CONTENTS

PAGES

MISSION STATEMENT

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

Core Values

- Teamwork
- Reliability
- Integrity
- Responsiveness

CORPORATE INFORMATION

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

SECRETARIES:
NIGERIAN NOMINEES LIMITED
NEW AFRICA HOUSE (12TH FLOOR)
31, MARINA,
LAGOS, NIGERIA
FRC/2019/00000012948

REGISTERED OFFICE:
284, IKORODU ROAD, ANTHONY
LAGOS, NIGERIA.

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

PRINCIPAL BANKERS:
ACCESS BANK PLC
FIRST CITY MONUMENT BANK PLC

AUDITORS:
AJIBADE DUROJAIYE & CO
(CHARTERED ACCOUNTANTS)
27, AJAYI AINA STREET,
IFAKO, GBAGADA
LAGOS, NIGERIA.
FRC/ICAN/2013/00000005422

ACTUARIES
O & A HEDGE ACTUARIAL CONSULTING (FRC/2019/00000012909)
SUITE 28, MOTORWAYS CENTRE,
ALAUSA IKEJA, LAGOS.
FRC/2016/NAS/00000015764

ESTATE VALUER
NDUBUISI MORDI & ASSOCIATES (FRC/2019/00000013011)
94A CEMETERY STREET,
EBUTTE-METTA, LAGOS.
FRC/2013/NIESV/00000004196

FINANCIAL HIGHLIGHTS

	2019 N000	2018 N000	Percentage Increase / (Decrease)
Gross Premium Written	3,885,447	3,768,341	3.11%
Net Premium Income	3,213,718	2,757,156	16.56%
Underwriting Results	1,498,856	1,472,591	1.78%
Investment Income	256,521	225,098	13.96%
Profit before Taxation	550,230	349,808	57.29%
Profit after Taxation	505,181	301,534	67.54%
Retained Earnings	(732,145)	(1,120,763)	34.67%
Paid-up Share Capital	4,064,351	4,064,351	0.00%
Net Assets	4,849,891	4,230,175	14.65%
Per share data (kobo)			
Earnings	6.21	3.71	
Net Assets	59.66	52.04	

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 21st Annual General Meeting of Sterling Assurance Nigeria Limited will be held at The Function Room, Muson Centre, 8/9 Marina, Onikan, Lagos on Wednesday 26th August, 2020 at 1pm to transact the following business:-

ORDINARY BUSINESS

1. Lay before the meeting the Audited Financial Statements of the Company for the year ended 31st December, 2019 with the Reports of the Directors and Auditors thereon.
2. Authorise the Directors to fix the remuneration of the auditors

SPECIAL BUSINESS

3. Approve the Directors' Emoluments

BY ORDER OF THE BOARD

NIGERIAN NOMINEES LIMITED
SECRETARIES.

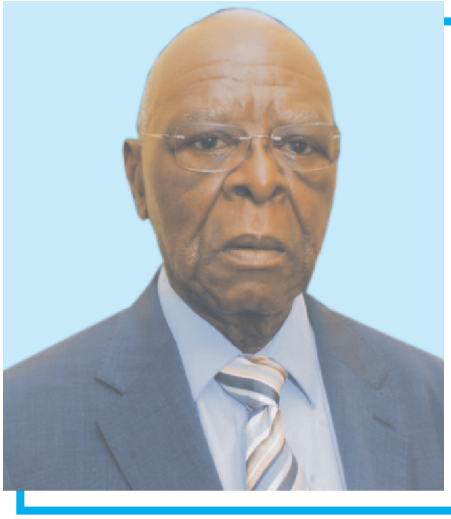
Dated: 5th August, 2020
Lagos, Nigeria.

NOTES

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

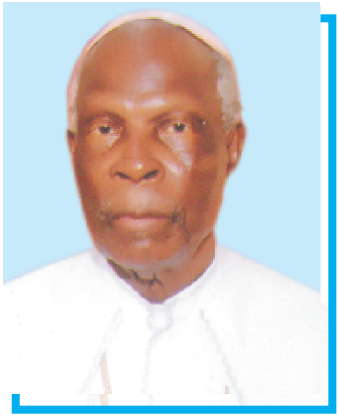
To be valid for the purpose of the meeting, the enclosed Proxy Form must be completed, duly executed and deposited at the office of the Company Secretaries, Nigerian Nominees Limited, New Africa House (12th Floor), 31 Marina, P.O. Box 1443, Lagos not less than 48hours prior to the time of the meeting.

THE BOARD OF DIRECTORS



Prof. Theo A. J. Ogunbiyi
Chairman

Mrs. A. Fatade
Director



Dr. S. A. Alao
Independent Director

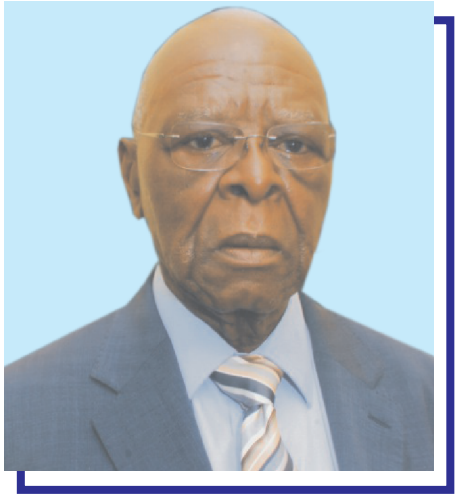
Mrs. A. Subair
Director

S A. Adegbesan
Executive Director

Dr. F. K. Lawal
Managing Director

A. A. Akingbade
Executive Director

CHAIRMAN'S STATEMENT



Prof. Theo A. J. Ogunbiyi
Chairman

Esteemed Board Members,
Our dear Shareholders and Proxies,
Invited Guests,
Distinguished Ladies and Gentlemen

I welcome you wholeheartedly to the 21st Annual General Meeting of our Company.

It is with great pleasure that I present to you the Annual Report and Financial Statements of our Company for the year ended 31st December 2019.

MACROECONOMIC ENVIRONMENT

In March 2019, Nigeria held her general elections. President Muhammadu Buhari's victory came with an assurance of the fulfilment of his economic policies which includes diversifying the economy, improved security, and infrastructural development. Nonetheless, the country's economy experienced a marginal increase in the Gross Domestic Product from 1.93% in 2018 to 2.3% at the end of 2019.

In July 2019, Nigeria signed the African Continental Free Trade Agreement (AfCFTA). The agreement had come into effect in May 2019 and was already signed by several African countries. AfCTA aims to reduce barriers to trade and commercial activities across the continent.

The price of bonny light crude oil declined from US$69.89 per barrel in 2018 to US$64.87 per barrel by the end of 2019. This reduced the country's external reserves by 10.5%. In August 2019, all of Nigeria's land borders were closed to all imports and exports. The administration of President Buhari had planned the move to prevent smuggling and boost up food self-sufficiency.

Nigeria's border lockdown came with mixed reactions from economic observers. Customs revenue at Nigeria's ports were driven up, as they remained open to trading. Nigeria as a result experienced growth in local food production, while receiving accusations of protectionism by the international community.

The Naira exchange rate was relatively stable against major currencies at the inter-bank foreign exchange market. The exchange rate experienced a slight appreciation at the Investors' & Exporters' (I&E) segment of the market. The Naira averaged NGN306.92/$1 on the interbank and NGN361.79/$1 at the I&E market in the 2019 financial year.

The exchange rate was supported by sustained intervention in the foreign exchange market by the CBN, as well as improved foreign exchange inflow into the import and export window, which continued to attract foreign portfolio investment inflow into the economy.

The Nigerian National Assembly passed the Finance Bill 2019. The bill which had been signed into law in January 2020 has given a tremendous boost to the Nigerian insurance sector. Insurance companies can now carry forward their losses indefinitely, compared to the previous four-year restriction on the sector. The basis for computing minimum tax payable by insurance companies has been simplified. No further tax will be payable on undistributed profits already taxed, which was the practice in the past.

INDUSTRY REVIEW

Barely six months after the suspension of the Tier Based Minimum Solvency Capital (TBMSC) regime, the industry's regulator, the National Insurance Commission (NAICOM) in May 2019, took operators by surprise with an announcement of a fresh capital threshold for Insurance operators. General Insurance threshold increased by over 300% to N10 billion. The recapitalisation exercise is expected to take effect from September 2021 with a proviso of 50% realisation by 31st December 2020. The new capital threshold for each class of insurance operator are stated as follows:

Class	Existing Capital (N'000,000)	New Capital (N'000,000)
Capital Life	2, 000	8, 000
General	3, 000	10, 000
Composite	5, 000	18, 000
Reinsurance	10, 000	20, 000

The regulator is following up on operators' plans to ensure a seamless process.

RECAPITALISATION EFFORTS

As an operator, we are currently reviewing our recapitalisation efforts to ensure a smooth completion of the capital increment process. We are at the tail end of a merger discussion with another insurance operator, which we anticipate should be completed before the end of 2020. We are confident that we would achieve NAICOM's recapitalisation exercise before the deadline.

RESULT FOR THE YEAR

The Company has once again proved its ability to consistently present positive financial results. I am delighted to present our full year 2019 results to you. The company experienced a 3.11% improvement in Gross Premium written from N3,768,341,000 in 2018 to N3,885,447,000 in 2019. The Gross Premium Earned increased from N3,569,061,000 in 2018 to N3,945,341,000 giving a positive variance of 10.54%.

The Profit After Tax (PAT) increased from N301,534,000 in 2018 to N505,181,000 with a positive variance of 67.54%.

