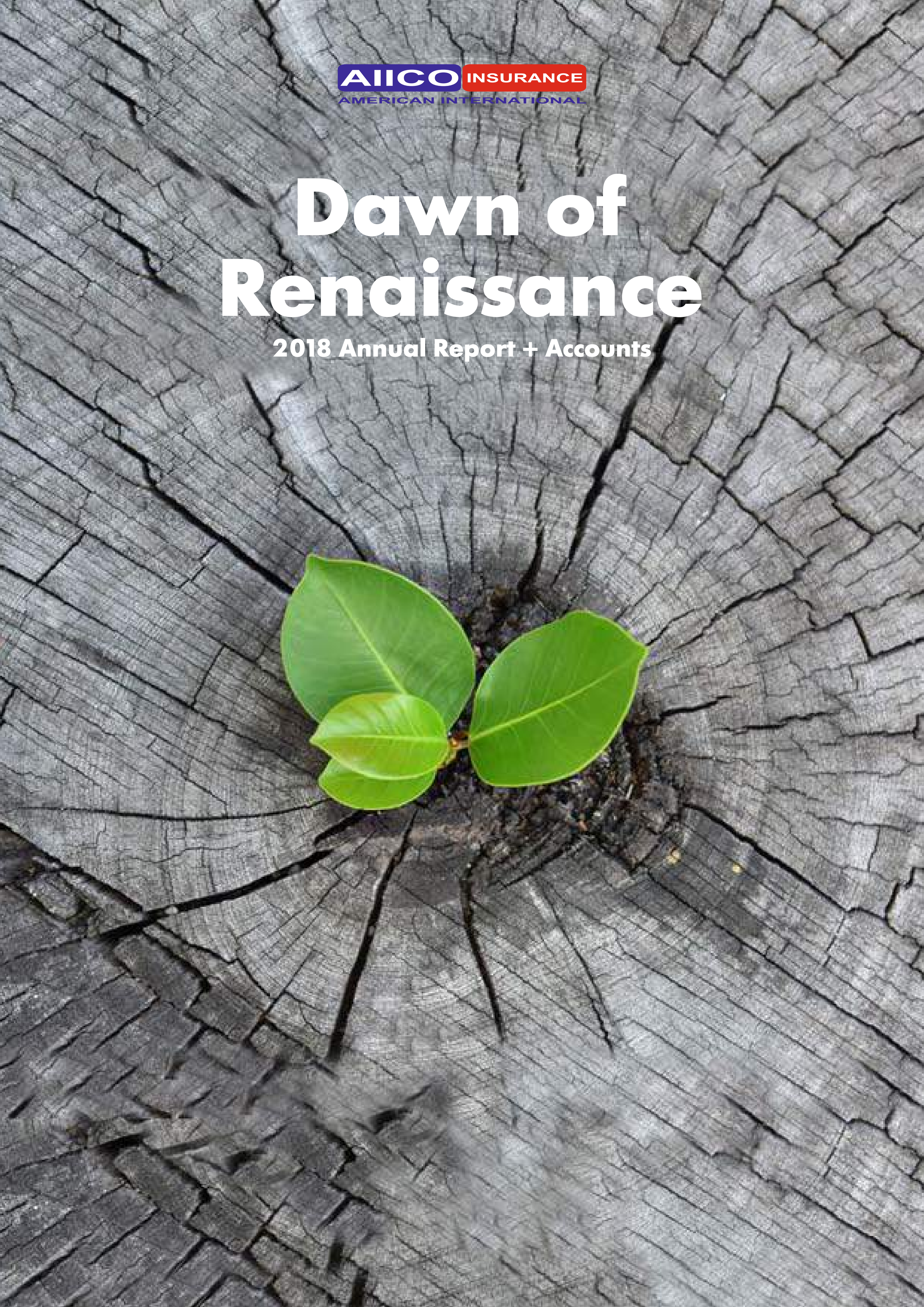
AIICO INSURANCE
AMERICAN INTERNATIONAL

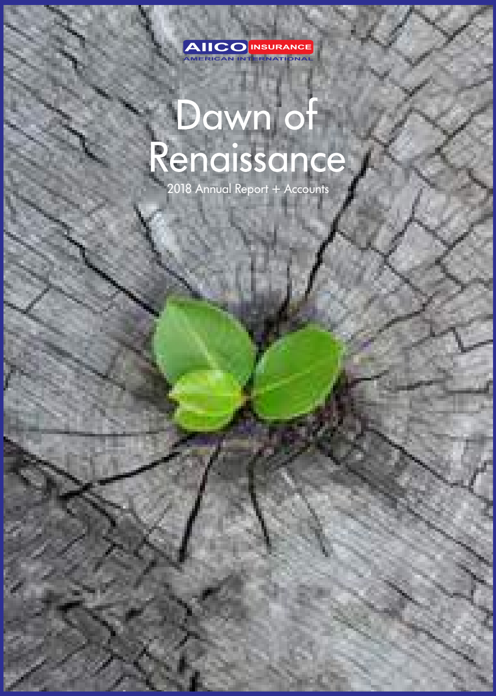
# Dawn of Renaissance

## 2018 Annual Report + Accounts




AIICO Insurance Plc. **DOES NOT** accept cash payments and shall not be liable for any transactions done and/or concluded outside these channels highlighted above.
By Order: Management.

“The start of something new brings the hope of something great.”
- Anonymous



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## Overview



## Business Review



## Corporate Governance

**Our commitment stays strong to our vision, mission and strategy for sustained momentum, continuous growth, better service and value to our stakeholders.**

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# Corporate Profile

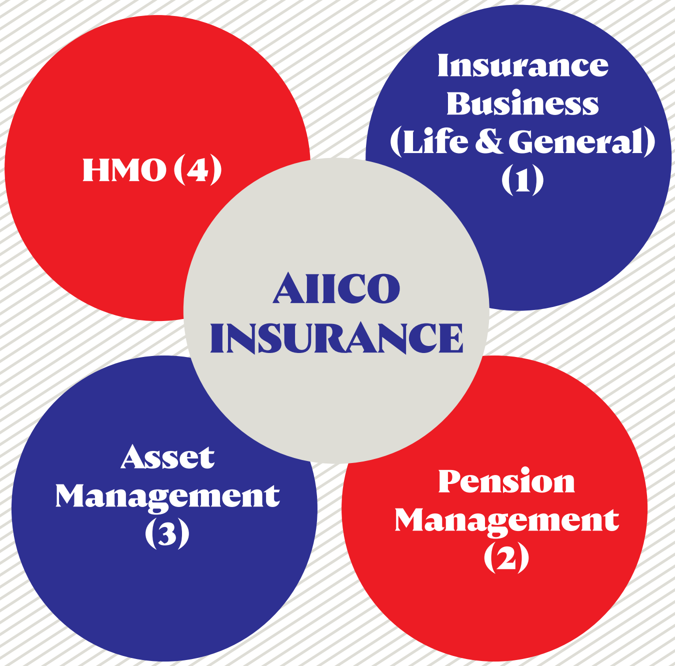
**Established in 1963, AIICO Insurance Plc (NSE Ticker: "AIICO") is an Insurance, Pension, Health and Asset Management Group in Nigeria with market-leading positions in its key business lines:**


AIICO commenced operations in Nigeria in 1963 as an Agency of American Life Insurance Company ("ALICO") - a subsidiary of American International Group (AIG) at that time.

The company was incorporated, registered and licensed in Nigeria as American Life Insurance Company Limited as a wholly owned subsidiary of ALICO/AIG in 1970 to offer Life, Pension products and Insurance services. It was later renamed American International Insurance Company Limited (AIICO) upon the acquisition of a 60% stake by the Federal Government of Nigeria, and later listed on the Nigerian Stock Exchange in 1990, after which shareholders divested.

Following the consolidation of the insurance industry in 2007, the company acquired NFI Insurance Plc. and Lamda Insurance Company Limited (both cumulatively accounting for less than 30% of AIICO's pre-acquisition gross premiums). The company subsequently recertified as both General Insurance and Life Assurance Company, taking advantage of its legacy, brand, franchise and strong retail distribution network to grow a leading General Insurance business.

To take advantage of the opportunities presented by the Pension Reform Act of 2004, AIICO Pension Managers Limited (APML) was incorporated in February 2005 and licensed in April 2006 as a Pension Fund Administrator (PFA) by the National Pension Commission (PenCom), and commenced operations in May 2006. AIICO also owns valuable financial and strategic assets including a controlling stake in AIICO Multishield Limited and a 19% stake in Healthcare International Limited, both Health Maintenance Organizations (HMOs), and AIICO Capital Limited, an asset management wholly-owned subsidiary.




**CORPORATE STRUCTURE**

1. Life and General Insurance are strategic businesses units/divisions within AIICO
2. AIICO Pension Managers Limited - c.70.20% owned subsidiary of AIICO
3. AIICO Capital - a 90% owned subsidiary of AIICO providing asset management services for AIICO and 3rd parties
4. AIICO owns c.76.10% of AIICO Multishield Limited -a Health Maintenance Organisation operating in Nigeria

# Notice Of Annual General Meeting

**Notice is hereby given that the 49th Annual General Meeting of AIICO Insurance Plc. will be held at the Orchids Hotels, 3, Dreamworld Africana Way, Lekki, Lagos, on Monday, 20th May, 2019 at 10.00 am to transact the following businesses:-**

## Ordinary Business:

1. To receive and consider the Audited Financial Statements for the year ended December 31, 2018 and the Report of the Directors, Auditor's Report and the Statutory Audit Committee Report thereon.

2. To declare a dividend

3. To elect/re-elect Directors.

4. To appoint Auditors

5. To authorize the directors to fix the remuneration of the Auditors

6. To elect shareholders as members of the Statutory Audit Committee.

## Special Business

7. To consider and if thought fit pass the following by Special Resolution:

   That the Shareholders do and hereby approve that a Technical Assistance Agreement which is intended to enhance business generation and boost profitability in the company and its group subsidiaries be and is hereby entered into between AIICO Insurance Plc and Oakwood Synergy Hub Limited (The Advisor). That this agreement be and is hereby approved to run for a period not exceeding 3 years.

   That subject to the approval of the regulatory authorities, all relevant Clauses of the Memorandum and Articles of Association of the Company which are to be altered be and are hereby altered to bring it in line further to the new investors rights (Leapfrog) and the investment in the company. (The specific clauses are reproduced and included as an addendum to the Annual Reports and Accounts and also posted on the Company's website; www.aiicoplc.com)

   That the Board do and hereby recommends for approval by the shareholders that at least one Board meeting within every Calendar year be held by conference call and that all decisions reached at all times through this mode shall remain binding and have legal effect without any limitation or restriction, geographical or otherwise, notwithstanding the Article of Association prior to this resolution.

8. That the Board be and is hereby authorized to take all necessary steps to give effect to the aforementioned resolutions in paragraphs 7 above.

9. That in compliance with Article 5.07 (iv) of the National Insurance Commission (NAICOM) Code of Good Corporate Governance for the Insurance Industry in Nigeria, the Directors are hereby authorized to appoint an external consultant to conduct the Annual Board Performance Appraisal for the financial year ending December 31, 2019 and that the shareholders further approve that this approval remains in force on a yearly basis.

## NOTES:

**1. PROXY**

i. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his or her place. A proxy need not be a member of the Company. A form of proxy is attached at the last page of this report.

ii. If the proxy form is to be valid for the purpose of this meeting, it must be completed, detached duly stamped by the Commissioner of Stamp Duties in accordance with the Stamp Duties Act and deposited at the Office of the Registrar, United Securities Limited, 9 Amodu Ojikutu Street, Off Bishop Oluwole Street, Victoria Island. P.M.B. 12753, Lagos, not later than 48 hours before the time for holding the meeting.

**2. CLOSURE OF REGISTER OF MEMBERS**

Notice is hereby given that the Register of Members and Share Transfer Books of the Company will be closed from the 10th May - May 17th 2019 (both dates inclusive).

**3. DIVIDEND WARRANTS**

If the Dividend recommended by the Directors is approved by the Shareholders at the Annual General Meeting, dividend will be payable on Monday 20th day of May 2019 at the rate of N0.06k per every 50k to shareholders whose names

# Notice Of Annual General Meeting

appear on the register of members at the close of business on Thursday May 9th 2019, subject to deduction of appropriate withholding tax. Shareholders who have completed the e-dividend mandate forms will receive a direct credit of the dividend into their bank accounts on the day of the Annual General Meeting (Monday May 20, 2019)

**4. E-DIVIDEND MANDATE**

Shareholders are kindly requested to update their records and advise United Securities Registrars Limited of their updated records and relevant bank accounts for the payment of their dividends. A detachable form in respect of mandate for e-dividend payment is attached to the Annual Report for convenience. The aforementioned form can also be downloaded from the website https://www.unitedsecuritieslimited.com.

The duly completed form should be returned to 10 Amodu Ojikutu Street, Off Bishop Oluwole Street, Victoria Island. P.M.B. 12753, Lagos.

**5. APPOINTMENT OF MEMBERS OF THE STATUTORY AUDIT COMMITTEE.**

Pursuant to and in accordance with Section 359(5) of the Companies and Allied Matters Act 2004, any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Secretary of the Company at least 21 days before the Annual General Meeting. To comply with the requirements of the Code of Corporate Governance, Nominations should have proof of Nominee's financial literacy attached.

**6. UNCLAIMED DIVIDEND WARRANTS**

Some dividend warrants and share certificates remain unclaimed or are yet to be presented for payment or returned to the Company for revalidation. Affected shareholders are advised to contact the Registrars, United Securities Ltd., 9 Amodu Ojikutu Street, Off Bishop Oluwole Street, Victoria Island, P.M.B. 12753, Lagos.

**7. BIOGRAPHICAL DETAILS OF DIRECTORS**

Biographical details of Directors standing for election/re-election are contained in the Annual Report and Accounts

**8. WEBSITE**

A copy of this Notice and other information relating to the meeting can be found at http://www.aiicoplc.com.

**9. RIGHT OF SECURITY HOLDERS TO ASK QUESTIONS**

Securities' Holders have a right to ask questions not only at the Meeting, but also in writing prior to the Meeting, and such questions must be submitted to the Company on or before close of business on Tuesday May 3, 2019.

**10. RELATED PARTY OR INTERESTED PERSONS**

Related parties or interested persons shall abstain from exercising any voting rights at the meeting in respect of paragraphs 7 of the Special Business listed above.

BY ORDER OF THE BOARD

Donald KANU
Dated this 4th Day of April, 2019.
Company Secretary/Legal Adviser
AIICO Insurance Plc
AIICO Plaza,
PC 12, Churchgate Street
(formerly, Afribank Street,)
Victoria Island,

# Corporate Information

## Directors

| | |
|---|---|
| Mr. Bukola Oluwadiya | Chairman |
| Mr. Edwin Igbiti | Group MD/CEO |
| Mr. Babatunde Fajemirokun | Executive Director |
| Mr. Adewale Kadri | Executive Director |
| Mr. Sonnie Ayere | Director |
| Mr. Kundan Sainani | Director |
| Mr. Samaila Zubairu | Director |
| Mr. S. D. A. Sobanjo | Director |
| Mr. Ademola Adebise | Director |
| Ms. Oluwafolakemi Fajemirokun | Director |

## Company Secretary

Mr. Donald Kanu
AIICO Insurance Plc
AIICO Plaza
Plot PC 12, Churchgate Street
Victoria Island, Lagos.

## Registered Office

AIICO Plaza
Plot PC 12, Churchgate Street
Victoria Island, Lagos.

## RC. No

7340

## Corporate Head Office

Plot PC 12,
Churchgate Street,
Victoria Island, Lagos
Tel: 234 01 279 2930-59
0700 AIIContact (0700 2442 6682 28)
Fax: +234 01 2799800
Web: www.aiicoplc.com
E-mail: aiicontact@aiicoplc.com

## Registrars

United Securities Limited
9, Amodu Ojikutu Street
Off, Bishop Oluwole Street, Victoria Island,
P.M.B. 12753
Lagos

## Independent Auditors

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
P.M.B 40014, Falomo
Ikoyi, Lagos.
Web: www.kpmg.com/ng

## Major Bankers

Ecobank Plc
First City Monument Bank (FCMB) Ltd
First Bank Of Nigeria Ltd
GTBank Plc
Standard Chartered Bank Ltd
Union Bank Of Nigeria Plc
United Bank For Africa (UBA) Plc

## Actuary

Zamara Consulting Actuaries Nigeria Limited
FRC/2017/NAS/00000016912

## Estate Surveyor

Niyi Fatokun & Co.
(Chartered Surveyors & Valuers)
FRC/2013/NIESV/70000000/1217

## Reinsurers

African Reinsurance Corporation
Continental Reinsurance Plc
Swiss Reinsurance
WAICA Reinsurance
Nigeria Reinsurance
Trust Reinsurance
Zep Reinsurance
Arig Reinsurance
Aveni Reinsurance
NCA Reinsurance

## Regulatory Authority

National Insurance Commission(NAICOM)

# Corporate Information

**Head Office**
AIICO Plaza
Plot PC 12, Churchgate Street,
Victoria Island, Lagos.
01 279 2930, 0700 AIIContact
(0700 2442 6682 28)
Fax: +234 01 2799800
Email: aiicontact@aiicoplc.com

**Aba**
7 Factory Road,
Aba, Abia State.
Tel: +234 805 531 4351

**Abeokuta**
46 Tinubu Street,
Ita Eko, Abeokuta,
Ogun State.
Tel: +234 803 255 7071

**Abuja**
Prime Plaza: Plot 1012,
Ademola Adetokunbo Crescent,
Opposite Rockview Hotel,
Wuse II, Wuse, FCT Abuja.
Tel: +234 805 820 0439
+234 817 668 4115

**Benin**
28 Sokponba Road,
Benin City, Edo State.
Tel: +234 805 116 3395
+234 813 405 1972

**Enugu**
55/59 Chime Avenue,
Gbuja's Plaza, New Haven,
Enugu State.
Tel: +234 803 724 6767

**Ibadan**
12 Moshood Abiola Way,
Challenge Area,
Ibadan, Oyo State.
Tel : +234 803 231 8925
+234 802 834 4263

**Jos**
4 Beach Road,
Jos, Plateau State.
Tel: +234 805 735 6726
+234 809 033 5125,

**Kaduna**
Yaman Phone House,
1, Constitution Road
Kaduna, Kaduna State.
Tel: +234 803 338 6968,
+234 805 601 9667

**Kano**
8, Post Office Road,
Kano, Kano State.
Tel: +234 807 810 7938,
+234 806 593 4787

**Lagos Ikeja**
AIICO House,
Plot 2 Oba Akran Avenue,
Opposite Dunlop, Ikeja,
Lagos State.
Tel: +234 1 460 2097-8;
+234 808 313 4376
+234 1 460 2218

**Lagos Ilupeju**
AIICO House
36/38, Ilupeju Industrial Avenue
Ilupeju, Lagos State.
Tel: +234 816 046 6239
+234 803 334 3036

**Lagos Isolo**
203/205, Apapa-Oshodi
Expressway
Isolo, Lagos State.
Tel: +234 802 305 4803;
+234 805 717 6063

**Onitsha**
Noclink Plaza,
41 New Market Road
Opp UBA Bank, Onitsha
Anambra State.
Tel: +234 708 606 4999
+234 803 375 0361

**Owerri**
46, Wetheral Road
Owerri, Imo State
Tel: +234 805 603 3269
+234 706 603 2065

**Port Harcourt**
11 Ezimgbu Link Road
(Mummy B Road)
Off Stadium Road
G.R.A Phase 4, Port Harcourt
Rivers State.
Tel: +234 808 313 4875
+234 909 448 9393

**Warri**
60, Effurun/Sapele Road
Warri.
Delta State.
Tel: +234 803 971 0794
+234 818 749 7490

**RETAIL OUTLETS**

**AIICO Express**
Abuja Plot 1083,
Mohammadu Buhari Way,
beside Sterling Plaza,
Central Business Area, Abuja.
Tel: 08169011819

**AIICO Express**
Churchgate, Victoria Island
Opposite Churchgate Towers,
Victoria Island, Lagos.
Tel: 08129123143,
07087955065

**AIICO Express**
Lekki Ikate Community,
Opposite Manor House,
Ikate, Lekki, Lagos.
Tel: 08129123143,
07013184117

## Our Vision

To become the indisputable leader in all markets we choose to play in.

## Our Mission

We exist to create and protect wealth for our customers.

## Our Core Values

Service Excellence | Trust | Team Spirit | Entrepreneurship | Professionalism

# The Journey Through the Years

**1963**

Setup as agency office of AIG in Nigeria.

**1970**

Incorporated and licenced to offer Life Insurance and Pension

**1976**

- Sold 60% to Fed. Govt.
- Name changed to AIICO

**1989**

Converted to a PLC.

## 1990

- Listed on the NSE
- FG divested 60% holding

## 1998

AIICO Capital Incorporated

## 2005

AIICO Pension Established

## 2006

AIICO Pension licenced as a Pension Fund Administrator by National Pension Commission

## 2007

- Acquired NFI & Lamda
- $35m private placement
- NSE President Merit Award

AIICO Pension
- Asset under management hits N10bn

## 2010

**AIICO Multishield**
- First HMO to operate 24 hours in-house Call Center manned by medical staff
- First HMO to implement NYSC Health Insurance Scheme

## 2012

**AIICO Multishield**
First HMO to implement Mobile Health Scheme with MTN in Nigeria

## 2013

- 50 years anniversary
- Business restructured
- New Management
- Commenced yearly credit rating

**AIICO Multishield**
- First HMO to partner FBN Insurance on Bancassurance bundled with Health in Nigeria

## 2014

- $20m IFC Agreement
- Enhanced Risk Mgt. and Corporate Governance

**AIICO Pension**

- Asset under management hits N50bn

## 2015

- Business restructuring
- Branding and infrastructure upgrade

## 2016

- Business model restructuring
- AIICONTACT & customer engagement center
- Profitability on all businesses
- Renovation of offices to improve brand quality

## 2017

*AIICO Insurance wins 4 Pearl Awards namely:*
- *Sectoral Leadership Award in Financial Services – Insurance Sector*
- *Market Excellence Award for Highest Earnings Yield*
- *Market Excellence Award for Highest Return on Equity*
- *Market Excellence Award for Highest Dividend Cover*

## 2018

*AIICO Capital*
- *Asset under management hits N88bn*


2019+
Above and beyond...

# Consolidated Results At A Glance

| **Profit or loss and other comprehensive income** *In thousands of naira* | **Dec 2018** | **Dec 2017** | Increase/ (Decrease) **Changes** | Increase/ (Decrease) **%** |
|---|---|---|---|---|
| Gross premium written | 37,665,507 | 32,097,692 | 5,567,815 | 17 |
| Gross premium income | 37,046,926 | 31,741,609 | 5,305,317 | 17 |
| Net premium income | 31,865,701 | 27,950,778 | 3,914,923 | 14 |
| Claim expenses (net) | (23,869,154) | (20,774,186) | 3,094,968 | 15 |
| Underwriting profit/(loss) | 3,213,880 | (4,022,320) | 7,236,200 | (180) |
| Other expenses | (13,983,955) | (11,237,968) | (2,745,987) | 24 |
| Total benefits, claims and other expenses | (37,853,109) | (32,012,154) | (5,840,955) | 18 |
| Profit before taxation | 3,495,871 | 3,040,489 | 455,382 | 15 |
| Profit after taxation | 3,151,589 | 1,283,276 | 1,868,313 | 146 |
| Other comprehensive (loss)/profit net of tax | (399,333) | 1,122,661 | (1,521,994) | 136 |
| Total comprehensive profit for the year | 2,752,257 | 2,405,938 | 346,319 | 14 |
| Basic earnings per share (kobo) | 44 | 18 | 26 | 144 |
| Diluted earnings per share (kobo) | 35 | 13 | 22 | 169 |

| **Financial Position** *In thousands of naira* | **Dec 2018** | **Dec 2017** | **Changes** | **%** |
|---|---|---|---|---|
| Cash and cash equivalents | 5,324,739 | 5,199,385 | 125,354 | 2 |
| Financial assets | 89,240,430 | 73,635,612 | 15,604,818 | 21 |
| Trade receivable | 417,102 | 301,172 | 115,930 | 38 |
| Reinsurance assets | 4,686,029 | 3,644,489 | 1,041,540 | 29 |
| Deferred acquisition cost | 465,991 | 334,935 | 131,056 | 39 |
| Other receivables and prepayments | 580,618 | 454,902 | 125,716 | 28 |
| Deferred tax asset | 149,379 | 157,008 | (7,629) | (5) |
| Investment property | 555,000 | 582,000 | (27,000) | (5) |
| Goodwill and other intangible assets | 1,014,085 | 1,060,451 | (46,366) | (4) |
| Property and equipment | 7,025,197 | 6,513,175 | 512,022 | 8 |
| Statutory deposit | 530,000 | 530,000 | - | - |
| **Total assets** | **109,988,570** | **92,413,127** | **17,575,443** | **19** |
| Insurance contract liabilities | 65,540,552 | 59,959,751 | 5,580,781 | 9 |
| Investment contract liabilities | 12,319,617 | 10,909,624 | 1,409,993 | 13 |
| Trade payables | 1,013,475 | 1,721,918 | (708,443) | (41) |
| Other payables and accruals | 2,213,547 | 1,325,766 | 887,780 | 67 |
| Fixed income liabilities | 10,181,251 | 3,981,591 | 6,199,660 | 156 |
| Current tax payable | 590,976 | 826,643 | (235,666) | (29) |
| Deferred tax liability | 533,836 | 547,017 | (13,182) | (2) |
| Long term borrowing | 2,324,733 | 2,182,289 | 142,444 | 7 |
| **Total liabilities** | **94,717,967** | **81,454,599** | **13,263,368** | **16** |
| Issued share capital | 3,465,102 | 3,465,102 | - | - |
| Share premium | 2,824,389 | 2,824,389 | - | - |
| Revaluation reserves | 1,802,662 | 1,802,662 | - | - |
| Available-for-sale reserve | - | (13,072,413) | 13,072,413 | 100 |
| Fair value reserve | (1,143,847) | - | (1,143,847) | (100) |
| Foreign exchange reserves | 147,443 | 145,640 | - | - |
| Statutory reserve | 143,882 | 116,458 | 27,424 | 24 |
| Contingency reserve | 5,807,411 | 5,182,190 | 625,221 | 12.06 |
| Retained earnings | 1,479,002 | 10,083,426 | (8,604,425) | (85) |
| **Shareholders' funds** | **14,526,044** | **10,547,455** | **3,976,786** | **38** |
| Non - Controlling Interest | 744,559 | 411,073 | | |
| **Total equity** | **15,270,603** | **10,958,528** | **4,312,075** | **39** |
| **Total equity and liabilities** | **109,988,570** | **92,413,127** | **17,575,443** | **19** |

# Business Review

# Chairman's Statement

**Bukola Oluwadiya**
**Chairman**

# Chairman's Statement

## Distinguished Shareholders, Members of the Board of Directors, Ladies and Gentlemen, welcome to the 49th Annual General Meeting of our Company.

In line with the edicts of my office, I will provide an overview of the macroeconomic environment in which we operate, outline some of our major accomplishments in 2018, provide insights on changes in the leadership as well as new developments in governance and corporate responsibility and conclude with our outlook for 2019.

The year 2018 marked the final year of our 5-year transformation plan that began in 2013. As you will recall, this plan centered on improving three key pillars of our business: our financial position, our business model, and our people. I am happy to report that we have made significant strides in executing this strategy and achieved most of the set goals. Whilst, the Company has many achievements to applaud, we continue to work tirelessly to improve your returns. We are entering a new phase - shaped by new corporate aspirations and objectives to regain market leadership and superior value creation for our shareholders. **It is the dawn of renaissance!**

### Macroeconomic Review

Overall, 2018 was a year of mixed performance for Nigeria. The economy grew by 1.81% in Q3, which marked a positive real growth since the recovery from recession in Q2' 2017. This growth was driven by a 2.3% growth in non-oil sector activities, including Information and Communications, Agriculture, Services and Trade sectors. The oil sector expanded 19.6% quarter-on-quarter but contracted 2.9% on a year-on-year basis primarily driven by lower oil production levels. The economic growth was also dampened by heightened capital outflows on the back of rising yields in developed countries such as the US & UK and uncertain domestic political environment.

In 2019, analysts forecast a 2%-2.5% growth in GDP, driven by both the oil sector and non-oil sector. In our view, we believe 4-5 dominant themes will shape the performance of the economy.
These are:

1. outcome of the 2019 general elections,
2. commodity prices especially oil prices
3. liquidity and its impact on monetary policy
4. policy direction of the elected government and
5. agility in tackling structural challenges facing the country especially around infrastructure, healthcare, power and security.

Following the electioneering process in the first half of the year, and uncertainty /volatility of crude oil prices in 2019, we expect the FG to embark on borrowing in 2019 to finance the budget leading to rising yields in early parts of 2019 but this should slow down in the second half of the year. Accordingly, AIICO is putting strategies in place to minimize potential risks to our business whilst taking advantage of the upside risk in the various scenarios and projections.

### Financial Performance

Indeed, 2018 was another better year for our Company; the meticulous execution of our transformation plans continues to yield expected results with year-on-year improvements in our performance. Gross premiums for the year grew by 17.4% to N37.7 billion from N32.1 billion reported in 2017. This growth was predominantly driven by both our Life and Non-life businesses. Our deliberate approach to risk selection, superior technical underwriting capabilities and reinsurance arrangements led to over 180% improvement in our underwriting profits from negative N4 billion in 2017 to over N3.2 billion in 2018. Profit before tax stood at N3.4 billion, representing a growth of 15% over N3.0 billion recorded in the corresponding year ended December 2017.

### Our Financial Position

During the year under review, there was growth in our major business lines and the tangible equity (value) of your Company increased again this year. Compared to 2017, Net Asset Value (NAV) increased by 39.4% from N10.9 billion in 2017 to N15.2 billion in 2018. Increase in NAV was driven by profit for 2018, IFRS9 day 1 adjustments (unquoted investments) and reclassification of assets backing insurance liabilities based on business model reviews as required by IFRS9. The total assets of the Company increased by 19% to N109 billion compared to N92 billion in December 2017. We continue to strengthen our balance sheet and build a strong financial base needed to propel our company to the next phase of growth.

### Our Business Model

We have continued to strengthen our insurance businesses. The investment in our actuarial capabilities and the inclusion of a Chief Actuary in the team has added significantly value to our business strategy and execution.

During the year under review, we intensified efforts at re-modernization of our Agency workforce. We invested in best-in-class training and recruitment practices for our Agency platform to improve productivity i.e. policies sold per agent. We strengthened the product mix sold by our Agency salesforce/ partners and adjusted incentive programs to improve new business sales with renewed focus on retention of existing businesses. We continue to conduct periodic research to understand changing customer needs, retire outdated and develop new products to address the needs of the customer. We have invested in best in class contact centers and customer service platforms to improve the customer experience.

In Non-life, we continuously seek to grow our retail offerings and continue to strengthen partner relationships. We made continuous improvement in underwriting ability and capacity to drive selected product ranges in our portfolio. In addition, we collaborated with Wema Bank to increase access to retail insurance products leveraging on the banks robust distribution network.

### Our People

We have continued to deploy leading people practices to attract and retain talents. In 2018, we commenced the implementation of our newly developed Career Management Framework - allowing our people to chart their path to self-development and advancement within the Company. In addition, we have continued to improve on our work-life balance initiatives with the introduction of flexible work arrangements - Teleworking that allows approved employees work from home (remotely).

**People Development:** One of our priorities is to continue to build a pipeline of talents with adequate competencies to manage the affairs of the Company. In 2018, we ensured that some of our middle - senior management employees received training on key leadership development programmes at the prestigious Lagos

# Chairman's Statement

Business School & Wharton Business School, USA, while other category of employees also benefited from various training programmes as part of our people development initiatives.

**Corporate Responsibility, Governance, Board and Management Changes**
Giving back to our community has been very important to us and in 2018; we were able to affect more lives positively through our various CSR programs. We centered on education, healthcare and entrepreneurial development.

**Board Developments:** We bid farewell to Mr. Edwin Igbiti (our GMD/CEO) whom after 25 years of meritorious and dedicated service, has announced his retirement effective July 2019. He served at the very helm of our Company and ushered in our transformation. We are grateful to him for his immense contribution to the growth of the Company and wish him well in his retirement and future endeavors.

In the course of the financial year, Messrs. Sonnie Ayere and Bukola Oluwadiya retired from the Board with effect from December 31, 2018. On behalf of the Board, I commend the exiting Directors for their respective commitments and contributions to the Company and wish them success in their future undertakings. Following the above, Ms. Oluwafolakemi Fajemirokun was nominated into your Board as Non-Executive Director and will be presented to shareholders at this meeting.

## Dividend

We are increasing the total dividend payment this year by 20%; and as we move forward, the Board has decided to move to a progressive dividend policy - to deliver superior returns to our shareholders. Our plan is to maintain or grow the ordinary dividend per share over time depending on business performance, growth prospects and regulatory solvency requirements.

Dear Shareholders, for the Financial year ended December 31, 2018, your Board is recommending for approval at this Annual General Meeting, the payment of a total of N415,812,268.80 representing 6k (six kobo) per ordinary share of fifty kobo each. This dividend will be payable, net of withholding tax, following your approval at this Annual General Meeting.

## 2019 Outlook

The stability of a country's political environment is a key component in determining and predicting the level of economic growth. Following the peaceful conclusion of the 2019 general elections, foreign direct investments (FDIs) have begun to flow back into the country - an indication of expectation of continuity and stability in governance. However, the policy direction of the elected government, will have a lasting effect on key economic indices.

> **Gross premiums for the year grew by 17.4% to N37.7 billion from N32.1 billion reported in 2017. This growth was predominantly driven by both our Life and Non-life businesses.**

Continued increase in FDIs, should help ease pressure on the exchange rate but this is subject to potential volatility in oil prices and ability of the government to maintain projected oil production targets. The relative stability of the oil prices cum exchange rate and the ability of government to generate adequate revenues to fund the budget will to a large extent dictate the pace of economic activities and attainment of the GDP growth projections.
Despite these uncertainties, we believe that our Management team is poised to execute strategic options that will take our Company to greater heights in 2019 and beyond.

Finally, I will like to thank all our customers and shareholders for their support in 2018, and above all, the entire Management team and staff for their dedication and hard work in making AIICO a better Company.

Thank you all.

**Mr. Bukola Oluwadiya**
**Chairman**
**FRC/2013/CISN/00000005132**

## Corporate Social Responsibility

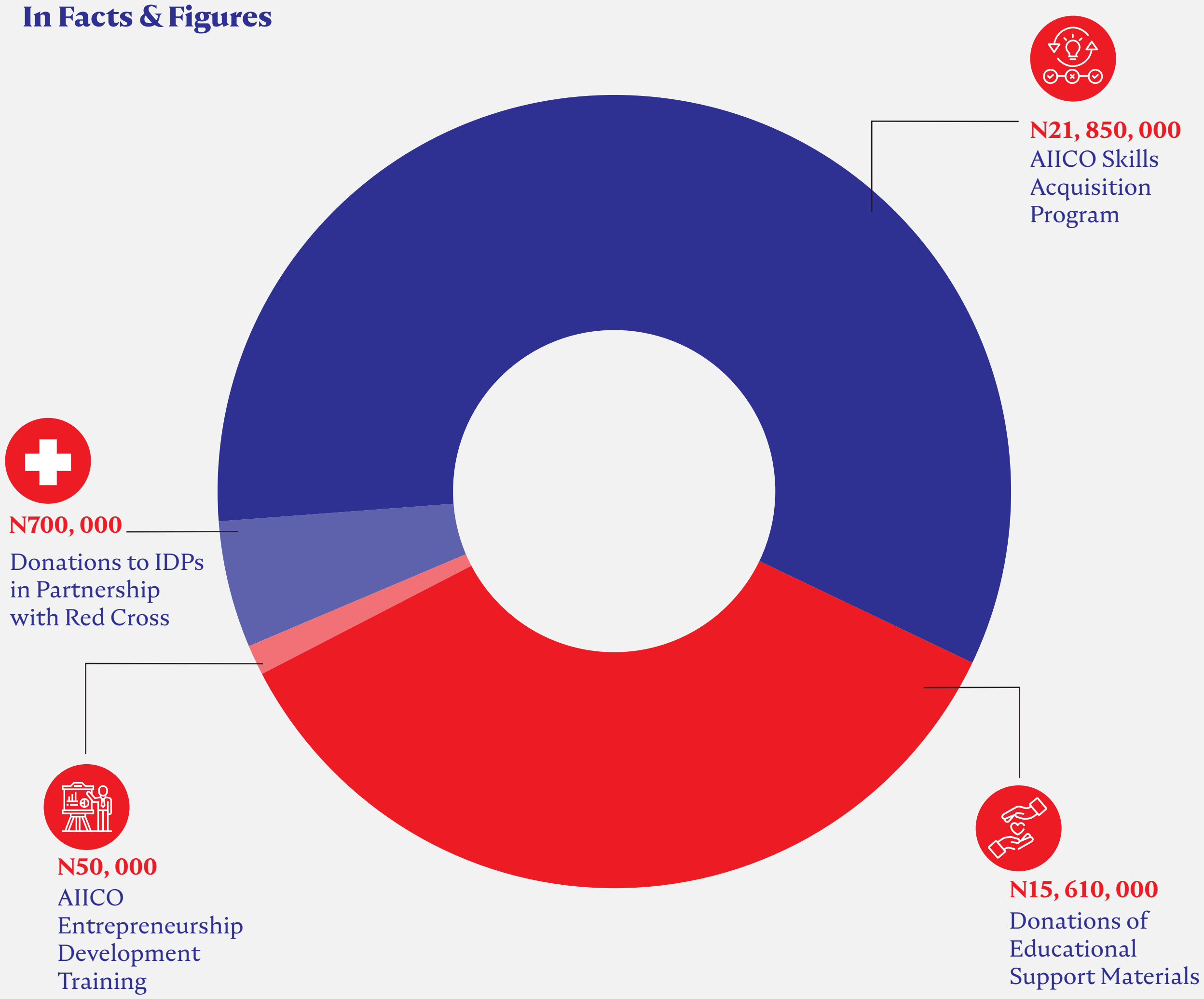
# Impacting Communities, Changing Lives

As a responsible corporate citizen, AIICO Insurance Plc understands the need to create lasting value by balancing our economic, environment and social commitment interests. That is why we established a Corporate Social Responsibility (CSR) model captioned Social, Environmental Management Systems (SEMS) which, since 2016, has been used to positively impact our community with the full support of the Board and Management. Every year, we increase the resources we commit to touching lives.

**Our Objective: Sustainable Value for Communities**
Our primary objective for 2018 was to ensure our CSR/SEMS programs deliver economic, social and environmental value to our stakeholders for the sustainability of communities where we operate. Below are highlights of our focus for 2018:

- Promoting literacy and STEM
- AIICO Skills Acquisition Programme
- Assisting in the provision of quality, affordable healthcare for all

## Our 2018 CSR/SEMS Projects: In Facts & Figures



# Corporate Social Responsibility

**Giving Education a Mathematical Lift**

In support of government's drive to foster STEM (Science, Technology, Engineering and Mathematics) curriculum in schools in Nigeria, AIICO distributed a total of 4,460 mathematical sets worth N15, 610, 000 to both private and public schools in states across South-West, South-South and North-Central zones nationwide.

**Healthy Support to IDPs via Nigerian Red Cross**

As we value quality healthcare supplies to those exposed to health risks, AIICO Insurance Plc donated mosquito nets and drinkwares worth N700, 000 to the Internally Displaced Persons (IDP) Camp in Northern Nigeria, in partnership with the Nigerian Red Cross Society.

**Empowering Graduates with Skills for Life**

As a form of Skills Acquisition Program, AIICO graduated a total number of 62 Interns in December 2018 by providing a platform for undergraduates of schools to gain experience of activities and the workings of the organization, practically applying theories taught in schools of the participants and providing them a career perspective for the future.

**Training New Entrepreneurs for Wealth Creation**

To add value to individuals and society at large through training members of the public on modern entrepreneurship business model, AIICO commenced the training in Q-2, 2018 and trained over 100 participants before the end of Q-4, 2018.

# Directors' Report

For the year ended 31 December 2018

The Directors present their annual report on the affairs of AIICO Insurance Plc ("The Company") and the subsidiary companies ("The Group"), together with the Group Annual Financial Statements and the Auditors' Report for the year ended December 31, 2018.

**Legal form and principal activity:**

The Company was established in 1963 by the American Life Insurance Company and was incorporated as a limited liability Company on July 14, 1970. It was converted to a Public Liability Company in 1989 and quoted on the Nigerian Stock Exchange (NSE) with effect from December 3, 1990. The Company was registered by the Federal Government of Nigeria to provide Insurance services in Life Insurance Business, Non-Life Insurance Business, Deposit Administration and Financial Services to organizations and private individuals.

The Company is registered by the National Insurance Commission ("NAICOM"). It has three subsidiaries namely:

**AIICO Multishield Limited**

AIICO Multishield Limited was incorporated in 1997 as a Health Management Organization. It commenced operations in the same year with prepaid health plans to cater for the health needs of individuals and corporate organizations. The Company became a full subsidiary of AIICO Insurance Plc on July 1, 2012.

**AIICO Pension Managers Limited**

AIICO Pension Managers Limited (AIICO Pensions) provides pension administration services to private and public sector contributors. AIICO Pension is owned by consortium of five reputable companies namely: AIICO Insurance PLC, Oasis Insurance PLC, UNIC Insurance PLC, Wema Securities and Finance PLC and Magnartis Finance and Investment Limited. The Company was incorporated as a Limited Liability Company on February 1, 2005 under the Companies and Allied Matters Act, 2004, and licensed as a Pension Fund Administrator by the National Pension Commission on April 13, 2006.

**AIICO Capital Limited**

AIICO Capital Limited was registered and licensed by the Securities & Exchange Commission in 2012, to carry out portfolio/fund management services. AIICO Capital Limited commenced full operations in 2014 through the provision of bespoke wealth solutions for clients, by adopting a research based approach for every investment decision. AIICO Capital Limited offers portfolio management services, structured investments and mutual funds to suit the investment needs of corporate and individual clients.

**Operating results:**
**The following is a summary of the Group's operating results and transfers to reserves:**

**Profit or loss and other comprehensive income**

| *In thousands of naira* | 2018 | 2017 | Change | Change (%) |
|---|---|---|---|---|
| Gross premium written | 37,665,507 | 32,097,692 | 5,567,815 | 17 |
| Gross premium income | 37,046,926 | 31,741,609 | 5,305,317 | 17 |
| Net premium income | 31,865,701 | 27,950,778 | 3,914,923 | 14 |
| Claim expenses (net) | (23,869,154) | (20,774,186) | 3,094,968 | 15 |
| Underwriting profit/ (loss) | 3,213,880 | (4,022,320) | (5,840,955) | 18 |
| Profit before taxation | 3,495,871 | 3,040,489 | 455,382 | 15 |
| Profit after taxation | 3,151,589 | 1,283,277 | 1,868,313 | 146 |
| Other comprehensive (loss)/ income, net of tax | (399,333) | 1,122,661 | (1,521,994) | 136 |
| Total comprehensive income for the year | 2,752,257 | 2,405,938 | 346,319 | 14 |
| Basic earnings per share (kobo) | 44 | 18 | 26 | 144 |
| Diluted earnings per share (kobo) | 35 | 13 | 22 | 169 |

**Directors that served during the year and their shareholding**

The direct and indirect interest of Directors 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 section 275 and 276 of the Companies and Allied Matters Act CAP C20 LFN 2004 and the listing requirements of the Nigerian Stock Exchange are disclosed as follows:

# Directors' Report

For the year ended 31 December 2018

| Directors | Direct Holding | Indirect Holding | 31 December 2018 Total Holding | 31 December 2017 Total Holding |
|---|---|---|---|---|
| Mr Bukola Oluwadiya*** | 2,800 | - | 2,800 | 272,800 |
| Mr. S. D. A. Sobanjo | 37,284,985 | - | 37,284,985 | 37,284,985 |
| Mr. Edwin Igbiti | 1,608,065 | - | 1,608,065 | 1,380,202 |
| Mr. Babatunde Fajemirokun | | - | - | 2,340,695 |
| Mr. Adewale Kadri | - | - | - | - |
| Mr. Sonnie Ayere*** | - | - | - | - |
| Mr Samaila Zubairu** | - | - | - | - |
| Mr. Kundan Sainani** | - | - | - | - |
| Mr Ademola Adebise | 21,030 | - | 21,030 | 21,030 |
| Ms. Oluwafolakemi Fajemirokun* | - | - | - | - |

*appointed with effect from 27 August 2018
**Independent director
***resigned with effect from 31 December 2018

## Directors' interest in contracts

None of the Directors has notified the Company for the purpose of Section 277 of the Company and Allied Matters Act, CAP C20 LFN 2004 of any disclosable interest in contracts in which the Company was involved during the year ended December 31, 2018.

## Substantial interest in shares

According to the Register of Members at December 31, 2018, no shareholder held more than 5% of the issued share capital of the Company except as disclosed as follows:

| | 31 December 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| | Number of Shares held | % | Number of Shares held | % |
| | 889,291,665 | 12.83 | 889,291,665 | 12.83 |
| AIICO Investment Inc. | 1,524,650,716 | 22.00 | 1,524,650,716 | 22.00 |
| DF Holdings Limited | 2,413,942,381 | 34.83 | 2,413,942,381 | 34.83 |

## Shareholding Analysis

The shareholding pattern of AIICO Insurance PLC as at December 31, 2018 is as stated below:

**Holding pattern (range) as at 31 December 2018**

| | | No of Holders | % of Shareholders | No of Shares | % of Shareholdings |
|---|---|---|---|---|---|
| 1 | 1,000 | 4,082 | 4.50 | 2,324,750 | 0.03% |
| 1,001 | 10,000 | 42,704 | 47.04 | 211,639,019 | 3.05% |
| 10,001 | 100,000 | 40,669 | 44.80 | 1,021,340,385 | 14.74% |
| 100,001 | 500,000 | 2,659 | 2.93 | 536,606,650 | 7.74% |
| 500,001 | 1,000,000 | 318 | 0.35 | 232,048,657 | 3.35% |
| 1,000,001 | 5,000,000 | 269 | 0.30 | 540,092,073 | 7.79% |
| 5,000,001 | 10,000,000 | 37 | 0.04 | 244,879,844 | 3.53% |
| 10,000,001 | 100,000,000 | 39 | 0.04 | 1,158,565,991 | 16.72% |
| 100,000,001 | 1,000,000,000 | 6 | 0.01 | 1,458,056,395 | 21.04% |
| 1,000,000,001 | 10,000,000,000 | 1 | 0.00 | 1,524,650,716 | 22.00% |
| | | 90,784 | 100 | 6,930,204,480 | 100.00% |

# Directors' Report
For the year ended 31 December 2018

### Holding pattern (range) as at 31 December 2017

| | | No of Holders | % of Shareholders | No of Shares | % of Shareholdings |
|---|---|---|---|---|---|
| 1 | 1,000 | 3,860 | 4.22 | 2,222,667 | 0.03% |
| 1,001 | 10,000 | 42,834 | 46.80 | 212,554,737 | 3.09% |
| 10,001 | 100,000 | 41,422 | 45.26 | 1,041,219,752 | 15.28% |
| 100,001 | 500,000 | 2,725 | 2.97 | 550,561,339 | 8.01% |
| 500,001 | 1,000,000 | 322 | 0.35 | 235,601,475 | 3.32% |
| 1,000,001 | 5,000,000 | 282 | 0.31 | 567,492,688 | 8.19% |
| 5,000,001 | 10,000,000 | 39 | 0.04 | 270,283,032 | 4.24% |
| 10,000,001 | 100,000,000 | 37 | 0.04 | 984,087,373 | 15.76% |
| 100,000,001 | 1,000,000,000 | 7 | 0.01 | 1,541,530,701 | 27.35% |
| 1,000,000,001 | 10,000,000,000 | 1 | 0.00 | 1,524,650,716 | 14.73% |
| | | 91,529 | 100 | 6,930,204,480 | 100.00% |

## Company's distributors
The Company's products are marketed by insurance brokers and agents throughout the country. The Company also employs the direct marketing method to source for insurance business.

## Post balance sheet events
There has been no material change in the Group's financial position since 31st December, 2018 that would have affected the true and fair view of the Company's state of affairs as at that date.

## Property and equipment
Investment in property and equipment during the year is limited to the amounts shown in (Note 17) the financial statements. In the opinion of the directors, the market value of property and equipment is not less than the value indicated in the financial statements.

## Acquisition of own shares
The Company did not purchase any of its own shares during the year.

## Employment and Employees:

*Employees' health, safety and environment*
The Company strictly observes all health and safety regulations. 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. Financial provision is also made for all employees in respect of transportation, housing, medical expenses and meals.

*Employment of disabled persons*
It is the policy of the Company that there is no discrimination in considering applications for employment, including those of physically challenged persons. All employees, whether physically challenged or not are given equal opportunities to develop their knowledge and to qualify for promotion in furtherance of their careers.

*Employees' Involvement and Training*
The Company is committed to keeping employees fully informed as much as possible regarding the Company's performance and progress. Views of employees are sought, where practicable, on matters which particularly affect them as employees. The Company runs an open door management policy. Management, professional and technical expertise are the Company's major assets and investment in developing such skills is continuous. The Company's expanding skills base is being brought about by a wide range of in-house and external training. Opportunities for career development within the Company have also been broadened. Incentive schemes designed to meet the circumstances of each individual are implemented wherever appropriate and some of these schemes include staff retirement benefit, productivity bonus, promotion and salary review.

## Dividend
The Board of Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, proposed a dividend of N0.06k (2017: N0.05k) for the year under review.

## Donations
Donations and corporate social responsibility during the year ended 31 December, 2018 amounted to N16,710,000 (2017: N235,000) as follows:

# Directors' Report
For the year ended 31 December 2018

| *In thousands of naira* | **Beneficiary** | **Amount** |
|---|---|---|
| International Red Cross Day Celebration | Nigeria Red Cross Society | 250 |
| World Malaria Day celebration | Internally Displaced Persons (North East, Nigeria) | 450 |
| Support towards registration of National Insurance and Actuarial Student Council of Nigeria | National Insurance and Actuarial Students Representative council of Nigeria | 200 |
| Support for Journalists to attend Annual Insurance Conference | Insurance correspondents | 200 |
| Educational support with mathematical sets and calculators | 4460 students in 31 schools across the country | 15,610 |
| | | **16,710** |

## Auditors
Messrs. KPMG Professional Services, having completed the prescribed duration for the rotation of the insurance companies of 5years, shall no longer continue in office as auditors to the Company. In accordance with Section 357 (1) of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, a new auditor shall be appointed at the next annual general meeting of the Company.

**BY THE ORDER OF THE BOARD OF DIRECTORS**

**Mr. Donald Kanu**
**Company Secretary**

FRC/2013/NBA/00000002884
Plot PC 12, Churchgate Street
Victoria Island
Lagos, Nigeria

Date: 12 March 2019

# Corporate Governance

# Corporate Governance
For the year ended 31 December 2018

The Board of AIICO Insurance PLC recognizes that it has the primary responsibility for ensuring good corporate governance. Accordingly, the Company, through the Board, maintains corporate policies and standards designed to encourage good and transparent corporate governance, avoid potential conflicts of interest and promote ethical business practices. The business of the Company is conducted with integrity which pays due regard to the legitimate interests of stakeholders.

The Board is accountable to the Shareholders and does this through pro-actively evaluating the socio-economic, environmental and ethical matters that may impact on stakeholders' interest. The Board also oversees the performance of Management in order to protect and enhance shareholder value and meet the Company's obligations to its employees and all other stakeholders.

To guarantee the highest level of legal and ethical requirements, internal control measures and processes have been put in place to ensure that Board, Management and staff conduct the affairs of the Company in compliance with all legislations, regulations standards and codes that will positively impact on the performance of the Company.

## Roles & Responsibilities of The Board

The Board of Directors provides entrepreneurial leadership for the Company within a framework of prudent and effective controls, sets the Company's strategic direction, objectives, values and standards and ensures that the necessary financial, material and human resources are in place for the Company to meet its objectives, review Management performance and ensure that its obligations to shareholders and other stakeholders are understood and met. The Board Charter sets out the role, responsibilities, structure and processes of the Board of AIICO Insurance PLC (AIICO).

## Roles and Responsibilities

The Group Board is the main decision making body at the Group level and it:

(a) Works as a team and meets on a regular basis.

(b) Considers and approves strategic direction of AIICO Group and corporate strategic initiatives.

(c) Approves expenditures over certain limits in respect of its principal businesses.

(d) Has overall responsibility for management of the business and the affairs of the Group, the establishment of Group strategy, capital raising and allocation.

(e) Monitors and oversees the Group's operations, ensures competent and prudent management, sound planning and proper procedures for the maintenance of adequate accounting policies and systems of internal control, and for compliance with statutory and regulatory obligations.

(f) Determines and reviews the Group's strategic direction including, as appropriate, the strategies for each of the principal business units.

(g) Determines the Group's key financial objectives including target rates of return on capital and assets.

(h) Considers emerging issues which may be material to the business and affairs of the Group.

(I) Keeps under review and maintains the Group's capital and liquidity positions.

(j) Reviews and approves proposals for the allocation of capital and other resources within the Group.

(k) Approves material acquisitions and disposals of assets and share acquisitions and disposals which are significant in terms of the business of the Group.

(l) Approves material joint ventures, strategic partnerships and alliances which are significant in terms of the business of the Group.

(m)Reviews and approves the Group's annual capital and revenue budgets (and any material changes thereto).

(n) Receives monthly Business and Financial Reports from the principal business units and consolidated reports for the Group and reviews actual performance in the light of the Group's strategy, objectives, corporate and business plans and budgets.

(o) Considers and approves the Group's procedures for reviewing and monitoring risk, and receives regular reports thereon.

(p) Approves the Group's annual targets and financial statements and monitoring financial performance against forecast and prior years.

(q) Approves the Group's Annual Report and Accounts and its other published financial statements and other material and significant statements issued to shareholders or the Nigerian Stock Exchange.

® Determines dividend policy and the amount, nature and timing of dividends to be paid.

(s) Approves arrangements for Annual and Extraordinary General Meetings.

(t) Receives and considers high level reports on matters material to the Group, in particular:

(i) Relations with Regulatory Authorities;
(ii) Human Resources matters;
(iii) Information systems and Technology;
(iv) Insurance cover;
(v) Disaster recovery;
(vi) Litigation and claims;
(vii) Investor and public relations;
(viii) Environmental Policy and
(ix) Socially Responsible Investment Policy

(u) Establishes and maintains appropriate accounting policies, implements and monitors the maintenance of adequate accounting policies and other records and systems of planning and internal control.

(v) Considers and approves appointments to the Board, the Group Executive Management and approves remuneration arrangements for Executive Directors.

(w) Receives the minutes of and/or reports from the Boards of subsidiary companies and the Committees of the Group Board.

(x) Approves delegated authorities for expenditure and for lending, and for other risk exposures.

(y) Reviews and, as appropriate, agrees changes in the terms of reference of Committees established by the Board.

(z) Approves the appointment of Reporting Accountants.

(aa) Maintains a satisfactory dialogue with shareholders and use the AGM to communicate with investors and encourage their participation.

(bb) Presents a balanced and understandable assessment of the Company's position and prospects.

## Board Composition

The Board of Directors is currently made up of ten (10) directors comprising the Managing Director, two Executive Directors and seven non-executive directors. Each of the directors being qualified and outstanding individuals in their various fields of endeavours are knowledgeable on Board and Corporate matters. The Board members are provided with full, timely and adequate information to enable them carry out their duties from a very well informed position.

There are clear separation of responsibilities between the Chairman, CEO, Board and Management thus ensuring non-interference of the Board in Management functions.

## Directors' Independence and Terms of Office

In line with the provisions of the Company's Articles of Association, a third of the directors or a number closest to a third, excluding non-executive directors and those appointed by the Board during the year, retire by rotation at each Annual General Meeting of the Company and being eligible, present themselves for re-election. Directors retiring are those longest in office since their last election or re-election.

Directors also make unfettered judgments and bring in views that are independent of Management and devoid of any business or other relationships that could interfere with their independent judgment.

## Directors' Orientation and Induction

New Directors are expected to give in their best as much as other directors on the Board. To assist them become effective, these new directors are given an orientation regarding the Group's business, Directors duties, code of conduct, policies and procedures applicable to Board and Board committees. A training plan has also been approved by the Board in relevant areas of the Company's core business.

# Corporate Governance

For the year ended 31 December 2018

## Directors' Access to Management and Right to seek Independent Professional Advice

Directors receive financial reports of the Company and may invite members of Senior Management at Board or Committee meetings. Access to Senior Management is unhindered and is calculated to ensure adequate clarification and information flow leading up to Management decisions. All the Directors are free to seek independent professional advice in the course of their duties at the Company's expense. Directors also have access to the advice and services of the Company Secretary on rules and regulations applicable to the operations of the Board and in particular corporate governance.

## Profile of Directors

### Mr. Bukola Oluwadiya (B. Sc., MBA, FCA, FCS) (Chairman)

Mr. Oluwadiya has a well-rounded experience in both the Banking/Financial Services and the Oil & Gas Sectors respectively. His banking career started in Grindlays Merchant Bank of Nigeria Limited where he rose to the position of Assistant General Manager (Corporate Banking) before he was seconded to Sydney, Australia for two years to work for the Australia and New Zealand Banking Group (ANZ) - the parent company of Grindlays Bank Plc, London. On his return in January 1992, Mr. Oluwadiya was General Manager (Strategic Planning) of Grindlays Merchant Bank of Nigeria Limited (now Stanbic IBTC Bank).

Presently, he is the Managing Director of Magnartis Finance & Investment Limited and sits on the Board as Chairman of Matrix Petrochem Limited; Worldwide Marine & Inspection Services Limited and AIICO Multishield Limited. He was, at some point, the Chairman of the Investment Strategy Committee of the Board of AIICO Pension Managers Limited.

### Mr. Edwin Igbiti (MBA, FLIIN) (Managing Director)

Mr. Igbiti is a highly competent, ethical and widely respected business leader who has built a distinguished career in Insurance over the past 20 years. Over these decades, he has provided Insurance expertise and advisory to Government and many large corporations across several industries/sectors in Nigeria.

