (see note 34(a)(ii))	727,485	356,800	1,084,285
Amortisation to profit or loss (see note 34(a)	(660,523)	(342,559)	(1,003,082)
At 31 December 2018	**184,200**	**73,078**	**257,278**

10 Prepayments and other receivables

	31 December 2018 ₦'000	31 December 2017 ₦'000
(a) Prepayments*	243,462	72,609
Other receivables**	208,803	537,660
Pledged placement with Union Bank***	200,000	-
	652,265	610,269
Impairment charge on other receivables (see note (b) below)	-	(493,454)
	652,265	**116,815**
Current	652,265	116,815
Non Current	-	-
	652,265	**116,815**

Notes to the financial statements - continued

*Prepayments include rent expense of ₦125 million (2017: ₦153 million) in respect of commercial leases for office premises. These leases have an average life of between one and two years. There are no restrictions placed upon the lessee by entering into these leases. There is no separate amount for minimum lease payment, contingent rents and sublease payment. None of the leases were sub-leased during the year. There is no restriction imposed by the lease arrangement.

**Other receivables comprise receivables on withholding tax receivables, rent, sundry debtors and work-in-progress.

***The Company's placement of ₦200 million with Union Bank Plc was used as a collateral to secure the overdraft credit facility. See note 15 below (Dec 2017:Nil).

	31 December 2018 ₦'000	31 December 2017 ₦'000
(b) Movement in allowance for impairment of other receivables during the year		
Balance, beginning of the year	493,454	582,566
Impairment reversal during the year (see note 41(a))	-	(89,112)
Write-off of impairments during the year (see note 41(b))	(493,454)	
Closing balance at the end of the year	**-**	**493,454**

Fully impaired balances standing as other receivables,amounting to ₦493,454, were approved for write-off by the Board in the year.

11 Investment properties

Movement in investment properties are shown below:	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance, beginning of the year	2,594,100	2,425,000
Transfer of property from Aso Savings & Loans LTD	-	139,414
Disposal of Investment property-Dideolu Estate	(430,000)	-
Fair value gain on investment properties (see note 38)	190,000	29,686
	2,354,100	**2,594,100**
Current	-	-
Non Current	2,354,100	2,594,100
	2,354,100	**2,594,100**

a The analysis of investment properties is as follows:	31 December 2018 ₦'000	31 December 2017 ₦'000
Plot 294A Cadastral Zone, B04 Jabi Abuja	190,000	200,000
Plot 38 Cadastral Zone, 07-05 Kubwa Abuja	100,000	100,000
Block B, Plot 25, Dideolu Estate, VI, Lagos (see note (b) below)	-	430,000
95 Broad Street Marina, Lagos	1,800,000	1,600,000
98 New Lagos Road, Benin City	125,000	125,000
Tejuosho shops (note a)(i) below)	139,100	139,100
	2,354,100	**2,594,100**

Notes to the financial statements - continued

11 Investment properties - continued

b Movement in fair value of investment properties

31 December 2018 **Property details**	**Balance as at 1 January 2018** **₦'000**	**Addition/ (Disposal)** **₦'000**	**Fair value gain/(loss)** **₦'000**	**Balance as at 31 December 2018** **₦'000**
Plot 294A Cadastral Zone, B04 Jabi Abuja	200,000	-	(10,000)	190,000
Plot 38 Cadastral Zone, 07-05 Kubwa Abuja	100,000	-	-	100,000
Block B, Plot 25, Dideolu Estate, Victoria Island	430,000	(430,000)	-	-
95 Broad Street Marina, Lagos	1,600,000	-	200,000	1,800,000
98 New Lagos Road, Benin City	125,000	-	-	125,000
Tejuosho shops	139,100	-	-	139,100
	2,594,100	**(430,000)**	**190,000**	**2,354,100**

In the last quarter of the year, the Company's property in Dideolu Estate, Lagos State, valued at ₦430million was disposed at ₦400,000,000.

31 December 2017

Property details	**Balance as at 1 January 2017** **₦'000**	**Additions** **₦'000**	**Fair value gain / (loss)** **₦'000**	**Balance as at 31 December 2017** **₦'000**
Plot 294A Cadastral Zone, B04 Jabi Abuja	190,000	-	10,000	200,000
Plot 38 Cadastral Zone, 07-05 Kubwa Abuja	130,000	-	(30,000)	100,000
Block B, Plot 25, Dideolu Estate, Victoria Island	430,000	-	-	430,000
95 Broad Street Marina, Lagos	1,550,000	-	50,000	1,600,000
98 New Lagos Road, Benin City	125,000	-	-	125,000
Tejuosho shops	-	139,412	(312)	139,100
	2,425,000	**139,412**	**29,688**	**2,594,100**

Notes to the financial statements - continued

11 Investment properties - continued

c Details of the Valuer

The investment properties were independently valued by Benson Omoruyi & Co. (an estate surveyor & valuer) duly registered with the Financial Reporting Council of Nigeria. The valuer, which is located at Suite Bc/37A Maryland Business Plaza, Lagos State, is a qualified member of the Nigerian Institution of Estate Surveyors and Valuers with FRC No. FRC/2013/NIESV/00000003307.

Location of Investment properties	Valuation technique	Significant unobservable inputs
Plot 294A Cadastral Zone, B04 Jabi, Abuja	The market comparison approach was used after a thorough analysis of recent transactions of sale of comparable land in the neighbourhood to arrive at the value of the land. The Company's title document is under processing.	- Area of 2,500 square metres - Valued at ₦80,000 per square metre - Rate of development in the area: The area is infrastructured with good access roads and drainage systems. The neighbourhood is supplied with electricity and water from public mains. - Quality: The land is firm and appears well drained. - Sensitivity: A 10% increase or decrease in the value per square metre will result in an increase or decrease in total value by ₦20million
Plot 38 Cadastral Zone, 07-05 Kubwa, Abuja	The market approach or direct market comparison was adopted by analysing recent sales of similar properties in the property market in the neighbourhood. The Company's title document is under processing.	- Area of 4,826.1 square metres - Valued at ₦20,721 per square metre - Rate of development in the area: The area is a developing neighbourhood. Electricity is connected to the neighbourhood from public mains. - Quality: The property is new and it is in good decorative and repair state. - Sensitivity: A 10% increase or decrease in the value per square metre will result in an increase or decrease in total value by ₦10million
98 New Lagos Road, Benin City	The cost approach was used for value of building which was added to the value of the land obtained through direct market comparison using evidences of recent market transactions. The Company has bonafide title documents.	- Area of 904.46 square metres - Valued at ₦138,204 per square metre - Rate of development in the area - it is easily accessible from all parts of the city, as many other network of roads are connected to it. New developments are predominantly commercial to take advantage of the strategic location of the road. - Quality of the building - the property is in good decorative state. No noticeable crack was observed in the building structure. - Sensitivity: A 10% increase or decrease in the value per square metre will result in an increase or decrease in the total value by ₦12.5million

Notes to the financial statements - continued

#REF!

Location of Investment properties	Valuation technique	Significant unobservable inputs
95 Broad Street, Marina, Lagos	The cost approach was used for value of building which was added to the value of the land obtained through direct market comparison using evidences of recent market transactions. The Company has bonafide title documents.	- Area of 2660 square metres - Valued at ₦582,707 per square metre - Rate of development in the area - it is easily accessible from all parts of the city, as many other network of roads are connected to it. New developments are predominantly commercial to take advantage of the strategic location of the road. - Quality of the building - The building is a modern high rise with good architectural standard - Sensitivity: A 10% increase or decrease in the value per square metre will result in an increase or decrease in total value by ₦155million
Tejuosho Shops: Tejuosho Ultramodern Shopping Complex, Yaba, Lagos State	The market approach or direct market comparison was adopted by analysing recent sales of similar properties in the property market in the neighbourhood. The Company's title document is under processing.	- Area of 171 square metres - Valued at ₦813,450 per square metre - Located on the busy commercial axis of Yaba, with easy access from all areas of the state. - Good road network which is tarred and motorable - Close to notable places such as the University of Lagos, Yaba College of Technology and the Yaba Neuropsychiatric Hospital as well as residential estates in the area - Quality of the building: The property is constructed with concrete block walls reinforced with concrete columns and finished in paint. All the shops have steel roller shutters, ceramic floor tiles and provision of electrical sockets and prepaid metres. - The Company has 13 shops located on the 4th floor of the Complex with varying sizes, ranging from 9 to 18 square metres. - Sensitivity: A 10% increase or decrease in the value per square metre will result in an increase or decrease in the total value by ₦13.91million

Notes to the financial statements - continued

11 Investment properties - continued

d Investment Properties carried at fair value

Investment properties are fair valued as determined by an independent valuer. The valuation is based on open market capital valuation using the market comparison approach through analysis of recent transactions of sale of comparable properties in the neighborhood to arrive at the value of the property. Investment properties are categorised as level 3 assets based on the methodology adopted in determining the fair value.

In thousands of Nigerian Naira	Level 1	Level 2	Level 3	Total
31 December 2018				
Investment properties	-	-	2,354,100	2,354,100
31 December 2017				
Investment properties	-	-	2,594,100	2,594,100

12 Intangible assets

	31 December 2018 ₦'000	31 December 2017 ₦'000
Software		
Cost		
Balance, beginning of year	385,725	385,725
Additions	13,368	-
Balance, end of year	**399,093**	**385,725**
Accumulated amortisation		
Balance, beginning of year	385,725	380,414
Amortisation charge	757	5,311
Balance, end of year	**386,482**	**385,725**
Net book value	**12,611**	**-**

Notes to the financial statements - continued

13 Property and equipment

As at 31 December 2018

(a)	Office Equipment ₦'000	Motor Vehicles ₦'000	Furniture & Fittings ₦'000	Computer Equipment ₦'000	Total ₦'000
Cost					
Balance, beginning of year	**185,764**	**233,482**	**273,288**	**205,602**	**898,136**
Additions	13,214	371,047	140,025	49,737	574,023
Disposals	-	(24,813)	-	(5,484)	(30,297)
Balance, end of year	**198,978**	**579,716**	**413,313**	**249,855**	**1,441,862**
Accumulated depreciation					
Balance, beginning of year	**141,369**	**153,553**	**234,214**	**167,898**	**697,034**
Charge for the year	31,004	74,473	32,587	33,866	171,930
Disposals	-	(24,813)	-	(5,484)	(30,297)
Balance, end of year	**172,373**	**203,213**	**266,801**	**196,280**	**838,667**
Net book value:					
At 31 December 2018	**26,605**	**376,503**	**146,512**	**53,575**	**603,195**
At 31 December 2017	**44,586**	**79,929**	**39,074**	**37,704**	**201,102**

Notes to the Financial Statements - continued

13 Property and equipment - continued
As at 31 December 2017

(b)	Office Equipment ₦'000	Motor Vehicles ₦'000	Furniture & Fittings ₦'000	Computer Equipment ₦'000	Total ₦'000
Cost					
Balance, beginning of year	**185,414**	**136,224**	**268,382**	**172,326**	**762,346**
Additions	350	97,258	4,906	33,494	136,008
Disposals	-	-	-	(218)	(218)
Balance, end of year	**185,764**	**233,482**	**273,288**	**205,602**	**898,136**
Accumulated depreciation					
Balance, beginning of year	**111,084**	**108,123**	**210,044**	**139,428**	**568,678.59**
Charge for the year	30,094	45,430	24,170	28,542	128,236
Disposals	-	-	-	(72)	(72)
Balance, end of year	**141,178**	**153,553**	**234,214**	**167,898**	**696,843**
Net book value:					
At 31 December 2017	**44,586**	**79,929**	**39,074**	**37,706**	**201,102**
At 31 December 2016	**74,331**	**28,103**	**58,341**	**32,896**	**193,671**

Notes to the financial statements - continued

14 Statutory deposits

This represents the Company's interest bearing deposit with the Central Bank of Nigeria in compliance with Section 10(3) of the Insurance Act 2003. The deposits are not available for use by the Company in the normal course of day to day business.

	31 December 2018 ₦'000	31 December 2017 ₦'000
Statutory deposits	500,000	500,000
	500,000	**500,000**
Current	-	-
Non Current	500,000	500,000
	500,000	**500,000**

15 Borrowings

	31 December 2018 ₦'000	31 December 2017 ₦'000
Bank overdraft	166,755	134,345
Other short term facilities	-	119,863
	166,755	**254,208**

All borrowings are stated at amortised cost. It is assumed that the carrying value of these borrowings approximate fair value. Bank overdrafts reported under borrowings are not an integral part of the Company's cash management and thus, not included as a component of cash and cash equivalents.

The Company has a revolving overdraft facility from Union Bank PLC. The overdraft facility has a maximum limit of ₦180 million with a tenor of 12 months and 15.5% interest rate per annum. The purpose of the facility is to support operational activities. The credit line is fully backed by collateral, with a placement of ₦200 million with Union Bank of Nigeria.

16 Insurance contract liabilities

Insurance contract liabilities comprise:	31 December 2018 ₦'000	31 December 2017 ₦'000
Unearned premium:		
Unearned premium - Non- life business (See note (a)(i) below)	1,198,044	793,159
Unearned premium - Group life business (See note (a)(ii) below)	852,181	1,000,566
	2,050,225	**1,793,725**
Individual life insurance contract liabilities (see note (b) below)	**1,803,661**	**1,905,715**
Outstanding claims:		
Outstanding claim -Life business (see note (c) below)	1,656,717	1,862,215
Outstanding claim -Non-life business (see note (c)(i) below)	2,756,102	1,879,797
	4,412,819	**3,742,012**
Total insurance contract liabilities	**8,266,705**	**7,441,452**
Current	6,737,788	5,535,737
Non Current	1,528,917	1,905,715
	8,266,705	**7,441,452**

Notes to the financial statements - continued

16 Insurance contract liabilities - continued

Insurance contract liabilities represents the liabilities due to policyholders which include outstanding claims payable arising from incidents occurring as at reporting date as well as estimated unexpired risks as at the reporting date. The net liability for insurance contracts as at 31 December 2018 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. Where a shortfall is identified, an additional provision is made and the Company recognises the deficiency in profit or loss for the year.

Sensitivity analysis of valuation inputs

Valuation input	**Individual risk ₦'000**	**Annuity ₦'000**
Valuation interest rate:		
- 1% increase	(58,289)	(1,764)
- 1% decrease	64,184	1,957
Expenses:		
- 10% increase	15,943	109
- 10% decrease	(15,726)	(109)
Expense inflation:		
- 2% increase	23,051	233
- 2% decrease	(14,173)	(175)
Mortality:		
- 5% increase	2,529	-
- 5% decrease	(2,482)	-
Longevity:		
- 5% increase	30	188
- 5% decrease	(30)	(183)

(a) Unearned premium- Non life business comprises:

	31 December 2018 ₦'000	**31 December 2017 ₦'000**
Oil and gas	318,501	171,186
Motor	250,604	188,013
Fire	221,966	169,371
Aviation	81,991	95,078
General accident	90,406	73,395
Engineering	135,739	75,759
Marine	98,837	20,358
	1,198,044	**793,159**

(i) The movement in non-life business unearned premium during the year is as follows:

	31 December 2018 ₦'000	**31 December 2017 ₦'000**
Balance, beginning of year	793,159	706,481
Movement in unearned premium (see note 28(a))	405,601	86,678
Balance, end of year	**1,198,044**	**793,159**

Notes to the financial statements - continued

16 Insurance contract liabilities - continued

(ii) The movement in group life business unearned premium during the year is as follows:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance, beginning of year	1,000,566	122,218
Movement in unearned premium (see note 28(b))	(148,385)	878,348
Balance, end of year	**852,181**	**1,000,566**

(b) Life insurance contract liabilities comprise:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Individual life reserve	1,766,978	1,834,583
Annuity contract reserve	36,683	71,132
	1,803,661	**1,905,715**

(i) The movement in individual life reserve is as follows:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance, beginning of year	1,905,715	1,955,952
Transfer of annuity portfolio to other underwriters	(11,555)	(8,415)
Decrease in individual life reserve	(67,605)	(51,194)
Movement in annuity reserve	(22,894)	9,372
Balance, end of year	**1,803,661**	**1,905,715**

Individual insurance plans comprise the Endowment Assurance, Educational Endowment, Anticipated Endowments, Term Assurances including Mortgage Protection, Ensure Education Protection and Credit Life. For all individual business the gross premium method of valuation was adopted. Reserves were calculated via a cashflow projection approach, taking into account future office premiums, expenses and benefit payments including an allowance for rider benefits. Future cashflows were discounted back to the valuation date at the valuation rate of interest. At the valuation date, the Company had underwritten 19 Pension Regulated Annuity (PRA) policies with annual annuity payment of ₦6,829,478 p.a.

Valuation methodology

We have valued each annuity policy using a monthly discounted cashflow method. The reserve are set equal to the present value of future annuity payments and attending expenses. We have recognised the 10-year annuity guaranteed minimum payment year in our calculations of the Company future annuity payment obligations.

Notes to the financial statements - continued

16 Insurance contract liabilities - continued

Valuation interest rate

We adopted the net valuation interest rates of 14.27% pa for all long term business excluding Annuity (14.87%). These rates are to be applied as single long term rates of return. As at 31 December 2018, the average yield on 20 year FGN bonds was 15.37%.

Type of Business			Long Term Business excluding	Annuities
Average yield on 20-year FGN Bonds			15.37%	15.37%
Less Prudent Margin			-0.25%	-0.25%
Less Reinvestment Risk margin 0.00% -0.25%			0.00%	0.25%
Gross Valuation interest rate			15.12%	15.37%
Less tax (6%)			-0.91%	0.00%
Net Valuation interest rate			14.21%	15.37%
Rates to adopt			14.21%	14.87%

The proposed valuation interest rates for the individual risk products are as follows:

Type of Business			Current Valuation	Previous valuation
Risk products (excluding Annuity)			14.21%	13.00%
Risk reserve for deposit-based policies			14.21%	13.00%
Pensions Annuity			14.87%	13.00%

Mortality assumptions

The proposed mortality table for the current valuation remains at the UK's Mortality of Assured Lives 1967-70 (A6770) without adjustment for individual risk business.

Individual insurance plans comprise the endowment assurance, educational endowment, anticipated endowments, term assurances including mortgage protection, Ensure education protection and credit life. For all individual business the gross premium method of valuation was adopted. Reserves were calculated via a cashflow projection approach, taking into account future office premiums, expenses and benefit payments including an allowance for rider benefits. Future cashflows were discounted back to the valuation date at the valuation rate of interest.

Notes to the financial statements - continued

16 Insurance contract liabilities - continued

(c) Outstanding claims- Life

Outstanding claims relating to life contract comprises:

	Gross Claims Outstanding 31 December 2018 ₦'000	Provision for IBNR 31 December 2018 ₦'000	Gross claims Total 31 December 2018 ₦'000
Group life	620,064	1,002,596	1,622,660
Death claims payable - Individual Life	20,813	-	20,813
Benefits payable - Individual Life	13,244	-	13,244
	654,121	**1,002,596**	**1,656,717**

	Gross Claims Outstanding 31 December ₦'000	Provision for IBNR 31 December 2017 ₦'000	Gross claims Total 31 December 2017 ₦'000
Group life	795,340	1,021,145	1,816,485
Death claims payable - Individual Life	19,406	-	19,406
Benefits payable - Individual Life	26,324	-	26,324
	841,070	**1,021,145**	**1,862,215**

The provision for Incurred But Not Reported (IBNR) was computed on the Group life insurance liabilities separately.

(i) Outstanding claims- Non-life

	Gross claims Outstanding 31 December 2018 ₦'000	Provision for IBNR 31 December 2018 ₦'000	Gross claims Total 31 December 2018 ₦'000
Outstanding claims relating to general business comprise:			
Motor	89,732	38,765	128,497
Fire	471,064	22,969	494,033
General accident	307,062	2,384	309,446
Marine	273,893	127,153	401,046
Aviation	84,802	210,648	295,450
Engineering	151,103	64,368	215,471
Oil and Gas	633,157	279,002	912,159
	2,010,813	**745,289**	**2,756,102**

	Gross claims Outstanding 31 December 2017 ₦'000	Provision for IBNR 31 December 2017 ₦'000	Gross claims Total 31 December 2017 ₦'000
Motor	47,759	57,685	105,444
Fire	290,732	123,896	414,628
General accident	225,572	7,503	233,075
Marine	8,304	18,870	27,174
Aviation	37,552	454,217	491,769
Engineering	82,519	102,352	184,871
Oil and Gas	342,548	80,288	422,836
	1,034,986	**844,811**	**1,879,797**

Notes to the financial statements - continued

16 Insurance contract liabilities - continued

(ii) The movement in outstanding claims during the year is as follows:

	31 December 2018 ₦'000	31 December 2016 ₦'000
Provision for case claims	2,010,813	1,034,986
Provision for incurred but not reported	745,289	844,811
Total provision for outstanding claims as at year end	2,756,102	1,879,797
Opening provision for outstanding claims as at beginning of the year	(1,879,797)	(763,755)
Increase in provision for outstanding claims	876,305	1,116,042

(ii) The ageing analysis for outstanding claims for the life business is as follows:

Outstanding claims per claimant	**0 - 90 days ₦'000**	**91 - 180 days ₦'000**	**181-365 days ₦'000**	**Above 365 days ₦'000**	**Total ₦'000**
1-250,000	6,688	2,431	4,793	14,490	28,402
250,001 - 500,000	7,716	4,174	10,154	24,030	46,074
500,001 -1, 500,000	23,532	15,295	32,325	57,824	128,976
1,500,001 -2, 500,000	3,974	2,401	15,689	11,676	33,740
2,500,001 -5,000,000	-	2,816	2,965	15,326	21,107
5,000,001 and above	244,341	82,267	12,386	22,771	361,765
	286,251	**109,384**	**78,312**	**146,117**	**620,064**

Outstanding claims (number of claimants)	**0 - 90 days ₦'000**	**91 - 180 days ₦'000**	**181-365 days ₦'000**	**Above 365 days ₦'000**	**Total ₦'000**
1-250,000	49	30	108	18	205
250,001 - 500,000	21	15	73	12	121
500,001 -1, 500,000	23	13	69	13	118
1,500,001 -2, 500,000	2	7	7	1	17
2,500,001 -5,000,000	-	-	6	1	7
5,000,001 and above	7	1	1	3	12
	102	**66**	**264**	**48**	**480**

Notes to the financial statements - continued

16 Insurance contract liabilities - continued

The ageing analysis for outstanding claims for the non-life business is as follows:

Outstanding claims per claimant	0 - 90 days	91 - 180 days	181-365 days	Above 365 days	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
1-250,000	24,487	23,229	26,920	85,324	159,960
250,001 - 500,000	12,139	6,930	13,434	28,472	60,975
500,001 -1, 500,000	15,891	9,756	45,049	67,046	137,742
1,500,001 -2, 500,000	11,699	7,435	10,179	17,312	46,625
2,500,001 -5,000,000	24,009	17,714	40,094	27,533	109,350
5,000,001 and above	325,638	343,531	284,446	577,636	1,531,251
	413,863	**408,595**	**420,122**	**803,323**	**2,045,903**

Outstanding claims (number of claimants)	0 - 90 days	91 - 180 days	181-365 days	Above 365 days	Total
1-250,000	310	214	303	1,334	2,161
250,001 - 500,000	31	17	34	74	156
500,001 -1, 500,000	15	11	45	65	136
1,500,001 -2, 500,000	6	4	6	9	25
2,500,001 -5,000,000	7	5	11	7	30
5,000,001 and above	7	9	12	16	44
	376	**260**	**411**	**1,505**	**2,552**

Outstanding claims arise from claims awaiting support documents like death certificate, discharge vouchers, clarification from lead insurers, adjusters reports, etc.