Our Gross Claim Expenses improved from N1,820,655,000 to N1,425,239,000 with a positive variance of 21.72%. However, the Net Claim Expenses in 2019 of N991,926,000 as against N666,278,000 in 2018 was due to low claim recovery in 2019 giving a negative variance of 48.87%. The 2018 result experienced a high claim recovery rate in the oil and gas business.

The investment and other incomes improved slightly by 6.24% with a figure of N298,886,000 in 2019 as against N281,340,000 in 2018. The Net Assets also increased from N4,230,175,000 in 2018 to N4,849,891,000 in 2019 with a positive variance of 14.65%.

FUTURE OUTLOOK

Globally, the year 2020 was introduced with a pandemic outbreak- the novel strain of coronavirus, also known as "COVID-19". The outbreak, which was first identified in December 2019 in Wuhan China, brought the world to a temporary halt. Offices, schools and religious centres were compelled to shutdown to contain the pandemic. Governments worldwide enacted emergency measures to combat the spread of the virus. Sterling continues to actively assess and respond where possible to its potential impact on the Company's business.

Our focus would continue to be on the safety of our personnel and ensuring access of our products and services by our clients. As a company, we continue to adopt innovative measures to thrive. Technology would be a centre tool towards reaching out to our customers and personnel. As we continue to adopt remote tools for communication and operations, it is expected that our operations would be more effective, thereby translating to reduced costs.

As a Company, we would continue to monitor and access the risks entailed with COVID-19 and how it affects us and our operating environment, while reorganising our strategies whenever necessary. Notwithstanding the global economy, the Company remains properly positioned in the unprecedented market environment. The Company has adopted policies that would help to grow its profitability and maintain a healthy balance sheet.

CONCLUSION

I want to use this opportunity to express my sincere appreciation to our Board, Management team and Staff who have continued to dedicate their efforts towards the growth of our company. We also appreciate our partners in business, Brokers, Reinsurers, Agents and numerous customers who have entrusted us with their valued assets. I want to thank my fellow shareholders who have over the years been very supportive and loyal to the company.

I thank you all for your support and co-operation.

Prof. T.A.O. Ogunbiyi
Chairman

1. REPORT

The Directors forward to the members herewith the Audited Accounts for the year ended 31st December, 2019

2. RESULT

	2019	2018
	N'000	N'000
Underwriting Result	1,498,856	1,472,591
Investment & Other Income	256,521	225,098
Profit/(Loss) Before Tax	550,230	349,808
Profit/(Loss) After Tax	505,181	301,533

3. PRINCIPAL ACTIVITY

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

4. DIRECTORS

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

		2019	2018
		Units (000)	Units (000)
PROF T.A.J. OGUNBIYI	(Chairman)	76,525	76,525
DR. F.K. LAWAL	(Chief Executive Officer)	54,191	54,191
MRS. A.O. FATADE	(Non-Executive Director)	20,000	20,000
MRS. AJIBABI SUBAIR	(Non-Executive Director)	NIL	-
MR. A.A. AKINGBADE	(Executive Director)	NIL	-
MR. S.A. ADEGBESAN	(Executive Director)	NIL	-
DR. S. A. ALAO	(Independent Director)	NIL	-

5. STAFF

	2019	2018
The number of staff presently in employment is	**105**	**108**
MANAGEMENT	**9**	**10**
NON-MANAGEMENT	**96**	**98**

6. DONATIONS

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

7. POST STATEMENT OF FINANCIAL POSITION EVENTS

There are no post Statement of Financial Position events which could have had any material effect on the state of affairs of the Company as at 31st December, 2019 and on the profit for the period ended on that date, which have not been adequately provided for.

8. EMPLOYMENT AND EMPLOYEES

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

9. HEALTH, SAFETY AND WELFARE OF EMPLOYEES AT WORK

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

10. RELATIONSHIP WITH SHAREHOLDERS

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

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

11. AUDITORS

In accordance with Section 357(2) of the Companies and Allied Matters Act 1990, Messrs Ajibade Durojaiye & Co. Chartered Accountants, having indicated their willingness, will continue in office as Auditors. A resolution will be proposed at the next Annual General Meeting authorising the Board to fix their remuneration.

LAGOS, NIGERIA

BY ORDER OF THE BOARD

3 JUNE, 2020.

NIGERIAN NOMINEES LIMITED
S E C R E T A R I E S

FRC/2018/IODN/00000018994

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2019

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that present fairly, in all material respects, the state of financial affairs of the Company at the end of the year and of its profit or loss and other comprehensive income. The responsibilities include ensuring that the Company:

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

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

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

The Directors accept responsibility for the preparation and fair presentation of the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Insurance Act 2003 and Financial Reporting Council of Nigeria Act No. 6, 2011.

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

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

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Dr.Fatai.K. Lawal	Prof. T.A.J. Ogunbiyi
FRC/2013/CIIN/00000003330	FRC/2014/IODN/00000006925
3 June 2020	3 June 2020

To the members of Sterling Assurance Nigeria Limited:

In accordance with the provision of Section 359 (6) of the Companies and Allied Matters, Act CAP C20, Laws of the Federation of Nigeria 2004, the members of the Audit Committee of Sterling Assurance Nigeria Limited hereby report as follows:

i. We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters, Act CAP C20, Laws of the Federation of Nigeria 2004 and acknowledge the co-operation of management and staff in the conduct of these responsibilities.

ii. We are of the opinion that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2019 were satisfactory and reinforce the Company's internal control systems.

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

Dr. S. A. Alao
Chairman, Audit Committee
FRC/2019/CIIN/00000019421
Lagos, Nigeria.
2nd June, 2020

Members of the Audit Committee

Dr. S. A. Alao. - Chairman

Mrs A. Subair - Member

AJIBADE DUROJAIYE & CO.
Audit | Tax | Consulting | Advisory

INDEPENDENT AUDITOR'S REPORT

To the Members of Sterling Assurance Nigeria Limited.

Report on the Audit of the Financial Statements for the year ended 31st December, 2019.

Our Opinion

We have audited the financial statements of Sterling Assurance Nigeria Limited which comprise the statement of financial position as at 31st December, 2019, statement of profit or loss and other comprehensive income for the year then ended; statement of changes in equity for the year then ended; statement of cash flows for the year then ended; and notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, Sterling Assurance Nigeria Limited financial statements give a true and fair view of the financial position of the Company as at 31st December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), the Company and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004, Insurance Act 2003 & the relevant policy guidelines & circulars issued by the National Insurance Commission of Nigeria (NAICOM) and Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report.We are independent of the Company in accordance with the International Ethics Standards Boards for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with 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 financial statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Insurance Contract Liabilities (Note 15)

The valuation of insurance contract liabilities involves high estimation uncertainties and significant judgment over uncertain future outcomes. Provisions for reported claims are based on historical experience. Based on the liability adequacy test carried out by an external firm of actuaries, the Management has estimated value of insurance contract liabilities in the financial statements to be N1.37 billion as at the year ended 31 December, 2019 and represents 74% of total liabilities.

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

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

How our audit addressed the key audit matter

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

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

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

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

Valuation of Investment Properties (Note 12)
We focused on this area due to the size of the investment property balance and because the assessment of the value of the property involves judgment about the future cash flows from the property, the growth rate and the discount rate applicable to future cash flows

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

How our audit addressed the key audit matter
We reviewed the valuation methodology to confirm consistency with previous years.
The discount and growth rates applied within the model were assessed for reasonableness by comparing to available market and economic information.

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

Other Information
The Directors and CEO are responsible for the other information. The other information comprises all the information in the Sterling Assurance Nigeria Ltd 2019 annual report other than the financial statements and our auditors' report thereon ("the Other Information").

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

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

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

Responsibilities of the Directors and those Charged with governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Companies and Allied Matters Act, CAP C20, LFN 2004, Financial Reporting Council of Nigeria Act 2011, the Insurance Act 2003 of Nigeria, the National Insurance Commission (NAICOM) circulars and for such Internal control as the Directors may determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 359 (1) of the Companies and Allied Matters Act, Cap C20, LFN 2004 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosure in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, further events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

Contravention of Regulation Guidelines

As stated in note 39 of these financial statements, the Company paid the sum of five million naira only to the Financial Reporting Council of Nigeria for inadequate disclosure of accounting policies on Property, Plant and Equipment during the year.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act CAP C20 (LFN 2004) and Section 28(2) of the Insurance Act, 2003

In accordance with the Sixth Schedule of the Companies and Allied Matters Act CAP C20 (LFN 2004) and Section 28(2) of the Insurance Act, 2003 require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

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

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

iii) The Company's Statements of Financial Position and Statement of Comprehensive Income are in agreement with the books of account.

Dauda A. Adebesin, ACA, FRC/2017/ICAN/00000016398
For: Ajibade Durojaiye & Co.
Chartered Accountants
Lagos, Nigeria.
3 June, 2020.