He is an expert in specialist areas including Underwriting of Property, Casualty, Oil & Gas and Special Risks. His other competencies include Reinsurance, Claims and Operations Management amongst others.

During his distinguished career, he has won several personal and institutional awards and continues to receive accolades from reputable institutions both within and outside the Industry.

He is a member of the Governing Council of the Chartered Insurance Institute of Nigeria (CIIN) and a Fellow of the institute. He is affiliated to many professional bodies including the Nigerian Institute of Management, Chartered (NIMC) and a member of Institute of Directors Nigeria.

He holds an MBA from the University of Ado-Ekiti, an Advanced Diploma in Management from the University of Lagos, an Insurance Certificate from Chartered Insurance Institute, London and is an Alumnus of Howard University Business School, U.S.A.

### Mr. Babatunde Fajemirokun (BA. Hons. M.Sc., MBA, ACII) (Executive Director)

Mr. Fajemirokun is the Chief Operating Officer (COO) in AIICO Insurance Plc. He is a finance professional with in-depth sector experience in management consulting, insurance & asset management. He brings to the Board over a decade of deep expertise in strategy development and execution, financial risk management, financial management, technology and insurance operations management.

He is responsible for AIICO's operations; the group function that plans, coordinates, and controls the resources needed to produce our products and serve our clients. He is equally responsible for helping AIICO and its business units to understand the competitive landscape and the markets they operate while developing sustainable plans for long-term growth and shareholder value creation.

Mr. Fajemirokun's service with the firm dates back to May, 2009 when he joined as Chief Information Officer (CIO). During this period, he executed value-enhancing projects, first by leading the transformation programme to automate and modernise operations and secondly to increase productivity (reduce cost per policy) in the selling of insurance products and services. He has served in several roles and overseen principal and operational functions during this time, giving him a deep understanding of the levers to improve and sustain profitability.

Prior to AIICO, he worked in Accenture (Lagos) and then Capgemini Consulting (UK). In both companies, he provided consulting/advisory services to financial services and Government clients predominantly in mergers and acquisitions and then UK government transformation programmes.

He earned an MBA with a concentration in Finance from University of Chicago Booth School of Business, a Business Information Strategy Master's degree with distinction from University of Strathclyde and a Bachelor's degree in Business Economics from Glasgow, UK. He is a Chartered Insurer (ACII, UK), a Senior Member of the Chartered Insurance Institute of Nigeria and a member of the Institute of Directors.

# Corporate Governance

For the year ended 31 December 2018

**Mr. Kundan Sainani (B.Comm., FCA)**
**(Non Executive Director)**
Mr. Sainani brings to the Board over 20 years of experience spanning various industries within and outside Nigeria including Viva Methanol Limited and Lekki Deep Sea Port which are part of the Tolaram Group. He was until recently a Director in the Lagos Free Trade Zone. Kundan Sainani holds a Bachelor of Commerce degree from India and is also a Chartered Accountant.

**Mr. Ademola Adebise (B. Sc., MBA, FCA)**
**(Non-Executive Director)**
An alumnus of the prestigious Harvard Business School, Lagos Business School and University of Lagos, Ademola Adebise is the Managing Director at Wema Bank.

Prior to joining Wema Bank Plc, he worked at Accenture, the global consulting firm, National Bank of Nigeria and Chartered Bank in various capacities spanning over 26 years.

Ademola Adebise is a graduate of Computer Science. He also holds an MBA from Pan African University, Lagos Business School. A thorough-bred, resourceful and self-motivated personality, Ademola is a Fellow of the Institute of Chartered Accountants of Nigeria as well as an Associate of the Chartered Institute of Taxation & Computer Professionals (Registration Council of Nigeria).

Ademola also serves on the Boards of AIICO Pension Funds Administrator and the Financial Institution Training Centre (FITC). Wema Bank Plc announced the appointment of Ademola Adebise as Managing Director. His appointment took effect from the 1st of October 2018. Prior to this, he was the Deputy Managing Director (DMD).

**Mr. Samaila Dalhat Zubairu (B. Sc.(Hons), FCA)**
**(Non-Executive Director)**
Mr. Zubairu until recently was the Vice Chairman of Africapital-Gem Development Partners Limited, a project development firm focused on providing pragmatic infrastructure solutions to the significantly underserved Nigerian market. He is also a Director of West Africa Infrastructure Investment Managers – JV with Old Mutual to raise and manage the Nigerian Infrastructure Investment Fund. Over the last 26 years, Samaila has worked in various capacities—he was Chief Financial Officer at Dangote Cement Plc, as well as CFO for Obajana Cement Plc.

At Obajana he was a key member of the team that spearheaded the development of Africa's largest green-field cement project. Prior to that, he was the Treasurer for the Dangote Group during its transformation from a trading company to an industrial conglomerate. Samaila also spent time at Liberty Bank Plc. where he was the Head of Investment Banking and subsequently Group Head of Risk Management. Prior to his post at Liberty Bank, he was the Head of Project Finance at FSB Bank (Fidelity Bank).

Samaila is a Fellow of the Institute of Chartered Accountants of Nigeria and the Eisenhower Fellowships International Leader Exchange Philadelphia USA. He also holds a B.Sc Hons. Accounting from Ahmadu Bello University. Zaria Africa Finance Corporation (AFC), the leading infrastructure development finance institution in Africa, announced the appointment of Samaila Zubairu as the Corporation's third President and Chief Executive Officer, The appointment took effect from 3rd July, 2018

**Mr Sonnie Ayere (B.Sc., M.Sc.)**
**(Non-Executive Director)**
Mr. Ayere is a motivated and goal oriented financial economist and investment banker with more than 17 continuous years of solid Corporate and Structured Finance, Banking and Asset Management experience working with HSBC, NatWest Bank, Sumitomo Mitsui Bank of Montreal Nesbitt Burns in London and the International Finance Corporation (The World Bank Group) in Washington and South Africa.

He was a Principal adviser on the IFC team that advised the Nigerian Government on the development of the domestic bond market. He was also a key member of the SEC market structure committee. He has been a key speaker in numerous prestigious functions and seminars across Africa on diverse aspects of African and international financial markets.

Mr. Ayere holds an MA (Hons.) in Financial Economics from the University of Dundee, Scotland in June 1993. He is an Alumnus of Cass Business School London (MBA) - July 1996 and London Business School (June 1996). He is also FSA registered. He was conferred with an Honorary Doctorate Degree in Science (DSc.) from the European-American University in July 2009.

**Mr. Sobandele David Ayodele Sobanjo (B.Sc., MBA, FCII)**
**(Non-Executive Director)**
Mr. S.D.A Sobanjo was a past MD/CEO of AIICO Insurance PLC. Upon his retirement, he was elevated to the Board as a Non-Executive Director in 2013. He holds a Bachelors Degree in Actuarial Science from the University of Lagos (1977-1981). A Post-Graduate Degree in Business Administration, specializing in General Management from his Alumni University (1995-1996), University of Lagos and an M.B.A, specializing in Marketing from the Enugu State University of Technology (ESUT) (1997-1999). He holds the ACII (General) London, FCII (Life) London, and the FCII (Nigeria) and is also a member of the Nigerian

# Corporate Governance

For the year ended 31 December 2018

Institute of Management, Chartered.

His career history showcases organisations like Union Bank of Nigeria PLC, SCIB Nigeria and Company, Glanville Einthoven Life and Pensions Insurance Brokers, High Gate Insurance Brokers Limited, and AIICO Insurance. He left AIICO to join African Alliance Insurance Company Limited before returning to AIICO as Managing Director/CEO. He has varied experience spanning Pension Administration, Life Operations, General Insurance Administration, Product Development, Marketing and information Technology. He has attended several Management and Strategic Management Programmes within and outside Nigeria and has served as resource person for many seminars and conferences across Nigeria. Mr. Sobanjo has been a Director of AIICO Insurance PLC since January 1, 2006.

# Corporate Governance
For the year ended 31 December 2018

## Board/Committees and Meetings
The Board functions through these committees, whose terms of reference are as hereinafter set forth:

## Establishment and Corporate Governance Committee
This Committee assists the Board to fulfil its Governance responsibilities as well as its responsibilities for the management of human resources to ensure that recruitment and remuneration policies and practices are designed to attract, retain and reward fairly and responsibly with a clear link to corporate and individual performances. Its terms of reference include;

- Receiving reviews and making recommendations to the Board on the terms of reference of the Board,
- Setting the terms of reference of each Board Committee and the terms of reference of engagement of Directors,
- Making recommendations on the Board's composition and effectiveness;
- Advising on the Company's Code of Conduct and its application;
- Assessing the needs of the Board and Board Committees regularly in terms of the frequency of Board and Board Committee meetings, meeting agendas, discussion papers, reports and information, and the conduct of meetings;
- In consultation with the Chairman of the Board, assessing and planning for Board composition and succession, as well as considering the competencies and skills necessary for the Board, as a whole, the competencies and skills that the Board considers each existing Director to possess and the competencies and skills that each new nominee would bring to the Board.

The Committee also reviews and approves the terms of service upon appointment and any subsequent changes, including the total individual remuneration package for senior executives; ensures that individuals are not involved in setting their remuneration; determine contractual notice periods and termination commitments and approve any retention and termination arrangements for senior executives.

## Finance and General Purpose Committee
This Committee's responsibilities include considering and advising the Board on transactions, including the Company's finances, financial policies, financial controls and financial strategies; giving consideration to, and recommending to, the Board the annual budget for revenue income and expenditure and any associated capital expenditure; reviewing the periodic management accounts of the Company and recommending to the Board, any in-year budget adjustments; reviewing the annual financial statements of the Company and recommending same to the Board for approval; monitoring the financial liquidity and solvency of the Company and ensuring that action is taken to maintain this at an acceptable level. The Committee also monitors the planning, implementation and progress against plan of approved major capital expenditure projects and major procurements within the Committee's approval limits as stated in the Expense Control and Procurement Policies of the Company; Considering the Financial Regulations periodically and approving any amendments that become necessary from time to time; Considering the annual review of the effectiveness of Internal Audit.

## Investment and Enterprise Risk Management Committee
This Committee ensures that sound policies, procedures and practices are in place for the enterprise-wide management of the Company's material risks and reports the results of the Committee's activities to the Company's Audit Committee of the Board of Directors. Management of the Company is responsible for satisfactorily mitigating material business risks. It does this by designing and implementing risk management practices, including providing ongoing guidance and support for the refinement of the overall risk management framework and ensuring best practices are incorporated, ensuring that management understands and accepts its responsibility for identifying, assessing and managing risk, ensuring that risk assessments are performed periodically and completely.

# Corporate Governance
For the year ended 31 December 2018

## Meetings of the Committees
### Establishment & Corporate Governance Committee

| | Position | No. of Meeting | Attendance |
|---|---|---|---|
| Mr. Kundan Sainani | Chairman | 4 | 4 |
| Mr. Sonnie Ayere | Member | 4 | 3 |
| Mr. Samaila Zubairu | Member | 4 | 3 |
| Mr. Babatunde Fajemirokun | Member | 4 | 4 |
| Mr. Edwin Igbiti | Member | 4 | 4 |
| Mr. Adewale Kadiri | Member | 4 | 3 |

**These meetings were held on January 23, April 24, July 24, October 23, 2018**

### Finance & General Purpose Committee

| | Position | No. of Meeting | Attendance |
|---|---|---|---|
| Mr. Sonnie Ayere | Chairman | 5 | 4 |
| Mr. Babatunde Fajemirokun | Member | 5 | 5 |
| Mr. S.D.A Sobanjo | Member | 5 | 4 |
| Mr. Edwin Igbiti | Member | 5 | 5 |
| Mr. Samaila Zubairu | Member | 5 | 5 |
| Mr. Ademola Adebise | Member | 5 | 4 |
| Mr. Adewale Kadiri | Member | 5 | 5 |

**These meetings were held on January 23, March 20, April 24, July 24, October 23, 2018**

### Investment & Enterprise Risk Management Committee

| | Position | No. of Meeting | Attendance |
|---|---|---|---|
| Mr. Sonnie Ayere | Chairman | 4 | 3 |
| Mr. Babatunde Fajemirokun | Member | 4 | 4 |
| Mr. Kundan Sainani | Member | 4 | 4 |
| Mr. Edwin Igbiti | Member | 4 | 4 |
| Mr. Ademola Adebise | Member | 4 | 4 |
| Mr. Adewale Kadiri | Member | 4 | 4 |

**These meetings were held on January 23, April 24, July 24, October 23, 2018**

### Statutory Audit Committee

| | Position | No. of Meeting | Attendance |
|---|---|---|---|
| Mr. Samaila Zubairu | Independent Director/Chairman | 5 | 5 |
| Sir Edmund U. Njoku | Shareholder/Member | 5 | 4 |
| Mrs. Funke Augustine | Shareholder/Member | 5 | 5 |
| Chief Robert I. Igwe | Shareholder/Member | 5 | 5 |
| Mr. S.D.A. Sobanjo | Member | 5 | 4 |
| Mr. Kundan Sainani | Member | 5 | 4 |

**These meetings were held on January 23, March 20, April 24, July 24, October 23, 2018**

# Corporate Governance
For the year ended 31 December 2018

## Nomination Committee

| | Position | No of Meeting | Attendance |
|---|---|---|---|
| Mr. Sonnie Ayere | Chairman | 1 | 1 |
| Mr. Kundan Sainani | Member | 1 | 1 |
| Mr. Edwin Igbiti | Member | 1 | 1 |

**This meeting was held on October 23, 2018**

All the committees endeavoured to perform their duties competently during the year under review.

## Meeting of the Board

| Board Members | Position | No of Meeting | Attendance |
|---|---|---|---|
| Mr. Bukola Oluwadiya | Chairman | 5 | 5 |
| Mr. Sonnie Ayere | Non Executive Director | 5 | 4 |
| Mr. Ademola Adebise | Non Executive Director | 5 | 3 |
| Mr. Samaila Zubairu | Non Executive Director | 5 | 5 |
| Mr. S.D.A Sobanjo | Non Executive Director | 5 | 4 |
| Mr. Kundan Sainani | Non Executive Director | 5 | 4 |
| Mr. Edwin Igbiti | MD/CEO | 5 | 5 |
| Mr. Babatunde Fajemirokun | Executive Director | 5 | 5 |
| Mr. Adewale Kadri | Executive Director | 5 | 5 |

**These meetings were held on January 25, March 20, April 26, July 26, October 25, 2018**

# Board Of Directors

**Bukola Oluwadiya**
Chairman

**Adewale Kadri**
Executive Director

**Sonnie Ayere**
Non-Executive Director

**Edwin Igbiti**
MD/CEO

**Ademola Adebise**
Non-Executive Director

**Samaila Dalhat Zubairu**
Non-Executive Director - Independent

**Babatunde Fajemirokun**
Executive Director

**S.D.A. Sobanjo**
Non-Executive Director

**Kundan Sainani**
Non-Executive Director - Independent


1


2


3

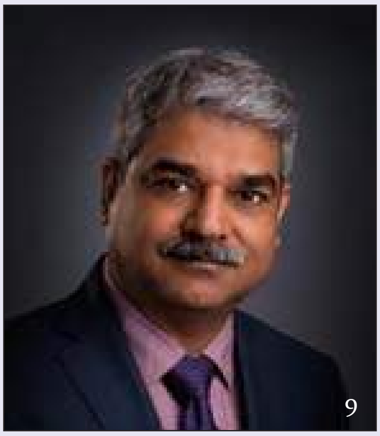

4


5


6


7


8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# Report Of The Statutory Audit Committee

To the members of **AIICO Insurance PLC**

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, Cap 59 of the Laws of the Federation of Nigeria 2004, we the members of the Audit Committee of AIICO Insurance PLC, having carried out our statutory functions under the Act, hereby report as follows:

- We have reviewed the scope and planning of the audit for the year ended December 31, 2018 and we confirm that they were adequate; "
- The Company's reporting and accounting policies as well as internal control systems conform to legal requirements and agreed ethical practices; and "
- We are satisfied with the departmental responses to the External Auditors' findings on management matters for the year ended December 31, 2018.

Finally, we acknowledge and appreciate the co-operation of management and staff in the conduct of these duties.

**SIGNED ON BEHALF OF THE COMMITTEE BY:**

Mr. Samaila Zubairu
Chairman of the Statutory Audit Committee
FRC/2014/ICAN/00000007663
12 March 2019

## Members Of The Statutory Audit Committee Are:

| | | |
|---|---|---|
| Mr. Samaila Zubairu | (Independent Directors' Representative) | Chairman |
| Sir Edmond. U. Njoku | (Shareholders' Representative) | Vice-Chairman |
| Mrs 'Funke Augustine | (Shareholders' Representative) | Member |
| Chief Robert I. Igwe | (Shareholders' Representative) | Member |
| Mr. Kundan Sainani | (Independent Directors' Representative) | Member |
| Mr. S. D. A. Sobanjo | (Directors' Representative) | Member |

The Company Secretary/Legal Adviser acted as the Secretary to the Committee.

## Statement Of Directors' Responsibilities in Relation to the annual Consolidated and Separate Financial Statements

For the year ended 31 December 2018

The Directors accept responsibility for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act of Nigeria 2003 and relevant National Insurance Commission (NAICOM) guidelines and circulars.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 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.

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

**SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:**

Mr. Edwin Igbiti
Group MD/CEO
FRC /2013/CIIN/00000005551
12 March 2019

Mr. Kundan Sainani
Director
FRC/2013/IODN/0000003622
12 March 2019

# Certification Pursuant To Section 60 (2) Of Investment & Securities Act No. 29 Of 2007

We the undersigned, hereby certify the following with regards to our audited financial statements for the year ended December 31, 2018 that:

(i) We have reviewed the report and to the best of our knowledge, the report does not contain:

- Any untrue statement of a material fact, or
- Omission to state a material fact, which would make the statements, misleading in the light of circumstances under which such statements were made;

- To the best of our knowledge, the financial statements and other financial information included in the report fairly present in all material respects the financial condition and results of operation of the Group as of, and for the years presented in the report.

(ii) We:

- are responsible for establishing and maintaining internal controls.
- have designed such internal controls to ensure that material information relating to the Company and its consolidated subsidiaries is made known to such officers by others within those entities particularly during the period in which the periodic reports are being prepared;
- have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report;
- have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;

(iii) We have disclosed to the auditors of the Group and Audit Committee:

- all significant deficiencies in the design or operation of internal controls which would adversely affect the Group's ability to record, process, summarize and report financial data and have identified for the Group's auditors any material weakness in internal controls, and
- Any fraud, whether or not material, that involves management or other employees who have significant role in the company's internal controls;

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

Mr. Edwin Igbiti
Group MD/CEO
FRC /2013/CIIN/00000005551

Mr. Oladeji Oluwatola
Ag. Chief Financial Officer
FRC/2013/ICAN/0000004910

KPMG

**KPMG Professional Services**
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Lagos

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234 (1) 271 8599
Internet www.kpmg.com/ng

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AIICO Insurance PLC

## Report on the Audit of the Consolidated and Separate Financial Statements

### *Opinion*

We have audited the consolidated and separate financial statements of AIICO Insurance PLC ("the Company") and its subsidiaries (together, "the group"), which comprise the consolidated and separate statement of financial position as at 31 December 2018, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 28 to 125.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Company and its subsidiaries as at 31 December 2018, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act 2011, the Insurance Act 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") Guidelines and Circulars.

### *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 consolidated and separate* financial statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

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

***Valuation of Insurance contract liabilities***

The Group has significant life and non-life insurance contract liabilities of N64.2 billion (2017: N59.8 billion). The valuation of insurance contract liabilities involves high estimation uncertainties and significant judgment over uncertain future outcomes.

Provisions for reported claims are based on historical experience, however, the eventual liabilities may differ from the estimated amounts. Furthermore, the estimated liability for claims that have occurred but are yet to be reported in respect of non-life insurance contracts involve economic assumptions about inputs such as inflation rate, ultimate loss ratio and discount rates, hence the eventual outcome is uncertain.

The actuarial assumptions used in the valuation of life insurance contract liabilities are judgmental, particularly with respect to mortality rates, claims handling expenses, maintenance expenses and discount rates.

The level of complexity, the assumptions and judgment involved in estimating these amounts make insurance contract liabilities a matter of significance to our audit.

*How the matter was addressed in our audit*

Our audit procedures included the following:

- We evaluated the design, implementation and operating effectiveness of key controls instituted by the Group which includes management review of data used for the valuation of insurance contract liabilities.
- We tested the accuracy and completeness of the underlying data used in actuarial valuations by checking the claims paid, outstanding claims and underwriting data recorded in the Group's books.
- We engaged our actuarial specialists to challenge the appropriateness of the methodology used by the Group's external actuary in calculating the insurance contract liabilities. This involved an assessment of the appropriateness of the valuation methods, taking into account available industry data and specific product features of the Group.
- With the assistance of our actuarial specialists, we evaluated the reasonableness of the actuarial assumptions used by the Group's external actuary and performed liability adequacy tests on insurance contract liabilities including assumptions and estimates on the projected cash flows, basic chain ladder runoff period, inflation rate, mortality and discount rate by comparing them to Group specific data, available industry data and market experience.
- We considered the Group's valuation methodology and assumptions for consistency between reporting periods as well as indicators of possible management bias. We were also assisted by our actuarial specialists in this regard.

The Group's accounting policy on the valuation of insurance contract liabilities and related disclosures are shown in notes 3.16 (accounting policies), note 4(a) (critical accounting estimates and judgments) and note 19 (insurance contract liabilities).

***Classification and measurement of financial assets based on IFRS 9 adoption***

The Group had significant financial assets of N89.2 billion (2017: N73.6 billion). The Group adopted IFRS 9, effective 1 January 2018 which necessitated the development of new accounting policies and disclosures as well as significant judgements in determining the measurement category based on the business model and the cashflow characteristics of the financial assets. In addition, judgement was also exercised in the decision to adopt IFRS 9 based on the requirements of IFRS 4, *Insurance contracts* (Revised).

The adoption of the new standard resulted in significant changes to accounting policies, classification and measurement of financial instruments as well as the impact of the transition adjustments on the reserves previously recognized in the financial statements.

The significant judgment involved in the adoption of IFRS 9 and the classification and measurement of the Group’s financial assets make it a matter of significance to our audit.

*How the matter was addressed in our audit*

Our audit procedures included the following:

- We evaluated the appropriateness of the accounting policies adopted based on the requirements of IFRS 9, and our understanding of the Group’s businesses.
- We gained an understanding of management’s processes and the controls implemented to ensure the completeness and accuracy of the transition adjustments.
- We identified and tested relevant controls implemented in the classification and measurement of existing and new financial instruments.
- We evaluated the reasonableness of management’s key assumptions/judgements over classification and measurement decisions as well as key judgements and estimates made in calculating the transition adjustments.
- We assessed the completeness, accuracy and relevance of data used in preparing the transition adjustments and disclosures required by IFRS 9 in the Group financial statements.

The Group's accounting policy on the classification and measurement of financial assets and related disclosures are shown in notes 2.6, 3.4.2 and 3.4.3 (accounting policies), note 6 (transition disclosures) and note 8 (financial assets).

# Independent Auditor's Report

KPMG

***Information Other than the Financial Statements and Audit Report thereon***
The Directors are responsible for the other information which comprises Corporate information, Consolidated results at a glance, Directors' report, Corporate governance report, Report of the Statutory Audit Committee, Statement of Directors' responsibilities in relation to the financial statements, Certification pursuant to section 60(2) of the Investments and Securities Act No.29 of 2007, Other national disclosures, but does not include the consolidated and separate financial statements and our audit report thereon. Other information also include Corporate profile, Notice of Annual General Meeting, Brand platform, Chairman's Statement, Information on Board of directors, Internal control report, Enterprise risk management report, Complaints management policy, MD/CEO's Statement, Management team which would be obtained after the date of the audit report.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of the Directors for the Consolidated and Separate Financial Statements***
The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act. 2011, the Insurance Act 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") Guidelines and Circulars, 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 consolidated and separate financial statements, the directors are responsible for assessing the Group and 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 Group and Company or to cease operations, or have no realistic alternative but to do so.

***Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements***
Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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.

# Independent Auditor's Report

KPMG

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group and 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 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 Group and 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 consolidated and separate 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 Group and Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

# Independent Auditor's Report

KPMG

From the matters communicated with the Board of Directors and Statutory Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and separate 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**
*Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and Section 28(2) of the Insurance Act 2003.*

In our opinion, proper books of account have been kept by the Group and Company, so far as appears from our examination of those books and the Group and Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

**Contraventions and Penalties**
The Company paid a penalty in respect of a contravention of the requirements of Section 45(8) of the Insurance Act 2003 during the financial year.
The details of this contravention and penalty paid is disclosed in Note 40 to the financial statements.

Kabir O. Okunlola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
4 April 2019
Lagos, Nigeria

# Internal Control Report

## Introduction

AIICO is committed to creating and maintaining an excellent internal control environment capable of sustaining its current leadership position in the industry. The Board and Management of AIICO Insurance Plc. places a high premiums on the effectiveness of the Company Internal Control System and considers it fundamental to the successful operation of the business. As such, it embraces all controls incorporated in the strategic, governance and management processes, covering AIICO's entire range of activities and operations, and not just those directly related to financial operations and reporting. It also includes non-financial activities that relate to the achievement of the overall business objectives.

In AIICO, the internal control system encompasses the control framework guided by organizational structures, statutory requirements, international best practices, management philosophy, codes of conduct, policies and standard operating procedures. It is designed not only to ensure key business objectives are met but also to maintain the confidence of its stakeholders and the public.

Specifically, the objectives of AIICO Internal control system are to:

- Ensure effective and efficient operations;
- Safeguard AIICO's assets against losses and making adequate provision for liability;
- Ensure the reliability of financial reporting and compliance with Generally Accepted Accounting Principles;
- Ensure compliance with applicable laws and regulations, including internal policies;
- Ensure systematic and orderly recording of transactions; and
- Provide reasonable assurance that undesired events will be prevented or detected and corrected.

Most importantly, the AIICO's internal control system help strengthen the effectiveness and ensure adequacy of company's control environment with resultant effect on boosting the Company's capacity to proactively manage the impact of external (and internal) threats and uncover possible flaws, gaps and deficiencies in processes and structures. To achieve its intended result, it is fully integrated into the Company's daily business process.
Business Unit (BU) Managers play key roles in assuring that high standards of business processes and ethical practices are observed for the achievement of AIICO's corporate objectives while employees perform internal control roles, which vary depending on their respective functions. This is to ensure effective and efficient management of the organisation's resources, aid internal control over Financial Reporting as well as adherence to all extant regulatory laws and guidelines within the operating environment.

## Internal Control Framework

The company has established and fully implemented an internal control framework to guide the internal control functions in accordance with International best practices. The framework is designed to engender the support and commitment of all stakeholders of AIICO Insurance Plc. to a controlled environment, thus creating an enabling platform that would ensure the Company's growth and stability.
The pre-requisites (i.e. Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring Activities) were set and continuously improved upon to ensure that the Company consistently and effectively achieve its corporate objectives. These are explained below:

- Control Environment - AIICO's leadership sets the tone at the top, which positively influences the control culture and consciousness of its people. Authority and responsibility are assigned with due consideration for risk management that enhances integrity, ethical values, and competence of the entity's people; management's philosophy and operating model.

- Risk Assessment - The Board and Senior Management, through the Enterprise Risk Management department, regularly assess the risk exposures of the Company, which includes risks relating to financial reporting. Some of the areas of assessments conducted during the financial year that could affect the achievement of AIICO's corporate objectives include operational risk, underwriting risk, reserving and solvency risk, business and strategic risk, market and liquidity, compliance risk, legal risk and reputational risks. Also, Senior Management, on a regular basis, considers whether the existing internal controls are effective in relation to the risks identified in the financial reporting process.

- Controls Activity - The Company has established policies, procedures and mechanisms that help ensure that Management's responses to risks identified during the risk assessment process are fully executed. Control activities occurred throughout the organization, at all levels and in all functions. AIICO's controls activities include the establishment of standard operating procedures for all functions within the company to guide the company operations such as bank and general reconciliation review, budgetary and reporting system review, network access control, pre-disbursement review etc.

- Information and Communication - AIICO has established effective processes and systems that

# Internal Control Report

identify, capture and report operational, financial and compliance-related information in a form and within a time frame that aids staff in executing their responsibilities. All personnel receive clear message from top Management to assure that control responsibilities are taken seriously. Consequently, business units understand their roles in the internal control process, as well as how individual and business unit activities are interrelated and supportive for the achievement of the corporate objectives.

Generally, communication in AIICO is continual, iteratively shared across the entity to convey information needed to carry out day-to-day internal control responsibilities and their importance to the achievement of corporate objectives.

- Monitoring Activities - The Board and Executive Management established a number of assurance functions that assess the adequacy and quality of the internal control system's performance. These assessments are conducted through on-going monitoring activities, separate evaluations, or a combination of the two. On-going monitoring occurs in the course of operations while separate evaluations depend on risk assessment and effectiveness of on-going monitoring within the organisation.

Identified deficiencies in internal controls are reported to those in charge of governance.

Therefore, the Board has instituted internal control systems that provide reasonable assurance that assets are properly safeguarded and unauthorized use or disposal is fully prevented. More so, that proper accounting records are maintained to provide reasonable assurance on the reliability of financial information generated from the financial system.

## Internal Control Function

To this end, the Internal Control Department ensures compliance with all extant laws and regulatory guidelines, implementation of the company's policies, standard operating procedures, prevention and correction of all systematic errors and omissions in the operations. Control function effects far-reaching improvement and development of process advancements to aid the achievement of the organization's corporate objectives.

As a process, internal controls are developed and implemented throughout the company to provide reasonable assurance that corporate objectives are achieved most importantly in the following areas:

- Operational objective - effectiveness and efficiency of operations;
- Information objective - reliability of reporting;
- Compliance objective - Compliance with all extant laws and regulatory guidelines, and internal policies and procedures

For the achievement of the above stated objectives, the internal control system lays emphasis on:

- A process consisting of on-going tasks and activities that is a continuing process rather than a periodic review. It is not merely about establishing policy manuals, systems, and forms; but are effected by all staff at all levels;
- Ability to provide reasonable assurance rather than absolute assurance;
- Achievement of the organization's objectives and operational improvement;
- Adaptability to the entity structure.

## 2018 Internal Control Improvements

During the financial year, the Internal Control function undertook transactional monitoring by maintaining a close working relationship with all Business Units (BU) and reported all identified transactional control lapses, execution of proffered control measures and improvements areas were closely monitored and followed-up until fully addressed. Internal Control also contributed to business growth and sustainability by ensuring compliance with regulatory and statutory requirements to proactively manage regulatory/ compliance risk and internal policies and procedures with resultant reduction of waste and leakages and improved operational efficiency.

Other internal control initiatives and improvement measures undertaken during the year are:

- Enterprise Risk Management (ERM) and Internal Control awareness and training: The Company witnessed the third edition of its ERM and Internal Control awareness and training week. It inculcated the philosophy and policy relating to control activities and emphasized the individual control roles at each line of defence.

- Monitoring and Review Activities: Monitoring and reviewing activities of the Company's transactions were strengthened in line with Company policy and procedures to assure adherence to statutory requirements and international best practices. This was aimed at reducing the exposure of the Company to compliance risk and income leakages;

- Report Rendition: Improved on and sustained the preparation and presentation of monthly activities and exceptional reports to Senior Management on control failures, key exceptions and the actions taken or remediation to address such failures.

# Enterprise Risk Management Report

## Introduction

Enterprise Risk Management (ERM) is the best practice many organizations implement to reinforce their corporate governance. Rating agencies also give due attention to the effective implementation of ERM in organisation's evaluations. Consequently, AIICO's risk management and control is structured to create and maintain value for stakeholders by ensuring it becomes an integral part of the Company's processes and procedures. It addresses uncertainties considered in every decision-making process and is periodically reviewed for continuous improvement. The implementation of Enterprise Risk Management programme has incorporated some of the elements of ISO 31000:2009 standard with emphasis on the relationship between the risk management principles, framework and processes.

In addition, the Company has established an Enterprise Risk Management Framework that provides the foundations and arrangements, which establishes effective risk management and controls throughout the organization at all levels. The framework also provides the Company with the appropriate guidance, to ensure that its actions and activities regarding risk management are consistent with the need to meet competitive challenges and are in line with regulatory requirements.

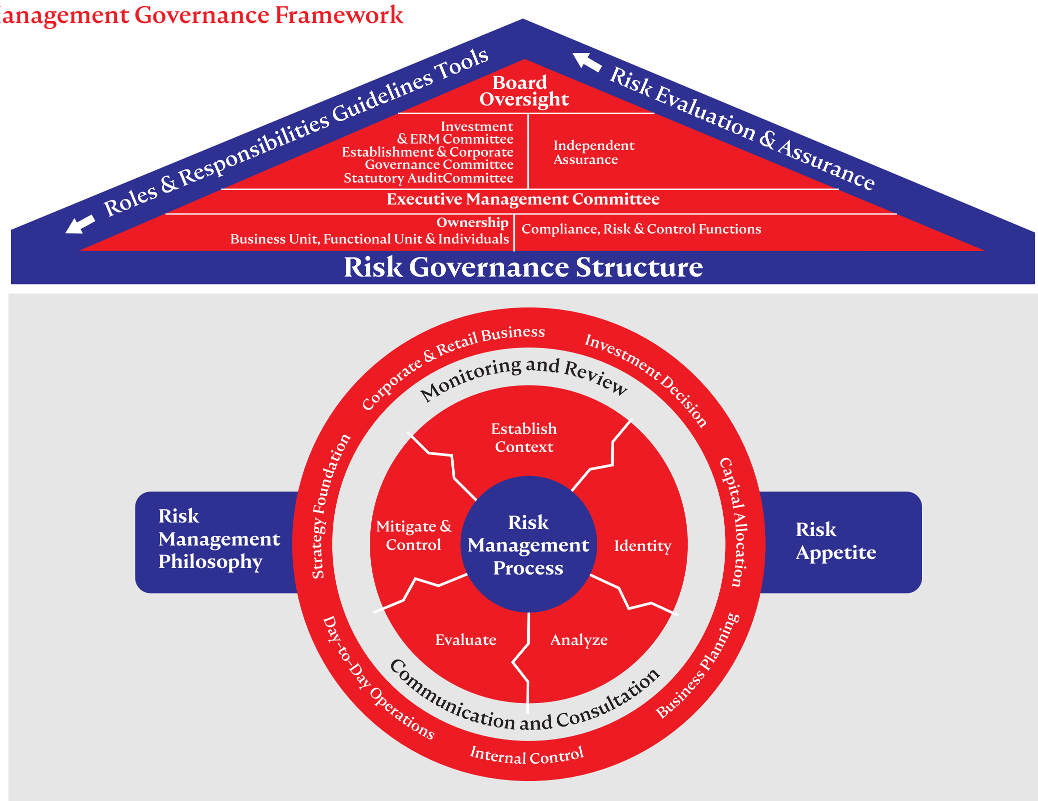
The overall aim of the Company's Enterprise Risk Management (ERM) process is to support better decision making through a good understanding of risks and their likely impact on the business objective. Uncertainties in the market place are part of AIICO's everyday business management. We monitor and manage our exposure to various risks in a structured and proactive way. Information on risk derived from the risk management process are reported appropriately and used for decision-making.

The Board of Directors and Management, in carrying out its oversight ERM functions, have achieved the following:

- Reviewed the activities and effectiveness of the organisation's risk management and control system;
- Maintained the ISO 22301: 2012 (Business Continuity Management System) Certification following a continuous assessment visit by British Standard Institute to the organisation;
- Assessed the Asset and Liability Management and other Committee reports to guarantee adequacy and effectiveness of the risk management and control system;
- Set the Risk Appetite and ensured compliance with the approved risk appetite and tolerance limits;
- Reviewed and approved the Operational Risk Management Manual and related documents for adequacy and continuous improvement;
- Approved continuous ERM training and awareness across all levels to enhance the organisation's risk management and control culture;

Monthly and Quarterly meetings were held by the Management and Board respectively to assess the adequacy and effectiveness of risk management processes as well as review of ERM core activities.

## Risk Management Governance Framework



# Enterprise Risk Management Report

Our approach to risk management is supported by the best of breed Enterprise Risk Management framework that is backed by a risk-aware culture across the group. We are committed to continually improving the framework as well as risk management capabilities and culture to ensure the long-term growth and sustainability of our business.

The Board of Directors is ultimately responsible for the governance of risk management at the Group and committed to ensuring appropriate and effective risk management and control system is established across the Group. It periodically reviews the system for adequacy, effectiveness and continuous improvement.

Executive Management ensures there is a common and efficient process in place to assure the Board of Directors that all key risks are assessed and managed effectively and in accordance with the Board's and regulatory requirements.

To demonstrate commitment to a robust ERM and control system, the Investment and ERM Board Committee met quarterly and the ERM Management Committee met monthly in 2018. ERM and control reports and related issues were the focus of meetings.

## Role of Board of Directors

The ERM framework provides detailed responsibilities of the Board, its Committees and Management for managing the company's risks.

Below are the responsibilities of the Board in the management of risk:

- Approve and periodically review risk strategy and policies;
- Approve AIICO's risk appetite and monitor its risk profile against this appetite;
- Ensure Senior Management takes steps necessary to monitor and control risks;
- Ensure Senior Management maintains an appropriate system of internal control and reviews its effectiveness;
- Ensure AIICO's risk strategy reflects its tolerance for risk;
- Review and approve changes/amendments to the risk management framework;
- Review and approve risk management procedures and controls for new products and activities; and
- Receive risk management reports periodically from Senior Management highlighting key risk areas, control failures and remedial action steps taken by Senior Management.

Other Responsibilities of the Board in Relation to Enterprise Risk Management

- Define AIICO's overall risk appetite in relation to operational risk, business and strategic risk, underwriting risk, reserving and solvency risk, market and liquidity risk, credit risk, reputational risk, compliance risk, and legal risk.
- Approve AIICO's Risk Management Framework for:

  - Operational Risk
  - Underwriting Risk
  - Reserving and solvency Risk
  - Business and Strategic Risk
  - Market and Liquidity Risk
  - Credit Risk
  - Reputational Risk
  - Compliance Risk
  - Legal Risk

- Approve AIICO's overall strategic direction and risk tolerance in relation to operational risk, underwriting risk, reserving and solvency risk, business and strategic risk, market and liquidity risk, credit risk, reputational risk, compliance risk, and legal risk based on the recommendation of the Board Investment and Enterprise Risk Management Committee.
- Ensure that AIICO's overall risk exposure is maintained at prudent levels and consistent with the capital held.
- Ensure that detailed policies and procedures for various functions risk exposure (development, management and recovery) are in place.
- Ensure that Senior Management as well as individuals responsible for operational, underwriting, reserving and solvency, business and strategic, market and liquidity, credit, reputational, compliance, and legal risk management possess sound expertise and knowledge to accomplish the risk management functions.
- Ensure that AIICO's ERM Framework is subject to effective and comprehensive internal audit by independent, appropriately trained and competent personnel and/or body.
- Ensure that the company's Senior Management has the required authority and ability to manage risks.
- Ensure that the Company implements a sound methodology that facilitates the identification, measurement, monitoring and control of operational risk, underwriting risk, reserving and solvency risk, business and strategic risk, market and liquidity risks, credit risk, reputational risk, compliance risk and legal risk.
- Set appropriate guidelines to Management, including an explicit statement of a zero tolerance policy for all unethical behaviour, and breach of internal policies and procedures.
- Ensure the company complies with all statutory responsibilities and regulatory guidelines.
- Review all exception reports by external parties such as regulators and auditors; ensure that

# Enterprise Risk Management Report

appropriate sanctions are applied to offending officers; demand from Senior Management appropriate explanations for all exceptional items; ensure that Senior Management puts in place effective and remedial actions and reports on progress to the Board on an on-going basis.

- Ensure at all times that only fit and proper persons are appointed to Senior Management positions in the Company.
- Define clear guidelines with AIICO's code of conduct, which all employees are expected to comply with.

## The Three Lines of Defence

The three lines of defence are embedded in the Company's enterprise risk management structure. The Company's risk management structure includes management's approach to risks inherent in the business and its appetite for these risk exposures. The Company operates and sustains the 'three lines of defence model' to establish a risk management capability and promote risk culture across the Group.
Under this approach, AIICO on a continuous basis assesses and monitors its risk profile against the set standard that emphasises strict adherence to controls and best practices. The model provides the business with effective approach to clarifying key roles and functions and helps to ensure the effectiveness of the company's risk management initiatives.

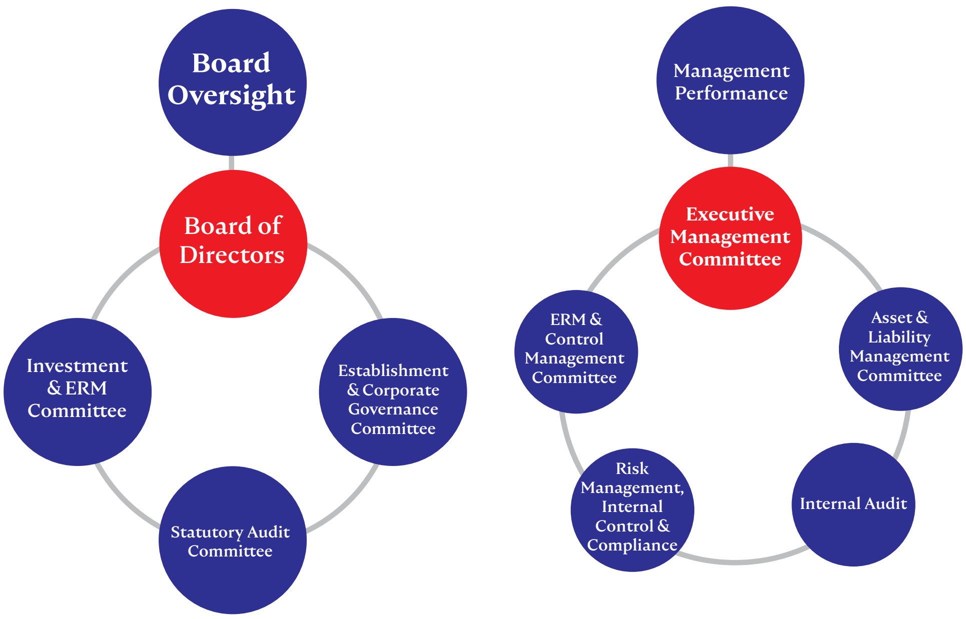



Figure 2: Risk Management Governance

## Role of Board Committees

The above responsibilities of the Board of Directors are discharged primarily through three committees of the Board, namely:

- Board Investment and Enterprise Risk Management Committee
- Board Audit Committee and
- Establishment and Corporate Governance Committee

Without prejudice to the roles of these committees, the Board retains ultimate responsibility for the management of risks and control of the organisation. The committees meet at least once per quarter and present their reports to the Board.

### First Line of Defence

This is implemented by the units or business functions that perform daily operational activities, especially those that are at the Company's front lines. They own and manage the businesses inherent risk exposures in accordance with approved risk appetites, mandates and limits set by the Board and ensure full compliance with the framework, policies, and approval requirements among others.
The Company's line managers are responsible for ensuring a conducive risk and control environment as part of their day-to-day functions and operations. They implement risk management policies and create an awareness of risk factors that could lead to the Company's corporate growth and are considerable for tactical decisions and actions.

Employees in the first line of defence identify risk,

# Enterprise Risk Management Report

implement controls and provide business initiatives that are value adding and improve the risk management process.

**Second Line of Defence**
Risk management, compliance and control functions execute the second line of defence. These roles provide oversights and reports to Executive Management over business processes and risks as well as assurance that business functions are implemented in accordance with established risk management framework, policies and standard operating procedures. They guide and provide direction for implementing and monitoring the Company's overall risk management strategy.

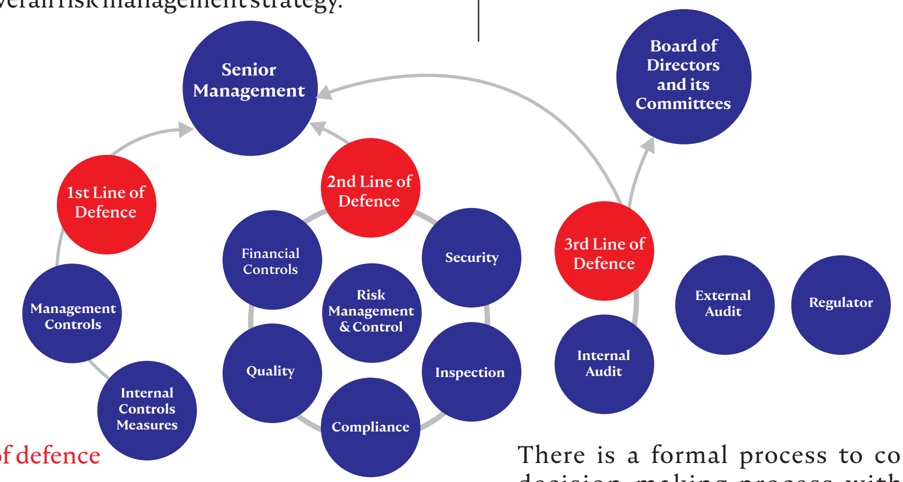



Figure 3:
AIICO's Lines of defence

The second line of defence reviews and assesses the risk-taking activities of the first line of defence and the actions being taken to manage and control risks, and report to the Executive Management and Board of Directors appropriately

**Third Line of Defence**
This line of defence comprises the Internal Audit and other independent assurance providers that provide independent and objective assurance over risk management processes, controls and objectives, as established by AIICO Insurance. More importantly, this role evaluates the manner in which both the first and the second line of defence achieve their risk management, governance and control objectives and reports to the Board accordingly.

## Risk Culture

We seek to promote a strong risk culture throughout our organization, which is a continuous process that is rooted and reflected in our corporate values, the unique leadership styles and the procedures and routines. It is the definition of sustainable growth and success as a leader.

The organisation recognises the importance of effective risk management to achieve its corporate objectives. Hence, has established a risk culture throughout the organisation as a fundamental tool for effective risk management. The risk culture significantly affects our capability to take competitive and effective strategic risk decisions and delivery of promises to our stakeholders. In addition, AIICO extends risk culture to third party suppliers and partners to help ensure third parties are managing risks within guidelines or meeting their own risk standards.

The Board sets the tone by the establishment of risk appetite, ERM framework, functional ERM and Control department and holding of quarterly meetings to review the risk management and control activities. The Board meets quarterly to review risk management report and risk related activities for oversight and continuous improvement.

There is a formal process to consider risks during decision-making process with a consistent and repeatable approach that allows for understanding of their impacts. This permits Management to feel comfortable with decisions made.

The Management conducts periodic risk assessments; risk owners are identified and reports communicated and continuously monitored by the second line of defence to provide assurance. In addition to internal audit periodic inspections, the British Standard Institution (BSI) and KPMG conduct periodic independent audit exercises in areas of operations and activities with critical risks.

Risk Management and Control week is conducted yearly to sensitise staff across the strategic business units and divisions of the need and importance of prompt identification and effective management of both internal and external risks in the operating environment. The one-week programme is to ensure common understanding, awareness and effective management of risk across the organisation. The Board, Management and Staff are committed to continuous improvement on the organisations' risk culture.

AIICO Insurance Plc. ensures a visible and substantive change in the risk culture of the organisation to guarantee its stakeholders that its business can be trusted. The organisation will continue to experience across-the-board changes in its culture and when required refocus its attitude, and behaviour in meeting the needs of customers to sustain trust in the organisation.

# Complaints Management Policy

## 1.0 Objectives

The objectives of the Complaints Management Policy are to:

- Lay down the guidelines, procedures, best practices and minimum criteria for handling and redress of complaints received by AIICO from various sources in an effective, efficient, fair and impartial manner;
- Provide guidance to the individuals who are responsible for handling and resolving complaints within AIICO;
- Incorporate the knowledge gained through resolution of the customer complaints in the form of re-engineering of the process;
- Adhere to SEC Rules Relating to the Complaints Management Framework of the Nigerian Capital Market, which requires every listed company to establish a clearly defined Complaints Management Policy, endorsed by Senior Management, to handle and resolve complaints.

AIICO shall deal properly with any reasonable complaint provided that it relates to a service or product provided.

## 2.0 Definition

Complaints are one of the most direct and effective ways for the customer to relay to the businesses that there is a room for improvement and hence the Complaints Management policy is framed to redress the grievances of customers. For the purposes of this guideline, a complaint shall refer to a matter for which redress is being sought in relation to a product sold or offered for sale or a service offered or failed to be offered as per agreed terms. Any communication that expresses dissatisfaction about an action or lack of action, in the course of business, about the standard or deficiency of service of our company and/or any of our agents shall be deemed to be a complaint.

According to the SEC Complaint Management Framework of the Nigerian Capital Market, the under listed complaints shall NOT be handled under the above context:

- Complaints against private wound up and liquidated companies
- Complaints on matters that are subjudice or in arbitration
- Complaints falling outside the purview of the Securities and Exchange Commission

## 3.0 Types of Complaints

Complaints shall be classified into the following categories:

- Fraud and Suppression
- Misrepresentation
- Forgery
- Claims and Benefits Issues
- Others as may be defined by the Complaints
- Management Committee

## 4.0 Commitment and Resources

All levels of management shall be committed to the laid down procedures; particularly, the Senior Management shall act through the Complaints Management Committee to ensure that these procedures are integrated into the culture of the organization and monitored for compliance purposes.

The Complaints Management Committee, saddled with the responsibility of executing the terms of this policy, shall sit on ad-hoc basis, with membership comprising of representatives of the following offices:

| | |
|---|---|
| • Head of Ent. Risk Management | Chairman |
| • Customer Service Officer | Secretary |
| • Head Internal Audit | Compulsory Member |
| • Head Legal | Compulsory Member |
| • Head Customer Service | Compulsory Member |
| • Head Agency Administration | Compulsory Member |
| • Head Life Technical Division | Compulsory Member |
| • Head Non-Life Technical Division | Compulsory Member |
| • Head Finance | Compulsory Member |

The management shall also ensure that:

- All members of staff are educated about and familiar with the internal procedures
- Adequate financial resources are allocated to complaints management and sufficient levels of authority are delegated to handle the process
- Adequate systems are put in place and reporting procedures implemented to ensure timely, effective and consistent complaints handling and monitoring
- Reasonable steps are taken to ensure that customers know about the existence of the complaints handling mechanism and how to lodge complaints

## 5.0 Where to Lodge Complaints

Complaints may be lodged at/with any of the following touch points:

- By email to complaints@aiicoplc.com
- By surface mail to the head office

By surface mail to any of the branch offices

- Call 0700AIICONTACT (0700 2442 6682 28) or 012792947-8
- Visit www.aiicoplc.com and follow the customer service link

## 6.0 Resolution Procedure

These steps are to be followed in redressing grievances:

**Step 1:** Registration of complaints received through any of our touch points - whether in writing, in person or by way of telephone call.

**Step 2:** Responsibilities of the Complaints Management Committee - the committee shall be responsible for the following:

# Complaints Management Policy

- Acknowledging complainant's letter within forty-eight (48) working hours of receipt
- Sending a closure and resolution letter alongside acknowledgment, where the matter is resolved within three (3) days
- Scrutinizing the complaint communication on its receipt and understanding customers' grievances
- Identifying the complaint and classifying it to the correct complaint type or subtype for effective analysis
- Investigating the complaint with the relevant team(s) and available information and providing resolton to the customer

- Sending request(s) to complainant for alternate contact details, where the complainant could not be reached and information that would aid investigation still pending or required
- Ensuring records of all complaints received are maintained and case facts documented in the complaints register, whether satisfactorily resolved or otherwise
- Closing each complaint after resolutions. A complaint shall normally be settled within 30 working days from the date of the filing
- Informing the customer in writing of the resolution and closure, where he/she is satisfied, by sending AIICO's final response to the complainant within the prescribed time limit

**Step 3:** In cases where the customer is not satisfied, he/she may be advised to further pursue redress with the Office of the Commissioner, National Insurance Commission, Plot 1239, Ladoke Akintola Boulevard, Garki II, Abuja.

## 7.0 Communication Contents

All complaint letters must be acknowledged within 48 (forty-eight) hours of receipt and shall contain the following information:

- Details of how complainant could keep abreast of the complaint status
- Name, designation and direct contact of the officer assigned for follow up purposes.
- Complaints management and resolution procedures.
- Anticipated closure timeline.

The final response, where possible, shall indicate:

- The reasons or circumstances which have been considered for the settlement or non-settlement, as the case may be
- A proposal, as appropriate, any offer or other means of settlement made to the complainant

## 8.0 Conditions for Resolution and Closure

The complaint shall be considered as closed and disposed-of when any of the parameters is met:

- AIICO has acceded to the request of the complainant fully
- Where the complainant has indicated acceptance of AIICO's response
- Where the complainant has not responded to AIICO within four (4) weeks of receiving the letter of resolution and closure
- Where the Company Secretary/Legal Adviser/Chief Compliance Officer certifies that AIICO has discharged its contractual, statutory and regulatory obligations
- Where the customer approaches with a fresh complaint after a letter of resolution and closure has been sent

## 9.0 Complaints Record Keeping and Reporting

A written report shall be rendered at the monthly Executive management meeting following committee sittings.

All relevant business units shall open, update and maintain e-registers for every complaint handled.
The register shall basically contain the following prescribed components:

- Name of the complainant
- Date of the complaint
- Nature of complaint
- Complaint details in brief
- Remarks/comments

AIICO shall compile and render electronic copies of this report to the Nigerian Stock Exchange (NSE) on a quarterly basis at lr@nse.com.ng.

## 10.0 Code of Conduct Regarding Securities Transaction by Directors

The company has adopted a code of conduct regarding securities transactions by its directors and the directors have complied with the required standard set out in the listing rules

## 11.0 Approval:

Company Secretary

GMD/CEO

# MD/CEO's Statement

**Mr. Edwin Igbiti**
**MD**

# MD/CEO's Statement

## The year 2018 was significant for our company, as it marked the end of our 5-year transformation plan.

At the beginning of the transformation at the end of 2013, Management embarked on a current position assessment of the business and renewed the strategic aspirations and objectives - setting the tone for the transformation journey of the last 5-years.

Our strategy focused on three major objectives: strengthening our balance sheet, our people and our business model. We have been able to deliver on these objectives. Our balance sheet has improved significantly - with improved duration matching of assets and liabilities in the long-term business.

Our business model is evolving with strong emphasis on our competitive advantage as a leader in life insurance and protection. We remain committed to building a customer focused organization; hence our overarching vision ***"we exist to create and protect wealth for our customers".***

It has been a challenging journey but I am happy to inform you that our great Company is positioned for the next phase of the growth and market dominance. I am honored to report on our Company's performance in 2018 and progress made in the execution of our strategy across the Group.

**Group Performance:**

Across the Group, gross written premiums increased 17.4% from N32.1 billion to N37.7 billion driven by growth in our life and non-life businesses. PAT continued on the same positive path with a 146% improvement from corresponding period's position to close at N3.1 billion for FY'18 (FY'17:N1.3 billion). Earnings Per Share (EPS) increased by 146% from 18k in 2017 to 44k in 2018 and Return on equity also increased by 76.2% for the Group (27.4% Company).

Premiums in our **life business** grew 23.1% to N26.6 billion in 2018 from N21.6 billion in 2017. Notwithstanding the perceived apathy for insurance in Nigeria, AIICO continues to brace the trail in the life insurance sector. Our dedication and market research into understanding the needs of the customer continues to yield expected results - with our ordinary life products growing 28.5% to N21.1 billion from N16.4 billion in 2017. Although annuity declined 18.8% in 2018, our group life business grew 42.6% to N2.9 billion from N2.0 billion in 2017.

There was a general increase in interest rates in the economy over 2018; this was by approx. 1.5% p.a. increase as measured by the change in yield over the year on the long-term bond (2037 maturity date) referenced by AIICO in its valuation of long-term policyholders' liabilities. This led to a reduction in the long-term policyholders' liabilities by approximately N3.7 billion for the year, which was, however, offset by a similar reduction in corresponding backing assets following the implementation of IFRS9 in 2018, hence the impact on the 2018 income statement was nil.

In prior years, the fair value movement in the assets backing the long-term policyholders' liabilities was shown under other comprehensive income section which would have meant the N3.7bn reduction (in liabilities) would have been recorded as a profit in the year and similarly would the converse scenario have materialised. This means going forward, and due to improved matching between assets and liabilities (policyholders' and shareholders'), we expect reduced volatility in the primary accounts when interest rates move in the economy.

Overall policyholders' liabilities for the Life business grew by over N5 billion driven by the 23% growth in Life business as highlighted above; this growth more than offset the reduction in liabilities due to claims, lapses and interest rate movements discussed. We expect this growth to persist in the next phase of strategic direction and hence a general strengthening of our balance sheet.

Our **non-life business** continues to witness an upward trend, with premiums growing from N8.7billion in 2017 to N10.4 billion in 2018, a growth of ca. 16%. Despite the huge volatility in claims expenses (driven by Marine and Oil & Gas industry-wide losses), our solid reinsurance arrangements moderated impacts on our books leading to positive and improved underwriting profits for the year. The non-life business is on the right track to gain market leadership and return superior value to shareholders in the coming years.

The demand for healthcare services, and hence health insurance, is increasing because of the aging population, growing prevalence of chronic disease, as well as relatively rising middle level incomes in the country. **Our health management business, AIICO Multishield** is undergoing aggressive transformation to capture the huge potentials in the health insurance market. In particular internal capabilities are being revamped to position the Company for superior service delivery for both corporate and retail customers.

Reported premium for the year decreased by 61% from N1.7 billion to N663 million; this decline was as a result of change in accounting policy not to recognize the N1.1 Billion NHIS capitation as part of premium income. As stated, we remain committed to making the appropriate investments to reposition and set the Company on the right path for growth and market leadership over the next few years.

**AIICO Pension, our pension management business** crossed the N100bn Assets Under Management (AUM) threshold in the year 2018 - with total Funds under management growing by 19% from N85.5 billion in 2017 to N101 billion in 2018. Total revenues also increased by 9.5% from N1.26 billion in 2017 to N1.37 billion in 2018, however profits were down 17% from N317 million in 2017 to N219 million in 2018 due to increased minimum pension industry operating standards vis-à-vis non-commensurate increase in topline revenues, induced by fee reductions across board in the pension industry taking effect from 2018 up until 2020.