(d) Movement in benefits payable	31 December 2018	31 December 2017
	₦'000	₦'000
Balance, beginning of the year (note 16(c))	26,324	-
Additions during the year	507,165	409,437
Benefits paid	(520,245)	(383,113)
Balance, end of the year	**13,244**	**26,324**

Notes to the financial statements - continued

17 Investment contract liabilities

	31 December 2018 ₦'000	31 December 2017 ₦'000
Investment contract liabilities	934,245	1,055,087
	934,245	**1,055,087**

The movement in liability for deposit administration during the year is as follows:	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance, beginning of year	1,055,087	1,215,719
Deposits received	126,663	163,349
Guaranteed interest (see note 36)	46,093	82,854
	1,227,843	**1,461,922**
Less: withdrawals	(293,598)	(406,835)
Balance, end of year	**934,245**	**1,055,087**
Current	238,460	503,887
Non Current	695,785	551,200
	934,245	**1,055,087**

18 Trade payables

Trade payables represent liabilities to agents, brokers, co-insurers and re-insurers on insurance contracts as at year end.

	31 December 2018 ₦'000	31 December 2017 ₦'000
Trade payables	297,474	542,370
	297,474	**542,370**
The breakdown of trade payables is as follows:		
Unallocated premium	93,189	283,324
Due to reinsurers (see note 18(b))	55,338	128,121
Deferred commission income (see note 18(c))	145,983	115,343
Commission payable (see note 18(a))	-	15,570
Due to insurance companies	2,964	12
	297,474	**542,370**
Current	297,474	542,370
Non Current	-	-
	297,474	**542,370**

(a) Movement in commision payable	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance as at the beginning of the year	15,570	-
Commission expense (see note 34(a)(ii))	1,084,285	723,617
Commission paid	(1,099,855)	(708,047)
Balance as at the end of the year	**-**	**15,570**

Notes to the financial statements - continued

(b) Movement in due to reinsurers

	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance as at the beginning of the year	128,121	852,742
Reinsurance premium cost (see note 30)	6,117,309	5,332,891
Reinsurance premium paid	(6,190,092)	(6,057,512)
Balance as at the end of the year	**55,338**	**128,121**

(c) Movement in deferred commission income

	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance as at the beginning of the year	115,343	53,386
Movement during the year (see note below)	30,640	61,957
Balance as at the end of the year	**145,983**	**115,343**

i) Breakdown of movement during the year is as follows:

	Non-life ₦'000	Life ₦'000	Total ₦'000
At 1 January 2017	40,361	13,025	53,386
Additions	13,898	112,049	125,947
Released to profit or loss	(6,950)	(57,040)	(63,990)
At 31 December 2017	47,309	68,034	115,343
Additions	73,842	(12,563)	61,279
Released to profit or loss	(37,428)	6,789	(30,639)
At 31 December 2018	83,723	62,260	145,983

19 Accruals and other payables

Accruals and other payables are made up of:

	31 December 2018 ₦'000	31 December 2017 ₦'000
WHT payable	50,298	16,474
NITDA payables	2,410	13,976
Provision for audit fees	10,000	14,600
Other accrued expenses*	134,701	211,043
Unpresented cheques	29,564	40,715
VAT payable	3,434	28,934
Other payables**	156,562	1,682,150
Rent received in advance***	20,044	13,036
	407,013	**2,020,928**
Current	**407,013**	**2,020,928**
Non Current	**-**	**-**
	407,013	**2,020,928**

* Other accrued expenses comprise provision for consultancy, legal and professional services as well as general office administration.

** Other payables include provisions made on clearing of investment property as well as other outstanding obligations.

*** Rent received in advance include rent received from the Company's tenants based on lease agreements signed in respect of the investment properties, and the amounts cover between 3 - 6 months. The sum of ₦22.25 million was received as rent in the year and ₦18.5million was unwound into rental income.

Notes to the financial statements - continued

	31 December 2018 ₦'000	31 December 2017 ₦'000
(i) Movement in rent received in advance		
Opening balance	13,036	6,748
Additional rent received in the year	22,250	22,379
Rent amortised in the year	(15,242)	(16,091)
	20,044	**13,036**

20 Current income tax payable

The movement on current income tax payable during the year is as follows:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance, beginning of year	163,082	69,194
Charge for the year:		
- General business	12,885	22,006
- Life business	41,818	20,959
Payments during the year	(41,241)	(29,077)
Withholding tax credit notes	(39,772)	-
Prior year under-provision	1,909	80,000
Balance, end of year	**138,681**	**163,082**

21 Deferred tax (assets)/liabilities

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

(i) Deferred tax assets and liabilities are attributable to the following:

	Statement of financial position	
Deferred tax (assets)/ liabilities:	**31 December 2018 ₦'000**	**31 December 2017 ₦'000**
Investment properties	50,500	2,969
Unrealised exchange gain	-	1,332,664
Trade receivables - impairment	-	(436,076)
Prepayment and other receivables	-	(148,037)
Property and equipment	(120,605)	(210,552)
Unrelieved losses	(544,408)	(706,347)
Fair value gain on AFS financial assets	86,692	-
Net deferred tax (assets)/ liabilities	**(527,821)**	**(165,379)**
Deferred tax asset not recognised	-	165,379
Deferred tax assets	**(527,821)**	**-**

Notes to the financial statements - continued

Deferred tax (income)/expense	**31 December 2018 ₦'000**	**31 December 2017 ₦'000**
Investment properties	(47,531)	7,969
Unrealised exchange gain	1,332,664	685,221
Trade receivables - impairment	(436,076)	-
Prepayment and other receivables	(148,037)	(148,037)
Property and equipment	(89,947)	(78,359)
Unrelieved losses	(161,939)	(675,676)
Fair value gain on AFS financial assets	(86,692)	-
Total deferred tax income	**362,442**	**(208,882)**
Deferred tax not recognised	165,379	165,379
Deferred tax (income)/expense	**527,821**	**(43,503)**

Recognition of Deferred tax (income)/expense	**31 December 2018 ₦'000**	**31 December 2017 ₦'000**
Through Other Comprehencsive Income (OCI)	(86,692)	**-**
Through Profit or Loss	614,513	**-**
	527,821	**-**

The Company has net deferred tax (assets)/liabilities of ₦(572,482,000) and ₦45,292,000 in the Non-life and Life businesses respectively.

During the course of the year the Company's Board of Directors approved the write-off of long outstanding receivables of ₦1,946,982,000 comprising of trade receivables of ₦1,453,528,000 and other receivables of ₦493,454,000. The associated deferred tax impact of the impaired receivable was also written down.

21 Deferred tax (assets)/liabilities

During the year, the Company met all the conditions precedent to the release of the funds held in a escrow account with Guaranty Trust Bank. The funds were converted to Naira and the unrealised exchange gain component of deferred tax was written down. (See note 5(b)).

The Company has unrelieved loss of ₦1,812,589,660 from its Non-Life business segment. The Company has elected to recognise the deferred tax asset stemming from unrelieved loss based on Management's recoverability assessment of the deferred tax asset.

(ii) The movement on net deferred tax liabilities/(assets) account during the year was as follows:

	31 December 2018 ₦'000	**31 December 2017 ₦'000**
Balance, beginning of year	-	43,503
Reversal of deferred tax on available for sale financial assets	(86,692)	-
Write back to profit or loss account for the year (see note 42)	614,513	(43,503)
Balance, end of year	**527,821**	**-**

Notes to the financial statements - continued

		31 December 2018 ₦'000	31 December 2017 ₦'000
22	**Share capital**		
	Share capital comprises:		
(a)	**Authorised:**		
	20,000,000,000 ordinary shares of 50k each:	10,000,000	10,000,000
	Non-life business 12,000,000,000 ordinary shares of 50k each	6,000,000	6,000,000
	Life business 8,000,000,000 ordinary shares of 50k each	4,000,000	4,000,000

		31 December 2018 ₦'000	31 December 2017 ₦'000
(b)	**Issued and fully paid:**		
	15,638,313,276 ordinary shares of 50k each:	7,819,157	3,757,549
	Non-life 10,986,123,608 ordinary shares of 50k each	5,493,062	2,225,454
	Life business 4,652,189,668 ordinary shares of 50k each	2,326,095	1,532,095

(c) Breakdown of movement during the year is as follows:

	Non-life ₦'000	Life ₦'000	Total ₦'000
At 1 January 2017	2,225,454	1,532,095	3,757,549
Issuance of additional ordinary shares	-	-	-
At 31 December 2017	2,225,454	1,532,095	3,757,549
Conversion of irredeemable convertible notes to ordinary shares (see note (d) below)	3,267,608	794,000	4,061,608
At 31 December 2018	5,493,062	2,326,095	7,819,157

On 11 May 2018, a total of 8,123,216,000 units of the Company's shares were issued to Greenoaks Global Holdings Limited in fulfilment of the terms and conditions stipulated in the Irredeemable Convertible Shareholder Loan agreement.

Notes to the financial statements - continued

22 Share capital - continued

(d) Irredeemable convertible notes	**31 December 2018 ₦'000**	**31 December 2017 ₦'000**
Non-life business	3,500,000	3,267,608
Life business	1,500,000	794,000
	5,000,000	**4,061,608**
Movement during the year was as follows:		
Balance, beginning of the year	4,061,608	4,061,608
Conversion of irredeemable convertibel notes to ordinary shares (see note (c)above)	(4,061,608)	-
Additional notes issued during the year	5,000,000	-
Balance, end of the year	**5,000,000**	**4,061,608**

During the year, the irredeemable convertible notes were liquidated and converted to ordinary shares based on fulfilment of the terms and conditions stipulated in the Irredeemable Convertible Shareholder Loan agreement. See Note 22(c) for details.

Subsequent to the acquisition of the Company by Société Foncière Européenne B.V.The Company issued an irredeemable convertible loan of ₦ 5 billion to its core investor. The purpose of the loan is to augment the Company's regulatory capital until the completion of the rights issue transaction. The loan shall be in effect until the completion of the right issue transaction and shall be converted to equity. No interest shall accrue on the loan instrument.

23 Share premium

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

Share premium comprises:	**31 December 2018 ₦'000**	**31 December 2017 ₦'000**
Non-life business	332,982	417,839
Life business	447,065	447,063
	780,047	**864,902**
(a) Movement in share premium		
Balance, beginning of year	864,902	864,902
Share issue expenses (i)	(84,855)	-
Balance, end of year	780,047	864,902

The Company will be offering 4,300,536,075 ordinary shares of ₦0.50 each on the basis of 11 new ordinary shares for every 40 existing shares held, at ₦1.15 per share. The rights issue is estimated to cost ₦84,855,138. See note 48 for details.

Notes to the financial statements - continued

24 Statutory contingency reserve

In compliance with Section 21(1) of Insurance Act 2003, the contingency reserve for non-life insurance business is credited with the greater of 3% of total premiums, or 20% of the profits. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50 per cent of net premium. For the life business the contingency reserve is credited with an amount equal to 1% of gross premium or 10% of net profit (which ever is greater) and this shall accumulate until it reaches the amount of minimum paid up capital.

The movement in the contingency reserve account during the year was as follows:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance, beginning of year	1,282,717	1,114,958
Transfer during the year	216,096	167,759
Balance, end of year	**1,498,813**	**1,282,717**

Transfer to statutory contingency reserve is done at the end of each financial year.

24.1 Business segment analysis

	31 December 2018 Non-Life ₦'000	31 December 2018 Life ₦'000	31 December 2017 Total
Balance, beginning of year	1,076,980	205,737	1,282,717
Transfer during the year	174,032	42,064	216,096
			-
Balance, end of year	1,251,012	247,801	1,498,813

25 Fair value reserve

Fair value reserve includes the net accumulated change in the fair value of available-for-sale assets.

The movement in the fair value reserve during the year is as follows:	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance, beginning of year	31,049	13,093
Fair value gain on available-for-sale investment securities (Note 6 (b)(iii))	259,474	17,956
Tax charge attributable to fair value gain on available for sale financial assets (see	(86,692)	-
	172,783	17,956
Balance, end of year	**203,831**	**31,049**

26 Asset revaluation reserve

Asset revaluation reserve is the accumulation of revaluation gains on land and building revalued by the Company.

(a) **Movement in asset revaluation reserve**	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance, beginning of year	280,551	280,551
Movement during the year	-	-
Balance, end of year	**280,551**	**280,551**

There wa no movement in asset revauation reserve during the year.

Notes to the financial statements - continued

27 Accumulated losses

(a) Accumulated losses are accumulated losses attributable to shareholders.

	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance, beginning of the year	(4,866,919)	(3,865,077)
Loss for the year	(888,551)	(834,083)
Transfer to statutory contingency reserve	(216,096)	(167,759)
Balance, end of the year	**(5,971,566)**	**(4,866,919)**

(b) Loss per share	31 December 2018 ₦'000	31 December 2017 ₦'000
Loss attributable to the Company's equity holders	(888,551)	(834,083)
Weighted average number of ordinary shares in issue	12,253,641	7,515,098
Basic loss per share	(7.25)	(11.10)
Weighted average number of ordinary and dilutive shares in issue	12,612,019	15,638,313
Diluted loss per share	(7.05)	(5.33)

Basic earnings per share amounts are calculated by dividing the loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the reporting date.

Diluted earnings per share is calculated by dividing the net loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential of the irredeemable convertible notes into ordinary shares.

28 Gross premium written

Gross premium written comprises:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Non-life business (a)	5,801,077	4,554,345
Life business (b)	4,206,447	3,112,511
Annuity business (c)	-	402
Gross premium written	**10,007,524**	**7,667,258**

Notes to the financial statements - continued

28 Gross premium written - continued

(a) Non-life business

The analysis of gross premium written and gross premium income is as follows:

	Gross Premium Written 31 December 2018 ₦'000	Movement in Unearned premium 31 December 2018 ₦'000	Gross premium income 31 December 2018 ₦'000
Aviation	1,613,717	13,087	1,626,804
Oil and gas	1,610,662	(149,504)	1,461,158
Fire	744,692	(53,310)	691,382
Motor	808,125	(62,592)	745,533
General Accident	379,558	(14,822)	364,736
Engineering	336,451	(59,980)	276,471
Marine Hull	171,084	9,899	180,983
Workmens compensation	17,905	(1)	17,904
Marine Cargo	118,883	(88,377)	30,506
	5,801,077	**(405,601)**	**5,395,476**

	Gross premium written 31 December 2017 ₦'000	Movement in Unearned premium 31 December 2017 ₦'000	Gross premium income 31 December 2017 ₦'000
Aviation	2,052,956	(26,479)	2,026,477
Oil and gas	827,475	10,636	838,111
Fire	561,589	(29,469)	532,120
Motor	477,825	(22,345)	455,480
General Accident	306,658	(15,486)	291,172
Engineering	222,274	1,776	224,050
Marine Hull	40,493	(5,382)	35,111
Workmens compensation	12,879	(1,223)	11,656
Marine Cargo	52,196	1,294	53,490
	4,554,345	**(86,678)**	**4,467,667**

Notes to the financial statements - continued

28 Gross premium written - continued

(b) Life and Annuity business

The analysis of the gross premium income is as follows:

	Gross premium written 31 December 2018 ₦'000	Movement in unearned premium 31 December 2018 ₦'000	Gross premium income 31 December 2018 ₦'000
Individual life	313,989	-	313,989
Group life	3,892,458	148,385	4,040,843
	4,206,447	**148,385**	**4,354,832**

	Gross premium written 31 December 2017 ₦'000	Movement in unearned premium 31 December 2017 ₦'000	Gross premium income 31 December 2017 ₦'000
Individual life	295,571	-	295,571
Group life	2,816,940	(878,348)	1,938,592
Annuity contract	402	-	402
	3,112,913	**(878,348)**	**2,234,565**

29 Gross premium income

The Gross premium income is analyzed as follows:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Gross premium written	10,007,524	7,667,258
Decrease in unearned premium - Non -life (See note 28(a))	(405,601)	(86,678)
Decrease in unearned premium - Group Life (See note 28(b))	148,385	(878,348)
	9,750,309	**6,702,232**

30 Reinsurance premium expenses

	31 December 2018 ₦'000	31 December 2017 ₦'000
Reinsurance cost comprises:		
Reinsurance premium cost	6,117,309	5,332,891
Changes in prepaid reinsurance expenses (note 8(d))	(83,050)	(743,077)
	6,034,259	**4,589,814**

31 Fees and commission income

Fees and commission income comprises:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Direct commission	212,337	158,286
Reinsurance commission	544,391	497,761
Commission received	756,728	656,047
Changes in deferred commission income (Note 18(c))	(30,640)	(61,957)
	726,088	**594,090**

Notes to the financial statements - continued

32	**Net claims expenses**	**31 December 2018 ₦'000**	**31 December 2017 ₦'000**
	Claims paid	5,230,088	2,471,270
	Changes in outstanding claims: Group life business	(193,825)	1,340,092
	Changes in outstanding claims and benefits: Individual life business	1,408	29,072
	Changes in outstanding claims: Non-life business	876,305	517,892
	Total claims	5,913,976	4,358,326
	Changes in claims recoverable (see note 8 (e))	(3,780,740)	(1,538,264)
	Payable to / (Recoverable from) re-insurance (See note 8 (c))	81,391	(1,942,913)
	Net claims expenses	**2,214,626**	**877,149**

33	**Benefit payments**	**31 December 2018 ₦'000**	**31 December 2017 ₦'000**
	Payments on individual life	482,472	394,344
	Payments on annuity	24,693	15,093
		507,165	**409,437**

Benefit payments comprise payments on maturity of policies, annuity payments and surrenders.

34 Underwriting expenses

(a) Underwriting expenses comprise:

	31 December 2018 ₦'000	**31 December 2017 ₦'000**
Acquisition cost (see (i) below)	1,003,082	668,719
Maintenance cost	218,937	164,196
	1,222,019	**832,915**

(i)	Business segment analysis of acquisition cost	**31 December 2018 ₦'000**	**31 December 2017 ₦'000**
	Non life	660,523	453,589
	Life	342,559	215,130
		1,003,082	**668,719**

(ii)	Analysis of acquisition cost	**31 December 2018 ₦'000**	**31 December 2017 ₦'000**
	Commission expenses	1,084,285	723,617
	Movement in deferred acquisition cost	(81,203)	(54,898)
	Acquisition cost	**1,003,082**	**668,719**

Notes to the financial statements - continued

35 Investment income

(a) Investment income comprise:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Dividend income	69,445	2,995
Interest income on cash and cash equivalents	178,666	151,552
Interest income on HTM instruments	8,107	23,184
Interest income on treasury bills	34,092	-
Rental income	18,555	16,091
	308,865	**193,822**

(b)

Attributable to:	31 December 2018 ₦'000	31 December 2017 ₦'000
- Shareholders	1,855	1,609
- Policyholders	307,010	192,213
	308,865	**193,822**

36 Gain/ (loss) on investment contract liabilities

	31 December 2018 ₦'000	31 December 2017 ₦'000
Interest income on investment contracts	126,758	11,472
Guaranteed interest (see note 17)	(46,093)	(82,854)
	80,665	(71,382)

The investment contract benefits represent interest guaranteed to investment contract holders as documented in the policy document. The interest is calculated based on the fund balance using a guaranteed interest rate which is

37 Net realised loss

	31 December 2018 ₦'000	31 December 2017 ₦'000
Realised loss on:		
- Sale of currency	(1,500)	4,222
- Investment properties	30,000	-
	28,500	**4,222**

38 Net fair value gain

	31 December 2018 ₦'000	31 December 2017 ₦'000
Fair value gain on quoted equities (note 6c(iii))	-	41,361
	-	41,361
Net fair value gain on investment properties (note 11)	190,000	29,688
	190,000	**71,049**

Notes to the financial statements - continued

39 Other operating income

	31 December 2018 ₦'000	31 December 2017 ₦'000
Unrealised net foreign exchange (loss)/ gain	(74,749)	1,476,383
Interest income from statutory deposits	76,830	74,468
Gain from disposal of property and equipment	8,248	15
Sundry income (see note (a) below)	164,432	-
	174,761	**1,550,866**

(a) **Sundry Income:**	31 December 2018 ₦'000	31 December 2017 ₦'000
Policy processing fees	3,588	-
Other income	160,844	-
	164,432	**-**

Other income comprises excess stamp duty refunds, service fees as well as provisions no longer required.