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2019

ASSETS	NOTES	2019 N'000	2018 N'000
Cash and Cash Equivalents	6	655,816	811,154
Financial Assets	7	1,697,829	1,589,321
Trade Receivables	8	4,895	4,263
Reinsurance Assets	9	1,500,954	1,852,071
Deferred Acquisition Cost	10	134,890	161,416
Other Receivables and Prepayments	11	407,389	230,760
Investment Properties	12	1,270,000	1,060,000
Property, Plant and Equipment	13	719,981	439,987
Statutory Deposit	14	300,150	300,150
Total Assets		**6,691,904**	**6,449,122**
LIABILITIES			
Insurance Contract Liabilities	15	1,365,598	1,907,786
Trade Payables	16	81,720	21,864
Provisions and Other Payables	17	105,176	60,672
Retirement Benefit Obligations	18.2	141,800	94,565
Current Income Tax Liabilities	19.2	55,688	47,755
Deferred Tax Liabilities	19.3	92,031	86,305
Total Liabilities		**1,842,013**	**2,218,947**
Net Assets		**4,849,891**	**4,230,175**
EQUITY			
Paid-up Share Capital	20	4,064,351	4,064,351
Share Premium	20	70,393	70,393
Statutory Contigency Reserve	21	1,191,902	1,075,338
Retained Earnings	22	(732,145)	(1,120,763)
Other Reserves	23.1	(17,442)	5,710
Fair- value Reserves	23.2	68,414	132,154
Revaluation Reserve	23.3	204,419	2,992
Total Equity		**4,849,891**	**4,230,175**
Total Liabilities and Equity		**6,691,904**	**6,449,122**

The financial statements were approved by the Board of Directors on 3 June, 2020 and signed on its behalf by:

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

Dr. Fatai K. Lawal ..... **Managing Director/CEO**
FRC/2013/CIIN/00000003330

Sule O. Agboola ..... **Chief Financial Officer**
FRC/2012/ICAN/00000000375

The accompanying notes form an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2019

	NOTES	2019 ₦'000	2018 ₦'000
Gross Premium Written	25	**3,885,447**	**3,768,341**
Gross Premium Earned	25	3,945,341	3,569,061
Reinsurance Premium Expenses	25	(731,623)	(811,905)
Net Premium Income		3,213,718	2,757,156
Fee income-Insurance	26	119,417	114,977
Net underwriting Income		**3,333,135**	**2,872,133**
Claims Expense (Net)	27	(991,926)	(666,277)
Underwriting Expenses	28	(842,353)	(733,265)
Total Underwriting Expenses		**(1,834,279)**	**(1,399,542)**
Underwriting Results		**1,498,856**	**1,472,591**
Investment Income	29	144,833	124,532
Net realised gain	30	111,688	100,566
Other Operating Income	31	42,365	56,242
Revaluation gain on investment properties	12	210,000	-
Employee Benefit Expense	32	(628,478)	(687,674)
Management Expenses	33a	(597,933)	(685,076)
Impairment on Reinsurance Assets	33b	(209,732)	-
Results of Operating Activities		**(927,257)**	**(1,091,410)**
Finance Costs	34	(21,369)	(31,373)
Profit before Taxation		**550,230**	**349,808**
Income Tax Expense	19.1	(45,049)	(48,275)
Profit for the year		**505,181**	**301,534**
Other Comprehensive Income: ***Items that will not be subsequently reclassified to the profit or loss account:***			
Changes in available-for-sale financial assets		(63,740)	(91,059)
Actuarial gains (losses) on defined benefit pension plans	23.1	(23,152)	12,220
Gains on Property revaluation	23.3	201,427	2,992
Other comprehensive income for the year, net of tax		**114,535**	**(75,847)**
Total comprehensive income for the year		**619,716**	**225,687**
Basic and adjusted earnings per Share		6.21	3.71

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Share Capital N'000	Share Premium N'000	Contingency Reserves N'000	Fair-value Reserves N'000	Other Reserves N'000	Revaluation Reserves N'000	Retained Earnings N'000	Total N'000
Balance at 1st January, 2019	4,064,351	70,393	1,075,339	132,154	5,710	2,992	(1,120,763)	4,230,175
Profit for the year	-	-	-	-	-	-	505,181	505,181
Changes in the valuation of gratuity	-	-	-	-	(23,152)	-	-	(23,152)
Changes in fair value of available-for-sale	-	-	-	(63,740)	-	-	-	(63,740)
Changes in the valuation of land & building	-	-	-	-	-	201,427	-	201,427
Transfer to the contingency reserves	-	-	116,563	-	-	-	(116,563)	-
Balance at 31st December, 2019	**4,064,351**	**70,393**	**1,191,902**	**68,414**	**(17,442)**	**204,419**	**(732,145)**	**4,849,891**
Balance at 1st January, 2018	4,050,351	70,393	962,289	223,212	(6,510)	-	(1,309,246)	3,990,488
Profit for the year	-	-	-	-	-		301,534	301,534
Deposit for Shares	14,000	-	-	-	-		-	14,000
Changes in the valuation of gratuity	-	-	-	-	12,220		-	12,220
Changes in fair value of available-for-sale	-	-	-	(91,058)	-		-	(91,058)
Changes in the valuation of land & building	-	-	-	-	-	2,992	-	2,992
Transfer to the contingency reserves	-	-	113,050	-	-		(113,050)	-
Balance at 31st December, 2018	**4,064,351**	**70,393**	**1,075,339**	**132,154**	**5,710**	**2,992**	**(1,120,763)**	**4,230,175**

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOW AS AT 31ST DECEMBER, 2019

	Notes	2019 N'000	2018 N'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Premium Received	25	3,884,815	3,767,225
Reinsurance Premium Paid	25	(680,108)	(857,958)
Fees and Commission Received	26	119,417	114,977
Claims Paid during the year	27	(1,425,239)	(1,820,655)
Claims Paid Recovered from Reinsurers	27.3	310,477	843,004
Commission Paid	28	(205,341)	(262,127)
Maintenance Cost Paid	28	(610,486)	(514,091)
Cash Paid to and on behalf of Employees	32	(628,478)	(687,674)
Exchange gains on cash and cash equivalents placements	30	110,188	-
Other Management Expenses		(854,885)	(780,572)
Tax paid during the year	19.2	(31,390)	(33,590)
Net Cash Flow from Operating Activities (A)		**(11,030)**	**(231,461)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	11&29	105,045	228,206
Purchase of property, plant and equipment	13	(131,386)	(9,524)
Purchase of AFS measured at cost	7(i)2	(65,427)	(86,023)
Reclassification to AFS measured at cost		-	(31,059)
Addition of Loans and Receivables Financial Assets	7(iii)1	(251,000)	(384,690)
Repayment of Loans and Receivables Financial Assets	7(iii)1	175,965	217,190
Proceeds from disposal of property, plant and equipment	30	1,500	-
Other Operating Income	31	42,365	56,242
Net Cash Flow from Investing Activities (B)		**(122,938)**	**(9,658)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance Cost	34	(21,369)	(31,373)
Issue during the year		-	14,000
Net Cash Flow from Financing Activities (C)		**(21,369)**	**(17,373)**
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)		(155,338)	(258,492)
Cash and cash equivalent at the beginning of the year		811,154	1,069,645
Cash and cash equivalent at the end of the year		**655,816**	**811,154**

The accompanying notes form an integral part of these financial statements

1.1 Reporting entity

The Company, Sterling Assurance Nigeria Limited formerly known as Whispering Hope Insurance Limited was incorporated as a Limited Liability Company on 11th October 1990 under the law of Nigeria and is subject to the Nigerian Insurance Act CAP I17 LFN 2004. The Company is licensed mainly to carry out underwriting, claims payment and investment. Its head office and registered office is at 284,Ikorodu Road, Lagos, Nigeria.

These Financial Statements were authorised for issue by the Board of directors on 3 June, 2020.

1.2 Regulation

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

1.3. Going concern

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

2. Basis of preparation and compliance with IFRS

2.1. Statement of compliance

These financial statements for the year 2019 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. (“IASB”), and interpretation issued by IFRS's interpretation committee (IFRIC), the Insurance Act of Nigeria and the relevant National Insurance Commission (NAICOM) guidelines and circulars, Company and Allied Matters Act, CAP C20, LFN 2004, the Financial Reporting Council of Nigeria Act, 2011 and other relevant statutes to the extent that they do not conflict with the provisions of IFRSs.

The financial statements present fairly the statement of financial position, statement of comprehensive income and the statement of cash flows of Sterling Assurance Nigeria Limited for the year ended 31st December, 2019.

2.2 Basis of measurement

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

3. Changes in accounting policies and adoption of new standards

3.1 Standards and interpretations effective during the reporting year

The accounting policies adopted are consistent with those of the previous financial year despite the adoption of IFRS. For the preparation of these Financial Statements, the following new, revised or amended requirements are mandatory for the first time for the financial year beginning 1 January 2019.

IFRIC 23 — Uncertainty over Income Tax Treatments

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

Effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

IFRS 16 — Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.

Effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted, if IFRS 15, Revenue from Contracts with Customers, has also been applied

IFRS 9 - Financial Instruments

IFRS 9, released in July 2014, replaces the existing guidance in IAS 39 Financial instruments: Recognition and measurement. IFRS 9 includes revised guidance on the reclassification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018 with early adoption permitted.

The Company will adopt IFRS 9 - Financial Instruments from 1 January 2022. The estimated impact of the adoption of the standard on the Company's equity as at 1 January 2022 is based on the assessments summarised below. The actual impacts of adopting the standard at 1 January 2022 are subject to change until the Company presents its first financial statement that includes the date of initial application.

Classification and Measurement

The Company currently categorizes the majority of its financial assets as available for sale with the fair value changes recognised in other comprehensive income. Under IFRS 9, the Company has designated these investments as measured at fair value through OCI. Consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal.

Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for Trade receivables, loans, investment in debt securities and investments in equity securities that are managed on a fair value basis.

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

Impairment:

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

Expected Credit Loss Impairment Model for Financial Assets

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

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

- Stage 1 – Where there has not been significant increase in credit risk (SICR) since initial recognition of financial instrument, an amount equal to 12 months. For those instruments with a remained maturity of less than 12 months a probability of default corresponding to remaining term to maturity is used.