The necessary adjustments to the new operating environment in the pension industry will continue in 2019. Nevertheless, the industry and the prospects for growth of operators remains stable and consistent. Strategies to achieve improved cost-to-income ratio, and thus boost profitability, have been identified and expectations of an improved economy and corresponding growth in jobs over the next four years portends a positive outlook for industry operators and AIICO Pension in particular.

**AIICO Capital, our asset management business,** continues to achieve notable performances: with AUM growing to over N91 billion in FY'18 a 19% increase (FY'17:N76 billion).

# MD/CEO's Statement

Net income reduced by 31% to N457 million in 2018, (FY'17:N664million) and Post-tax profits reduced 58% to N354 million in 2018 (FY'17:N668 million). The drop in pre-tax and post-tax earnings flowed from: a) a drop in net operating income due to a fall in portfolio management fees - fees were renegotiated and restructured with clients; b) rise in operating expenses due to business expansion: cost to gross income up 29% (FY'17: 23%), cost to net revenue ratio up by 67% (FY'17:23%); and c) drop on investment income on proprietary portfolio due to a significant increase in return of capital to shareholders (special dividends) in 2017. However, Return on equity continued on a positive stead in 2018 with a 39% growth (FY'17:73%).

AIICO Capital has set ambitious goals for the next few years, to be the leading secure investments solutions provider in Nigeria - with a primary focus on fixed/predictable-income, very low risk investing.

**Company Updates, Risk Management and Strategy**
In 2018, we continued our campaign "Companion not Company" with the aim of forging better relationships with our stakeholders - customers, employees and shareholders. The campaign continues to yield desired results and positions AIICO as a trusted brand.

In addition, as part of our sustainability drive, we strengthened our corporate social responsibility initiatives with focus on promoting literacy and STEM education, skill acquisition and aiding in the delivery of quality, affordable healthcare. Over 50 young and aspiring undergraduates from tertiary institutions graduated from the AIICO Internship Program - as part of contributions to the development of talents for the transformation of the Nigerian society.

AIICO creates value by selectively taking exposures to risks that provide superior rewards and that can be appropriately quantified and managed. We have established a robust risk culture throughout the organization as a fundamental tool for effective risk management. Our risk culture determines how successful we are at delivering on our promises to all stakeholders.

During the course of the year, the Company paid a fine of N2.1 million to NAICOM being penalty for transacting with a loss adjuster without a valid operating license. As a regulated firm, we are accountable to a number of regulators, and continue to improve our structure and processes to ensure full compliance to stipulated guidelines and operational requirements. The Board and Management continues to strengthen the compliance function and with the appointment of a Chief Risk & Compliance Officer we aim to attain a zero risk appetite for all types of infractions.

**"Our dedication and market research into understanding the needs of the customer continues to yield expected results - with our ordinary life products growing 28.5% to N21.1 billion from N16.4 billion in 2017."**

We recognize that our people are our greatest asset, and we continue to put in place people-oriented initiatives to improve work-life balance and quality of living - with the relocation of our operational head office annex to the mainland, introduction of flexi work-hours and teleworking, this has cumulated in an increase employee and customer satisfaction index.

**Looking Forward**
Our strategic intent over the next 5years is - to regain market leadership through rapid and profitable growth. To deliver on this renewed mandate, we have redesigned our go-to-market strategy (GTM) and realigned our organisation structure (corporate and retail) to reflect our customer centric strategy. In addition, we will streamline and leverage capabilities across the Group to grow market share, increase shareholder value and build customer centric capabilities for superior service delivery.

Esteemed shareholders, I seek your support as always for this next phase of our journey to transform AIICO. With your support, the entire Executive Management team and I believe that AIICO is equipped to **Go Above and Beyond** our current performance levels.

Finally, I would like to use this opportunity to thank all shareholders, staff and customers of AIICO for your continued support over the past years. Welcome to the **Dawn of Renaissance** - a season of rebirth and market dominance!

Thank you and God bless.

Edwin Igbiti
MD/CEO


AIICO has been involved in beneficial schemes to ensure employees perform at optimal level consistently. It has adopted a combination of work-life balance initiatives which have transcended into a production of a relaxed workforce, optimized to bring the best out of our employees across every area of operations.
Highlighted below are some of the people initiatives currently adopted by AIICO:

**Lengthy Leave Days:** Our employees are entitled to a total of 29 working days for their annual leave. This is essentially the highest number of leave days obtainable in the industry as at today and has been the practice for over the past ten years.

**Flexi Work Hours:** In recognition of the divergent needs of employees, the initiative was deployed to encourage and support flexible work arrangements as part of the alternatives that can assist employees in balancing work and personal commitments, while meeting business needs and objectives. This initiative, which was launched in 2016, allows employees work with Flexi Hours of either 7am - 4pm or 9am - 6pm and the normal work hours of 8am - 5pm.

**Teleworking:** In order to continue to build on our work-life balance programmes, AIICO took another step by introducing this initiative which is meant to provide job flexibility for employees to save the time spent in traffic commuting to/from work and promote the most effective and efficient accomplishment of job obligations. The feedback received from employees have been very positive.

**Team Bonding:** An initiative that was also implemented in the last financial year was targeted at achieving the following;

- To foster cordial relationships and deepen connection across lateral and vertical lines among teams.
- To understand team members' interests, strengths and weaknesses.
- Bridging communication gaps.
- Encourage team spirit and collaboration to boost team performance and effectiveness.
- For a more friendly work environment where everyone is comfortable and happy.

The programme features various team games and activities away from the work environment.

**Magic Fridays:** AIICO recognized the need to provide an atmosphere where employees can relax, have fun and be entertained in a cinema setting after work hours on Fridays which brought about our Magic Friday initiative.

**Gym:** To promote fitness and a healthy lifestyle, AIICO provided a gym facility at the Head Office. It is accessible by all employees every day of the week before and after work hours and on weekends.

# Management Team

## Edwin Igbiti
## MD/CEO

### Skills and Experience
Mr. Edwin Igbiti is currently the Managing Director/CEO at AIICO Insurance Plc. Prior to Joining AIICO Insurance, he had served and gained vast experience in Insurance from Phoenix Insurance Company, where he worked for several years. He is a seasoned professional with an inestimable depth and wealth of technical experience that is acknowledged across the industry. He has managed relationships between the company and several international partners and affiliates and is a solution proffering, team-spirited leader with excellent inter-personal skills.

### Educational Background
Mr. Igbiti holds an MBA from the University of Ado-Ekiti and an Advanced Diploma in Management from the University of Lagos. He is a Certified Insurance practitioner with the Chartered Insurance Institute of London and a Fellow of the Chartered Insurance Institute of Nigeria. Aside from being professionally affiliated to the Nigerian Institute of Management, Chartered (NIMC), he is also a certified Business Continuity Systems Lead Auditor from the British Institute, UK and an alumnus of the Howard University Business School, U.S.A. He currently seats on the Governing Council of the Chartered Insurance Institute of Nigeria (CIIN).

## Babatunde Fajemirokun
## Executive Director, Operations

### Skills and Experience
Mr. Fajemirokun has almost two decades' experience, with ten years in Senior Positions in management consulting, insurance & asset management. He serves as the Chief Operating Officer and is responsible for key shared service functions and strategic growth in subsidiary companies.

He joined AIICO in May 2009 and has served in several roles and overseen principal and operational functions during this time. He has overseen significant turnaround of the insurance business during this time; improving the company's financial position (fixed the base), diversifying the product mix to a true customer composite, driving the company's digital strategy, implementing the company's capital management strategy (including corporate finance) and corporate strategy.

Prior to AIICO, he worked in Accenture and then Capgemini Consulting (UK). In both companies, he provided consulting/advisory services to financial services and government clients predominantly in mergers and acquisitions (post-merger integration) and then the UK government transformation programmes.

### Educational Background
He earned an MBA with a concentration in Finance from University of Chicago Booth School of Business, a Business Information Technology Systems Master's degree with distinction from University of Strathclyde and a Bachelor's degree in Business Economics from Glasgow, UK. He is a Chartered Insurer (ACII, UK) and a Senior Member of the Chartered Insurance Institute of Nigeria.

# Management Team

## Adewale Kadri
## Executive Director, Technical

### Skills and Experience

Adewale Kadri began his Insurance career with Worldwide Insurance Company Limited in 1994 as a Life Marketer and later moved to ELMAC Assurance Nigeria Limited in 1997. He also worked as an Insurance Officer of Modandola Group of Companies where he was exposed to the rudiment of Insurance broking and technical operations.

He later joined the Marketing team of Newline Insurance Company Limited and Sun Insurance Plc. where he worked in various managerial capacities before joining the pioneer team of UBA Insurance in 2004 as Group Head, Brokers' Management Division.

He had a brief stay at NICON Insurance Plc as Senior Manager/Head, Strategic Business Unit before joining Oceanic Insurance Company Limited as Group Head, Brokers Management Unit in 2007.
Wale was the Acting Managing Director of Oceanic Insurance Company Limited/Old Mutual Nigeria General Insurance between July 2012 and April 2014. He left the services Old Mutual Nigeria as Business Development Executive in April 2017 and joined AIICO Insurance Plc as General Manager, Head of Non-Life Business.

### Educational Background

He is a Fellow of Chartered Insurance Institute of Nigeria (CIIN) and a Chartered Certified Accountant. He holds a B.sc in Applied Accounting from Oxford Brookes University, United Kingdom and Master's Degree in Business Administration with specialization in Marketing from Lagos State University, Ojo. He received a Certificate of competence in Management Advancement Programme from University of the Witwatersrand, Johannesburg, South Africa.

## Ayodele Bamidele
## Chief Financial Officer

### Skills and Experience

Prior to joining AIICO Insurance Plc. Mr. Ayodele Bamidele was the General Manager/CEO of STI Leasing Limited, an Associate Company of Sovereign Trust Insurance Plc., which provides cutting-edge financial services aimed at supporting the business landscape in the country for both individuals and corporate entities. Prior to Ayodele's appointment as GM/CEO, he was the GM, Finance & Investment for Equity Assurance Plc from 2010-2012. He was at a time the Chief Operating Officer for EA Capital Management Limited, a subsidiary of Equity Assurance Plc.

He once worked with the now defunct Celtel Nigeria as Manager in the BSS Programme Management Division and Corporate Finance between 2004 and 2007. He had at various times worked with Kasmal International Limited, Leadbank Plc and NAL Bank Plc in different capacities. Ayodele has attended both local and international courses bordering on Leadership, Finance, Accounting and Risk Management.

### Educational Background

He holds a Master's Degree in Finance from the University of Leicester in the United Kingdom where he came out with a distinction. He is also a Fellow of the Institute of Chartered Accountants of Nigeria, ICAN; Associate Member, Chartered Institute of Stockbrokers, Chartered Institute of Bankers respectively and is a Registered Manager of the Securities and Exchange Commission. He is an alumnus of Harvard Business School.

# Management Team

**Sola Ajayi**
**Head, Retail Business**

### Skills and Experience

Mr. Sola Ajayi is the Head of Retail Business at AIICO Insurance Plc.

Sola is an experienced Management Consultant who prior to joining AIICO Plc had worked with Deloitte Consulting within the Enterprise Applications group as a Senior Consultant in the UK. He played a key role as part of the elite Middle East business development team responsible for expanding Deloitte's business beyond the UK during the recession. Prior to joining Deloitte, Sola had worked for several years with Accenture, Nigeria. He joined AIICO Insurance Plc from Deloitte Bahrain, in 2009.

### Educational Background

He holds an MBA from one of the most prestigious Business Schools in the world, INSEAD. He obtained his first degree in Chemical Engineering from the University of Lagos. Sola is an alumnus of the Harvard Business School, U.S.A, he is a certified Project Manager as well as a certified Business Continuity Management Systems Auditor from the British Standard Institute, UK.

**Phil Maduagwu**
**Head, Corporate Services**

### Skills and Experience

Phil Maduagwu is a seasoned Human Resources practitioner with over 18 years' experience. Her exposure spans several aspects of the practice across multiple business sectors covering Manufacturing, Advertising, Telecoms, Technology, Healthcare, Oil and Gas, Education and the Financial Services Sector; she is currently the General Manager, Corporate Services for AIICO Insurance Plc.

### Educational Background

She holds a Master's Degree in International Human Resources Management from the prestigious Cranfield University, UK; a Master's Degree in International Relations from the University of Benin and a Bachelor's Degree in Linguistics from the same University. She is an alumnus of Howard University School of Management, USA, and a certified Business Continuity Management System Auditor, a certification earned from the British Standard Institute, UK.

Phil is professionally affiliated to the Chartered Institute of Personnel Development (CIPD), Nigerian Chartered Institute of Management (NIM), Society for Human Resources Managers (SHRM), Chartered Institute of Personnel Management (CIPM), Human Resources Providers Association Nigeria(HUCAPAN), Work/Life Balance Association (WLBA), Nigerian Employee Consultative Association (NECA) and the Balanced Scorecard Association USA (BSA).

In her spare time, Phil serves as an advisor to several small and medium sized businesses on Human Resources and Organisational Development matters; she is a keen advocate for Corporate Social Responsibility and good Governance practices. She is a resource to her colleagues and a coach and mentor to upcoming Human resources practitioners.

# Management Team

## Abiodun Adebanjo
## Chief Internal Auditor

### Skills and Experience

Abiodun Adebanjo is a seasoned Audit Executive with an impressive track record of more than two decades of hands-on experience in financial services industry. Prior to joining AIICO Insurance Plc. in 2010 as the Chief Audit Executive, Abiodun served in various operational and managerial capacities in reputable and top rated Banks in Nigeria which include Ecobank Nig. Plc, Diamond Bank, UBA Plc and First Bank.

His experience in the financial sector spans over 20 years, covering Banking Operations, Cash Management Services, Operational Risk Management, Internal Audit and Control, Abiodun has shown strong professional bias for Audit and Risk Management. He is highly numerate and possesses strong passion for excellence and organizational transformation.

He is an excellent team player and a highly motivated professional imbued with a strong spirit for achievement.

### Educational Background

Abiodun graduated from the University of Lagos with a first class degree in Mathematics and Statistics as the overall best student. He earned an MBA Degree in Business Management (MBA) at the prestigious University of Liverpool, UK.

He is a professional member and Fellow of the Institute of Chartered Accountants of Nigeria (ICAN); a member of Chartered Institute of Taxation (CITN); a member of the Institute of Internal Auditors and a member of Nigeria Institute of Management Chartered (NIMC).

## Joseph Oduniyi
## Head, Non-Technical Life

### Skills and Experience

Mr. Joseph Oduniyi is the Head of Non-Life Technical at AIICO Insurance Plc. Prior to joining AIICO, he had garnered significant experience serving with the Ministry of Works and Housing, Oyo State, The Nigerian Life & Pensions Consultants, Glanvill Enthoven & Co Nig. Ltd, Union Commercial Insurance Brokers and Risktech Insurance Brokers Limited respectively.

He is an astute insurance professional with a wealth of experience cutting across all aspects of the non-life business and has attended many courses and seminars both locally and internationally.

### Educational Background

He holds a Bachelor's Degree in Insurance from the University of Lagos and is professionally affiliated to the Chartered Insurance Institute of Nigeria and London.

# Management Team

**Benson Ogunyamoju**
**Head, Group Life Business**

### Skills and Experience

Benson Ogunyamoju is the Head of Group Life Business at AIICO Insurance Plc. He is a seasoned Insurance practitioner with an in-depth wealth of experience in Life Insurance Operations spanning over two decades and has virtually worked in all sections of the division. Presently, he supervises the Life Technical Division which provides technical and actuarial expertise to support business objectives. Benson has attended various learning interventions within and outside Nigeria.

### Educational Background

He is a graduate of Insurance from the University of Lagos, Nigeria. He is a Fellow of the Chartered Insurance Institute of Nigeria, as well as a Fellow of the Life Management Institute (U.S.A.).

**Donald Kanu**
**Company Secretary**

### Skills and Experience

Donald Kanu is the Company Secretary/Legal Adviser at AIICO Insurance Plc. He commenced his career with Savannah Bank and then moved on to join A.U. Kalu (SAN) and Associates.
He was recruited back to the financial services sector where he worked with UTB Trustees and Fidelity Bank respectively. He later left Fidelity Bank to join Globacom, a telecommunications company. After his period in the telecommunication industry, Donald moved back to the financial sector when he joined the Cornerstone group as the Company Secretary/Legal Adviser and Chief Compliance Officer. He was recruited to join AIICO from the Cornerstone Group in 2014.

### Educational Background

Donald graduated from University of Calabar and later went on to pursue a Master's Degree in Business Administration from the same University. He later proceeded to obtain an LL.M from the University of Lagos.
Donald has attended several capacity building courses both within and outside the country.

He is a member of the Nigerian Bar Association, the Institute of Chartered Secretaries and Administrators and a member of the Institute of Directors.

# Management Team

**Olusanjo Shodimu**
**Chief Information Officer**

## Skills and Experience

Mr. Olusanjo Shodimu heads AIICO's Information Technology Department. He is a business-driven IT professional with over 15 years business transformation and technology management experience.

Prior to joining AIICO Insurance, he worked with Accenture - a global management consulting, technology and outsourcing company for 10 years – where he led the delivery of various business & technology transformation initiatives for major banking & insurance clients in Nigeria & across the West African region.

## Educational Background

He is a First Class (Hon.) graduate of Physics from the University of Ibadan, a certified Project Management Professional, PMP® and ITIL (Service Management) Expert from the British Computer Society (BCS - The Chartered Institute for IT).

# General Information & Statement of Significant Accounting Policies

## 1. Reporting entity

AIICO Insurance Plc was established in 1963 by American Life Insurance Company and was incorporated in 1970. It was converted to a Public Liability Company in 1989 and quoted on the Nigerian Stock Exchange (NSE) in December 1990. The Company was registered by the Federal Government of Nigeria to provide insurance services in Life Insurance Business, Non-Life Insurance Business, Deposit Administration and Financial Services to organizations and private individuals. Arising from the merger in the insurance industry, AIICO Insurance Plc acquired Nigerian French Insurance Plc and Lamda Insurance Company Limited in February 2007. The Company currently has its corporate head office at Victoria Island, Lagos with branches spread across major cities and commercial centres in Nigeria."

These consolidated financial statements comprise the Company and its subsidiary (together referred to as "the Group"). The Group is primarily involved 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.

## 2. Basis of accounting

### 2.1 Statement of compliance

These consolidated and seperate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements comply with the Companies and Allied Matters Act of Nigeria, Financial Reporting Council of Nigeria Act, the Insurance Act of Nigeria and relevant National Insurance Commission (NAICOM) guidelines and circulars. This is the first set of the Group's financial statements where IFRS 9 and IFRS 15 have been applied. Changes to significant accounting policies are described in Note 2.6. These financial statements were authorised for issue by the Company's board of directors on 11 March 2019."

### 2.2 Going concern

These financial statements have been prepared using appropriate accounting policies, supported by reasonable judgments and estimates. The Directors have a reasonable expectation, based on an appropriate assessment of a comprehensive range of factors, that the Group has adequate resources to continue as going concern for the foreseeable future.

### 2.3 Functional and presentation currency

These consolidated and separate financial statements are presented in Nigerian Naira, which is the Group's and Company's functional and presentation currency. Except as indicated, financial information presented in Naira has been rounded to the nearest thousand.

### 2.4 Basis of measurement

These consolidated and separate financial statements have been prepared under the historical cost convention, except for the following items; which are measured on an alternative basis on each reporting date.

| Items | Measurement Bases |
|---|---|
| Derivative financial liabilities | Fair value |
| Non-derivative Financial asset at fair value through other comprehensive income | Fair value |
| Non-derivative Financial asset at fair value through profit or loss | Fair value |
| Investment property | Fair value |
| Insurance contract liabilities | Fair value |

### 2.5 Use of estimates and judgement

In preparing these consolidated and separate financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are described in Note 4.

### 2.6 Changes in accounting policies

The Group has initially applied IFRS 9 and IFRS 15 with a transition date of 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

Except as noted below, the Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these consolidated and separate financial statements.

# General Information & Statement of Significant Accounting Policies

The Group has adopted the following new standards and amendments including any consequential amendments to other standards with initial date of application of January 1, 2018.

**(i) Classification, Measurement & Impairment of financial assets under Financial Instruments (IFRS 9).**

The Group has adopted IFRS 9, "Financial Instruments" as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Adjustments to the carrying amounts of financial assets and financial liabilities at the date of the transition were recognised in the opening retained earnings and opening other reserves.

The adoption of IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 (Financial Instrument Disclosures). Consequently for notes disclosure, the consequential amendments to IFRS 7 disclosures have also only been applied in the current year as shown in note 6.

**(ii) IFRS 15: Revenue from contracts with customers**

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether how much and when revenue is recognised. The adoption of this standard does not have a significant impact on the Group.

Changes in accounting policies resulting from the adoption of IFRS 15 have been applied from the effective date of the standard.

### 2.7 Segment reporting

For management purposes, the Group is organized into business units based on their products and services.

Segment performance is evaluated based on profit or loss. The Company's financing and income taxes are managed on a group basis and are not allocated to individual operating segments.

Inter-segment transactions which occurred in 2018 as shown in Note 5.1 segment statement of profit or loss and other comprehensive income and 5.2 Segment statement of financial position and results will include those transfers between business segments.

## 3. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated and separate financial statements.

### 3.1 Basis of Consolidation

**(a) Business combination and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company has an option to measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required as part of the accounting for the business combination. However, this does not preclude the Company from reclassifying insurance contracts to accord with its own policy only if classification needs to be made on the basis of the contractual terms and other factors at the inception or modification date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value as at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or a liability, will be recognized as measurement period adjustments in accordance with the applicable IFRS. If the contingent consideration is classified as equity, it will not be remeasured and its subsequent settlement will be accounted for within equity.

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred over the Company's share in the net identifiable assets acquired and liabilities assumed and net of the fair value of any previously held equity interest in the acquiree. After initial recognition, goodwill is measured at cost less any

# General Information & Statement of Significant Accounting Policies

accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to an appropriate cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**(b) Subsidiaries**

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statement from the date on which control commences until the date on which control ceases. The financial statements of subsidiaries are consolidated from the date the Group acquires control, up to the date that such effective control ceases.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. In the separate financial statements, investments in subsidiaries are measured at cost.

**Acquisition-related costs are expensed as incurred**

If the business combination is achieved in stages, fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

**Disposal of Subsidiaries**

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any related non-controlling interests and the other components of equity related to the subsidiary. Any gain or loss arising from the loss of control is recognised in profit or loss. If the Group retains any interest in such subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as a financial asset elected to be measured at fair value through other comprehensive income depending on the level of influence retained.

**(c) Non-Controlling Interest**

Non-conrolling Interest (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

**3.2 Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the spot exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- financial asset at fair value through other comprehensive income (OCI) (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective and

- qualifying cash flow hedges to the extent that the hedges are effective.

# General Information & Statement of Significant Accounting Policies

### 3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short term commitments.

For the purpose of the statement of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts."

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

### 3.4 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 Group applied the classification and measurement requirements for financial instruments under IFRS 9 'Financial Instruments' for the year ended 31 December 2018. The 2017 comparative period was not restated, and the requirements under IAS 39 'Financial Instruments: Recognition and Measurement' were applied. The key changes are in the classification and impairment requirements.

### 3.4.1 Recognition and initial measurement

All financial instruments are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for a financial asset or liability measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

### 3.4.2 Classification of financial instruments

### (a) Policy applicable from 1 January 2018

The Group classified its financial assets under IFRS 9, into the following measurement categories:

- Those to be measured at fair value through other comprehensive income (FVOCI) (either with or without recycling)
- Those to be measured at fair value through profit or loss (FVTPL) and
- Those to be measured at amortized cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets cash flow (i.e. solely payments of principal and interest- (SPPI test)).

The Group classifies its financial liabilities as liabilities at fair value through profit or loss and liabilities at amortized cost. Management determine the classification of the financial instruments at initial recognition.

**(i) Business model assessment**

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed

- how managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Financial assets that are held for trading or managed

# General Information & Statement of Significant Accounting Policies

and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

### (ii) Assessment whether contractual cash flows are solely payments of principal and interest

As a second step of its classification process the Company assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset features); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A financial liability is classified at fair value through profit or loss if it is classified as held-for-trading or designated as such on initial recognition. Directly attributable transaction costs on these instruments are recognised in profit or loss as incurred.

Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

### (iii) Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets that are debt instruments. A change in the objective of the Group's business occurs only when the Group either begins or ceases to perform an activity that is significant to its operations (e.g., via acquisition or disposal of a business line).

The following are not considered to be changes in the business model:

- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)
- A temporary disappearance of a particular market for financial assets
- A transfer of financial assets between parts of the entity with different business models

When reclassification occurs, the Group reclassifies all affected financial assets in accordance with the new business model.
Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model.

# General Information & Statement of Significant Accounting Policies

Gains, losses or interest previously recognized are not restated when reclassification occurs.

**(b) Policy applicable prior to 1 January 2018**
The Group classified its financial assets under IAS 39 as available for sale assets and loans and receivables. The Group classifies its financial liabilities into fair value through profit or loss and amortized cost.

**3.4.3 Subsequent measurements**
**(a) Policy applicable from 1 January 2018**
The subsequent measurement of financial assets depends on its initial classification:

**(i) Debt instruments**
*** Amortized Cost**
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

The gain or loss on a debt securities that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is determined using the effective interest method and reported in profit or loss as 'Investment income'.

The amortized cost of a financial instrument is the amount at which it was measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any loss allowance. The effective interest method is a method of calculating the amortised cost of a financial instrument (or group of instruments) and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the instrument's net carrying amount.

*** Fair value through other comprehensive income (FVOCI)**
Investment in debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The debt instrument is subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income (OCI) and accumulated in a separate component of equity. Impairment gains or losses, interest revenue and foreign exchange gains and losses are recognized in profit or loss. Upon disposal or derecognition, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized as realized gain or loss. Interest income from these financial assets is determined using the effective interest method and recognized in profit or loss as investment income.

*** Fair value through profit or loss (FVTPL)**
Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. The gain or loss arising from changes in fair value of a debt securities that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is included directly in the profit or loss and reported as 'Net fair value gain/loss' in the period in which it arises. Interest income from these financial assets is recognized in profit or loss as investment income.

**(ii) Equity instruments**
The Group subsequently measures all equity investments at fair value. For equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss.

Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established unless the dividend clearly represents a recovery of part of the cost of the investment. Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'Net fair value gain/loss in the profit or loss.

# General Information & Statement of Significant Accounting Policies

**(b) Policy applicable prior to 1 January 2018**

* **Financial assets at fair value through profit or loss**

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial asset at fair value through profit or loss are measured at fair value and changes therein, including any interest income or dividend income, are recognised in profit or loss.

* **Loans and receivables**

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

* **Available-for-sale financial assets**

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

**3.4.4 Impairment of financial assets**

**(i) Policy applicable from 1 January 2018**

**(a) Overview of the Expected Credit Losses (ECL) principles**

The Group recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instrument measured at amortized cost and FVOCI

  In this section, the instruments mentioned above are all referred to as 'financial instruments' or 'assets'. Equity instruments are not subject to impairment under IFRS 9.

  The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LT ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12m ECL) as outlined.The 12month ECL is the portion of LT ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Both LT ECLs and 12m ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Loss allowances for account receivable are always measured at an amount equal to lifetime ECL. The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group groups its financial instruments into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When financial assets are first recognised, the Company recognises an allowance based on 12m ECLs. Stage 1 asset also include facilities where the credit risk has improved and the asset has been reclassified from Stage 2.

- Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for the LT ECLs. Stage 2 asset also include facilities, where the credit risk has improved and the asset has been reclassified from Stage 3.

- Stage 3: Financial assets considered credit-impaired. The Company records an allowance for the LT ECLs.

- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, depending on the stage of the lifetime – stage 2 or stage 3 of the ECL bucket, the Group would continue to monitor such financial assets for a probationary period of 90 days to confirm if the risk of default has

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decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12-months ECL (Stage 1). In addition to the 90 days probationary period above, the Group also observes a further probationary period of 90 days to upgrade from Stage 3 to 2. This means a probationary period of 180 days will be observed before upgrading financial assets from Lifetime ECL (Stage 3) to 12-months ECL (Stage 1).

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The Group considers a financial asset to be in default when the following occurs;

- The counterparty is unlikely to pay its credit obligations e.g market information
- Failure by the counterparty to meet obligation 90days past due. In assessing whether a borrower is in default, the Group considers indicators that are:
- qualitative: e.g indicators of financial asset or breach of covenant.
- quantitative e.g overdue status and non payment of another obligation of the same issuer to the Group.

The Group has defined its maximum period in estimating expected credit losses to be the maximum period to which the Group is exposed to the credit risk.

The Group has assumed that credit risk of a financial asset has not increased significantly since initial recognition if the financial asset have low credit risk at reporting date. The Group considers a financial asset to have low risk when its credit rating is equivalent to the globally understood definition of investment grade.

As a back stop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering grace period that might be available to the borrower.

**(b) The calculation of ECLs**

The Group calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the effective interest rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers three scenarios (a base case, an upside and downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted assets are expected to be recovered, including the probability that the assets will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12m ECL is calculated as the portion of LT ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.• Stage 2: When an asset has shown a significant increase in credit

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risk since origination, the Group records an allowance for the LT ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR."

- Stage 3: For assets considered credit-impaired, the Group recognises the lifetime expected credit losses for these assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

- POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Group only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR."

**(c) Debt instruments measured at fair value through OCI**

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is reclassified to the profit and loss upon derecognition of the assets.

**(d) Purchased or originated credit impaired financial assets (POCI)**

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties."

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

For POCI financial assets, the Company only recognises the cumulative changes in LT ECL since initial recognition in the loss allowance.

**(e) Collateral valuation**

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms: staff gratuity or guarantors for staff loans, in-house pension fee for agency loan, policy document/cash value for policy loans, etc. The Company's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Company's statement of financial position.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on periodic basis as deemed necessary.

**(f) Presentation of allowance for ECL in the statement of financial position**

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

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and recognised in the fair value reserve in equity (through OCI).

**(g) Forward looking information**

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Inflation rates
- Crude oil price The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the

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financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 43 (d) in the financial statements.

**(ii) Policy applicable prior to 1 January 2018**

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a company of financial assets.

For an investment in equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

**(a) Financial assets measured at amortised cost**

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant asset are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the

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

Where an available-for-sale assets measured at fair value is impaired, the impairment loss is recognized in profit or loss. If any loss has been recognised in other comprehensive income previously, this will be reclassified to profit or loss as part of impairment loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

**3.4.5 Fair value measurement - policy applicable for current and comparative periods**

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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. A market is regarded as active if transactions for the assets or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases, the

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fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

Fair value of fixed income liabilities is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

### 3.4.6 Derecognition of financial assets - policy applicable for current and comparative periods

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such derecognised asset financial asset that is created or retained by the Group is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

### 3.4.7 Derecognition of financial liabilities - policy applicable for current and comparative periods

The Group derecognises financial liabilities when, and only when its contractual obligations are discharged or cancelled, or expired.
When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss."

### 3.4.8 Write off - policy applicable for current and comparative periods

The Group writes off a financial asset (and any related allowances for impairment losses) when the Group determines that the assets are uncollectible. Financial assets are written off either partially or in their entirety. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment loss on financial assets.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amount due.

### 3.5 Trade receivables

Trade receivables arising from insurance contracts represent premium receivable with determinable payments that are not quoted in an active market and the Group has no intention to sell. Premium receivables are those for which credit notes issued by brokers are within 30days, in conformity with the "NO PREMIUM NO COVER" policy. Refer to note 3.4 for basis of measurement.

### 3.6 Reinsurance assets

The Group cedes insurance risk in the normal course of business on the bases of our treaty and facultative agreements. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract

### 3.7 Trade payables

Trade payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method. Trade payables are recognised as financial liabilities.

### 3.8 Other payables and accruals

Other payables and accruals 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. Discounting is omitted for payables that are less than one year as the effect is not material. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the

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original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss. Gains and losses are recognised in the profit or loss when the liabilities are derecognized. Other payables are recognised as other financial liabilities.

**3.9 Deferred expenses**

**(a) Deferred acquisition costs (DAC)**

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts and are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

Acquisition cost for life insurance are expensed as incurred. Subsequent to initial recognition, Acquisition cost for general insurance are amortized over the period in which the related revenues are earned. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in an accounting estimate. DAC are derecognized when the related contracts are either settled or disposed of.

**(b) Deferred expenses-Reinsurance commissions**

Commissions receivable on outwards reinsurance contracts are deferred and amortized on a straight line basis over the term of the expected premiums payable.

**3.10 Other receivables and prepayment**

Other receivables are carried at amortised cost using the effective interest rate less accumulated impairment losses. Prepayments are carried at cost less accumulated amortization and are amortized on a straight line basis to the profit or loss account.

**3.11 Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that this relates to a business combination, or items recognized directly in equity or other comprehensive income.

**(a) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to the income taxes, if any. It is measured using tax rate enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends received by the Group.

**(b) NITDA Levy**

The National Information Technology Development Agency Act (2007) empowers and mandates the Federal Inland Revenue Service (FIRS) to collect and remit 1% of profit before tax of Companies with turnovers of a minimum of N100million under the third schedule of the Act.

**(c) Deferred income taxation**

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 not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that its probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profit improves.

Unrecognised deferred tax asset are reassessed at each reporting date and recognised to the extent that it has become 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 substantially enacted at the reporting date.

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The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value presumed to be recovered through sale, and the Group has not been rebutted this presumption.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to 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.

**3.12 Investment property**

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

**3.13 Intangible assets and goodwill**

**(a) Goodwill**

Goodwill is measured at cost less accumulated impairment losses

**(b) Intangible asset**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be finite.

Intangible assets with finite lives are amortized over the useful economic lives, using a straight line method, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the profit or loss in the expense category consistent with the function of the intangible asset.

Computer software, not integral to the related hardware acquired by the Group, is stated at cost less accumulated amortisation and accumulated impairment losses.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. The estimated useful life is 5 years.

Intangible assets are derecognized on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

**(c) Present value of acquired in-force business (PVIF)**

When a portfolio of insurance contracts is acquired, whether directly from another insurance company or as part of a business combination, the difference between the fair value of insurance rights acquired and insurance obligation assumed are measured using the Group's existing accounting policies and it is recognized as the value of the acquired in-force business.

Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortization and accumulated impairment losses. The intangible asset is amortized over the useful life of the acquired in-force policy during which future premiums are expected, which typically varies between five and fifty years. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and they are treated as a change in an accounting estimate. An impairment review is performed whenever there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the profit and loss. PVIF is also considered in the liability adequacy test for each reporting period.

PVIF is derecognized when the related contracts are settled or disposed of.

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## 3.14 Property and equipment

### (a) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Buildings are measured at fair value less accumulated depreciation while land is not depreciated. Valuations are performed frequently to ensure that the fair value of the revalued asset does not differ materially from its carrying amount. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount and the net value is restated to the revalued amount of the asset. Capital work-in-progress is stated at cost and not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use and have been reclassified to the related asset category

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.
Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss"

### (b) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

### (c) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual value using the straight-line method over the estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of significant items of property and equipment for current and comparative periods are as follows:

| | |
|---|---|
| Land | Indefinite |
| Buildings | 50 years |
| Furniture and Equipment | 5 years |
| Motor vehicles | 4 years |
| Leased Motor vehicles | 4 years |
| Capital work in progress | Not depreciated |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's value less costs to sell or the value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amount. Gains and losses are included in the profit or loss account for the year.

### (d) De-recognition

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

### (e) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss.

## 3.15 Statutory deposit

Statutory deposit represent 10% of required minimum paid up capital of AIICO Insurance PLC. The amount is held by CBN (Central Bank of Nigeria) pursuant to Section 10(3) of the Insurance Act 2003. Statutory deposit is measured at cost.

## 3.16 Insurance contract liabilities

### (a) Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the

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gross premium valuation method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is calculated adopting current financial and decrement assumptions. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for claims outstanding.

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate by carrying out a liability adequacy test. The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. Discounted cash flows model is used in the valuation.

The interest rate applied is based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in the profit or loss by establishing an additional insurance liability for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation.

**(b) Guaranteed annuity**

Guaranteed annuity is recognised as an insurance contract.

Annuity premium are recognised as income when received from policy holders, payments to policy holders are recognised as an expense when due.

The amount of insurance risk under contracts with guaranteed annuity is also dependent on the number of contract holders that will exercise their option ('option take-up rate'). This will depend significantly on the investment conditions that apply when the options can be exercised. The lower the current market interest rates in relation to the rates implicit in the guaranteed annuity rates, the more likely it is that contract holders will exercise their options. Continuing improvements in longevity reflected in current annuity rates will increase the likelihood of contract holders exercising their options as well as increasing the level of insurance risk borne by the Company under the annuities issued. The Group does not have sufficient historical data on which to base its estimate of the number of contract holders who exercise their option.

**(c) Non-life insurance contract liabilities**

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims expenses. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognized when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognized in the profit or loss by setting up a provision for premium deficiency.

**(d) Investment contract liabilities**

Investment contract liabilities are recognized when contracts are entered into and premiums are received. These liabilities are initially recognized at fair value, this being the transaction price excluding

# General Information & Statement of Significant Accounting Policies

any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment, contract liabilities are measured at amortized cost.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position and are not recognised as gross premium in the consolidated profit or loss account.

The liability is derecognized when the contract expires, is discharged or is cancelled.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position as described above.

### 3.17 Portfolio under Management

**(i) Fiduciary activities**

The Group acts in other fiduciary capacities that results in holding or placing of assets on behalf of individuals and other institutions. These assets arising thereon are excluded from these financial statement as they are not assets of the Group.

However, fee income earned and fee expenses incurred by the Group relating to the Group's responsibilities from fiduciary activities are recognised in profit or loss.

**(ii) Fixed income liability**

These are funds managed by the Group on behalf of its clients. The interest rate on these liabilities are agreed with the client at the inception of the investment. The Group invests these funds in finanacial instruments in order to generate at the minimum, the agreed rate of returns. The interest spread on these investments is the return to the Group. These liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these laibilities are measured at amortised cost using the effective interest method.

### 3.18 Leases

**(a) Determining whether an arrangement contains a lease**

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

**(b) Leased assets**

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

**(c) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### 3.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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**3.20 Share capital**

**(a) Ordinary shares**

The Group's issued ordinary shares are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognized in equity.

**(b) Dividends on ordinary share capital**

Dividends on ordinary shares when approved by the Group's shareholders are paid from retained earnings.

**(c) Share Premium**

The Group classifies share premium as equity when there is no obligation to transfer cash or other assets.

**3.22 Revaluation Reserve**

Subsequent to initial recognition, an item of property and equipment and intangibles is carried using the cost model. However, if such an item is revalued, the whole class of asset to which that asset belongs has to be revalued. The revaluation gains is recognised in equity, unless it reverses a decrease in the fair value of the same asset which was previously recognised as an expense, in which it is recognised in profit or loss. A subsequent decrease in the fair value is charged against this reserve to the extent that there is a credit balance relating to the same asset, with the balance being recognised in profit or loss.

**3.23 Fair value Reserve**

This reserve comprises the cumulative net change in the fair value of the group's financial instument at FVOCI (formerly available-for-sale investments). Net fair value movements are recycled to profit or loss if the underlying financial instrument is either derecognized or impaired.

**3.24 Exchange gains Reserve**

Exchange gain reserves comprises the cumulative net change when available-for-sale investment in foreign currency are translated into the functional currency. When such investment is disposed of, the cumulative amount of the exchange differences recognised in other comprehensive income shall be reclassified to the profit or loss account.

**3.25 Technical reserves**

These are computed in compliance with the provisions of Section 20, 21, and 22 of the Insurance Act 2003 as follows:

**(a) General Insurance Contracts**

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

**(b) Reserves for Outstanding Claims**

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

**(c) Reserves for Unexpired Risk**

A provision for additional unexpired risk reserve (AURR) is recognized for an underwriting year where it is envisaged that the estimated cost of claims and expenses would exceed the unearned premium reserve (UPR).

**(d) Life Business**

**General Reserve Fund**

This is made up of net liabilities on policies in force as computed by the actuaries at the time of the actuarial valuation.

**(e) Liability Adequacy Test**

At each end of the reporting period, liability adequacy tests are performed by an Actuary to ensure the adequacy of the contract liabilities net of related deferred acquisition cost (DAC) assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately recognised in profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests "the unexpired risk provision".

The provisions of the Insurance Act 2003 requires an actuarial valuation for life reserves only. However, IFRS 4 requires a liability adequacy test for both life and non-life insurance reserves. Hence, the Group carries out actuarial valuation on both life and non-life insurance businesses."

**3.26 Statutory Reserve**

In accordance with the provisions of Section 69 of the Pension Reform Act 2004, the statutory reserve is credited with an amount equivalent to 12.5% of net profit after tax or such other percentage of the net profit as the National Pension Commission may from time to time stipulate.

# General Information & Statement of Significant Accounting Policies

### 3.27 Contingency Reserves

**(a) Non-life business**

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

**(b) Life business**

In compliance with Section 22 (1) (b) of Insurance Act 2003, the contingency reserve is credited with the higher of 1% of gross premiums or 10% of net profit and accumulated until it reaches the amount of the minimum paid up capital – NAICOM ACT 22 (1)(b).

### 3.28 Retained Earnings

This account accumulates profits or losses from operations.

### 3.29 Revenue recognition

**(a) Gross premium income**

Gross recurring premiums on life are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective. Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

**(b) Reinsurance premium**

Gross reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date the policy becomes effective.

Premiums includes any adjustments arising in the accounting period in respect of reinsurance contracts that commenced in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

**(c) Fees and commission income**

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. The administration fee is calculated as a flat charge payable monthly from contributions received while the fund management fee is an asset based fee charged as a percentage of the opening net assets value of the pension fund investment. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over those future periods.

**(d) Change in life fund**

Actuarial valuation of the ordinary life and annuity fund is conducted at reporting date to determine the net liabiities on the existing policies and the adequacy of the assets representing the insurance fund. The changes in the fund is charged to the income statement.

**(e) Investment income**

Interest income is recognized in the profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognized as an adjustment to the effective interest rate of the instrument. Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

**(f) Realized gains and losses**

Realized gains and losses recorded in the profit or loss on investments include gains and losses on financial assets and investment property. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

**(g) Investment property rental income**

Rental income from investment property is recognised as revenue on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental

# General Information & Statement of Significant Accounting Policies

income, over the term of the lease. Rental Income from other property is recognised as other income. The fair value gain or loss on investment property is recognised in the profit or loss account

## 3.30 Benefits, claims and expenses recognition

**(a) Gross benefits and claims**

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims. Changes in the gross valuation of insurance are also included.

Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. General insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

**(b) Reinsurance claims**

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

**(c) Reinsurance expenses**

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

## 3.31 Underwriting expenses

Underwriting expenses comprise acquisition costs and other underwriting expenses. Acquisition costs comprise all direct and indirect costs arising from the writing of insurance contracts. Examples of these costs include, but are not limited to, commission expense, supervisory levy, superintending fees and other technical expenses. Other underwriting expenses are those incurred in servicing existing policies/ contract. These expenses are recognised in the accounting year in which they are incurred.

## 3.32 Other operating income

Other operating income comprises of income from realised profits on sale of securities, fair value gain or loss on investment property, realised foreign exchange gains and other sundry income.

## 3.33 Employee benefits

**(a) Short term employee benefit**

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group 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.

**(b) Defined contribution plans**

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company operates a contributory pension scheme in line with the provisions of the Pension Reform Act 2014. The Pension Reform Act 2014 requires a minimum contributions of 8% from the staff and 10% by the Company based on the basic salaries and other designated allowances. The Pension Reform Act 2014 also allows the Company to bear the full contribution on behalf of the employees as far as the minimum contributions of 18% is met. The Company contributes 18% of the employees' emolument as pension contributions which is charged to the profit or loss account.

## 3.34 Other operating expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows, depletion of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Other operating expenses are accounted for on accrual basis and recognized in the profit or loss upon utilization of the service or at the date of their origin.

## 3.35 Finance cost

Interest paid is recognized in the profit or loss as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

## 3.36 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares held by the Group. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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**3.37 Standards issued but not yet effective**

A number of new standards, amendment to standards and interpretations are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group and Company have not applied the following new or amended standards in preparing these consolidated and separate financial statements. The Group and Company do not plan to early adopt these standards. These will be adopted in the period that they become mandatory unless otherwise indicated:

| New or amended standards | Summary of the requirements | Possible impact on consolidated financial statements |
|---|---|---|
| IFRS 16 Leases | "IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal form of a Lease.<br><br>The standard set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as operating leases or finance lease as required by IAS 17 and introduces a single lessee accounting model. Applying the model, a lessee is required to recognize:a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value and b) depreciation of lease assets separately from interest on lease liabilities in the profit or loss.<br><br>For the lessor, IFRS 16 substantially carries forward the lessor accounting requirments of IAS 17. Accordingly, a lessor continues to classify its leases as operating lease or finace leases, and to account for these two types of leases differently.The standard is effective for annual periods beginning or after 1 January 2019. Early adoption is permitted." | The Group is assessing the potential impact on its consolidated and separate financial statements resulting from the amendment |
| IFRIC 23 Uncertainty over Income Tax Treatments | IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:<br>• Judgments made;<br>• Assumptions and other estimates used; and<br>• The potential impact of uncertainties that are not reflected.<br><br>IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted." | The Group is assessing the potential impact on its consolidated financial statements resulting from application of IFRIC 23 |

# General Information & Statement of Significant Accounting Policies

| | | |
|---|---|---|
| Amendments to IFRS 9 Prepayment Features with Negative Compensation | The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. | The Group is assessing the potential impact on its consolidated financial statements resulting from the amendment |
| Amendments to IAS 28 Long term in associates and joint ventures. | The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate and joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. | The Group is assessing the potential impact on its consolidated financial statements resulting from the amendment |
| Amendments to IFRS 3Definition of a business | "Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3.<br>In October 2018 the IASB issued this amendment to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:<br><br>• Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs.<br>• Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and<br>• Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and<br>• Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.<br><br>The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted." | The Group is assessing the potential impact on its consolidated financial statements resulting from the amendment |

# General Information & Statement of Significant Accounting Policies

| | | |
|---|---|---|
| Amendments to IAS 1 and IAS 8Definition of Material | The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.<br>The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.<br><br>The amendments are effective from 1 January 2020 but may be applied earlier. | The Group is assessing the potential impact on its consolidated financial statements resulting from the amendment |
| IFRS 17 Insurance Contracts | IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:<br>• Reinsurance contracts held;<br>• Direct participating contracts; and<br>• Investment contracts with discretionary participation features.<br>Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI.<br><br>The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements. | The Group is in the process of determining the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements. |

# General Information & Statement of Significant Accounting Policies

**4 Critical accounting estimates and judgements**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements 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) The ultimate liability arising from claims made under insurance contracts**

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

The ultimate cost of outstanding claims is estimated by using a standard actuarial claims projection techniques called the Basic Chain Ladder (BCL).

The main assumption underlying these technique is that the Group'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.

**(b) Impairment of financial instrument**

The Company has applied some judgment in carrying out an assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporating forward-looking information in the measurement of ECL.

**(c) Measurement of fair values**

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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities

When one is available, the Group 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 Group uses valuation techniques that maximise the use of relevant observable inputs and minimise 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.
If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on 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 for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data

**(d) Fair value of unquoted equity financial instruments**

Investments in unquoted equity financial instrument should be measured at fair value, however, where the fair value cannot be reliably estimated, it is carried at cost less impairment loss.

# General Information & Statement of Significant Accounting Policies

The Group's investment in unquoted equity financial instrument are measured at fair value.

**(e) Liabilities arising from life insurance contracts**
The liabilities for life insurance contracts are estimated using appropriate and acceptable base tables of standard mortality according to the type of contract being written. Management make various assumptions such as expenses inflation, valuation interest rate, mortality and further mortality improved in estimating the required reserves for life contracts

**(f) Depreciation and carrying value of property and equipment**
The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

**(g) Determination of impairment of property and equipment and intangible assets**
Management is required to make judgements 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 judgements 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 judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

**(h) Impairment of goodwill**
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment is recognized.

**(i) Investment property**
The Group's investment property is valued on the basis of open market value. The fair values are determined by applying the direct market evidence comparative method of valuation to derive the open market value such as price per square meter, rate of development in the area and quality of the building.

**(j) Current tax**
The current income tax charge is calculated on taxable income on the basis of the tax laws enacted or substantively enacted at the reporting date. The Company applies Section 16 of the Company Income Tax Act. It states that an Insurance business shall be taxed as;

- an insurance company, whether proprietary or mutual, other than a life insurance company; or
- a Nigerian company whose profit accrued in part outside Nigeria,

The profit on which tax may be imposed, shall be ascertained by taking the gross premium interest and other income receivable in Nigeria less reinsurance and deducting from the balance so arrived at, a reserve fund for unexpired risks at the percentage consistently adopted by the company in relation to its operation as a whole for such risks at the end of the period for which the profits are being ascertained, subject to the limitation below:
An insurance company, other than a life insurance company, shall be allowed as deductions from its premium the following reserves for tax purposes.

(a) for unexpired risks, 45 percent of the total premium in case of general insurance business other than marine insurance business and 25 percent of the total premium in the case of marine cargo insurance;

(b) for other reserves, claims and outgoings of the company an amount equal to 25 percent of the total premium. The Directors have adopted current tax practices in computing the tax liabilities. Actual results may differ from these estimates based on the interpretation by the tax authorities. The Directors acknowledge that changes in the application of the current tax practices can have a significant impact on the tax expense and tax liabilities recorded in the financial statements.