40 Management and administrative expenses

Management expenses comprise:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Staff costs (see note (i) below)	808,158	560,288
Other staff related costs	234,408	100,905
Administration	281,252	86,013
Office and branch expenses	202,167	205,883
Depreciation on property and equipment (note 13)	171,931	128,236
Travel and entertainment	123,556	46,656
Professional fees (see note ii below)	415,088	235,551
Information and technology costs	82,029	22,341
Finance costs and bank charges	80,940	45,395
Marketing and advertising costs	76,814	60,655
Vehicle running expenses	54,360	25,495
Training	53,848	39,794
Board of Directors expenses	50,790	42,816
Regulatory fees	53,297	89,543
Repair and maintenance	33,881	6,810
Auditors remuneration	20,000	21,000
Insurance cost	17,794	14,881
Amortization of intangible assets (note 12)	757	5,313
Fines and penalties	-	1,506,661
	2,761,070	**3,244,236**

Notes to the financial statements - continued

	31 December 2018	31 December 2017
(i) Staff costs comprise:	₦'000	₦'000
Wages and salaries	773,947	548,741
Contributory plan	34,211	11,547
	808,158	**560,288**

41 Impairments

41(a) Impairment (charge)/ reversal	31 December 2018 ₦'000	31 December 2017 ₦'000
Impairment charge on trade receivables (see note 7(c))	-	-
Impairment (charge)/reversal on other receivables (see note 10(b))	-	89,112
Impairment reversal on AFS investment securities (see note 6(b)(iii))	-	12,700
	-	**101,812**

41(b) Impairments written off	31 December 2018 ₦'000	31 December 2017 ₦'000
- Trade receivables (see note 7(c))	1,453,589	-
- Other receivables (see note 10(b))	493,454	-
- Loans and receivables (see note 6(d))	15,001	-
	1,962,044	-

42 Income tax (write-back)/charge

	31 December 2018 ₦'000	31 December 2017 ₦'000
Minimum tax (see note 20) - Life	12,885	20,673
Education tax	-	286
Capital gain tax	-	-
	12,885	20,959
Minimum tax (see note 20) - Non-life	41,817	22,006
Education tax	-	-
Prior period unrecognised credit notes	-	(18,840)
Prior year under-provision	1,909	80,000
	43,726	83,166
Deferred tax (write-back)/expense:		
- Non-life(see note 21)	(843,374)	(43,503)
- Life (see note 21)	228,861	-
	(614,513)	(43,503)
	(557,901)	60,622

Notes to the financial statements - continued

42 Income tax (write-back)/charge - continued

Current income tax reconciliation	31 December 2018 ₦'000	31 December 2017 ₦'000
Loss before income tax	(1,446,452)	(773,461)
Income tax using the domestic corporation tax rate of 30%	(433,936)	(232,038)
Tax effect of:		
Non-deductible expenses	1,984,314	1,619,255
Tax exempt income	(1,550,379)	(1,430,720)
Minimum tax	54,702	42,679
Education tax	-	286
Capital gain tax rate difference	-	-
Prior period unrecognised credit notes	-	(18,840)
Prior year under-provision	1,909	80,000
Timming difference	(614,513)	-
	(557,902)	60,622

Non deductible expenses and tax exempted income are recurring in nature and are identified to compute assessable income for tax computation based on the Company Income Tax Act (CITA CAP C21 LFN 2004).

Notes to the financial statements - continued

43 Commitments and contingencies

(i) Operating lease commitments – Company as lessee

The Company has entered into commercial leases of its office building. These leases have an average life of five years, with renewal option included in the contracts. There are no restrictions placed on the Company by entering into these leases. The Company incurred the sum of ₦132,749,000 (2017: ₦116,707,737) as lease expense for the year.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2018 are as follows:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Within a year	180,603	164,796
After one year but not more than two years	159,238	175,610
Above two years but not more than twenty years	153,332	137,340
	493,173	477,746

(ii) Operating lease commitments – Company as lessor

The Company has entered into operating leases on its investment property portfolio consisting of certain office buildings. These leases have terms of between 2 to 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The total contingent rents recognised as income during the year is Nil (2017: nil).
Future minimium rental receivable under non-cancellable operating leases as at 31 December 2018 are as follows:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Within a year	20,045	15,484
After one year but not more than two years	22,250	12,030
Above two years but not more than twenty years	-	-
	42,295	27,514

44 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one party controls both. The definition includes parents, associates, joint ventures and the Company's pension schemes, as well as key management personnel.

(a) *Parent company*
Société Foncière Européenne B.V. (a wholly-owned subsidiary of Allianz SE), a member of the Allianz Group, is the parent company of Allianz Nigeria Insurance plc (formerly known as Ensure Insurance PLC).

Notes to the financial statements - continued

44 Related party transactions - continued

(b) ***Transactions with key management personnel***

The Company's key management personnel, and persons connected with them, are also 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 the Company.

Detailed below are the Company's related parties and the transactions the Company entered into with its related parties during the year.

Name of related party	Relationship	Nature of transactions with related party
• Société Foncière Européenne B.V. (a wholly-owned subsidiary of Allianz SE) • Key management personnel	• Ultimate Parent Company • Executive & Non-Executive Directors and close family members	• Irredeemable convertible notes • Insurance Contracts

(c) The Company's transactions and balances arising from dealings with related parties are as follows:

Irredeemable convertible notes

	31 December 2018 ₦'000	31 December 2017 ₦'000
Societe Fonciere Europeenne B.V. (a wholly-owned subsidiary of Allianz SE)	5,000,000	-
Greenoaks Global Holdings Limited, United Kingdom.	-	4,061,608

(d) Premiums written

	31 December 2018 ₦'000	31 December 2017 ₦'000
Key Management personnel	1,296	761

(e) Short term benefits and post-employment benefits - key management personnel

	31 December 2018 ₦'000	31 December 2017 ₦'000
Short term benefits	58,685	41,570
Post-employment benefits: Pension	2,047	1,450

Notes to the financial statements - continued

44 Related party transactions - continued

(f) Staff and directors' information

(i) The average number of full time employees employed by the Company during the year was as follows:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Management staff	12	12
Other staff	114	92
	126	**104**

(ii) Staff and directors' costs:
Employee costs, including executive directors during the year comprises:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Wages and salaries	773,947	538,921
Pension costs	34,211	21,367
	808,158	**560,288**

(iii) Directors' remuneration including other benefits was as follows:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Directors' fees	33,500	33,500
Sitting allowance	6,800	2,500
Other expenses	10,490	6,816
	50,790	**42,816**

(iv) The directors' remuneration shown above includes:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Chairman	21,500	20,000
Highest paid director	**21,500**	**20,000**

(v) The emoluments of all other directors fell within the following range:

	31 December 2018 ₦'000	31 December 2017 ₦'000
₦500,000 - ₦1,400,000	-	-
₦1,400,001 - ₦1,500,000	-	-
Above ₦1,500,000	3	3
	3	**3**

The disclosure above relates only to non executive directors

Notes to the financial statements - continued

45 Contravention of laws and regulations

The Company did not incur any penalty in the year under review. Of the penalties incurred in 2017 (totalling ₦1,506,661,00), the sum of ₦6,730,000 was paid in 2017 while the outstanding sum of ₦1,499,931,00 in 2018.

46 Contingent liabilities, litigation and claims

The Company in its ordinary course of business was involved in fourteen (14) cases.

The Company was sued as Defendant by various individuals and organizations in 10 (Ten) cases, while the Company is Counter-claimant in 1 (One) out of the 10 (Ten) cases instituted against it.

The total monetary claim against the Company in the 10 (Ten) cases instituted against it by various individuals and organizations is approximately ₦437,527,126 (2017: ₦307,850,296).

The Directors of the Company are of the opinion that none of the aforementioned cases is likely to have any material adverse effect on the Company and are not aware of any other pending and/or threatened claim or litigation.

47 Events after reporting date.

- Rights issue

In October 26, 2018, the Company sought and obtained approval from the shareholders to raise capital. Thereafter, the Company commenced with a capital raising transaction by rights issue and obtained the approval of the Securities and Exchange Commission [SEC] on December 21, 2018. The transaction is ongoing and will be concluded before the end of the first quarter of 2019.

- Allianz Brand launch

Subsequent to requisite approvals and the change of name, the Allianz Brand was formally launched on January 25, 2019.

48 Donations

Donations were made during the year under review as follows:

Establishment	Project	31 December 2018	December 2017
		₦'000	₦'000
Learners and Trainers Institute	Refurbishment of Ajibulu Primary School, Oshodi	500	-
International Missions Opportunity Nigeria	Corporate social responsibilty	1,000	-
Nigeria Insurers' Association	Industry rebranding project	4,470	-
Professional Insurance Ladies Association	Book launch for "The Pillar"	200	
		6,170	-

Notes to the financial statements - continued

49 Segment information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions. All operating segments used by management meet the definition of a reportable segment under IFRS 8.

The Company is organised on a nationwide basis into two operating segments. These segments include:

- Non-life (General) business
- Life business

Management identifies its reportable operating segments by product line consistent with the reports used by the strategic steering committee. These segments and their respective operations are as follows:

- Non-life (General) business: Protection of customers' assets (both for personal and commercial business). All contracts in this segment are over a short contractual term. Revenue in this segment is derived primarily from insurance premiums, investment income, net realised gains on financial assets, and net fair value gains on financial assets at fair value through profit or loss

- Life business: Protection of the customers against the risk of premature death, disability, critical illness and other accidents. All contracts in this segment offer fixed and guaranteed benefits over the contractual term. Revenue from this segment is derived primarily from insurance premium, investment income, net realised gains on financial assets and net fair value gains on financial assets at fair value through profit or loss.

The segment information provided to the Strategic Steering Committee for the reportable segments for the year ended 31 December 2018 is as follows:

Notes to the financial statements - continued

The segment information provided by Management for the reporting segments as at 31 December 2018.

	Notes	Non-life	Life	Elimination Adjustments	Company
Assets		**₦'000**	**₦'000**	**₦'000**	**₦'000**
Cash and cash equivalents	5	2,790,289	792,074	-	3,582,363
Investment securities	6	7,318,115	31,031	-	7,349,146
Trade receivables	7	54,261	15,577	-	69,838
Reinsurance assets	8	1,982,699	1,930,391	-	3,913,090
Deferred acquisition costs	9	184,200	73,078	-	257,278
Other receivables and prepayments	10	1,976,286	6,656,639	(7,980,660)	652,265
Investment properties	11	-	2,354,100	-	2,354,100
Intangible assets	12	12,611	-	-	12,611
Property and equipment	13	598,701	4,494	-	603,195
Deferred tax assets	21	657,301	-	(129,480)	527,821
Statutory deposits	14	300,000	200,000	-	500,000
Total assets		**15,874,463**	**12,057,384**	**(8,110,140)**	**19,821,707**
Liabilities					
Borrowings	15	-	166,755	-	166,755
Insurance contract liabilities	16	3,954,146	4,312,559	-	8,266,705
Investment contract liabilities	17	-	934,245	-	934,245
Trade payables	18	114,932	182,542	-	297,474
Accruals and other payables	19	5,405,766	2,981,907	(7,980,660)	407,013
Current income tax payable	20	122,060	16,621	-	138,681
Deferred tax liabilities	21	84,464	45,016	(129,480)	-
Total liabilities		**9,681,368**	**8,639,645**	**(8,110,140)**	**10,210,873**
Net assets		**6,193,095**	**3,417,739**	**-**	**9,610,834**
Capital and reserves					
Share capital		5,493,062	2,326,095	-	7,819,157
Share premium	23	332,982	447,065	-	780,047
Irredeemable convertible notes	22(d)	3,500,000	1,500,000	-	5,000,000
Statutory contingency reserve	24	1,251,012	247,801	-	1,498,813
Fair value reserve	25	198,628	5,203	-	203,831
Asset revaluation reserve	26	-	280,551	-	280,551
Accumulated losses	27	(4,582,589)	(1,388,976)	-	(5,971,565)
Shareholders' funds		**6,193,095**	**3,417,739**	**-**	**9,610,834**

- - - -

Notes to the financial statements - continued

The segment information provided by Management for the reporting segments as at 31 December 2017.

	Notes	Non-life	Life	Elimination Adjustments	Company
Assets		**₦'000**	**₦'000**	**₦'000**	**₦'000**
Cash and cash equivalents	5	8,269,017	358,506	-	8,627,523
Investment securities	6	557,972	271,636	-	829,608
Trade receivables	7	47,651	59	-	47,710
Reinsurance assets	8	1,311,615	2,484,034	-	3,795,649
Deferred acquisition costs	9	117,240	58,837	-	176,077
Other receivables and prepayments	10	475,701	3,941,355	(4,300,241)	116,815
Investment properties	11	-	2,594,100	-	2,594,100
Property and equipment	13	195,093	6,009	-	201,102
Deferred tax assets	21	-	186,073	(186,073)	-
Statutory deposits	14	300,000	200,000	-	500,000
Total assets		**11,274,289**	**10,100,609**	**(4,486,314)**	**16,888,584**
					-
Liabilities					-
Borrowings	15	119,863	134,345	-	254,208
Insurance contract liabilities	16	2,672,956	4,768,496	-	7,441,452
Investment contract liabilities	17	-	1,055,087	-	1,055,087
Trade payables	18	462,201	80,169	-	542,370
Accruals and other payables	19	4,487,139	1,834,030	(4,300,241)	2,020,928
Current income tax payable	20	122,425	40,657	-	163,082
Deferred tax liabilities	21	186,073	-	(186,073)	-
Total liabilities		**8,050,657**	**7,912,784**	**(4,486,314)**	**11,477,127**
					-
Net assets		**3,223,632**	**2,187,825**	**-**	**5,411,457**
					-
Capital and reserves					-
Share capital	22	2,225,454	1,532,095	-	3,757,549
Share premium	23	417,838	447,064	-	864,902
Irredeemable convertible notes	22c	3,267,608	794,000	-	4,061,608
Statutory contingency reserve	24	1,076,980	205,737	-	1,282,717
Fair value reserve	25	24,581	6,468	-	31,049
Asset revaluation reserve	26	-	280,551	-	280,551
Accumulated losses	27	(3,788,829)	(1,078,090)	-	(4,866,919)
Shareholders' funds		**3,223,632**	**2,187,825**	**-**	**5,411,457**

Notes to the financial statements - continued

The segment information provided by the Management for the reporting segments for the year ended 31 December 2018.

	Notes	Non-life	Life	Company
		₦'000	**₦'000**	**₦'000**
Gross premium written	28	5,801,077	4,206,447	10,007,524
Gross premium income	29	5,395,477	4,354,832	9,750,309
Reinsurance premium expense	30	(2,875,914)	(3,158,345)	(6,034,259)
Net premium income		2,519,563	1,196,487	3,716,050
Fees and commission income	31	414,808	311,280	726,088
Net underwriting income		2,934,371	1,507,767	4,442,138
Changes in individual life reserve		-	90,499	90,499
Net claims expenses	32	(1,381,014)	(833,612)	(2,214,626)
Benefit payments	33	-	(507,165)	(507,165)
Underwriting expenses	34	(844,936)	(377,083)	(1,222,019)
Underwriting profit / (loss)		708,421	(119,594)	588,827
Management and administrative expenses	40	(2,530,326)	(230,744)	(2,761,070)
Operating loss		**(1,821,905)**	**(350,338)**	**(2,172,243)**
Investment income	35	300,756	8,109	308,865
Gain on investment contract liabilities	36	-	80,665	80,665
Net realised (loss)/gain on investment securities	37	-	(28,500)	(28,500)
Net fair value gains	38	-	190,000	190,000
Other operating income	39	113,943	60,818	174,761
Loss before income tax		(1,407,206)	(39,246)	(1,446,452)
Loss before income tax from reportable segment		(1,407,206)	(39,246)	(1,446,452)
Income tax write-back	42	787,477	(229,576)	557,901
Loss after tax		**(619,729)**	**(268,822)**	**(888,551)**

*There are no elimination adjustments.

Notes to the financial statements

The segment information provided by Management for the reporting segments for the year ended 31 December 2017.

	Notes	Non-life	Life	Company
		₦'000	₦'000	₦'000
Gross premium written	28	4,554,345	3,112,913	7,667,258
Gross premium income	29	4,467,667	2,234,565	6,702,232
Reinsurance premium expense	30	(2,930,878)	(1,658,936)	(4,589,814)
Net premium income		1,536,789	575,629	2,112,418
Fees and commission income	31	331,610	262,480	594,090
Net underwriting income		1,868,399	838,109	2,706,508
Changes in individual life reserve		-	41,823	41,823
Net claims expenses	32	(637,926)	(239,223)	(877,149)
Benefit payments	33	-	(409,437)	(409,437)
Underwriting expenses	34	(614,364)	(218,551)	(832,915)
Underwriting profit		616,109	12,721	628,830
Management and administrative expenses	40	(1,683,892)	(1,560,344)	(3,244,236)
Impairment reversal	41(a)	-	101,812	101,812
Operating loss		**(1,067,783)**	**(1,445,811)**	**(2,513,594)**
Investment income (policyholders' funds)	35	168,532	23,681	192,213
Investment income (shareholders' funds)		1,609	-	1,609
Guaranteed interest on investment contract liabilities		-	(71,382)	(71,382)
Net realised (loss) / gains on financial assets		(12,359)	8,137	(4,222)
Net fair value gain	38	21,408	49,641	71,049
Other operating income	39	195,624	1,355,242	1,550,866
Loss before income tax		(692,969)	(80,492)	(773,461)
Loss before income tax from reportable segment		(692,969)	(80,492)	(773,461)
Income tax expense	42	(39,663)	(20,959)	(60,622)
Loss after tax		**(732,632)**	**(101,451)**	**(834,083)**

*There are no elimination adjustments.

Notes to the financial statements - continued

50 Financial Risk Management Framework

50.1 *Enterprise Risk Review*

The Company's business operations are largely diversified and spread across different geographical locations. This makes it imperative for the Company to ensure proper identification, measurement, aggregation and effective management of risks and efficient utilisation of capital to derive an optimal risk and return ratio.

Risks associated with the business of the Company include operational risks, credit risk, liquidity risk, underwriting risk, regulatory risk, market risk (which includes currency risk, interest rate risk and other price risks) as well as other risks such as capital management risk, and reputation risk,

50.1.1 Risk Management Philosophy/Strategy

Allianz Nigeria considers effective risk management system as non-negotiable. As such, best risk management practices are employed in all of its dealings ranging from strategy development and implementation to its daily operations.

In this regard, the Company's risk management philosophy is aimed at ensuring a moderate and guarded attitude to all forms of risk and overall shareholder's value. The Company is of the opinion that its enterprise risk management will proffer superior capabilities to identify, manage and mitigate its full spectrum of risks. In addition, efforts are geared towards:

•Continuous development of a holistic and integrated approach to risk management i.e. bringing all risks together under one or a limited number of oversight functions.

•Incessant building of a shared perspective on risks which is grounded in consensus.

•Governance by well defined policies which are clearly communicated across the Company.

• Maintenance of an optimal balance between risk and revenue consideration.

50.1.2 Risk appetite

Risk appetite is often described as the level of risk the organization is prepared to tolerate while it pursues its set objectives. It is a core consideration in an enterprise risk management approach. Risk appetite is the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives. The Company's risk appetite is reviewed by the Board of Directors on an annual basis. The Company recognises that its long-term sustainability is dependent upon the protection of its reputation, preservation of value and relationship with stakeholders. To this end, there is zero tolerance to risk acceptance which will materially impair its reputation and value. In addition, much emphasis is placed on treating customers with utmost integrity.

The Company employs a range of quantitative indicators to monitor the risk profile. Specific limits have been set in line with the Company’s risk appetite.

Notes to the financial statements - continued

50 Financial Risk Management Framework - continued

50.1.3 Key risk appetite parameters

The Company's Risk Appetite shall be defined using the following parameters:

Category	Risk Appetite Parameters
Market Risk	- Concentration limits - Stop-loss limit and trading limit - Daily position limits
Underwriting Risk	- 100% underwriting guidelines compliance - Tracking of all insurance premiums and paid claims within 90 days payment term - Quarterly review of portfolio - All contracts to be issued within Company limits - 100% reinsurance accuracy, zero tolerance for contract errors - Monitoring reinsurance placements (treaty and facultative) - Monitoring reinsurer's treaty - Monthly monitoring of reporting process and reconciliation - Review of all claims - 100% reporting of all claims and complaints on weekly basis
Credit Risk	- Defined re-insurers and co-insurers ratings i.e. dealing only with re-insurance and co-insurance companies that are investment grade (BB) and upwards; - Approved payment plan - Aggregate bad debt limit for re-insurers, co-insurers, brokers and clients.
Reputational Risk	- Unqualified reports from external auditors - Zero tolerance for any statement, by our directors or employees that may impact negatively on the Company's reputation. - Zero appetite for association with disputable individual brokers, co-insurers, re-insurers and other organizations - Zero appetite for unethical, illegal or unprofessional conduct by our directors, employees and agents.
Operational Risk	- Zero tolerance for fraud - Percentage of earnings reduction or losses due to operational deficiencies and inefficiencies. - Aggregate limit for expected losses due to fraud and operational inefficiencies.
Regulatory Risk	- Zero tolerance for infractions and non-compliance with regulatory and statutory requirements.
Liquidity Risk	- Defined liquidity ratios
Capital Management	- The Company's Board requires that the Company maintains sufficient capital to adequately meet its liabilities in extreme adverse scenario, on an ongoing basis.

Notes to the financial statements - continued

50 Financial Risk Management Framework - continued

50.1.4 Risk management approach

In being proactive towards risk occurence and management, the Company has so far developed long-lasting policies and procedures which would suffice every broad risk classification innate in our business. These policies would ensure conformity and consistency in the manner in which we deal with the different risk types the Company is faced with. The Company operates a Three-Line-Of-Defense model in its risk management approach. Primary responsibility for application of the Risk Management Framework lies with business management (First line of defense). Support for and challenge on the risk management activities (including the identification, measurement, monitoring, management and reporting of risk) are performed by specialist, independent risk function (Second line of defense) acting as the critical friend to the first line of defense. The design of Risk Management Framenwork (RMF) is also primarily the responsibility of second line of defense. Independent and objective assurance on the robustness of the RMF and the appropriateness and effectiveness of internal control is provided by the Company's internal audit function (Third line of defense).

The ideal risk management strategy for organizations is to empower all staff to proactively identify, control, monitor and regularly report risk issues to management. These steps help in setting out risk management and control standards for the Company's operations. In response to dynamism of the market and customer needs, we regularly monitor the appropriateness of our risk policies to ensure that they remain up-to-date.

The key features of the Company’s risk management policy are:

• The Board of Directors provides overall risk management direction and oversight.

• The Company’s risk appetite is approved by the Board of Directors.

• Risk management is embedded in the Company as an intrinsic process and is a core competency of all its employees.

• The Company manages its credit, market, operational and liquidity risks in a coordinated manner within the organisation.

• The Company’s risk management function is independent of the business units.

• The Company’s internal audit function reports to the Board Audit Committee and provides independent validation of the business units’ compliance with risk policies and procedures and the adequacy and effectiveness of the risk management framework on an enterprise-wide basis.

The Company continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and international best practices. Training, individual responsibility and accountability, together with a disciplined and cautious culture of control, lie at the heart of the Company’s management of risk.

The Board of Directors is committed to managing compliance with a robust compliance framework to enforce compliance with applicable laws, rules and standards issued by the industry regulators and other law enforcement agencies, market conventions, codes of practices promoted by industry associations and internal policies.

The compliance function, under the leadership of the Chief Compliance Officer of the Company has put in place a robust compliance framework, which includes:

• Comprehensive compliance manual, the manual details the roles and responsibilities of all stakeholders in the compliance process;

• Review and analysis of all relevant laws and regulations, which are adopted into policy statements to ensure business is conducted professionally;

• Review of the Company's Anti Money Laundering Policy in accordance with changes in the Money Laundering Prohibition Act 2011 and Anti Terrorism Act 2011;

• Incorporation of new guidelines in the Company's Know Your Customer (KYC) policies in line with the increasing global trend as outlined in the National Insurance Commission (NAICOM) Know Your Customer (KYC) policy .

The Company's culture emphasizes high standard of ethical behavior at all levels of the Company. Therefore the Company's Board of Directors promotes sound organisation.