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

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

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

Measurement of Expected Credit Losses

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

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

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

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

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

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

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

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

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

Assessment of significant Increase in Credit Risk (SICR)

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

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

Quantitative Elements

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

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

Qualitative Elements

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

Backstop Indicators

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

Definition of Default and Credit Impaired Financial Assets

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

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

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

Presentation of Allowance for ECL in the Statement of Financial Position

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

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Financial assets measured at FVOCI: loss allowance shall be recognized in the statement of financial position because the carrying amount of these assets shall be their fair value. However, the loss allowance shall be disclosed and recognized in the fair value reserve.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

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

The concern raised includes:

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

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

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

Applying Exemption from IFRS 9

Predominance Assessment

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

IFRS 4:

	2017		2015	
	Total Liabilities N'000	Total Qualifying N'000	Total Liabilities N'000	Total Qualifying N'000
LIABILITIES	(A)	TEST(B)	(A)	TEST(B)
Insurance Contract Liabilities	1,531,862	1,531,862	1,513,769	1,513,769
Trade Payables	44,027	44,027	15,852	15,852
Provision and other Payables	64,893	-	36,012	-
Retirement Benefit Obligation	83,749	83,749	68,280	68,280
Current Tax Liabilities	45,137	45,137	10,046	10,046
Deferred Tax (connected to insurance contract)	-	-	-	-
Deferred Tax (connected to insurance contract)	74,238	-	49,692	-
	1,843,906	**1,704,775**	**1,693,651**	**1,607,947**
Predominant Assessment (B/A)%		**92.45%**		**94.94%**

The company passed predominance assessment in 2015 as its total eligible liabilities of ? 1,607,947,000 was 94.94% of the total liabilities of ? 1,693,651,000 considered for predominance assessment.

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

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

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

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

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

iii. The eligible liability amount of the total liabilities arising from insurance contracts and insurance connected liabilities for the company sum up to ? 1.608 billion as at 31 Dec 2015 (31 Dec 2017: ? 1.705 billion), which is greater than the 80 per cent minimum of the total carrying amount of all its liabilities as at 31 Dec 2015 and 31 Dec 2017 respectively.

iv. As at 31 December 2015, which is the reporting date that immediately precedes 1 April 2016, the carrying amount of the company liabilities arising from insurance contracts was ? 1.608billion which was greater than 90 per cent of the total carrying amount of all its liabilities as at that date.

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

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

Fair value disclosures

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

Financial Assets that meet the SPPI Test Categories	IAS 39 Carrying Amount as at December 31,2018	IFRS 9 Fair Value as at December 31,2018	Fair Value Changes (Impact on 2018 Accounts)
Available for Sale (Note 7 (i)(2))	**N'000**	**N'000**	**N'000**
Federal Government Bond	153,171	153,171	-
Treasury Bills	-	-	-
Total	**153,171**	**153,171**	-
Loans and receivables (Note 7(iii) 1)			
Loan to policyholders	593,454	593,454	-
Total	**593,454**	**593,454**	-
Cash and Cash Equivalents			
Short term Bank Deposit	585,808	585,808	-
Trade Receiovables (Note 8 (i))			
Premium Due from Insurance brokers	4,263	4,263	-
Statutory Deposits	300,150	300,150	-
Grand Total	**1,636,846**	**1,636,846**	-

Financial Assets that meet the SPPI Test Categories	IAS 39 Carrying Amount as at December 31,2019	IFRS 9 Fair Value as at December 31,2019	Fair Value Changes (Impact on 2019 Accounts)
Available for Sale (Note 7 (i)(2))	**N'000**	**N'000**	**N'000**
Federal Government Bond	218,598	218,598	-
Treasury Bills	-	-	-
Total	**218,598**	**218,598**	-
Loans and receivables (Note 7(iii) 1)			
Loan to policyholders	700,275	700,275	-
Total	**700,275**	**700,275**	-
Cash and Cash Equivalents (Note 6)			
Short term Bank Deposit	593,445	593,445	-
Trade Receivables (Note 8 (i))			
Premium Due from Insurance brokers	4,895	4,895	-
Grand Total	**1,517,213**	**1,517,213**	-

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

All financial assets other than those that meet SPPI Test			
Categories	IAS 39	IFRS 9	Changes in
	Carrying Amount	Fair Value	Fair Value
	as at December31, 2018	as at December 31, 2018	
	N'000	N'000	N'000
Statutory Deposit	300,150	300,150	
Available-for-Sale (Note 7(i) (3)) & 7((ii) 1)			
Quoted investments at fair value (Note 7 (i) 3)	420,165	420,165	-
Unlisted Equities Shares at cost (Note 7 (ii) 1)	422,531	422,531	-
Total	**1,142,846**	**1,142,846**	-

All financial assets other than those that meet SPPI Test			
Categories	IAS 39	IFRS 9	Changes in
	Carrying Amount	Fair Value	Fair Value
	as at December31, 2019	as at December31, 2019	
	N'000	N'000	N'000
Statutory Deposit	300,150	300,150	
Available-for-Sale (Note 7(i) (3)) & 7((ii) 1)			
Quoted investments at fair value (Note 7 (i) 3)	356,425	420,165	-
Unlisted Equities Shares at cost (Note 7 (ii) 1)	422,531	422,531	-
Total	**1,079,106**	**1,142,846**	-

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

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

A number of standards, interpretations and amendments are effective for annual period beginning on or after 1 January 2019 and earlier application is permitted; however, the company has not early adopted the following new or amended standards in preparing these financial statements as it plans to adopt these standards at their respective effective dates:

(i) IFRS 17 - Insurance Contracts

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

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

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

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cashflows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period

- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognized directly on the statement of financial position
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure. The Company choses to apply IFRS 17 in January 2022 with IFRS 9, as it purely does insurance business.

IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors

IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The amendment is effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

IAS 1 — Presentation of Financial Statements

IAS 1 sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. IAS 1 has been revised to incorporate a new definition of “material” and IAS 8 has been revised to refer to this new definition in IAS 1. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

The Company will adopt the amendment along with the effective date of IFRS 9 (2022) at the earliest. The impact of the adoption of this amendment on the Company is being assessed.

4.0 Foreign currency

Foreign currency translation

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

5.0 Summary of significant accounting policies

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

5.1 Cash and cash equivalents

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

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

5.2 Financial assets

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

5.2.1 Classification

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

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or if the Company manages such investments and makes purchases and sales decisions based on their fair value in accordance with the Company have documented risk management or investment strategy.
Such investments include but not limited to fixed interest investments (bank deposits) which form part of cash and cash equivalents.

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

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

(c). Loans and receivables

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

(d) Held-to-maturity financial assets.

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

- those that the Company upon initial recognition designates as fair value through profit or loss;
- those that the Company designates as available-for-sale; and
- those that meet the definition of loans and receivables.

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

5.2.2 Recognition and measurements of financial assets

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

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

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

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

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

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

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

5.2.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial asset is based on quoted market prices or dealer price quotations. This includes listed equity securities.

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or Regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the aforementioned criteria are not met, the market is regarded as being inactive.

Investments in equity instrument that do not have a quoted market price in active market are stated at cost using valuation technique. The valuation technique used is the cost of the instruments which is the price at which the transaction is exchanged between knowledgeable parties at arm's length.

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in equity.

5.2.4 Reclassification of financial assets

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term.
Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to- maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

5.2.5 Impairment of financial assets

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

Available-for-sale-financial assets

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

A significant or prolonged decline in the fair value of the security below its costs is considered in determining whether the security is impaired. If any such evidence exists for available-for- sale financial assets, the cumulative loss, measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity is removed from equity and recognised in the income statement.
Impairment losses recognised in the income statement for a financial asset classified as available-for-sale are not reversed through the income.

Impairment losses on available-for-sale investment securities are recognized when, and only when both quantitative and qualitative evidences have been taken to consideration. The cumulative loss that has been recognized in other comprehensive income, and presented in the cumulative loss measured as: the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

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

5.3 Trade receivables.

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

5.3.1 Impairment on trade receivables

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

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

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

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

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

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

5.3.2 Impairment of non-financial assets

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

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

5.3.3 Offsetting financial instruments

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

5.4 Reinsurance assets

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

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

5.5 Deferred acquisition cost

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

5.6 Other receivables and prepayments

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

5.7 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes or occupied substantially for use in the operations of the enterprise and/or members of the Company. An occupation of more than15% of the property is considered substantial.

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

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

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

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

An increase in revaluation which is directly related to a previous decrease in carrying amount for the same property that was charged to the profit and loss account is credited to profit and loss account to the extent that it offsets the previously recorded decrease.
Investment properties are classified separately from other properties used for the purposes of the business.

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

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

5.8 Property, plant and equipment

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

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

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

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

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

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

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

Property and equipment are derecognised at the disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included within other income in the Statement of Comprehensive Income.
If an investment property becomes owner-occupied, it is reclassi?ed as property, plant and equipment, and its fair value at the date of reclassi?cation becomes its cost for subsequent accounting purposes.

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

5.9 Statutory deposit

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

5.10 Insurance contracts

5.10.1 Classification

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

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

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

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

Receivables and payables related to insurance contracts

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

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

5.10.2 Premiums and claims

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

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

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

Refund of premium

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

5.10.3 Reinsurance

The Company holds the under-noted reinsurance contracts:

- Treaty Reinsurance Outward is usually between the Company and Reinsurers.