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

**(i) Determining control over investee entities**
Management applies its judgement to determine whether the Group has control over subsidiaries or significant influence over an investee company as set out in Note 3.1(b).The Group has determined that it exercises control and significant influence over certain investee companies due to its representation on the Board of such companies and

# General Information & Statement of Significant Accounting Policies

its significant participation in the Companies' operating and financial policies"

**(m) Allowances for credit losses**

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment loss for debt instruments measured at amortised cost and fair value through other comprehensive income. In estimating these cash flows, the Company makes judgments about the borrower's financial situation and value of other collateral (where applicable). These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

A collective assessment of impairment takes into account data from the debt portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.), and concentrations of risk and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

These critical assumptions have been applied consistently to all periods presented, except as follows:

The Company applied the impairment requirements under IFRS 9 from 1 January 2018 resulting in changes to the assumptions used for the calculation for allowance for impairment using the expected credit loss model. The comparative period has not been restated for IFRS 9. The key change under the IFRS 9 expected credit loss model is the use of forecast of future economic conditions including macroeconomic factors. These have been discussed in note 3 above – Changes in accounting policies

# Financial Statements

"He profits most who serves best."
*- Arthur F. Sheldon*

# Consolidated And Separate Statement Of Financial Position

For The Year Ended 31 December 2018

| *In thousands of naira* | Notes | Group 31-Dec-18 | Group 31-Dec-17 | Company 31-Dec-18 | Company 31-Dec-17 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 7 | 5,324,739 | 5,199,385 | 4,519,953 | 3,949,642 |
| Financial assets | 8 | 89,240,430 | 73,635,612 | 76,757,634 | 67,970,438 |
| Trade receivable | 9 | 417,102 | 301,172 | 131,841 | 59,106 |
| Reinsurance assets | 10 | 4,686,029 | 3,644,489 | 4,686,029 | 3,644,489 |
| Deferred acquisition cost | 11 | 465,991 | 334,935 | 465,991 | 334,935 |
| Other receivables and prepayments | 12 | 580,618 | 454,902 | 408,428 | 391,384 |
| Deferred tax asset | 13(d) | 149,379 | 157,008 | - | - |
| Investment in subsidiaries | 14 | - | - | 2,452,359 | 2,308,690 |
| Investment property | 15 | 555,000 | 582,000 | 555,000 | 582,000 |
| Goodwill and other intangible assets | 16 | 1,014,085 | 1,060,451 | 965,906 | 1,032,242 |
| Property and equipment | 17 | 7,025,197 | 6,513,175 | 6,697,107 | 6,220,962 |
| Statutory deposit | 18 | 530,000 | 530,000 | 530,000 | 530,000 |
| **Total assets** | | **109,988,570** | **92,413,127** | **98,170,248** | **87,023,887** |
| **Liabilities and equity** | | | | | |
| **Liabilities** | | | | | |
| Insurance contract liabilities | 19 | 65,540,532 | 59,959,751 | 65,341,550 | 59,766,360 |
| Investment contract liabilities | 20 | 12,319,617 | 10,909,624 | 12,319,617 | 10,909,624 |
| Trade payables | 21 | 1,013,475 | 1,721,918 | 839,400 | 1,711,219 |
| Other payables and accruals | 22(a) | 2,213,547 | 1,325,766 | 2,002,558 | 1,187,974 |
| Fixed income liabilities | 22(b) | 10,181,251 | 3,981,591 | - | - |
| Current tax payable | 13(a) | 590,976 | 826,643 | 507,241 | 426,920 |
| Deferred tax liability | 13(d) | 533,836 | 547,017 | 487,836 | 517,268 |
| Borrowings | 23 | 2,324,733 | 2,182,289 | 2,324,733 | 2,182,289 |
| **Total liabilities** | | **94,717,967** | **81,454,599** | **83,822,935** | **76,701,654** |
| Equity | | | | | |
| Issued share capital | 24(a)(ii) | 3,465,102 | 3,465,102 | 3,465,102 | 3,465,102 |
| Share premium | 24(b) | 2,824,389 | 2,824,389 | 2,824,389 | 2,824,389 |
| Revaluation reserves | 24(c) | 1,802,662 | 1,802,662 | 1,802,662 | 1,802,662 |
| Available-for-sale reserve | 24(d) | - | (13,072,413) | - | (13,092,408) |
| Fair value reserve | 24(e) | (1,143,847) | - | (952,902) | - |
| Exchange gains reserve | 24(f) | 147,443 | 145,640 | 147,443 | 145,640 |
| Statutory reserve | 24(g) | 143,882 | 116,458 | - | - |
| Contingency reserve | 24(h) | 5,807,411 | 5,182,190 | 5,807,411 | 5,182,190 |
| Retained earnings | 24(I) | 1,479,002 | 10,083,426 | 1,253,208 | 9,994,656 |
| **Shareholders' funds** | | **14,526,044** | **10,547,455** | **14,347,313** | **10,322,233** |
| Non-controlling interest | 14(e) | 744,559 | 411,073 | - | - |
| **Total equity of the group** | | 15,270,603 | 10,958,528 | 14,347,313 | 10,322,233 |
| **Total liabilities and equity** | | **109,988,570** | **92,413,127** | **98,170,247** | **87,023,887** |

These financial statements were approved by the Board on 12 March 2019 and signed on its behalf by:

**Mr. Kundan Sainani**
Director
FRC/2013/IODN/00000003622

**Mr. Edwin Igbiti**
Group MD/CEO
FRC/2013/CIIN/00000005551

**Mr. Oladeji Oluwatola**
Ag. Chief Financial Officer
FRC/2013/ICAN/0000004910

# Consolidated And Separate Statement Of Profit Or Loss And Other Comprehensive Income

For The Year Ended 31 December 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| *In thousands of naira* | Notes | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| **Gross premium written** | 25(a) | **37,665,507** | **32,097,692** | **37,002,279** | **30,407,396** |
| Gross premium income | 25(b) | 37,046,926 | 31,741,609 | 36,441,690 | 30,143,348 |
| Reinsurance expenses | 25( c ) | (5,181,225) | (3,790,831) | (5,181,225) | (3,790,831) |
| Net premium income | | **31,865,701** | **27,950,778** | **31,260,465** | **26,352,517** |
| **Commission income** | | | | | |
| Insurance contract | 26 | 1,161,366 | 746,084 | 1,161,366 | 746,084 |
| Pension and other contracts | 26 | 1,762,554 | 1,610,122 | - | - |
| **Net underwriting income** | | **34,789,621** | **30,306,984** | **32,421,831** | **27,098,601** |
| **Claims expenses:** | | | | | |
| Claims expenses (Gross) | 27(a) | 29,065,365 | 23,273,691 | 28,552,048 | 21,784,491 |
| Claims expenses recovered from reinsurers | 27(b) | (5,196,211) | (2,499,505) | (5,196,211) | (2,499,505) |
| **Claims expenses (Net)** | | **23,869,154** | **20,774,186** | **23,355,837** | **19,284,986** |
| Underwriting expenses | 28 | 4,415,428 | 3,105,239 | 4,331,084 | 3,007,484 |
| Change in life fund | 19(d) | 3,414,748 | 4,239,948 | 3,414,748 | 4,239,948 |
| Change in annuity fund | 19(e) | (1,456,737) | 4,950,559 | (1,456,737) | 4,950,559 |
| Change in other investment contracts | 20(b) | 1,333,148 | 1,259,373 | 1,333,148 | 1,259,373 |
| **Total underwriting expenses** | | **31,575,741** | **34,329,305** | **30,978,080** | **32,742,350** |
| **Underwriting profit/(loss)** | | **3,213,880** | **(4,022,320)** | **1,443,751** | **(5,643,749)** |
| Investment income | 29(a) | 9,051,954 | 8,632,454 | 8,306,149 | 8,884,693 |
| Profit from deposit administration | 29(b) | 193,394 | 212,773 | 193,394 | 212,773 |
| Net realised gains | 30 | 2,366,319 | 5,338,155 | 2,363,429 | 5,302,978 |
| Net fair value gains | 31 | (2,524,642) | 140,725 | (2,524,642) | 140,725 |
| Other operating income | 32 | 763,492 | 871,431 | 489,192 | 645,084 |
| Personnel expenses | 33 | (3,571,708) | (2,944,733) | (2,241,468) | (2,044,148) |
| Other operating expenses | 34 | (5,624,826) | (4,936,546) | (4,712,776) | (4,324,275) |
| Finance cost | 35 | (355,539) | (249,257) | (355,539) | (249,257) |
| Impairment (loss)/write back on financial assets | 36 | (16,455) | (2,193) | 5,025 | - |
| **Profit before taxation** | | **3,495,871** | **3,040,489** | **2,966,516** | **2,924,825** |
| Income taxes | 13(b)(ii) | (319,687) | (1,712,168) | (337,510) | (1,408,527) |
| Minimum tax | 13(b)(I) | (24,594) | (45,044) | (24,594) | (45,044) |
| **Profit after taxation** | | **3,151,589** | **1,283,276** | **2,604,411** | **1,471,254** |
| **Attributable to shareholders** | | 3,044,154 | 1,222,406 | 2,604,411 | 1,471,254 |
| **Attributable to non-controlling interest holders** | 14(e) (i) | 107,436 | 60,871 | - | - |
| | | **3,151,589** | **1,283,277** | **2,604,411** | **1,471,254** |
| **Other comprehensive income, net of tax** | | | | | |
| **Items within OCI that may be reclassified to profit or loss** | | | | | |
| Net (loss)/ gain on financial assets | 24(e) | (808,923) | 993,044 | (595,042) | 927,023 |
| Revaluation gain on property and equipment | 24( c ) | - | 829,936 | - | 829,936 |
| Exchange gains on financial assets | 24(f) | 1,803 | (448,287) | 1,803 | (448,287) |
| Income tax relating to other comprehensive income | 24(f) | - | (252,031) | - | (252,031) |
| **Items within OCI that will not be reclassified to profit or loss** | | | | | |
| Realized gains on equity securities | 24(i) | 407,788 | - | 406,810 | - |
| **Total other comprehensive (loss)/ profit** | | **(399,333)** | **1,122,661** | **(186,429)** | **1,056,641** |
| **Total comprehensive profit for the year** | | **2,752,257** | **2,405,938** | **2,417,982** | **2,527,894** |
| **Attributable to shareholders** | | 2,666,112 | 2,345,067 | 2,417,982 | 2,527,894 |
| **Attributable to non-controlling interest** | | 86,145 | 60,871 | - | - |
| | | **2,752,257** | **2,405,938** | **2,417,982** | **2,527,894** |
| Basic earning per share (Kobo) | 37 | 44 | 18 | 38 | 21 |
| Diluted earning per share (Kobo) | 37 | 35 | 13 | 30 | 16 |

# Group Statement of Changes in Equity

For The Year Ended 31 December 2018

**Attributable to owners of the Group**

| *In thousands of naira* | Note | Issued Share Capital | Share Premium | Retained Earnings | Contingency Reserve | Available-for-Sale Reserve | Fair Value Reserve | Revaluation Reserve | Statutory Reserve | Exchange gains reserve | Shareholders' Equity | Non Controlling Interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2018 | 24 | 3,465,102 | 2,824,389 | 10,083,426 | 5,182,190 | (13,072,413) | - | 1,802,662 | 116,458 | 145,640 | 10,547,455 | 411,073 | 10,958,528 |
| **IFRS 9 transition adjustment** | | | | | | | | | | | | | |
| IFRS 9 transition adjustments | 6 | | | (10,824,461) | | 13,072,413 | (334,924) | | | | 1,913,028 | (14,811) | 1,898,217 |
| **Restated balance as at 1 Jan 2018** | | **3,465,102** | **2,824,389** | **(741,035)** | **5,182,190** | **-** | **(334,924)** | **1,802,662** | **116,458** | **145,640** | **12,460,483** | **396,262** | **12,856,745** |
| **Total comprehensive income for the year** | | | | | | | | | | | | | |
| Profit for the year | | - | - | 3,044,154 | - | - | - | - | - | - | 3,044,154 | 107,436 | 3,151,589 |
| Other comprehensive income | | - | - | 407,788 | - | - | (787,633) | - | - | 1,803 | (378,042) | (21,291) | (399,333) |
| **Total other comprehensive income for the year** | | - | - | 3,451,942 | - | - | (787,633) | - | - | 1,803 | 2,666,112 | 86,145 | 2,752,257 |
| ***Transfers within equity*** | | | | | | | | | | | | | |
| Transfer to contingency reserve | | - | - | (625,221) | 625,221 | - | - | - | - | - | - | - | - |
| Transfer to statutory reserve | | - | - | (27,424) | - | - | - | - | 27,424 | - | - | - | - |
| **Total transfers** | | - | - | (652,645) | 625,221 | - | - | - | 27,424 | - | - | - | - |
| ***Transactions with owners, recorded directly in equity*** | | | | | | | | | | | | | |
| Loss on transactions with NCI | | - | - | (232,751) | - | - | (21,291) | - | - | - | (254,041) | 310,372 | 56,331 |
| Dividend paid to ordinary shareholders | | - | - | (346,510) | - | - | - | - | - | - | (346,510) | (48,222) | (394,732) |
| **Total contributions by and distributions to equity holders** | | - | - | (579,261) | - | - | (21,291) | - | - | - | (600,551) | 262,151 | (338,401) |
| **Balance at 31 December 2018** | | **3,465,102** | **2,824,389** | **1,479,002** | **5,807,411** | **-** | **(1,143,847)** | **1,802,662** | **143,882** | **147,443** | **14,526,043** | **744,558** | **15,270,601** |
| Balance at 1 January 2017 | | 3,465,102 | 2,824,389 | 9,498,054 | 4,703,531 | (14,065,457) | - | 1,221,707 | 96,688 | 596,977 | 8,340,991 | 361,987 | 8,702,978 |
| **Total comprehensive income for the year** | | | | | | | | | | | | | |
| Profit for the year | | - | - | 1,222,406 | - | - | - | - | - | - | 1,222,406 | 60,871 | 1,283,276 |
| Other comprehensive income | | - | - | - | - | 993,044 | - | 580,955 | - | (451,337) | 1,122,661 | - | 1,122,661 |
| **Total other comprehensive income for the year** | | - | - | 1,222,406 | - | 993,044 | - | 580,955 | - | 451,337 | 2,345,067 | 60,871 | 2,405,937 |
| ***Transfers within equity*** | | | | | | | | | | | | | |
| Transfer to contingency reserve | | - | - | (478,659) | 478,659 | - | - | - | - | - | - | - | - |
| Transfer to statutory reserve | | - | - | (19,770) | - | - | - | - | 19,770 | - | - | - | - |
| **Total transfers** | | - | - | (498,429) | 478,659 | - | - | - | 19,770 | - | - | - | - |
| ***Transactions with owners, recorded directly in equity*** | | | | | | | | | | | | | |
| Loss on transactions with NCI | | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividend paid to ordinary shareholders | | - | - | (138,604) | - | - | - | - | - | - | (138,604) | (11,784) | (150,388) |
| **Total contributions by and distributions to equity holders** | | - | - | (138,604) | - | - | - | - | - | - | (138,604) | (11,784) | (150,388) |
| **Balance at 31 December 2017** | | **3,465,102** | **2,824,389** | **10,083,427** | **5,182,190** | **(13,072,413)** | **-** | **1,802,662** | **116,458** | **145,640** | **10,547,454** | **411,074** | **10,958,528** |

# Company Statement of Changes in Equity

For The Year Ended 31 December 2018

| | | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *In thousands of naira* | Note | Issued Share Capital | Share Premium | Retained Earnings | Contingency Reserve | Available-for-Sale Reserve | Fair Value Reserve | Revaluation Reserve | Exchange gains reserve | Shareholders' Equity |
| **Balance at 1 January 2018** | 24 | 3,465,102 | 2,824,389 | 9,994,656 | 5,182,190 | (13,092,408) | - | 1,802,662 | 145,640 | 10,322,233 |
| **IFRS 9 transition adjustment** | | | | | | | | | | |
| IFRS 9 transition adjustments | 6 | - | - | (10,780,938) | - | 13,092,408 | (357,860) | - | | 1,953,610 |
| | | | | | | | | | | - |
| **Restated balance at 1 Jan 2018** | | 3,465,102 | 2,824,389 | (786,282) | 5,182,190 | - | (357,860) | 1,802,662 | 145,640 | 12,275,841 |
| Total comprehensive income for the year | | | | | | | | | | |
| Profit for the year | | - | - | 2,604,411 | - | - | | - | - | 2,604,411 |
| Other comprehensive income | | - | - | 406,810 | - | | (595,042) | - | 1,803 | (186,429) |
| **Total other comprehensive income for the year** | | - | - | 3,011,221 | - | - | (595,042) | - | 1,803 | 2,417,982 |
| ***Transfers within equity*** | | | | | | | | | | |
| Transfer to contingency reserve | | - | - | (625,221) | 625,221 | - | - | - | - | - |
| Transfer to statutory reserve | | - | - | - | - | - | - | - | - | - |
| **Total transfers within equity** | | - | - | 625,221 | 625,221 | - | | - | - | - |
| ***Transactions with owners, recorded directly in equity*** | | | | | | | | | | |
| Dividend paid to ordinary shareholders | | - | - | (346,510) | - | - | - | - | - | (346,510) |
| **Total contributions by and distributions to equity holders** | | - | - | (346,510) | - | - | | - | - | (346,510) |
| **Balance at 31 December 2018** | | **3,465,102** | **2,824,389** | **1,253,208** | **5,807,411** | **-** | **(952,902)** | **1,802,662** | **147,443** | **14,347,313** |
| **Balance at 1 January 2017** | | 3,465,102 | 2,824,389 | 9,140,666 | 4,703,531 | (14,019,431) | - | 1,221,707 | 596,977 | 7,932,941 |
| Total comprehensive income for the year | | | | | | | | | | |
| Profit for the year | | - | - | 1,471,254 | - | - | | - | - | 1,471,254 |
| Other comprehensive income | | - | - | - | - | 927,023 | | 580,955 | (451,337) | 1,056,641 |
| **Total other comprehensive income for the year** | | - | - | 1,471,254 | - | 927,023 | - | 580,955 | (451,337) | 2,527,895 |
| ***Transfers within equity*** | | | | | | | | | | |
| Transfer to contingency reserve | | - | - | (478,659) | 478,659 | - | - | - | - | - |
| Dividend paid to ordinary shareholders | | - | - | (138,604) | | - | - | - | - | (138,604) |
| **Total transfers within equity** | | | - | (617,263) | 478,659 | - | - | - | - | (138,604) |
| **Balance at 31 December 2017** | | **3,465,102** | **2,824,389** | **9,994,656** | **5,182,190** | **(13,092,408)** | **-** | **1,802,662** | **145,640** | **10,322,233** |

# Consolidated Statement Of Cash Flows
For The Year Ended 31 December 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| *In thousands of naira* | Notes | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| **Operating activities:** | | | | | |
| Total premium received | | 37,453,833 | 31,534,236 | 36,833,800 | 29,807,059 |
| Commission received | | 2,850,110 | 2,281,842 | 1,087,556 | 671,720 |
| Commission paid | | (3,940,843) | (2,721,071) | (3,856,499) | (2,623,316) |
| Reinsurance premium paid | | (5,719,524) | (3,762,423) | (5,719,524) | (3,762,426) |
| Gross benefits and claim paid | 19(a)(ii) | (25,969,700) | (22,767,536) | (25,496,015) | (21,278,336) |
| Claims recoveries | | 4,441,445 | 1,762,038 | 4,441,445 | 1,762,038 |
| Receipt from deposit administration | 20(a) | 60,111 | 181,057 | 60,111 | 181,057 |
| Withdrawal from deposit administration | 20(a) | (78,551) | (1,628,676) | (78,551) | (1,628,676) |
| Other underwriting expenses paid | | (605,641) | (433,871) | (605,641) | (433,871) |
| Payments to employees | 33 | (3,571,708) | (2,944,733) | (2,241,468) | (2,044,148) |
| Other operating cash payments | | (4,611,100) | (3,395,142) | (4,033,877) | (2,876,650) |
| Other income received | | 765,839 | 635,588 | 489,192 | 374,065 |
| Fixed income received | | 6,199,660 | - | - | - |
| Income tax paid | 13(a) | (593,129) | (730,931) | (311,215) | (621,049) |
| **Net cash flows from operating activities** | | 6,680,802 | (1,989,621) | 569,313 | (2,472,531) |
| **Investing activities:** | | | | | |
| Investment income received | | 7,500,982 | 6,193,893 | 6,953,741 | 6,446,132 |
| Purchase of property and equipment | 17 | (1,062,943) | (398,526) | (883,940) | (308,196) |
| Purchase of intangibles | 16 | (51,073) | (58,375) | (13,753) | (28,828) |
| Proceeds from sale of property and equipment | | 15,996 | 40,699 | 10,112 | 11,749 |
| Purchase of financial asset at amortized cost | 8(a)(ii) | (17,256,718) | - | (16,484,536) | - |
| Purchase of financial asset at FVTOCI | 8(b)(ii) | (14,499,471) | - | (3,843,725) | - |
| Purchase of financial asset at FVTPL | 8(c)(I) | (53,449,347) | - | (53,449,347) | - |
| Proceed on disposal of financial assets | | 72,858,714 | - | 68,263,002 | - |
| Refund on investment in subsidiaries | | - | - | 12,811 | - |
| Net purchase of treasury bills & bonds | | - | (7,926,258) | - | (5,878,609) |
| Net disposal of Equities | | - | 1,776,754 | - | 1,752,786 |
| Payment for loans | | - | (49,412) | - | (39,355) |
| Proceeds from sale of investment property | | - | 468,200 | - | 468,200 |
| **Net cash flows from investing activities** | | (5,943,859) | 46,975 | 564,365 | 2,423,879 |
| **Financing activities:** | | | | | |
| Convertible loan interest payment | 23(b)(ii) | (216,857) | (201,992) | (216,857) | (201,992) |
| Dividend paid to equity holders | 24(I) | (346,510) | (138,604) | (346,510) | (138,604) |
| Dividend paid to non controlling interest | 14(e) (i) | (48,222) | (11,784) | - | - |
| **Net cash flows from financing activities** | | (611,589) | (352,380) | (563,367) | (340,596) |
| Net increase/ (decrease) in cash and cash equivalents | | 125,354 | (2,295,026) | 570,311 | (389,247) |
| Cash and cash equivalents at 1 January | | 5,199,385 | 7,491,178 | 3,949,642 | 4,335,655 |
| Effect of exchange rate on cash and cash equivalents | | - | 3,234 | - | 3,234 |
| Cash and cash equivalents at 31 December | | 5,324,739 | 5,199,385 | 4,519,953 | 3,949,642 |

# Segment Information

For The Year Ended 31 December 2018

**5. Segment Information**

For management purposes, the Group is organized into business units based on their products and services and has five reportable operating segments as follows:

- The life insurance segment offers savings, protection products and other long-term contracts (both with and without insurance risk). It comprises a wide range of whole life, term assurance, guaranteed pensions, pure endowment pensions and mortgage endowment products. Revenue from this segment is derived primarily from insurance premium, fees and commission income and investment income.
- The non-life insurance segment comprises general insurance to individuals and businesses. Non-life insurance products offered include motor, household, commercial and business interruption insurance. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident.
- The Health segment is a Health Maintenance Organization for prepaid health plans to cater for the health needs of individuals and corporate organizations. The segment became a full subsidiary of AIICO Insurance Plc on July 1, 2012.
- Pension Manager Segment was licensed as a Pension Fund Administrator by the National Pension Commission on April 13, 2006 provides pension administration services to private and public sector contributors.
- The Wealth management segment is registered and licensed by the Securities & Exchange Commission in 2012, to carry out portfolio/fund management services. The segment commenced full operations in 2014 through the provision of bespoke wealth solutions for clients, by adopting a research based approach for every investment decision. The segment offers portfolio management services, structured investments and mutual funds to suit the investment needs of corporate and individual clients.

# Segment Statement Of Profit Or Loss And Other Comprehensive Income

For The Year Ended 31 December 2018

**5.1 Segment statement of profit or loss and other comprehensive income**

| *In thousands of naira* | Life Business | General Business | Elimination of inter-business transactions | Company | Health management services | Pensions | Asset management | Elimination of inter-segment transactions | 31 December 2018 |
|---|---|---|---|---|---|---|---|---|---|
| **Gross premium written** | **26,616,523** | **10,385,756** | - | **37,002,279** | **663,228** | - | - | - | **37,665,507** |
| Gross premium income from external customers | 26,454,826 | 9,986,864 | - | 36,441,690 | 605,237 | - | - | - | 37,046,926 |
| Premiums ceded to reinsurers | (630,683) | (4,550,542) | - | (5,181,225) | - | - | - | - | (5,181,225) |
| **Net premium Income** | **25,824,143** | **5,436,322** | - | **31,260,465** | **605,237** | - | - | - | **31,865,701** |
| **Fees and Commission Income** | | | | | | | | | |
| Insurance contract | 171,590 | 989,776 | - | 1,161,366 | - | - | - | - | 1,161,366 |
| Pension and other contracts | - | - | - | - | 338,972 | 1,375,899 | 323,264 | (275,582) | 1,762,554 |
| **Net underwriting income** | **25,995,733** | **6,426,098** | - | **32,421,831** | **944,209** | **1,375,899** | **323,264** | **(275,582)** | **34,789,622** |
| **Claims expenses:** | | | | | | | | | |
| Claims expenses (Gross) | 21,585,472 | 6,966,576 | - | 28,552,048 | 513,318 | - | - | - | 29,065,365 |
| Claims expenses recovered from reinsurer | (1,280,697) | (3,915,514) | - | (5,196,211) | - | - | - | - | (5,196,211) |
| **Claims expenses (Net)** | **20,304,775** | **3,051,062** | - | **23,355,837** | **513,318** | - | - | - | **23,869,154** |
| Underwriting expenses | 2,843,976 | 1,487,108 | - | 4,331,084 | 62,882 | 21,462 | - | - | 4,415,428 |
| Change in life fund | 3,414,747 | - | - | 3,414,747 | - | - | - | - | 3,414,748 |
| Change in annuity fund | (1,456,737) | - | - | (1,456,737) | - | - | - | - | (1,456,737) |
| Change in other investment contract | 1,333,148 | | | 1,333,148 | | | | | 1,333,148 |
| **Total underwriting expenses** | **26,439,909** | **4,538,170** | - | **30,978,079** | **576,200** | **21,462** | - | - | **31,575,741** |
| **Underwriting (loss)/profit** | **(444,176)** | **1,887,928** | - | **1,443,752** | **368,009** | **1,354,438** | **323,264** | **(275,582)** | **3,213,881** |
| Investment income | 7,240,721 | 1,065,428 | - | 8,306,149 | 113,411 | 201,385 | 544,605 | (113,597) | 9,051,954 |
| Profit from deposit administration | 193,394 | - | - | 193,394 | - | - | - | - | 193,394 |
| Net realised gains and losses | 2,100,023 | 263,405 | - | 2,363,428 | 544 | 1,564 | 782 | - | 2,366,319 |
| Fair value losses | (2,508,642) | (16,000) | - | (2,524,642) | - | - | - | - | (2,524,642) |
| Other operating revenue | 225,808 | 263,384 | - | 489,192 | 16,202 | 210 | 257,888 | - | 763,492 |
| Employee Benefits expense | (1,098,319) | (1,143,149) | - | (2,241,468) | (221,389) | (721,998) | (386,854) | - | (3,571,708) |
| Other operating expense | (2,396,291) | (2,316,487) | - | (4,712,777) | (263,193) | (542,932) | (381,502) | 275,582 | (5,624,826) |
| Finance costs | (180,451) | (175,087) | - | (355,538) | - | - | - | - | (355,539) |
| Other material non-cash items: | | | | | | | | | |
| - Impairment loss on investments | 4,415 | 610 | - | 5,025 | (24,005) | 6,939 | (4,414) | | (16,455) |
| **Profit/(loss) before tax** | **3,136,483** | **(169,967)** | - | **2,966,516** | **(10,422)** | **299,607** | **353,769** | **(113,597)** | **3,495,871** |
| Income tax expense | 130,013 | (467,524) | - | (337,511) | (4,571) | (80,212) | 102,606 | | (319,687) |
| Minimum tax | (24,594) | - | - | (24,594) | | | - | | (24,594) |
| **Profit/(loss) for the period** | **3,241,902** | **(637,491)** | - | **2,604,410** | **(14,992)** | **219,395** | **456,375** | **(113,597)** | **3,151,590** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Attributable to Shareholders of the Company** | 3,241,902 | (637,491) | - | 2,604,412 | (11,411) | 154,015 | 410,737 | (113,597) | 3,044,154 |
| **Attributable to Non-Controlling Interest** | - | - | - | - | (3,581) | 65,380 | 45,637 | - | 107,436 |
| **Other Comprehensive Income** | | | | | | | | | |
| Net loss on fair value financial asset | (207,990) | (387,051) | - | (595,041) | - | - | (213,884) | - | (808,923) |
| Exchange gain on unquoted investments | 1,748 | 55 | - | 1,803 | - | - | - | - | 1,803 |
| Gains on equities | 317,442 | 89,368 | - | 406,810 | - | - | 978 | - | 407,788 |
| Revaluation gain on property and equipment | - | - | - | - | - | - | - | - | - |
| Income tax relating to other comprehensive income | - | - | - | - | - | - | - | - | - |
| **Other comprehensive income for the year, net of tax** | **111,200** | **(297,628)** | - | **(186,428)** | - | - | **(212,906)** | - | **(399,332)** |
| **Total comprehensive income for the year, net of tax** | **3,353,101** | **(935,119)** | - | **2,417,983** | **1,482,864** | **219,395** | **243,469** | **(113,597)** | **3,114,362** |

No single external customer contributed 10 percent or more of the entity's revenues as at year end.

| *In thousands of naira* | Life Business | General Business | Elimination of inter-business transactions | Company | Health management services | Pensions | Asset management | Elimination of inter-segment transactions | 31 December 2017 |
|---|---|---|---|---|---|---|---|---|---|
| **Gross premium written** | **21,678,158** | **8,729,238** | - | **30,407,396** | **1,690,296** | - | - | - | **32,097,692** |
| Gross premium income from external | 11,400,332 | 8,293,136 | - | 19,693,468 | 1,598,261 | - | - | - | 21,291,729 |
| Premiums ceded to reinsurers | (443,508) | (3,347,323) | - | (3,790,831) | - | - | - | - | (3,790,831) |
| **Net premium Income** | **10,956,824** | **4,945,813** | - | **15,902,637** | **1,598,261** | - | - | - | **17,500,898** |
| **Fees and Commission Income** | | | | | | | | | |
| Insurance contract | 82,653 | 663,431 | - | 746,084 | - | - | - | - | 746,084 |
| Pension and other contracts | - | - | - | - | 340,300 | 1,256,545 | 479,113 | (465,836) | 1,610,122 |
| **Net underwriting income** | **11,039,477** | **5,609,244** | - | **16,648,721** | **1,938,561** | **1,256,545** | **479,113** | **(465,836)** | **19,857,105** |
| | | | | | | | | | |
| **Claims expenses:** | | | | | | | | | |
| Claims expenses (Gross) | 17,615,103 | 4,169,387 | - | 21,784,491 | 1,489,200 | - | - | - | 23,273,691 |
| Claims expenses recovered from reinsurer | (453,899) | (2,045,607) | - | (2,499,505) | - | - | - | - | (2,499,505) |
| **Claims expenses (Net)** | **17,161,205** | **2,123,781** | - | **19,284,986** | **1,489,200** | - | - | - | **20,774,185** |
| Underwriting expenses | 1,878,711 | 1,128,773 | - | 3,007,484 | 73,411 | 24,344 | - | - | 3,105,239 |
| **Total underwriting expenses** | **19,039,915** | **3,252,554** | - | **22,292,470** | **1,562,611** | **24,344** | - | - | **23,879,426** |
| | | | | | | | | | |
| **Underwriting (loss)/profit** | **(8,000,438)** | **2,356,690** | - | **(5,643,749)** | **375,950** | **1,232,201** | **479,113** | **(465,836)** | **(4,022,321)** |
| | | | | | | | | | |
| Investment income | 7,782,452 | 1,102,241 | - | 8,884,693 | 74,565 | 220,049 | 605,177 | (1,152,030) | 8,632,454 |
| Profit from deposit administration | 212,773 | - | - | 212,773 | - | - | - | - | 212,773 |
| Net realised gains and losses | 4,789,017 | 513,961 | - | 5,302,978 | - | 3,592 | 31,585 | - | 5,338,155 |
| Fair value gains/(losses) | 144,725 | (4,000) | - | 140,725 | - | - | - | - | 140,725 |
| Other operating revenue | 683,068 | (37,984) | - | 645,084 | 14,798 | 1,801 | 209,748 | - | 871,432 |
| Employee Benefits expense | (1,001,615) | (1,042,533) | - | (2,044,148) | (203,486) | (523,146) | (173,953) | - | (2,944,733) |
| Other operating expense | (2,470,236) | (1,854,039) | - | (4,324,275) | (281,431) | (490,411) | (306,266) | 465,836 | (4,936,547) |
| Finance costs | (93,393) | (155,864) | - | (249,257) | - | - | - | - | (249,257) |
| Other material non-cash items: | | | | | | | | | |
| - Impairment loss on investments | - | - | - | - | (2,193) | - | - | | (2,193) |
| **Profit/(loss) before tax** | **2,046,353** | **878,472** | - | **2,924,825** | **(21,798)** | **444,086** | **845,404** | **(1,152,030)** | **3,040,489** |
| Income tax expense | (1,121,344) | (287,183) | - | (1,408,527) | - | (126,825) | (176,816) | | (1,712,168) |
| Minimum tax | (45,044) | - | - | (45,044) | | | - | | (45,044) |
| **Profit/(loss) for the year** | **879,965** | **591,289** | - | **1,471,254** | **(21,798)** | **317,261** | **668,588** | **(1,152,030)** | **1,283,276** |
| | | | | | | | | | |
| **Attributable to Shareholders of the Company** | 879,965 | 591,289 | - | 1,471,254 | (17,630) | 252,222 | 668,588 | (1,152,030) | 1,222,406 |
| **Attributable to Non-Controlling Interest** | - | - | - | - | (4,168) | 65,038 | - | - | 60,871 |

**Other Comprehensive Income**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Net gain on available for sale financial asset | 718,854 | 208,169 | - | 927,023 | - | - | 66,022 | - | 993,044 |
| Exchange gain on unquoted investments | (480,281) | 31,994 | - | (448,287) | - | - | - | - | (448,287) |
| Revaluation gain on property and equipment | 528,508 | 301,427 | - | 829,936 | - | - | - | - | 829,936 |
| Income tax relating to other comprehensive income | (161,068) | (90,963) | - | (252,031) | - | - | - | - | (252,031) |
| **Other comprehensive income for the year, net of tax** | **606,013** | **450,628** | - | **1,056,641** | - | - | **66,022** | - | **1,122,661** |
| **Total comprehensive income for the year, net of tax** | **1,485,978** | **1,041,917** | - | **2,527,894** | **(21,798)** | **317,261** | **734,610** | **(1,152,030)** | **2,405,938** |

No single external customer contributed 10 percent or more of the entity's revenues as at year end.

# Segment Statement of Financial Position

For The Year Ended 31 December 2018

### 5.2 Segment Statement of Financial Position

| *In thousands of naira* | Life | General | Elimination of inter-business transactions | Company | Health management services | Pensions | Asset management | Elimination of inter-segment transactions | 31 December 2018 |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and cash equivalents | 1,887,418 | 2,632,535 | - | 4,519,953 | 26,793 | 376,627 | 401,368 | - | 5,324,739 |
| Trade receivable | - | 131,841 | - | 131,841 | 16,762 | 234,569 | 111,183 | (77,252) | 417,103 |
| Reinsurance assets | 816,227 | 3,869,802 | - | 4,686,029 | - | - | - | - | 4,686,029 |
| Deferred acquisition cost | - | 465,991 | - | 465,991 | - | - | - | - | 465,991 |
| **Financial assets:** | | | | | | | | | |
| Available-for-sale financial assets | - | - | - | - | | - | - | - | - |
| Loans and receivables | - | - | - | - | - | - | - | - | - |
| Amortized cost | 24,003,265 | 540,093 | | 24,543,358 | 759,574 | 991,759 | 167,932 | - | 26,462,624 |
| Fair value through OCI | 4,422,039 | 4,553,721 | | 8,975,760 | - | - | 11,280,088 | (716,558) | 19,539,290 |
| Fair value through profit or loss | 43,238,516 | - | | 43,238,516 | - | - | - | - | 43,238,516 |
| Deferred tax asset | - | - | - | - | 832 | - | 148,548 | - | 149,379 |
| Investment in subsidiary | 1,650,627 | 801,732 | - | 2,452,359 | - | - | - | (2,452,359) | - |
| Investment property | 230,000 | 325,000 | - | 555,000 | - | - | - | - | 555,000 |
| Property, plant and equipment | 4,893,526 | 1,803,581 | - | 6,697,107 | 12,246 | 270,371 | 45,469 | - | 7,025,197 |
| Other receivables and prepayments | 1,652,105 | 172,104 | (1,415,780) | 408,428 | 27,148 | 51,808 | 93,232 | - | 580,618 |
| Statutory deposit | 230,000 | 300,000 | - | 530,000 | - | - | - | - | 530,000 |
| Goodwill and other intangible assets | 145,423 | 820,483 | - | 965,906 | 7,090 | 21,068 | 20,021 | - | 1,014,085 |
| **Total Assets** | **83,169,146** | **16,416,882** | **(1,415,780)** | **98,170,248** | **850,446** | **1,946,203** | **12,267,841** | **(3,246,170)** | **109,988,570** |
| | | | | | | | | | |
| **Liabilities and Equity** | | | | | | | | | |
| **Liabilities** | | | | | | | | | |
| Trade payables | 526,141 | 313,259 | - | 839,400 | 2,168 | - | 171,907 | | 1,013,475 |
| Other payables and accrual | 999,871 | 2,418,468 | (1,415,780) | 2,002,559 | 97,793 | 162,293 | 28,153 | (77,252) | 2,213,547 |
| Fixed income liability | - | - | - | - | - | - | 10,897,809 | (716,558) | 10,181,251 |
| Current tax payable | 78,939 | 428,300 | - | 507,242 | 4,571 | 66,116 | 13,048 | - | 590,976 |
| Deferred tax liability | - | 487,835 | - | 487,835 | - | 46,002 | - | - | 533,836 |
| Investment contract liabilities | 12,319,617 | - | - | 12,319,617 | - | - | - | - | 12,319,617 |
| Insurance contract liabilities | 57,858,444 | 7,483,106 | - | 65,341,550 | 198,982 | - | - | - | 65,540,532 |
| Borrowings | 2,324,733 | - | - | 2,324,733 | - | - | - | - | 2,324,733 |
| **Total liabilities** | **74,107,745** | **11,130,970** | **(1,415,780)** | **83,822,935** | **303,513** | **274,411** | **11,110,917** | **(793,810)** | **94,717,967** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Equity** | | | | | | | | | |
| Issued share capital | 1,838,863 | 1,626,239 | - | 3,465,102 | 600,000 | 1,078,777 | 750,000 | (2,428,777) | 3,465,102 |
| Share premium | 2,046,073 | 778,317 | - | 2,824,389 | 47,494 | 40,365 | 41,346 | (129,205) | 2,824,389 |
| Statutory reserve | - | - | - | - | - | 143,882 | - | | 143,882 |
| Revaluation reserves | 1,246,748 | 555,913 | - | 1,802,661 | - | - | - | | 1,802,662 |
| Exchange gains reserves | 99,588 | 47,855 | - | 147,443 | | - | | | 147,443 |
| Fair value reserve | (598,771) | (354,131) | - | (952,902) | - | - | (190,946) | | (1,143,847) |
| Contingency reserve | 2,994,359 | 2,813,051 | - | 5,807,410 | - | - | - | | 5,807,411 |
| Retained earnings | 1,434,541 | (181,332) | - | 1,253,209 | (100,561) | 408,767 | 556,525 | (638,936) | 1,479,002 |
| **Shareholders funds** | **9,061,401** | **5,285,913** | - | **14,347,313** | **546,933** | **1,671,792** | **1,156,925** | **(3,196,918)** | **14,526,044** |
| **Non- controlling interest** | - | - | - | - | - | - | - | 744,558 | 744,558 |
| **Total equity** | **9,061,401** | **5,285,913** | - | **14,347,313** | **546,933** | **1,671,792** | **1,156,925** | **(2,452,360)** | **15,270,602** |
| **Total liabilities and equity** | **83,169,146** | **16,416,882** | **(1,415,780)** | **98,170,248** | **850,446** | **1,946,203** | **12,267,841** | **(3,246,171)** | **109,988,570** |

| *In thousands of naira* | Life | General | Elimination of inter-business transactions | Company | Health management services | Pensions | Asset management | Elimination of inter-segment transactions | 31 December 2017 |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and cash equivalents | 2,061,352 | 1,888,290 | - | 3,949,642 | 149,389 | 825,412 | 274,942 | - | 5,199,385 |
| Trade receivable | - | 59,106 | - | 59,106 | 51,283 | 163,574 | 213,944 | (186,735) | 301,172 |
| Reinsurance assets | 303,906 | 3,340,583 | - | 3,644,489 | - | - | - | - | 3,644,489 |
| Deferred acquisition cost | - | 334,935 | - | 334,935 | - | - | - | - | 334,935 |
| **Financial assets:** | | | | | | | | | |
| Available-for-sale financial assets | 59,457,963 | 6,472,010 | - | 65,929,973 | 506,168 | 551,789 | 5,048,328 | (506,168) | 71,530,090 |
| Loans and receivables | 1,977,197 | 63,268 | - | 2,040,465 | 22,670 | 42,388 | - | - | 2,105,523 |
| Deferred tax asset | - | - | - | - | 8,460 | - | 148,548 | - | 157,008 |
| Investment in subsidiary | 1,506,958 | 801,732 | - | 2,308,690 | - | - | - | (2,308,690) | - |
| Investment property | 241,000 | 341,000 | - | 582,000 | - | - | - | - | 582,000 |
| Property, plant and equipment | 4,431,407 | 1,789,556 | - | 6,220,963 | 21,189 | 217,704 | 53,318 | - | 6,513,175 |
| Other receivables and prepayments | 3,080,270 | 88,198 | (2,777,085) | 391,383 | 17,466 | 17,240 | 185,293 | (156,480) | 454,902 |
| Statutory deposit | 230,000 | 300,000 | - | 530,000 | - | - | - | - | 530,000 |
| Goodwill and other intangible assets | 196,383 | 835,858 | - | 1,032,241 | - | 22,583 | 5,626 | - | 1,060,452 |
| **Total Assets** | **73,486,437** | **16,314,535** | **(2,777,085)** | **87,023,887** | **776,624** | **1,840,690** | **5,930,000** | **(3,158,073)** | **92,413,127** |
| **Liabilities and Equity** | | | | | | | | | |
| **Liabilities** | | | | | | | | | |
| Trade payables | 1,148,982 | 562,237 | - | 1,711,219 | 10,699 | - | - | | 1,721,918 |
| Other payables and accrual | 567,121 | 3,397,938 | (2,777,085) | 1,187,974 | 181,896 | 101,967 | 197,145 | (343,215) | 1,325,766 |
| Fixed income liability | - | - | - | - | - | - | 4,487,759 | (506,168) | 3,981,591 |
| Current tax payable | 88,595 | 338,325 | - | 426,920 | - | 68,081 | 331,641 | | 826,643 |
| Deferred tax liability | 161,068 | 356,199 | - | 517,267 | - | 29,750 | - | - | 547,017 |
| Investment contract liabilities | 10,909,624 | - | - | 10,909,624 | - | - | - | | 10,909,624 |
| Insurance contract liabilities | 53,780,464 | 5,985,896 | - | 59,766,360 | 193,391 | - | - | | 59,959,751 |
| Borrowings | 2,182,289 | - | - | 2,182,289 | - | - | - | | 2,182,289 |
| Total liabilities | **68,838,143** | **10,640,598** | **(2,777,085)** | **76,701,654** | **385,986** | **199,798** | **5,016,545** | **(849,383)** | **81,454,599** |
| Equity | | | | | | | | | |
| Issued share capital | 1,838,863 | 1,626,239 | - | 3,465,102 | 400,000 | 1,078,777 | 500,000 | (1,978,777) | 3,465,102 |
| Share premium | 2,046,073 | 778,317 | - | 2,824,389 | 47,494 | 40,365 | - | (87,860) | 2,824,389 |
| Statutory reserve | - | - | - | - | - | 116,458 | - | | 116,458 |
| Revaluation reserves | 1,246,748 | 555,913 | - | 1,802,662 | - | - | - | | 1,802,662 |
| Exchange gains reserves | 97,840 | 47,800 | - | 145,640 | | - | | | 145,640 |
| Available-for-sale reserve | (12,380,460) | (711,948) | - | (13,092,408) | - | - | 19,996 | - | (13,072,413) |
| Contingency reserve | 2,680,711 | 2,501,479 | - | 5,182,190 | - | - | - | | 5,182,190 |
| Retained earnings | 9,118,519 | 876,139 | - | 9,994,658 | (56,856) | 405,292 | 393,460 | (653,126) | 10,083,426 |
| **Shareholders funds** | **4,648,294** | **5,673,940** | - | **10,322,233** | **390,638** | **1,640,893** | **913,456** | **(2,719,763)** | **10,547,455** |
| **Non- controlling interest** | - | - | - | - | - | - | - | 411,073 | 411,073 |
| **Total equity** | **4,648,294** | **5,673,940** | - | **10,322,233** | **390,638** | **1,640,893** | **913,456** | **(2,308,690)** | **10,958,528** |
| **Total liabilities and equity** | **73,486,437** | **16,314,535** | **(2,777,085)** | **87,023,887** | **776,624** | **1,840,690** | **5,930,000** | **(3,158,073)** | **92,413,127** |

## 6 Transition Disclosures

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit loss model. A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follows:

| Group | | IAS 39 measurement | | | Re-measurement | | | IFRS 9 |
|---|---|---|---|---|---|---|---|---|
| | Notes | Category | Amount | Reclassification | ECL | Other | Amount | Category |
| **Financial assets** | | | N'000 | N'000 | N'000 | N'000 | N'000 | |
| (i) Investment: Available for sale (AFS) | | AFS | 71,530,090 | (71,530,090) | | | | |
| ***To: Debt instruments at amortised cost*** | a | | | (5,590,620) | 72,405 | (1,026,883) | **(954,478)** | |
| ***To: Debt instruments at FVTPL*** | b | | | (45,432,183) | | | | |
| ***To: Equity instruments at FVOCI*** | c | | | (3,172,951) | | (943,737) | **(943,737)** | |
| ***To: Debt instruments at FVOCI*** | e | | | (17,334,336) | | | | |
| | | AFS | 71,530,090 | (71,530,090) | | | **(1,898,217)** | |
| **(ii) Total Financial assets measured at amortised cost** | | | | | | | | |
| Cash and cash equivalents | e | Loans and receivables | 5,199,385 | - | | - | **5,199,385** | Amortised cost |
| Financial Asset: Loans to Policy holders | e | Loans and receivables | 1,639,600 | - | - | - | **1,639,600** | Amortised cost |
| Financial Asset: Staff loans | e | Loans and receivables | 365,676 | - | - | - | **365,676** | Amortised cost |
| Finance lease receivables | e | Loans and receivables | 2,270 | - | - | - | **2,270** | Amortised cost |
| Other receivables: Receivables from Agent | e | Loans and receivables | 97,977 | - | - | - | **97,977** | Amortised cost |
| Statutory Deposit | e | Loans and receivables | 530,000 | - | - | - | **530,000** | Amortised cost |
| Debt instruments at amortised cost: | a | | | 5,590,620 | (72,405) | 1,026,883 | **6,545,098** | Amortised cost |
| ***From: Financial assets - Available-for-sale (AFS)*** | | | | 4,532,665 | | 1,026,883 | | |
| **Total Financial assets measured at amortised cost** | | | 7,834,908 | 5,590,620 | (72,405) | 1,026,883 | 14,380,005 | Amortised cost |
| (iii) Debt instruments at fair value through profit or loss: Investments (Held for trading) AFS | | | - | 45,432,183 | - | - | **45,432,183** | Fair value through profit or loss (FVPL) |
| ***From: Financial Asset - Available for sale (AFS)*** | b | | | 45,432,183 | | | | |
| **Total financial assets at fair value through profit or loss (FVTPL)** | b | | | 45,432,183 | - | - | **45,432,183** | Fair value through profit or loss (FVPL) |

| | Notes | Category | Amount | Reclassification | ECL | Other | IFRS 9 Amount | Category |
|---|---|---|---|---|---|---|---|---|
| (iv) Equity instruments at fair value through other comprehensive income (FVOCI) | | Unquoted equity at fair value | - | 756,004 | - | 943,737 | **1,699,741** | Fair value through OCI (FVOCI) |
| Equity instruments at fair value through other comprehensive income (FVOCI) | | Quoted equity at fair value | - | 2,416,947 | - | - | **2,416,947** | Fair value through OCI (FVOCI) |
| ***From: Investment securities - Available for sale (AFS)*** | c | AFS | | 3,172,951 | | | **4,116,688** | |
| **Total equity instruments at fair value through other comprehensive income (FVOCI)** | | | | 3,172,951 | - | 943,737 | **4,116,688** | Fair value through OCI (FVOCI) |

| | Notes | Category | IAS 39 measurement Amount | Reclassification | Re-measurement ECL | Other | IFRS 9 Amount | Category |
|---|---|---|---|---|---|---|---|---|
| Financial assets - continued | | | N'000 | N'000 | N'000 | N'000 | **N'000** | |
| (v) Debt instruments at fair value through other comprehensive income (FVOCI) | d | AFS | - | 17,334,336 | - | - | **17,334,336** | Fair value through OCI (FVOCI) |
| ***From: Financial Asset - Available for sale (AFS)*** | d | | | 17,334,336 | | | | |
| **Total debt instruments at fair value through other comprehensive income (FVOCI)** | d | | | 17,334,336 | - | - | **17,334,336** | Fair value through OCI (FVOCI) |
| **Total financial assets** | | | 79,364,998 | | (72,405) | 1,970,622 | 81,263,213 | |

**Company**

| | Notes | Category | IAS 39 measurement Amount | Reclassification | Re-measurement ECL | Other | IFRS 9 Amount | Category |
|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | N'000 | N'000 | N'000 | N'000 | N'000 | |
| (i) Investment: Available for sale (AFS) | | AFS | 65,929,975 | (65,929,975) | | | | |
| ***To: Debt instruments at amortised cost*** | a | | | (4,532,665) | 17,010 | (1,026,883) | **(1,009,873)** | |
| ***To: Debt instruments at FVTPL*** | b | | | (45,432,183) | | | | |
| ***To: Equity instruments at FVOCI*** | c | | | (3,082,439) | | | | |
| ***To: Debt instruments at FVOCI*** | e | | | (12,882,688) | - | (943,737) | **(943,737)** | |
| | | AFS | 65,929,975 | (65,929,975) | | | **(1,953,610)** | |
| (ii) **Total Financial assets measured at amortised cost** | | | | | | | | |
| Cash and cash equivalents | e | Loans and receivables | 3,949,642 | - | - | - | **3,949,642** | Amortised cost |
| Financial Asset: Loans to Policy holders | e | Loans and receivables | 1,639,600 | - | - | - | **1,639,600** | Amortised cost |
| Financial Asset: Staff loans | e | Loans and receivables | 300,618 | - | - | - | **300,618** | Amortised cost |
| Finance lease receivables | e | Loans and receivables | 2,270 | - | - | - | **2,270** | Amortised cost |

| | | | IAS 39 measurement | | Re-measurement | | IFRS 9 | |
|---|---|---|---|---|---|---|---|---|
| | Notes | Category | Amount | Reclassification | ECL | Other | Amount | Category |
| **Financial assets - continued** | | | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** | |
| Other receivables: Receivables from Agent | e | Loans and receivables | 97,977 | - | - | - | **97,977** | Amortised cost |
| Statutory Deposit | e | Loans and receivables | 530,000 | - | - | - | **530,000** | Amortised cost |
| Debt instruments at amortised cost: | a | | | 4,532,665 | (17,010) | 1,026,883 | **5,542,538** | Amortised cost |
| **From: Financial assets - Available-for-sale (AFS)** | | | | 4,532,665 | | 1,026,883 | | |
| **Total Financial assets measured at amortised cost** | | | 6,520,107 | 4,532,665 | (17,010) | 1,026,883 | 12,062,645 | Amortised cost |
| (iii) Debt instruments at fair value through profit or loss: Investments (Held for trading) | | AFS | - | 45,432,183 | - | - | **45,432,183** | Fair value through profit or loss (FVPL) |
| **From: Financial Asset - Available for sale (AFS)** | b | | | 45,432,183 | | | | |
| **Total financial assets at fair value through profit or loss (FVTPL)** | b | | | 45,432,183 | - | - | **45,432,183** | profit or loss (FVPL) |
| (iv) Equity instruments at fair value through other comprehensive income (FVOCI) | | Unquoted equity at fair value | - | 756,004 | - | 943,737 | **1,699,741** | Fair value through OCI (FVOCI) |
| Equity instruments at fair value through other comprehensive income (FVOCI) | | Quoted equity at fair value | - | 2,326,435 | - | - | **2,326,435** | Fair value through OCI (FVOCI) |
| **From: Investment securities - Available for sale (AFS)** | c | AFS | | 3,082,439 | | | **4,026,176** | |
| **Total equity instruments at fair value through other comprehensive income (FVOCI)** | | | | 3,082,439 | - | 943,737 | **4,026,176** | Fair value through OCI (FVOCI) |
| (v) Debt instruments at fair value through other comprehensive income (FVOCI) | d | AFS | - | 12,882,688 | - | - | **12,882,688** | Fair value through OCI (FVOCI) |
| **From: Financial Asset - Available for sale (AFS)** | d | | | 12,882,688 | | | | |
| **Total debt instruments at fair value through other comprehensive income (FVOCI)** | d | | | 12,882,688 | - | - | **12,882,688** | Fair value through OCI (FVOCI) |
| **Total financial assets** | | | 72,450,082 | | (17,010) | 1,970,620 | 74,403,692 | |

The following explains the application of the new classification requirements of IFRS 9 and the changes in classification of certain financial assets held by the Group and Company as detailed below:

### (a) Classification of debt instrument at amortised cost

The assessment of the Group's business model for securities within it's available-for-sale portfolio, which are mostly held to collect the contractual cash flows and sell, the Company has identified certain securities which are managed separately and for which the past practice has been (and the Group's intention remains) to hold to collect the contractual cash flows. Consequently, the Group assessed that the appropriate business model for this group of securities is hold to collect. These securities, which amounted to N6.62 billion for the Group and N5.56 billion for Company which were previously classified as available-for-sale, were classified as measured at amortised cost from the date of initial application of IFRS 9. The remaining available for sale portfolio were carried at fair value through profit or loss and fair value through other comprehensive income.

The cumulative fair value loss of N1.03 billlion was reclassified from available-for-sale reserve to the carrying value of the underlying assets at 1 January 2018.

### (b) Classification of debt instrument at FVTPL

The Group assessed it's business model for securities within it's available-for-sale portfolio, which are mostly held to collect the contractual cash flows and sell, the Group has identified certain securities which are managed separately and for which the intention of the management is to hold to sell. Consequently, the Group assessed that the appropriate business model for this group of securities is held for trading. These securities, which amounted to N45.43 billion for both the Group and Company and which were previously classified as available-for-sale, were classified as being measured at fair value through profit or loss from the date of initial application. The balance of the available-for-sale portfolio was carried at fair valued through other comprehensive income apart from the amount reclassified to amortised cost category in (a) above.

The cumulative fair value loss of N10.73 billion has been reclassified from the available-for-sale reserve against the opening retained earnings at 1 January 2018. See note h (ii).

### (c) Equity instruments designated at FVOCI

The Group has elected to irrevocably designate investments in equity of N4.02 billion in a portfolio of non-trading equity securities at FVOCI as permitted under IFRS 9. These securities were previously classified as available-for-sale with some measured at cost less impairment and others carried at fair value. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed of.

The fair value gain of N944 million has been recognised at 1 January 2018 for the unquoted equity instruments previously measured at cost less impairment.

### (d) Reclassification from categories with no change in measurement

In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:

(i) Those previously classified as available-for-sale and now classified as measured at FVOCI; and
(ii) Those previously classified as loans and receivables and now classified as measured at amortised cost.

### (e) ECL computation on debt instruments measured at FVOCI under IFRS 9

Impairment provision for debt instruments recognised as available-for-sale were previously determined in accordance with IAS 39. The impairment computation for these instruments were now determined in accordance with IFRS 9. As at 1 January 2018, the Group recognised impairment of N38.7 million and N35.8 million for the Company respectively on these instruments in accordance with IFRS 9.

### (f) Deferred tax implication of IFRS 9

There was no deferred tax impact on the reclassification. The instruments involved are Federal government securitieis which are income tax exempted.

For financial assets that were reclassified to the amortised cost category, the following table shows their fair value as at 31 December 2018 and the fair value loss that would have been recognised if these financial assets had not been reclassified as part of the transition to IFRS 9:

| Reclassifications to amortised cost | N'000 |
|---|---|
| **From available-for-sale (IAS 39 classification)** | |
| Fair value as at 31 December 2018 | 16,463,073 |
| Amortised cost as at 31 December 2018 | 23,818,676 |
| Fair value loss that would have been recognised in available for sale reserves during the year if the financial asset had not been reclassified | (7,355,603) |

# Statement Of Financial Position
as at January 1 2018

## Group

| *In thousands of naira* | Notes | IAS 39 | Reclassification | Impact of remeasurment | Impact of impairment (ECL) | IFRS 9 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | | 5,199,385 | - | - | - | 5,199,385 |
| Financial assets - AFS | (h)(i) | 71,530,090 | (71,530,090) | - | - | - |
| Financial assets - Loans and receivables | (h)(ii) | 2,105,522 | (2,105,522) | - | - | - |
| Financial assets - Amortized cost | (h)(iii) | - | 7,696,143 | 1,026,883 | (72,405) | 8,650,621 |
| Financial assets - FVTPL | (h)(iv) | - | 45,432,183 | - | - | 45,432,183 |
| Financial assets - FVOCI | (h)(iv) | - | 20,507,286 | 943,737 | - | 21,451,023 |
| Trade receivable | | 301,172 | - | - | - | 301,172 |
| Reinsurance assets | | 3,644,489 | - | - | - | 3,644,489 |
| Deferred acquisition cost | | 334,935 | - | - | - | 334,935 |
| Other receivables and prepayments | | 454,902 | - | - | - | 454,902 |
| Deferred tax asset | | 157,008 | - | - | - | 157,008 |
| Investment property | | 582,000 | - | - | - | 581,999.56 |
| Goodwill and other intangible assets | | 1,060,451 | - | - | - | 1,060,451 |
| Property and equipment | | 6,513,175 | - | - | - | 6,513,175 |
| Statutory deposit | | 530,000 | - | - | - | 530,000 |
| **Total assets** | | **92,413,127** | - | **1,970,620** | **(72,405)** | **94,311,343** |
| | | | | | | |
| **Liabilities and equity** | | | | | | |
| **Liabilities** | | | | | | |
| Insurance contract liabilities | | 59,959,751 | - | - | - | 59,959,751 |
| Investment contract liabilities | | 10,909,624 | - | - | - | 10,909,624 |
| Trade payables | | 1,721,918 | - | - | - | 1,721,918 |
| Other payables and accruals | | 1,325,766 | - | - | - | 1,325,766 |
| Current tax payable | | 826,643 | | | | 826,643 |
| Deferred tax liability | | 547,017 | - | - | - | 547,017 |
| Fixed income liabilities | | 3,981,591 | - | - | - | 3,981,591 |
| Borrowings | | 2,182,289 | - | - | - | 2,182,289 |
| **Total liabilities** | | **81,454,599** | - | - | - | **81,454,599** |
| | | | | | | |
| **Equity** | | | | | | |
| Issued share capital | | 3,465,102 | - | - | - | 3,465,102 |
| Share premium | | 2,824,389 | - | - | - | 2,824,389 |
| Revaluation reserves | | 1,802,662 | - | - | - | 1,802,662 |
| Available-for-sale reserve | (h)(vi) | (13,072,413) | 12,045,530 | 1,026,883 | - | - |
| Fair value reserve | (h)(viii) | - | (1,317,433) | 943,737 | 38,773 | (334,922) |
| Exchange gains reserve | | 145,640 | - | - | - | 145,640 |
| Statutory reserve | | 116,458 | - | - | - | 116,458 |
| Contingency reserve | | 5,182,190 | - | - | - | 5,182,190 |
| Retained earnings | (h)(vii) | 10,083,426 | (10,728,097) | - | (96,368) | (741,038) |
| **Shareholders' funds** | | **10,547,456** | - | **1,970,620** | **(57,594)** | **12,460,483** |
| Non controlling interest | (h)(ix) | 411,073 | | - | (14,811) | 396,262 |
| **Total equity of the group** | | **10,958,529** | - | **1,970,620** | **(72,405)** | **12,856,745** |
| | | | | | | |
| **Total liabilities and equity** | | **92,413,127** | - | **1,970,620** | **(72,405)** | **94,311,343** |

# Statement Of Financial Position

as at January 1 2018

**Company**

| *In thousands of naira* | Notes | IAS 39 | Reclassification | Transition Adjustment | Impact of impairment (ECL) | IFRS 9 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | | 3,949,642 | - | - | - | 3,949,642 |
| Financial assets - AFS | (h)(i) | 65,929,973 | (65,929,973) | - | - | - |
| Financial assets - Loans and receivables | (h)(ii) | 2,040,465 | (2,040,465) | | | |
| Financial assets - Amortized cost | (h)(iii) | - | 6,573,130 | 1,026,883 | (17,010) | 7,583,003 |
| Financial assets - FVTPL | (h)(iv) | - | 45,432,181 | - | - | 45,432,181 |
| Financial assets - FVOCI | (h)(v) | - | 15,965,127 | 943,737 | - | 16,908,864 |
| Trade receivable | | 59,106 | - | - | - | 59,106 |
| Reinsurance assets | | 3,644,489 | - | - | - | 3,644,489 |
| Deferred acquisition cost | | 334,935 | - | - | - | 334,935 |
| Other receivables and prepayments | | 391,384 | - | - | - | 391,384 |
| Investment in subsidiaries | | 2,308,690 | - | - | - | 2,308,690 |
| Investment property | | 582,000 | - | - | - | 581,999.56 |
| Goodwill and other intangible assets | | 1,032,242 | - | - | - | 1,032,242 |
| Property and equipment | | 6,220,962 | - | - | - | 6,220,962 |
| Statutory deposit | | 530,000 | - | - | - | 530,000 |
| **Total assets** | | **87,023,887** | - | **1,970,620** | **(17,010)** | **88,977,495** |
| | | | | | | |
| **Liabilities and equity** | | | | | | |
| **Liabilities** | | | | | | |
| Insurance contract liabilities | | 59,766,360 | - | - | - | 59,766,360 |
| Investment contract liabilities | | 10,909,624 | - | - | - | 10,909,624 |
| Trade payables | | 1,711,219 | - | - | - | 1,711,219 |
| Other payables and accruals | | 1,187,974 | - | - | - | 1,187,974 |
| Current tax payable | | 426,920 | - | - | - | 426,920 |
| Deferred tax liability | | 517,268 | - | - | - | 517,268 |
| Borrowings | | 2,182,289 | - | - | - | 2,182,289 |
| **Total liabilities** | | **76,701,654** | - | - | - | **76,701,654** |
| | | | | | | |
| **Equity** | | | | | | |
| Issued share capital | | 3,465,102 | - | - | - | 3,465,102 |
| Share premium | | 2,824,389 | - | - | - | 2,824,389 |
| Revaluation reserves | | 1,802,662 | - | - | - | 1,802,662 |
| Available-for-sale reserve | (h)(vi) | (13,092,408) | 12,065,525 | 1,026,883 | - | - |
| Fair value reserve | (h)(viii) | - | (1,337,428) | 943,737 | 35,831 | (357,859) |
| Exchange gains reserve | | 145,640 | - | - | - | 145,640 |
| Contingency reserve | | 5,182,190 | - | - | - | 5,182,190 |
| Retained earnings | (h)(vii) | 9,994,656 | (10,728,097) | - | (52,841) | (786,282) |
| **Shareholders' funds** | | **10,322,233** | - | **1,970,620** | **(17,010)** | **12,275,841** |
| | | | | | | |
| **Total liabilities and equity** | | **87,023,887** | - | **1,970,620** | **(17,010)** | **88,977,495** |

(h) The movement and impact on transition to IFRS 9 on the assets, reserves and retained earnings is as follows:

| | | Group | Company |
|---|---|---|---|
| | | N'000 | N'000 |
| **(i)** | **Available for sale (AFS)** | | |
| | Closing balance under IAS 39 (31 December 2017) | 71,530,090 | 65,929,975 |
| | Reclassification to amortized cost | (5,590,620) | (4,532,665) |
| | Reclassification to FVTPL | (45,432,183) | (45,432,183) |
| | Reclassification to FVOCI | (20,507,287) | (15,965,127) |
| | **Restated balance at 1 January 2018** | - | - |
| **(ii)** | **Loans and receivables** | | |
| | Closing balance under IAS 39 (31 December 2017) | 2,105,523 | 2,040,465 |
| | Reclassification to amortized cost | (2,105,523) | (2,040,465) |
| | **Restated balance at 1 January 2018** | - | - |
| **(iii)** | **Amortized Cost (AC)** | | |
| | Closing balance under IAS 39 (31 December 2017) | - | - |
| | Reclassification from available for sale | 5,590,620 | 4,532,665 |
| | Reclassification from loans and receivables | 2,105,523 | 2,040,465 |
| | Remeasurement on transition to IFRS 9 | 1,026,883 | 1,026,883 |
| | Impairment assessment | (72,405) | (17,010) |
| | **Restated balance at 1 January 2018** | **8,650,621** | **7,583,003** |
| **(iv)** | **Fair value through profit or loss (FVTPL)** | | |
| | Closing balance under IAS 39 (31 December 2017) | - | - |
| | Reclassification from available for sale | 45,432,183 | 45,432,183 |
| | Remeasurement on transition to IFRS 9 | - | - |
| | **Restated balance at 1 January 2018** | **45,432,183** | **45,432,183** |
| **(v)** | **Fair value through other comprehensive income (FVOCI)** | | |
| | Closing balance under IAS 39 (31 December 2017) | - | - |
| | Reclassification from available for sale | 20,507,287 | 15,965,127 |
| | Remeasurement on transition to IFRS 9 | 943,737 | 943,737 |
| | **Restated balance at 1 January 2018** | **21,451,025** | **16,908,864** |
| **(vi)** | **Available-for-sale reserve** | | |
| | Closing balance under IAS 39 (31 December 2017) | (13,072,413) | (13,092,408) |
| | Reclassification of financial assets (debt) from available-for-sale to amortised cost | 1,026,883 | 1,026,883 |
| | Reclassification of financial assets (debt) from available-for-sale to FVTPL (see note 24 (d)) | 10,728,097 | 10,728,097 |
| | Reclassification to fair value reserves | 1,317,433 | 1,337,428 |
| | **Restated balance at 1 January 2018** | - | - |
| **(vii)** | **Retained earnings (see note 24 (i))** | | |
| | Closing balance under IAS 39 (31 December 2017) | 10,083,426 | 9,994,656 |
| | Transition adjustment of AFS reserves for debt instrument reclassified from available-for-sale to FVTPL (see note 24 (i)) | (10,728,097) | (10,728,097) |
| | Recognition of IFRS 9 expected credit lossess impairment on financial assets measured at FVOCI and amortized cost | (96,368) | (52,841) |
| | **Restated balance at 1 January 2018** | **(741,035)** | **(786,282)** |

| | | Group | Company |
|---|---|---|---|
| | | N'000 | N'000 |
| (viii) | **Fair value reserve** | | |
| | Closing balance under IAS 39 (31 December 2017) | - | - |
| | Reclassification to fair value reserves | (1,317,433) | (1,337,428) |
| | Recognition of IFRS 9 expected credit lossess impairment on financial assets | 38,773 | 35,831 |
| | Recognition of fair value gains on unquoted equity instruments previously measured at cost (see note 24 (e)) | 943,737 | 943,737 |
| | **Restated balance at 1 January 2018** | **(334,924)** | **(357,860)** |
| | **Total change in equity due to adopting IFRS 9** | **1,913,028** | **1,953,610** |
| (ix) | **Non controlling interest** | | |
| | Closing balance under IAS 39 (31 December 2017) | 411,073 | - |
| | Recognition of IFRS 9 expected credit lossess impairment on financial assets | (14,811) | - |
| | **Restated balance at 1 January 2018** | **396,262** | - |

The following table reconciles the aggregate opening allowance for impairment under IAS 39-Financial instruments to the ECL allowances under IFRS 9.