Notes to the financial statements - continued

50 Financial Risk Management Framework - continued

50.1.5 Methodology for risk rating

The risk management strategy is to develop an integrated approach to risk assessments, measurement, monitoring and control that captures all risks in all aspects of the Company's activities.

All activities in the Company have been profiled and the key risk drivers and threats in them identified. Mitigation and control techniques are then determined in tackling each of these threats. These techniques are implemented as risk policies and procedures that drive the strategic direction and risk appetite as specified by the Board. Techniques employed in meeting these objectives culminate in the following roles for the risk control functions of the Company:

• Develop and implement procedures and practices that translate the Board's goals, objectives, and risk tolerances into operating standards that are well understood by staff.
• Establish lines of authority and responsibility for managing individual risk elements in line with the Board's overall direction.
• Risk identification, measurement, monitoring and control procedures.
• Establish effective internal controls that cover each risk management process.
• Ensure that the Company's risk management processes are properly documented.
• Create adequate awareness to make risk management a part of the corporate culture of the Company.
• Ensure that risk remains within the boundaries established by the Board.
• Ensure that business lines comply with risk parameters and prudent limits established by the Board.

The NAICOM Guidelines on Risk Management prescribes quantitative and qualitative criteria for the identification of significant activities and sets a threshold of contributions for determining significant activities in Insurance and its subsidiaries. This practice is essentially to drive the risk control focus of financial institutions.

The Company applies a mix of qualitative and quantitative techniques in the determination of its significant activities under the prescribed broad headings. The criteria used in estimating the materiality of each activity is essentially based on the following:

• The strategic importance of the activity and sector.
• The contribution of the activity/sector to the total assets of the Insurance company.
• The net income of the sector.
• The risk inherent in the activity and sector.

Risk Management structures and processes are continually reviewed to ensure, their adequacy and appropriateness for the Company's risk and opportunities profile as well as bringing them up to date with changes in strategy, business environment, evolving thoughts and trends in risk management.

50.2 Financial Risk Management

Allianz Nigeria Insurance plc is exposed to the following financial risks:

- Credit risk
- Market risk
- Liquidity risk

50.2.1 Credit Risk

Credit risk is defined as the likelihood that a customer or counterparty is unable to meet the contracted financial obligations resulting in a default situation and/or financial loss. Credit exposures arise principally in credit-related risk that is embedded in premium credits and investments.

As the Company is not in the business of granting loans like banks, credit risks in terms of customer default on loans repayment is not applicable. However, in terms of premium payment, investments in counterparties, as well as funds granted to policyholders with existing investment plans, considerable risks exist that brokers and large corporate organisations who are allowed extended payment year may default and this is closely allied to cash flow risks. The Company is also exposed to credit risk from its financing activities including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Notes to the financial statements - continued

50 Financial Risk Management Framework - continued

50.2.2 Credit risk management

The Company is exposed to risk relating to its debt holdings in its investment portfolio, outstanding premiums from customers and the reliance on reinsurers to make payment when certain loss conditions are met.

The Company's investment policy puts limits on the Fixed Income and Money Market instruments including portfolio composition limits, issuer type limits, aggregate issuer limits and corporate sector limits.

With respect to other debt instruments, the Company takes the following into consideration in the management of the associated credit risk:

- External ratings of such instruments/institutions by rating agencies like Fitch; Standard & Poor's; Agusto & Co. etc.
- Internal and external research and market intelligence reports
- Regulatory agencies reports

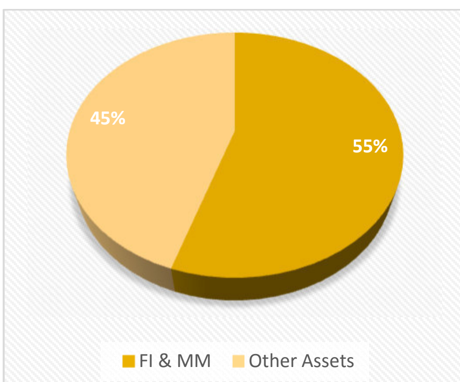
In addition to the above, we have put in place a conservative limits structure which is monitored from time to time in order to limit our risk exposures on these securities.

The Company's investment portfolio is exposed to credit risk through its Fixed Income and Money Market instruments. The contribution of the Fixed Income & Money Market instruments to the Company's assets is as follows:

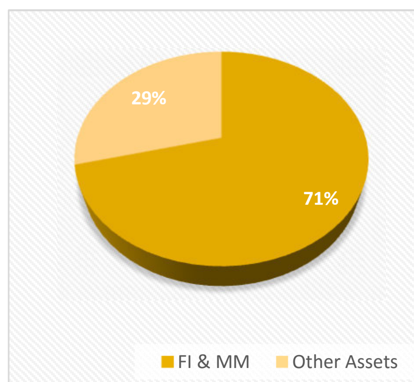
The Company's exposure to credit risk are mostly in placements with commercial banks which accounts for the 22% of the investments as at 31 December 2018 (2017: 42%).

Contribution of Fixed Income and Money Market Instruments to Company's Total Investment

December 2018



December 2017



Money Market Securities

Credit rating	31 December 2018 ₦'000	31 December 2017 ₦'000
A	164,560	212,830
B	3,064,927	8,414,270
BBB	509,228	-
Total	**3,581,711**	**8,627,100**

Source: Global Credit Rating list as at 31 December 2018

Notes to the financial statements - continued

50 Financial Risk Management Framework - continued

Fixed Income Securities

in thousands of Naira

	Placement limit	Credit rating	Total Placement 31 December 2018 ₦'000	Total Placement 31 December 2017 ₦'000
Treasury Bill	Unlimited	A	6,505,211	**-**
FGN Bonds	Unlimited	A	-	202,505
Total			**-**	**202,505**

**Source: Global Credit Rating list as at 31 December 2018*

The counter-party exposure as at the end of the year is represented below:

31 December 2018	Notes	Financial Institutions ₦'000	Public Sector ₦'000	Others ₦'000	Total ₦'000
Cash and cash equivalents	5	3,582,363	-	-	3,582,363
Available-for-sale investment securities	6(b)	6,505,211	-	-	6,505,211
Investment securities at fair value through profit or loss	6(c)	1,422	-	1,238	2,660
Loans & receivables	6(d)	-		10,489	10,489
Trade receivables	7	69,838	-	-	69,838
Re-insurance assets	8	-	-	3,913,090	3,913,090
Other receivables	10(c)	-	-	208,803	208,803
		10,158,834	**-**	**4,133,620**	**14,292,454**

31 December 2017		Financial Institutions ₦'000	Public Sector ₦'000	Others ₦'000	Total ₦'000
Cash and cash equivalents	5	8,627,523	-	-	8,627,523
Held to Maturity	6(a)	-	202,505	-	202,505
Loans & receivables	6(d)		-	50,932	50,932
Trade receivables	7	47,710	-	-	47,710
Re-insurance assets	8	-	-	3,795,649	3,795,649
Other receivables	10(c)	-	-	537,660	537,660
		8,675,233	**202,505**	**4,384,241**	**13,261,979**

Notes to the financial statements - continued

50 Financial Risk Management Framework - continued

Credit exposure by geographical concentration

31 December 2018		Nigeria ₦'000	Rest of Africa ₦'000	Outside Africa ₦'000	Total ₦'000
Cash and cash equivalents	5	3,566,665	-	15,698	3,582,363
Available-for-sale investment securi	6(b)	6,505,211	-	-	6,505,211
Investment securities at fair value through profit or loss	6(c)	2,660	-	-	2,660
Loans & receivables	6(d)	10,489	-	-	10,489
Trade receivables	7	69,838	-	-	69,838
Re-insurance assets	8	3,913,090	-	-	3,913,090
Other receivables	10(c)	208,803	-	-	208,803
		14,276,756	**-**	**15,698**	**14,292,454**

31 December 2017		Nigeria ₦'000	Rest of Africa ₦'000	Outside Africa ₦'000	Total ₦'000
Cash and cash equivalents	5	8,625,822	-	1,701	8,627,523
Held to Maturity	6(a)	202,505	-	-	202,505
Loans & receivables	6(d)	50,932	-	-	50,932
Trade receivables	7	47,710	-	-	47,710
Re-insurance assets	8	3,795,649	-	-	3,795,649
Other receivables	10(c)	537,660	-	-	537,660
		13,260,278	**-**	**1,701**	**13,261,979**

50.2.3 Credit limit exposure and ratings

Re-insurance

Reinsurance is placed with only reinsurers with a minimum credit rating of BB. Management monitors the credit-worthiness of all reinsurers by reviewing their annual financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

An analysis of the Company's exposure per reinsurer credit rating (forward looking statement of the reinsurer credit rating as determined by rating agency) as at 31 December 2018 is as follows:

	31 December 2018 ₦'000	31 December 2017 ₦'000
A	6,100	5,917
A+	623	604
BBB+	8,818	8,554
B+	(19,351)	(18,770)
AA-	(233,287)	(226,286)
A-	1,040	1,009

Notes to the financial statements - continued

50 Financial Risk Management Framework - continued

50.2.3 Credit limit exposure and ratings - continued

Global Corporate Rating (GCR)'s Rating Symbols and Definitions Summary:

AA	Very high credit quality. Protection factors are very strong. Adverse changes in business, economic or financial conditions would increase investment risk although not significantly.
A+	Has strong financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than assurers with higher ratings.
A	
BBB+	Adequate protection factors and considered sufficient for prudent investment. However, there is considerable variability in risk during economic cycles.
BB	Below investment grade but capacity for timely repayment exists. Present or prospective financial protection factors fluctuate according to industry conditions or company fortunes. Overall quality may move up or down
B+	Possessing substantial risk that obligations will not be paid when due. Judged to be speculative to a high degree.
B	

The exposure excludes reinsurance on Incurred But Not Reported (IBNR).

Aside credit risk exposure from our investment policies, Allianz Nigeria is also exposed to this risk from its core business – outstanding premiums from clients. The Company categorizes its exposure to this risk based on business types (Direct and Brokered business) and periodically reviews outstanding receivables to ensure credit worthiness. Credit risk exposure to Direct Business is low as the Company evaluates the capacity of the debtors before inception of insurance policies. The Company's overall exposure to credit risk arising from both Direct and Brokered Business is relatively low due to the implementation of the 'No premium No Cover' (NPNC) rule where the Brokers business which typically has a higher risk is backed by credit notes issued to the insurance company as evidence of receipt of premiums which should be paid within 30days. This position is in line with NAICOM's premium remittance directive; which became effective since 1 January 2013.
Stringent measures have been placed by the Regulator to guide against credit default. Credit risk exposure operates from the level of brokered transactions with little emphasis placed on direct business. The Company's credit risk exposure to brokered business is very low as the Company requires brokers to provide credit note which is due 30 days from receipt before incepting insurance cover on behalf of their client.

Management of credit risk from outstanding premium

- We constantly review brokers' contribution to ensure that adequate attention is paid to high premium contributing brokers.
- 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 Company in order to coordinate and monitor the probability of default that could have an unfortunate impact.
- A specialised and focused credit control team handles the management and collection of problem credit facilities.

Notes to the financial statements - continued

50 Financial Risk Management Framework - continued

50.2.4 ***Impairment***

The Company assesses at each end of the reporting year whether there is an objective evidence that premium receivables are impaired. Premium receivable is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the premium receivable (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the premium debtor or company of premium debtors that can be reliably estimated. Objective evidence that a premium debtor or company of premium debtors (insured, agents or brokers) is impaired includes observable data that comes to the attention of the Company about the following events:

Significant financial difficulty of the premium debtor;

· A breach of contract, such as a default or delinquency in payments;

· It is becoming probable that the premium debtor (insured agents or brokers) will enter bankruptcy or other financial reorganisation;

· Adverse changes in the payment status of premium debtors in the company; or

· In a general case, as used in Allianz Nigeria, where the premium receivable is past due for a year above 90 days.

The Company, in the first instance, assesses whether objective evidence of impairment exists individually for trade debtors that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed trade debtor, whether significant or not, it includes the asset in a portfolio of premium debtors (trade debtors) with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on premium receivables, the amount of the loss is measured as the difference between the outstanding premium's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the interest free rate. The carrying amount of the premium receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income.

For the purpose of a collective evaluation of impairment, the Company has assumed a general risk profile/characteristics for all outstanding premium that is 90 days past due. Those characteristics are relevant to the estimation of future cash flows for portfolio of such premium receivables by being indicative of the debtor's ability to pay all amounts due under the insurance contractual terms being evaluated.

Only premium receivable for which a written commitment and agreement is executed would be carried in the books of the Company at any point in time. Also, businesses derived from broker outstanding for less than 30 days would also be considered in the books of the Company. This is in line with the "no premium no cover" policy.

If in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as cash payment), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of profit or loss and other comprehensive income.

50.2.5 ***Write-off policy***

The Company writes off premium debt balances when the Company's credit control unit determines that the premium debt is uncollectable and had been declared delinquent and subsequently classified as lost. This determination is made after considering information such as the continuous deterioration in the customer's financial position, such that the customer can no longer pay the obligation, or expiration of the insurance contract. Board approval is required for such write-off. The credit control unit continues with its recovery efforts and any premium debt subsequently recovered is treated as other income.

Notes to the financial statements - continued

50 Financial Risk Management Framework - continued

50.2.6 *Credit quality*

The credit quality of the Company's financial assets that are neither past due nor impaired is summarized below:

in thousands of Naira

31 December 2018	AA/A+ ₦'000	A ₦'000	BBB+/BB/B+ ₦'000	Unrated ₦'000
Cash and cash equivalents	-	164,560	3,064,927	
Investment securities		6,505,211	-	-
Loans and receivables	-	-	-	10,489
Trade receivables	-	-	-	69,838
Re-insurance assets	-	-	3,913,090	-
Other receivables	-	-	-	208,803
	-	**6,669,771**	**6,978,017**	**289,130**

in thousands of Naira

31 December 2017	AA/A+ ₦'000	A ₦'000	BBB+/BB/B+ ₦'000	Unrated ₦'000
Cash and cash equivalents	211,995	835	8,414,693	
Investment securities	-	202,505	-	627,103
Loans and receivables	-	-	-	50,932
Trade receivables	-	-	-	47,710
Re-insurance assets	-	-	3,795,649	-
Other receivables	-	-	-	44,206
	211,995	**203,340**	**12,210,342**	**769,951**

50.2.7 *Ageing analysis*

The ageing analysis of the Company's financial assets that are past due but not impaired is summarized below:

in thousands of Naira

31 December 2018	0-3 Months	3-6 Months	6-12 Months
Trade receivables	69,838	-	-
Re-insurance assets	162,500	-	-
	232,338	**-**	**-**

in thousands of Naira

31 December 2017	0-3 Months	3-6 Months	6-12 Months
Trade receivables	47,710	-	-
Re-insurance assets	46,718	-	-
	94,428	**-**	**-**

Notes to the financial statements - continued

50 Financial Risk Management Framework - continued

50.2.8 *Analysis of individually impaired assets*

The analysis of the Company's financial assets that are individually impaired is summarized below:

in thousands of Naira
31 December 2018

	Trade receivables	Other receivables
Gross amount	69,838	10,489
Impairment	-	-
	69,838	**10,489**

in thousands of Naira
31 December 2017

	Trade receivables	Other receivables
Gross amount	1,501,299	65,933
Impairment	(1,453,587)	(15,001)
	47,712	**50,932**

50.2.9 *Market risk*

The Company undertakes activities which give rise to a considerable level of market risks exposures (i.e. the risk that the fair value of future cash flows of our trading and investment positions or other financial instruments will fluctuate because of changes in market prices). Market risks can arise from adverse changes in interest rates, foreign exchange rates, equity prices, commodity prices and other relevant factors such as market volatilities. The objective of market risk management activities is to continually manage and control market risk exposure within acceptable parameters, while optimizing the return on risks taken.

50.2.10 *Management of market risk*

The Company has an independent Risk Management unit which assesses, monitors, manages and reports on market risk taking activities across the Company. We have continued to enhance our Market Risk Management Framework. The operations of the Unit is guided by the mission of "inculcating enduring market risk management values and culture, with a view to reducing the risk of losses associated with market risk-taking activities and optimizing risk-reward trade-off."

The Company's market risk objectives, policies and processes are aimed at instituting a model that objectively identifies, measures and manages market risks in the Company and ensure that:

1. The individuals who take or manage risk clearly understand it.
2. The Company's risk exposure is within established limits.
3. Risk taking decisions are in line with business strategy and objectives set by the Board of Directors.
4. The expected payoffs compensate for the risks taken.
5. Sufficient capital, as a buffer, is available to take risk.

The Company proactively manages its Market risk exposures within the acceptable levels.

Allianz Nigeria Insurance plc currently does not offer very complex derivative products. However, we are already building capacity (both systems and training/knowledge base) to enable us handle these products as and when introduced.

50.3 Equity price risk

The Company is exposed to equity price risk by holding investments quoted on the Nigerian Stock Exchange (NSE) and other non-quoted investments. Equity securities quoted on the NSE is exposed to movement based on the general movement of the All Share Index and movement in prices of specific securities held by the Company.
The Company's management of equity price risk is guided by stop loss limit analysis, stock to total loss limit analysis and investment quality and limit analysis.

50.3.1 *Investment quality and limit analysis*

The Board Investment Committee establishes and approves a list of eligible listed and unlisted stocks aligned with investment approval/dealer limits. These approval limits are illustrated using an approval hierarchy that establishes different levels of authority necessary to approve investment decisions of different naira amounts. The approval limit system:

- sets out lower limits for Chief Financial Officer (CFO) and, or provides the CFO with the authority to assign limits to subordinates;
- requires that investment decisions above this personal discretionary limit requires approval by the Board of Directors.

Stop loss limit analysis

The eligible stocks are further categorized based on market capitalizations, liquidities and market volatilities of the economic sector. These categorisations are assigned stop loss limits and maximum holding days for trading as a measure of the amount of loss the Company is willing to accept, periodic reviews and reassessments are undertaken on the performance of the stocks. The stop loss limits on classes of stocks as approved by Board Investment Commitee are depicted below:

Sectors	Banking	All other sectors
Stop loss limit	30%	35%

50.3.2 *Stock to Total Limit Analysis*

Considering the volatility of stocks (typically quoted stocks), the Company monitors the contribution of individual stock to the total stocks holding in a portfolio. The objective of the analysis is to evaluate the Company's concentration on individual stock and ultimately exposure to market volatility if the price of any of the stocks should drastically drop.
As at 31 December 2018, the Company exposure to market risk via equity price risk has significantly reduced as the total portfolio was ₦2,660,000 (2017: Nil).
The sectorial distribution of equity investments was as follows:

31 December 2018	Cost	Market Value	Sectorial Proportion	Loss Limit Benchmark	Weighted Ave. Loss Limit	% Gain/(Loss)	Sectorial Weighted Ave.
	₦'000	₦'000	%	%	%	%	%
Banking	1,422	1,422	53%	30%	16%	0%	0%
Petroleum	1,238	1,238	47%	35%	16%	0%	0%
	2,660	**2,660**					

The Company manages its exposure to equity price risk through adherence to stop loss limits and investments in eligible stocks as approved by the Board. Potential losses as seen in the schedules above, were within the Company's stated risk appetite. The Company's further reduced its exposure to equity price risk with relatively low investment in quoted equities. Quoted equities accounts for 1% (2017: 0%) of the entire investment portfolio as at 31 December 2018.

Equity price risk sensitivity

2018	Decreased by 1%	Decreased by 4%
Impact on profit	(27)	(106)
Tax charge of 30%	(8)	(32)

50 Financial Risk Management Framework - continued

50.3.3 *Interest rate risk*

The Company is moderately exposed to interest-rate risk through its conservative investment approach with high investment in Fixed Income and Money Market instruments. Interest rate risk also exists in policies that carry investment guarantees on early surrender or at maturity, where claim values can become higher than the value of backing assets as a result of rises or falls in interest rates.

A significant portion of the Company's assets relate to its capital rather than liabilities; the value of its interest rate based assets exceeds its interest rate based liabilities. As a result, generally, the Company's investment income will move with interest rates over the medium to long-term with short-term interest rate fluctuations resulting in income in the statement of profit or loss and other comprehensive income.

The Company is exposed to a moderate level of interest rate risk-especially on the investment contracts (i.e. the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates). Similar to the last financial year, interest rate was fairly volatile. These changes could have a negative impact on the Net Interest Income, if not properly managed. The Company, however, has a significant portion of its liabilities in non-rate sensitive liabilities. This greatly assists it in managing its exposure to interest rate risks.

Sensitivity analysis are carried out from time to time to evaluate the impact of rate changes on the net interest income (ranging from 100 basis point to 500 basis points). The assessed impact has not been significant on capital or earnings of the Company.

The exposure to interest rate risk primarily results from timing differences as well as differences in guaranteed interest on interest-bearing liabilities, the fluctuation in interest earned on interest-earning financial assets as well as interest on bank overdraft facility. The Company currently maintains a 4% guaranteed interest on interest-bearing liabilities and from time to time, the Company ensures that assets designated under policy holders' fund maintain a minimum of 5% interest rate gap between interest-earning assets and liabilities.

The sensitivity analysis is to test the impact of fluctuation in interest rates on interest-earning assets that would impact on the profit before income tax of the Company. A summary of the Company's interest rate gap position using 200 basis points' sensitivity analysis is given in the table below:

31 December 2018	**1-3 Months**	**3-12 Months**	**12 Months & Above**	**Total**
Total interest earning assets	**N'000**	**N'000**	**N'000**	**N'000**
Short term placements	2,908,761	-	-	2,908,761
Cash at bank	672,950	-	-	672,950
Loans and receivables	10,489	-	-	10,489
Statutory deposits	-	-	500,000	500,000
	3,592,200	**-**	**500,000**	**4,092,200**
Total interest bearing liabilities				
Borrowings	-	166,755	-	166,755
Investment contract liabilities	136,623	101,837	695,785	934,245
	136,623	**268,592**	**695,785**	**1,101,000**
Gap	**3,455,577**	**(268,592)**	**(195,785)**	**2,991,200**
Increase by 2%	69,112	(5,372)	(3,916)	59,824
Increase by 4%	138,223	(10,744)	(7,831)	119,648
Decrease by 2%	(69,112)	5,372	3,916	(59,824)
Decrease by 4%	(138,223)	10,744	7,831	(119,648)

50 Financial Risk Management Framework - continued

31 December 2017

	1-3 Months	3-12 Months	12 Months & Above	Total
	₦'000	₦'000	₦'000	₦'000
Short term placements	1,142	-	-	1,142
Cash at bank	8,625,958	-	-	8,625,958
Held to maturity	-	202,505	-	202,505
Loans & receivables	50,932	-	-	50,932
Statutory deposits	-		500,000	500,000
Total interest earning assets	**8,678,032**	**202,505**	**500,000**	**9,380,537**
Borrowings	-	254,208		254,208
Investment contract liabilities	211,017	292,870	551,200	1,055,087
	211,017	**547,078**	**551,200**	**1,309,295**
Gap	**8,467,015**	**(90,365)**	**(51,200)**	**8,071,242**
Increase by 2%	169,349	(6,891)	(1,024)	161,434
Increase by 4%	338,698	(13,783)	(2,048)	322,867
Decrease by 2%	(169,349)	6,891	1,024	(161,434)
Decrease by 4%	(338,698)	13,783	2,048	(322,867)

50.3.4 *Foreign currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Allianz Nigeria Insurance plc is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency. The Company is exposed to foreign currency denominated in dollars with investment in dollar-denominated fixed deposits and bank balances in other foreign currencies.