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

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

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

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

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

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

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

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

Reinsurers' share of unearned premium

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

Reinsurers share of provisions for unpaid claims and adjustment expenses

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

5.10.4 Claims

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

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

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

5.10.5 Underwriting expenses

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

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

5.10.6 Salvages

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

Salvage recoveries are used to reduce the claim expense when the claim is settled.

5.10.7 Subrogation

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

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

5.10.8 Reserves for unearned premium

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

5.10.9 Reserves for outstanding claim

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

5.10.10 Reserves for 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)"

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

5.10.11 Deferred policy acquisition costs

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

5.10.12 Valuation of insurance contract liability

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

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

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

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

Assumptions

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

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

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

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

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

The Liability Adequacy Test (LAT)

At the end of each reporting period, Liability Adequacy Tests are performed by an Actuary to ensure that material and reasonably foreseeable losses arising from existing contractual obligations are recognised. In performing these tests, current best estimates of future contractual cash flows, claims handling and administration expenses, investment income backing such liabilities are considered. Long-term insurance contracts are measured based on assumptions set out at the inception of the contract. Any deficiency is charged to profit or loss by increasing the carrying amount of the related insurance liabilities.

The Liability Adequacy Test (LAT) was carried out by O & A Hedge Actuarial Consulting (Consultant Actuaries and Chartered Insurers) with FRC number FRC/2016/NAS/00000015764.

5.11 Trade and other payables

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

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

5.12 Provisions, contingent liabilities and contingent assets

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

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

Contingent liabilities normally comprise legal claims under arbitration or court process in respect of which a liability is not likely to materialize a contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. Contingent liabilities and contingent assets are never recognised rather they are disclosed in the financial statements when they are due.

5.13 Employee benefits

5.13.1 Short-term employee benefits

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

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

5.13.2Defined contribution plans

The Company operates a defined contributory pension scheme as stipulated in the Pension Reform Act 2014. Under the defined contributory scheme, the Company pays 10% of total emolument as defined by the Act to Pension Fund Administrator while employees pay 8% to the same entity. Total emolument comprises basic salary, housing and transport allowances. Once the contributions have been paid, the Company retains no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to finance benefits accruing

under the retirement benefit plan. The Company's obligations are recognized in the profit and loss account as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in the future payments is available.

5.13.3 Defined benefit plan

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

Gratuity basis

Any employee leaving either voluntarily or otherwise is entitled to:

Less than 5 years = NIL

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

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

Valuation of post- employment benefit obligation

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

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

The valuation of the staff gratuity plan was professionally carried out by O & A Hedge Actuarial Consulting at Suite 28, Motorways Centre, Alausa Ikeja, Lagos with FRC number FRC/2016/NAS/00000015764.

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

5.13.4 Termination Benefits

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

5.14 Income tax

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

5.14.1 Current income tax

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

5.14.2 Deferred tax

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

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

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

5.15 Share capital and premium

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

5.16 Contingency reserves

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

5.17 Retained earnings

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

5.18 Fair value reserve

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

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

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

5.19 Other reserve-actuarial surplus

Actuarial surplus/deficit on employee benefits represents changes in benefit obligation due to changes in actuarial valuation assumptions or actuarial experience. The gains/losses for the year, net of applicable deferred tax assets/liability on employee benefit obligation, are recognised in other comprehensive income.

5.20 Earnings per share

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

5.21 Dividends

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

5.22 Revenue recognition

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

Revenue is recognised as follows:

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

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

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

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

5.23 Fee and commission income

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

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

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

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

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

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

5.24 Interest income and expenses

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

5.25 Reinsurance expenses

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

5.26 Underwriting expenses

Underwriting expenses comprise acquisition costs and other underwriting expenses. These costs incurred by an insurer when deciding whether to accept or decline a risk may include meetings with the insured or brokers, actuarial review of loss history, or physical inspections of exposures.

All expenses deducted from the Company revenues, inclusive of net commissions, salaries, and advertising costs are aggregated to determine underwriting profit.
Underwriting expenses are measured at amortised costs and are recognised in the financial statements as expense using the effective interest rate method.

5.27 Management expenses

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

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

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

Finance costs as “interest and other costs that the Company incurs in connection with the borrowing of funds and bank service charges”.

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

5.29 Critical accounting estimates and judgments

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

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

5.29.1Going Concern

The financial statements have been prepared on the going concern basis and there is no intention to curtail business operations. Capital adequacy, profitability and liquidity ratios are continuously reviewed and appropriate action taken to ensure that there are no going concern threats to the operation of the Company. The Directors have made assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the years ahead.

5.29.2 Product classification and contract liabilities

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

i. Key sources of estimation uncertainty

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

ii. Valuation of liabilities of non-life insurance contracts

Estimates are made for both the expected ultimate cost of claims reported and claims incurred but not reported (IBNR) at the statement of financial position date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder, Stochastic reserving (Bootstrap) and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect oneoff occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

The carrying amount for non-life insurance contract liabilities at the reporting date is N1.37billion (2018: N1.907billion).

5.29.3 Impairment on receivables

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

5.29.4 Valuation of property, plant and equipment and investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The Company engaged an independent valuation specialist to assess fair value as at 31 December 2019 for Investment properties and revalued land and buildings. For investment properties, a valuation methodology based on discounted cash flow model was used as there is a lack of comparable market data because of the nature of the properties. In addition it measures land and buildings at revalued amounts with changes in fair value being recognized in OCI. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

5.29.5 Deferred tax assets

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

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

5.29.6 Income Tax

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

i. The current income tax

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

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

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

ii. Minimum tax

This is determined based on the 0.5% of revenue in line with the provisions of Companies Income Tax Act (CITA). As amended in Finance Act 2020.

5.29.7 Provision for unpaid claims

The estimation of the provision for unpaid claims and the related reinsurers' share are the Company's most critical accounting estimates. There are several sources of uncertainty that need to be considered by the Company in estimating the amount that will ultimately be paid on these claims.

The uncertainty arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Changes in the estimate of the provision can be caused by receipt of additional claim information, changes in judicial interpretation of contracts, or significant changes in severity or frequency of claims from historical trends. The estimates are based on the Company's historical experience and industry experience.

5.29.8 Impairment of available- for-sale investments

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

	2019 N'000	2018 N'000
6. Cash and Cash Equivalents		
Cash	2,336	145
Local bank balances	60,035	225,201
Short-term Bank deposits	593,445	585,808
	655,816	**811,154**

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

7. Financial Assets	N'000	N'000
Available-for-sale (See Note 7(I)	997,554	995,867
Loans and receivables (See Note 7(iii))	700,275	593,454
	1,697,829	**1,589,321**

Schedule of Investments and the funds they represent	**Policyholders'**	**Shareholders' & other funds**	**Total**
Asset Type	**2019 N'000**	**2019 N'000**	**2019 N'000**
Cash and Cash Equivalents			
Cash	2,336	-	2,336
Local bank balances	60,035	-	60,035
Short-term Bank deposits	451,645	141,800	593,445
Sub-Total	**514,016**	**141,800**	**655,816**
Financial assets at Available-for-sale(AFS)			
Federal government bonds	218,598	-	218,598
Quoted investments	181,755	174,670	356,425
Unquoted investments	135,000	287,531	422,531
Sub-Total	**535,353**	**462,201**	**997,554**
Loans and Receivables			
Staff Loans	-	-	-
Policyholders' Loans	-	700,275	700,275
Sub-Total	-	700,275	700,275
Grand Total	**1,049,369**	**1,304,276**	**2,353,645**

	2019 N'000	2018 N'000
7(I)Total Available-for-sale (AFS)		
Available-for-sale measured at fair value (See Note 7(i)1)	575,023	573,336
Available-for-sale measured at cost (See Note 7(ii)	422,531	422,531
	997,554	**995,867**

7 (i) 1. Available-for-sale at fair value		
Federal government bonds (See Note 7(i)2 below)	218,598	153,171
Quoted investments (See Note 7(i)3 below)	356,425	420,165
	575,023	**573,336**

7 (i) 2. Movement in Available-for-sale at fair value	**N000**	**N000**
(Federal Government bonds)		
Balance at the beginning	153,171	153,171
Acquired during the year	65,427	-
Disposed during the year	-	-
Balance at the end	**218,598**	**153,171**

7 (i) 3. Movements in Available-for-sale at fair value		
(quoted investments)		
Balance at the beginning	420,165	511,224
Acquired during the year	-	-
Disposed during the year	-	-
Fair value changes	(63,740)	(91,059)
Balance at the end	**356,425**	**420,165**

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

	2019	2018
7 (ii) Available-for-sale at cost		
Investment in unlisted Shares (See Notes 7(ii)1 & 7 (ii)2 below)	**422,531**	**422,531**

The unquoted shares of N422,531,000 reported under Available-for-sale investment were carried at cost and were assessed for impairment during the year and found to have passed impairment test in accordance with the requirement of IAS 39. We deferred the adoption of IFRS 9 till January 1, 2023 when it will be jointly invoked with IFRS 17.