**Group**

| | Allowance for impairment under IAS 39 at 31 December 2017 | Re-measurement | Allowance for impairment under IFRS 9 at 1 January 2018 |
|---|---|---|---|
| | N'000 | N'000 | N'000 |
| ***Impairment allowance for:*** | | | |
| **Loans and receivables (IAS 39) / Financial assets at amortised cost (IFRS 9)** | | | |
| Financial Asset: Loans to Policy holders | - | - | - |
| Financial Asset: Other loans (Staff loans) | - | - | - |
| Finance lease receivables | - | - | - |
| Other receivables | - | - | - |
| **Available for sale financial instruments (IAS 39) / Financial assets at amortised cost (IFRS 9)** | | | |
| Debt securities at amortised cost | - | 72,405 | 72,405 |
| **Available for sale financial instruments (IAS 39) / Financial assets at FVOCI (IFRS 9)** | | | |
| Debt securities at FVOCI | - | 38,773 | 38,773 |
| **Total** | - | **111,178** | **111,178** |

**Company**

| | Allowance for impairment under IAS 39 at 31 December 2017 | Re-measurement | impairment under IFRS 9 at 1 January 2018 |
|---|---|---|---|
| | N'000 | N'000 | N'000 |
| ***Impairment allowance for:*** | | | |
| **Loans and receivables (IAS 39) / Financial assets at amortised cost (IFRS 9)** | | | |
| Financial Asset: Loans to Policy holders | - | - | - |
| Financial Asset: Other loans (Staff loans) | - | - | - |
| Statutory Deposit | - | - | - |
| **Available for sale financial instruments (IAS 39) / Financial assets at amortised cost (IFRS 9)** | | | |
| Debt securities at amortised cost | - | 17,010 | 17,010 |
| **Available for sale financial instruments (IAS 39) / Financial assets at FVOCI (IFRS 9)** | | | |
| Debt securities at FVOCI | - | 35,831 | 35,831 |
| **Total** | - | **52,841** | **52,841** |
| **Total** | - | **52,841** | **52,841** |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

## 7 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Cash at hand and bank | 3,820,418 | 3,210,604 | 3,357,474 | 2,759,848 |
| Short-term deposits | 1,504,322 | 1,988,781 | 1,162,479 | 1,189,794 |
| | 5,324,739 | 5,199,385 | 4,519,953 | 3,949,642 |

(a) Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company. The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

## 8 Financial assets

| | Group | | Company | |
|---|---|---|---|---|
| In thousands of naira | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Amortized Cost (see note (a) below) | 26,462,624 | - | 24,543,358 | - |
| Fair value through other comprehensive income (see note (b) below) | 19,539,290 | - | 8,975,760 | - |
| Fair value through profit or loss (see note (c) below) | 43,238,516 | - | 43,238,516 | - |
| Available-for-sale financial assets (see note (e) below) | - | 71,530,090 | - | 65,929,973 |
| Loans and receivables (see note (f) below) | - | 2,105,522 | - | 2,040,465 |
| | 89,240,430 | 73,635,612 | 76,757,634 | 67,970,438 |

### (a) Amortized cost financial asset

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Federal government bonds | 20,972,723 | - | 20,829,670 | - |
| Treasury bills | 3,177,665 | - | 1,552,184 | - |
| | 24,150,389 | | 22,381,854 | |
| Impairment of bonds (see (i) below) | (14,130) | - | (13,560) | - |
| Impairment of treasury bills (see (i) below) | (463) | - | - | - |
| | (14,593) | - | (13,560) | - |
| Total debt instrument less impairment | 24,135,796 | - | 22,368,294 | - |
| Loans to policyholders (see note (e )(i)) | 1,707,638 | - | 1,707,638 | - |
| Staff loans | 435,773 | - | 284,009 | - |
| Agent loans | 122,290 | - | 122,290 | - |
| Other loans | 61,126 | - | 61,126 | - |
| Impairment of loans (see (i) below) | - | - | - | - |
| | 26,462,624 | - | 24,543,358 | - |

(i) Movement in impairment allowance during the year is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| At 1 January | 18,222 | - | 17,010 | - |
| Charge for the year | (179) | - | - | - |
| Recoveries | (3,450) | - | (3,450) | - |
| At 31 December | 14,593 | - | 13,560 | - |

(ii) Movement in amortized cost portfolio is as follows;

| | Group | | Company | |
|---|---|---|---|---|
| | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Reclassification from available for sale at 1 January | 5,590,620 | - | 4,532,665 | - |
| Reclassification from loans and receivables at 1 January | 2,105,523 | - | 2,040,465 | - |
| Remeasurement impact of IFRS 9 at 1 January 2018 | 1,026,883 | - | 1,026,883 | - |
| Additions during the year | 17,256,718 | - | 16,484,536 | - |
| Disposals | - | - | - | - |
| Accrued interest | 497,472 | - | 472,369 | - |
| Impairment (ECL) | (14,593) | - | (13,560) | - |
| | 26,462,624 | - | 24,543,358 | - |

**(b) Financial assets classified at fair value through other comprehensive income**

| | Group | | Company | |
|---|---|---|---|---|
| | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Federal Government bonds | 2,048,545 | - | 715,920 | - |
| Corporate bonds | 328,936 | - | 328,936 | - |
| Treasury bills | 12,576,800 | - | 3,650,410 | - |
| Equities (see note (i) below) | 4,585,008 | - | 4,280,494 | - |
| | 19,539,290 | - | 8,975,760 | - |

**(i) Financial assets designated at fair value through other comprehensive income**

At 1 January 2018, the Group designated the investments shown below at FVOCI because these equity investments represent those that the Group intends to hold for the long term for strategic purposes. In 2017, these investments were classified as available for sale (see Note 8(a)).

No strategic investments were disposed off during the year and there were no transfers of any cumulative gain or loss within equity relating to these investment.

| | Group | | Company | |
|---|---|---|---|---|
| | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Quoted equities | 2,663,836 | - | 2,359,322 | - |
| Unquoted equities | 1,921,172 | - | 1,921,172 | - |
| | 4,585,008 | | 4,280,494 | |

(ii) Movement in financial asset classified as fair value through other comprehensive income (FVTOCI) is as follows;

| | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
|---|---|---|---|---|
| Reclassification from available for sale at 1 January | 20,507,287 | - | 15,965,127 | - |
| Remeasurement impact of IFRS 9 at 1 January 2018 | 943,737 | - | 943,737 | - |
| Additions during the year | 14,499,471 | - | 3,843,725 | - |
| Disposals | (15,879,891) | - | (11,285,939) | - |
| Accrued interest | 277,611 | - | 104,151 | - |
| Fair value loss during the year | (808,925) | - | (595,041) | - |
| Impairment (ECL) | - | - | - | - |
| | 19,539,290 | - | 8,975,760 | - |

**(c) Financial assets classified at fair value through profit or loss**

| | Group | | Company | |
|---|---|---|---|---|
| | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Federal Government bonds | 15,398,889 | - | 15,398,889 | - |
| State Government bonds | 562,541 | - | 562,541 | - |
| Corporate bonds | 845,286 | - | 845,286 | - |
| Treasury bills | 26,431,800 | | 26,431,800 | - |
| | 43,238,516 | - | 43,238,516 | - |

(i) Movement in financial asset classified as fair value through profit or loss (FVTPL) is as follows;

| | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
|---|---|---|---|---|
| Reclassification from available for sale at 1 January | 45,432,183 | - | 45,432,183 | - |
| Additions during the year | 53,449,347 | - | 53,449,347 | - |
| Disposals during the year | (54,210,214) | - | (54,210,214) | - |
| Accrued interest | 1,064,843 | - | 1,064,843 | - |
| Fair value loss during the year | (2,497,642) | - | (2,497,642) | - |
| | 43,238,517 | - | 43,238,517 | - |

(d) The maturity range of the debt instruments being held by the Group are listed below;

(i) The FGN Bonds have maturities ranging from 2019-2037 and are held to meet the long tenured nature of the Group's annuity portfolio. The interest rate on these bonds ranges between 7%-16%

(ii) State bonds have maturities ranging from 2020-2022. The interest rate on these bonds ranges from 13.5%-17%

(iii) Corporate bonds have maturities ranging from 2021-2024. The interest rate 11% - 18%

(iv) The treasury bills listed above have maturities ranging between 91-365 days with interest rates between 12% and 15%.

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**(e) Available-for-sale financial assets**

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Quoted equity securities measured at fair value | - | 2,416,947 | - | 2,326,435 |
| Unquoted equity securities measured at cost (see (i) below) | - | 553,385 | - | 553,385 |
| Unquoted equity securities measured at fair value | - | 202,619 | - | 202,619 |
| Money market placements (see (ii) below) | - | 100,000 | - | - |
| Federal Government bonds | - | 56,330,196 | - | 51,764,709 |
| State Government bonds | - | 657,996 | - | 657,996 |
| Corporate bonds | - | 1,303,933 | - | 1,303,933 |
| Treasury bills | - | 9,965,015 | - | 9,120,897 |
| | - | 71,530,090 | - | 65,929,973 |

**(f) Loans and receivables**

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Loans to policy holders (see note (i) below) | - | 1,639,600 | - | 1,639,600 |
| Finance lease receivables | - | 2,270 | - | 2,270 |
| Other loans (see note (iii) below) | - | 463,653 | - | 398,595 |
| | - | 2,105,523 | - | 2,040,465 |
| Less allowance for impairment (see note (ii) below) | - | - | - | |
| | - | 2,105,523 | - | 2,040,465 |

**(i) Policy loans**

The Group granted loans to policyholders in line with the insurance policy provisions (terms and conditions). The maximum loan amount that could be granted to policyholders is 90% of the policy cash value. The cash value (worth of the policy as determined by the actuary) is the cash amount due to policyholders upon surrender of the insurance contract as at the date of determination and it is used as collateral on policy cash loan granted.

The tenor of the loan is within the policy duration and such policy must be in force and must have acquired cash value before loan application can be considered. A pre-determined interest rate (compounded daily) is applied on the loan. The rate is currently 12% per annum and it is reviewed periodically.

The rate is determined after due consideration on the interest rate used by the actuary for premium benefit calculation, allowance for documentation and other expenses on the policy, margin for contingencies and profit loadings. Policy loans are not impaired as balances are set-off against benefits accruable to the policyholders.

**(ii) Impairment allowance**

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Balance at 1 January | - | 54,158 | - | 54,158 |
| Charge for the year | - | - | - | - |
| Recoveries | - | (12,007) | | (12,007) |
| Write-offs | - | (42,151) | | (42,151) |
| Balance at 31 December | - | - | - | - |

(iii) Other loans relates to various staff and agent loans.

**9 Trade receivables**

(a) Trade receivables comprise:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Due from brokers (see (i) below) | 131,841 | 59,106 | 131,841 | 59,106 |
| Due from direct clients (see note (ii) below) | 327,649 | 244,259 | - | - |
| | 459,490 | 303,365 | 131,841 | 59,106 |
| Impairment on trade receivables (see note (iii) below) | (42,387) | (2,193) | - | - |
| | 417,103 | 301,172 | 131,841 | 59,106 |

(i) The age analysis of due from brokers as at year end is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| 0 - 30 days | 364,682 | 222,680 | 131,841 | 59,106 |
| 31days and above | 52,421 | 78,492 | - | - |
| | 417,103 | 301,172 | 131,841 | 59,106 |

(ii) Due from direct clients relates to fees receivables.

(iii) The movement in impairment allowance during the year is shown below;

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| At 1 January | 2,193 | - | - | - |
| ECL assessment at 1 January | 50,806 | | | |
| Charge for the year | 802 | 2,193 | - | - |
| Recoveries | (11,413) | - | - | - |
| | 42,387 | 2,193 | - | - |

**10 Reinsurance assets**

Reinsurance assets is analyzed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Prepaid reinsurance (see note (a) below) | 1,327,775 | 1,041,001 | 1,327,775 | 1,041,001 |
| Recoverable on outstanding claims (see note (b) below | 2,809,196 | 1,942,834 | 2,809,196 | 1,942,834 |
| Recoveries on Claims paid (see note (c) below) | 549,058 | 660,654 | 549,058 | 660,654 |
| | 4,686,029 | 3,644,489 | 4,686,029 | 3,644,489 |

(i) The breakdown of life reinsurance assets is as follows;

| | Group | | Company | |
|---|---|---|---|---|
| in thousands of naira | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Prepaid reinsurance | 95,386 | 35,419 | 95,386 | 35,419 |
| Recoverable on outstanding claims | 615,326 | 219,331 | 615,326 | 219,331 |
| Recoveries on Claims paid | 105,515 | 49,156 | 105,515 | 49,156 |
| | 816,227 | 303,906 | 816,227 | 303,906 |

(ii) The breakdown of non life reinsurance assets is as follows;

| | Group | | Company | |
|---|---|---|---|---|
| *in thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Prepaid reinsurance | 1,232,389 | 1,005,582 | 1,232,389 | 1,005,582 |
| Recoverable on outstanding claims | 2,193,870 | 1,723,503 | 2,193,870 | 1,723,503 |
| Recoveries on Claims paid | 443,543 | 611,498 | 443,543 | 611,498 |
| | 3,869,802 | 3,340,583 | 3,869,802 | 3,340,583 |

(a) The movement in prepaid reinsurance is as follows;

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Balance at 1 January | 1,041,001 | 950,482 | 1,041,001 | 950,482 |
| Additions during the year | 5,467,999 | 3,881,350 | 5,467,999 | 3,881,350 |
| Reinsurance expense in the year (see note 25(c)) | (5,181,225) | (3,790,831) | (5,181,225) | (3,790,831) |
| Balance at 31 December | 1,327,775 | 1,041,001 | 1,327,775 | 1,041,001 |

(b) The movement in reinsurance on outstanding claims is as follows;

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Balance at 1 January | 1,942,834 | 1,370,908 | 1,942,834 | 1,370,908 |
| Changes during the year | 866,362 | 571,926 | 866,362 | 571,926 |
| Balance at 31 December | 2,809,196 | 1,942,834 | 2,809,196 | 1,942,834 |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

(c) The movement in recoveries on claims paid is as follows;

| *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| Balance at 1 January | 660,654 | 495,113 | 660,654 | 495,113 |
| Changes during the year | (111,596) | 165,541 | (111,596) | 165,541 |
| Balance at 31 December | 549,058 | 660,654 | 549,058 | 660,654 |

## 11 Deferred acqusition cost

The analysis of deferred acquisition costs (DAC), which represents commission paid during the year on unearned premium received among different classes of business is shown below:

| *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| Fire | 116,497 | 83,733 | 116,497 | 83,733 |
| Motor | 158,437 | 113,878 | 158,437 | 113,878 |
| Workmen Compensation | 18,640 | 13,397 | 18,640 | 13,397 |
| Marine | 69,899 | 50,240 | 69,899 | 50,240 |
| Personal accident | 32,619 | 23,445 | 32,619 | 23,445 |
| Casualty accident | 46,599 | 33,494 | 46,599 | 33,494 |
| Oil and Gas | 23,300 | 16,747 | 23,300 | 16,747 |
| | 465,991 | 334,935 | 465,991 | 334,935 |
| The movement in deferred acquisition costs is as follows: | | | | |
| Balance at 1 January | 334,935 | 285,232 | 334,935 | 285,232 |
| Acquisition during the year | 3,940,843 | 2,721,070 | 3,856,499 | 2,623,316 |
| Amortization for the year (see note 28(b)) | (3,809,787) | (2,671,368) | (3,725,443) | (2,573,613) |
| Balance at 31 December | 465,991 | 334,935 | 465,991 | 334,935 |

## 12 Other receivables and prepayments

| *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| Prepaid expenses (see note (i) below) | 415,101 | 239,391 | 292,154 | 156,246 |
| Prepaid minimum deposit | 55,743 | 28,320 | 55,743 | 28,320 |
| Receivable from agents | 21,610 | 13,613 | 21,610 | 13,613 |
| Subscription for Shares (see note (ii) below | - | - | - | 156,480 |
| Other receivables | 88,164 | 173,579 | 38,921 | 36,724 |
| | 580,618 | 454,902 | 408,428 | 391,384 |

(i) Prepaid expenses relate to rent and other expenses.

(ii) The right issue subscription in AIICO Multishield Ltd was concluded during the year and reclassified as investment in subsidiaries. See note 14 (c) (i).

The carrying amount of other receivables approximate their fair value.

## 13 Income taxes

**(a) Current income tax liability**

The movement in current tax payable can be analyzed as follows:

| *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| Balance at 1 January | 826,643 | 623,761 | 426,920 | 572,512 |
| Back duty (see note (b)(iii) below) | - | 28,516 | - | 28,516 |
| Charge for the year (see note (b) (iii) below) | 357,462 | 905,296 | 391,536 | 446,941 |
| Payments made during the year | (593,129) | (730,931) | (311,215) | (621,049) |
| Balance at 31 December | 590,976 | 826,643 | 507,241 | 426,920 |

**(b) Amounts recognised in profit or loss**
**(i) Current tax expense**

| *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| Minimum tax (see note (iii) below) | 24,594 | 45,044 | 24,594 | 45,044 |
| | 24,594 | 45,044 | 24,594 | 45,044 |

| **(ii) Income tax** | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| Company income tax** | 265,447 | 791,103 | 312,852 | 355,014 |
| Tertiary tax | 29,863 | 27,288 | 23,036 | 17,924 |
| NITDA levy | 37,558 | 41,861 | 31,054 | 28,959 |
| | 332,868 | 860,252 | 366,942 | 401,897 |
| Back duty | - | 28,516 | - | 28,516 |
| | 332,868 | 888,768 | 366,942 | 430,413 |
| **Deferred tax expense** | | | | |
| Origination of temporary differences | 147,887 | 823,400 | 131,636 | 978,114 |
| Changes in recognised deductible temporary differences | 161,068 | - | (161,068) | - |
| | (13,181) | 823,400 | (29,432) | 978,114 |
| **Total income taxes** | 319,687 | 1,712,168 | 337,510 | 1,408,527 |

**(iii) Current tax expense**

| *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| Minimum tax (see note (i) above) | 24,594 | 45,044 | 24,594 | 45,044 |
| Corporate tax (see note (ii) above) | 332,868 | 860,252 | 366,942 | 401,897 |
| | 357,462 | 905,296 | 391,537 | 446,941 |
| Back duty (see note (ii) above) | - | 28,516 | - | 28,516 |
| **Current tax expense** | **357,462** | **933,813** | **391,537** | **475,458** |

* The life business of the Company was assessed to minimum tax using section 16 of the Company Income Tax Act (CITA) as there was no taxable profit.

** The non-life business of the Company was assessed using section 16 of CITA which provides for 30% of the taxable profit.

The Directors believe that accruals for tax liabilities are adequate for all open tax years based on its assessment of relevant factors, including the interpretations of tax law and tax practices in the determination of obligation for income taxes

(c) **Amounts recognised in OCI**
**Group**

| *In thousands of naira* | Dec-18 Before tax | Dec-18 Tax (expense) | Dec-18 Net of tax |
|---|---|---|---|
| Exchange gains on fair value financial assets (see note 24(f)) | 1,803 | - | 1,803 |
| Fair value loss on fair value financial assets (see note24 (e)) | (808,923) | - | (808,923) |
| Balance at 31 December | (807,121) | - | (807,121) |

**Company**

| *In thousands of naira* | Dec-18 Before tax | Dec-18 Tax (expense) | Dec-18 Net of tax |
|---|---|---|---|
| Exchange gains on fair value financial assets (see note 24(f)) | 1,803 | - | 1,803 |
| Fair value loss on fair value financial assets (see note24 (e)) | (595,042) | - | (595,042) |
| Balance at 31 December | (593,239) | - | (593,239) |

# Notes To The Financial Statements
For The Year Ended 31 December 2018

**Group**

| | | Dec-17 | |
|---|---|---|---|
| *In thousands of naira* | Before tax | Tax (expense) | Net of tax |
| Exchange gains on fair value financial assets (see note 24(f)) | (448,287) | (3,050) | (451,337) |
| Fair value gain on fair value financial assets (see note24 (e)) | 993,044 | - | 993,044 |
| Revaluation gain on PPE (see note 24 (c)) | 829,936 | (248,981) | 580,955 |
| Balance at 31 December | 1,374,693 | (252,031) | 1,122,662 |

**Company**

| | | Dec-17 | |
|---|---|---|---|
| *In thousands of naira* | Before tax | Tax (expense) | Net of tax |
| Exchange gains on fair value financial assets (see note 24(f)) | (448,287) | (3,050) | (451,337) |
| Fair value loss on fair value financial assets (see note24 (e)) | 927,023 | - | 927,023 |
| Revaluation gain on PPE (see note 24 (c)) | 829,936 | (248,981) | 580,955 |
| Balance at 31 December | 1,308,672 | (252,031) | 1,056,640 |

(d) **Reconciliation of effective tax rate**

**Group**

| *In thousands of naira* | 2018 | 2018 | 2017 | 2017 |
|---|---|---|---|---|
| Profit from continuing operations | | 3,495,871 | | 3,040,489 |
| Tax using domestic tax rate | 30% | 1,048,761 | 30% | 912,147 |
| Non deductible expenses | 21% | 749,896 | 16% | 481,117 |
| Tax exempt income | -98% | (3,408,621) | -148% | (4,503,299) |
| Current year losses for which no deferred tax asset is recognised | 57% | 2,007,028 | 113% | 3,425,953 |
| Net derecognition of previously recognised deferred tax | -5% | (161,068) | 32% | 978,114 |
| Income tax | 0% | - | 11% | 323,024 |
| Origination and reversal of temporary differences | 4% | 131,636 | 0% | - |
| Tertiary education tax | 1% | 29,863 | 1% | 27,288 |
| Information technology levy | 1% | 37,558 | 1% | 39,309 |
| Minimum tax | 1% | 24,594 | 1% | 45,044 |
| Changes in estimate related to prior year | -3% | (115,365) | 1% | 28,516 |
| | 10% | 344,281 | 58% | 1,757,212 |

**Company**

| *In thousands of naira* | 2018 | 2018 | 2017 | 2017 |
|---|---|---|---|---|
| Profit from continuing operations | | 2,966,516 | | 2,924,825 |
| Tax using domestic tax rate | 30% | 889,955 | 30% | 877,448 |
| Non deductible expenses | 25% | 734,653 | 16% | 459,227 |
| Tax exempt income | -112% | (3,318,782) | -151% | (4,407,613) |
| Current year losses for which no deferred tax asset is recognised | 68% | 2,007,028 | 117% | 3,425,953 |
| Derecognition of previously recognised deferred tax | -5% | (161,068) | 33% | 978,114 |
| Origination of temporary differences | 4% | 131,636 | 0% | - |
| Tertiary education tax | 1% | 23,036 | 1% | 17,924 |
| Information technology levy | 1% | 31,054 | 1% | 28,959 |
| Minimum tax | 1% | 24,594 | 2% | 45,044 |
| Changes in estimate related to prior year | 0% | - | 1% | 28,516 |
| | 12% | 362,104 | 50% | 1,453,571 |

(d) **Movement in deferred tax balances**

**2018**

**Group**

| *In thousands of naira* | Net balance at 1 January | Recognised in profit or loss | Recognised in OCI | Balance at 31 December: Net | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|
| Gratuity payable | 47,045 | (47,045) | - | - | - | - |
| Property and Equipment | (577,361) | 50,969 | - | (526,392) | 5,711 | (532,103) |
| Unrelieved losses | 152,572 | (7,628) | - | 144,944 | 145,483 | (539) |
| Investment property | (5,586) | 4,393 | - | (1,193) | - | (1,193) |
| Unrealised exchange gain on financial assets | (6,680) | 4,865 | - | (1,815) | (1,815) | - |
| | **(390,010)** | **5,554** | - | **(384,456)** | **149,379** | **(533,836)** |

**2018**

**Company**

| *In thousands of naira* | Net balance at 1 January | Recognised in profit or loss | Recognised in OCI | Balance at 31 December: Net | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|
| Gratuity payable | 47,045 | (47,045) | - | - | - | - |
| Property and equipment | (553,862) | 67,220 | - | (486,642) | - | (486,642) |
| Unrelieved losses | - | - | - | - | - | - |
| Investment property | (5,586) | 4,393 | - | (1,193) | - | (1,193) |
| Unrealised exchange gain on financial assets | (4,865) | 4,865 | - | - | - | - |
| | **(517,268)** | **29,433** | - | **(487,835)** | - | **(487,836)** |

**2017**

**Group**

| *In thousands of naira* | Net balance at 1 January | Recognised in profit or loss | Recognised in OCI | Balance at 31 December: Net | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|
| Gratuity payable | 126,123 | (79,078) | - | 47,045 | - | 47,045 |
| Property and equipment | (251,244) | (77,136) | (248,981) | (577,361) | 5,711 | (583,072) |
| Unrelieved losses | 1,062,438 | (808,583) | - | 152,572 | 153,111 | (539) |
| Investment property | (5,586) | - | - | (5,586) | - | (5,586) |
| Unrealised exchange gain on financial assets | (113,462) | 111,648 | (3,050) | (6,680) | (1,815) | (4,865) |
| | **818,269** | **(853,149)** | **(252,031)** | **(390,010)** | **157,008** | **(547,017)** |

**2017**

**Company**

| *In thousands of naira* | Net balance at 1 January | Recognised in profit or loss | Recognised in OCI | Balance at 31 December: Net | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|
| Gratuity payable | 126,123 | (79,078) | - | 47,045 | - | 47,045 |
| Property and equipment | (257,495) | (47,386) | (248,981) | (553,862) | - | (553,862) |
| Unrelieved losses | 963,297 | (963,297) | - | - | - | - |
| Investment property | (5,586) | - | - | (5,586) | - | (5,586) |
| Unrealised exchange gain on financial assets | (113,463) | 111,648 | (3,050) | (4,865) | - | (4,865) |
| | **712,876** | **(978,113)** | **(252,031)** | **(517,268)** | - | **(517,268)** |

(f) **Unrecognised deferred tax on unrelieved losses**

| *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| Unrecognised deferred tax | 4,944,452 | 6,615,833 | 4,944,452 | 6,615,833 |
| | 4,944,452 | 6,615,833 | 4,944,452 | 6,615,833 |

This represents the deferred tax on unrelieved losses on the life business.
The Group did not recognise this amount as it is of the view that it may not be probable to have taxable profits against which the tax assets can be utilised, due to the four-year tax lapse period for unrelieved losses for insurance companies in Nigeria.

# Notes To The Financial Statements
For The Year Ended 31 December 2018

**14 Investment in subsidiaries**

The Group is made up of four entities, as follows:

| | |
|---|---|
| AIICO Insurance PLC | - Parent |
| AIICO Pension Managers Limited | - Subsidiary |
| AIICO Multishield Limited | - Subsidiary |
| AIICO Capital Limited | - Subsidiary |

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| AIICO Pension Managers Limited (see note (b) below) | - | - | 1,365,042 | 1,365,042 |
| AIICO Multishield Limited(see note (c) below) | - | - | 587,317 | 443,648 |
| AIICO Capital Limited see note (d) below) | - | - | 500,000 | 500,000 |
| Balance at 31 December | - | - | 2,452,359 | 2,308,690 |

(a) The movement in investment in subsidiaries is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Balance at 1 January | - | - | 2,308,690 | 2,308,690 |
| Additions during the year | - | - | 143,669 | - |
| Balance at 31 December | - | - | 2,452,359 | 2,308,690 |

(b) **AIICO Pension Managers Limited**

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Balance at 1 January | - | - | 1,365,042 | 1,365,042 |
| Additions | - | - | - | - |
| Disposal | | | - | - |
| Balance at 31 December | - | - | 1,365,042 | 1,365,042 |

The Company has 70.20% (2017: 70.20%) interest in AIICO Pension Managers Limited. Previously, the percentage holding was recorded as 79.50%, by an addition of 9.30% belonging to a minority shareholder. The Company has evaluated the value of the difference and do not consider it material to restate the Group's comparative figures and hence has made the correction in the current year. (see note (e)(ii) below)

AIICO Pension Managers Limited is involved in Pension Administration Services to private and public sector contributors. AIICO Pension was incorporated as a Limited Liability Company on February 1, 2005 under the Companies and Allied Matters Act, 1990 and licensed as a Pension Fund Administrator by the National Pension Commission on April 13, 2006. AIICO Pension Managers is domiciled in Nigeria and its registered office is at Plot 2 Oba Akran Avenue, Ikeja Lagos.

**(c) AIICO Multishield Limited**

| | Group | | Company | |
|---|---|---|---|---|
| In thousands of naira | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Balance at 1 January | - | - | 443,648 | 443,648 |
| Additions (see note (i) below) | - | - | 143,669 | - |
| Balance at 31 December | - | - | 587,317 | 443,648 |

(i) The analysis of additions during the year is as follows;

| | Group | | Company | |
|---|---|---|---|---|
| | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Balance at 1 January | - | - | - | - |
| Deposit for additional shares (see note (12) above) | - | - | 156,480 | - |
| Amount refunded by investee Company during the year | - | - | (12,811) | - |
| Amount capitalised as additional investment | - | - | 143,669 | - |

(ii) During the year the Company took up part of its rights in the right issue subscription issued by AIICO Multishield. This led to the dilution of the Company's investment in AIICO Multishield from 80.88% in 2017 to 76.10% in 2018. Multishield Limited is involved in health management insurance.

### (d) AIICO Capital Limited

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Balance at 1 January | - | - | 500,000 | 500,000 |
| Additions | - | - | - | - |
| Balance at 31 December | - | - | 500,000 | 500,000 |

This represents the Company's 90% (2017: 99%) investment in AIICO Capital Limited. The dilution in shareholding was as a result of AIICO Capital issuing a sweat capital to a minority shareholder. AIICO Capital is involved in providing portfolio and fund management services.

### (e) Non-controlling interest

| *In thousands of naira* | NCI Percentage Holding | Dec-18 | NCI Percentage Holding | Dec-17 |
|---|---|---|---|---|
| AIICO Pension Managers Limited | 29.8% | 498,177 | 20.5% | 336,383 |
| AIICO Multishield HMO | 23.9% | 130,690 | 19.1% | 74,690 |
| AIICO Capital | 10.0% | 115,692 | 0% | - |
| | | 744,559 | | 411,073 |

(i) The movement in the NCI account during the year is as follows:

| *In thousands of naira* | Dec-18 | Dec-17 |
|---|---|---|
| Balance at 1 January | 411,073 | 361,987 |
| Share of profit | 107,436 | 60,871 |
| Share of other comprehensive income | (21,291) | - |
| Restatement of share of net asset | 152,603 | - |
| NCI share of opening ECL | (14,811) | - |
| Dividend paid | (48,222) | (11,784) |
| Gain on dilution of shareholding | 157,769 | - |
| Balance at 31 December | 744,559 | 411,073 |

### 15 Investment property

(a) The balance in this account can be analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Balance at 1 January | 582,000 | 990,000 | 582,000 | 990,000 |
| Changes in fair value | (27,000) | (3,000) | (27,000) | (3,000) |
| Disposal | - | (405,000) | - | (405,000) |
| Balance at 31 December | **555,000** | 582,000 | **555,000** | **582,000** |

Investment property comprises a number of commercial properties that are leased to third parties.
Changes in fair values are recognised as gains in profit or loss and included in 'other income'. All gains are unrealised.

The items of investment property are valued as shown below:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Safecourt Apartment Towers (6 flats). Ojulari road, off Lekki-Express Way, Lagos | 270,000 | 282,000 | 270,000 | 282,000 |
| 3 Terrace Houses. 36 Ladoke Akintola street, GRA, Ikeja, Lagos | 285,000 | 300,000 | 285,000 | 300,000 |
| | **555,000** | 582,000 | **555,000** | **582,000** |

# Notes To The Financial Statements
For The Year Ended 31 December 2018

(i) **The movement in investment property is as follows;**

**Group**

| | Opening bal | Additions | Disposal | Fair value gain/(loss) | Closing bal |
|---|---|---|---|---|---|
| Safecourt Apartment Towers (6 flats). Ojulari road, off Lekki-Express Way, Lagos | 282,000 | - | - | (12,000) | 270,000 |
| 3 Terrace Houses. 36 Ladoke Akintola street, GRA, Ikeja, Lagos | 300,000 | - | - | (15,000) | 285,000 |
| | **582,000** | - | - | **(27,000)** | **555,000** |

**Company**

| | Opening bal | Additions | Disposal | Fair value gain/(loss) | Closing bal |
|---|---|---|---|---|---|
| Safecourt Apartment Towers (6 flats). Ojulari road, off Lekki-Express Way, Lagos | 282,000 | - | - | (12,000) | 270,000 |
| 3 Terrace Houses. 36 Ladoke Akintola street, GRA, Ikeja, Lagos | 300,000 | - | - | (15,000) | 285,000 |
| | **582,000** | - | - | **(27,000)** | **555,000** |

(ii) **Status of Title**

| Property | Location | Title | Status |
|---|---|---|---|
| Safecourt Apartments | Lekki, Lagos | Deed of Lease | Documents perfected |
| Terrace Houses | Ikeja, Lagos | Deed of Assignment | Undergoing perfection |

**(b) Measurement of fair values**

***(i) Fair value hierarchy***

The fair value of investment properties was determined by an external, independent property valuer, having relevant recognised professional qualifications and recent experience in the location and category of the properties being valued. The independent valuer, Niyi Fatokun & Co. (Estate Surveyors and Valuers, FRC/2013/NIESV/70000000/1217) valued the properties on the basis of open market value as at 31 December 2018.

The fair value measurement for the investment properties of ₦555million (2017: ₦582million) has been categorised as a Level 3 fair value based on the inputs into the valuation technique used.

***(ii) Valuation technique***

The following table shows the valuation technique used in measuring the fair value of investment property.

| Valuation technique |
|---|
| The fair values are determined by applying the direct market evidence comparative method of valuation to derive the open market value. This valuation model reflects the current price on actual transaction for similar properties in the neighbourhood in recent time.<br><br>References were made to prices of land and comparable properties in the neighbourhood. The data obtained were analysed and adjustment was made to reflect differences in site area and the actual location, quality of construction and off-site facilities. |

**16 Goodwill and other intangible assets**

**(a) Reconciliation of carrying amount**

**Group**

| *In thousands of naira* | Goodwill | Computer Software | Total |
|---|---|---|---|
| Balance at 1 January 2018 | 800,863 | 649,385 | 1,450,248 |
| Acquisitions | - | 51,073 | 51,073 |
| Transfer from property and equipment (see note 17) | - | 7,650 | 7,650 |
| Disposals | - | - | - |
| Balance at 31 December 2018 | 800,863 | 708,108 | 1,508,971 |
| **Accumulated amortization and impairment losses** | | | |
| Balance at 1 January 2018 | - | 389,797 | 389,797 |
| Amortization | - | 105,089 | 105,089 |
| Disposals | - | - | - |
| Balance at 31 December 2018 | - | 494,886 | 494,886 |
| **Carrying amounts** | | | |
| Balance at 31 December 2018 | 800,863 | 213,222 | 1,014,085 |

| | Goodwill | Computer Software | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January 2017 | 800,863 | 578,671 | 1,379,534 |
| Acquisitions | - | 58,375 | 58,375 |
| Transfer from property and equipment | - | 12,430 | 12,430 |
| Disposals | - | (92) | (92) |
| Balance at 31 December 2017 | 800,863 | 649,385 | 1,450,248 |
| **Accumulated amortization and impairment losses** | | | |
| Balance at 1 January 2017 | - | 287,503 | 287,503 |
| Amortization | - | 102,294 | 102,294 |
| Disposals | - | - | - |
| Balance at 31 December 2017 | - | 389,797 | 389,797 |
| **Carrying amounts** | | | |
| Balance at 31 December 2017 | 800,863 | 259,588 | 1,060,451 |

**Company**

| *In thousands of naira* | Goodwill | Computer Software | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January 2018 | 800,863 | 470,165 | 1,271,028 |
| Acquisitions | - | 13,753 | 13,753 |
| Transfer from property and equipment (see note 17) | - | 7,650 | 7,650 |
| Disposals | - | - | - |
| Balance at 31 December 2018 | 800,863 | 491,568 | 1,292,431 |
| **Accumulated amortization and impairment losses** | | | |
| Balance at 1 January 2018 | - | 238,786 | 238,786 |
| Amortization | - | 87,739 | 87,739 |
| Disposals | - | - | - |
| Balance at 31 December 2018 | - | 326,525 | 326,525 |
| **Carrying amounts** | | | |
| Balance at 31 December 2018 | 800,863 | 165,043 | 965,906 |
| **Cost** | | | |
| Balance at 1 January 2017 | 800,863 | 428,998 | 1,229,861 |
| Acquisitions | - | 28,828 | 28,828 |
| Transfer from property and equipment | - | 12,430 | 12,430 |
| Disposals | - | (92) | (92) |
| Balance at 31 December 2017 | 800,863 | 470,165 | 1,271,028 |
| **Accumulated amortization and impairment losses** | | | |
| Balance at 1 January 2017 | - | 149,039 | 149,039 |
| Amortization | - | 89,747 | 89,747 |
| Disposals | - | - | - |
| Balance at 31 December 2017 | - | 238,786 | 238,786 |
| **Carrying amounts** | | | |
| Balance at 31 December 2017 | 800,863 | 231,379 | 1,032,242 |

(b) The goodwill arose year ended 2006 from the business combination of the net asset of NFI Insurance Plc and Lamda Insurance Ltd Goodwill has been allocated to the non-life business as a cash generating unit (CGU). The recoverable amount of the non-life business has been determined based on value in use, using equity discounted cash flow projections based on current earnings before interest, tax, depreciation and amortisation (EBITDA) before tax projected over a five year period.

(i) The key assumptions used in the calculations are as follows;

| | Group | | Company | |
|---|---|---|---|---|
| | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| | % | % | % | % |
| Discount rate | 14 | 13 | 14 | 13 |
| Growth rate | 10 | 10 | 10 | 10 |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

Five years of cash flows were included in the discounted cash flow model. A long term growth rate into perpetuity has been assumed along term sustainable growth rate of 10%.

Budgeted EBITDA was based on expectations of future outcomes taking into consideration past experience, devaluation of the naira currency and persistent inflation adjusted for the anticipated revenue growth.

The projected cash flows beyond the five years excluding expenses have been extrapolated using the terminal growth rate not exceeding the long-term average growth rate for the market in which the units operate.

No impairment loss has been recognised in 2018 (2017: nil) on non-life insurance business as no indication of impairment was identified.

**Sensitivity to changes in assumptions**
The key assumptions described above may change as economic and other market condition change, however, with regard to the assessment of value in use for the non-life insurance cash generating unit, management does not believe a reasonably possible change in any of the above key assumptions would cause the carrying value of the units to exceed their recoverable amounts.

## 17 Property and equipment

(a) **Group**

| *In thousands of naira* | Land | Buildings | Capital work in progress | Furniture & equipment | Motor vehicles | Leased motor vehicles | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2018 | 1,519,000 | 3,889,924 | 98,492 | 2,327,492 | 1,026,517 | 89,790 | 8,951,215 |
| Additions | - | - | 578,528 | 243,645 | 240,770 | - | 1,062,943 |
| Disposals | - | - | - | (15,553) | (81,651) | (36,900) | (134,104) |
| Reclassifications | - | 26,344 | (47,808) | 21,464 | - | - | - |
| Reclassification to Intangibles (see note 16) | - | - | (7,650) | - | - | - | (7,650) |
| Write offs | - | - | (23,851) | - | - | - | (23,851) |
| **At 31 December 2018** | **1,519,000** | **3,916,268** | **597,710** | **2,577,049** | **1,185,636** | **52,890** | **9,848,553** |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2018 | - | - | - | 1,653,366 | 722,214 | 62,459 | 2,438,039 |
| Depreciation for the year | - | 77,950 | - | 257,639 | 155,328 | 18,008 | 508,924 |
| Disposals | - | - | - | (14,010) | (72,697) | (36,900) | (123,607) |
| **At 31 December 2018** | - | **77,950** | - | **1,896,995** | **804,845** | **43,567** | **2,823,356** |
| **Net book value** | | | | | | | |
| At 31 December 2018 | **1,519,000** | **3,838,318** | **597,710** | **680,054** | **380,791** | **9,323** | **7,025,197** |

i The Group had no capital commitments as at the reporting date. (2017: Nill)
ii There were no capitalized borrowing costs related to the acquisition of property and equipment as at the reporting date.
iii The Group had no items pledged for borrowing included in property and equipment (2017: Nil)
iv All items of property and equipment are non current.
v Reclassifications are items of major repairs on buildings and purchase of equipments that have been put to full use.
vi There were no impairment losses on any class of property and equipment

| *In thousands of naira* | Land | Buildings | Capital work in progress | Furniture & equipment | Motor vehicles | Leased motor vehicles | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2017 | 1,280,500 | 3,621,160 | 603,783 | 2,133,821 | 996,694 | 104,890 | 8,740,848 |
| Additions | - | - | 168,896 | 98,012 | 131,618 | - | 398,526 |
| Disposals | - | - | - | (24,749) | (101,795) | (15,100) | (141,644) |
| Reclassifications | - | 486,529 | (606,937) | 120,408 | | - | - |
| Reclassification to Intangibles (see note 16) | - | - | (12,430) | - | | - | (12,430) |
| Write off | - | - | (54,820) | | | | (54,820) |
| Revaluation | 238,500 | (217,765) | - | - | | - | 20,735 |
| **At 31 December 2017** | **1,519,000** | **3,889,924** | **98,492** | **2,327,492** | **1,026,517** | **89,790** | **8,951,215** |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2017 | - | 679,655 | - | 1,438,382 | 657,999 | 48,922 | 2,824,958 |
| Depreciation for the year | - | 129,546 | - | 233,253 | 143,735 | 24,435 | 530,969 |
| Disposals | - | - | - | (18,766) | (76,704) | (10,898) | (106,368) |
| Reclasssification | - | - | - | 497 | (2,816) | - | (2,319) |
| Revaluation | - | (809,201) | - | - | | - | (809,201) |
| **At 31 December 2017** | - | - | - | **1,653,366** | **722,214** | **62,459** | **2,438,039** |
| **Net book value** | | | | | | | |
| **At 31 December 2017** | **1,519,000** | **3,889,924** | **98,492** | **674,126** | **304,303** | **27,331** | **6,513,175** |

(b) **Company**

| *In thousands of naira* | Land | Buildings | Capital work in progress | Furniture & equipment | Motor vehicles | Leased motor vehicles | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2018 | 1,519,000 | 3,889,924 | 98,492 | 1,964,494 | 603,303 | 89,790 | 8,165,003 |
| Additions | - | - | 578,528 | 138,318 | 167,095 | - | 883,940 |
| Disposals | - | - | - | (2,705) | (42,911) | (36,900) | (82,516) |
| Reclasifications | - | 26,344 | (47,808) | 21,464 | - | - | 0 |
| Reclassification to Intangibles | - | - | (7,650) | - | - | - | (7,650) |
| Write off | - | - | (23,851) | - | - | - | (23,851) |
| **At 31 December 2018** | **1,519,000** | **3,916,268** | **597,710** | **2,121,572** | **727,487** | **52,890** | **8,934,926** |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2018 | - | - | - | 1,388,918 | 492,664 | 62,459 | 1,944,041 |
| Depreciation for the year | - | 77,950 | - | 200,505 | 73,111 | 18,008 | 369,573 |
| Disposals | - | - | - | (2,649) | (36,246) | (36,900) | (75,795) |
| **At 31 December 2018** | - | **77,950** | - | **1,586,773** | **529,529** | **43,567** | **2,237,819** |
| **Net book value** | | | | | | | |
| **At 31 December 2018** | **1,519,000** | **3,838,318** | **597,710** | **534,799** | **197,957** | **9,323** | **6,697,107** |

i The Company had no capital commitments as at the reporting date. (2017: Nill)
ii There were no capitalized borrowing costs related to the acquisition of property and equipment as at the reporting date.
iii The Company had no items pledged for borrowing included in property and equipment (2017: Nil)
iv All items of property and equipment are non current.
v There were no impairment losses on any class of property and equipment
vi Reclassifications are items of major repairs on buildings and purchase of equipments that have been put to full use.
vii The status of the properties of land and building is as follows;

| Location | Title | Status |
|---|---|---|
| Plot Pc 12 Churchgate street Victoria Island. | Certificate of Occupancy | Perfected |
| Plot 2 Oba Akran Avenue Ikeja. | Deed of Assignment | Perfected |
| 12 Moshood Abiola Way, Liberty road Ibadan. | Receipt of purchase | Acquired via acquisition |

| *In thousands of naira* | Land | Buildings | Capital work in progress | Furniture & equipment | Motor vehicles | Leased motor vehicles | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2017 | 1,280,500 | 3,621,160 | 603,783 | 1,776,942 | 565,763 | 104,890 | 7,953,038 |
| Additions | - | - | 168,896 | 74,675 | 64,625 | - | 308,196 |
| Disposals | - | - | - | (7,531) | (27,085) | (15,100) | (49,716) |
| Reclasifications | - | 486,529 | (606,937) | 120,408 | - | - | - |
| Reclassification to Intangibles | - | - | (12,430) | - | - | - | (12,430) |
| Write off | - | - | (54,820) | - | - | - | (54,820) |
| Revaluation | 238,500 | (217,765) | - | - | - | - | 20,735 |
| **At 31 December 2017** | **1,519,000** | **3,889,924** | **98,492** | **1,964,494** | **603,303** | **89,790** | **8,165,003** |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2017 | - | 679,655 | - | 1,207,374 | 470,165 | 48,922 | 2,406,116 |
| Depreciation for the year | - | 129,546 | - | 182,862 | 52,400 | 24,435 | 389,243 |
| Disposals | - | - | - | (1,815) | (27,085) | (10,898) | (39,798) |
| Reclasifications | - | | | 497 | (2,816) | - | (2,319) |
| Revaluation | - | (809,201) | - | - | - | - | (809,201) |
| **At 31 December 2017** | - | - | - | **1,388,918** | **492,664** | **62,459** | **1,944,041** |
| **Net book value** | | | | | | | |
| **At 31 December 2017** | **1,519,000** | **3,889,924** | **98,492** | **575,577** | **110,639** | **27,331** | **6,220,962** |

## 18 Statutory deposits

This represents the amount deposited with the Central Bank of Nigeria as At 31 December, 2018 in accordance with section 9(1) and section 10(3) of Insurance Act 2003 interest income earned on this deposit is included in the investment income.

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Non life business | 300,000 | 300,000 | 300,000 | 300,000 |
| Life business | 230,000 | 230,000 | 230,000 | 230,000 |
| | **530,000** | **530,000** | **530,000** | **530,000** |

# Notes To The Financial Statements
For The Year Ended 31 December 2018

## 19 Insurance contract liabilities

| *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| Outstanding claims (see note (a) below) | 5,972,487 | 3,300,155 | 5,831,496 | 3,198,798 |
| Claims incurred but not reported (see note (b) below) | 2,650,275 | 2,226,941 | 2,650,275 | 2,226,941 |
| Unearned premium (see note (c) below) | 3,706,626 | 3,179,523 | 3,648,635 | 3,087,488 |
| Life fund (see (note (d) below) | 22,557,159 | 19,142,411 | 22,557,159 | 19,142,411 |
| Annuity fund (see note (e) below) | 30,653,985 | 32,110,722 | 30,653,985 | 32,110,722 |
| | **65,540,532** | **59,959,751** | **65,341,550** | **59,766,360** |

(a) Included in outstanding claims are benefits amounting to N1.31bn due on matured policies which was previously classified as trade payables. See note 21 (i).

(a)(i) Outstanding claims per business segment is as follows;

| | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| Non life | 2,833,880 | 2,100,035 | 2,833,880 | 2,100,035 |
| Life | 2,997,616 | 1,098,763 | 2,997,616 | 1,098,763 |
| Health | 140,990 | 101,357 | | |
| | **5,972,487** | **3,300,155** | **5,831,496** | **3,198,798** |

(a)(ii) The movement in outstanding claims is as follows;

| | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| Balance at 1 January | 3,300,155 | 2,794,001 | 3,198,798 | 2,692,643 |
| Claims incurred during the year | 28,642,032 | 23,273,690 | 28,128,714 | 21,784,490 |
| Claims paid during the year | (25,969,700) | (22,767,536) | (25,496,015) | (21,278,335) |
| | **5,972,487** | **3,300,155** | **5,831,496** | **3,198,798** |

(a)(iii) The age analysis of life business reported claims is as follows:

| *in thousands of naira* | **0 - 90 days** | **91 - 180 days** | **181 - 360 days** | **360 days +** | **Total** |
|---|---|---|---|---|---|
| 1 - 500,000 | 54,810 | 200,969 | 52,070 | 397,812 | 705,661 |
| 500,001 - 1,000,000 | 61,143 | 41,812 | 66,538 | 160,808 | 330,302 |
| 1,000,001 - 2,500,000 | 77,637 | 54,080 | 88,322 | 202,337 | 422,376 |
| 2,500,001 - 5,000,000 | 51,275 | 66,333 | 30,034 | 202,102 | 349,744 |
| 5,000,001 - 10,000,000 | 81,065 | 13,246 | 17,895 | 60,797 | 173,002 |
| 10,000,001 - Above | 92,934 | 10,800 | 402,914 | 509,883 | 1,016,531 |
| Total | **418,864** | **387,240** | **657,774** | **1,533,738** | **2,997,616** |

(a)(iv) The age analysis of non life reported claims is as follows:

| *in thousands of naira* | **0 - 90 days** | **91 - 180 days** | **181 - 360 days** | **360 days +** | **Total** |
|---|---|---|---|---|---|
| 1 - 500,000 | 67,459 | 74,342 | 58,589 | 62,098 | 262,488 |
| 500,001 - 1,000,000 | 41,635 | 26,481 | 30,258 | 19,572 | 117,946 |
| 1,000,001 - 2,500,000 | 92,346 | 50,981 | 38,393 | 29,333 | 211,053 |
| 2,500,001 - 5,000,000 | 67,188 | 34,975 | 54,942 | 47,038 | 204,143 |
| 5,000,001 - 10,000,000 | 118,542 | 26,499 | 45,448 | 54,457 | 244,947 |
| 10,000,001 - Above | 152,028 | 181,102 | 1,086,028 | 374,144 | 1,793,302 |
| Total | **539,199** | **394,380** | **1,313,659** | **586,642** | **2,833,880** |

The Company had 15,960 claims outstanding as at reporting period. Of the total outstanding claims 16% are within the holding bank of 90days while 84% are above 90days holding period which are due to pending incomplete documentations. The Company do not have any outstanding claim with executed discharge voucher that is more than 90days in accordance with Section 70 (1a) of the Insurance Act 2003.

(b) Claims incurred but not reported

| | Group | | Company | |
|---|---|---|---|---|
| | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Non life | 1,485,332 | 1,121,417 | 1,485,332 | 1,121,417 |
| Life | 1,164,943 | 1,105,524 | 1,164,943 | 1,105,524 |
| | **2,650,275** | **2,226,941** | **2,650,275** | **2,226,941** |

(c) Unearned premium

| | Group | | Company | |
|---|---|---|---|---|
| | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Non life | 3,163,894 | 2,764,444 | 3,163,894 | 2,764,444 |
| Life | 484,741 | 323,044 | 484,741 | 323,044 |
| Health | 57,992 | 92,035 | - | - |
| | **3,706,626** | **3,179,523** | **3,648,635** | **3,087,488** |

(i) Movement in unearned premium is as follows;

| | | | | |
|---|---|---|---|---|
| Balance at 1 January | 3,179,523 | 3,318,193 | 3,087,488 | 3,135,959 |
| Premium written in the year | 13,962,354 | 13,332,903 | 13,299,125 | 11,642,607 |
| Premium earned during the year | (13,435,250) | (13,471,573) | (12,737,979) | (11,691,078) |
| Balance at 31 December | **3,706,626** | **3,179,523** | **3,648,635** | **3,087,488** |

(d) The movement in individual life fund is as follows;

| | Group | | Company | |
|---|---|---|---|---|
| | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Balance at 1 January | 19,142,411 | 14,902,463 | 19,142,411 | 14,902,463 |
| Additions during the year | 3,414,748 | 4,239,948 | 3,414,748 | 4,239,948 |
| Balance at 31 December | **22,557,159** | **19,142,411** | **22,557,159** | **19,142,411** |

(e) The movement in annuity fund is as follows;

| | Group | | Company | |
|---|---|---|---|---|
| | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Balance at 1 January | 32,110,722 | 27,160,163 | 32,110,722 | 27,160,163 |
| Premium written during the year | 2,617,968 | 3,222,258 | 2,617,968 | 3,222,258 |
| Payouts during the year | (4,636,986) | (4,282,377) | (4,636,986) | (4,282,377) |
| Change in actuarial valuation | 562,281 | 6,010,678 | 562,281 | 6,010,678 |
| Balance at 31 December | **30,653,985** | **32,110,722** | **30,653,985** | **32,110,722** |

The actuarial assumptions used in deriving the insurance contract liabilities is disclosed in note 44

## 20 Investment contract liabilities

| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
|---|---|---|---|---|
| Deposit administration (see note (a) below) | 1,862,197 | 1,785,352 | 1,862,197 | 1,785,352 |
| Other investment contract liabilities (see note (b) below) | 10,457,420 | 9,124,272 | 10,457,420 | 9,124,272 |
| **Total investment contract liabilities** | **12,319,617** | **10,909,624** | **12,319,617** | **10,909,624** |

**(a)** Movement in deposit administration is shown below:

| | | | | |
|---|---|---|---|---|
| At 1 January | 1,785,352 | 3,051,923 | 1,785,352 | 3,051,923 |
| Deposits | 60,111 | 181,057 | 60,111 | 181,057 |
| Withdrawals | (78,551) | (1,628,676) | (78,551) | (1,628,676) |
| Credit of interest and other income | 93,077 | 180,558 | 93,077 | 180,558 |
| Impact of actuarial valuation | 2,208 | 491 | 2,208 | 491 |
| **At 31 December** | **1,862,197** | **1,785,352** | **1,862,197** | **1,785,352** |

# Notes To The Financial Statements

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(b) Other investment contract liabilities are stated at amortised cost and the amount is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| At 1 January | 9,124,272 | 7,009,713 | 9,124,272 | 7,009,713 |
| Increase during the year | 1,333,148 | 2,114,559 | 1,333,148 | 2,114,559 |
| **At 31 December** | **10,457,420** | **9,124,272** | **10,457,420** | **9,124,272** |

Other investment contract liabilities represent deposit-based policies for individual savings business wth insignificant risk element.

## 21 Trade payables

Trade payables represent amounts payable to reinsurers, co-insurers, agents and brokers at the end of the year. The carrying amounts disclosed below approximate the fair values at the reporting date

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Reinsurance and co-insurance payable | 343,526 | 595,051 | 343,526 | 595,051 |
| Due to policyholders | 476,167 | 1,126,867 | 302,092 | 1,116,168 |
| Commission payable | 193,782 | - | 193,782 | - |
| | **1,013,475** | **1,721,918** | **839,400** | **1,711,219** |

**(i) Due to policyholders is analysed as follows;**

| | | | | |
|---|---|---|---|---|
| Premium paid in advance | 172,747 | 138,389 | 172,747 | 138,389 |
| Unallocated premium (see (a) below) | 123,647 | 253,748 | 123,647 | 253,748 |
| Refunds | 5,698 | 5,256 | 5,698 | 5,256 |
| Benefits (see (b) below) | 174,075 | 729,473 | - | 718,775 |
| | **476,167** | **1,126,867** | **302,092** | **1,116,168** |

(a) This relates to premiums yet to be matched to policies due to various reasons.

(b) This relates to matured policies due to various policyholders. This was reclassified to insurance contract liabilities during the year. See note 19 (a).