The Company's principal transactions are carried out in Naira and its exposure to foreign exchange risk arise largely with respect to US Dollar.

The Company's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities. The main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment contract liabilities are expected to be settled.

The Company limits its foreign exchange exposure to 69% of total investment portfolio in accordance with its investment policy. Foreign currency changes are monitored by the Board Investment Committee and holdings are adjusted when offside the investment policy. The Company further manages its exposure to foreign risk exchange using sensitivity analysis to assess potential changes in the value of foreign exchange positions and the impact of such changes on the Company's investment income. At the end of the year, the foreign currency investments held in the portfolio were on unquoted equity and cash and cash equivalents.

There have been no major changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

50 Financial Risk Management Framework - continued

50.3.4 Foreign currency risk - continued

The table below summarises the Company's financial assets and liabilities by major currencies:

31 December 2018
In thousands of Naira

	Note	Total	Naira	US Dollars	Euro	Pound Sterling
Assets		**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Cash and cash equivalents	5	3,582,363	3,006,298	574,504	1,359	202
Financial assets at fair value through profit or loss	6(c)	2,660	2,660	-	-	-
Available-for-sale financial assets	6(b)	7,335,997	7,265,193	70,804	-	-
Loans and receivables	6(d)	10,489	10,489	-	-	-
Trade receivables	7	69,838	69,838	-	-	-
Recoverable from reinsurers on claims paid	8	162,500	162,500	-	-	-
Other receivables		208,803	208,803	-	-	-
Statutory deposits	14	500,000	500,000	-	-	-
Total		**11,872,650**	**11,225,781**	**645,308**	**1,359**	**202**
Liabilities						
Borrowings	15	166,755	166,755	-	-	-
Investment contract liabilities	17	934,245	934,245	-	-	-
Trade payables	18	297,474	29,747	267,727	-	-
Other payables		242,268	242,268	-	-	-
Total		**1,640,742**	**1,373,015**	**267,727**	**-**	**-**

31 December 2017

In thousands of Naira		Total	Naira	US Dollars	Euro	Pound Sterling
		₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Assets						
Cash and cash equivalents	5	8,627,523	4,077	8,621,728	1,568	150
Financial assets at fair value through profit or loss	6(c)	202,505	202,505	-	-	-
Available-for-sale financial assets	6(b)	576,171	511,518	64,653	-	-
Loans and receivables	6(d)	50,932	50,932	-	-	-
Trade receivables	7	47,710	47,710	-	-	-
Recoverable from reinsurers on claims paid	8	46,718	46,718	-	-	-
Other receivables		44,206	44,206	-	-	-
Statutory deposits	14	500,000	500,000	-	-	-
Total		**10,095,765**	**1,407,666**	**8,686,381**	**1,568**	**150**
Liabilities						
Borrowings	15	254,208	254,208	-	-	-
Investment contract liabilities	17	1,055,087	1,055,087	-	-	-
Trade payables	18	542,370	54,237	488,133	-	-
Other payables		1,782,249	1,782,249	-	-	-
Total		**3,633,914**	**3,145,781**	**488,133**	**-**	**-**

50 Financial Risk Management Framework - continued

50.3.4 Foreign currency risk - continued

The following table details the effect of foreign exchange risk on the profit or loss as at 31 December 2018.

Foreign exchange sensitivity

31 December 2018

Financial assets exposed to foreign exchange risk	US Dollars ₦'000	Euro ₦'000	Pound Sterling ₦'000
Effect on profit or loss			
Increase by 1%	3,776	14	2
Decrease by 1%	(3,776)	(14)	(2)

31 December 2017

Financial assets exposed to foreign exchange risk	US Dollars ₦'000	Euro ₦'000	Pound Sterling ₦'000
Effect on profit or loss			
Increase by 1%	82,265	16	(293)
Decrease by 1%	(82,265)	(16)	293

50.4 *Liquidity risk*

Liquidity risk is the potential loss arising from the Company's inability to meet its obligations as they fall due or to fund increases in assets without incurring unacceptable cost or losses. Liquidity risk is not viewed in isolation, because financial risks are not mutually exclusive and liquidity risk is often triggered by consequences of other risks such as insurance claims risk, credit, market and operational risks.

The Company mitigates this risk by monitoring cash activities and expected outflows. The Company's current liabilities arise as claims are made and clients request for termination of their investment-linked products. The Company has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claims payments are funded by current operating cash flow including investment income. The Company has no tolerance for liquidity risk and is committed to meeting all liabilities as they fall due.

The Company's investment policy requires minimum limit of 60% of the Company's investment portfolio be held in cash and short-term investments; this highlights availability of liquid marketable securities sufficient to meet its liabilities as at when due. Short term investments include treasury bills and term deposits with an original maturity of less than one year.

50.4.1 *Liquidity risk management process*

The Company has a sound and robust liquidity risk management framework that ensures that sufficient liquidity, including a cushion of unencumbered and high quality liquid assets are maintained at all times, to enable the Company withstand a range of stress events, including those that might involve claim loss or significant impairment of funding sources.

The Company's liquidity risk exposure is monitored and managed by the Asset and Liability Management team on a regular basis. This process includes:

- Projecting cash flows and considering the level of liquid assets necessary in relation thereto;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements;
- Maintaining a diverse range of funding sources with adequate back-up facilities;
- Managing the concentration and profile of debt maturities;
- Maintaining liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimizing any adverse long-term implications for the business;
- Regular conduct of stress testing, coupled with testing of contingency funding plans from time to time.

The maximum cumulative outflow has remained positive all through the short tenor maturity buckets. Assessments are carried out on contractual and behavioural bases. These reveal very sound and robust liquidity position of the Company.

The Company maintains adequate liquid assets and marketable securities sufficient to manage any liquidity stress situation.

Notes to the Financial Statements - continued

50 Financial Risk Management Framework - continued

50.4 Liquidity risk

Liquidity risk is the potential loss arising from the Company's inability to meet its obligations as they fall due or to fund increases in assets without incurring unacceptable cost or losses. Liquidity risk is not viewed in isolation, because financial risks are not mutually exclusive and liquidity risk is often triggered by consequences of other risks such as insurance claims risk, credit, market and operational risks.

The Company mitigates this risk by monitoring cash activities and expected outflows. The Company's current liabilities arise as claims are made and clients request for termination of their investment-linked products. The Company has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claims payments are funded by current operating cash flow including investment income. The Company has no tolerance for liquidity risk and is committed to meeting all liabilities as they fall due.

The Company's investment policy requires minimum limit of 60% of the Company's investment portfolio be held in cash and short-term investments; this highlights availability of liquid marketable securities sufficient to meet its liabilities as at when due. Short term investments include treasury bills and term deposits with an original maturity of less than one year.

50.4.1 ***Liquidity risk management process***

The Company has a sound and robust liquidity risk management framework that ensures that sufficient liquidity, including a cushion of unencumbered and high quality liquid assets are maintained at all times, to enable the Company withstand a range of stress events, including those that might involve claim loss or significant impairment of funding sources.

The Company's liquidity risk exposure is monitored and managed by the Asset and Liability Management team on a regular basis. This process includes:

- Projecting cash flows and considering the level of liquid assets necessary in relation thereto;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements;
- Maintaining a diverse range of funding sources with adequate back-up facilities;
- Managing liquidity and funding contingency plabs. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimizing any adverse long-term implications for the business;
- Regular conduct of stress testing, coupled with testing of contingency funding plans from time to time.

The maximum cumulative outflow has remained positive all through the short tenor maturity buckets. Assessments are carried out on contractual and behavioural bases. These reveal very sound and robust liquidity position of the Company.

The Company maintains adequate liquid assets and marketable securities sufficient to manage any liquidity stress situation.

Notes to the financial statements - continued

50 Financial Risk Management Framework - continued

50.4.2 Below is a summary of the contractual repricing or maturity dates (whichever is earlier) of financial assets matched with financial liabilities

31 December 2018	Note	Carrying Amount	Gross Nominal Amount	0-3 Months	3-6 Months	6-12 Months	1-5 Years	Over 5 Years
In thousands of Naira								
Financial Assets								
Cash and cash equivalents	5	3,582,363	3,582,363	3,582,363	-	-	-	-
Available-for-sale financial assets	6(b)	7,335,997	7,299,705	4,994,152	-	1,508,399	-	833,446
Financial assets at fair value through profit or loss	6(c)	2,660	2,660	2,660	-	-	-	-
Loans and receivables	6(d)	10,489	9,440	-	-	10,489	-	-
Trade receivables	7	69,838	69,838	69,838	-	-	-	-
Recoverable from reinsurers on claims paid	8	162,500	162,500	162,500	-	-	-	-
Other receivables		208,803	208,803	104,402	104,402	-	-	-
Statutory deposits	14	500,000	500,000	-	-	-	-	500,000
		11,872,650	**11,835,309**	**8,915,915**	**104,402**	**1,518,888**	**-**	**1,333,446**
Financial Liabilities								
Borrowings	15	166,755	167,149	167,149	-			
Investment contract liabilities	17	934,245	934,245	136,623	66,641	65,962	512,993	152,026
Trade payables	18	297,474	297,474	-	297,474	-	-	-
Other payables		242,268	242,268	-	242,268	-	-	-
		1,640,742	**1,641,136**	**303,772**	**606,383**	**65,962**	**512,993**	**152,026**
Excess of assets over liabilities		**10,231,908**	**10,194,173**	**8,612,143**	**(501,982)**	**1,452,926**	**(512,993)**	**1,181,420**

Notes to the financial statements - continued

31 December 2017	Note	Carrying Amount	Gross Nominal Amount	0-3 Months	3-6 Months	6-12 Months	1-5 Years	Over 5 Years
In thousands of Naira								
Financial Assets								
Cash and cash equivalents	5	8,627,523	8,627,523	8,627,523	-	-	-	-
Held to maturity investments	6(a)	202,505	200,000	-	202,505	-		-
Available for sale financial assets	6(b)	576,171	576,171	-	-	-	-	576,171
Loans and receivables	6(d)	50,932	45,839	-	-	50,932	-	-
Trade receivables	7	47,710	47,710	47,710	-	-	-	-
Recoverable from reinsurers on claims paid	8	46,718	46,718	46,718	-	-	-	-
Other receivables		44,206	44,206	22,103	22,103	-	-	-
Statutory deposits	14	500,000	500,000	-	-	-	-	500,000
		10,095,765	**10,088,167**	**8,744,054**	**224,608**	**50,932**	**-**	**1,076,171**
Financial Liabilities								
Borrowings	15	254,208	254,808	14,952	239,256			
Investment contract liabilities	17	1,055,087	949,578	211,017	58,030	234,840	126,610	424,590
Trade payables	18	542,370	542,370	-	542,370	-	-	-
Other payables		1,782,249	1,782,249		1,782,249			
		3,633,914	**3,529,005**	**225,969**	**2,621,905**	**234,840**	**126,610**	**424,590**
Excess of assets over liabilities		**6,461,851**	**6,559,162**	**8,518,085**	**(2,397,297)**	**(183,908)**	**(126,610)**	**651,581**

Notes to the financial statements - continued

50 Financial Risk Management Framework - continued

50.5 Insurance risk

Insurance risk is the risk that future risk claims and expenses will exceed the value placed on insurance liabilities. It occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts. The timing is specifically influenced by future mortality, longevity, morbidity, persistency and expenses about which assumptions are made in order to place a value on the liabilities. Deviations from assumptions will result in actual cash flows differing from those projected in the policyholder liability calculations. As such, each assumption represents a source of uncertainty.

50.5.1 Insurance premium rating

(a) Individual life products – Term Assurance, Endowments and Savings Plan
The price for an individual life product is adjusted for the following risk factors:

- Age;
- Gender;
- Smoker status;
- Medical conditions;
- Financial condition; and
- Hazardous pursuits.

The Company employs the following additional controls and measures to ensure that only acceptable risks are accepted and risks are appropriately priced:

- Underwriting controls, with risk classification based on the above risk factors;
- Regular review of premium rates; and
- Appropriate policy conditions, including any exclusion on the cover on the individual's life.

Premium rates are guaranteed for the year up to the renewal of a policy, typically, after 1 year.

(b) Deposit administration
Premium rating on deposit administration policies distinguishes between the ages and genders of prospective policyholders. Annual premiums, payable up-front, are repriced at renewal of the deposit administration policies.

(c) Group life products
Underwriting on group business is much less stringent than for individual business, as there is typically less scope for anti-selection. The main reason for this is that participation in the group schemes is normally compulsory, and members have limited choice in the level of the benefits.
Company policies are priced using standard mortality tables. The price for an individual scheme is adjusted for the following risk factors:

- Lifestyle;
- Salary structure;
- Gender structure; and
- Industry.

For large schemes, a scheme’s past experience is a crucial input in setting rates for the scheme. The larger the scheme the more weight is given to the scheme’s past experience. Rates are guaranteed for one year and reviewable at the renewal of the policy.

Notes to the financial statements - continued

Notes to the financial statements - continued

50 Financial Risk Management Framework - continued

50.5.1 Insurance premium rating - continued

(d) Short-term insurance products

Underwriting on short-term insurance products takes the form of the insurance applicant completing a proposal form. The following risk factors are used in the risk classification:

- Age and gender of the insured driver or operator;
- Value of the item(s) to be covered;
- Use of the item(s) to be insured, for example, premium rates distinguish business and personal use for vehicle cover;
- Physical condition of the item(s) to be insured;
- Safety and security features installed; and
- Past claims experience, for example, the premium rate payable on vehicle cover reflects the past claims experience on the vehicle and driver to be insured.

Where the value of the item(s) to be insured exceeds a pre-specified limit, the underwriting becomes more stringent. This is particularly the case for marine and aviation cover. In this case the Company makes use of specialist underwriting agents to assess the risks and set an appropriate premium for cover.

Premium rates are guaranteed for the year up to the renewal of a policy, typically, after 1 year.

50.5.2 Mortality and morbidity risks

The risk that actual experience in respect of the rates of mortality and morbidity may vary from what is assumed in pricing and valuation, depending on the terms of different products. The material classes of business most affected by these risks are discussed below.

(a) Individual life products – Term assurance, Endowment, Savings Plans

Products are sold directly to individuals providing a benefit on death. The main insurance risk relates to the possibility that rates of death may be higher than expected. This may be due to:

- Normal statistical variation due to the random nature of the insured events;
- Natural catastrophes such as floods, and unnatural catastrophes such as acts of terrorism;
- The impact of HIV/AIDS or other health epidemics like Ebola;
- Anti-selection such as when a policyholder with a pre-existing condition or disease purchases a product where a benefit will be paid on death;
- The effect of selective withdrawal; and
- Concentration risk, which is the risk of a large number of claims from a single event or in a particular geographical area.

For contracts with fixed and guaranteed benefits (such as the minimum death benefits available on savings plan policies) and fixed future premiums, there are no mitigating terms that reduce the risk accepted by Company. The Company therefore employs some underwriting controls to ensure that only acceptable risks are accepted.

The following additional controls and measures are in place in order to ensure that the Company manages its exposure to mortality risk:

- Claims assessment processes to ensure only valid claims are paid;
- Reinsurance to limit liability on particularly large claims or substandard risks; and
- Concentration risk is reduced by diversification of business over a large number of independent lives, as well as by taking out catastrophe reinsurance.

(b) Group life products

Employee benefit products provide life cover to members of a group, such as employees of companies or members of trade unions.

A surplus treaty reinsurance agreement is in place to ensure that the exposure to the mortality risk in its group life business is managed and limited to a specified limit.

Notes to the financial statements - continued

Notes to the financial statements - continued

50 Financial Risk Management Framework - continued

50.5.1 Insurance premium rating - continued

(c) Deposit administration

Deposit administration contracts provide a guaranteed life annuity conversion at the maturity of the contract. The mortality risk in this case is that the policyholders may live longer than assumed in the pricing of the contract. This is known as the risk of longevity.

The Company manages this risk by allowing for improvements in mortality when pricing and valuing the contracts. The Company also performs more detailed actuarial experience investigations and adjusts assumptions in pricing for new contracts and valuation of existing contracts when necessary.

50.5.3 Claims management risk

- This is the risk that the insurer may be unable to manage the settlement process by which insurers fulfils their contractual obligation to policyholders. All insurers are required to have in place a claims management policy and procedure for ensuring that claims are handled fairly and promptly. In establishing and maintaining effective claims handling systems and procedures, Allianz Nigeria Insurance plc considers the following factors:
- Appropriate systems and controls shall be maintained to ensure that all liabilities or potential liabilities notified to the insurer are recorded promptly and accurately. Accordingly, the systems and controls in place should ensure that a proper record is established for each notified claim;
- Suitable controls shall be maintained to ensure that estimates for reported claims and additional estimates based on Guideline For Developing a Risk Management Framework For Insurers and Reinsurers in Nigeria statistical evidence are appropriately made on a consistent basis and are properly categorized;
- Regular reviews of the actual outcome of the estimates made shall be carried out to check for inconsistencies and to ensure that procedures remain appropriate. The reviews should include the use of statistical techniques to compare the estimates with the eventual cost of settling the claims, after deducting the amounts already paid at the time the estimates were made;
- A functional systems shall be in place to ensure that claim files without activity are reviewed on a regular basis;
- Appropriate systems and procedures should be in place to assess the validity of notified claims by reference to the underlying contracts of insurance and reinsurance treaties;
- Suitable systems shall be adopted to accommodate the use of suitable experts such as loss adjusters, lawyers, actuaries, accountants etc. as and when appropriate, and to monitor their use; and
- Appropriate procedures shall be put in place to identify and handle large or unusual claims, including system to ensure that senior management are involved from the outset in the processing of claims that are significant because of their size or nature.

Notes to the financial statements - continued

50 Financial Risk Management Framework - continued

50.5.4 Claims experience risk

In terms of the short-term insurance contracts held by the Company, the claims experience risk for these policies is that the number of claims and/or the monetary claim amounts are worse than that assumed in the pricing basis.

The Company manages this risk by charging premiums which are appropriate to the risks under the insurance contracts.

Under the short-term insurance products, the Company also holds a concentration risk, which is the risk of a large number of claims from a single event or in a particular geographical area. This risk is reduced by diversifying over a large number of uncorrelated risks, as well as taking out catastrophe reinsurance.

50.5.5 Outstanding claims

This represents the estimated ultimate cost of settling all claims arising from incidents occurring as at the date of the statement of financial position including Incurred But Not Reported Claims Provision (IBNR). Provision for outstanding claims of ₦2.756 billion (2017: ₦1.880 billion) for general business and ₦1.660 billion (2017: ₦1.862 billion) for life business was determined based on actuarial valuation carried out by third party actuaries.

(a) Reserving Methods and Assumptions

The provision for outstanding claims, including IBNR, was determined for each line of business on both gross and net of reinsurance basis. An accident year cohort was used to group claims to study the settlement pattern. In some cases, only the year of accidents or settlement was given and hence made it impossible to identify the exact year when the accident occurred or settlement was made. However, where such cases arose, we have assumed that the accident occurred or settlement was made in the same year.
The following approaches were used in carrying out the calculations:

(i) The Basic Chain Ladder Method (BCL)

The Basic Chain Ladder method forms the basis to the reserving methods explained below. Historical incremental claims paid were grouped into accident year cohorts by class of business - representing when they were paid after their accient year e.g. year 2007 e.t.c. These cohorts are called loss development triangles. The incremental paid claims are cumulated to the valuation date and projected to their expected ultimate claim estimate. The gross claim reserve is then derived from the difference between the cumulated paid claims and the estimated ultimate claim. For the more recent years, the Bornheutter Chain Ladder Model method was used as a check on the reserves that were calculated using the Basic Chain Ladder Model. The appropriate loss ratio used is normally the average of fully developed historical years.

(ii) The Inflation Adjusted Chain Ladder Method (IACL):

Under this method, the historical paid losses are stripped off from inflationary effects using the corresponding inflation index in each of the accident years. We then estimate loss development ratio used to project the cumulative historical paid claims to their ultmate values for each accident year. The difference between the estimated ultimate values and the cumulative historical paid claims forms the expected gross claim reserves. These are then inflated by the corresponding inflation index from payment years to the future year of payment of the outstanding claims.

Notes to the financial statements - continued

50 Financial Risk Management Framework - continued

50.5.5 Outstanding claims - continued

The Inflation Adjusted Chain Ladder Method (IACL)

Year	Inflation Index
2007	6.60%
2008	15.10%
2009	13.90%
2010	11.80%
2011	10.30%
2012	12.00%
2013	8.00%
2014	8.30%
2015	9.60%
2016	18.48%
2017	15.37%
2018	12.00%

The calculation are on two basis;
- By discounting the claims estimated to the valuation date at a discount rate of 13**%** p.a (2017: 15%)
- With no discounting

(iii) Expected Loss Ratio:
This method is simple and gives an approximate estimate. We adopted this method as a check on our ultimate projections and also where the volume of data available is too small to be credible when using a statistical approach. Under the method, we obtained the Ultimate claims by studying the historical loss ratios, investigating any differences and using judgements to derive a loss ratio. Paid claims already emerged is then deducted from the estimated Ultimate claims to obtain our reserves.

(iv) Frequency and Severity Method (Average Cost per claim):
This method investigates the trend of the claim frequency and average cost per claim for each accident year. An Average of the fully run off accident years is used as a guide on the ultimate claim frequency and ultimate average cost which is then adopted for the accident years that are not fully run off. Large losses distorting the claims payment trend were excluded from all our chain ladder projections and analyzed separately using Average Cost per claim method.

(b) Assumptions

- Policies are written uniformly throughout the Year for each class of business.
- Claims occur uniformly throughout the year for each class of business. This implies that claims occur on average halfway through the year.
- The future claims 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 years.
- An implicit assumption of the chain ladder is that weighted past average inflation will remain unchanged in the future.
- The method also assumes the gross claim amount includes all related claim expenses. If this is not the case, a separate reserve would be held to cover claim expenses.
- The UPR is calculated on the assumption that risk will occur evenly during the duration of the policy.
- Under the Average Cost per claim method, we assumed the early years e.g. accident years 2006 and 2007 are fully developed.
- For Oil & Gas, Aviation and Bond, the valuation used the expected loss ratio method to calculate the reserves.