7(ii)1 Movements in Available-for-sale at fair value (Unlisted shares)

Balance at the beginning	422,531	305,449
Disposed during the year	-	-
Fair value changes	-	-
Reclassification	-	31,059
Acquired during the year	-	86,023
Balance at the end	**422,531**	**422,531**

7(ii)2 Analysis of unlisted available for sale instruments is shown:

NLPC Pension Fund Admnistrators Limited	96,526	96,526
Golden Capital Plc.	4,422	4,422
WAICA Re	78,087	78,087
Energy and Allied Insurance Pool of Nig. Ltd	31,059	31,059
Medexia Limited	117,437	117,437
Grand Cereals Limited	95,000	95,000
	422,531	**422,531**

	2019 N000	2018 N000
7 (iii) Loans and Receivables		
Policyholders' Loans (See Note 7 (iii)1 below)	**700,275**	**593,454**
7 (iii)1 Movement in Loans and Receivables		
Balance at the beginning	593,454	414,558
Addition during the year	251,000	384,690
Repayment during the year	(175,965)	(217,190)
Accrued interest (See Note 29)	31,786	11,396
Impairment loss	-	-
Balance at the end	**700,275**	**593,454**
8. Trade Receivables		
Premium Receivable (Note 8 (i) & Note 8 (ii)	**4,895**	**4,263**
8 (i) Breakdown of Insurance Receivables		
Due from Insurance brokers	4,895	4,263
Due from Agents/Direct	-	-
Due from Insurance companies	-	-
	4,895	**4,263**
8 (ii) Maturity day of Trade Receivables are stated below:		
Within 30 Days	4,895	4,263
Above 30 Days	-	-
Total	**4,895**	**4,263**
9. Reinsurance Assets		
Prepaid reinsurance(See Note 9.1)	139,319	130,978
Reinsurance share of Incurred But Not Reported (IBNR) (See Note 9.2)	156,672	306,062
Outstanding Claims (See Note 9.3)	137,605	226,880
Balance as per Actuarial Estimates	**433,596**	**663,920**
Reinsurances share of claims paid not yet recovered (See Note 9.4)	1,067,358	1,188,151
Total Reinsurance Assets	**1,500,954**	**1,852,071**
Current	1,500,954	1,852,071
Non-current		

	2019 N000	2018 N000
9.1 Movement in prepaid reinsurance		
Balance at the beginning of the year	130,978	84,925
Additions during the year	8,341	46,053
Balance at the end of the year	**139,319**	**130,978**
9.2 Movement in IBNR		
Balance at the beginning of the year	306,062	45,577
Additions during the year	(149,390)	260,485
Balance at the end of the year	**156,672**	**306,062**
9.3 Movement in Outstanding Claims		
Balance at the beginning of the year	226,880	197,782
Increase/(Decrease) during the year	(89,275)	29,098
Balance at the end of the year	**137,605**	**226,880**
9.4 Movement in Claims paid not yet recovered		
Balance at the beginning of the year	1,188,151	989,716
Addition to reinsurance assets during the year	520,209	-
Reinsurance claims recovered during the year	(310,477)	-
Impairment during the year (See Note 33(b))	(209,732)	-
Increase/(Decrease) during the year	(120,793)	198,435
Balance at the end of the year	**1,067,358**	**1,188,151**
(a) The age analysis of claims paid not yet recovered is as follows:		
0 - 30 days	63,050	32,590
31 - 90 days	230,394	383,791
91- 180 days	-	93,056
181 - 360 days	374,498	187,772
Above 365 days	399,416	490,942
	1,067,358	**1,188,151**
10. Deferred Acquisition Cost		
Marine	11,719	2,497
Motor	310	22,964
Fire	32,001	19,950
Bond	106	108
Oil and energy	68,863	73,968
General accident	1,026	27,747
Engineering	20,865	14,181
	134,890	**161,415**
Current	134,890	161,415
Non-current	-	-
10(i) Movement in deferred acquisition costs		
Acquisition costs brought forward	161,416	118,463
Addition during the year	205,341	262,127
Amortisation during the year (See Note 28.1(I)	(231,867)	(219,174)
	134,890	**161,416**

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

	2019 N000	2018 N000
11. Other Receivables and Prepayments		
Prepayments (See Note 11(I))	198,467	116,433
Accrued Interest on short-term deposits (See Note 11(ii))	88,079	80,077
Staff Advances	-	697
Withholding Tax Receivables	27,243	25,388
Sundry Debtors-Staff Loans	93,600	8,165
	407,389	**230,760**
Current	407,389	230,760
Non-current	-	-
(11 (i)) Prepayments breakdown		
Rent and Service charge	4,112	6,417
Assets Insurance	6,619	6,232
Housing and other allowance	185,355	88,015
Medical Expenses	719	-
HRN Travels	-	7,000
Custodian and Allied	-	3,750
Hogg Robinson	-	3,357
Internet Connectivity	1,662	1,662
	198,467	**116,433**
(11(ii)) Accrued Interest on short-term deposits breakdown:		
FGN Bonds Investment	-	13
Short term Investment (Bank Placements)	88,079	80,064
	88,079	**80,077**

12. Investment Properties

Location/Address	Status of title Document	2019 N000	2018 N000
1. Plot 318, Ikorodu Road, Maryland, Lagos	Perfected	420,000	300,000
2. 6A & 6B Onipinla Street, Off James Oluyele Street, Adeniyi Jones, Ikeja, Lagos	Perfected	250,000	200,000
3. Plot 72 (8B) Herbert Macauley Street, Amadi Layout, Old GRA, Port Harcourt.	Perfected	450,000	425,000
4. Plot 1, Cadastral Zone E13, Guide District, Abuja, FCT.	Perfected	150,000	135,000
Balance at the end of the year		**1,270,000**	**1,060,000**

12(i) Movement in Investment Properties

	Balance as at 1 January 2019 N000	Addition N000	Disposal N000	Fair value gain/(loss) N000	Balannce as at 31 December 2019 N000
1. Plot 318, Ikorodu Road, Maryland, Lagos	300,000	-	-	120,000	420,000
2. 6A & 6B Onipinla Street, Off James Oluyele Street, Adeniyi Jones, Ikeja, Lagos	200,000	-	-	50,000	250,000
3. Plot 72 (8B) Herbert Macauley Street, Amadi Layout, Old GRA, Port Harcourt.	425,000	-	-	25,000	450,000
4. Plot 1, Cadastral Zone E13, Guide District, Abuja, FCT.	135,000	-	-	15,000	150,000
	1,060,000	**-**	**-**	**210,000**	**1,270,000**

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

Details of the Valuer

The investment properties were independently valued as at 31 December 2019 by Ndubuisi Mordi and Associate (an estate surveyors & valuer) duly registered with the Financial Reporting Council of Nigeria. The valuer, which is located at 94A, Cemetery Street, Ebutte-Metta, Lagos, is a qualified member of the Nigerian Institution of Estate Surveyors and Valuers with FRC No.FRC/2013/NIESV/00000004196.

13. Property, Plant and Equipment

as at 31st December, 2019	Land	Building	Motor Vehicles	Office Equipment	Furniture & Fittings	Total
(i). Cost	**N000**	**N000**	**N000**	**N000**	**N000**	**N000**
Balance at January, 2019	170,000	152,573	300,283	94,750	32,746	750,352
Additions	-	1,500	96,069	33,110	707	131,386
Disposals	-	-	(24,065)	(392)	-	(24,457)
Revaluation surplus	130,500	70,927	-	-	-	201,427
Balance at December, 2019	**300,500**	**225,000**	**372,287**	**127,468**	**33,453**	**1,058,708**
Balance at January, 2018	170,000	149,581	300,283	85,720	32,252	737,836
Additions	-	-	-	9,030	494	9,524
Disposals	-	-	-	-	-	-
Revaluation surplus	-	2,992	-	-	-	2,992
Balance at December, 2018	**170,000**	**152,573**	**300,283**	**94,750**	**32,746**	**750,352**
(ii). Accumulated Depreciation						
Rates		2%	25%	20%	20%	
Balance at January, 2019	-	2,992	186,534	89,412	31,427	310,365
Charge for the year	-	4,530	34,988	11,699	1,602	52,819
Disposals	-	-	(24,065)	(392)	-	(24,457)
Balance at December, 2019	**-**	**7,522**	**197,457**	**100,719**	**33,029**	**338,727**
Balance at January, 2018	-	-	160,670	84,285	29,799	274,754
Charge for the year	-	2,992	25,864	5,127	1,628	35,611
Disposals	-	-	-	-	-	-
Balance at December, 2018	**-**	**2,992**	**186,534**	**89,412**	**31,427**	**310,365**
(iii). Carrying Amount						
At 31st December, 2019	**300,500**	**217,478**	**174,830**	**26,749**	**424**	**719,981**
At 31st December, 2018	**170,000**	**149,581**	**113,749**	**5,338**	**1,319**	**439,987**

(iv). Land & Building Schedule of movement during the year

	Status of Title to Land & Building	Balance as at Jan. 1,2019 N'000	Additions N'000	Disposal N'000	Depreciation N'000	Fair Value gain/(loss) N'000	Balance as at Dec. 31, 2019 N'000	Balance as at Dec. 31, 2018 N'000
248, Ikorodu Road, Anthony, Lagos.	Perfected	319,581	1,500	-	(4,530)	201,427	517,978	319,581

Land and building were professionally revalued by Messrs Ndubuisi Mordi and Associate with FRC No.FRC/2013/NIESV/00000004196 (Estate Surveyors and Valuers) as at 31st December, 2019 in which valuations performed by the valuer are based on active open market values. The revised value of the properties was N517,978,000. The revalued property is the company's head office building located at 284, Ikorodu Road, Lagos.

	2019 N000	2018 N000
14. Statutory Deposit		
Statutory deposit	300,150	300,150
	300,150	**300,150**

This represents the amount deposited with the Central Bank of Nigeria (CBN) as at 31st December, 2019 in accordance with sections 9(1) and 10(3) of Insurance Act, 2003.
The amount is not available for the day-to-day use in the working capital of the Company. Therefore, it is excluded from cash and cash equivalents.