## 22(a) Other payables and accruals

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Accrued expenses | 264,497 | 217,698 | 63,333 | 151,199 |
| Agent provident fund | 201,533 | 82,243 | 201,533 | 82,243 |
| Commission payable | - | 151,982 | - | 151,982 |
| Gratuity payable (see note (i) below) | 83,012 | 157,783 | 83,012 | 157,784 |
| Deferred income (fees & Commission) | 357,106 | 283,296 | 357,106 | 283,296 |
| Other payables | 156,449 | 401,958 | 69,372 | 143,929 |
| Other credit balances (see note (ii) below) | 1,150,950 | 30,806 | 1,150,950 | 30,806 |
| Payable to subsidiaries | - | - | 77,252 | 186,735 |
| | **2,213,547** | **1,325,766** | **2,002,558** | **1,187,974** |

(i) The Company's retirement benefit obligation was terminated in 2014 and the liability as at the date of termination - April 30, 2014, was transferred to a payable account.

(ii) Other credit balances represent outstanding bank credits which have not been matched to the prospective policyholders.

(iii) Commission payable was reclassified to trade payable (see note (21) above)

(iv) Included as part of other payables is a dividend of N40.3m (2017: Nil) received on behalf of PTAD from investment with Capital Alliance Private Equity (CAPE), which had been transferred to PTAD in the year 2017. See note 39(d).

**(b) Fixed income liabilities**

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Guaranteed income notes (see note (i)) | 10,181,251 | 3,981,591 | - | - |
| | 10,181,251 | 3,981,591 | - | - |

(i) AIICO Capital Limited, a subsidiary company, manages a guaranteed income product, held as fixed income liabilities. The assets held under this arrangement are in the name of AIICO Capital Limited and the underlying risks are retained by the Company.

(ii) These fixed income liabilities are invested as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Cash and cash equivalents | 341,695 | 143,434 | - | - |
| Financial assets | 9,839,556 | 3,838,157 | - | - |
| | 10,181,251 | 3,981,591 | - | - |

**23(a) Borrowings**

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| IFC Loan | 2,324,733 | 2,182,289 | 2,324,733 | 2,182,289 |
| | **2,324,733** | **2,182,289** | **2,324,733** | **2,182,289** |

The Company obtained a loan of US$7million (N1.39billion) from the International Finance Corporation (IFC) on 30 June 2015 at an interest rate of 6.5% plus 6-month LIBOR for a period of 7 years with moratorium period of 4 years on the principal.
The loan has an embedded derivative (a conversion option) whereby IFC has the right to convert all or a portion of the outstanding principal amount into the equivalent number of shares of the Company.(see note 24a)
This option may be exercised 3 years from 23 December 2016 or in the event of a change in control or sale of a substantial part of the Company's assets or business.

(b) The movement in borrowings is as follows:

(i)

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| At 1 January | 2,098,497 | 1,720,103 | 2,098,497 | 1,720,103 |
| Foreign exchange loss | 35,837 | 378,394 | 35,837 | 378,394 |
| | 2,134,334 | 2,098,497 | 2,134,334 | 2,098,497 |
| Accrued interest (see (ii) below) | 190,399 | 83,792 | 190,399 | 83,792 |
| | **2,324,733** | **2,182,289** | **2,324,733** | **2,182,289** |

The loan which is carried at amortised cost was remeasured at the reporting date using the closing market rate of N364.18/$1 (2017: N360/$1)

(ii) The movement in accrued interest is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| At 1 January | 83,792 | 65,547 | 83,792 | 65,547 |
| Accrued Interest | 323,464 | 220,237 | 323,464 | 220,237 |
| Interest repayment | (216,857) | (201,992) | (216,857) | (201,992) |
| **At 31 December** | **190,399** | **83,792** | **190,399** | **83,792** |

(c) The loan, which is a hybrid financial instrument, was split into debt and derivative liability components at inception. Current carrying values is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Long term debt measured at amortised cost | 2,324,733 | 2,182,289 | 2,324,733 | 2,182,289 |
| | **2,324,733** | **2,182,289** | **2,324,733** | **2,182,289** |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

## 24 Capital and reserves

(a) Share capital

| | *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|---|
| (a)(i) | Authorised: | | | | |
| | At 1 January: | | | | |
| | 15,000,000,000 ordinary shares of 50 kobo each | 7,500,000 | 7,500,000 | 7,500,000 | 7,500,000 |
| | **At 31 December** | **7,500,000** | **7,500,000** | **7,500,000** | **7,500,000** |
| (a)(ii) | Ordinary shares issued and fully paid: | | | | |
| | 6,930,204,480 ordinary shares at 50 kobo each | 3,465,102 | 3,465,102 | 3,465,102 | 3,465,102 |
| | | **3,465,102** | **3,465,102** | **3,465,102** | **3,465,102** |
| (a)(iii) | Ordinary shares issued and fully paid can be further analysed as follows: | | | | |
| | General business - 3,252,479,682 ordinary shares at 50 kobo each | 1,626,239 | 1,626,239 | 1,626,239 | 1,626,239 |
| | Life business - 3,677,724,798 ordinary shares at 50 kobo each | 1,838,863 | 1,838,863 | 1,838,863 | 1,838,863 |
| | | **3,465,102** | **3,465,102** | **3,465,102** | **3,465,102** |

**(b) Share premium**

| *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| Share premium | 2,824,389 | 2,824,389 | 2,824,389 | 2,824,389 |
| | **2,824,389** | **2,824,389** | **2,824,389** | **2,824,389** |

**(c) Revaluation reserves**

(i) The balance in this account is analysed as follows:

| *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| At 1 January | 1,802,662 | 1,221,707 | 1,802,662 | 1,221,707 |
| Revaluation gain | - | 829,936 | - | 829,936 |
| Deferred tax | - | (248,981) | - | (248,981) |
| **At 31 December** | **1,802,662** | **1,802,662** | **1,802,662** | **1,802,662** |

**(d) Available-for-sale reserves**

| *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| At 1 January | (13,072,413) | (14,065,457) | (13,092,408) | (14,019,431) |
| Net available for sale gains | - | 993,044 | - | 927,023 |
| Reclassification to retained earnings (see note (i) below) | 10,728,097 | - | 10,728,097 | - |
| Reclassification to fair value reserves (see note (e) below) | 1,317,434 | - | 1,337,428 | - |
| Reclassification to amortized cost asset (see note (6)) | 1,026,883 | - | 1,026,883 | - |
| **At 31 December** | - | **(13,072,413)** | - | **(13,092,408)** |

**(e) Fair value reserves**

| | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| At 1 January | - | - | - | - |
| Reclassification from available for sale reserves (see note (d) above) | (1,317,434) | - | (1,337,428) | - |
| Remeasurement gains on 1 January (see note 6 (h)) | 943,737 | - | 943,737 | - |
| Impairment adjustment on 1 January (see note 6 (h)) | 38,773 | - | 35,831 | - |
| Net fair value loss | (808,923) | - | (595,042) | - |
| **At 31 December** | **(1,143,847)** | - | **(952,902)** | - |

The fair value reserves is further broken down below;

| *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| Revalued equities - Quoted | (1,579,600) | - | (1,425,217) | - |
| Revalued equities - Unquoted | 1,104,756 | - | 1,104,756 | - |
| Revaluation of bonds | (696,015) | - | (660,696) | - |
| Impairment reserve | 41,612 | | 34,256 | |
| Revaluation of treasury bills | (14,602) | - | (6,001) | - |
| **At 31 December** | **(1,143,847)** | - | **(952,902)** | - |

**(f) Exchange gains reserve**

| *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| At 1 January | 145,640 | 596,977 | 145,640 | 596,977 |
| Exchange gains on financial assets | 1,803 | (448,287) | 1,803 | (448,287) |
| | **147,443** | **148,690** | **147,443** | **148,690** |
| Deferred tax | - | (3,050) | - | (3,050) |
| **At 31 December** | **147,443** | **145,640** | **147,443** | **145,640** |

**(g) Statutory reserves**

| In thousands of naira | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| At 1 January | 116,458 | 96,688 | - | - |
| Transfer from retained earnings | 27,424 | 19,770 | - | - |
| **At 31 December** | **143,882** | **116,458** | - | - |

In accordance with the provision of section 81(2) of the Pension Reform Act 2014, the statutory reserve is credited with an amount equivalent to 12.5% of the net profit after tax or based on National Pension Commission requirements.

**(h) Contingency reserves**

| *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| At 1 January | 5,182,190 | 4,703,531 | 5,182,190 | 4,703,531 |
| Transfer from retained earnings | 625,221 | 478,659 | 625,221 | 478,659 |
| **At 31 December** | **5,807,411** | **5,182,190** | **5,807,411** | **5,182,190** |

Contingency reserve is calculated, in the case of non-life business, at the rate of the higher of 3% of total premium receivable during the period or 20% of the net profits in accordance with Section 21(2) of Insurance Act, 2003 and, in respect of Life Insurance Business, at the rate of the higher of the higher of 1% of the gross premium and 10% of net profits, in accordance with Section 22(1)(b) of the Insurance Act 2003.

**(i) Retained earnings**

The movement in retained earnings can be analysed as follows:

| In thousands of naira | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| At 1 January | 10,083,426 | 9,498,054 | 9,994,656 | 9,140,665 |
| Reclassification from available for sale reserve (see note (d) above) | 10,728,099 | - | (10,728,097) | - |
| Impairment on financial asset at FVOCI | (38,773) | - | (35,831) | - |
| Impairment on financial asset at amortized cost | (57,594) | - | (17,010) | |
| Transfer from statement of profit or loss and other comprehensive income | 3,044,154 | 1,222,406 | 2,604,411 | 1,471,254 |
| Transfer to contingency reserve | (625,221) | (478,659) | (625,221) | (478,659) |
| Transfer from statutory reserve (see note (g) above) | (27,424) | (19,770) | - | - |
| Restatement of NCI share of net asset (see note 14(e)) | (152,603) | - | - | - |
| Dividend paid to ordinary shareholders (see (a) below) | (346,510) | (138,604) | (346,510) | (138,604) |
| Realised gains on equities | 407,788 | - | 406,810 | - |
| Loss on dilution of shareholding | (80,148) | - | - | - |
| **At 31 December** | **1,479,002** | **10,083,426** | **1,253,208** | **9,994,656** |

(a) A proposed dividend of N0.05k per share (2017: N0.02k) was declared on the Company's financial result for the year ended 31 December 2017 which was paid out of the retained earnings during the year.

# Notes To The Financial Statements
For The Year Ended 31 December 2018

## 25 Gross premium

### (a) Gross premium written

Gross premium written by business is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | **Dec-18** | Dec-17 | **Dec-18** | Dec-17 |
| Non-life | 10,385,756 | 8,729,238 | 10,385,756 | 8,729,238 |
| Life (individual and group) | 23,998,553 | 18,455,898 | 23,998,553 | 18,455,898 |
| Annuity | 2,617,970 | 3,222,260 | 2,617,970 | 3,222,260 |
| Health Management | 663,228 | 1,690,296 | - | - |
| | **37,665,507** | **32,097,692** | **37,002,279** | **30,407,396** |

### (b) Gross premium income

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | **Dec-18** | Dec-17 | **Dec-18** | Dec-17 |
| Gross premium written | 37,665,507 | 32,097,692 | 37,002,279 | 30,407,396 |
| Unearned premium (see note (i) below) | (618,580) | (356,083) | (560,589) | (264,048) |
| | **37,046,926** | **31,741,609** | **36,441,690** | **30,143,348** |

(i) Prior to 2018, the Company presented the movement in the life fund as part of unearned premium. During the year, the Company changed to report this as a separate line item called 'change in life and annuity fund' which led to the reclassification of N10.45billion from unearned premium of N10.71billion previously reported to the change in life fund for 2017. see (note 28(d) below)

### (c) Reinsurance expenses

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | **Dec-18** | Dec-17 | **Dec-18** | Dec-17 |
| Reinsurance premium charge for the year | 5,467,999 | 3,881,350 | 5,467,999 | 3,881,350 |
| Unexpired reinsurance cost | (286,774) | (90,519) | (286,774) | (90,519) |
| Net reinsurance expense | **5,181,225** | **3,790,831** | **5,181,225** | **3,790,831** |

## 26 Fees and commission income

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | **Dec-18** | Dec-17 | **Dec-18** | Dec-17 |
| Insurance contract | 1,161,366 | 746,084 | 1,161,366 | 746,084 |
| Pension and other contracts (see note (a) below) | 1,762,554 | 1,610,122 | - | - |
| | **2,923,920** | **2,356,206** | **1,161,366** | **746,084** |

(a) Pension and other other contracts relate to fee and income earned on pension fund and asset management by the subsidiary companies.

## 27 (a) Gross benefits and claims incurred

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | **Dec-18** | Dec-17 | **Dec-18** | Dec-17 |
| Claims paid during the year (see (i) below) | 25,969,700 | 22,767,536 | 25,496,015 | 21,278,335 |
| Change in outstanding claims | 2,672,331 | 178,343 | 2,632,698 | 178,343 |
| Change in incurred but not reported | 423,334 | 327,812 | 423,334 | 327,812 |
| | **29,065,365** | 23,273,691 | **28,552,048** | 21,784,491 |

(i) Claims paid can be anlysed as follows;

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | **Dec-18** | Dec-17 | **Dec-18** | Dec-17 |
| Non life | 5,868,816 | 3,749,269 | 5,868,816 | 3,749,269 |
| Group life | 2,389,592 | 2,131,497 | 2,389,592 | 2,131,497 |
| Individual life | 12,360,405 | 10,892,027 | 12,360,405 | 10,892,027 |
| Annuity | 4,877,202 | 4,505,543 | 4,877,202 | 4,505,543 |
| Health | 473,685 | 1,489,200 | - | |
| | **25,969,700** | 22,767,536 | **25,496,015** | 21,278,335 |

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| (b) | **Claim recoveries** | | | | |
| | Claims recovered from reinsurance | 4,441,445 | 1,762,038 | 4,441,445 | 1,762,038 |
| | Changes in outstanding claims | 754,766 | 737,467 | 754,766 | 737,467 |
| | | **5,196,211** | **2,499,505** | **5,196,211** | **2,499,505** |
| (i) | **Claims recoveries can be futher analysed as follows:** | | | | |
| | Life | 1,280,697 | 453,899 | 1,280,697 | 453,899 |
| | Non-life (see note (ii) below) | 3,915,514 | 2,045,606 | 3,915,514 | 2,045,606 |
| | | **5,196,211** | **2,499,505** | **5,196,211** | **2,499,505** |
| (ii) | **Non-life business claims recoveries can be analysed as follows:** | | | | |
| | Recoveries - reinsurance | 3,836,933 | 2,006,197 | 3,836,933 | 2,006,197 |
| | Recoveries - salvage | 78,581 | 39,409 | 78,581 | 39,409 |
| | | **3,915,514** | **2,045,606** | **3,915,514** | **2,045,606** |

**28 Underwriting expenses**

The underwriting expenses for the year is broken down as shown below;

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Acquisition costs (see note (a) below) | 3,809,787 | 2,671,368 | 3,725,443 | 2,573,613 |
| Maintenance expenses (see note (c) below) | 605,641 | 433,871 | 605,641 | 433,871 |
| | **4,415,428** | **3,105,239** | **4,331,084** | **3,007,484** |

**(a) Acquisition costs by business is as follows:**

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Life | 2,395,400 | 1,572,525 | 2,395,400 | 1,572,525 |
| Non-life | 1,330,043 | 1,001,088 | 1,330,043 | 1,001,088 |
| Multishield HMO | 84,344 | 97,755 | - | - |
| | **3,809,787** | **2,671,368** | **3,725,443** | **2,573,613** |
| **(b) Acquisition costs is analysed as follows:** | | | | |
| Commission paid during the year | 3,856,499 | 2,623,316 | 3,856,499 | 2,623,316 |
| Net movement in deferred acquisition cost | (131,056) | (49,703) | (131,056) | (49,703) |
| Commission incurred | 3,725,443 | 2,573,613 | 3,725,443 | 2,573,613 |
| Providers' capitation fee and other direct expenses | 84,344 | 97,755 | - | - |
| | **3,809,787** | **2,671,368** | **3,725,443** | **2,573,613** |

**(c) Maintenance expenses can be analysed as follows:**

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Policy administration expenses | 519,420 | 362,719 | 519,420 | 362,719 |
| Tracking expenses | 29,376 | 15,464 | 29,376 | 15,464 |
| Service charges | 56,845 | 55,688 | 56,845 | 55,688 |
| | **605,641** | **433,871** | **605,641** | **433,871** |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

## 29(a) Investment income

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| *Investment income is attributable to the following:* | | | | |
| Policyholders' funds (see note (i) below) | 3,203,569 | 2,708,121 | 3,317,166 | 3,640,102 |
| Annuity funds (see note (ii) below) | 3,927,997 | 4,142,350 | 3,927,997 | 4,142,350 |
| Shareholders' funds (see note (iii) below) | 1,920,388 | 1,781,983 | 1,060,987 | 1,102,241 |
| | **9,051,954** | **8,632,454** | **8,306,149** | **8,884,693** |
| **(i) Investment income attributable to policyholders' funds** | | | | |
| Interest income on financial assets | 2,877,472 | 2,432,537 | 2,877,472 | 2,432,537 |
| Interest income on cash and cash equivalents | 738 | 5,019 | 738 | 5,019 |
| Income on policy loan | 204,985 | - | 204,985 | - |
| Dividend income | 120,373 | 270,564 | 233,971 | 1,202,545 |
| | **3,203,569** | **2,708,121** | **3,317,167** | **3,640,102** |
| **(ii) Investment income attributable to annuity funds** | | | | |
| Interest income on financial assets | 3,927,997 | 4,137,773 | 3,927,997 | 4,137,773 |
| Interest income on cash and cash equivalents | - | 1,426 | - | 1,426 |
| Dividend income | - | 3,150 | - | 3,150 |
| | **3,927,997** | **4,142,350** | **3,927,997** | **4,142,350** |
| **(iii) Investment income attributable to shareholders' funds** | | | | |
| Interest income on financial assets | 1,535,933 | 961,979 | 789,943 | 961,979 |
| Interest income on cash and cash equivalents | 231,996 | 737,555 | 118,584 | 57,813 |
| Interest income on loans and receivables | 21 | 2,218 | 21 | 2,218 |
| Dividend income | 152,439 | 80,231 | 152,439 | 80,231 |
| | **1,920,388** | **1,781,983** | **1,060,987** | **1,102,241** |
| **(b) Profit on deposit administration** | | | | |
| *Investment income on deposit administration can be analysed as follows:* | | | | |
| Investment income on deposit | 288,956 | 394,028 | 288,956 | 394,028 |
| Guaranteed interest to policyholders | (93,077) | (180,558) | (93,077) | (180,558) |
| Acquisition expense | (277) | (206) | (277) | (206) |
| Impact of actuarial valuation | (2,208) | (491) | (2,208) | (491) |
| **Profit from deposit administration** | **193,394** | **212,773** | **193,394** | **212,773** |

## 30(a) Net realised gains

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| *Net realised gains are attributable to the following:* | | | | |
| Property and equipment | 5,499 | 5,423 | 3,391 | 1,831 |
| Investment property | - | 63,200 | - | 63,200 |
| Fair value financial instrument (see (b) below) | 2,360,820 | 5,269,532 | 2,360,038 | 5,237,947 |
| | **2,366,319** | **5,338,155** | **2,363,429** | **5,302,978** |
| **(b) Net realised gains on fair value financial instrument can be analysed as follows:** | | | | |
| Gain on quoted equities | - | 586,468 | - | 562,500 |
| Loss on treasury bills | (87,815) | (19,711) | (87,815) | (22,334) |
| Gain on FGN Bonds | 2,448,635 | 4,702,774 | 2,447,853 | 4,697,780 |
| | **2,360,820** | **5,269,532** | **2,360,038** | **5,237,947** |

## 31 Net fair value (losses)/gains

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Financial asset | (2,497,642) | - | (2,497,642) | - |
| Investment property | (27,000) | (3,000) | (27,000) | (3,000) |
| Derivative Instrument | - | 143,725 | - | 143,725 |
| | **(2,524,642)** | **140,725** | **(2,524,642)** | **140,725** |

## 32 Other operating income

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Sundry income (see (a) below) | 744,159 | 1,075,316 | 469,859 | 848,969 |
| Exchange gain/(loss) | 19,333 | (203,885) | 19,333 | (203,885) |
| | **763,492** | **871,431** | **489,192** | **645,084** |

(a) Sundry income is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Recoveries on written-off assets | 9,552 | 74,176 | 9,552 | 74,176 |
| Income from policy loan | - | 458,396 | - | 458,396 |
| Income from statutory deposit | 81,439 | 79,947 | 81,439 | 79,947 |
| Administrative charges | 88,665 | 88,727 | 88,665 | 88,727 |
| Income from unclaimed dividend | 30,327 | 31,886 | 30,327 | 31,886 |
| Income from reinsurers | 117,978 | 18,890 | 117,978 | 18,890 |
| Rental income | 56,673 | 88,449 | 56,673 | 88,449 |
| Others (see (i) below) | 359,525 | 234,845 | 85,225 | 8,499 |
| | **744,159** | **1,075,316** | **469,859** | **848,969** |

(i) Amount represents sundry income from charges on lost documents, income on bank balances, management fees and service charges.

## 33 Personnel expenses

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Salaries | 1,354,747 | 1,481,850 | 967,757 | 990,431 |
| Allowances and other benefits | 2,216,961 | 1,462,883 | 1,273,711 | 1,053,717 |
| | **3,571,708** | **2,944,733** | **2,241,468** | **2,044,148** |

## 34 Other operating expenses

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Travel and representation | 567,478 | 538,285 | 421,308 | 400,809 |
| Marketing and administration | 334,210 | 655,591 | 184,746 | 520,302 |
| Advertising | 689,119 | 113,676 | 689,119 | 113,676 |
| Occupancy | 802,585 | 683,843 | 687,943 | 543,848 |
| Communication and postages | 490,369 | 385,377 | 407,972 | 309,902 |
| Dues and subscriptions | 63,597 | 55,149 | 42,852 | 28,720 |
| Donations | 16,710 | 235 | 16,710 | 235 |
| Office supply and stationery | 119,902 | 123,517 | 103,282 | 114,594 |
| Fees and assessments | 877,889 | 560,040 | 811,043 | 488,414 |
| Directors emolument | 198,111 | 197,683 | 60,397 | 60,397 |
| Management fees (see note (c) below) | - | - | 275,582 | 465,836 |
| Legal fees | 152,420 | 54,946 | 132,491 | 52,946 |
| Consulting fees | 399,703 | 268,828 | 279,069 | 204,592 |
| Depreciation and amortisation | 614,014 | 633,262 | 457,312 | 478,990 |
| Auditor's fees (including interim audit fees) | 79,000 | 59,000 | 60,000 | 40,000 |
| Miscellaneous expenses (see note (a) below) | 183,882 | 145,251 | 47,113 | 39,149 |
| Back duty assessment (see note (b) below) | - | 83,470 | - | 83,470 |
| Foreign exchange loss (see note (d) below) | 35,837 | 378,394 | 35,837 | 378,394 |
| | **5,624,826** | **4,936,546** | **4,712,776** | **4,324,275** |

(a) Miscellaneous expenses relate to local taxes including tenement rates, land use charges, parking fees, etc payable to local tax authorities.

(b) Back duty assessment are additional VAT, and WHT on tax assessment by FIRS.

(c) AIICO Capital manages the asset portfolio of the Insurance arm of the Group and in turn earn a fee on the asset managed.

(d) The loss was as a result of remeasuring the borrowing from at the closing rate of ₦364/1$ (2017: ₦360/1$)

## 35 Finance cost

Finance cost is broken down as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | Dec-18 | Dec-17 | Dec-18 | Dec-17 |
| Borrowing cost (see note (i) below) | 32,074 | 28,445 | 32,074 | 28,445 |
| Interest on finance lease | - | 575 | - | 575 |
| Interest on convertible loan | 323,464 | 220,237 | 323,464 | 220,237 |
| | **355,539** | **249,257** | **355,539** | **249,257** |

(i) Borrowing cost relates to capitalized cost incurred in the facilitation of the IFC loan.

# Notes To The Financial Statements

For The Year Ended 31 December 2018

## 36 Impairment loss/(write back)

| *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| Impairment loss on financial instrument | 16,455 | 2,193 | (5,025) | - |
| | **16,455** | **2,193** | **(5,025)** | - |

(a) Impairment loss/(write back) can be attributed to the following:

| | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| Impairment allowance for debt instrument | (95) | - | (5,025) | - |
| Impairment on cash and cash equivalent | (2,309) | - | - | - |
| Impairment on trade receivables | 18,859 | 2,193 | - | - |
| | **16,455** | **2,193** | **(5,025)** | - |

## 37. Earnings per share

Basic earnings per share amounts is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the reporting date.

| *In thousands of naira* | Group Dec-18 | Group Dec-17 | Company Dec-18 | Company Dec-17 |
|---|---|---|---|---|
| Net profit attributable to ordinary shareholders for basic and diluted earnings | 3,044,154 | 1,222,406 | 2,604,411 | 1,471,254 |
| Dividend paid to preference shareholders | - | - | - | - |
| | **3,044,154** | **1,222,406** | **2,604,411** | **1,471,254** |
| Number of shares in issue | **6,930,204** | **6,930,204** | **6,930,204** | **6,930,204** |
| Dilutive effect of the IFC loan conversion option | 1,758,718 | 2,491,155 | 1,758,718 | 2,491,155 |
| **Net** | **8,688,922** | **9,421,359** | **8,688,922** | **9,421,359** |
| Basic earnings per share (kobo) | 44 | 18 | 38 | 21 |
| Diluted earnings per share (kobo) | 35 | 13 | 30 | 16 |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

## 38 Related party disclosures

**(a) Parent and ultimate controlling party**

The ultimate controlling party of the group is AIICO Insurance PLC.

**(b) Transactions with key management personnel**

**(b)(i) Key management personnel transactions**

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

| **Company** | | | **Transaction values ('000)** | | **Balance outstanding ('000)** | |
|---|---|---|---|---|---|---|
| **Name of related party** | **Relationship** | **Nature of transaction** | **Dec-18** | **Dec-17** | **Dec-18** | **Dec-17** |
| AIICO Pension Managers Limited | Subsidiary | Insurance Premium | 5,227 | 6,317 | - | - |
| | | Rent | 10,786 | 11,617 | - | - |
| AIICO Multishield Limited | Subsidiary | Deposit for shares | - | 158,308 | - | 156,480 |
| | | Health Premium | 18,706 | 18,319 | - | - |
| | | Insurance Premium | 7,496 | 4,790 | - | - |
| AIICO Capital Limited* | Subsidiary | Portfolio Management | 275,582 | 465,836 | 77,252 | 186,735 |
| | | Insurance Premium | 6,232 | 5,067 | - | - |
| | | Rent | 11,700 | 11,700 | - | - |
| Magnartis Finance and Investment Limited** | Common Director | Stockbrokers | 8,787 | 17,113 | 186,963 | 286,700 |
| Xerox Nigeria Limited | Common Director | Finance Lease | - | - | - | 2,270 |
| | | | 344,516 | 699,068 | 264,215 | 632,185 |

* AIICO Insurance Plc employs the services of AIICO Capital Limited to manage its financial assets. In return, AIICO Capital charges a percentage on the income generated as management fees.

**Magnartis Finance and Investment Limited are stockbrokers that trades the Company's equity portfolio. The balance reflected above are the unsettled balances on stock transactions as at reporting date.

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within 3 months of the reporting date. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.
No guarantees have been given or received.

**(c) Chairman and Directors' emoluments**

| *In thousands of naira* | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| Emolument | 194,006 | 193,578 | 59,312 | 59,312 |
| Fees | 4,105 | 4,105 | 1,085 | 1,085 |
| | 198,111 | 197,683 | 60,397 | 60,397 |
| Chairman | 30,000 | 30,000 | 11,522 | 12,263 |
| Highest paid director | 48,581 | 42,508 | 48,581 | 42,508 |

The number of directors, including the Chairman, whose emoluments were within the following range were:

| | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| 1,000,001 - 2,000,000 | - | - | - | - |
| 2,000,001 and above | 21 | 21 | 8 | 8 |
| | 21 | 21 | 8 | 8 |

(d) **Key management compensation comprises:**

| *In thousands of naira* | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| Salaries and other short term benefits | 491,295 | 368,245 | 309,785 | 232,829 |
| Post employment benefits | - | - | - | |
| | **491,295** | **368,245** | **309,785** | **232,829** |

## 39 Contingencies and commitments

### (a)(i) Legal proceedings and obligations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. The Directors through legal counsel have assessed the obligations that such proceedings (including litigation) will not have any material effect on its results and financial position, hence, no provisions have been made in the financial statements. The summary of these cases, eighteen (18) (2017: 11) in number amounts to a total of N2.8b (2017:N2.6b).

(ii) The Company is also subject to insurance solvency regulations of NAICOM. There are no contingencies related to such regulations.

### (b) Funds under management

This represents investments held on behalf of clients and are stated at amortised cost.
An analysis of funds under management is shown below:

| *In thousands of naira* | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| AIICO Money Market Fund (AMMF) (see note (i) below) | 933,206 | 727,891 | - | - |
| High Networth Individuals Fund (HNI) (see note (ii) below) | 4,732,558 | 4,636,000 | - | - |
| **Non-pension funds** | 5,665,764 | 5,363,891 | - | - |
| Pension Funds (see note (iii) below) | 105,783,600 | 89,153,747 | | |
| **Total funds** | 111,449,364 | 94,517,638 | - | - |

These funds do not form part of the assets and liabilities of the Group as the risks and rewards of these investments belong to the customers.
Fees earned from the management of these funds are as follows:

| *In thousands of naira* | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| AMMF | 14,381 | 10,277 | - | - |
| HNI Fund | 46,424 | 25,183 | - | - |
| **Non-pension funds** | 60,805 | 35,460 | - | - |
| Pension Funds (see note (iii) below) | 1,298,508 | 1,256,545 | - | - |
| Total funds | 1,359,313 | 1,292,005 | - | - |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**(i) AIICO Money Market Fund (AMMF)**

This represents customers' investment in the AIICO Money Market Fund, which is managed by AIICO Capital Limited, a subsidiary of the Company.
This fund is regulated by the Nigerian Securities and Exchange Commission (SEC) and it started on March 10, 2014.
It currently trades at ₦100 per unit as at December 31, 2018 (2017: ₦100)

The Company has investments of ₦450million in the Fund (2017: N450million)

**(ii) High Networth Individuals Fund (HNI)**

This represents customers' investment in High Networth Individuals Fund, which is managed by AIICO Capital Limited, a subsidiary of the Company. This fund started in August 2015.

Returns on this fund are discretionary, however, when the Group exceeds the returns agreed with the customer, they earn a 20% performance fee on the excess. The Group also charges management fees on this Fund.

**(iii) Pension Funds**

This comprise the AIICO Pensions Retirement Savings Account (RSA) Fund, Retiree Fund, Institutional Fund and Transitional Contribution Fund which is managed by AIICO Pension Limited.
AIICO Pensions Retirement Savings Account and Retiree Funds are open pension funds, while the remaining funds are closed.

**(c) Unclaimed dividend**

The Company has unclaimed dividend of ₦691.8million as at 31 December 2018, 2017 (N539.6million). As required by section 16(d) of the Nigerian Securities and Exchange Commission (SEC) guidelines the assets representing these unclaimed dividend do not form part of the assets of the Company. These funds are held by the Registrar.

**(d) PTAD Assets and Liabilities**

The Pension Reform Act 2014 vested all Government's Legacy Pension Funds' assets and liabilities in Pension Transitional Arrangement Directorate (PTAD).
In fulfilment of its mandate under the Pension Reform Act, PTAD took over the administration of the Legacy Pension Funds and assets in the custody of insurance companies and directed the concerned companies to transfer all Legacy Funds and assets in their custody to PTAD. For this purpose, AIICO Insurance PLC, being one of the affected insurance companies, executed a Memorandum of Understanding (MOU) with PTAD on 11 July 2017 to transfer to PTAD, assets representing the covered Government fund balances. The relevant assets and funds are as listed below;

*In thousands of Naira*

| **Assets** | **Amount** |
|---|---|
| 1 No 5 Bedroom Semi-Detached Town House, located at No 36 Ladoke Akintola Street, GRA Ikeja | 105,000 |
| 2 Nos 3 Bedroom apartments in Awolowo Towers, 17 Awolowo Road, Ikoyi | 233,200 |
| Holdings in Capital Alliance Equity (CAPE II) Fund managed by Africa Capital Alliance (ACA) | 427,042 |
| Holdings in Capital Alliance Equity (CAPE III) Fund managed by Africa Capital Alliance (ACA) | 778,750 |
| **Cash** | 871 |
| **Total assets** | **1,544,863** |

**Liabilities**

| *Name of Scheme* | **Policy number** | **Fund balance** |
|---|---|---|
| Centre for Automative Design and Development | 7254 | 13,560 |
| Joint Admissions and Matriculation Board (JAMB) | 7173 | 116,403 |
| Maritime Academy of Nigeria | 7258 | 2,122 |
| National Board for Technical Education | 7256 | 2,476 |
| National Business and Technical Examinations Board | 7241 | 73,419 |
| National Examination Council | 7249 | 200,926 |
| National Institute for Policy and Strategic Studies | 7244 | 96,162 |
| National Judicial Institute (NJI) | 7174 | 529,461 |
| National Teachers Institute (NTI) | 7242 | 6,414 |
| National Theatre and National Troupe of Nigeria | 7243 | 2,709 |
| Nigerian Institute for Transport Technology | 7255 | 3,230 |
| Nigerian Mining Corporation | 7259 | 2,790 |
| Peoples Bank of Nigeria Pension Scheme | 7257 | 367,363 |
| Radiographers Registration Board of Nigeria | 7203 | 127,828 |
| **Total funds** | | **1,544,863** |
| | | |
| **Surplus/ (Deficit)** | | - |

In line with the MOU, the Company transferred to the cash of N870,849 to PTAD on 26 July 2017 as balance of Legacy fund asset transferred to PTAD on 11 July 2017. This was acknowledged by PTAD on 26 July, 2017. Hence, AIICO Insurance PLC derecognised liabilities related to PTAD from its books in its 31 December 2017 financial statements.

## 40 Contraventions and penalties

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | **2018** | 2017 | **2018** | 2017 |
| The following payments were made relating to contraventions and penalties during the year: | | | | |
| Penalty to National Insurance Commission (NAICOM) (see note (i) below) | 2,100 | 90,238 | 2,100 | 90,238 |
| | **2,100** | **90,238** | **2,100** | **90,238** |

(i) During the year, National Insurance Commission (NAICOM) imposed a fine on the Company for engaging in transaction with a loss adjuster without a valid operating license in violation of section 45(8) of Insurance Act 2003.

## 41 Personeel

The average number of persons employed at the end of the period/ year was:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| Managerial | 63 | 79 | 41 | 35 |
| Senior staff | 301 | 295 | 208 | 200 |
| Junior staff | 157 | 119 | 10 | 11 |
| | 521 | 493 | 259 | 246 |

(a) The personeel expenses for the above persons were:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | **2018** | 2017 | **2018** | 2017 |
| Wages and salaries | 1,354,747 | 1,481,850 | 967,757 | 990,431 |
| Other staff costs | 2,216,961 | 1,462,883 | 1,273,711 | 1,053,717 |
| | 3,571,708 | 2,944,733 | 2,241,468 | 2,044,148 |

(b) The number of employees paid emoluments, excluding pension and allowances, above ₦100,000 for the year were:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| 100,000 - 600,000 | 282 | 281 | 188 | 188 |
| 600,001 - 1,200,000 | 82 | 54 | 31 | 23 |
| 1,200,001 - 2,400,000 | 65 | 80 | 12 | 10 |
| 2,400,001 and above | 92 | 78 | 28 | 25 |
| | 521 | 493 | 259 | 246 |

# Notes To The Financial Statements
For The Year Ended 31 December 2018

## 42 Risk management framework

### (a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

Key management recognises the critical importance of having efficient and effective risk management systems in place. The Group has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers.

Lastly, a Group policy framework which sets out the risk profiles for the Group, risk management, control and business conduct standards for the Group's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Group.

The Board of directors approves the Group's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Group's identification of risk and its interpretation, limit

structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

### (b) Capital management objectives, policies and approach

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

(i) To maintain the required level of stability of the Group thereby providing a degree of security to policyholders.

(ii) 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.

(iii) To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.

(iv) To align the profile of assets and liabilities taking account of risks inherent in the business.

(v) To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.

(vi) To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the National Insurance Commission (NAICOM). These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written. The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the NAICOM directives, including any additional amounts required by the regulator.

### (c) Approach to capital management

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders. The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Group is equity shareholders' funds.
The Group has had no significant changes in its policies and processes to its capital structure during the past year from previous

The table below shows the available capital resources as at 31 December:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | **2018** | 2017 | **2018** | 2017 |
| Total shareholders' funds | 14,526,044 | 10,958,528 | 14,347,312 | 10,322,233 |
| Regulatory required capital | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Excess capital reserve | 9,526,044 | 5,958,528 | 9,347,312 | 5,322,233 |

**(d) Regulatory framework**

The insurance industry regulator measures the financial strength of Insurance companies using a Solvency Margin model. NAICOM generally expects insurers to comply with this capital adequacy requirement. Section 24 of the Insurance Act 2003 defines the solvency margin of as the difference between the admissible assets and liabilities, and this shall not be less than 15% of the net premium income (gross income less reinsurance premium paid), or the minimum capital base (₦5billion) whichever is higher.

This test compares the insurer's capital against the risk profile. The regulator indicated that insurers should produce a minimum solvency margin of 100%. During the year, the Group has consistently exceeded this minimum. The regulator has the authority to request more extensive reporting and can place restrictions on the Group's operations if the Group falls below this requirement. The solvency margin of the Company is as follows:

**Solvency margin computation as at 31 December**

| *In thousands of naira* | | | **2018** | **2017** |
|---|---|---|---|---|
| | **Total** | **Inadmissible** | **Admissible** | **Admissible** |
| **Assets** | | | | |
| Cash and cash equivalents | 4,519,953 | 580,952 | 3,939,001 | 3,762,210 |
| Trade receivables | 131,841 | - | 131,841 | 59,106 |
| Reinsurance assets | 4,686,029 | - | 4,686,029 | 3,644,489 |
| Deferred acquisition cost | 465,991 | - | 465,991 | 334,935 |
| Financial assets | 76,757,634 | - | 76,757,634 | 67,970,438 |
| Investment in subsidiaries | 2,452,359 | - | 2,452,359 | 2,308,690 |
| Investment property | 555,000 | - | 555,000 | 582,000 |
| Property and equipment | 6,697,107 | 5,585,440 | 1,111,667 | 6,220,962 |
| Other receivables and prepayments | 408,428 | 408,428 | - | - |
| Statutory deposits | 530,000 | - | 530,000 | 530,000 |
| Intangible assets | 965,906 | 800,863 | 165,043 | 231,379 |
| | **98,170,248** | **7,375,683** | **90,794,565** | **85,644,208** |
| **Liabilities** | | | | |
| Insurance contract liabilities | 65,341,550 | - | 65,341,550 | 59,766,360 |
| Investment contract liabilities | 12,319,617 | - | 12,319,617 | 10,909,624 |
| Trade payables | 839,400 | - | 839,400 | 1,711,219 |
| Other payables | 2,002,559 | 1,640,761 | 361,798 | 904,678 |
| Taxation payable | 507,242 | - | 507,242 | 426,920 |
| Deferred tax | 487,835 | 487,835 | - | - |
| Convertible loan | 2,324,733 | - | 2,324,733 | 2,182,289 |
| **Total admissible liabilities** | **83,822,935** | **2,128,596** | **81,694,338** | **75,901,090** |
| **Excess of total admissible assets over admissible liabilities** | | | **9,100,226** | **9,743,118** |
| Higher of: | | | | |
| Gross premium written | | | 37,002,279 | 30,407,396 |
| Less: Reinsurance expense | | | (5,181,225) | (3,790,831) |
| **Net premium** | | | 31,821,054 | 26,616,565 |
| **15% of net premium** | | | 4,773,158 | 3,992,485 |
| **Minimum paid up capital** | | | 5,000,000 | 5,000,000 |
| **The higher thereof:** | | | **5,000,000** | **5,000,000** |
| **Excess of solvency margin over minimum capital base** | | | **4,100,226** | **4,743,118** |
| **Solvency margin ratio** | | | **182%** | **195%** |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

## 43 Financial instruments - fair values and risk management

### (a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

**Group**
**31 December 2018**

| *In thousands of naira* | Carrying amount | | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Designated at fair value | FVTPL | Amortized Cost | FVOCI | Other financial liabilties | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets measured at fair value** | | | | | | | | | | |
| Debt Instruments | - | 43,238,516 | - | 14,954,282 | - | 58,192,798 | 58,192,798 | - | (0) | 58,192,798 |
| Equities | 4,585,008 | - | - | 4,585,008 | - | 4,585,008 | 2,663,836 | - | 1,921,172 | 4,585,008 |
| | **4,585,008** | **43,238,516** | - | **19,539,290** | - | **62,777,806** | **60,856,634** | - | **1,921,172** | **62,777,806** |
| **Financial assets not measured at fair value** | | | | | | | | | | |
| Cash and cash equivalents | - | - | 5,324,739 | - | - | 5,324,739 | - | 5,324,739 | - | 5,324,739 |
| Trade Receivables* | - | - | 417,103 | - | - | 417,103 | - | 417,103 | - | 417,103 |
| Loans and receivables* | - | - | 1,768,764 | - | - | 1,768,764 | - | 1,768,764 | - | 1,768,764 |
| Reinsurance assets*^ | - | - | 3,358,254 | - | - | 3,358,254 | - | 3,358,254 | - | 3,358,254 |
| Other receivables** | - | - | 109,774 | - | - | 109,774 | - | 109,774 | - | 109,774 |
| Debt Instruments^^ | - | - | 24,150,389 | - | - | 24,150,389 | - | 24,150,389 | - | 24,150,389 |
| | - | - | **35,129,022** | - | - | **35,129,022** | - | **35,129,022** | - | **35,129,022** |
| **Financial liabilities measured at fair value** | | | | | | | | | | |
| Derivative liabilities | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - |
| **Financial liabilities not measured at fair value** | | | | | | | | | | |
| Other payables and accruals | - | - | - | - | (1,062,597) | (1,062,597) | - | (1,062,597) | - | (1,062,597) |
| Trade payables* | - | - | - | - | (1,013,475) | (1,013,475) | - | (1,013,475) | - | (1,013,475) |
| Fixed Income Liabilities | - | - | (10,181,251) | - | - | (10,181,251) | - | (10,181,251) | - | (10,181,251) |
| Investment contract liabilties | - | - | (12,319,617) | - | - | (12,319,617) | - | (12,319,617) | - | (12,319,617) |
| Long term borrowing | - | - | - | - | (2,324,733) | (2,324,733) | - | (2,324,733) | - | (2,324,733) |
| | - | - | **(22,500,868)** | - | **(4,400,805)** | **(26,901,672)** | - | **(26,901,672)** | - | **(26,901,672)** |

The Group has disclosed the fair value of each class of financial assets and liabilities in a way that permits the information to be compared with the carrying amounts. In addition, it has reconciled the assets and liabilities to the different categories of financial instruments as defined in IFRS 9 Financial instruments: Recognition and Measurement.

* The Group has not disclosed the fair values for financial instruments such as short term trade receivables, payables, reinsurance assets, loans and receivables because their carrying amounts are a reasonable approximation of fair value.

^ Reinsurance assets excludes prepaid reinsurance, which is not a financial asset (₦1.33billion)

^^Debt instruments not measured at fair value are bonds and treasury bills measured at amortized cost. They include FGN bonds and treasury billls.

**Other receivables do not include prepayments of (₦443.1million) which are not financial assets.

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**Company**
**31 December 2018**

| *In thousands of naira* | Note | Carrying amount: Designated at fair value | Carrying amount: FVTPL | Carrying amount: Amortized Cost | Carrying amount: FVOCI | Carrying amount: Other financial liabilties | Carrying amount: Total | Fair value: Level 1 | Fair value: Level 2 | Fair value: Level 3 | Fair value: Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | | | | | | | |
| Debt Instruments | | - | 43,238,516 | - | 4,695,266 | - | 47,933,782 | 47,933,782 | - | (0) | 47,933,782 |
| Equities | | 4,280,494 | - | - | 4,280,494 | | 4,280,494 | 2,359,322 | - | 1,921,172 | 4,280,494 |
| | | - | **43,238,516** | - | **8,975,760** | - | **52,214,276** | **50,293,104** | - | **1,921,172** | **52,214,276** |
| **Financial assets not measured at fair value** | | | | | | | | | | | |
| Cash and cash equivalents | | - | - | 4,519,953 | - | - | 4,519,953 | - | 4,519,953 | - | 4,519,953 |
| Trade receivables* | | - | - | 131,841 | - | - | 131,841 | - | 131,841 | - | 131,841 |
| Loans and receivables* | | - | - | 1,768,764 | - | - | 1,768,764 | - | 1,768,764 | - | 1,768,764 |
| Reinsurance asset*^ | | - | - | 3,358,254 | - | - | 3,358,254 | - | 3,358,254 | - | 3,358,254 |
| Other receivables*,** | | | | 60,531 | - | - | 60,531 | - | 60,531 | - | 60,531 |
| Debt Instruments^^ | | - | - | 20,829,670 | - | - | 20,829,670 | - | 20,829,670 | - | 20,829,670 |
| | | - | - | **30,669,013** | - | - | **30,669,013** | - | **30,669,013** | - | **30,669,013** |
| **Financial liabilities measured at fair value** | | | | | | | | | | | |
| Derivative liabilities | | - | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - | - |
| **Financial liabilities not measured at fair value** | | | | | | | | | | | |
| Other payables and accruals | | - | - | - | - | (2,002,558) | (2,002,558) | - | (2,002,558) | - | (2,002,558) |
| Trade payables | | - | - | - | - | (839,400) | (839,400) | - | (839,400) | - | (839,400) |
| Investment contract liabilties | | - | - | (12,319,617) | - | - | (12,319,617) | - | (12,319,617) | - | (12,319,617) |
| Long term borrowing | | - | - | (2,324,733) | - | - | (2,324,733) | - | (2,324,733) | - | (2,324,733) |
| | | - | - | **(14,644,350)** | - | **(2,841,958)** | **(17,486,308)** | - | **(17,486,308)** | - | **(17,486,308)** |

The Company has disclosed the fair value of each class of financial assets and liabilities in a way that permits the information to be compared with the carrying amounts. In addition, it has reconciled the assets and liabilities to the different categories of financial instruments as defined in IFRS 9 Financial instruments: Recognition and Measurement.

* The Company has not disclosed the fair values for financial instruments such as short term trade receivables, payables, reinsurance assets, loans and receivables because their carrying amounts are a reasonable approximation of fair value.

^ Reinsurance assets excludes prepaid reinsurance, which is not a financial asset (₦1.33billion)

^^Debt instruments not measured at fair value are bonds and treasury bills measured at amortized cost. They include FGN bonds and treasury billls.

**Other receivables do not include prepayments (₦358.2million) which are not financial assets.

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**Group**

**31 December 2017**

| | | Carrying amount | | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *In thousands of naira* | Note | Designated at fair value | Held-to-maturity | Loans and receivables | Available-for-sale | Other financial liabilties | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets measured at fair value** | | | | | | | | | | | |
| Available-for-sale financial assets | | - | - | - | 70,876,706 | - | 70,876,706 | 70,876,706 | - | - | 70,876,706 |
| | | - | - | - | **70,876,706** | - | **70,876,706** | **70,876,706** | - | - | **70,876,706** |
| **Financial assets not measured at fair value** | | | | | | | | | | | |
| Cash and cash equivalents | | - | - | 5,199,385 | - | - | 5,199,385 | - | 5,199,385 | - | 5,199,385 |
| Trade Receivables* | | | | 301,172 | | | 301,172 | | 301,172 | - | 301,172 |
| Loans and receivables | | - | - | 2,105,521 | - | - | 2,105,521 | - | 2,105,521 | - | 2,105,521 |
| Reinsurance assets*^ | | - | - | 2,603,488 | | | 2,603,488 | | 2,603,488 | - | 2,603,488 |
| Other receivables*,** | | - | - | 187,192 | | | 187,192 | | 187,192 | - | 187,192 |
| Available-for-sale financial assets | | - | - | - | 653,385 | - | 653,385 | - | 653,385 | - | 653,385 |
| | | - | - | **10,396,758** | **653,385** | - | **11,050,143** | - | **11,050,143** | - | **11,050,143** |
| **Financial liabilities measured at fair value** | | | | | | | | | | | |
| Investment contract liabilties | | (10,909,624) | - | - | - | - | (10,909,624) | - | (10,909,624) | - | (10,909,624) |
| Derivative liabilities | | - | - | - | - | - | - | - | - | - | - |
| | | **(10,909,624)** | - | - | - | - | **(10,909,624)** | - | **(10,909,624)** | - | **(10,909,624)** |
| **Financial liabilities not measured at fair value** | | | | | | | | | | | |
| Other payables*** | | - | - | - | - | (1,077,262) | (1,077,262) | - | (1,077,262) | - | (1,077,262) |
| Trade payables | | - | - | - | - | (1,721,918) | (1,721,918) | - | (1,721,918) | - | (1,721,918) |
| Fixed income liabilities | | - | - | - | - | (3,981,591) | (3,981,591) | | (3,981,591) | - | (3,981,591) |
| Long term borrowing | | | | | | (2,182,289) | (2,182,289) | - | (2,182,289) | - | (2,182,289) |
| | | - | - | - | - | **(8,963,059)** | **(8,963,059)** | - | **(8,963,059)** | - | **(8,963,059)** |

The Group has disclosed the fair value of each class of financial assets and liabilities in a way that permits the information to be compared with the carrying amounts. In addition, it has reconciled the assets and liabilities to the different categories of financial instruments as defined in IAS 39 Financial instruments: Recognition and Measurement.

* The Group has not disclosed the fair values for financial instruments such as short term trade receivables, payables, reinsurance assets, loans and receivables because their carrying amounts are a reasonable approximation of fair value.

^ Reinsurance assets excludes prepaid reinsurance, which is not a financial asset (₦1.04billion)

^^ Available for sale financial assets not measured at fair value comprise of unquoted equities carried at cost as their fair value was not readily available, and placements above 90 days.

**Other receivables do not include prepayments and subscription for shares (₦341.04million) which are not financial assets.

***Other payables and accruals do not include accrued expenses(₦217.6million) that are not financial liabilities.

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**Company**

**31 December 2017**

| *In thousands of naira* | Note | Carrying amount: Designated at fair value | Held-to-maturity | Loans and receivables | Available-for-sale | Other financial liabilties | Total | Fair value: Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | | | | | | | |
| Available-for-sale financial assets | | - | - | - | 65,376,589 | - | 65,376,589 | 65,376,589 | - | - | 65,376,589 |
| | | - | - | - | **65,376,589** | - | **65,376,589** | **65,376,589** | - | - | **65,376,589** |
| **Financial assets not measured at fair value** | | | | | | | | | | | |
| Cash and cash equivalents | | - | - | 3,949,642 | - | - | 3,949,642 | - | 3,949,642 | - | 3,949,642 |
| Trade receivables* | | - | - | 59,106 | - | - | 59,106 | - | 59,106 | - | 59,106 |
| Loans and receivables | | - | - | 2,040,465 | - | - | 2,040,465 | - | 2,040,465 | - | 2,040,465 |
| Reinsurance assets*^ | | - | - | 2,603,488 | - | - | 2,603,488 | - | 2,603,488 | - | 2,603,488 |
| other receivables*,** | | - | - | 50,337 | - | - | 50,337 | - | 50,337 | - | 50,337 |
| Available-for-sale financial assets^^ | | - | - | - | 553,385 | - | 553,385 | - | 553,385 | - | 553,385 |
| | | - | - | **8,703,038** | **553,385** | - | **9,256,423** | - | **9,256,423** | - | **9,256,423** |
| **Financial liabilities measured at fair value** | | | | | | | | | | | |
| Derivative liabilities | | - | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - | - |
| **Financial liabilities not measured at fair value** | | | | | | | | | | | |
| Other payables*,*** | | - | - | - | - | (1,036,775) | (1,036,775) | - | (1,036,775) | - | (1,036,775) |
| Trade payables* | | - | - | - | - | (1,711,219) | (1,711,219) | - | (1,711,219) | - | (1,711,219) |
| Investment contract liabilties | | - | - | - | - | (10,909,624) | (10,909,624) | - | (10,909,624) | - | (10,909,624) |
| Long term borrowing | | - | - | - | - | (2,182,289) | (2,182,289) | - | (2,182,289) | - | (2,182,289) |
| | | - | - | - | - | **(15,839,907)** | **(15,839,907)** | - | **(15,839,907)** | - | **(15,839,907)** |

# Notes To The Financial Statements
For The Year Ended 31 December 2018

The Group has disclosed the fair value of each class of financial assets and liabilities in a way that permits the information to be compared with the carrying amounts. In addition, it has reconciled the assets and liabilities to the different categories of financial instruments as defined in IAS 39 Financial instruments: Recognition and Measurement.
* The Group has not disclosed the fair values for financial instruments such as short term trade receivables, payables, reinsurance assets, loans and receivables because their carrying amounts are a reasonable approximation of fair value.
^ Reinsurance assets excludes prepaid reinsurance, which is not a financial asset (₦1.04 billion)
^^ Available for sale financial assets not measured at fair value comprise of unquoted equities carried at cost as their fair value was not readily available, and placements above 90 days.
**Other receivables do not include prepayments and subscription for shares (₦341.04million) which are not financial assets.
***Other payables and accruals do not include accrued expenses(₦151.2million) that are not financial liabilities.

**(b) Measurement of fair values**

**(i) Transfer between Levels 1 and 2**
At 31 December 2018, there was no transfer between level 1 and level 2 (2017: NIL)

**(ii) Level 2 fair value**
**Reconciliation of level 2 fair values**

The following table shows a reconciliation from the opening balances to the closing balances for Level 2 fair values

| *In thousands of naira* | Group | | Company | |
|---|---|---|---|---|
| | Derivative liabilities | | Derivative liabilities | |
| | 2018 | 2017 | 2018 | 2017 |
| Balance at 1 January | - | 143,725 | - | 143,725 |
| Fair Value gain | - | (143,725) | - | (143,725) |
| Balance at 31 December | - | - | - | - |

*(iii) Transfer out of level 3*

The Group did not have any transfer out of level 3 during the year (2017: Nil)

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**( c ) Risk management framework**

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

The Group's risk management policies are established to identify and analyse the risk faced by the group, to set appropriate risk limits and controls (through the risk appetite), and to monitor risks and adherence to limits. Risk mamangement policies and systems are reviewed regularly to reflect changes in market conditions and Group activities. The group, through its training and management standards and procedures, maintains and will continuously heighten a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the audit committee.

**(d) Financial risk management**

The Group has exposure to the following risks arising from financial instruments
Credit risk
Liquidity risk
Market risk
Currency risk

**(i) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arisies principally from the Group's receivables from customers and investment in debt securities.

The carrying amount of financial assets represents the maximum credit exposure

In addition to credit risks arising out of investments and transactions with clients, AIICO actively assumes credit risk through the writing of insurance business and the approval and issuance of loans. credit risk can arise when a client defaults on loan payments or settlement of premium payments and can also arise when its own repayment capability decreases (as reflected in a rating downgrade).

AIICO's strategy as an Insurance Group does not entail the elimination of credit risk but rather to take on credit risk in a well-controlled, planned and targeted manner pursuant to its business objectives. Its approach to measuring credit risk is therefore designed to ensure that it is assessed accurately in all its forms, and that relevant, timely and accurate credit risk information is available to the relevant decision makers at an operational and strategic level at all times.

At a strategic level, AIICO manages its credit risk profile within the constraints of its overall Risk Appetite and structures its portfolio so that it provides optimal returns for the level of risk taken. Operationally, the Insurance Group Credit Risk Management is governed by the overall risk appetite framework and aims to ensure that the risk inherent to individual exposures or certain business portfolios are appropriately managed through the economic cycle.

**The Group is committed to:**

a) Create, monitor and manage credit risk in a manner that complies with all applicable laws and regulations;
b) Identify credit risk in each investment, loan or other activity of the Insurance Group;
c) Utilize appropriate, accurate and timely tools to measure credit risk;
d) Set acceptable risk parameters;
e) Maintain acceptable levels of credit risk for existing individual credit exposures;
f) Maintain acceptable levels of overall credit risk for AIICO's Portfolio; and
g) Coordinate Credit Risk Management with the management of other risks inherent in AIICO's business activities.

Unsecured exposures to high risk obligors, transactions with speculative cash flows, loans in which the Insurance Group will hold an inferior or subordinate position are some of the credit exposures that are considered undesirable by the organization.

**(a) Credit quality analysis**

An asset will migrate down the ECL stages as asset quality deteriorates by comparing the credit risk rating of the asset at reporting date with its credit risk rating at origination using the Company's internal credit rating system. The trigger to move down an ECL stage is based on a pre-determined ratings downgrade shift that determines whether significant deterioration has occurred. Conversely, assets will migrate up an ECL stage as asset quality improves.

# Notes To The Financial Statements
For The Year Ended 31 December 2018

### (i) Credit portfolio neither past due nor impaired

The following table sets out information about the credit quality of debt instruments measured at amortised cost, debt instruments measured at FVOCI . Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

**At 31 December 2018**

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| *In thousands of naira* | Federal Government bonds | Treasury bills | Corporate bonds | Total | Federal Government bonds | Treasury bills | Corporate bonds | Total |
| Performing | 23,021,269 | 15,754,465 | 364,767 | 39,140,501 | 21,545,590 | 5,202,594 | 364,767 | 27,112,951 |
| Underperforming | - | - | - | - | - | - | - | - |
| Loss | - | - | - | - | - | - | - | - |
| | 23,021,269 | 15,754,465 | 364,767 | 39,140,501 | 21,545,590 | 5,202,594 | 364,767 | 27,112,951 |
| Loss allowance | (14,130) | (463) | (35,831) | (50,424) | (13,560) | - | (35,831) | (49,391) |
| **Carrying amount** | **23,007,139** | **15,754,002** | **328,936** | **39,090,077** | **21,532,030** | **5,202,594** | **328,936** | **27,063,560** |

The following table sets out information about the credit quality of loans measured at amortised cost;
At 31 December 2018

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| *In thousands of naira* | Policyholders loan | Staff loan | Agent loan | Other loans | Policyholders loan | Staff loan | Agent loan | Other loans |
| Performing | 1,707,638 | 435,773 | 122,290 | 61,126 | 1,707,638 | 284,009 | 122,290 | 61,126 |
| Underperforming | - | - | - | - | - | - | - | - |
| Loss | - | - | - | - | - | - | - | - |
| | 1,707,638 | 435,773 | 122,290 | 61,126 | 1,707,638 | 284,009 | 122,290 | 61,126 |
| Loss allowance | - | - | - | - | - | - | - | - |
| **Carrying amount** | **1,707,638** | **435,773** | **122,290** | **61,126** | **1,707,638** | **284,009** | **122,290** | **61,126** |

### (ii) Loss allowance
**Measurement basis under IFRS 9**
The following table shows reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: 12-month ECL (stage 1), lifetime ECL (stage 2) and credit-impaired (stage 3) are included in Note 3.4.4 (Impairment of financial assets) in the accounting policies.