Notes to the Financial Statements - continued

50 Financial Risk Management Framework - continued

(c) Valuation Approach/Methodology

The valuation approach/methodology is similar to those adopted in the last valuation cycle (see table below for valuation methodology)

Class of Business	
Motor	Discounted IABCL
General Accident	Discounted IABCL
Marine	Discounted IABCL
Engineering	Discounted IABCL
Avaition	Expected Loss Ratio
Oil & Gas	Expected Loss Ratio
Bond	Expected Loss Ratio

(d) Large Loss Threshold

The table below shows the large loss cut off level assumed for each class of business. SD below means Standard Deviation of the claim distribution.

Class of business	Large Loss	Comment on Derivation
General Accident	5,334,623	Mean + 3SD
Engineering	16,802,323	Mean + 3SD
0	10,965,995	Mean + 3SD
0	13,472,092	Mean + 3SD
0	4,000,000	4m assumed
Oil & Gas	N/A	Not Applicable
Aviation	N/A	Not Applicable

Claims development tables
Incremental Chain Ladder (Table of claims paid excluding large claims (Attritional Table))

Incremental Chain ladder-Yearly Projections (₦'000)												
Accident year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
2007	30,951	74,146	7,881	8,582	1,389	1,155	117	4	-	-	-	-
2008	39,091	42,317	13,036	8,579	3,932	1,958	2,251	-	-	-	628	-
2009	24,448	40,314	9,150	5,655	3,604	1,843	221	10	199	-	-	-
2010	37,664	46,863	10,425	4,367	2,470	374	254	-	320	-	-	-
2011	55,050	44,937	14,316	10,140	1,925	3,314	309	375	-	-	-	-
2012	53,118	55,904	15,596	1,938	1,688	293	2,066	-	-	-	-	-
2013	78,473	48,402	8,298	733	1,025	950	-	-	-	-	-	-
2014	88,582	63,755	16,731	5,478	2,291	-	-	-	-	-	-	-
2015	30,779	30,680	8,324	6,218	-	-	-	-	-	-	-	-
2016	52,527	51,288	11,699	-	-	-	-	-	-	-	-	-
2017	43,148	49,050	-	-	-	-	-	-	-	-	-	-
2018	48,415	-	-	-	-	-	-	-	-	-	-	-

The historical paid losses were inflated to reflect the valuation year's value using the corresponding inflation index as disclosed in the valuation assumptions section.

Notes to the Financial Statements - continued

50 Financial Risk Management Framework - continued

Inflation Adjusted Chain Ladder

Inflation Adjusted Cumulative Chain ladder-Yearly Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	109,278	227,440	21,224	20,672	3,032	2,252	212	6	-	-	-	-
2008	119,908	113,964	31,403	18,735	7,667	3,534	3,753	-	-	-	628	-
2009	65,841	97,110	19,983	11,027	6,507	3,073	335	13	221	-	-	-
2010	90,728	102,345	20,328	7,884	4,118	569	326	-	320	-	-	-
2011	120,225	87,624	25,847	16,905	2,928	4,255	344	375	-	-	-	-
2012	103,577	100,933	26,000	2,948	2,167	326	2,066	-	-	-	-	-
2013	141,682	80,692	12,623	941	1,141	950	-	-	-	-	-	-
2014	147,677	96,978	21,480	6,096	2,291	-	-	-	-	-	-	-
2015	46,817	39,388	9,263	6,218	-	-	-	-	-	-	-	-
2016	67,437	57,073	11,699	-	-	-	-	-	-	-	-	-
2017	48,015	49,050	-	-	-	-	-	-	-	-	-	-
2018	48,415	-	-	-	-	-	-	-	-	-	-	-

Cumulative Inflation Adjusted Chain Ladder

Inflation Adjusted Cumulative Chain ladder-Yearly Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	109,278	336,718	357,942	378,615	381,647	383,899	384,111	384,117	384,117	384,117	384,117	384,117
2008	119,908	233,872	265,275	284,010	291,677	295,211	298,964	298,964	298,964	298,964	299,592	-
2009	65,841	162,951	182,934	193,961	200,468	203,541	203,876	203,889	204,110	204,110	-	-
2010	90,728	193,073	213,400	221,285	225,402	225,971	226,298	226,298	226,618	-	-	-
2011	120,225	207,849	233,696	250,601	253,529	257,784	258,128	258,503	-	-	-	-
2012	103,577	204,510	230,510	233,458	235,625	235,951	238,017	-	-	-	-	-
2013	141,682	222,373	234,996	235,937	237,078	238,027	-	-	-	-	-	-
2014	147,677	244,655	266,134	272,230	274,521	-	-	-	-	-	-	-
2015	46,817	86,206	95,469	101,687	-	-	-	-	-	-	-	-
2016	67,437	57,073	11,699	-	-	-	-	-	-	-	-	-
2017	48,015	49,050	-	-	-	-	-	-	-	-	-	-
2018	48,415	-	-	-	-	-	-	-	-	-	-	

Loss Dev											
Factors	1.99	1.10	1.04	1.01	1.01	1.00	1.00	1.00	1.00	1.00	1.00

Notes to the Financial Statements - continued

50 Financial Risk Management Framework - continued

Projected Table

Incremental Chain ladder-Annual Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	109,278	336,718	357,942	378,615	381,647	383,899	384,111	384,117	384,117	384,117	384,117	384,117
2008	119,908	233,872	265,275	284,010	291,677	295,211	298,964	298,964	298,964	298,964	299,592	299,592
2009	65,841	162,951	182,934	193,961	200,468	203,541	203,876	203,889	204,110	204,110	204,110	204,110
2010	90,728	193,073	213,400	221,285	225,402	225,971	226,298	226,298	226,618	226,618	226,618	226,618
2011	120,225	207,849	233,696	250,601	253,529	257,784	258,128	258,503	258,503	258,503	258,503	258,503
2012	103,577	204,510	230,510	233,458	235,625	235,951	238,017	238,085	238,085	238,085	238,085	238,085
2013	141,682	222,373	234,996	235,937	237,078	238,027	240,590	240,659	240,659	240,659	240,659	240,659
2014	147,677	244,655	266,134	272,230	274,521	277,814	279,034	279,114	279,114	279,114	279,114	279,114
2015	46,817	86,206	95,469	101,687	120,413	121,400	121,933	121,968	121,968	121,968	121,968	121,968
2016	67,437	124,510	136,208	153,601	155,815	157,092	157,782	157,827	157,827	157,827	157,827	157,827
2017	48,015	97,065	166,541	173,860	176,367	177,813	178,594	178,645	178,645	178,645	178,645	178,645
2018	48,415	106,893	117,486	122,649	124,418	125,437	125,988	126,024	126,024	126,024	126,024	126,024

From the above tables, we illustrate the total expected payment for each future year as follows:

Incremental

Discounted Cumulative IAB Chain ladder-Annual Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	109,278	336,718	357,942	378,615	381,647	383,899	384,111	384,117	384,117	384,117	384,117	384,117
2008	119,908	233,872	265,275	284,010	291,677	295,211	298,964	298,964	298,964	298,964	299,592	299,592
2009	65,841	162,951	182,934	193,961	200,468	203,541	203,876	203,889	204,110	204,110	204,110	204,110
2010	90,728	193,073	213,400	221,285	225,402	225,971	226,298	226,298	226,618	226,618	226,618	226,618
2011	120,225	207,849	233,696	250,601	253,529	257,784	258,128	258,503	258,503	258,503	258,503	258,503
2012	103,577	204,510	230,510	233,458	235,625	235,951	238,017	238,081	238,081	238,081	238,081	238,081
2013	141,682	222,373	234,996	235,937	237,078	238,027	240,438	240,496	240,496	240,496	240,496	240,496
2014	147,677	244,655	266,134	272,230	274,521	277,619	278,634	278,693	278,693	278,693	278,693	278,693
2015	46,817	86,206	95,469	101,687	119,303	120,125	120,517	120,540	120,540	120,540	120,540	120,540
2016	67,437	124,510	136,208	152,570	154,413	155,354	155,804	155,830	155,830	155,830	155,830	155,830
2017	48,015	48,015	113,373	119,466	121,313	122,256	122,706	122,732	122,732	122,732	122,732	122,732
2018	48,415	103,427	112,245	116,049	117,202	117,790	118,072	118,088	118,088	118,088	118,088	118,088

Accident Year	₦'000
2019	159,921
2020	18,650
2021	7,043
2022	2,568
2023	1065
2024	307
Attritional Losses	**189,554**
Large Loss	**119,876**
Total	**309,430**

Notes to the Financial Statements - continued

50 Financial Risk Management Framework - continued

Gross Claim Reserving - Fire
Table of claims paid excluding large claims (Attritional Table)

Incremental Chain ladder-Yearly Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	13,950	23,047	4,224	26	492	152	26	-	-	-	-	-
2008	21,819	44,214	9,674	7,536	17	225	30	-	-	-	-	-
2009	26,982	44,423	10,536	7,134	279	2,140	-	-	-	-	-	-
2010	32,062	30,931	4,970	4,657	96	-	-	-	-	-	-	-
2011	45,832	50,256	16,077	1,228	185	983	-	-	-	-	-	-
2012	33,586	51,361	9,439	905	4,652	-	-	-	-	-	-	-
2013	75,722	44,181	12,909	1,523	-	170	-	-	-	-	-	-
2014	37,890	41,826	1,738	63	4,145	-	-	-	-	-	-	-
2015	28,132	9,123	868	486	-	-	-	-	-	-	-	-
2016	34,007	46,761	11,848	-	-	-	-	-	-	-	-	-
2017	45,096	38,001	-	-	-	-	-	-	-	-	-	-
2018	19,474	-	-	-	-	-	-	-	-	-	-	-

Inflation Adjusted Chain Ladder Table

Inflation Adjusted Chain Ladder - Annual Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	13,950	23,047	4,224	26	492	152	26	-	-	-	-	-
2008	21,819	44,214	9,674	7,536	17	225	30	-	-	-	-	-
2009	26,982	44,423	10,536	7,134	279	2,140	-	-	-	-	-	-
2010	32,062	30,931	4,970	4,657	96	-	-	-	-	-	-	-
2011	45,832	50,256	16,077	1,228	185	983	-	-	-	-	-	-
2012	33,586	51,361	9,439	905	4,652	-	-	-	-	-	-	-
2013	75,722	44,181	12,909	1,523	-	170	-	-	-	-	-	-
2014	37,890	41,826	1,738	63	451	-	-	-	-	-	-	-
2015	28,132	9,123	868	594	-	-	-	-	-	-	-	-
2016	34,007	46,761	14,345	-	-	-	-	-	-	-	-	-
2017	45,096	39,364	-	-	-	-	-	-	-	-	-	-
2018	42,221	-	-	-	-	-	-	-	-	-	-	-

Projected Inflation Adjusted Chain Ladder Table

Cumulative Chain ladder-Annual Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	49,253	119,949	131,324	131,386	132,460	132,756	132,803	132,803	132,803	132,803	132,803	132,803
2008	66,927	186,000	209,303	225,760	225,794	226,200	226,249	226,249	226,249	226,249	226,249	226,249
2009	72,666	179,676	202,685	216,596	217,100	220,669	220,669	220,669	220,669	220,669	220,669	220,669
2010	77,234	144,783	154,475	162,884	163,043	163,043	163,043	163,043	163,043	163,043	163,043	163,043
2011	100,094	198,090	227,117	229,164	229,445	230,707	230,707	230,707	230,707	230,707	230,707	230,707
2012	65,489	158,220	173,955	175,333	181,304	181,304	181,304	181,304	181,304	181,304	181,304	181,304
2013	136,715	210,370	230,006	231,961	231,961	232,131	232,553	232,553	232,553	232,553	232,553	232,553
2014	63,167	126,787	129,019	129,090	129,540	130,075	130,086	130,086	130,086	130,086	130,086	130,086
2015	42,792	54,504	55,470	56,064	60,678	60,928	60,934	60,934	60,934	60,934	60,934	60,934
2016	43,659	95,695	110,040	148,905	149,745	150,364	150,376	150,376	150,376	150,376	150,376	150,376
2017	50,183	89,547	131,301	135,195	135,958	136,519	136,530	136,530	136,530	136,530	136,530	136,530
2018	42,221	91,470	100,735	103,723	104,308	104,739	104,747	104,747	104,747	104,747	104,747	104,747

Notes to the Financial Statements - continued

50 Financial Risk Management Framework - continued

Projected Inflation Adjusted Chain Ladder Table - Discounted Results
Discounted Incremental IABCL - Annual Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	49,253	119,949	131,324	131,386	132,460	132,756	132,803	132,803	132,803	132,803	132,803	132,803
2008	66,927	186,000	209,303	225,760	225,794	226,200	226,249	226,249	226,249	226,249	226,249	226,249
2009	72,666	179,676	202,685	216,596	217,100	220,669	220,669	220,669	220,669	220,669	220,669	220,669
2010	77,234	144,783	154,475	162,884	163,043	163,043	163,043	163,043	163,043	163,043	163,043	163,043
2011	100,094	198,090	227,117	229,164	229,445	230,707	230,707	230,707	230,707	230,707	230,707	230,707
2012	65,489	158,220	173,955	175,333	181,304	181,304	181,304	181,304	181,304	181,304	181,304	181,304
2013	136,715	210,370	230,006	231,961	231,961	232,131	232,528	232,528	232,528	232,528	232,528	232,528
2014	63,167	126,787	129,019	129,090	129,540	130,044	130,053	130,053	130,053	130,053	130,053	130,053
2015	42,792	54,504	55,470	56,064	60,404	60,613	60,617	60,617	60,617	60,617	60,617	60,617
2016	43,659	95,695	110,040	146,601	147,301	147,756	147,764	147,764	147,764	147,764	147,764	147,764
2017	50,183	89,547	128,826	132,067	132,629	132,995	133,002	133,002	133,002	133,002	133,002	133,002
2018	42,221	88,550	96,264	98,465	98,846	99,095	99,099	99,099	99,099	99,099	99,099	99,099

Summary of Results

Accident Year	Paid to date (N,000)	Latest Paid Large Loss (N'000)	Total Ultimate (N'000)	Gross Claims Reserve (N'000)	Gross Earned Premium (N'000)	Ultimate Loss Ratio (N'000)
2007	132,803	26,179	158,982	-	455,501	35%
2008	226,249	202,619	428,869	-	455,501	94%
2009	220,669	91,891	312,560	-	455,728	69%
2010	163,043	12,758	175,801	-	531,518	33%
2011	230,707	34,743	265,451	-	438,181	61%
2012	181,304	33,782	215,086	-	566,361	38%
2013	232,131	25,313	257,841	397	569,294	45%
2014	129,540	415,578	545,630	512	572,214	95%
2015	56,064	-	60,617	4,553	367,845	16%
2016	110,040	94,608	242,372	37,724	309,543	78%
2017	89,547	83,023	233,238	60,668	535,174	44%
2018	42,221	13,966	446,365	390,179	689,044	65%
Total				**494,033**		

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

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	1,228	6,278	536	113	-	-	-	-	-	-	-	-
2008	4,513	21,521	8,110	-	-	-	-	-	-	-	-	-
2009	4,520	9,535	-	-	-	4,986	-	-	-	-	-	-
2010	287	15,344	1,968	-	-	-	-	-	-	-	-	-
2011	7,492	16,653	9,564	4,273	1,042	-	1,272	-	-	-	-	-
2012	11,897	14,546	199	62	-	8,744	-	-	-	-	-	-
2013	17,069	11,414	999	37	4,160	-	-	-	-	-	-	-
2014	15,910	29,090	413	4,363	-	-	-	-	-	-	-	-
2015	19,351	38,360	194	542	-	-	-	-	-	-	-	-
2016	19,495	15,285	3,042	-	-	-	-	-	-	-	-	-
2017	33,280	13,101	-	-	-	-	-	-	-	-	-	-
2018	25,377	-	-	-	-	-	-	-	-	-	-	-

Notes to the Financial Statements - continued

50 Financial Risk Management Framework - continued

Inflation Adjusted Chain Ladder Table

Inflation Adjusted Chain Ladder - Annual Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	4,337	19,258	1,444	271	-	-	-	-	-	-	-	-
2008	13,845	57,958	19,536	-	-	-	-	-	-	-	-	-
2009	12,174	22,967	-	-	-	8,312	-	-	-	-	-	-
2010	691	33,509	3,837	-	-	-	-	-	-	-	-	-
2011	16,362	32,472	17,267	7,124	1,584	-	1,416	-	-	-	-	-
2012	23,199	26,263	332	95	-	9,731	-	-	-	-	-	-
2013	30,818	19,028	1,520	47	4,629	-	-	-	-	-	-	-
2014	26,524	44,248	530	4,855	-	-	-	-	-	-	-	-
2015	29,435	49,248	216	542	-	-	-	-	-	-	-	-
2016	25,028	17,009	3,042	-	-	-	-	-	-	-	-	-
2017	37,034	13,101	-	-	-	-	-	-	-	-	-	-
2018	25,377	-	-	-	-	-	-	-	-	-	-	-

50 Financial Risk Management Framework - continued

Projected Inflation Adjusted Chain Ladder Table

Cumulative Chain ladder-Annual Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	4,337	23,595	25,039	25,311	25,311	25,311	25,311	25,311	25,311	25,311	25,311	25,311
2008	13,845	71,802	91,339	91,339	91,339	91,339	91,339	91,339	91,339	91,339	91,339	91,339
2009	12,174	35,141	35,141	35,141	35,141	43,453	43,453	43,453	43,453	43,453	43,453	43,453
2010	691	34,201	38,038	38,038	38,038	38,038	38,038	38,038	38,038	38,038	38,038	38,038
2011	16,362	48,834	66,101	73,225	74,810	74,810	76,225	76,225	76,325	76,325	76,325	76,325
2012	23,199	49,461	49,794	49,889	49,889	59,619	59,619	59,619	59,619	59,619	59,619	59,619
2013	30,818	49,847	51,366	51,414	56,043	56,043	56,043	56,043	56,043	56,043	56,043	56,043
2014	26,524	70,772	71,301	76,157	76,157	76,856	76,856	76,856	76,856	76,856	76,856	76,856
2015	29,435	78,683	78,899	79,441	80,562	81,301	81,301	81,301	81,301	81,301	81,301	81,301
2016	25,028	42,038	45,080	72,201	73,220	73,892	73,892	73,892	73,892	73,892	73,892	73,892
2017	37,034	50,135	84,390	86,543	87,763	88,569	88,569	88,569	88,569	88,569	88,569	88,569
2018	25,377	77,291	84,604	86,763	87,987	88,795	88,795	88,795	88,795	88,795	88,795	88,795

Projected Inflation Adjusted Chain Ladder Table - Discounted Results

Discounted Incremental IABCL - Annual Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	4,337	23,595	25,039	25,311	25,311	25,311	25,311	25,311	25,311	25,311	25,311	25,311
2008	13,845	71,802	91,339	91,339	91,339	91,339	91,339	91,339	91,339	91,339	91,339	91,339
2009	12,174	35,141	35,141	35,141	35,141	43,453	43,453	43,453	43,453	43,453	43,453	43,453
2010	691	34,201	38,038	38,038	38,038	38,038	38,038	38,038	38,038	38,038	38,038	38,038
2011	16,362	48,834	66,101	73,225	74,810	74,810	76,225	76,225	76,319	76,319	76,319	76,319
2012	23,199	49,461	49,794	49,889	49,889	59,619	59,619	59,619	59,619	59,619	59,619	59,619
2013	30,818	49,847	51,366	51,414	56,043	56,043	56,043	56,043	56,043	56,043	56,043	56,043
2014	26,524	70,772	71,301	76,157	76,157	76,814	76,814	76,814	76,814	76,814	76,814	76,814
2015	29,435	78,683	78,899	79,441	80,495	81,111	81,111	81,111	81,111	81,111	81,111	81,111
2016	25,028	42,038	45,080	70,593	71,441	71,937	71,937	71,937	71,937	71,937	71,937	71,937
2017	37,034	50,135	82,359	84,151	85,051	85,576	85,576	85,576	85,576	85,576	85,576	85,576
2018	25,377	74,214	80,302	81,892	82,690	83,156	83,156	83,156	83,156	83,156	83,156	83,156

Notes to the Financial Statements - continued

50 Financial Risk Management Framework - continued

Summary of Results

Accident Year	Paid to date (₦'000)	Latest Paid Large Loss (₦'000)	Total Ultimate (₦'000)	Gross Claims Reserve (₦'000)	Gross Earned Premium (₦'000)	Ultimate Loss Ratio
2007	25,311	-	25,311	-	60,533	42%
2008	91,339	-	91,339	-	60,533	151%
2009	43,453	-	43,453	-	188,108	23%
2010	38,038	-	38,038	-	162,305	23%
2011	76,225	71,782	148,101	94	207,247	71%
2012	59,619	-	59,619	-	189,420	31%
2013	56,043	37,166	93,209	-	143,412	65%
2014	76,157	112,355	189,170	658	157,540	120%
2015	79,441	-	131,111	51,670	87,290	150%
2016	45,080	-	71,937	26,857	86,893	83%
2017	50,135	-	85,576	35,441	225,918	38%
2018	25,377	-	126,128	100,751	274,605	46%
Total				**215,471**		

Gross Claim Reserving - Motor

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

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	57,173	30,694	2,594	-	-	-	-	-	-	-	-	-
2008	100,478	62,963	150	-	667	-	-	-	-	-	-	-
2009	127,546	71,766	1,238	5,368	113	-	-	-	-	-	-	-
2010	97,877	47,419	3,691	885	-	1,481	-	-	-	-	-	-
2011	126,126	83,387	3,555	-	-	-	-	-	-	-	-	-
2012	140,911	58,966	632	-	-	-	-	-	-	-	-	-
2013	136,843	44,824	9,010	416	-	-	-	-	-	-	-	-
2014	109,017	57,657	900	-	-	-	-	-	-	-	-	-
2015	87,186	32,220	3,297	1,650	-	-	-	-	-	-	-	-
2016	113,999	44,510	1,349	-	-	-	-	-	-	-	-	-
2017	146,322	43,296	-	-	-	-	-	-	-	-	-	-
2018	372,162	-	-	-	-	-	-	-	-	-	-	-

Inflation Adjusted Chain Ladder Table

Inflation Adjusted Chain Ladder - Annual Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	201,858	94,151	6,986	-	-	-	-	-	-	-	-	-
2008	308,211	169,566	362	-	1,301	-	-	-	-	-	-	-
2009	343,495	172,874	2,704	10,468	204	-	-	-	-	-	-	-
2010	235,773	103,560	7,198	1,598	-	2,253	-	-	-	-	-	-
2011	275,449	162,598	6,419	-	-	-	-	-	-	-	-	-
2012	274,765	106,462	1,053	-	-	-	-	-	-	-	-	-
2013	247,068	74,727	13,705	534	-	-	-	-	-	-	-	-
2014	181,744	87,701	1,155	-	-	-	-	-	-	-	-	-
2015	132,618	41,365	3,669	1,650	-	-	-	-	-	-	-	-
2016	146,357	49,531	1,349	-	-	-	-	-	-	-	-	-
2017	162,827	43,296	-	-	-	-	-	-	-	-	-	-
2018	372,162	-	-	-	-	-	-	-	-	-	-	-