15. Insurance Contract Liabilities	2019 N000	2018 N000
Insurance Funds for General Business comprise:		
Outstanding claims (See Notes 15(a) & 15(a)4)	424,914	894,145
Claims incured but not reported (See Notes 15 (a)1 & 15(a)2)	**157,407**	**170,470**
Total Outstanding Claims (Including IBNR)	582,321	1,064,615
Unearned premium (See Notes 15(b) & 15(b)1)	783,277	843,171
	1,365,598	**1,907,786**
Current	1,365,598	1,907,786
Non-current	-	-

The net liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs. The Company's net liability for insurance contracts was tested for adequacy as at 31st December, 2019 by O & A Hedge Actuarial Consulting at Suite 28, Motor ways Centre, Alausa Ikeja, Lagos with FRC number FRC/2016/NAS/00000015764.

15a.Outstanding Claims-General Business	2019 N000	2018 N000
Fire	78,768	523,224
General accident	141,574	148,619
Motor	20,752	26,251
Marine	74,849	10,621
Engineering	26,820	27,568
Oil & energy	82,151	157,862
Outstanding claims	424,914	894,145
Plus IBNR (See Notes 15(a)1 & 15(a)2)	157,407	170,470
Total claims liabilities	**582,321**	**1,064,615**

15(a)1 Claims incured but not reported (IBNR)		
Fire	34,186	44,140
General accident	54,152	56,587
Motor	13,553	24,404
Marine	23,921	9,558
Bond	7,301	2,741
Engineering	4,490	10,348
Oil & energy	19,804	22,692
	157,407	**170,470**

15(a)2 The movement in the IBNR during the year		
Provision for IBNR- opening	170,470	185,798
(Decrease) in the provision for IBNR	(13,063)	(15,328)
Provision for IBNR- closing	**157,407**	**170,470**

15(a)3 The movement in outstanding claims reserve during the year is as follows:		
Provision for outstanding claims- opening	1,064,615	887,971
Increase/(Decrease) in the provision for outstanding claims and IBNR	(482,294)	176,644
Provision for outstanding claims- closing	**582,321**	**1,064,615**

15(a)4 The age analysis of provision for outstanding claims is as follows:		
0 - 30 days	4,465	32,590
31 - 90 days	45,572	89,784
91- 180 days	53,637	93,056
181 - 360 days	52,185	187,772
Above 365 days	269,055	490,942
	424,914	**894,144**

Of the outstanding claims, 13.69% are within 90 days holding days period whilst 86.31% are above Outstanding claims above 90 days are outstanding as a result of difficulties in getting relevant claims documents from the insured/brokers.

15b.Unearned Premium reserve	2019 N000	2018 N000
Marine	14,729	10,907
Motor	136,454	203,984
Fire	126,755	101,301
Bond	129	-
Oil & Gas	356,678	303,348
General Accident	79,577	155,586
Engineering	68,955	68,045
Gross provision for unearned premium	**783,277**	**843,171**

15(b)1 The movement in unearned premium account during the year was as follows:

Balance at the beginning of the year	843,171	643,891
Movement during the year	(59,894)	199,280
Balance at the end of the year	**783,277**	**843,171**

No additional provision is required for unexpired risk.

	2019 N000	2018 N000
16. Trade Payables		
Reinsurance Premium Payables	**81,720**	**21,864**
Current	81,720	21,864
Non-current		

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

17. Provision and Other Payables		
Industrial Training Fund	3,487	3,487
National Insurance Commission Levy	-	25,604
National Pension Scheme- NPS-NLPC	48,141	27,318
Co-operative Deductions	23,997	-
Ajibade Durojaye & Co.	-	4,000
Deposit fo Shares	439	-
National Housing Fund	282	263
Dues toTax Institutions	12,974	-
Sundry-Others	15,856	-
	105,176	**60,672**
Current	105,176	60,672
Non-current -		

	2019 N000	2018 N000
(i) Breakdown of Dues to Tax Institutions		
PAYE	2,717	-
WHT -States	1,447	-
WHT -Federal	8,810	-
	12,974	**-**
(ii) Sundry-Others		
Provision for actuary fee	4,852	-
Tax Consultant-Retainership	2,678	-
Ajibade Durojaye & Co.	5,500	
Opee Creations Ltd	1,326	-
Unclaimed dividend payable	1,500	-
	15,856	**-**

18. Retirement Benefit Obligations

The Company has a defined benefit gratuity scheme covering its entire employees who have spent a number of five years continuous service. The scheme is funded

18.1 The amounts recognised in the income statement are as follows:		
Current service cost	13,747	9,850
Interest cost	15,587	15,814
	29,334	**25,664**
18.2 The amounts recognised in the statements of financial position at the reporting date are as follows:		
Present value of the defined benefit obligation		
Total defined benefit obligation	**141,800**	**94,565**
The movement in the defined benefit obligation is as follows:		
Balance at the beginning of the year	94,565	83,749
Current service cost	13,747	9,850
Interest cost	15,587	15,814
Actuarial (Gain)/ Losses	23,152	(12,220)
Benefit paid during the year	(5,251)	(2,628)
Balance at the end of the year	**141,800**	**94,565**

19. Taxation

	N000	N000
19.1 Current Tax Expense		
Company income tax	28,956	25,337
Education Tax	7,068	7,373
Info. Tech. Dev. Levy	3,299	3,498
	39,323	36,208
Deferred taxation	5,726	12,067
Income tax expense recognised in the current year	**45,049**	**48,275**

19.2 Taxation Payable Account

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

	2019 N000	2018 N000
Balance brought forward	47,755	45,137
Charged for the year	39,323	36,208
Tax paid during the year	(31,390)	(33,590)
Balance at the end of the year	**55,688**	**47,755**

19.3 Deferred Taxation

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

Balance at the beginning of the year	86,305	74,238
Charge / (credit) to profit and loss account for the year	5,726	12,067
Balance at the end of the year	**92,031**	**86,305**

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

20. Authorised Share Capital

10,000,000,000 Ordinary Shares of 50kobo each	**5,000,000**	**5,000,000**

20a Issued and Fully Paid

8,069,714,635units ordinary shares of 50kobo each	4,064,351	4,050,351
Issue during the year	-	14,000
Balance at the end of the year	**4,064,351**	**4,064,351**

20b. Share Premium

	70,393	**70,393**

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

21. Contigency Reserve

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

Balance at the beginning of the year	1,075,338	962,288
Transfer from retained earnings	116,563	113,050
	1,191,902	**1,075,338**

22. Retained Earnings

Balance at the beginning of the year	(1,120,763)	(1,309,246)
Transfer from profit & loss account	505,181	301,533
Transfer to contingency reserves	(116,563)	(113,050)
Balance at the end of the year	**(732,145)**	**(1,120,763)**

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

23. Reserves

23.1. Other Reserves

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

	2019 N000	2018 N000
Movement in other reserves		
Opening balance	5,710	(6,510)
(Decrease)/ Increase during the year	(23,152)	12,220
Closing balance	**(17,442)**	**5,710**

23.2. Fair-value Reserve

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

Movement in fair-value reserve		
Opening balance	132,154	223,212
Appreciation/(Depreciation) during the year	(63,740)	(91,058)
Closing balance	**68,414**	**132,154**

23.3. Revaluation reserve

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

Opening balance	2,992	-
Appreciation/(Depreciation) during the year	201,427	2,992
Closing balance	**204,419**	**2,992**

24. REVENUE ACCOUNT

	Marine N'000	Motor N'000	Fire N'000	Bond N'000	Oil & gas N'000	Gen. acc. N'000	Engnr N'000	2019 TOTAL N'000	2018 TOTAL N'000
INCOME:									
Prem. Inc. Direct	239,481	718,485	550,720	130,436	1,404,333	349,443	279,320	3,672,218	3,598,605
Prem. Inc. Fac.	37,144	29,537	97,119	4,245	4,202	13,397	27,585	213,229	169,736
Gross Pre. Written	276,625	748,022	647,839	134,681	1,408,535	362,840	306,905	3,885,447	3,768,341
Decrease/(Increase) in Unexpired Risk	(1,930)	33,877	(13,050)	(23)	(7,146)	43,479	4,687	59,894	(199,280)
Gross Premium Earned	274,695	781,899	634,789	134,658	1,401,389	406,319	311,592	3,945,341	3,569,061
Less: Reinsurance Premium Expenses	(52,224)	(12,774)	(153,230)	(53,982)	(303,133)	(7,237)	(149,043)	(731,623)	(811,905)
Net Premium Income	222,471	769,126	481,558	80,676	1,098,256	399,082	162,550	3,213,718	2,757,156
Fee Income- Insurance	12,756	9,815	37,400	17,070	-	3,018	39,358	119,417	114,977
Net Underwriting Inc.	**235,227**	**778,941**	**518,958**	**97,746**	**1,098,256**	**402,100**	**201,908**	**3,333,135**	**2,872,133**
EXPENSES:									
Claims Expenses (Gross)	55,318	276,391	717,698	1,171	160,850	164,197	49,614	1,425,239	1,820,655
Decrease/(Increase) in Out/s Claims	54,236	(6,612)	(428,471)	(2,214)	(76,557)	(20,070)	(2,606)	(482,294)	176,644
Gross Claims Incurred	109,554	269,779	289,227	(1,043)	84,293	144,127	47,008	942,945	1,997,299
Claims Expenses Recovered	13,322	4,567	40,740	2,462	(32,618)	12,278	8,230	48,981	(1,331,021)
Claims Expenses (Net)	122,876	274,346	329,967	1,419	51,675	156,405	55,238	991,926	666,278
Acquisition Costs	16,964	28,044	42,208	8,268	95,461	21,794	19,127	231,867	219,175
Maintenance Costs	39,583	65,437	98,485	19,293	292,206	50,852	44,631	610,486	514,091
Total Underwriting Expenses	**179,423**	**367,827**	**470,660**	**28,980**	**439,342**	**229,051**	**118,996**	**1,834,278**	**1,399,543**
UNDERWRITING RESULTS	**55,804**	**411,113**	**48,299**	**68,765**	**658,914**	**173,049**	**82,912**	**1,498,857**	**1,472,591**