**Group** — **Debt instruments measured at amortised cost**

| | 2018 | | | | | 2017 |
|---|---|---|---|---|---|---|
| *In thousands of naira* | 12-month ECL Individual | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Purchased or originated credit-impaired | Total | Total |
| Balance at 1 January | 18,222 | - | - | - | 18,222 | - |
| Net remeasurement of loan | (3,629) | - | - | - | (3,629) | - |
| Closing balance | 14,593 | - | - | - | 14,593 | - |
| **Gross amount** | **24,150,389** | - | - | - | **24,150,389** | - |

**Company** — **Debt instruments measured at amortised cost**

| | 2018 | | | | | 2017 |
|---|---|---|---|---|---|---|
| *In thousands of naira* | 12-month ECL Individual | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Purchased or originated credit-impaired | Total | Total |
| Balance at 1 January | 17,010 | - | - | - | 17,010 | - |
| Net remeasurement of loan | (3,450) | - | - | - | (3,450) | - |
| Closing balance | 13,560 | - | - | - | 13,560 | - |
| **Grosss amount** | **22,381,854** | - | - | - | **22,381,854** | - |

**Group** — **Debt instruments measured at fair value through OCI**

| | 2018 | | | | | 2017 |
|---|---|---|---|---|---|---|
| *In thousands of naira* | 12-month ECL Individual | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Purchased or originated credit-impaired | Total | Total |
| Balance at 1 January | 38,773 | - | - | - | 38,773 | - |
| Net remeasurement of loan | 2,839 | - | - | - | 2,839 | - |
| Closing balance | 41,612 | - | - | - | 41,612 | - |
| **Gross amount** | **14,954,282** | - | - | - | **14,954,282** | - |

# Notes To The Financial Statements
For The Year Ended 31 December 2018

**Debt instruments measured at fair value through OCI**

| *In thousands of naira* | 12-month ECL Individual | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Purchased or originated credit-impaired | Total | Total |
|---|---|---|---|---|---|---|
| | 2018 | | | | | 2017 |
| Balance at 1 January | 35,831 | - | - | - | 35,831 | - |
| Net remeasurement of loan | (1,575) | - | - | - | (1,575) | - |
| Closing balance | 34,256 | - | - | - | 34,256 | - |
| **Gross amount** | **4,729,522** | - | - | - | **4,729,522** | - |

**Group**

**Loans to Policyholders, Agents and Staff**

| *In thousands of naira* | 12-month ECL Individual | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Purchased or originated credit-impaired | Total | Total |
|---|---|---|---|---|---|---|
| | 2018 | | | | | 2017 |
| Balance at 1 January | - | - | - | - | - | - |
| Net remeasurement of loan | - | - | - | - | - | - |
| Closing balance | - | - | - | - | - | - |
| **Gross amount** | **2,326,827** | - | - | - | **2,326,827** | - |

**Company**

**Loans to Policyholders, Agents and Staff**

| *In thousands of naira* | 12-month ECL Individual | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Purchased or originated credit-impaired | Total | Total |
|---|---|---|---|---|---|---|
| | 2018 | | | | | 2017 |
| **Balance at 1 January** | - | - | - | - | - | - |
| **Net remeasurement of loan** | - | - | - | - | - | - |
| **Closing balance** | - | - | - | - | - | - |
| **Gross amount** | **2,175,063** | - | - | - | **2,175,063** | - |

**(iii) Collateral held and other credit enhancements**

A key mitigation step employed by the Group in its credit risk management process includes the use of collateral securities to secure its loans as an alternative source of repayment during adverse conditions.

All loans granted to policyholders, Agents and Staff are collaterized by the cash value of the policies, the Agent pension fund balance which is managed by the Group and gratuity due to various staff together with the provided guarantors respectively.

**b Geographical sectors**

The Group limits its exposure to credit risk by investing only in liquid debt securities and only with counterparties that have a very high credit rating.

The maximum exposure to credit risk for debt securities at the reporting date per geo-political region was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| In thousands of naira | **2018** | **2017** | **2018** | **2017** |
| South South | 281,954 | 338,174 | 281,954 | 338,174 |
| South West* | 82,061,233 | 68,018,966 | 70,033,683 | 62,509,361 |
| | **82,343,187** | **68,357,140** | **70,315,636** | **62,847,535** |

* The South West figures includes Federal Government of Nigeria issued debt securities such as bonds and treasury bills .

# Notes To The Financial Statements

For The Year Ended 31 December 2018

### (ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities over the next 60 days.

The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables."

In addition, the Group entered into a contract with the International Finance Corporation (IFC) on 23 December 2014 for a $20 million convertible long term loan at a rate of 6.5% above 6 months LIBOR. This loan has a tenor of 7 years with 4 years moratorium on the principal. As At 31 December 2018, the Group had drawn down $7 million with $13 million available to the Group.

**Exposure to liquidity risk**

The following are the remaining contractual maturities of financial liabilities at the reporting date.The amounts are gross and undiscounted, include contractual interest payments and exclude the impact of netting agreements"

**Maturity analysis**
The table below summarises the expected utilisation or settlement of assets and liabilities as at 31 December 2018:

**Group**
**31 December 2018**

| | | | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|---|
| *In thousands of naira* | Carrying amount | Gross nominal cashflow | 3 months or less | 3 - 12 months | 1 - 2 years | 2 - 5 years | More than 5 years |
| Trade and other receivables | 417,102 | 930,563 | 362,025 | 55,077 | 513,461 | - | - |
| Short term investment securities | 42,805,454 | 33,024,993 | 1,599,464 | 31,425,529 | - | - | - |
| Long term investment securities | 41,864,559 | 61,231,879 | 9,508 | 291,138 | 945,775 | 16,310,939 | 43,674,519 |
| Cash and cash equivalents | 5,324,739 | 5,324,739 | 5,324,739 | - | - | - | - |
| | 90,411,855 | 100,512,174 | 7,295,736 | 31,771,744 | 1,459,236 | 16,310,939 | 43,674,519 |
| Investment contract liabilities | 12,319,617 | 12,319,617 | - | - | 12,319,617 | - | - |
| Long term borrowing | 2,324,733 | 3,270,098 | 113,408 | 45,610 | 579,635 | 2,531,445 | - |
| Fixed income liabilities | 10,181,251 | 10,181,251 | - | - | 10,181,251 | - | - |
| Trade payables | 839,400 | 523,299 | 179,773 | 343,526 | - | - | - |
| Other payables | 2,213,547 | 705,491 | 201,533 | 503,957 | - | - | - |
| | 27,878,548 | 26,999,755 | 494,715 | 893,093 | 28,080,502 | 2,531,445 | - |
| Liquidity gap | 62,533,307 | 73,512,419 | 6,801,021 | 30,878,651 | (21,621,266) | 13,779,494 | 43,674,519 |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**Company**

**31 December 2018**

| *In thousands of naira* | Carrying amount | Gross nominal cashflow | Contractual cash flows: 3 months or less | 3 - 12 months | 1 - 2 years | 2 - 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| Trade and other receivables | 131,841 | 131,841 | 131,841 | - | - | - | - |
| Short term investment securities | 31,634,394 | 32,847,981 | 1,422,452 | 31,425,529 | - | - | - |
| Long term investment securities | 42,961,736 | 56,372,819 | - | 291,138 | 681,231 | 11,725,931 | 43,674,519 |
| Cash and cash equivalents | 4,519,953 | 4,519,953 | 4,519,953 | - | - | - | - |
| | 79,247,924 | 93,872,593 | 6,074,246 | 31,716,667 | 681,231 | 11,725,931 | 43,674,519 |
| Investment contract liabilities | 12,319,617 | 12,319,617 | - | - | 12,319,617 | - | - |
| Long term borrowing | 2,324,733 | 3,270,098 | 113,408 | 45,610 | 579,635 | 2,531,445 | - |
| Trade payables | 839,400 | 558,960 | 5,698 | 343,526 | 209,736 | - | - |
| Other payables | 2,002,558 | 1,131,804 | 342,118 | 152,384 | 637,302 | - | - |
| | 17,486,308 | 17,280,479 | 461,225 | 541,520 | 13,746,290 | 2,531,445 | - |
| Liquidity gap | 61,761,616 | 76,592,114 | 5,613,021 | 31,175,147 | (13,065,058) | 9,194,486 | 43,674,519 |

**Group**

**31 December 2017**

| *In thousands of naira* | Carrying amount | Gross nominal cashflow | Contractual cash flows: 3 months or less | 3 - 12 months | 1 - 2 years | 2 - 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| Trade and other receivables | 301,172 | 301,172 | 301,172 | - | - | - | - |
| Short term investment securities | 10,065,015 | 10,739,327 | - | 10,739,327 | - | - | - |
| Long term investment securities | 58,292,125 | 64,541,051 | - | - | 1,119,161 | 3,978,781 | 59,443,109 |
| Cash and cash equivalents | 5,199,385 | 5,199,385 | 5,199,385 | - | - | - | - |
| | 73,857,697 | 80,780,935 | 5,500,557 | 10,739,327 | 1,119,161 | 3,978,781 | 59,443,109 |
| Investment contract liabilities | 10,909,624 | 10,909,624 | - | - | 10,909,624 | - | - |
| Long term borrowing | 2,182,289 | 3,223,378 | 92,998 | 94,539 | 187,537 | 2,848,304 | - |
| Fixed Income liabilities | 3,981,591 | 3,978,591 | - | 3,978,591 | - | - | - |
| Trade payables | 1,711,219 | 1,858,420 | 147,201 | 1,711,219 | - | - | - |
| Other payables | 1,036,775 | 1,253,765 | 468,146 | 785,619 | - | - | - |
| | 19,821,498 | 21,223,778 | 708,345 | 6,569,968 | 11,097,161 | 2,848,304 | - |
| Liquidity gap | 54,036,199 | 59,557,157 | 4,792,212 | 4,169,359 | (9,978,000) | 1,130,477 | 59,443,109 |

**Company**

**31 December 2017**

| *In thousands of naira* | Carrying amount | Gross nominal cashflow | Contractual cash flows: 3 months or less | 3 - 12 months | 1 - 2 years | 2 - 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| Trade and other receivables | 59,106 | 59,106 | 59,106 | - | - | - | - |
| Short term investment securities | 9,120,897 | 10,327,327 | - | 10,327,327 | - | - | - |
| Long term investment securities | 53,726,638 | 64,334,531 | - | - | 1,104,961 | 3,786,462 | 59,443,108 |
| Cash and cash equivalents | 3,949,642 | 3,949,642 | 3,949,642 | - | - | - | - |
| | 66,856,283 | 78,670,606 | 4,008,748 | 10,327,327 | 1,104,961 | 3,786,462 | 59,443,108 |
| Investment contract liabilities | 10,909,624 | 10,909,624 | - | - | 10,909,624 | - | - |
| Long term borrowing | 2,182,289 | 3,223,378 | 92,998 | 94,539 | 187,537 | 2,848,304 | - |
| Trade payables | 1,711,219 | 1,711,219 | - | 1,711,219 | - | - | - |
| Other payables | 1,036,775 | 1,037,864 | 317,015 | 720,849 | - | - | - |
| | 15,839,907 | 16,882,085 | 410,013 | 2,526,607 | 11,097,161 | 2,848,304 | - |
| Liquidity gap | 51,016,376 | 61,788,521 | 3,598,735 | 7,800,720 | (9,992,200) | 938,158 | 59,443,108 |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

### Group

| *In thousands of naira* | 2018 Current | 2018 Non-current | 2018 Total | 2017 Current | 2017 Non-current | 2017 Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 5,324,739 | - | 5,324,739 | 5,199,385 | - | 5,199,385 |
| Financial assets | 64,609,770 | 24,630,658 | 89,240,428 | 73,635,612 | - | 73,635,612 |
| Trade receivable | 417,102 | - | 417,102 | 301,172 | - | 301,172 |
| Reinsurance assets | 4,686,029 | - | 4,686,029 | 3,644,489 | - | 3,644,489 |
| Deferred acquisition cost | 465,991 | - | 465,991 | 334,935 | - | 334,935 |
| Other receivables and prepayments | 580,618 | - | 580,618 | 454,902 | - | 454,902 |
| Deferred tax asset | - | 149,379 | 149,379 | - | 157,008 | 157,008 |
| Investment property | - | 555,000 | 555,000 | - | 582,000 | 582,000 |
| Goodwill and other intangible assets | - | 1,014,085 | 1,014,085 | - | 1,060,451 | 1,060,451 |
| Property and equipment | - | 7,025,197 | 7,025,197 | - | 6,513,175 | 6,513,175 |
| Statutory deposit | - | 530,000 | 530,000 | - | 530,000 | 530,000 |
| **Total assets** | **76,084,250** | **33,904,320** | **109,988,569** | **83,570,495** | **8,842,634** | **92,413,127** |
| Insurance contract liabilities | 3,362,876 | 62,117,656 | 65,540,532 | 2,957,835 | 57,001,916 | 59,959,751 |
| Investment contract liabilities | - | 12,319,617 | 12,319,617 | - | 10,909,624 | 10,909,624 |
| Trade payables | 1,013,475 | - | 1,013,475 | 1,721,918 | - | 1,721,918 |
| Other payables and accruals | 2,213,547 | - | 2,213,547 | 1,325,766 | - | 1,325,766 |
| Fixed income liability | 10,181,251 | - | 10,181,251 | 3,981,591 | | 3,981,591 |
| Current tax payable | 590,976 | - | 590,976 | 826,643 | - | 826,643 |
| Deferred tax liability | - | 533,836 | 533,836 | - | 547,017 | 547,017 |
| Long term borrowing | 190,399 | 2,134,334 | 2,324,733 | 83,792 | 2,098,497 | 2,182,289 |
| **Total liabilities** | **17,552,524** | **77,165,443** | **94,717,967** | **10,897,545** | **70,557,054** | **81,454,599** |

### Company

| *In thousands of naira* | 2018 Current | 2018 Non-current | 2018 Total | 2017 Current | 2017 Non-current | 2017 Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 4,519,953 | - | 4,519,953 | 3,949,642 | - | 3,949,642 |
| Financial assets | 52,270,028 | 24,487,605 | 76,757,633 | 67,970,438 | - | 67,970,438 |
| Trade receivable | 131,841 | - | 131,841 | 59,106 | - | 59,106 |
| Reinsurance assets | 4,686,029 | - | 4,686,029 | 3,644,489 | - | 3,644,489 |
| Deferred acquisition cost | 465,991 | - | 465,991 | 334,935 | - | 334,935 |
| Other receivables and prepayments | 408,428 | - | 408,428 | 391,384 | - | 391,384 |
| Investment in subsidiaries | - | 2,452,359 | 2,452,359 | - | 2,308,690 | 2,308,690 |
| Investment property | - | 555,000 | 555,000 | - | 582,000 | 582,000 |
| Property and equipment | - | 965,906 | 965,906 | - | 1,032,242 | 1,032,242 |
| Goodwill and other intangible assets | - | 6,697,107 | 6,697,107 | - | 6,220,962 | 6,220,962 |
| Statutory deposit | - | 530,000 | 530,000 | - | 530,000 | 530,000 |
| **Total assets** | **62,482,270** | **35,687,978** | **98,170,248** | **76,349,994** | **10,673,894** | **87,023,887** |
| Insurance contract liabilities | 3,163,894 | 62,177,656 | 65,341,550 | 2,764,444 | 57,001,916 | 59,766,360 |
| Investment contract liabilities | - | 12,319,617 | 12,319,617 | - | 10,909,624 | 10,909,624 |
| Trade payables | 839,400 | - | 839,400 | 1,711,219 | - | 1,711,219 |
| Other payables and accruals | 2,002,558 | - | 2,002,558 | 1,187,974 | - | 1,187,974 |
| Current tax payable | 507,241 | - | 507,241 | 426,920 | - | 426,920 |
| Deferred tax liability | - | 487,836 | 487,836 | - | 517,268 | 517,268 |
| Long term borrowing | - | 2,324,733 | 2,324,733 | - | 2,182,289 | 2,182,289 |
| **Total liabilities** | **6,513,093** | **77,309,842** | **83,822,935** | **6,090,557** | **70,611,097** | **76,701,654** |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

### (iii) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### (iv) Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which premium, claims and borrowings are denominated and the respective functional currencies of Group companies. The functional currency of Group companies is the Nigerian naira.The currencies in which these transactions are primarily denominated are the Nigerian naira. However, the Group receives some premium in foreign currencies and also pays some claims in foreign currencies. The foreign currencies the Group transacts in include euro, british pounds and united states dollars."

**Exposure to currency risk**

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

GROUP

| | 31 December 2018 | | | | 31 December 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| *In thousands of* | Carrying Value | EUR | USD | GBP | Carrying value | EUR | USD | GBP |
| Cash and cash equivalents | 814,941 | 184,210 | 607,890 | 22,841 | 387,284 | 89,271 | 279,038 | 18,974 |
| Financial assets | 559,900 | - | 559,900 | - | 559,900 | - | 559,900 | - |
| IFC borrowing | (2,324,733) | - | (2,324,733) | - | (2,182,289) | - | (2,182,289) | - |
| **Net statement of financial position exposure** | (949,892) | 184,210 | (1,156,943) | 22,841 | (1,235,105) | 89,271 | (1,343,351) | |

COMPANY

| | 31 December 2018 | | | | 31 December 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| *In thousands of* | NGN | EUR | USD | GBP | NGN | EUR | USD | GBP |
| Cash and cash equivalents | 814,941 | 184,210 | 607,890 | 22,841 | 387,284 | 89,271 | 279,038 | 18,974 |
| Financial assets | 559,900 | | 559,900 | | 559,900 | | 559,900 | |
| IFC borrowing | (2,324,733) | | (2,324,733) | | (2,182,289) | | (2,182,289) | |
| **Net statement of financial position exposure** | (949,892) | 184,210 | (1,156,943) | 22,841 | (1,235,105) | 89,271 | (1,343,351) | 18,974 |

The following significant exchange rates have been applied.

| | Year-end spot rate | |
|---|---|---|
| **Naira** | **2018** | **2017** |
| **USD 1** | 364 | 360 |
| **GBP 1** | 465 | 413 |
| **EUR 1** | 415 | 366 |

*Sensitivity analysis*

A reasonably possible strengthening (weakening) of the euro, US dollar, sterling or Swiss franc against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

| | GROUP | | | | COMPANY | | | |
|---|---|---|---|---|---|---|---|---|
| | Profit or loss | | Equity, net of tax | | Profit or loss | | Equity, net of tax | |
| *Effects in thousands of naira* | Strengthening | Weakening | Strengthening | Weakening | Strengthening | Weakening | Strengthening | Weakening |
| **31 December 2018** | | | | | | | | |
| EUR (10% movement) | 18,421 | (18,421) | 18,421 | (18,421) | 18,421 | (18,421) | 18,421 | (18,421) |
| USD (10% movement) | (115,694) | (115,694) | (115,694) | (115,694) | (115,694) | 115,694 | (115,694) | 115,694 |
| GBP (10% movement) | 2,284 | (2,284) | 2,284 | (2,284) | 2,284 | (2,284) | 2,284 | (2,284) |
| **31 December 2017** | | | | | 127 | | | |
| EUR (10% movement) | 8,927 | (8,927) | 8,927 | (8,927) | 8,927 | (8,927) | 8,927 | (8,927) |
| USD (10% movement) | (134,335) | 134,335 | (134,335) | 134,335 | 128 | 138,818 | (138,818) | 138,818 |
| GBP (10% movement) | - | - | - | - | 1,897 | (1,897) | 1,897 | (1,897) |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**(c)(v)Interest rate risk**

The Group adopts a policy of ensuring that all its interest rate risk exposure is at a fixed rate. The exception is the dollar denominated variable rate loan obtained by the Group from IFC. This eliminates the variability in the risks and returns on the Group's interest bearing assets and liabilities.

***Exposure to interest rate risk***

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

| *In thousands of naira* | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|
| **Fixed-rate instruments** | | | | |
| Cash deposits | 1,504,322 | 1,988,781 | 1,162,479 | 1,189,794 |
| Debt securities | 82,343,187 | 68,257,140 | 70,315,636 | 62,847,535 |
| Money market placements | - | 100,000 | - | - |
| Fixed income liabilities | 10,181,251 | 3,981,591 | - | - |
| | 94,028,759 | 74,327,512 | 71,478,115 | 64,037,329 |
| **Variable-rate instruments** | | | | |
| Long term convertible loan | 2,324,733 | 2,182,289 | 2,324,733 | 2,182,289 |
| | 2,324,733 | 2,182,289 | 2,324,733 | 2,182,289 |

**Cashflow sensitivity analysis for fixed-rate instruments**

| *Effect in thousands of naira* | Group Profit or (loss) 100bp increase | Group Profit or (loss) 100bp decrease | Group Equity, net of tax 100bp increase | Group Equity, net of tax 100bp decrease | Company Profit or (loss) 100bp increase | Company Profit or (loss) 100bp decrease | Company Equity, net of tax 100bp increase | Company Equity, net of tax 100bp decrease |
|---|---|---|---|---|---|---|---|---|
| **31 December 2018** | | | | | | | | |
| Financial assets | 940,288 | (940,288) | 940,288 | (940,288) | 714,781 | (714,781) | 714,781 | (714,781) |
| | 940,288 | (940,288) | 940,288 | (940,288) | 714,781 | (714,781) | 714,781 | (714,781) |
| **31 December 2017** | | | | | | | | |
| Financial assets | 743,275 | (743,275) | 743,275 | (743,275) | 640,373 | (640,373) | 640,373 | (640,373) |
| | 743,275 | (743,275) | 743,275 | (743,275) | 640,373 | (640,373) | 640,373 | (640,373) |

**Cashflow sensitivity analysis for variable-rate instruments**

| *Effect in thousands of naira* | Group Profit or (loss) 100bp increase | Group Profit or (loss) 100bp decrease | Group Equity, net of tax 100bp increase | Group Equity, net of tax 100bp decrease | Company Profit or (loss) 100bp increase | Company Profit or (loss) 100bp decrease | Company Equity, net of tax 100bp increase | Company Equity, net of tax 100bp decrease |
|---|---|---|---|---|---|---|---|---|
| **31 December 2018** | | | | | | | | |
| Financial liabilities | 23,247 | (23,247) | 23,247 | (23,247) | 23,247 | (23,247) | 23,247 | (23,247) |
| | 23,247 | (23,247) | 23,247 | (23,247) | 23,247 | (23,247) | 23,247 | (23,247) |
| **31 December 2017** | | | | | | | | |
| Financial assets | 21,823 | (21,823) | 21,823 | (21,823) | 21,823 | (21,823) | 21,823 | (21,823) |
| | 21,823 | (21,823) | 21,823 | (21,823) | 21,823 | (21,823) | 21,823 | (21,823) |

The analysis assumes that all other variables, in particular, foreign currency exchange rates, remain constant.

*Fair value sensitivity analysis for fixed-rate instruments*

The Group does not account for any fixed-rate financial assets and financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

**Other market price risk**

The Group is exposed to equity price risk, which arises from financial asset designated at other comprehensive income held for partially meeting the claims and benefits obligations. The management of the Group monitors the proportion of equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee.

The primary goal of the Group's investment strategy is to maximise investment returns, both to partially meet the Group's claims and benefits obligations and to improve its returns in general.

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**Sensitivity analysis - Equity price risk**

All of the Group's listed equity investments are listed on the Nigerian Stock Exchange and are classified as fair value through other comprehensive income.

## 44 Insurance Risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Group purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the Group's net exposure to catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

### (a) Life insurance contracts (including investment contracts)

Life insurance contracts offered by the Group include: whole life, term assurance and deposit administration. Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Deposit administration is an investment product which accepts deposit from clients and other businesses of savings nature, by agreeing to pay interest on those deposits for an agreed period. For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures.

Underwriting limits are in place to enforce appropriate risk selection criteria. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

**Key assumptions**

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. The key assumptions are as follows:

| Valuation basis | 2018 | 2017 |
|---|---|---|
| **a. Economic assumptions** | | |
| i. Net valuation interest rate for the long term risk business | 15.30% | 13.75% |
| ii. Annuity valuation rate | 15.05% | 13.50% |
| iii. Tax adjustment (on projected returns) | - | 0.00% |
| i. Inflation rate | 11.00% | 11.00% |
| **b. Non - Economic assumptions** | | |
| i. Acquisition expense to maintenance expense | 44:56 | 38:62 |
| ii. Per policy expense assumption (per annum) | N10,425 | N10,425 |
| iii. Mortality assumption (based on assured lifetable) | 90% of A67/70 UK | 90% of A67/70 UK |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**Sensitivities**

The analysis which follows is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non–linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

**Sensitivity of liability to changes in long term valuation assumptions**
**31 December 2018 actuarial valuation**

| N'000 | Base | VIR +1% | VIR -1% | Expenses +10% | Expenses -10% | Expense Inflation +2% | Expense Inflation -2% | Mortality +5% | Mortality -5% |
|---|---|---|---|---|---|---|---|---|---|
| Individual Risk Reserve (Excluding Annuity) | 22,445,544 | 21,608,101 | 23,388,208 | 22,718,338 | 22,201,489 | 22,621,656 | 22,287,862 | 22,488,595 | 22,402,654 |
| Annuity | 30,653,985 | 29,254,392 | 32,195,215 | 30,773,310 | 30,546,079 | 30,878,001 | 30,479,093 | 30,493,154 | 30,819,315 |
| Investment Linked Products | 10,457,420 | 10,457,420 | 10,457,420 | 10,457,420 | 10,457,420 | 10,457,420 | 10,457,420 | 10,457,420 | 10,457,420 |
| Group DA | 1,862,197 | 1,849,335 | 1,849,335 | 1,849,335 | 1,849,335 | 1,849,335 | 1,849,335 | 1,849,335 | 1,849,335 |
| Group Credit Life | 878 | 878 | 878 | 878 | 878 | 878 | 878 | 878 | 878 |
| Group Life - UPR | 352,400 | 352,400 | 352,400 | 352,400 | 352,400 | 352,400 | 352,400 | 352,400 | 352,400 |
| Group Life - AURR | 131,463 | 131,463 | 131,463 | 131,463 | 131,463 | 131,463 | 131,463 | 131,463 | 131,463 |
| Group Life - IBNR | 1,164,943 | 1,164,943 | 1,164,943 | 1,164,943 | 1,164,943 | 1,164,943 | 1,164,943 | 1,164,943 | 1,164,943 |
| Group Life -OCR | 1,334,472 | 1,334,472 | 1,334,472 | 1,334,472 | 1,334,472 | 1,334,472 | 1,334,472 | 1,334,472 | 1,334,472 |
| Additional Reserves | 465,184 | 465,184 | 465,184 | 465,184 | 465,184 | 465,184 | 465,184 | 465,184 | 465,184 |
| | **68,868,486** | **66,618,587** | **71,339,517** | **69,247,742** | **68,503,663** | **69,255,751** | **68,523,049** | **68,737,843** | **68,978,062** |
| Reinsurance | (710,712) | (710,712) | (710,712) | (710,712) | (710,712) | (710,712) | (710,712) | (710,712) | (710,712) |
| Net Liability | **68,157,774** | **65,907,876** | **70,628,805** | **68,537,030** | **67,792,951** | **68,545,039** | **67,812,337** | **68,027,131** | **68,267,351** |
| % change in Net Liability | | **-3.30%** | **3.63%** | **0.56%** | **-0.54%** | **0.57%** | **-0.51%** | **-0.19%** | **0.16%** |

| Summary | Base | Interest rate +1% | Interest rate -1% | Expenses +10% | Expenses -10% | Expense Inflation +2% | Expense Inflation -2% | Mortality +5% | Mortality -5% |
|---|---|---|---|---|---|---|---|---|---|
| Individual | 64,022,134 | 61,785,097 | 66,506,026 | 64,414,252 | 126 | 64,422,260 | 63,689,559 | 63,904,353 | 64,144,572 |
| | 4,135,641 | 4,122,779 | 4,122,779 | 4,122,779 | 4,122,779 | 4,122,779 | 4,122,779 | 4,122,779 | 4,122,779 |
| Net Liability | 68,157,774 | 65,907,876 | 70,628,805 | 68,537,030 | 127 | 68,545,039 | 67,812,337 | 68,027,131 | 68,267,351 |
| % change in Liability | | -3.3% | 3.6% | 0.6% | -100.0% | 0.6% | -0.5% | -0.2% | 0.2% |

*All stresses were applied independently*

*Stresses not applied to individual reinsurance asset due to immateriality*

*The mortality stress has been applied in the opposite direction for annuities.*

*Valuation assumptions on interest rate is now based on Yield Curve and not on constant ViR used in prior years*

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**(b) Non-life insurance contracts**

The Group principally issues the following types of general insurance contracts: fire, motor, casualty, workmen compensation, personal accident, marine and oil and gas. Risks under non–life insurance policies usually cover twelve months duration. For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography.

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

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage).

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Group's risk appetite as decided by management. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

**Key assumptions**

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: one–off occurrence, changes in market factors such as public attitude to claims, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates."

**Sensitivities**

The non–life insurance claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

**Claims development table**

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The Group has taken advantage of the transitional rules of IFRS 4 that permit only five years of information to be disclosed upon adoption of IFRS.

In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus."

**Claims data**

The claims data has seven risk groups – Marine, Motor, Casualty, Fire, Personal Accident, Oil and Gas and Workmen Compensation. The combined claims data for all lines of business between 2010 and 2018 are summarized in the table below:

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**Incremental chain ladder - yearly projections**

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | Claims paid till date (₦'000) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2010 | 743,848,992 | 597,758,482 | 212,315,853 | 172,030,126 | 33,968,605 | 5,465,962 | 53,835,584 | 10,510,075 | - | 1,829,733,679 |
| 2011 | 778,837,440 | 1,337,332,089 | 223,108,441 | 334,890,266 | 70,996,549 | 22,131,520 | 6,449,833 | 3,097,658 | | 2,776,843,796 |
| 2012 | 798,430,384 | 1,448,406,053 | 525,271,911 | 279,439,149 | 113,328,530 | 61,907,342 | 24,332,367 | | | 3,251,115,737 |
| 2013 | 921,671,366 | 981,670,275 | 185,624,210 | 46,839,246 | 53,440,190 | 17,902,903 | | | | 2,207,148,189 |
| 2014 | 1,436,510,536 | 1,368,124,182 | 406,244,238 | 29,727,211 | 27,753,377 | | | | | 3,268,359,544 |
| 2015 | 1,207,317,680 | 1,410,110,583 | 110,938,941 | 149,494,387 | | | | | | 2,877,861,591 |
| 2016 | 1,442,222,465 | 1,337,949,024 | 304,694,803 | | | | | | | 3,084,866,293 |
| 2017 | 2,134,993,116 | 2,158,316,699 | | | | | | | | 4,293,309,816 |
| 2018 | 2,426,662,125 | | | | | | | | | 2,426,662,125 |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**Gross claim reserving**

The claims paid are allocated to claim development years. In the Personal Accident line for example, of the claims that arose in 2009, N4.54million was paid in 2009 (development year 1), N4.88million in 2010 (development year 2) etc.
The tables shown are the step by step output of the Inflation Adjusted Basic Chain Ladder (IABCL) Method in estimating Gross Claims Reserve. These are based on the 31 December 2018 valuation.

**Basic chain ladder method - gross motor claims**

**Incremetal Chain ladder** (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 |
| **2008** | 137,524 | 166,842 | 7,482 | 6,755 | 450 | 1,816 | 4,943 | 900 | 215 | 17 | - |
| **2009** | 292,367 | 203,681 | 36,530 | 12,350 | 620 | - | - | 21,563 | 205 | 91 | - |
| **2010** | 368,584 | 184,155 | 12,743 | 331 | 56 | - | 7,089 | 282 | - | - | - |
| **2011** | 368,880 | 202,548 | 8,594 | 5,498 | 3,077 | 1,030 | 202 | 135 | - | - | - |
| **2012** | 395,039 | 250,654 | 3,916 | 4,073 | 1,724 | 281 | 67 | - | - | - | - |
| **2013** | 489,232 | 173,416 | 41,806 | 2,432 | 8,915 | 1,100 | - | - | - | - | - |
| **2014** | 558,462 | 230,849 | 6,682 | 2,628 | 11,547 | - | - | - | - | - | - |
| **2015** | 614,947 | 152,874 | 14,460 | 7,545 | - | - | - | - | - | - | - |
| **2016** | 550,304 | 208,225 | 5,587 | - | - | - | - | - | - | - | - |
| **2017** | 593,740 | 238,117 | - | - | - | - | - | - | - | - | - |
| **2018** | 665,796 | - | - | - | - | - | - | - | - | - | - |

| Inflation Adjusted Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **2008** | 421,849 | 449,323 | 18,023 | 14,753 | 877 | 3,278 | 8,241 | 1,369 | 276 | 19 | - |
| **2009** | 787,375 | 490,639 | 79,779 | 24,082 | 1,119 | - | - | 27,683 | 228 | 91 | - |
| **2010** | 887,866 | 402,180 | 24,847 | 597 | 94 | - | 9,102 | 314 | - | - | - |
| **2011** | 805,603 | 394,954 | 15,516 | 9,167 | 4,680 | 1,322 | 225 | 135 | - | - | - |
| **2012** | 770,297 | 452,553 | 6,529 | 6,195 | 2,214 | 312 | 67 | - | - | - | - |
| **2013** | 883,301 | 289,105 | 63,591 | 3,122 | 9,920 | 1,100 | - | - | - | - | - |
| **2014** | 931,020 | 351,142 | 8,579 | 2,924 | 11,547 | - | - | - | - | - | - |
| **2015** | 935,391 | 196,266 | 16,092 | 7,545 | - | - | - | - | - | - | - |
| **2016** | 706,501 | 231,713 | 5,587 | - | - | - | - | - | - | - | - |
| **2017** | 660,714 | 238,117 | - | - | - | - | - | - | - | - | - |
| **2018** | 665,796 | - | - | - | - | - | - | - | - | - | - |

*Projected Inflation Adjusted Chain Ladder Table*

| Inflation Adjusted Cumulative Chain ladder-Yearly Projections (N'000) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **2008** | 421,849 | 871,171 | 889,194 | 903,946 | 904,824 | 908,102 | 916,343 | 917,712 | 917,988 | 918,007 | 918,007 |
| **2009** | 787,375 | 1,278,014 | 1,357,793 | 1,381,876 | 1,382,995 | 1,382,995 | 1,382,995 | 1,410,678 | 1,410,906 | 1,410,997 | 1,410,997 |
| **2010** | 887,866 | 1,290,046 | 1,314,893 | 1,315,490 | 1,315,584 | 1,315,584 | 1,324,686 | 1,325,000 | 1,325,000 | 1,325,063 | 1,325,063 |
| **2011** | 805,603 | 1,200,556 | 1,216,073 | 1,225,239 | 1,229,920 | 1,231,241 | 1,231,466 | 1,231,601 | 1,231,771 | 1,231,830 | 1,231,830 |
| **2012** | 770,297 | 1,222,849 | 1,229,378 | 1,235,573 | 1,237,787 | 1,238,099 | 1,238,166 | 1,240,048 | 1,240,220 | 1,240,278 | 1,240,278 |
| **2013** | 883,301 | 1,172,406 | 1,235,997 | 1,239,119 | 1,249,040 | 1,250,140 | 1,253,768 | 1,255,674 | 1,255,847 | 1,255,907 | 1,255,907 |
| **2014** | 931,020 | 1,282,162 | 1,290,740 | 1,293,665 | 1,305,211 | 1,309,417 | 1,313,218 | 1,315,214 | 1,315,396 | 1,315,458 | 1,315,458 |
| **2015** | 935,391 | 1,131,656 | 1,147,748 | 1,155,292 | 1,159,385 | 1,163,122 | 1,166,497 | 1,168,271 | 1,168,432 | 1,168,487 | 1,168,487 |
| **2016** | 706,501 | 938,214 | 943,801 | 950,467 | 953,835 | 956,909 | 959,686 | 961,145 | 961,278 | 961,323 | 961,323 |
| **2017** | 660,714 | 898,831 | 919,473 | 925,967 | 929,248 | 932,242 | 934,948 | 936,369 | 936,499 | 936,543 | 936,543 |
| **2018** | 665,796 | 964,595 | 986,747 | 993,717 | 997,238 | 1,000,451 | 1,003,355 | 1,004,880 | 1,005,019 | 1,005,067 | 1,005,067 |

# Notes To The Financial Statements
For The Year Ended 31 December 2018

**Basic chain ladder method - casualty**

**Incremetal Chain ladder** (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 |
| **2008** | 59,731 | 59,349 | 28,886 | 8,266 | 9,877 | 5,049 | 3,318 | 500 | - | - | 18 |
| **2009** | 47,746 | 112,951 | 29,051 | 18,872 | 19,209 | 2,051 | 409 | 754 | - | 293 | - |
| **2010** | 125,152 | 211,911 | 41,903 | 24,002 | 11,086 | 3,704 | 595 | 269 | - | - | - |
| **2011** | 107,478 | 174,649 | 55,652 | 24,263 | 6,050 | 4,068 | 5,190 | 959 | - | - | - |
| **2012** | 108,972 | 155,291 | 70,227 | 21,321 | 3,096 | 5,602 | 1,032 | - | - | - | - |
| **2013** | 141,592 | 185,372 | 35,669 | 12,063 | 17,185 | 3,742 | - | - | - | - | - |
| **2014** | 155,669 | 161,912 | 58,720 | 11,012 | 3,024 | - | - | - | - | - | - |
| **2015** | 212,854 | 177,984 | 30,524 | 29,049 | - | - | - | - | - | - | - |
| **2016** | 274,466 | 184,060 | 42,504 | - | - | - | - | - | - | - | - |
| **2017** | 363,357 | 263,587 | - | - | - | - | - | - | - | - | - |
| **2018** | 427,255 | - | - | - | - | - | - | - | - | - | - |

**Inflation Adjusted** (Table of claims paid excluding large claims (Attritional Table)

| Inflation Adjusted Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Accident year** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **2008** | 183,220 | 159,832 | 69,583 | 18,052 | 19,260 | 9,117 | 5,531 | 760 | - | - | 18 |
| **2009** | 128,586 | 272,084 | 63,444 | 36,799 | 34,681 | 3,420 | 623 | 969 | - | 293 | - |
| **2010** | 301,473 | 462,796 | 81,707 | 43,335 | 18,481 | 5,634 | 764 | 299 | - | - | - |
| **2011** | 234,724 | 340,553 | 100,479 | 40,448 | 9,203 | 5,223 | 5,775 | 959 | - | - | - |
| **2012** | 212,486 | 280,376 | 117,076 | 32,432 | 3,975 | 6,234 | 1,032 | - | - | - | - |
| **2013** | 255,642 | 309,036 | 54,256 | 15,487 | 19,123 | 3,742 | - | - | - | - | - |
| **2014** | 259,518 | 246,283 | 75,388 | 12,254 | 3,024 | - | - | - | - | - | - |
| **2015** | 323,771 | 228,503 | 33,967 | 29,049 | - | - | - | - | - | - | - |
| **2016** | 352,370 | 204,822 | 42,504 | - | - | - | - | - | - | - | - |
| **2017** | 404,344 | 263,587 | - | - | - | - | - | - | - | - | - |
| **2018** | 427,255 | - | - | - | - | - | - | - | - | - | - |

***Projected Inflation Adjusted Chain Ladder Table***

| Inflation Adjusted Cumulative Chain ladder-Yearly Projections (N'000) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Accident year** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **2008** | 183,220 | 343,053 | 412,636 | 430,688 | 449,948 | 459,065 | 464,596 | 465,356 | 465,356 | 465,356 | 465,373 |
| **2009** | 128,586 | 400,670 | 464,114 | 500,913 | 535,594 | 539,014 | 539,637 | 540,605 | 540,605 | 540,898 | 540,898 |
| **2010** | 301,473 | 764,269 | 845,976 | 889,311 | 907,792 | 913,426 | 914,190 | 914,489 | 914,489 | 914,489 | 914,489 |
| **2011** | 214,386 | 525,432 | 617,205 | 654,149 | 662,945 | 667,715 | 672,905 | 673,864 | 673,864 | 673,864 | 673,864 |
| **2012** | 212,486 | 492,863 | 609,939 | 642,370 | 646,346 | 652,579 | 672,905 | 673,680 | 673,680 | 673,680 | 673,680 |
| **2013** | 255,642 | 564,678 | 618,934 | 634,421 | 653,544 | 657,287 | 663,883 | 664,648 | 664,648 | 664,648 | 664,648 |
| **2014** | 259,518 | 505,801 | 581,188 | 593,443 | 596,467 | 606,827 | 612,917 | 613,623 | 613,623 | 613,623 | 613,623 |
| **2015** | 323,771 | 552,274 | 586,241 | 615,290 | 630,489 | 641,440 | 647,877 | 648,624 | 648,624 | 648,624 | 648,624 |
| **2016** | 352,370 | 557,192 | 599,696 | 628,103 | 643,619 | 654,798 | 661,369 | 662,132 | 662,132 | 662,132 | 662,132 |
| **2017** | 404,344 | 667,930 | 757,300 | 793,173 | 812,766 | 826,884 | 835,182 | 836,144 | 836,144 | 836,144 | 836,144 |
| **2018** | 427,255 | 871,136 | 987,694 | 1,034,481 | 1,060,035 | 1,078,447 | 1,089,270 | 1,090,526 | 1,090,526 | 1,090,526 | 1,090,526 |

# Notes To The Financial Statements
For The Year Ended 31 December 2018

**Basic chain ladder method - Fire**

**Incremetal Chain ladder** (Table of claims paid excluding large claims (Attritional Table)

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2008** | 75,905 | 56,276 | 47,794 | 4,549 | 75 | - | - | - | - | - | 259.20 |
| **2009** | 88,693 | 100,665 | 27,065 | 988 | 153 | - | - | - | 621 | 827 | - |
| **2010** | 69,459 | 90,817 | 10,717 | 2,075 | 1,598 | 21 | - | 136 | - | - | - |
| **2011** | 182,516 | 312,871 | 33,345 | 920 | 707 | 765 | 309 | 579 | - | - | - |
| **2012** | 145,488 | 138,284 | 84,494 | 1,421 | 7 | 1,340 | 78 | - | - | - | - |
| **2013** | 161,371 | 194,379 | 24,521 | 25,317 | 8,164 | - | - | - | - | - | - |
| **2014** | 175,068 | 206,422 | 103,415 | 11,402 | 3,784 | - | - | - | - | - | - |
| **2015** | 206,687 | 222,698 | 38,360 | 22,578 | - | - | - | - | - | - | - |
| **2016** | 339,325 | 299,948 | 55,487 | - | - | - | - | - | - | - | - |
| **2017** | 316,219 | 118,487 | - | - | - | - | - | - | - | - | - |
| **2018** | 442,329 | - | - | - | - | - | - | - | - | - | - |

**Inflation Adjusted** (Table of claims paid excluding large claims (Attritional Table)

**Inflation Adjusted Incremental Chain ladder-Yearly Projections (N'000)**

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2008** | 232,836 | 151,556 | 115,130 | 9,936 | 147 | - | - | - | - | - | 259 |
| **2009** | 238,861 | 242,488 | 59,107 | 1,927 | 275 | - | - | - | 691 | 827 | - |
| **2010** | 167,318 | 198,337 | 20,896 | 3,746 | 2,664 | 31 | - | 152 | - | - | - |
| **2011** | 398,599 | 610,076 | 60,204 | 1,534 | 1,076 | 982 | 344 | 579 | - | - | - |
| **2012** | 283,690 | 249,670 | 140,861 | 2,161 | 10 | 1,492 | 78 | - | - | - | - |
| **2013** | 291,354 | 324,051 | 37,299 | 32,503 | 9,084 | - | - | - | - | - | - |
| **2014** | 291,859 | 313,987 | 132,768 | 12,688 | 3,784 | - | - | - | - | - | - |
| **2015** | 314,389 | 285,908 | 42,688 | 22,578 | - | - | - | - | - | - | - |
| **2016** | 435,638 | 333,782 | 55,487 | - | - | - | - | - | - | - | - |
| **2017** | 351,889 | 118,487 | - | - | - | - | - | - | - | - | - |
| **2018** | 442,329 | - | - | - | - | - | - | - | - | - | - |

*Projected Inflation Adjusted Chain Ladder Table*

**Inflation Adjusted Cumulative Chain ladder-Yearly Projections (N'000)**

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2008** | 232,836 | 384,392 | 499,522 | 509,457 | 509,604 | 509,604 | 509,604 | 509,604 | 509,604 | 509,604 | 509,864 |
| **2009** | 238,861 | 481,349 | 540,456 | 542,384 | 542,659 | 542,659 | 542,659 | 542,659 | 543,349 | 544,176 | 544,176 |
| **2010** | 167,318 | 365,655 | 386,551 | 390,297 | 392,961 | 392,992 | 392,992 | 393,144 | 393,144 | 393,144 | 393,144 |
| **2011** | 398,599 | 1,008,674 | 1,068,879 | 1,070,412 | 1,071,488 | 1,072,470 | 1,072,813 | 1,073,392 | 1,073,905 | 1,073,905 | 1,073,905 |
| **2012** | 283,690 | 533,360 | 674,221 | 676,382 | 676,391 | 677,883 | 677,961 | 678,313 | 678,637 | 678,637 | 678,637 |
| **2013** | 291,354 | 615,405 | 652,704 | 685,207 | 694,292 | 694,292 | 694,681 | 695,042 | 695,374 | 695,374 | 695,374 |
| **2014** | 291,859 | 605,846 | 738,614 | 751,301 | 755,085 | 755,571 | 755,995 | 756,388 | 756,749 | 756,749 | 756,749 |
| **2015** | 314,389 | 600,297 | 642,984 | 665,562 | 668,014 | 668,444 | 668,819 | 669,167 | 669,486 | 669,486 | 669,486 |
| **2016** | 435,638 | 769,420 | 824,906 | 838,708 | 841,798 | 842,341 | 842,813 | 843,251 | 843,654 | 843,654 | 843,654 |
| **2017** | 351,889 | 470,376 | 528,637 | 537,482 | 539,462 | 539,810 | 540,113 | 540,393 | 540,652 | 540,652 | 540,652 |
| **2018** | 442,329 | 858,456 | 964,785 | 980,928 | 984,542 | 985,176 | 985,729 | 986,241 | 986,712 | 986,712 | 986,712 |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**Basic chain ladder method - personal accident**

**Incremetal Chain ladder** (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 |
| **2008** | - | 9,087 | 2,127 | 73 | - | - | 118 | 157 | - | - | - |
| **2009** | 4,542 | 4,884 | 1,930 | 1,728 | - | 33 | - | - | - | - | - |
| **2010** | 5,996 | 3,249 | 953 | 305 | 610 | - | - | 585 | - | - | - |
| **2011** | 1,179 | 2,571 | 2,574 | 544 | - | 958 | - | - | - | - | - |
| **2012** | 4,661 | 7,671 | 1,005 | 3,541 | 1,357 | 150 | - | - | - | - | - |
| **2013** | 7,878 | 6,264 | 839 | 471 | 1,109 | - | - | - | - | - | - |
| **2014** | 5,887 | 4,526 | 1,303 | 146 | - | - | - | - | - | - | - |
| **2015** | 4,799 | 11,891 | 2,399 | - | - | - | - | - | - | - | - |
| **2016** | 13,470 | 13,880 | 4,318 | - | - | - | - | - | - | - | - |
| **2017** | 5,468 | 5,061 | - | - | - | - | - | - | - | - | - |
| **2018** | 9,304 | - | - | - | - | - | - | - | - | - | - |

**Inflation Adjusted** (Table of claims paid excluding large claims (Attritional Table)

| Inflation Adjusted Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **2008** | - | 24,472 | 5,125 | 159 | - | - | 197 | 238 | - | - | - |
| **2009** | 12,232 | 11,764 | 4,215 | 3,370 | - | 56 | - | - | - | - | - |
| **2010** | 14,443 | 7,096 | 1,857 | 551 | 1,017 | - | - | 651 | - | - | - |
| **2011** | 2,575 | 5,013 | 4,647 | 908 | - | 1,230 | - | - | - | - | - |
| **2012** | 9,088 | 13,850 | 1,675 | 5,387 | 1,743 | 167 | - | - | - | - | - |
| **2013** | 14,223 | 10,443 | 1,277 | 604 | 1,234 | - | - | - | - | - | - |
| **2014** | 9,814 | 6,884 | 1,672 | 163 | - | - | - | - | - | - | - |
| **2015** | 7,299 | 15,266 | 2,670 | - | - | - | - | - | - | - | - |
| **2016** | 17,293 | 15,446 | 4,318 | - | - | - | - | - | - | - | - |
| **2017** | 6,085 | 5,061 | - | - | - | - | - | - | - | - | - |
| **2018** | 9,304 | - | - | - | - | - | - | - | - | - | - |

*Projected Inflation Adjusted Chain Ladder Table*

| Inflation Adjusted Cumulative Chain ladder-Yearly Projections (N'000) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **2008** | - | 24,472 | 29,596 | 29,755 | 29,755 | 29,755 | 29,952 | 30,190 | 30,190 | 30,190 | 30,190 |
| **2009** | 12,232 | 23,997 | 28,211 | 31,582 | 31,582 | 31,638 | 31,638 | 31,638 | 31,638 | 31,638 | 31,638 |
| **2010** | 14,443 | 21,538 | 23,396 | 23,946 | 24,964 | 24,964 | 24,964 | 25,615 | 25,615 | 25,615 | 25,615 |
| **2011** | 2,575 | 7,588 | 12,235 | 13,143 | 13,143 | 14,372 | 14,372 | 14,372 | 14,372 | 14,372 | 14,372 |
| **2012** | 9,088 | 22,938 | 24,613 | 30,000 | 31,743 | 31,910 | 31,910 | 32,326 | 32,326 | 32,326 | 32,326 |
| **2013** | 14,223 | 24,666 | 25,943 | 26,547 | 27,781 | 27,781 | 28,312 | 28,681 | 28,681 | 28,681 | 28,681 |
| **2014** | 9,814 | 16,697 | 18,370 | 18,533 | 18,533 | 18,999 | 19,361 | 19,614 | 19,614 | 19,614 | 19,614 |
| **2015** | 7,299 | 22,566 | 25,236 | 25,236 | 25,978 | 26,631 | 27,140 | 27,494 | 27,494 | 27,494 | 27,494 |
| **2016** | 17,293 | 32,739 | 37,057 | 39,949 | 41,124 | 42,158 | 42,963 | 43,523 | 43,523 | 43,523 | 43,523 |
| **2017** | 6,085 | 11,146 | 13,084 | 14,105 | 14,520 | 14,885 | 15,169 | 15,367 | 15,367 | 15,367 | 15,367 |
| **2018** | 9,304 | 20,172 | 23,681 | 25,528 | 26,279 | 26,940 | 27,454 | 27,812 | 27,812 | 27,812 | 27,812 |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**Basic chain ladder method - workmen compensation**

**Incremetal Chain ladder** (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 |
| **2008** | 583 | 26,088 | 6,866 | 4,890 | 447 | 4,189 | 317 | - | 885 | - | - |
| **2009** | 5,473 | 23,849 | 5,814 | 711 | 265 | 105 | 46 | - | - | - | - |
| **2010** | 21,668 | 45,126 | 6,960 | 4,267 | 107 | - | 1,309 | - | - | - | - |
| **2011** | 19,029 | 48,146 | 21,668 | 5,129 | - | 1,318 | 491 | 745 | - | - | - |
| **2012** | 10,143 | 29,463 | 9,200 | 1,055 | - | - | - | - | - | - | - |
| **2013** | 15,137 | 16,189 | 9,706 | 4,384 | 149 | - | - | - | - | - | - |
| **2014** | 33,154 | 22,427 | 7,140 | 2,785 | 4,312 | - | - | - | - | - | - |
| **2015** | 21,469 | 24,898 | 5,308 | - | - | - | - | - | - | - | - |
| **2016** | 13,711 | 24,361 | 1,261 | - | - | - | - | - | - | - | - |
| **2017** | 18,000 | 22,351 | - | - | - | - | - | - | - | - | - |
| **2018** | 16,873 | - | - | - | - | - | - | - | - | - | - |

**Inflation Adjusted** (Table of claims paid excluding large claims (Attritional Table)

| Inflation Adjusted Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **2008** | 1,788 | 70,258 | 16,540 | 10,679 | 872 | 7,562 | 528 | - | 1,136 | - | - |
| **2009** | 14,738 | 57,449 | 12,697 | 1,386 | 479 | 175 | 71 | - | - | - | - |
| **2010** | 52,195 | 98,551 | 13,571 | 7,704 | 179 | - | 1,681 | - | - | - | - |
| **2011** | 41,558 | 93,881 | 39,121 | 8,550 | - | 1,692 | 546 | 745 | - | - | - |
| **2012** | 19,778 | 53,194 | 15,338 | 1,605 | - | - | - | - | - | - | - |
| **2013** | 27,330 | 26,988 | 14,763 | 5,629 | 166 | - | - | - | - | - | - |
| **2014** | 55,272 | 34,114 | 9,167 | 3,099 | 4,312 | - | - | - | - | - | - |
| **2015** | 32,657 | 31,964 | 5,906 | - | - | - | - | - | - | - | - |
| **2016** | 17,602 | 27,109 | 1,261 | - | - | - | - | - | - | - | - |
| **2017** | 20,030 | 22,351 | - | - | - | - | - | - | - | - | - |
| **2018** | 16,873 | - | - | - | - | - | - | - | - | - | - |

***Projected Inflation Adjusted Chain Ladder Table***

| Inflation Adjusted Cumulative Chain ladder-Yearly Projections (N'000) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **2008** | 1,788 | 72,046 | 88,586 | 99,266 | 100,138 | 107,700 | 108,228 | 108,228 | 109,364 | 109,364 | 109,364 |
| **2009** | 14,738 | 72,187 | 84,884 | 86,270 | 86,749 | 86,924 | 86,994 | 86,994 | 86,994 | 86,994 | 86,994 |
| **2010** | 52,195 | 150,746 | 164,317 | 172,021 | 172,200 | 172,200 | 173,881 | 173,881 | 173,881 | 173,881 | 173,881 |
| **2011** | 41,558 | 135,438 | 174,560 | 183,110 | 183,110 | 184,802 | 185,348 | 186,093 | 186,093 | 186,093 | 186,093 |
| **2012** | 19,778 | 72,972 | 88,310 | 89,915 | 89,915 | 89,915 | 89,915 | 90,035 | 90,035 | 90,035 | 90,035 |
| **2013** | 27,330 | 54,318 | 69,081 | 74,710 | 74,876 | 74,876 | 75,045 | 75,145 | 75,145 | 75,145 | 75,145 |
| **2014** | 55,272 | 89,386 | 98,553 | 101,651 | 105,963 | 106,202 | 106,441 | 106,584 | 106,584 | 106,584 | 106,584 |
| **2015** | 32,657 | 64,621 | 70,527 | 70,527 | 71,129 | 71,290 | 71,450 | 71,546 | 71,546 | 71,546 | 71,546 |
| **2016** | 17,602 | 44,711 | 45,972 | 47,570 | 47,976 | 48,084 | 48,192 | 48,257 | 48,257 | 48,257 | 48,257 |
| **2017** | 20,030 | 42,382 | 49,051 | 50,756 | 51,189 | 51,304 | 51,420 | 51,489 | 51,489 | 51,489 | 51,489 |
| **2018** | 16,873 | 46,822 | 54,190 | 56,074 | 56,553 | 56,680 | 56,808 | 56,884 | 56,884 | 56,884 | 56,884 |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**Basic chain ladder method - marine**

**Incremetal Chain ladder** (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 |
| **2008** | - | 11,469 | 3,991 | - | - | - | - | - | - | - | - |
| **2009** | 23,422 | 30,443 | 2,438 | 386 | - | - | - | - | - | - | |
| **2010** | 42,586 | 5,232 | 16,452 | 205 | - | - | 6,854 | 1,237 | - | | |
| **2011** | 47,861 | 12,819 | 835 | 19,462 | 89 | 13,713 | - | - | | | |
| **2012** | 34,699 | 60,006 | 26,838 | 20,409 | 3,127 | - | - | | | | |
| **2013** | 84,356 | 68,150 | 18,402 | 1,247 | 2,030 | 20 | | | | | |
| **2014** | 68,187 | 42,366 | 12,928 | 1,483 | 4,438 | | | | | | |
| **2015** | 69,435 | 88,165 | 10,780 | 2,147 | | | | | | | |
| **2016** | 60,926 | 49,316 | 19,007 | | | | | | | | |
| **2017** | 94,807 | 105,888 | | | | | | | | | |
| **2018** | 61,980 | | | | | | | | | | |