Notes to the Financial Statements - continued

50 Financial Risk Management Framework - continued

Projected Inflation Adjusted Chain Ladder Table - Discounted Results

Projected Inflation Adjusted Chain Ladder - Annual Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	201,858	296,008	302,994	302,994	302,994	302,994	302,994	302,994	302,994	302,994	302,994	302,994
2008	308,211	477,777	478,139	478,139	479,440	479,440	479,440	479,440	479,440	479,440	479,440	479,440
2009	343,495	516,369	519,072	529,540	529,744	529,744	529,744	529,744	529,744	529,744	529,744	529,744
2010	235,773	339,333	346,531	348,129	348,129	350,381	350,381	350,381	350,381	350,381	350,381	350,381
2011	275,449	438,047	444,466	444,466	444,466	444,466	444,466	444,466	444,466	444,466	444,466	444,466
2012	274,765	381,228	382,281	382,281	382,281	382,281	382,281	382,281	382,281	382,281	382,281	382,281
2013	247,068	321,795	335,501	336,035	336,035	336,035	336,035	336,035	336,035	336,035	336,035	336,035
2014	181,744	269,445	270,601	270,601	270,601	270,833	270,833	270,833	270,833	270,833	270,833	270,833
2015	132,618	173,984	177,653	179,303	179,303	179,303	179,303	179,303	179,303	179,303	179,303	179,303
2016	146,357	195,887	197,236	197,475	197,571	197,571	197,571	197,571	197,571	197,571	197,571	197,571
2017	162,827	206,123	212,948	213,879	213,983	213,983	213,983	213,983	213,983	213,983	213,983	213,983
2018	372,162	466,493	472,594	474,662	474,893	474,893	474,893	474,893	474,893	474,893	474,893	474,893

Projected Inflation Adjusted Chain Ladder Table - Discounted Results

Discounted Cumulative IABCL - Annual Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	201,858	296,008	302,994	302,994	302,994	302,994	302,994	302,994	302,994	302,994	302,994	302,994
2008	308,211	477,777	478,139	478,139	479,440	479,440	479,440	479,440	479,440	479,440	479,440	479,440
2009	343,495	516,369	519,072	529,540	529,744	529,744	529,744	529,744	529,744	529,744	529,744	529,744
2010	235,773	339,333	346,531	348,129	348,129	350,381	350,381	350,381	350,381	350,381	350,381	350,381
2011	275,449	438,047	444,466	444,466	444,466	444,466	444,466	444,466	444,466	444,466	444,466	444,466
2012	274,765	381,228	382,281	382,281	382,281	382,281	382,281	382,281	382,281	382,281	382,281	382,281
2013	247,068	321,795	335,501	336,035	336,035	336,035	336,035	336,035	336,035	336,035	336,035	336,035
2014	181,744	269,445	270,601	270,601	270,601	270,819	270,819	270,819	270,819	270,819	270,819	270,819
2015	132,618	173,984	177,653	179,303	179,303	179,303	179,303	179,303	179,303	179,303	179,303	179,303
2016	146,357	195,887	197,236	197,460	197,540	197,540	197,540	197,540	197,540	197,540	197,540	197,540
2017	162,827	206,123	212,543	213,319	213,395	213,395	213,395	213,395	213,395	213,395	213,395	213,395
2018	372,162	460,901	465,980	467,504	467,654	467,654	467,654	467,654	467,654	467,654	467,654	467,654

Summary of Results

Accident Year	Paid to date (N,000)	Latest Paid Large Loss (N,000)	Total Ultimate (N,000)	Gross Claims Reserve (N,000)	Gross Earned Premium (N,000)	Ultimate Loss Ratio
2007	302,994	-	302,994	-	691,073	44%
2008	479,440	16,059	495,499	-	691,073	72%
2009	529,744	14,691	544,435	-	914,030	60%
2010	350,381	28,299	378,680	-	702,012	54%
2011	444,466	15,684	460,150	-	687,033	67%
2012	382,281	4,688	386,970	-	1,015,423	38%
2013	336,035	-	336,035	-	903,276	37%
2014	270,601	35,768	306,587	218	688,107	45%
2015	179,303	39266	218,569	-	404,495	54%
2016	197,236	29,317	226,858	304	266,477	85%
2017	206,123	73492	286,887	7,272	442,602	65%
2018	372,162	57821	550,686	120,703	745,533	74%
Total				**128,497**		

Notes to the Financial Statements - continued

50 Financial Risk Management Framework - continued

Gross Claim Reserving - Marine
Incremental Chain ladder-Yearly Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	3,406	314	-	-	-	-	-	-	-	-	-	-
2008	1,276	13,631	-	-	-	-	-	-	-	-	-	-
2009	14,424	21,726	-	-	-	-	-	-	-	-	-	-
2010	22,512	34,675	-	1,605	-	-	-	-	-	-	-	-
2011	13,113	6,188	118	-	-	-	-	-	-	-	-	-
2012	12,720	42,827	70	-	-	-	-	-	-	-	-	-
2013	13,247	1,126	97	-	-	-	-	-	-	-	-	-
2014	10,065	9,701	-	-	-	-	-	-	-	-	-	-
2015	9,062	12,542	164	-	-	-	-	-	-	-	-	-
2016	12,792	6,551	-	-	-	-	-	-	-	-	-	-
2017	8,436	2,904	-	-	-	-	-	-	-	-	-	-
2018	1,567	-	-	-	-	-	-	-	-	-	-	-

Inflation Adjusted Chain Ladder Table
Inflation Adjusted Chain Ladder - Annual Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	12,025	962	-	-	-	-	-	-	-	-	-	-
2008	3,913	36,711	-	-	-	-	-	-	-	-	-	-
2009	38,844	52,335	-	-	-	-	-	-	-	-	-	-
2010	54,229	75,726	-	2,898	-	-	-	-	-	-	-	-
2011	28,637	12,066	213	-	-	-	-	-	-	-	-	-
2012	24,804	77,323	117	-	-	-	-	-	-	-	-	-
2013	23,917	1,877	147	-	-	-	-	-	-	-	-	-
2014	16,779	14,755	-	-	-	-	-	-	-	-	-	-
2015	13,784	16,102	183	-	-	-	-	-	-	-	-	-
2016	16,422	7,290	-	-	-	-	-	-	-	-	-	-
2017	9,387	2904	-	-	-	-	-	-	-	-	-	-
2018	1,567	-	-	-	-	-	-	-	-	-	-	-

Projected Inflation Adjusted Chain Ladder Table
Projected Inflation Adjusted Chain Ladder - Annual Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	12,025	12,987	12,987	12,987	12,987	12,987	12,987	12,987	12,987	12,987	12,987	12,987
2008	3,913	40,624	40,624	40,624	40,624	40,624	40,624	40,624	40,624	40,624	40,624	40,624
2009	38,844	91,179	91,179	91,179	91,179	91,179	91,179	91,179	91,179	91,179	91,179	91,179
2010	54,229	129,955	129,955	132,853	132,853	132,853	132,853	132,853	132,853	132,853	132,853	132,853
2011	28,637	40,703	40,916	40,916	40,916	40,916	40,916	40,916	40,916	40,916	40,916	40,916
2012	24,804	102,127	102,243	102,243	102,243	102,243	102,243	102,243	102,243	102,243	102,243	102,243
2013	23,917	25,794	25,941	25,941	25,941	25,941	25,941	25,941	25,941	25,941	25,941	25,941
2014	16,779	31,534	31,534	31,534	31,534	31,534	31,534	31,534	31,534	31,534	31,534	31,534
2015	13,784	29,886	30,068	30,068	30,182	30,182	30,182	30,182	30,182	30,182	30,182	30,182
2016	16,422	23,713	23,713	30,173	30,173	30,173	30,173	30,173	30,173	30,173	30,173	30,173
2017	9,387	12,291	18,318	18,329	18,329	18,329	18,329	18,329	18,329	18,329	18,329	18,329
2018	1,567	20,450	20,475	20,488	20,488	20,488	20,488	20,488	20,488	20,488	20,488	20,488

Notes to the Financial Statements - continued

50 Financial Risk Management Framework - continued

Projected Inflation Adjusted Chain Ladder Table - Discounted Results

Discounted Cumulative IABCL - Annual Projections (N'000)

Accident year	1	2	3	4	5	6	7	8	9	10	11	12
2007	12,025	12,987	12,987	12,987	12,987	12,987	12,987	12,987	12,987	12,987	12,987	12,987
2008	3,913	40,624	40,624	40,624	40,624	40,624	40,624	40,624	40,624	40,624	40,624	40,624
2009	38,844	91,179	91,179	91,179	91,179	91,179	91,179	91,179	91,179	91,179	91,179	91,179
2010	54,229	129,955	129,955	132,853	132,853	132,853	132,853	132,853	132,853	132,853	132,853	132,853
2011	28,637	40,703	40,916	40,916	40,916	40,916	40,916	40,916	40,916	40,916	40,916	40,916
2012	24,804	102,127	102,243	102,243	102,243	102,243	102,243	102,243	102,243	102,243	102,243	102,243
2013	23,917	25,794	25,941	25,941	25,941	25,941	25,941	25,941	25,941	25,941	25,941	25,941
2014	16,779	31,534	31,534	31,534	31,534	31,534	31,534	31,534	31,534	31,534	31,534	31,534
2015	13,784	29,886	30,068	30,068	30,175	30,175	30,175	30,175	30,175	30,175	30,175	30,175
2016	16,422	23,713	23,713	29,790	29,790	29,790	29,790	29,790	29,790	29,790	29,790	29,790
2017	9,387	12,291	17,960	17,970	17,970	17,970	17,970	17,970	17,970	17,970	17,970	17,970
2018	1,567	19,330	19,352	19,361	19,361	19,361	19,361	19,361	19,361	19,361	19,361	19,361

Summary of Results

Accident Year	Paid to date (N,000)	Latest Paid Large Loss (N,000)	Total Ultimate (N,000)	Gross Claims Reserve (N,000)	Gross Earned Premium (N,000)	Ultimate Loss Ratio
2007	12,987	47,335	60,322	-	178,499	34%
2008	40,624	14,494	55,118	-	178,499	31%
2009	91,179	-	91,179	-	450,649	20%
2010	132,853	37,130	169,984	-	462,932	37%
2011	40,916	18,394	59,310	-	364,449	16%
2012	102,243	-	102,243	-	234,119	44%
2013	25,941	25,457	51,398	-	237,028	22%
2014	31,534	-	31,534	-	195,657	16%
2015	30,068	-	30,175	107	145,690	21%
2016	23,713	-	29,790	6,078	57,037	52%
2017	12,291	-	17,970	5,679	88,602	20%
2018	1,567	164054	554,804	389,183	211,489	262%
Total				**401,047**		

Notes to the Financial Statements - continued

50 Financial Risk Management Framework - continued

Gross Claim Reserving - Oil & Gas

The table shown is the output of the Expected Loss Ratio Method used in estimating Gross Claim Reserve for Oil & Gas:

Expected Loss Ratio Method Table

Accident Year	Gross Earned Premium (N' 000)	Claims Paid till date (N' 000)	Total O/s as at 31 Dec 2016 (N' 000)	Current Incurred (N' 000)	Current Loss Ratio	Ultimate Loss Ratio	Ultimate Losses (N' 000)	O/s Claim Reserves (N' 000)
2009	20,939	167	-	167	1%	1%	167	-
2010	43,804	13,018	-	13,018	30%	30%	13,018	-
2011	54,536	22,084	4,000	26,084	48%	48%	26,084	4,000
2012	103,589	74,054	7,278	81,332	79%	79%	81,332	7,278
2013	278,449	10,342	500	10,842	4%	4%	10,842	500
2014	290,293	34,489	6,787	41,276	14%	14%	41,276	6,787
2015	198,530	323	7,167	7,490	4%	4%	7,490	7,167
2016	665,745	130,476	76,813	207,289	31%	31%	207,289	76,813
2017	855,159	38767	418,413	457,179	53%	63%	540,221	501,454
2018	1,444,112	6104	112,200	118,304	8%	22%	314,264	308,160
Total			**633,158**					**912,159**

Gross Claim Reserving - Aviation

The table shown is the output of the Expected Loss Ratio Method used in estimating Gross Claim Reserve for Oil & Gas:

Expected Loss Ratio Method Table

Accident	Gross	Claims	Total O/s	Current	Current	Ultimate	Ultimate	O/s
2009	8,344	196	-	196	2%	2%	196	-
2010	16,490	1250	-	1250	8%	8%	1250	-
2011	37,523	14014	-	14014	37%	37%	14014	-
2012	61,457	63083	5101	68184	111%	111%	68184	5101
2013	115,574	21563	-	21563	19%	19%	21563	-
2014	105,353	113255	8760	122015	116%	116%	122015	8760
2015	128,436	2167	307	2473	2%	2%	2473	307
2016	919,876	15162	11031	26193	3%	3%	26193	11031
2017	2,038,255	8586	5138	13724	1%	8%	159193	150607
2018	1,615,019	181680	54466	236146	15%	19%	301325	119645
Total			**84,803**					**295,451**

Notes to the Financial Statements - continued

51 Capital management

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of financial stability thereby providing a degree of security to policyholders.
- To allocate capital efficiently 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 align the profile of assets and liabilities taking account of risks inherent in the business.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The strategy for assessing and managing the impact of our business plans on present and future regulatory capital forms an integral part of the Company’s strategic plan. Specifically, the Company considers how the present and future capital requirements will be managed and met against projected capital requirements. This is based on the Company's assessment and against the supervisory/regulatory capital requirements taking account of the Company business strategy and value creation to all its stakeholders.

The Company's current capital adequacy is above the minimum required for general and life businesses (₦3 billion and ₦2 billion respectively). Capital levels are determined either based on internal assessments or regulatory requirements.

The capital adequacy of the Company is reviewed regularly to meet regulatory requirements and standard of international best practices in order to adopt and implement the decisions necessary to maintain the capital at a level that ensures the realisation of the business plan with a certain safety margin.

The Company undertakes a regular monitoring of capital adequacy and the application of regulatory capital by deploying internal systems based on the guidelines provided by the National Insurance Commission (NAICOM).

The Company's operations are also subject to regulatory requirements within the jurisdictions in which it operates. The minimum paid up capital requirement as specified by National Insurance Commission (NAICOM) for life insurance business in Nigeria is ₦2 billion, ₦3 billion for Non-life insurance business, ₦5 billion for composite insurance business and ₦10 billion for reinsurance business and insurers are also mandated to maintain 10% of this paid up capital with the Central Bank of Nigeria as Statutory Deposit. In addition, quarterly and annual returns must be submitted to the National Insurance Commission (NAICOM) on a regular basis. The Company's capital base was ₦6.19 billion for the general business (2017: ₦3.22 billion) and ₦3.37 billion for the life business (2017: ₦2.19 billion).

The regulations prescribed by the National Insurance Commission (NAICOM) not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. solvency margin) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise. The Company as at year end had complied with the regulators capital requirements for its life, general and composite business.

Notes to the Financial Statements - continued

51 Capital management - continued

Approach to capital management

Allianz Nigeria seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital level on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics. An important aspect of the Company's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Company is focused on the creation of value for shareholders.

The Company's primary source of funds to meet its capital growth requirements are mainly profit from underwriting and profit from investments. Allianz Nigeria also utilises, where efficient to do so, sources of funds such as reinsurance in addition to more traditional sources of funding.

The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

The Company has developed a framework to identify the risks and quantify their impact on the economic capital. The framework estimates how much capital is required to reduce the risk of insolvency to a remote degree of probability. The framework has also been considered in assessing the capital requirement.

The Company's regulatory capital is analysed into two tiers:

(i) Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, qualifying subordinated liabilities and translation reserve.

(ii) Tier 2 capital, which includes asset revaluation reserve and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale
Most of the Company's capital is Tier 1 (Core Capital) which consists of essentially share capital, share premium, qualifying subordinated liabilities and reserve created by appropriations of retained earnings.

The Company’s capital plan is also linked to its business expansion strategy which anticipates the need for growth and expansion in its branch network and IT infrastructure. The capital plan sufficiently meets regulatory requirements as well as provides adequate cover for the Company’s risk profile. The Company's capital adequacy will be addressed as soon as the company's recapitalisation plan is concluded.

Capital allocation

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 upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully 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.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Company to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Company’s longer term strategic objectives. The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

Notes to the Financial Statements - continued

51 Capital management - continued

Solvency Margin

The Insurance industry regulator measures the financial strength of Non-life insurers using a solvency margin model, NAICOM generally expects non-life insurers to comply with this capital adequacy requirement. The Insurance Act 2003 (Section 24) prescribes that an insurer shall in respect of its business other than life insurance business, maintain a margin of solvency being the excess of the value of its admissible assets in Nigeria over its liabilities in Nigeria.

The solvency margin, which is determined as the excess of admissible assets over total liabilities shall not be less than 15% of the gross premium income less reinsurance premiums paid out during the year under review or the minimum paid up capital, which ever is greater.

The table below shows the computation of the Company's solvency margin ratio for the year ended 31 December 2018 as well as the 31 December 2017 comparatives.

	31 December 2018			31 December 2017
	Total	**Inadmissible**	**Admissible**	**Admissible**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Admissible assets				
Financial assets:				
Cash and cash equivalents	3,582,363	-	3,582,363	8,627,523
Investment securities	7,349,146	-	7,349,146	829,608
Other assets:		-		
Reinsurance assets	3,913,090	-	3,913,090	3,795,649
Deferred acquisition costs	257,278	-	257,278	176,077
Trade receivables	69,838	-	69,838	47,710
Prepayments and other receivables	652,265	652,265	-	-
Intangible assets	12,611	-	12,611	-
Statutory deposits	500,000	-	500,000	500,000
Investment properties	2,354,100	687,433	1,666,667	2,594,100
Property and equipment	603,195	-	603,195	201,102
Deferred tax assets	527,821	527,821		
Total assets	**19,821,707**	**1,867,519**	**17,954,188**	**16,771,769**
Less: total liabilities				
Borrowings	166,755	-	166,755	254,208
Reserve for unexpired risks	2,050,225	-	2,050,225	1,793,725
Reserve for outstanding claims:	4,412,819	-	4,412,819	3,742,012
Individual life fund	1,803,661	-	1,803,661	1,905,715
Investment contract	934,245	-	934,245	1,055,087
Trade payables	297,474	-	297,474	542,370
Other creditors	407,013	-	407,013	2,020,928
Income tax payable	138,681	-	138,681	163,082
Total liabilities	**(10,210,873)**	**-**	**(10,210,873)**	**(11,477,127)**
Excess of admissible assets over liabilities - solvency margin			**7,743,315**	**5,294,642**
Higher of:				
Gross premium income			9,750,309	6,702,232
Less: Reinsurance premium expenses			(6,034,259)	(4,589,814)
Net premium			3,716,050	2,112,418
15% of net premium			557,408	316,863
Minimum paid-up capital			5,000,000	5,000,000
The higher thereof:			5,000,000	5,000,000
Excess of margin of solvency over statutory minimum			2,743,315	294,642
Solvency ratio			155%	106%

Notes to the Financial Statements - continued

51 Capital management - continued

The Company's solvency margin of ₦8,639,550,000 (2017: ₦5,294,642,000) meets the minimum capital requirement of ₦5,000,000,000 (2017: ₦5,000,000,000), as prescribed by Section 24 of the Insurance Act 2003.

Adjusted capital life business

The Company's adjusted capital reflects the portion of the capital base that is not subjected to risk.

The Company's adjusted capital for life business for the year ended 31 December 2018 and as at 31 December 2017 (comparatives) is shown below:

	31 December 2018	31 December 2017
	₦'000	₦'000
Shareholders' funds	3,417,739	2,187,825

Notes to the Financial Statements - continued

52 Fair valuation methods and assumptions

(i) *Cash and balances with the Central Bank of Nigeria*

Cash and balances with the Central Bank of Nigeria represents cash held including mandatory statutory deposit requirements. The fair value of these balances is their carrying amounts.

(ii) *Investment securities*

The fair values of quoted equity securities (available-for-sale and held-for-trading securities) are determined by reference to quoted prices (unadjusted) in active markets for identical instruments.

The estimated fair value of bonds at amortized cost represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.
Treasury bills represent short term instruments issued by the Central Bank of Nigeria. The fair value of treasury bills and bonds at fair value through profit or loss are determined with reference to quoted prices (unadjusted) in active markets for identical assets. The estimated fair value of treasury bills at amortized cost represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) *Trade receivables*

Trade receivables represent balances with contract holders, reinsurers and co-insurers. The carrying value of trade receivables approximates fair value.

(iv) *Other assets*

Other assets represent monetary assets which usually have a short recycle period (usually within 1 year) and as such the fair values of these balances approximate their carrying amount.

(v) *Reinsurance assets*

Reinsurance assets are recoverables on transactions ceded out to reinsurers. It comprises of reinsurance recoverables and prepaid reinsurance cost.

Reinsurance recoverables are estimated in a manner consistent with the outstanding claims provision and claims incurred associated with the reinsurer's policies and in accordance with the related insurance contract. They are measured at their carrying amount less impairment charges. Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. If there is objective evidence of impairment, the Company reduces the carrying amount of its insurance assets to its recoverable amount and recognizes the impairment loss in the statement of profit or loss and other comprehensive income

Notes to the Financial Statements - continued

53 Hypothecation of assets and liabilities

Assets allocation was done in accordance with NAICOM guidelines in force to meet the minimum requirement of Section 26(1)(c) of the Insurance Act 2003 for the hypothecation of investments representing the insurance funds.