**Inflation Adjusted** (Table of claims paid excluding large claims (Attritional Table)

| Inflation Adjusted Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Accident year** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **2008** | - | 30,887 | 9,614 | - | - | - | - | - | - | - | - |
| **2009** | 63,078 | 73,333 | 5,324 | 753 | - | - | - | - | - | - | |
| **2010** | 102,584 | 11,426 | 32,080 | 370 | - | - | 8,799 | 1,377 | - | | |
| **2011** | 104,524 | 24,996 | 1,508 | 32,445 | 135 | 17,605 | - | - | | | |
| **2012** | 67,660 | 108,340 | 44,742 | 31,044 | 4,015 | - | - | | | | |
| **2013** | 152,304 | 113,614 | 27,991 | 1,601 | 2,259 | 20 | | | | | |
| **2014** | 113,676 | 64,443 | 16,597 | 1,650 | 4,438 | | | | | | |
| **2015** | 105,617 | 113,190 | 11,996 | 2,147 | | | | | | | |
| **2016** | 78,219 | 54,879 | 19,007 | | | | | | | | |
| **2017** | 105,501 | 105,888 | | | | | | | | | |
| **2018** | 61,980 | | | | | | | | | | |

*Projected Inflation Adjusted Chain Ladder Table*

| Cumulative Chain ladder-Yearly Projections (N'000) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Accident year** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **2008** | - | 30,887 | 40,501 | 40,501 | 40,501 | 40,501 | 40,501 | 40,501 | 40,501 | 40,501 | 40,501 |
| **2009** | 63,078 | 136,411 | 141,735 | 142,488 | 142,488 | 142,488 | 142,488 | 142,488 | 142,488 | 142,488 | 142,488 |
| **2010** | 102,584 | 114,010 | 146,090 | 146,460 | 146,460 | 146,460 | 155,260 | 156,636 | 156,636 | 156,636 | 156,636 |
| **2011** | 104,524 | 129,520 | 131,028 | 163,473 | 163,609 | 181,214 | 181,214 | 181,214 | 181,214 | 181,214 | 181,214 |
| **2012** | 67,660 | 176,000 | 220,742 | 251,786 | 255,801 | 255,801 | 255,801 | 256,536 | 256,536 | 256,536 | 256,536 |
| **2013** | 152,304 | 265,917 | 293,909 | 295,510 | 297,768 | 297,788 | 301,398 | 302,264 | 302,264 | 302,264 | 302,264 |
| **2014** | 113,676 | 178,118 | 194,716 | 196,366 | 200,804 | 204,322 | 206,798 | 207,392 | 207,392 | 207,392 | 207,392 |
| **2015** | 105,617 | 218,806 | 230,802 | 232,949 | 240,990 | 245,212 | 248,184 | 248,897 | 248,897 | 248,897 | 248,897 |
| **2016** | 78,219 | 133,098 | 152,105 | 159,941 | 165,461 | 168,360 | 170,400 | 170,890 | 170,890 | 170,890 | 170,890 |
| **2017** | 105,501 | 211,389 | 236,290 | 248,462 | 257,039 | 261,541 | 264,712 | 265,472 | 265,472 | 265,472 | 265,472 |
| **2018** | 61,980 | 108,481 | 121,260 | 127,507 | 131,908 | 134,219 | 135,845 | 136,236 | 136,236 | 136,236 | 136,236 |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

**Basic chain ladder method - Special Oil**
**Expected Loss Ratio - Special Oil**

| Accident year | Gross Earned Premium (N'000) | Claims Paid Till Date (N'000) | Total O/S as at 31 Dec 2017 (N'000) | Current Incurred (N'000) | Current Loss Ratio (N'000) | Ultimate Loss Ratio (N'000) | Ultimate Losses (N'000) | Outstanding Claim Reserves (N'000) |
|---|---|---|---|---|---|---|---|---|
| **2008** | 2,099,398 | 123,161 | - | 123,161 | 6% | 6% | 123,161 | - |
| **2009** | 2,099,398 | 108,170 | 15 | 108,185 | 5% | 5% | 108,170 | - |
| **2010** | 2,099,398 | 242,080 | - | 242,080 | 12% | 12% | 242,080 | - |
| **2011** | 2,099,398 | 307,051 | - | 307,051 | 15% | 15% | 307,051 | - |
| **2012** | 3,077,246 | 924,154 | 8 | 924,162 | 30% | 30% | 924,162 | 8 |
| **2013** | 1,743,435 | 121,647 | 45 | 121,692 | 7% | 7% | 121,692 | 45 |
| **2014** | 1,714,798 | 34,816 | 140 | 34,956 | 2% | 2% | 34,956 | 140 |
| **2015** | 1,885,938 | 215,672 | 997 | 216,669 | 11% | 11% | 216,669 | 997 |
| **2016** | 1,138,129 | 186,312 | 903 | 187,215 | 16% | 16% | 187,215 | 903 |
| **2017** | 1,347,236 | 525,990 | 252,584 | 205,294 | 15% | 60% | 811,550 | 285,560 |
| **2018** | 1,624,685 | 6,907 | 32,452 | 42,439 | 3% | 14% | 233,826 | 226,919 |
| **Total** | | | **287,144** | | | | | **514,572** |
| **Discounted** | | | | | | | | **479,312** |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

## 45 Hypothecation of assets

**2018**

| | Policyholder's fund | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Life Fund** | **Annuity** | **Investment Contract Liabilities** | **Non-life Insurance Contract Liabilities** | **Total Policyholders fund** | **Shareholders' fund** | **Total** |
| Cash and cash equivalents | 566,226 | - | 188,742 | 1,274,164 | 2,029,132 | 2,490,823 | 4,519,955 |
| Financial assets: | | | | | | | |
| Bonds and treasury bills | 20,920,915 | 31,720,503 | 14,027,073 | 3,045,529 | 69,714,020 | 588,056 | 70,302,076 |
| Quoted equities | 1,200,238 | 16,780 | 336,319 | 805,985 | 2,359,322 | - | 2,359,322 |
| Unquoted equities | 246,329 | - | 393,323 | - | 639,652 | 1,281,521 | 1,921,173 |
| Loans & receivables | 2,092,921 | - | - | - | 2,092,921 | 82,142 | 2,175,063 |
| Investment In Subsidiaries | - | - | - | - | - | 2,452,359 | 2,452,359 |
| Investment Properties | 47,500 | - | - | - | 47,500 | 507,500 | 555,000 |
| Property and Equipment | 1,629,545 | - | - | - | 1,629,545 | 5,067,564 | 6,697,109 |
| Statutory Deposit | - | - | - | - | - | 530,000 | 530,000 |
| Other Assets (See a below) | 816,227 | - | - | 4,001,643 | 4,817,870 | 1,840,326 | 6,658,196 |
| **Total assets (a)** | 27,519,901 | 31,737,284 | 14,945,456 | 9,127,321 | 83,329,962 | 14,840,291 | 98,170,253 |
| **Policyholders liabilities (b)** | 27,204,459 | 30,653,985 | 12,319,617 | 7,483,106 | 77,661,167 | 20,509,086 | 98,170,252 |
| **Excess/ (shortfall) of assets over liabilities (a-b)** | **315,442** | **1,083,299** | **2,625,839** | **1,644,215** | **5,668,795** | **(5,668,795)** | - |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **(a) Other Assets** | | | | | | | |
| Trade Receivable | - | - | - | 131,841 | 131,841 | - | 263,682 |
| Reinsurance Assets | 816,227 | - | - | 3,869,802 | 4,686,029 | - | 9,372,058 |
| Deferred acquisition cost | - | - | - | - | - | 465,991 | 465,991 |
| Other Receivables and Prepayments | - | - | - | - | - | 408,430 | 408,430 |
| Deferred Tax Asset | - | - | - | - | - | - | - |
| Goodwill and Other Intangible Assets | - | - | - | - | - | 965,906 | 965,906 |
| | 816,227 | - | - | 4,001,643 | 4,817,870 | 1,840,326 | 11,476,066 |

2017

| | Policyholder's fund | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Life Fund** | **Annuity** | **Investment Contract Liabilities** | **Non-life Insurance Contract Liabilities** | **Total Policyholders fund** | **Shareholders' fund** | **Total** |
| Cash and cash equivalents | 832,420 | - | 450,287 | 1,137,221 | 2,419,928 | 1,529,714 | 3,949,642 |
| Financial assets: | | | | | | | |
| Bonds and treasury bills | 15,830,661 | 33,822,531 | 7,576,548 | 4,608,772 | 61,838,512 | 1,009,022 | 62,847,534 |
| Quoted equities | 1,242,342 | 15,489 | 170,603 | 414,397 | 1,842,831 | 483,603 | 2,326,434 |
| Unquoted equities | 84,800 | - | 138,279 | - | 223,079 | 532,925 | 756,004 |
| Loans & receivables | - | - | 1,639,600 | - | 1,639,600 | 400,865 | 2,040,465 |
| Investment In Subsidiaries | - | - | - | - | - | 2,308,690 | 2,308,690 |
| Investment Properties | 241,000 | - | - | 341,000 | 582,000 | - | 582,000 |
| Property and Equipment | - | - | - | - | - | 6,220,962 | 6,220,962 |
| Statutory Deposit | - | - | - | - | - | 530,000 | 530,000 |
| Other Assets (See a below) | 303,906 | - | - | 3,399,689 | 3,703,595 | 1,758,560 | 5,462,155 |
| **Total assets (a)** | 18,535,129 | 33,838,020 | 9,975,317 | 9,901,079 | 72,249,545 | 14,774,341 | 87,023,887 |
| **Policyholders liabilities (b)** | 21,669,742 | 32,110,722 | 10,909,624 | 5,985,896 | 70,675,984 | 16,347,903 | 87,023,887 |
| **(Shortfall)/Excess of assets over liabilities (a-b)** | **(3,134,613)** | **1,727,298** | **(934,307)** | **3,915,183** | **1,573,562** | **(1,573,562)** | - |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **(a) Other Assets** | | | | | | | |
| Trade Receivable | - | - | - | 59,106 | 59,106 | - | 59,106 |
| Reinsurance Assets | 303,906 | - | - | 3,340,583 | 3,644,489 | - | 3,644,489 |
| Deferred acquisition cost | - | - | - | - | - | 334,935 | 334,935 |
| Other Receivables and Prepayments | - | - | - | - | - | 391,384 | 391,384 |
| Goodwill and Other Intangible Assets | - | - | - | - | - | 1,032,241 | 1,032,241 |
| | 303,906 | - | - | 3,399,689 | 3,703,595 | 1,758,560 | 5,462,155 |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

## 46 (a) PRA Regulated Annuity Fund

The Company had 8,803 PRA regulated annuity policies (2017: 8292) as at 31 December 2018 with annual annuity payment of ₦4,794,497,152.01We have valued each annuity policy adopting IFRS 4 requirements in estimating the present value (at the review date) of the company's future annuity payment obligations. Each annuity policy has been valued using a monthly discounted cash flow method and the reserves are set equal to the present value of future annuity payments and attending expenses. We have recognised the 10 year annuity guaranteed minimum payment period in our calculations.

The valuation interest rate is based on current risk free yields with adjustments. This is in line with the requirements of IFRS 4 (paragraph 24). The use of a risk free rate also implies that future investment margins in excess of the risk free return will not be capitalised upon, which satisfies paragraph 27 of IFRS 4. Furthermore, the result is a 'fair value' liability calculation which aids the comparability of accounts between insurers.

We illustrate below the movement of the annuity portfolio in 2018:

| | Number of annuity policies | Annual Annuity (₦) | Number of annuity policies | Annual Annuity (₦) |
|---|---|---|---|---|
| | | Dec-2018 | Dec-2017 | |
| **Opening as at 1 January** | 8,292 | 4,530,146,660 | 7,802 | 4,198,943,641 |
| • New Entrants | 595 | 313,223,534 | 564 | 369,382,751 |
| • Deaths | (84) | (48,873,042) | (74) | (38,179,732) |
| **As at 31 December** | 8,803 | 4,794,497,152 | 8,292 | 4,530,146,660 |

### Mortality assumptions

We have assumed the following sample average expectation of life in line with the PA(90) UK published tables:

| Age | Expectation of Life (in years) Male | Female |
|---|---|---|
| **50** | 27 | 32 |
| **60** | 19 | 23 |
| **70** | 12 | 15 |
| **80** | 7 | 9 |

# Notes To The Financial Statements
For The Year Ended 31 December 2018

**PENCOM REGULATED ANNUITY**
**STATEMENT OF ASSETS AND LIABILITIES**
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**Quoted equities**

| Description | Units | Carrying Amount |
|---|---|---|
| FCMB | 6,224,307 | 11,763,940 |
| Flourmill | 210,000 | 4,851,000 |
| Total PLC | 814 | 165,242 |
| **TOTAL** | | **16,780,182** |

**Treasury bills**

| Issuer | Maturity Date | Interest Rate | Fair Value |
|---|---|---|---|
| | 14-Feb-2019 | 12.65% | 4,910,390 |
| Central Bank of Nigeria | 12-Sep-2019 | 13.98% | 35,800,312 |
| Central Bank of Nigeria | 03-Jan-2019 | 13.00% | 20,015,333 |
| Central Bank of Nigeria | 17-Oct-2019 | 14.49% | 1,329,575,342 |
| Central Bank of Nigeria | 14-Nov-2019 | 14.49% | 783,070,333 |
| Central Bank of Nigeria | 14-Nov-2019 | 14.49% | 2,175,195,370 |
| Central Bank of Nigeria | 07-Nov-2019 | 14.49% | 1,731,475,123 |
| Central Bank of Nigeria | 17-Oct-2019 | 14.75% | 319,098,082 |
| Central Bank of Nigeria | 07-Nov-2019 | 14.99% | 872,191,781 |
| Central Bank of Nigeria | 05-Dec-2019 | 14.99% | 2,375,940,360 |
| Central Bank of Nigeria | 05-Sep-2019 | 14.99% | 22,071,265 |
| Central Bank of Nigeria | 12-Dec-2019 | 14.99% | 1,640,767,447 |
| Central Bank of Nigeria | 07-Nov-2019 | 14.99% | 244,213,699 |
| Central Bank of Nigeria | 31-Oct-2019 | 15.00% | 182,499,314 |
| Central Bank of Nigeria | 19-Dec-2019 | 14.99% | 340,204,274 |
| Central Bank of Nigeria | 17-Oct-2019 | 14.49% | 79,774,521 |
| Central Bank of Nigeria | 17-Oct-2019 | 14.40% | 269,082,117 |
| Central Bank of Nigeria | 17-Oct-2019 | 14.35% | 88,638,356 |
| Central Bank of Nigeria | 31-Oct-2019 | 14.49% | 833,530,521 |
| Central Bank of Nigeria | 24-Oct-2019 | 14.98% | 87,970,575 |
| Central Bank of Nigeria | 05-Dec-2019 | 14.99% | 386,681,071 |
| Central Bank of Nigeria | 05-Sep-2019 | 14.99% | 81,078,115 |
| Central Bank of Nigeria | 05-Sep-2019 | 14.99% | 585,248,861 |
| Central Bank of Nigeria | 12-Dec-2019 | 14.99% | 422,647,950 |
| Central Bank of Nigeria | 07-Nov-2019 | 14.99% | 432,171,027 |
| Central Bank of Nigeria | 19-Dec-2019 | 14.99% | 42,546,068 |
| Central Bank of Nigeria | 26-Dec-2019 | 14.99% | 106,365,171 |
| | | | **15,492,762,779** |

**Bonds**

| Description | Maturity Date | Coupon Rate | Amortized Cost |
|---|---|---|---|
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 2,435,462,702 |
| 16.2499% FGN APR 2037 | 18-Apr-37 | 16.25% | 578,601,657 |
| 16.2499% FGN APR 2037 | 18-Apr-37 | 16.25% | 578,601,657 |
| 16.2499% FGN APR 2037 | 18-Apr-37 | 16.25% | 578,601,657 |
| 16.2499% FGN APR 2037 | 18-Apr-37 | 16.25% | 867,965,869 |
| | | | **5,039,233,543** |

# Notes To The Financial Statements

For The Year Ended 31 December 2018

| Description | Maturity Date | Coupon Rate | Fair value |
|---|---|---|---|
| 10.00% FGN JUL 2030 | 23-Jul-30 | 10.00% | 112,926,387 |
| 14.2% FGN MAR 2024 | 14-Mar-24 | 14.20% | 2,405,930 |
| 14.2% FGN MAR 2024 | 14-Mar-24 | 14.20% | 10,514,499 |
| 14.2% FGN MAR 2024 | 14-Mar-24 | 14.20% | 79,203 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 25,878,375 |
| 12.4% FGN MAR 2036 | 18-Mar-36 | 12.40% | 863,345,738 |
| 12.5% FGN JAN 2026 | 22-Jan-26 | 12.50% | 45,981,359 |
| 12.5% FGN JAN 2026 | 22-Jan-26 | 12.50% | 45,981,359 |
| 12.75% FGN APR 2023 | 27-Apr-23 | 12.75% | 9,458,771 |
| 12.75% FGN APR 2023 | 27-Apr-23 | 12.75% | 9,458,771 |
| 12.75% FGN APR 2023 | 27-Apr-23 | 12.75% | 28,376,313 |
| 12.75% FGN APR 2023 | 27-Apr-23 | 12.75% | 23,646,928 |
| 12.75% FGN APR 2023 | 27-Apr-23 | 12.75% | 18,917,542 |
| 12.75% FGN APR 2023 | 27-Apr-23 | 12.75% | 28,376,313 |
| 12.75% FGN APR 2023 | 27-Apr-23 | 12.75% | 56,752,626 |
| 12.75% FGN APR 2023 | 27-Apr-23 | 12.75% | 945,877,101 |
| 12.75% FGN APR 2023 | 27-Apr-23 | 12.75% | 808,724,921 |
| 13.53%FGN MAR 2025 | 23-Mar-25 | 13.53% | 28,691,892 |
| 13.53%FGN MAR 2025 | 23-Mar-25 | 13.53% | 23,909,910 |
| 13.53%FGN MAR 2025 | 23-Mar-25 | 13.53% | 57,383,784 |
| 13.53%FGN MAR 2025 | 23-Mar-25 | 13.53% | 2,252,313,527 |
| 13.98% FGN FEB 2028 | 23-Feb-28 | 13.98% | 777,935,362 |
| 16.2499% FGN APR 2037 | 18-Apr-37 | 16.25% | 10,751,577 |
| 16.2499% FGN APR 2037 | 18-Apr-37 | 16.25% | 2,257,831,240 |
| 16.2499% FGN APR 2037 | 18-Apr-37 | 16.25% | 913,884,073 |
| 7% FGN OCT 2019 | 23-Oct-19 | 7.00% | 190,385,984 |
| 12.75% FGN APR 2023 | 27-Apr-23 | 12.75% | 406,727,153 |
| 12.75% FGN APR 2023 | 27-Apr-23 | 12.75% | 118,234,638 |
| 12.75% FGN APR 2023 | 27-Apr-23 | 12.75% | 132,422,794 |
| 13.53%FGN MAR 2025 | 23-Mar-25 | 13.53% | 263,009,011 |
| 13.98% FGN FEB 2028 | 23-Feb-28 | 13.98% | 680,693,442 |
| 16.2499% FGN APR 2037 | 18-Apr-37 | 16.25% | 37,630,521 |
| | | | **11,188,507,042** |
| **Total Assets** | | | **31,737,283,546** |
| **Liabilities - Annuity Reserves** | | | **30,653,985,265** |

# Other National Disclosures

# Value Added Statement

For The Year Ended 31 December 2018

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| *In thousands of Naira* | December 2018 | % | December 2017 | % | December 2018 | % | December 2017 | % |
| **Gross Premium Written:** | | | | | | | | |
| Local | 37,665,507 | | 32,097,692 | | 37,002,279 | | 30,407,396 | |
| Investment and other income | 9,850,518 | | 15,195,538 | | 8,827,522 | | 15,186,253 | |
| | **47,516,025** | | **47,293,230** | | **45,829,801** | | **45,593,649** | |
| **Impairment on financial assets** | (16,455) | | - | | 5,025 | | - | |
| | **47,499,570** | | **47,293,230** | | **45,834,826** | | **45,593,649** | |
| **Bought in materials and services:** | | | | | | | | |
| Local | (37,774,692) | | (38,592,188) | | (37,672,298) | | (37,863,655) | |
| Foreign | (1,759,347) | | (1,686,265) | | (1,759,347) | | (1,686,265) | |
| **Value Added** | **7,965,531** | **100** | **7,014,776** | **100** | **6,403,181** | **100** | **6,043,730** | |
| **Distribution** | | | | | | | | |
| **Employees** | | | | | | | | |
| Salaries and other employees benefits | 3,571,708 | 45 | 2,944,733 | 42 | 2,241,468 | 35 | 2,044,148 | 34 |
| **Government** | | | | | | | | |
| Taxation | 344,281 | 4 | 1,757,212 | 25 | 362,104 | 6 | 1,453,571 | 24 |
| **Providers of finance** | | | | | | | | |
| Finance cost | 391,375 | 5 | 249,257 | 4 | 391,375 | 6 | 249,257 | 4 |
| **Retained in the Group** | | | | | | | | |
| Replacement of property and equipment | 508,924 | 6 | 530,969 | 8 | 369,573 | 6 | 389,243 | 6 |
| Replacement of intangible assets | 105,089 | 1 | 102,294 | 1 | 87,739 | 1 | 89,747 | 1 |
| To pay proposed dividend | 346,510 | 4 | 346,510 | 5 | 346,510 | 5 | 346,510 | 6 |
| Contingency reserves | 625,221 | 8 | 478,659 | 7 | 625,221 | 10 | 478,659 | 8 |
| Retained profits for the year | 2,072,422 | 26 | 605,143 | 9 | 1,979,190 | 31 | 992,595 | 16 |
| Value Added | **7,965,531** | **100** | **7,014,776** | **100** | **6,403,181** | **100** | **6,043,730** | **100** |

# Group Financial Summary

For The Year Ended 31 December 2018

| *In thousands of naira* | 31 Dec 2018 | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 5,324,739 | 5,199,385 | 7,491,178 | 8,451,795 | 7,954,370 |
| Financial assets | 89,240,430 | 73,635,612 | 56,556,261 | 58,269,318 | 38,172,893 |
| Trade receivable | 417,102 | 301,172 | 411,969 | 296,514 | 210,133 |
| Reinsurance assets | 4,686,029 | 3,644,489 | 2,816,503 | 2,479,069 | 1,699,320 |
| Deferred acquisition cost | 465,991 | 334,935 | 285,232 | 264,842 | 443,945 |
| Other receivables and prepayments | 580,618 | 454,902 | 324,457 | 447,467 | 321,989 |
| Deferred tax asset | 149,379 | 157,008 | 1,088,677 | 1,775,779 | 1,696,850 |
| Investment property | 555,000 | 582,000 | 990,000 | 1,115,000 | 1,203,000 |
| Goodwill and other intangible assets | 1,014,085 | 1,060,451 | 1,092,031 | 1,142,720 | 922,524 |
| Property and equipment | 7,025,197 | 6,513,175 | 5,915,891 | 5,353,657 | 5,183,071 |
| Statutory deposits | 530,000 | 530,000 | 530,000 | 530,000 | 530,000 |
| **Total assets** | **109,988,570** | **92,413,127** | **77,502,199** | **80,126,161** | **58,338,095** |
| | | | | | |
| **Liabilities** | | | | | |
| Insurance contract liabilities | 65,540,532 | 59,959,751 | 49,987,893 | 55,548,154 | 35,071,301 |
| Investment contract liabilities | 12,319,617 | 10,909,624 | 10,061,636 | 8,295,046 | 6,608,125 |
| Trade payables | 1,013,475 | 1,721,918 | 1,599,841 | 1,547,548 | 643,762 |
| Other payables and accruals | 2,213,547 | 1,325,766 | 1,787,068 | 2,489,333 | 3,702,330 |
| Portfolio under management | 10,181,251 | 3,981,591 | 2,531,870 | 165,838 | - |
| Current tax payable | 590,976 | 826,643 | 623,761 | 592,961 | 558,874 |
| Deferred tax liability | 533,836 | 547,017 | 270,408 | 269,133 | 7,364 |
| Finance lease obligation | - | - | 7,368 | 49,854 | 49,230 |
| Long term borrowing | 2,324,733 | 2,182,289 | 1,785,650 | 1,134,840 | - |
| Derivative liabilities | - | - | 143,725 | 319,274 | - |
| **Total liabilities** | **94,717,967** | **81,454,599** | **68,799,220** | **70,411,981** | **46,640,986** |
| **Net assets** | **15,270,603** | **10,958,528** | **8,702,979** | **9,714,180** | **11,697,109** |
| | | | | | |
| **Equity** | | | | | |
| Issued share capital | 3,465,102 | 3,465,102 | 3,465,102 | 3,465,102 | 3,465,102 |
| Share premium | 2,824,389 | 2,824,389 | 2,824,389 | 2,824,389 | 2,824,389 |
| Revaluation reserves | 1,802,662 | 1,802,662 | 1,221,707 | 1,221,707 | 1,221,707 |
| Available-for-sale reserve | - | (13,072,413) | (14,065,457) | (2,723,536) | 581,971 |
| Fair value reserve | (1,143,847) | - | - | - | - |
| Exchange gains reserve | 147,443 | 145,640 | 596,977 | 148,521 | - |
| Statutory reserves | 143,882 | 116,458 | 96,688 | 55,240 | 14,629 |
| Contingency reserve | 5,807,411 | 5,182,190 | 4,703,531 | 3,482,076 | 3,019,230 |
| Retained earnings | 1,479,002 | 10,083,426 | 9,498,054 | 898,089 | 275,503 |
| Cumulative Irredeemable convertible preference | - | - | - | - | 50,000 |
| **Shareholders' fund** | **14,526,044** | **10,547,455** | **8,340,991** | **9,371,588** | **11,452,531** |
| Non controlling interest | 744,559 | 411,073 | 361,987 | 342,592 | 244,578 |
| **Total equity and liabilties** | **15,270,603** | **10,958,528** | **8,702,979** | **9,714,180** | **11,697,109** |

| ***In thousands of naira*** | 31 Dec. 2018 | 31 Dec. 2017 | 31 Dec. 2016 | 31 Dec. 2015 | 31 Dec. 2014 |
|---|---|---|---|---|---|
| Gross premium written | 37,665,507 | 32,097,692 | 27,064,365 | 32,918,820 | 33,648,367 |
| Gross premium income | 37,046,926 | 31,741,609 | 30,029,334 | 10,410,650 | 20,927,888 |
| Net premium income | 31,865,701 | 27,950,778 | 26,687,570 | 6,748,488 | 16,221,687 |
| Other revenue | 12,774,438 | 17,551,744 | 10,124,386 | 16,076,935 | 6,091,344 |
| Total revenue | 44,640,139 | 45,502,522 | 36,811,956 | 22,825,423 | 22,313,031 |
| Net benefits and claims | (23,869,154) | (20,774,186) | (13,096,190) | (10,667,702) | (9,098,087) |
| Other expenses | (15,941,967) | (20,428,475) | (11,880,530) | (10,358,427) | 3,734,076 |
| Total benefits, claims and other expenses | (39,811,121) | (41,202,661) | (24,976,720) | (21,026,129) | (5,364,011) |
| Profit/(loss) before taxation | 3,495,871 | 3,040,489 | 11,835,236 | 1,799,294 | 16,949,020 |
| Profit/(loss) after taxation | 3,151,589 | 1,283,277 | 10,238,411 | 1,195,606 | 2,232,871 |
| Other comprehensive (loss)/income, net of tax | (399,333) | 1,122,661 | (10,893,465) | (3,156,986) | (1,139,326) |
| Total comprehensive income/(loss) for the year | **2,752,257** | **2,405,938** | **(655,054)** | **(1,961,380)** | **1,093,545** |
| Basic earnings per share (kobo) | 44 | 18 | 147 | 18 | 31 |
| Diluted earnings per share (kobo) | 35 | 13 | 105 | 14 | 31 |

# Company Financial Summary

For The Year Ended 31 December 2018

| *In thousands of naira* | 31 Dec 2018 | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 4,519,953 | 3,949,642 | 4,335,655 | 6,437,403 | 6,577,102 |
| Financial assets | 76,757,634 | 67,970,438 | 54,677,784 | 57,903,833 | 37,322,661 |
| Trade receivable | 131,841 | 59,106 | 133,022 | 123,848 | 11,303 |
| Reinsurance assets | 4,686,029 | 3,644,489 | 2,816,503 | 2,479,069 | 1,699,320 |
| Deferred acquisition cost | 465,991 | 334,935 | 285,232 | 264,842 | 443,945 |
| Other receivables and prepayments | 408,428 | 391,384 | 230,216 | 282,805 | 529,581 |
| Deferred tax asset | - | - | 978,114 | 1,707,077 | 1,531,097 |
| Investment in subsidiaries | 2,452,359 | 2,308,690 | 2,308,690 | 2,308,690 | 2,133,417 |
| Investment property | 555,000 | 582,000 | 990,000 | 1,115,000 | 1,203,000 |
| Goodwill and other intangible assets | 965,906 | 1,032,242 | 1,080,822 | 1,120,871 | 886,767 |
| Property and equipment | 6,697,107 | 6,220,962 | 5,546,923 | 5,111,828 | 4,988,937 |
| Statutory deposits | 530,000 | 530,000 | 530,000 | 530,000 | 530,000 |
| **Total Assets** | **98,170,248** | **87,023,887** | **73,912,961** | **79,385,266** | **57,857,130** |
| **Liabilities** | | | | | |
| Insurance contract liabilities | 65,341,550 | 59,766,360 | 49,805,659 | 55,379,977 | 35,029,115 |
| Investment contract liabilities | 12,319,617 | 10,909,624 | 10,061,636 | 8,295,046 | 6,608,125 |
| Trade payables | 839,400 | 1,711,219 | 1,599,841 | 1,547,548 | 643,762 |
| Other payables and accruals | 2,002,558 | 1,187,974 | 1,738,392 | 2,432,087 | 3,399,891 |
| Current tax payable | 507,241 | 426,920 | 572,512 | 518,443 | 492,279 |
| Deferred tax liability | 487,836 | 517,268 | 265,237 | 263,422 | - |
| Finance lease obligation | - | - | 7,368 | 49,854 | 49,230 |
| Long term borrowing | 2,324,733 | 2,182,289 | 1,785,650 | 1,134,840 | - |
| Derivative liabilities | - | - | 143,725 | 319,274 | |
| **Total liabilities** | **83,822,935** | **76,701,654** | **65,980,020** | **69,940,491** | **46,222,402** |
| **Net Assets** | **14,347,313** | **10,322,233** | **7,932,941** | **9,444,775** | **11,634,729** |
| **Equity** | | | | | |
| Issued share capital | 3,465,102 | 3,465,102 | 3,465,102 | 3,465,102 | 3,465,102 |
| Share premium | 2,824,389 | 2,824,389 | 2,824,389 | 2,824,389 | 2,824,389 |
| Revaluation reserves | 1,802,662 | 1,802,662 | 1,221,707 | 1,221,707 | 1,221,707 |
| Available-for-sale reserve | - | (13,092,408) | (14,019,431) | (2,723,536) | 581,400 |
| Fair value reserve | (952,902) | | | | |
| Exchange gain reserves | 147,443 | 145,640 | 596,977 | 148,521 | - |
| Contingency reserve | 5,807,411 | 5,182,190 | 4,703,531 | 3,482,076 | 2,993,584 |
| Retained earnings | 1,253,208 | 9,994,656 | 9,140,665 | 1,026,516 | 548,547 |
| **Shareholders' fund** | **14,347,313** | **10,322,233** | **7,932,941** | **9,444,775** | **11,634,729** |

| *In thousands of naira* | 31 Dec. 2018 | 31 Dec. 2017 | 31 Dec. 2016 | 31 Dec. 2015 | 31 Dec. 2014 |
|---|---|---|---|---|---|
| Gross premium written | 37,002,279 | 30,407,396 | 26,428,519 | 32,449,276 | 33,274,428 |
| Gross premium income | 36,441,690 | 30,143,348 | 29,507,169 | 9,941,106 | 20,553,949 |
| Net premium income | 31,260,465 | 26,352,517 | 26,165,405 | 6,278,944 | 15,847,747 |
| Other revenue | 9,988,888 | 15,932,337 | 8,417,852 | 14,422,045 | 4,925,905 |
| Total revenue | 41,249,353 | 42,284,854 | 34,583,257 | 20,700,989 | 20,773,652 |
| Net benefits and claims | (23,355,837) | (19,284,986) | (12,727,038) | (10,667,702) | (9,098,087) |
| Other expenses | (13,593,853) | (18,815,671) | (10,660,433) | (8,585,208) | (8,565,374) |
| Total benefits, claims and other expenses | (36,949,690) | (38,100,657) | (23,387,471) | (19,252,910) | (17,663,461) |
| Profit/(loss) before taxation | 2,966,516 | 2,924,825 | 11,195,786 | 1,448,079 | 3,110,191 |
| Profit/(loss) after taxation | 2,604,411 | 1,471,254 | 9,682,114 | 966,461 | 2,131,892 |
| Other comprehensive (loss)/income, net of tax | (186,429) | 1,056,641 | (10,847,439) | 3,156,415 | (1,139,326) |
| Total comprehensive income/(loss) for the year | **2,417,982** | **2,527,894** | **(1,165,325)** | **2,189,954** | **992,566** |
| Basic earnings per share (kobo) | 38 | 21 | 140 | 14 | 31 |
| Diluted earnings per share (kobo) | 30 | 16 | 100 | 11 | 31 |

# Revenue Account of General Business

For The Year Ended 31 December 2018

| *In thousands of naira* | Fire | Motor | Casualty | Employer's liability | Marine | Personal accident | Special oil | Agriculture | Decemb | Total December-17 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | | | | |
| Direct premium | 1,769,124 | 2,044,364 | 2,450,570 | 181,586 | 1,345,831 | 543,375 | 1,861,949 | - | 10,196,799 | 8,589,514 |
| Inward premium | 21,019 | 8,520 | 49,796 | 1,920 | 8,139 | 17,998 | 79,489 | 2,078 | 188,957 | 139,724 |
| **Gross written premium** | 1,790,143 | 2,052,884 | 2,500,366 | 183,506 | 1,353,970 | 561,372 | 1,941,438 | 2,078 | 10,385,756 | 8,729,238 |
| Increase/(decrease) in unexpired risk premium | 85,504 | 21,144 | (192,694) | (6,284) | (10,732) | (55,576) | (238,992) | (1,261) | (398,892) | (436,102) |
| **Gross premium income** | 1,875,647 | 2,074,027 | 2,307,672 | 177,222 | 1,343,237 | 505,796 | 1,702,446 | 817 | 9,986,864 | 8,293,136 |
| Reinsurance cost | (1,136,019) | (194,036) | (1,267,519) | (63,794) | (633,702) | (220,552) | (1,034,121) | (798) | (4,550,542) | (3,347,323) |
| **Net premium income** | 739,628 | 1,879,991 | 1,040,153 | 113,427 | 709,536 | 285,244 | 668,324 | 18 | 5,436,322 | 4,945,814 |
| Commission received | 257,441 | 59,987 | 381,029 | 22,755 | 177,242 | 86,079 | 5,489 | (247) | 989,776 | 663,431 |
| **Total underwriting income** | **997,069** | **1,939,978** | **1,421,182** | **136,182** | **886,777** | **371,323** | **673,814** | **(229)** | **6,426,098** | **5,609,245** |
| **Expense** | | | | | | | | | | |
| Claims | 1,815,793 | 1,044,399 | 1,535,235 | 75,126 | 486,866 | 64,626 | 1,580,616 | - | 6,602,661 | 3,851,495 |
| Increase/(decrease) in outstanding claims | - | - | - | - | - | - | - | - | - | |
| Increase/(decrease) in claims incurred but not reported (IBNR) | 7,192 | 6,513 | 243,861 | 21,480 | 25,657 | 18,041 | 41,171 | - | 363,915 | 327,812 |
| **Gross claims incurred** | 1,822,985 | 1,050,912 | 1,779,096 | 96,606 | 512,523 | 82,667 | 1,621,787 | - | 6,966,576 | 4,179,307 |
| Reinsurance claims recoveries | (1,323,352) | (79,884) | (1,157,191) | (42,105) | (256,072) | (10,508) | (1,046,401) | - | (3,915,514) | (2,045,607) |
| **Net claims incurred** | **499,633** | **971,028** | **621,905** | **54,501** | **256,451** | **72,159** | **575,386** | - | **3,051,063** | **2,133,700** |
| Commission | 291,709 | 208,158 | 366,082 | 33,610 | 200,866 | 97,899 | 131,556 | 163 | 1,330,043 | 1,001,088 |
| Maintenance costs | 5,300 | 30,269 | 10,556 | (337) | 6,439 | 69,269 | 35,568 | - | 157,065 | 127,685 |
| **Total underwriting expenses** | 796,643 | 1,209,456 | 998,543 | 87,773 | 463,756 | 239,328 | 742,509 | 163 | 4,538,170 | 3,262,473 |
| UNDERWRITING PROFIT | **200,427** | **730,523** | **422,639** | **48,409** | **423,021** | **131,996** | **(68,695)** | **(392)** | **1,887,928** | **2,346,771** |

# Revenue Account of Life Business

For The Year Ended 31 December 2018

| *In thousands of naira* | Ordinary life | Annuity | Group life | Total December 2018 | Total December 2017 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Gross premium written | 21,085,185 | 2,617,968 | 2,913,369 | 26,616,523 | 21,678,158 |
| Changes in unearned premium | - | - | (161,697) | (161,697) | 172,054 |
| **Gross premium income** | **21,085,185** | **2,617,968** | **2,751,673** | **26,454,826** | **21,850,212** |
| Less: Reinsurance costs | (31,656) | - | (599,028) | (630,683) | (443,508) |
| **Net premium income** | **21,053,529** | **2,617,968** | **2,152,645** | **25,824,143** | **21,406,704** |
| Commission received | 2,833 | - | 168,758 | 171,590 | 82,653 |
| **Total underwriting income** | **21,056,362** | **2,617,968** | **2,321,403** | **25,995,733** | **21,489,357** |
| **Expenses** | | | | | |
| Death claims | 296,856 | 240,215 | 2,389,592 | 2,926,663 | 2,507,191 |
| Withdrawals | 135,149 | 4,636,986 | - | 4,772,136 | 4,380,881 |
| Maturity | 9,900,156 | - | - | 9,900,156 | 7,334,181 |
| Surrender | 3,337,820 | - | - | 3,337,820 | 3,306,814 |
| Increase in outstanding claims | 85,337 | - | 563,360 | 648,697 | 86,037 |
| **Gross claims incurred** | **13,755,319** | **4,877,202** | **2,952,951** | **21,585,472** | **17,615,103** |
| Reinsurance recoveries | - | - | (1,280,697) | (1,280,697) | (453,899) |
| **Net claims incurred** | **13,755,319** | **4,877,202** | **1,672,255** | **20,304,775** | **17,161,205** |
| Underwriting expenses: | | | | | |
| Acquisition | 2,071,165 | 89,148 | 235,087 | 2,395,400 | 1,572,525 |
| Maintenance | 428,536 | - | 20,039 | 448,576 | 306,186 |
| Change in life and annuity fund | 4,747,895 | (1,456,737) | - | 3,291,159 | 10,449,880 |
| **Total underwriting expenses** | **21,002,915** | **3,509,613** | **1,927,382** | **26,439,909** | **29,489,796** |
| **Underwriting Profit / (loss)** | **53,447** | **(891,645)** | **394,021** | **(444,176)** | **(8,000,439)** |

# Electronic Delivery Mandate Form

For The Year Ended 31 December 2018

Dear Sir/Madam
To enable you receive your Annual Report promptly, your company wishes to introduce electronic delivery of Annual Report and Accounts, Proxy Form and other statutory documents to shareholders.
With this service, instead of receiving the hard copy of our Annual Report and other corporate documents in the future, you can elect to receive a soft copy of the Annual Report, Proxy Form, etc, through the electronic link to be forwarded to your email address.

Please complete this self addressed form to capture your preference and return the completed form to:

The Managing Director
United Securities Limited
9, Amodu Ojikutu Street
Off Bishop Oluwole Street
Victoria Island
Lagos

Or any of their branch offices nationwide

**DONALD KANU**
Company Secretary

I,..........................................................................................................................................

OF..........................................................................................................................................

HEREBY AGREE TO THE ELECTRONIC DELIVERY OF ANNUAL REPORT, PROXY FORM, PROSPECTUS, NEWSLETTER AND STATUTORY DOCUMENTS OF AIICO INSURANCE PLC TO ME THROUGH:

☐ I WILL DOWNLOAD FROM THE WEB ADDRESS FORWARDED TO MY EMAIL ADDRESS STATED BELOW.

MY EMAIL ADDRESS:...................................................................................................

## DESCRIPTION OF SERVICE

By enrolling in electronic delivery service, you have agreed to receive future announcements/shareholder communication materials stated above by Email/Internet Address (URL). These materials can be made available to you electronically either semi annual or annually. Annual Report, Proxy Form, Prospectus and Newsletter are examples of shareholder communication that can be made available to you electronically. The subscription enrolment will be effective for all your holdings in AIICO INSURANCE PLC on an ongoing basis unless you change or cancel your enrolment.
This initiative is in line with our determination to help protect and sustain our planet's environment and the consolidated SEC Rule 128 (6) of September 2011 which states that A Registrar of a public company may dispatch Annual Reports and Notices of General Meetings to shareholders by electronic means.

........................................................ ................................................

Name (Surname First) Signature and Date

Affix N50.00
Poster Stamp
Here

The Managing Director
United Securities Limited
9, Amodu Ojikutu Street,
Off Bishop Oluwole Street,
Victoria Island,
Lagos.

# Complaints Management Process

For The Year Ended 31 December 2018

## United Securities

In a bid to meet the expectations of our customers, United Securities Limited has a standardized Complaints Management Framework to cater for prompt resolution of complaints.
Our aim of satisfying and delighting our stakeholders is critical to our business model where we view complaints as an opportunity to improve on our service delivery.

To this end, it is of utmost importance that our customers know how to communicate their complaints for prompt and satisfactory resolution.

**BENEFITS OF COMPLAINTS MANAGEMENT PROCESS**

- Achieve operational efficiency to identify trends and causes of complaints
- Resolve more complaints by adopting a more customer-focused approach
- Monitor and continually improve our complaints handling process

For complaints resolution relating to AIICO Insurance Plcshares, the under-listed channels may be explored.

**Website:** www.unitedsecuritieslimited.com
To view our Frequently Asked Questions (FAQ)
**E-Mail:** info@unitedsecuritieslimited.com
**Phone No:** +234 (1) 271 4566, +234 (1) 271 4567
**Visit our Office:** Plot 9, Amodu Ojikutu Street,
Off Saka Tinubu Street, Victoria Island
Lagos.

United Securities Limited is assuring our esteemed customers of a valued experience as Shareholders in AIICO Insurance PLC.

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# Application Form
For E-bonus And E-dividend

## Dear Shareholder(s)

### Shareholder's Data Update

In our quest to update shareholders data with the current technology in the capital market (i.e. e-bouns and e-dividend), we request you to complete this form with the following information:

| Name Of Shareholder/corporate Shareholder And Current Address | REGISTRARS' USE |
|---|---|
| | |
| | |
| | |

NAME OF COMPANY IN WHICH YOU HAVE SHARES
AIICO Insurance Plc.

Please notify our Registrars, United Securities Ltd of any change in telephone, address and bank whenever it occurs.

Yours faithfully,
AIICO INSURANCE PLC

DONALD KANU
Company Secretary

**SIGNATURE/RIGHT THUMBPRINT OF SHAREHOLDER**

**In case of Corporate Shareholder, use Company seal**

Note: **Please be informed that by filling and sending this to our Registrars, United Securities Limited, for processing, you have applied for the e-dividend and e-bonus; Thereby, authorizing AIICO Insurance Plc to credit your account (in respect of dividends and bonuses electronically.)

PLEASE COMPLETE AND RETURN TO:
United Securities Limited
9, Amodu Ojikutu Street, Off Bishop OLuwole Street
Victoria Island, Lagos.

Affix N50.00
Poster Stamp
Here

The Managing Director
United Securities Limited
9, Amodu Ojikutu Street,
Off Bishop Oluwole Street,
Victoria Island,
Lagos.

# Proxy Form

Annual General Meeting to be held at 11am on Monday 20th May 2019 at **Orchids Hotels, 3, Dreamworld Africana Way, Lekki, Lagos, Lagos State**

I/We........................................................................................................................................................................................................................................

Being a member/members of AIICO Insurance Plc hereby appoint*

..........................................................................................................................................

..........................................................................................................................................

Or failing him the Chairman of the Company as my/our proxy to act and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the Monday 20th May 2019 and at any adjournment thereof.

Dated this..............................Day of....................................2019

Shareholder's Signature......................................................................

*Delete as necessary

(i) A member (Shareholder) entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy in his stead. All proxy forms should be deposited at the Company Secretary's Office not later than 48 hours before the time of holding the meeting.
(ii) In the case of joint Shareholders, any of such may complete the form, but names of all joint Shareholders must be stated.
(iii) If the Shareholder is a corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorized.
(iv) Provision has been made on this form for the Chairman of the Company to act as proxy, but if you wish, you may insert in the blank space on the form (marked**) the name of any person whether a Member of the Company or not, who will attend the meeting and vote on your behalf instead of the Chairman.
(v) The Stamp Duties Act, Cap 411, Laws of the Federation of Nigeria, 1990 requires that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of Shareholders must bear a Stamp Duty of three (3) kobo.
(vi) The proxy must produce the Admission Slip sent with the Notice of Meeting to obtain entrance to the Meeting

**..........................................................................................ADMISSION SLIP.........................................................................................**

**AIICO INSURANCE PLC**

Please admit..............................................................................................................to the Annual General Meeting of AIICO Insurance Plc which will be held at Orchids Hotels, 3, Dreamworld Africana Way, Lekki, Lagos, Lagos State on 20th May 2019 at 10am. The Admission Slip must be produced by the Shareholder or his proxy in order to obtain entrance to the Annual General Meeting.

Donald Kanu
Company Secretary

Name & Address of Shareholder...........................................................................................................................................................................................

Number of Shareholders...................................................................................................................................................................................................

| | **Resolutions** | **For** | **Against** |
|---|---|---|---|
| **Ordinary Business** | | | |
| 1. | To receive the Reports and Financial Statements | | |
| 2. | To declare a dividend. | | |
| 2. | To re- Elect the Mr. Samaila Dalhat Zubairu as a Director | | |
| 3. | To re- Elect Mr. Ademola Adebise as a Director | | |
| | To re- Elect Mr. S.D.A. Shobanjo as a Director | | |
| | To Elect Ms. Folake Fajemirokun as a Director | | |
| 4. | To authorize the Directors to appoint Ernst & Young as the auditors to the Company from the end of the Annual General Meeting until the end of next year's Annual General Meeting | | |
| 5. | To authorize the Directors to fix the remuneration of the Auditors | | |
| 6. | To Elect/re-elect shareholders as members of the Statutory Audit Committee | | |
| **Special Business** | | | |
| 7. | To alter the memorandum and articles of association of the company | | |
| 8. | To appoint external consultants to conduct Annual Board Performance Appraisal for the Directors | | |
| 9. | Approval of the terms of the Technical Assistance Agreement between AIICO Insurance Plc and Oakwood Synergy Hub Limited | | |

Affix N50.00
Poster Stamp
Here

The Managing Director
United Securities Limited
9, Amodu Ojikutu Street,
Off Bishop Oluwole Street,
Victoria Island,
Lagos.

# Unclaimed Dividends And Share Certificates

For The Year Ended 31 December 2018

AIICO had declared the following dividends and made public issues including bonuses since it became a public company in July 1989

| DIVIDEND No | DATE |
|---|---|
| 01 | November 15,1990 |
| 02 | November 20,1991 |
| 03 | August 23,1993 |
| 04 | October 17,1994 |
| 05 | May 29,1995 |
| 06 | October 5,1998 |
| 07 | September 20, 2001 |
| 08 | August 18, 2003 |
| 09 | September 8, 2004 |
| 10 | October 25, 2010 |
| 11 | July 27, 2011 |
| 12 | July 2, 2012 |
| 13 | September 18, 2013 |

ISSUES

Allotment '90

Rights '93

Bonus '95

Bonus '96

Bonus '97

Bonus 2001

Bonus 2003

Rights 2003

Bonus 2005

Public offer 2005

Rights 2005

Bonus 2006

Public offer 2007

Bonus 2008

According to our record, some unpaid dividend warrants have not been returned to the company for revalidation and subsequent payment. Also, about 499 share certificates have been returned unclaimed.

Affected AIICO shareholders are hereby requested to contact the following address for collection of their dividend warrants or/and certificates yetunclaimed.

For dividend warrants and share certificates, please contact:

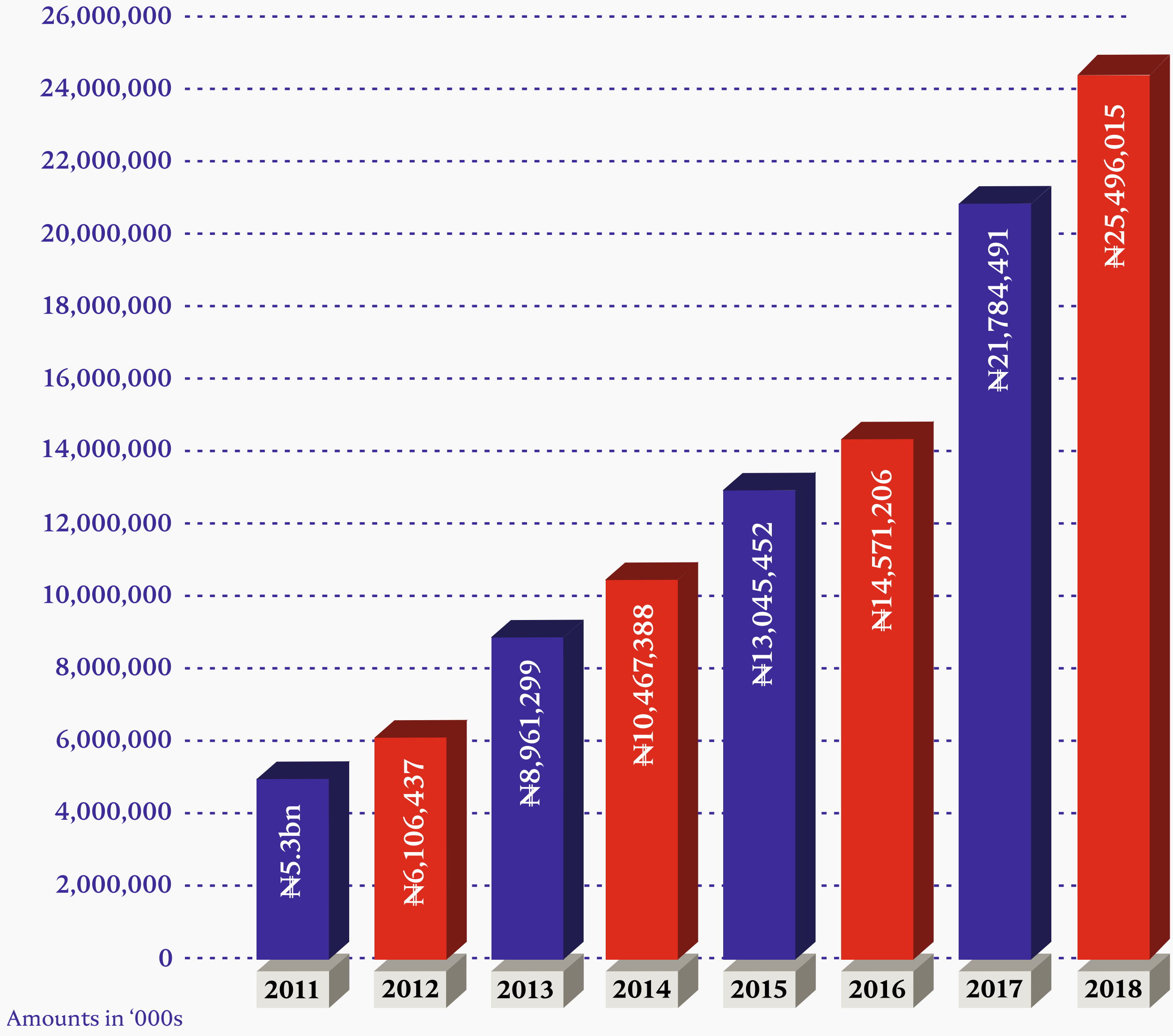
The Registrar
United Securities Limited
9, Amodu Ojikutu Street
Off Bishop Oluwole Street
Victoria Island
Lagos.

# Share Capital History

For The Year Ended 31 December 2018

| 1 | AUTHORIZED SHARE CAPITAL | | 2 | PAID UP SHARE CAPITAL | | OUTSTANDING SHARES | BONUS ISSUE | | RIGHTS ISSUE | SCHEME SHARES | FREE FLOAT POSITION |
|---|---|---|---|---|---|---|---|---|---|---|---|
| DATE | ₦ | VOLUME | | Paid up share capital issued, subscribed and paid up by shareholders in monetary terms (VOLUME) | Paid up share capital issued, subscribed and paid up by shareholders in monetary terms (N) | The volume of outstanding shares issued and fully paid up | Bonus issue from dateof listing to June 302013 including the ratios | Bonus issue fromdate of listing to June 30 2013 | Rights Issue of the Company from the date of listing to June 30, 2013 | Scheme Shares issued to members of a scheme of arrangement in exchange for value/ shares which they lost/gave up in the scheme of arrangement from date of listing to June 30, 2013 | Usually expressed in % of the issued shares of a particular quoted company that is tradable at any point in time as at June, 30 2013 |
| 1970 | – | 200,000 | | 114,608 | 57,304.00 | 114,608 | | | 1993 RIGHTS ISSUE | | N/A |
| 1976 | 400,000 | 600,000 | | 903,032 | 451,516.00 | 903,032 | | | | | |
| 1977 | 1,400,000 | 2,000,000 | | 2,400,000 | 1,200,000.00 | 2,400,000 | | | | | |
| 1987 | – | 2,000,000 | | 4,000,000 | 2,000,000.00 | 4,000,000 | | | | | |
| 1989 | 8,000,000 | 10,000,000 | | 8,000,000 | 4,000,000.00 | 8,000,000 | | | | | |
| 1993 | 15,000,000 | 25,000,000 | | 20,000,000 | 10,000,000.00 | 20,000,000 | BONUS 93 | | | | |
| 1994 | 75,000,000 | 100,000,000 | | 40,000,000 | 20,000,000.00 | 40,000,000 | Bonus '94 | | | | |
| 1995 | – | 100,000,000 | | 60,000,000 | 30,000,000.00 | 60,000,000 | Bonus '95 | | | | |
| 1996 | – | 100,000,000 | | 100,000,000 | 50,000,000.00 | 100,000,000 | '96 BONUS | | | | |
| 1997 | 100,000,000 | 200,000,000 | | 200,000,000 | 100,000,000.00 | 200,000,000 | | | | | |
| 2002 | 300,000,000 | 500,000,000 | | 300,000,000 | 150,000,000.00 | 300,000,000 | BONUS 2002 | 1 FOR 2 | | | |
| 2003 | – | 500,000,000 | | 700,000,000 | 350,000,000.00 | 700,000,000 | BONUS 2003 | 1 FOR 3 | | | |
| 2004 | 500,000,000 | 1,000,000,000 | | 700,000,000 | 350,000,000.00 | 700,000,000 | | | 2003 RIGHTS ISSUE | | |
| 2005 | 1,500,000,000 | 2,500,000,000 | | 1,400,000,000 | 700,000,000.00 | 1,400,000,000 | BONUS 2005 | 1 FOR 1 | | | |
| 2006 | – | 2,500,000,000 | | 2,315,531,103 | 1,157,765,688.00 | 2,315,531,103 | | | 2006 RIGHTS ISSUE | | |
| 2006 | – | 2,500,000,000 | | 2,665,531,376 | 1,332,765,688.00 | 2,665,531,376 | BONUS 2006 | 1 FOR 4 | | | |
| 2007 | 2,500,000,000 | 5,000,000,000 | | 2,665,531,103 | 1,651,629,688.00 | 2,665,531,103 | BONUS 2007 | 1 FOR 6 | | | |
| 2007 | – | 5,000,000,000 | | 3,280,843,005 | 1,873,757,688.00 | 3,280,843,005 | BONUS 2008 | 1 FOR 4 | | | |
| 2008 | – | 10,000,000,000 | | 6,504,004,730 | 3,485,337,688.00 | 6,504,004,730 | | | | LAMDA/NFI/AIICO MERGER; **536,158,854 UNITS** | |
| 2009 | – | 10,000,000,000 | | 7,040,163,584 | 3,520,082 480.00 | 7,040,163,584 | | | | | |
| 2009 | – | 10,000,000,000 | | 8,800,204,480 | 4,400,102,240.00 | 8,800,204,480 | | | | | |
| 2010 | | 10,000,000,000 | | 8,800,204,480 | 4,400,102,240.00 | 8,800,204,480 | | | | Share Capital Reduction- Internal corporate Restructuring; **1,870,000,000** | |
| 2011 | 5,000,000,000.00 | 10,000,000,000 | | 6,930,204,480 | 3,465,102,240.00 | 6,930,204,480 | | | | | |
| 2012 | 5,000,000,000.00 | 10,000,000,000 | | 6,930,204,480 | 3,465,102,240.00 | 6,930,204,480 | | | | | |
| 2013 | 5,000,000,000.00 | 10,000,000,000 | | 6,930,204,480 | 3,465,102,240.00 | 6,930,204,480 | | | | | |
| 2014 | 5,000,000,000.00 | 10,000,000,000 | | 6,930,204,480 | 3,465,102,240.00 | 6,930,204,480 | | | | | |
| 2015 | 5,000,000,000.00 | 10,000,000,000 | | 6,930,204,480 | 3,465,102,240.00 | 6,930,204,480 | | | | | |
| 2016 | 5,000,000,000.00 | 10,000,000,000 | | 6,930,204,480 | 3,465,102,240.00 | 6,930,204,480 | | | | | |
| 2017 | 5,000,000,000.00 | 10,000,000,000 | | 6,930,204,480 | 3,465,102,240.00 | 6,930,204,480 | | | | | |

# CLAIMS & BENEFITS PAID




Since the time that insurance has become an integral part of business, providing excellent insurance service is not just about protecting customers against risks. It is also about keeping promises and delivering benefits by prompt settlement of claims. That is why, for us at AIICO, we place a high premium on an ever-improving claims settlement commitment. It is at the heart of our customer satisfaction delivery.
It gets better every year. Indeed, it is reflected in our positive facts and figures.