31 December 2018

	Non - Life			Life				
	Shareholders' Fund	Insurance Contract	Others	Shareholders' Fund	Insurance Contract	Annuity	Investment Contract	Total
INVESTMENTS	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
1. Property and Equipment	598,701	-	-	4,494				603,195
2. Other Investments								
Loans & other receivables	-	-	-	10,489	-	-	-	10,489
Statutory deposits	300,000	-	-	200,000	-	-	-	500,000
Government bonds	-	-	-	-	-	-	-	-
Investment properties	-	-	-	1,553,706	800,394	-		2,354,100
Unquoted securities	6,586,664	731,852	-	15,734	1,748	-	-	7,335,997
Bank placements	369,152	1,476,609	-	-	829,140	21,260	212,600	2,908,761
Bank and cash balances	515,622	128,906	-	-	29,074	-	5,815	679,417
Other investments (a) - Mutual Funds	-	88,286	-	-	-	-	-	88,286
3. Other Assets (a)								
Trade receivables	54,261	-	-	15,577	-	-	-	69,838
Reinsurance assets	1,982,699	-	-	1,930,391	-	-	-	3,913,090
Deferred acquisition costs	184,200	-	-	73,078	-	-	-	257,278
Other receivables and prepayments	726,286	-	-	(74,021)	-	-	-	652,265
Total	**11,330,196**	**2,425,652**	**-**	**3,729,448**	**1,660,356**	**21,260**	**218,415**	**19,385,327**
Total Insurance & investment contract liabilities	**-**	**3,954,146**	**-**	**-**	**4,275,876**	**36,683**	**934,245**	**9,200,950**
Borrowings		**-**			**166,755**			**166,755**

Notes to the Financial Statements - continued

54 Hypothecation of assets and liabilities - continued

Assets allocation was done in accordance with NAICOM guidelines in force to meet the minimum requirement of Section 26(1)(c) of the Insurance Act 2003 for the hypothecation of investments representing the insurance funds.

31 December 2017

	Non - Life			Life				
	Shareholders' Fund	Insurance Contract	Others	Shareholders' Fund	Insurance Contract	Annuity	Investment Contract	Total
INVESTMENTS	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
1. Property and Equipment	195,093			6,009				201,102
2. Other Investments								
Loans & other receivables	-	-	-	50,932	-	-	-	50,932
Statutory deposits	300,000	-	-	200,000	-	-	-	500,000
Government bonds	-	-	-	202,505	-	-	-	202,505
Investment properties	-	-	-	1,600,000	994,100	-		2,594,100
Unquoted securities	311,818	264,353	-	-	-	-	-	576,171
Bank placements	-	45	-	-	1,097	-		1,142
Bank and cash balances	777,756	2,672,956	-		4,049,450	71,132	1,055,087	8,626,381
Other investments (a) - Mutual Funds	-	81,171	-	-	-	-	-	81,171
3. Other Assets (a)								
Trade receivables	47,653	-	-	57	-	-	-	47,710
Reinsurance assets	1,311,615	-	-	2,484,034	-	-	-	3,795,649
Deferred acquisition costs	117,240	-	-	58,837	-	-	-	176,077
Other receivables and prepayments	78,545	-	-	38,270	-	-	-	116,815
Total	**3,139,720**	**3,018,525**	**-**	**4,640,644**	**5,044,647**	**71,132**	**1,055,087**	**16,969,755**

Total Insurance & investment contract liabilities	**-**	**2,672,956**	**-**	**-**	**4,697,364**	**71,132**	**1,055,087**	**8,496,539**
Borrowings		**119,863**	**-**	**-**	**134,345**	**-**	**-**	**254,208**
Total	**-**	**2,792,819**	**-**	**-**	**4,831,709**	**71,132**	**1,055,087**	**8,750,747**

Notes to the Financial Statements - continued

54 Financial assets and liabilities

Accounting classification measurement basis and fair values

The table below sets out the Company's classification of each class of financial assets and liabilities, and their fair values:

31 December 2018	Note	Loans and receivables	Fair value through profit or loss	Available-for-sale	Held to maturity	Other Financial liabilities	Total carrying amount	Fair value
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and cash equivalents	5	3,582,363	-	-	-	-	3,582,363	3,582,363
Investment securities	6	10,489	2,660	7,335,997	-	-	7,349,146	7,347,795
Trade receivables	7	69,838	-	-	-	-	69,838	69,838
Reinsurance assets	8	3,913,090	-	-	-	-	3,913,090	3,913,090
Statutory deposit	14	500,000	-	-	-	-	500,000	500,000
		8,075,780	2,660	7,335,997	-	-	15,414,437	15,413,086
Borrowings	18					166,755	166,755	166,755
Investment contract liabilities	16	-	-	-	-	934,245	934,245	934,245
Trade payables	17	-	-	-	-	297,474	297,474	297,474
Other creditors						232,748	232,748	232,748
		-	-	-	-	1,631,222	1,631,222	1,631,222

31 December 2017	Note	Loans and receivables	Available-for-sale	Held to maturity	Other Financial liabilities	Total carrying amount	Fair value
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and cash equivalents	5	8,627,523	-	-	-	8,627,523	8,627,523
Investment securities	6	50,932	576,171	202,505	-	829,608	816,558
Trade receivables	7	47,710				47,710	47,710
Reinsurance assets	8	3,795,649	-	-	-	3,795,649	3,795,649
Statutory deposit	14	500,000	-	-	-	500,000	500,000
		13,021,814	576,171	202,505	-	13,800,490	13,787,440
Investment contract liabilities	16	-	-	-	1,055,087	1,055,087	1,055,087
Trade payables	17	-	-	-	542,370	542,370	542,370
Other creditors					1,754,570	1,754,570	1,754,570
		-	-	-	3,352,027	3,352,027	3,352,027

Other National Disclosures

Value added statement

For the year ended 31 December 2018

	31 December 2018	%	31 December 2017	%
	₦'000		₦'000	
Gross Premium (local)	10,007,524		7,667,258	
Bought in materials and services				
-Local	(10,796,966)		(8,192,264)	
Value added	(789,442)	100%	(525,006)	100%
Distribution of value added				
To government				
Government as taxes	(557,901)	71%	60,622	2%
To employees				
Employee costs	515,660	-65%	186,918	36%
Retained in the business				
Depreciation and amortisation	141,350	-18%	61,537	7%
Loss for the year	(888,551)	113%	(834,083)	55%
Value (eroded)/added	(789,442)	100%	(525,006)	100%

Value added is the wealth created by the efforts of the Company and its employees. This statement shows the allocation of that wealth among the employees, shareholders, government and amount reinvested for the creation of further wealth.

Other National Disclosures - continued

Five-year financial summary

	31 December	31 December			
	2018	2017	2016	2015	2014
	₦'000	₦'000	₦'000	₦'000	₦'000
Statement of Financial position					
Assets					
Cash and cash equivalents	3,582,363	8,627,523	7,684,038	5,655,478	5,868,518
Investment securities	7,349,146	829,608	1,123,498	1,305,171	2,120,640
Trade receivables	69,838	47,710	111,736	-	-
Reinsurance assets	3,913,090	3,795,649	1,099,485	702,720	530,644
Deferred acquisition costs	257,278	176,077	121,179	85,763	91,223
Prepayments and other receivables	652,265	116,815	303,541	301,619	130,777
Investment properties	2,354,100	2,594,100	2,425,000	2,740,000	1,145,000
Intangible assets	12,611	-	5,311	22,284	45,414
Property and equipment	603,195	201,102	193,671	276,152	1,697,267
Deferred tax assets	527,821	-	-	-	52,376
Statutory deposits	500,000	500,000	500,000	500,000	500,000
Total assets	19,821,707	16,888,584	13,567,459	11,589,187	12,181,859
Liabilities					
Borrowings	166,755	254,208	-	-	-
Insurance contract liabilities	8,266,705	7,441,452	4,639,622	4,221,829	4,058,294
Investment contract liabilities	934,245	1,055,087	1,215,719	1,252,195	1,357,506
Trade payables	297,474	542,370	959,341	479,054	29,205
Accruals and other payable	407,013	2,020,928	412,496	294,495	1,233,017
Income tax payable	138,681	163,082	69,194	102,988	211,112
Deferred tax liabilities	-	-	43,503	43,503	-
Total liabilities	10,210,873	11,477,127	7,339,875	6,394,064	6,889,134
Net assets	9,610,834	5,411,457	6,227,584	5,195,123	5,292,725
Financed by:					
Share capital	7,819,157	3,757,549	3,757,549	3,757,549	3,757,549
Share premium	780,047	864,902	864,902	864,902	864,902
Irredeemable convertible note	5,000,000	4,061,608	4,061,608	4,061,608	3,667,608
Statutory contingency reserve	1,498,813	1,282,717	1,114,958	925,129	859,309
Fair value reserve	203,831	31,049	13,093	33,375	61,019
Asset revaluation reserve	280,551	280,551	280,551	280,551	267,786
Accumulated losses	(5,971,565)	(4,866,919)	(3,865,077)	(4,727,991)	(4,185,448)
Shareholders' fund	9,610,834	5,411,457	6,227,584	5,195,123	5,292,725

	6 months		12 months		
	2018	2017	2016	2015	2014
	₦'000	₦'000	₦'000	₦'000	₦'000
Profit or Loss Account					
Gross premium written	10,007,524	7,667,258	4,194,782	2,875,078	3,910,673
Gross pemium income	9,750,309	6,702,232	4,017,370	2,986,992	3,952,950
(Loss)/profit before tax	(1,446,452)	(773,461)	1,092,271	(310,822)	(1,629,634)
Tax expense	-	-	(39,528)	(165,901)	(38,470)
(Loss)/profit after tax	(1,446,452)	(773,461)	1,052,743	(476,723)	(1,668,104)

NON-LIFE REVENUE ACCOUNT
For the year ended 31 December 2018

in thousands of Naira

	Fire	Motor	General Accident	Marine	Aviation	Engineering	Oil and Gas	Total
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Direct Premium	677,605	785,643	375,518	278,401	1,613,717	318,193	1,610,280	5,659,357
Facultative inward	67,087	22,482	21,945	11,566	-	18,258	382	141,720
Gross premium written	**744,692**	**808,125**	**397,463**	**289,967**	**1,613,717**	**336,451**	**1,610,662**	**5,801,077**
Unearned premium	(53,310)	(62,592)	(14,823)	(78,478)	13,087	(59,980)	(149,504)	(405,600)
Gross premium income	**691,382**	**745,533**	**382,640**	**211,489**	**1,626,804**	**276,471**	**1,461,158**	**5,395,477**
Facultative outward	(42,037)	(1,567)	(17,436)	(41,218)	(1,352,839)	(29,699)	(916,917)	(2,401,713)
Reinsurance treaty- local	-	-	-	(96,428)	-	-	-	(96,428)
Reinsurance treaty -foreign	(378,283)	-	-	-	-	(209,941)	-	(588,224)
M&D excess of loss	(12,486)	(1,620)	(8,280)	(7,650)	-	(14,834)	-	(44,870)
Reinsurance cost	(432,806)	(3,187)	(25,716)	(145,296)	(1,352,839)	(254,474)	(916,917)	(3,131,235)
Changes in prepaid re-insurance	17,008	269	(910)	37,596	16,407	57,825	127,126	255,321
Reinsurance premium expenses	(415,798)	(2,918)	(26,626)	(107,700)	(1,336,432)	(196,649)	(789,791)	(2,875,914)
Net premium income	**275,584**	**742,615**	**356,014**	**103,789**	**290,372**	**79,822**	**671,367**	**2,519,563**
Commission income - facultative outward	6,864	274	2,591	2,565	127,090	1,601	44,914	185,899
Commission income treaty local	-	-	-	30,622	-	-	-	30,622
Commission income foreign treaty	113,484	-	-	-	-	68,231	-	181,715
Fees	-	-	-	-	54,000	-	-	54,000
Changes in deferred commission income	(3,183)	(46)	668	(5,997)	(3,095)	(17,521)	(8,254)	(37,428)
Fees & commission income	117,165	228	3,259	27,190	177,995	52,311	36,660	414,808
Net underwriting income	**392,749**	**742,843**	**359,273**	**130,979**	**468,367**	**132,133**	**708,027**	**2,934,371**
Claims paid	(185,113)	(512,178)	(173,491)	(168,427)	(199,343)	(40,052)	(44,186)	(1,322,790)
Changes in outstanding claims	(104,946)	(34,447)	(62,074)	(364,287)	11,625	(110,424)	(346,445)	(1,010,997)
IBNR	25,054	11,800	(14,296)	(9,507)	184,695	79,825	(142,878)	134,692
Claims handling expenses	(5,728)	(2,534)	(7,115)	(182)	(599)	(2,055)	(2,525)	(20,738)
Net claims incurred	(270,733)	(537,359)	(256,976)	(542,403)	(3,622)	(72,706)	(536,034)	(2,219,833)
Claims recoveries	130,591	6,499	9,908	94,176	158,418	14,614	21,624	435,830
Salvages	-	12,740	-	-	-	-	-	12,740
Outstanding claims recoveries (inclusive IBNR)	115,784	1,864	(28,703)	196,974	(199,968)	25,705	278,593	390,249
IBNR on recoverables on outstanding claims	-	-	-	-	-	-	-	-
Recoveries	246,375	21,103	(18,795)	291,150	(41,550)	40,319	300,217	838,819
Net Claims expense	**(24,358)**	**(516,256)**	**(275,771)**	**(251,253)**	**(45,172)**	**(32,387)**	**(235,817)**	**(1,381,014)**
Commission expense	(123,395)	(82,024)	(67,394)	(48,961)	(88,296)	(59,619)	(217,252)	(686,941)
Commission paid facultative inward	(21,046)	(3,945)	(6,614)	(3,494)	-	(5,369)	(76)	(40,544)
Changes in DAC	10,308	2,673	4,009	14,410	8,760	8,287	18,515	66,962
Acquisition cost	(134,133)	(83,296)	(69,999)	(38,045)	(79,536)	(56,701)	(198,813)	(660,523)
Maintenance cost	(7,199)	3,806	(1,252)	(3,369)	(5,220)	(4,857)	(166,322)	(184,413)
Underwriting expenses	**(141,332)**	**(79,490)**	**(71,251)**	**(41,414)**	**(84,756)**	**(61,558)**	**(365,135)**	**(844,936)**
Underwriting profit	**227,059**	**147,097**	**12,251**	**(161,688)**	**338,439**	**38,188**	**107,075**	**708,421**

NON-LIFE REVENUE ACCOUNT
For the year ended 31 December 2017

in thousands of Naira

	Fire	Motor	General Accident	Bond	Marine	Aviation	Engineering	Oil and Gas	Total
Direct Premium	515,596	470,926	298,607	-	87,998	2,052,956	214,570	785,916	4,426,569
Facultative inward	45,993	6,899	20,930	-	4,691	-	7,704	41,559	127,776
	-		-	-	-	-	-	-	
Gross premium written	**561,589**	**477,825**	**319,537**	**-**	**92,689**	**2,052,956**	**222,274**	**827,475**	**4,554,345**
Unearned premium	(29,469)	(22,345)	(16,709)	-	(4,088)	(26,479)	1,776	10,636	(86,678)
Gross premium income	**532,120**	**455,480**	**302,828**	**-**	**88,601**	**2,026,477**	**224,050**	**838,111**	**4,467,667**
Facultative outward	(21,318)	-	(14,119)	-	-	(1,845,418)	(22,858)	(405,014)	(2,308,727)
Reinsurance treaty- local	-	-	-	-	(45,615)	-	-	-	(45,615)
Reinsurance treaty -foreign	(346,690)	-	-	-	-	-	(121,477)	-	(468,167)
M&D excess of loss	(9,423)	(2,776)	(10,573)	-	(4,501)	-	-	-	(27,273)
Reinsurance cost	(377,431)	(2,776)	(24,692)	-	(50,116)	(1,845,418)	(144,335)	(405,014)	(2,849,782)
Changes in prepaid re-insurance	21,084	(4,479)	1,808	-	3,890	(44,093)	(5,432)	(53,874)	(81,096)
Reinsurance premium expenses	(356,347)	(7,255)	(22,884)	-	(46,226)	(1,889,511)	(149,767)	(458,888)	(2,930,878)
Net premium income	**175,773**	**448,225**	**279,944**	**-**	**42,375**	**136,966**	**74,283**	**379,223**	**1,536,789**
Commission income - facultative outward	2,064	-	3,801	-	-	80,251	822	11,323	98,261
Commission income treaty local	-	-	-	-	14,804	-	-	-	14,804
Commission income foreign treaty	104,004	-	-	-	-	-	39,480	-	143,484
						81,000			81,000
Changes in deferred commission income	(5,608)	705	(802)	-	(1,023)	132	1,035	(378)	(5,939)
Fees & commission income	100,460	705	2,999	-	13,781	161,383	41,337	10,945	331,610
Net underwriting income	**276,233**	**448,930**	**282,943**	**-**	**56,156**	**298,349**	**115,620**	**390,168**	**1,868,399**
Claims paid	(187,740)	(233,008)	(156,786)	-	(14,253)	(107,648)	(65,428)	(121,249)	(886,112)
Changes in outstanding claims	(48,887)	(8,778)	(43,898)	5,050	7,960	13,982	(13,011)	(76,833)	(164,415)
IBNR	(56,648)	(18,291)	112,372	-	(12,867)	(183,583)	(62,065)	(132,462)	(353,544)
Claims handling expenses	(3,943)	(2,072)	(4,385)	-	(1,145)	(370)	(1,554)	(6,326)	(19,794)
Net claims incurred	(297,218)	(262,149)	(92,697)	5,050	(20,305)	(277,619)	(142,058)	(336,870)	(1,423,865)
Claims recoveries	80,251	-	26,504	-	2,058	51,488	23,773	27,944	212,018
Salvages	1,100	9,337	-	-	95	-	-	-	10,532
Outstanding claims recoveries	73,952	878	39,366	-	(5,404)	15,960	(16,121)	114,166	222,798
IBNR on recoverables on outstandinh claims	53,318	(83)	2,713		1,480	241,033	31,955	10,176	340,591
Recoveries	208,621	10,132	68,583	-	(1,771)	308,481	39,607	152,286	785,939
Net Claims expense	**(88,597)**	**(252,017)**	**(24,114)**	**5,050**	**(22,076)**	**30,862**	**(102,451)**	**(184,584)**	**(637,926)**
Commission paid	(109,680)	(53,148)	(61,157)	-	(14,667)	(54,185)	(47,536)	(91,024)	(431,397)
Commission paid facultative inward	(5,830)	(2,219)	(6,461)	-	(1,400)	(2,223)	(2,312)	(8,312)	(28,757)
Changes in DAC	5,510	4,081	2,209	-	740	3,453	(291)	(9,137)	6,565
Acquisition cost	(110,000)	(51,286)	(65,409)	-	(15,327)	(52,955)	(50,139)	(108,473)	(453,589)
Maintenance cost	(8,151)	1,010	(4,319)	-	(681)	2,059	(4,180)	(146,513)	(160,775)
Write-Back/(Impairment charges)	-	-	-	-	-	-	-	-	-
Underwriting expenses	**(118,151)**	**(50,276)**	**(69,728)**	**-**	**(16,008)**	**(50,896)**	**(54,319)**	**(254,986)**	**(614,364)**
Underwriting profit/(Loss)	**69,485**	**146,637**	**189,101**	**5,050**	**18,072**	**278,315**	**(41,150)**	**(49,402)**	**616,109**

LIFE REVENUE ACCOUNT
For the year ended 31 December 2018

	Group life	Individual life	Annuity	Total
	₦'000	**₦'000**	**₦'000**	**₦'000**
Gross premium written	3,892,458	313,989	-	4,206,447
Unearned premium/changes in reserve	148,385	-	-	148,385
Gross premium income	4,040,843	313,989	-	4,354,832
Facultative premium	(2,941,994)	-	-	(2,941,994)
Reinsurance premium	(36,614)	(7,468)	-	(44,082)
Re-insurance cost	(2,978,608)	(7,468)	-	(2,986,076)
Changes in prepaid re-insurance	(172,269)	-	-	(172,269)
Reinsurance premium expenses	(3,150,877)	(7,468)	-	(3,158,345)
Net premium income	889,966	306,521	-	1,196,487
Commission income	34,933	3,235	-	38,168
Fees	263,607	2,716		266,323
Deferred commission income	6,789	-	-	6,789
Fees & commission income	305,329	5,951	-	311,280
Net underwriting income	1,195,295	312,472	-	1,507,767
Death claims paid	(3,871,046)	(15,514)	-	(3,886,560)
Claims benefits	-	(482,472)	(24,693)	(507,165)
Outstanding claims/benefit payable	212,374	(1,408)	-	210,966
IBNR	(18,549)	-	-	(18,549)
Claims incurred	(3,677,221)	(499,394)	(24,693)	(4,201,308)
Recovery -local facultative	3,332,170	-	-	3,332,170
Outstanding claims recoveries (inclusive IBNR)	(471,639)	-	-	(471,639)
Recoveries	2,860,531	-	-	2,860,531
Net claims expense and benefit payments	(816,690)	(499,394)	(24,693)	(1,340,777)
Commission expense	(345,628)	(11,172)	-	(356,800)
Change In deferred acquisition cost	14,241	-	-	14,241
Maintenance cost	(32,059)	(2,465)	-	(34,524)
Underwriting expenses	**(363,446)**	**(13,637)**	**-**	**(377,083)**
Changes in individual life reserve	-	67,605	22,894	90,499
Underwriting profit	**15,159**	**(132,954)**	**(1,799)**	**(119,594)**

LIFE REVENUE ACCOUNT
For the year ended 31 December 2017

	Group life	Individual life	Annuity	Total
	₦'000	**₦'000**	**₦'000**	**₦'000**
Gross premium written	2,816,940	295,571	402	3,112,913
Unearned premium/changes in reserve	(878,348)	-	-	(878,348)
Gross premium income	1,938,592	295,571	402	2,234,565
Facultative premium	(2,455,444)	-	-	(2,455,444)
Reinsurance premium	(19,958)	(7,715)	-	(27,673)
Re-insurance cost	(2,475,402)	(7,715)	-	(2,483,117)
Changes in prepaid re-insurance	824,181	-	-	824,181
Reinsurance premium expenses	(1,651,221)	(7,715)	-	(1,658,936)
Net premium income	287,371	287,856	402	575,629
Commission income	25,739	323	-	26,062
Fees	281,288	11,154		292,442
Deferred commission income	(56,024)	-	-	(56,024)
Fees & commission income	251,003	11,477	-	262,480
Net underwriting income	538,374	299,333	402	838,109
Death claims paid	(1,550,082)	(15,217)	-	(1,565,299)
Claims benefits	-	(394,344)	(15,093)	(409,437)
Outstanding claims/benefit payable	(557,641)	(29,072)	-	(586,713)
IBNR	(782,451)	-	-	(782,451)
Claims incurred	(2,890,174)	(438,633)	(15,093)	(3,343,900)
Recovery -local facultative	1,311,274	4,440	-	1,315,714
Outstanding claims recoveries	502,891	2,718	-	505,609
IBNR on recoverables on outstanding claims	873,917	-	-	873,917
Recoveries	2,688,082	7,158	-	2,695,240
Net claims expense and benefit payments	(202,092)	(431,475)	(15,093)	(648,660)
Commission expense	(247,335)	(16,128)	-	(263,463)
Change In deferred acquisition cost	48,333	-	-	48,333
Maintenance cost	(1,329)	(2,092)	-	(3,421)
Underwriting expenses	**(200,331)**	**(18,220)**	**-**	**(218,551)**
Changes in individual life reserve	-	51,195	(9,372)	41,823
Underwriting profit	**135,951**	**(99,167)**	**(24,063)**	**12,721**