	2019 N'000	2018 N'000
25. Net Premium Income		
Gross premium written	3,885,447	3,768,341
Increase in provision for unearned premium	59,894	(199,280)
Gross premium earned	**3,945,341**	**3,569,061**
Reinsurance costs	739,964	857,958
(Increase)/Decrease in prepaid reinsurance	(8,341)	(46,053)
Reinsurance premium expenses	**731,623**	**811,905**
Net premium income	**3,213,718**	**2,757,156**

26. Fee Income- Insurance

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

Marine	12,756	12,513
Motor	9,815	394
Fire	37,400	50,716
Bond	17,070	14,322
Gen. acc.	3,018	2,682
Engnr	39,358	34,350
	119,417	**114,977**

27. Claims Expenses		
Claims paid during the year (See Note 27.1)	1,425,239	1,820,655
Movement in Outstanding claims (See Note 27.2)	(482,294)	176,644
	942,945	1,997,299
Reinsurance Recoveries (See Note 27.3)	48,981	(1,331,022)
Net Claims expense for the year	**991,926**	**666,277**

27.1 Gross Claims Paid		
Marine	55,318	194,303
Motor	276,391	305,820
Fire	717,698	156,903
Bond	1,171	1,816
Oil & Gas	160,850	783,887
General Accident	164,197	346,454
Engineering	49,614	31,472
	1,425,239	**1,820,655**

27.2 Breakdown of movement in outstanding claims		
Marine	54,236	12,354
Motor	(6,612)	61,675
Fire	(428,471)	31,038
Bond	(2,214)	2,397
Oil & Gas	(76,557)	8,809
General Accident	(20,070)	47,767
Engineering	(2,606)	12,604
	(482,294)	**176,644**

	2019 N000	2018 N000
27.3 Breakdown of movement in Reinsurance Recoveries		
Reinsurance recoveries from Claims paid	310,477	843,004
Changes in reinsurance share of Outstanding Claims	(89,275)	29,098
Changes in Reinsurance share of IBNR	(149,390)	260,485
Changes in reinsurance share of claims paid not yet recovered	(120,793)	198,435
Reinsurance Recoveries	**(48,981)**	**1,331,022**

28. Underwriting Expenses

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

	2019 N000	2018 N000
Acquisition expenses (See Notes 28.1 (i) & Note 28.1(ii)	231,867	219,174
Maintenance expenses (See Note 28.2)	610,486	514,091
Total underwriting expenses	**842,353**	**733,265**
28.1(i) Acquisition expenses		
Commission (Acquisition) cost paid during the year	205,341	262,127
Changes in Deferred Acquisition Cost during the year `	26,525	(42,953)
Acquisition Expenses	**231,867**	**219,174**
28.1 (ii) Breakdown of acquisition expenses		
Marine	16,964	15,609
Motor	28,044	25,445
Fire	42,208	33,774
Bond	8,268	8,436
Oil & Gas	95,461	95,594
General Accident	21,794	24,631
Engineering	19,127	15,687
	231,867	**219,175**
28.2 Breakdown of maintenance expenses		
Marine	39,583	36,420
Motor	65,437	59,371
Fire	98,485	78,806
Bond	19,293	19,684
Oil & Gas	292,206	225,736
General Accident	50,852	57,471
Engineering	44,631	36,602
	610,486	**514,091**

	2019 N000	2018 N000
29. Investment Income		
Dividend Income	30,428	16,753
Interest income on investment securities	18,784	16,270
Interest on cash and cash equivalents	63,835	80,113
Accrued Interest (See Note 7(iii)1	31,786	11,396
	144,833	**124,532**
30. Net realised gains/(loss)		
Profit on disposal of quoted equities	-	-
Profit on disposal of PPE	1,500	-
Exchange gain	110,188	100,566
	111,688	**100,566**

Exchange gain/(loss)

The exchange rates used for the conversion of domicilliary accounts part of cash and cash equivalents placement with original maturities of about three months vary and the conversion rate for the year end placement is N360/$ as at 31st December, 2018 and N306/$ as at 31st December 2019.

31. Other operating income		
Sundry income	3,492	10,167
Interest on statutory deposits	38,873	46,075
	42,365	**56,242**
32. Employee Benefit Expense		
Salaries	509,486	573,827
Staff training and development	24,324	20,469
Staff medical expenses	5,177	4,313
Pension Contribution	60,156	63,401
Staff retirement benefit (Gratuity)	29,335	25,664
	628,478	**687,674**

Key Management Personnel Compensation

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

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

	2019 N000	2018 N000
33a.Management Expenses		
Repairs & Maintenance expenses (See 33.1)	125,409	130,466
Operating expenses (33.2)	214,667	193,604
Other costs (See 33.3)	85,647	91,508
General expenses (See 33.4)	119,391	233,887
Depreciation	52,819	35,611
	597,933	**685,076**
33.1 Analysis of Repairs & Maintenance expenses are shown:		
Fuel	22,119	27,824
Repairs & Maintenance- Machine	29,487	28,407
Repairs & Maintenance- Building	2,276	863
Repairs & Maintenance- Vehicle	19,023	24,056
Rent, Rate & Service Charge	43,658	40,023
Electricity	8,846	9,293
	125,409	**130,466**
33.2 Analysis of Operating Expenses		
Travelling Expenses	94,114	87,257
Gift and Donations	44,500	19,804
Entertainment	11,287	10,495
Public Relations	64,766	76,048
	214,667	**193,604**
33.3 Analysis of Other Costs		
Directors' fees	29,004	29,004
Directors' expenses	52,643	58,504
Audit fee	4,000	4,000
	85,647	**91,508**
33.4 General expenses		
Subsciptions-Professional Bodies	6,708	8,988
Professional Expenses	16,087	67,181
Subsciptions-Clubs & Association	3,015	550
Advertisement	1,187	5,997
Newspapers & Periodicals	4,636	4,852
Communication Expenses	23,142	26,875
Printing & Stationeries	32,666	29,110
Duties, Levies & Fees	12,742	71,331
Office Expenses	19,208	19,003
	119,391	**233,887**

	2019 N000	2018 N000
33b. Impairment loss on non-financial assets		
Impairment on Reinsurance assets	209,732	-

34. Finance Costs.

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

Finance Costs	21,369	31,373

35. Directors' Emoluments

(a) The aggregate emoluments of Directors' were:

Fees	29,004	29,004
Expenses	52,643	58,504
	81,647	**87,508**
(b) The emoluments of the Chairman	14,502	14,502
(c) The emoluments of the highest paid Director	14,502	14,502

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

	2019 Number	2018 Number
Above N5,000,000	3	3

36. Employees

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

	2019 Number	2018 Number
400,001 - 800,000	2	15
800,001 - 1,200,000	26	26
1,200,001 - 1,600,000	16	16
1,600,001 - 2,000,000	15	15
2,000,001- 2,400,000	17	17
2,400,001 - 2,800,000	12	12
2,800,001 - 3,200,000	10	10
3,200,001 - 4,000,000	4	4
Above N4,000,000	3	3
	105	**118**

36a. Staff

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

	2019 Number	2018 Number
Executive directors	3	3
Management staff	6	7
Non-management staff	96	108
	105	**118**

(b). Directors' remuneration

Executive compensation	46,233	46,233
Directors' fees	29,004	29,004
Other directors' expenses	52,643	58,504
Defined contribution	8,322	8,322

Related parties

Transactions with key management personnel

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

37. Events after the reporting period

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

Since early 2020, the Coronavirus disease (COVID) outbreak across China and beyond has caused significant disruption to the society, impacting the company, its employees and customers.

In Nigeria, it is an evolving situation and the company is monitoring this closely as any impact will depend on future developments which are highly uncertain and the company is still quantifying the impact.

The lockdown of the country due to the virus since the last week of March 2020 has not affected the operational results and financial position in 2020 as the company kept working remotely. The impact of the outbreak on key macroeconomic indicators will be taken into consideration when estimating ECL under IFRS 9 in 2020.

The company has performed a line by line analysis of its statement of financial position and has done an assessment of whether the current uncertainty may impact any of the amounts presented as at 31 December 2019.

Management has concluded however that the amounts recognized in the financial statement do not require further adjustment but will continue to monitor situation as new information becomes available and adjustment thereof will be reflected in the appropriate reporting period.

38. Comparative Figures

Comparative figures have been adjusted to conform with changes in presentation of the current year in accordance with the International Accounting Standards (IAS1) where necessary.

39. Contraventions and Penalties

The Company paid N5,000,000 to the Financial Reporting Council of Nigeria on FRC Type 1 penalty during the year.

40. Risk Management Framework

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

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

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

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

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

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

41. Insurance Risk

These are fortuitous events that can lead to losses or damage to insured properties. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principle risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities.

This could occur because the frequency or severity of claims and benefits is greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

(a) Premium and Reinsurance Receivables

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liabilities as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The credit worthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The Credit Control Committee works closely with the Underwriting and Reinsurance Committee to assess the credit worthiness of all reinsurer and intermediaries by setting and reviewing regularly the credit rating of each reinsurer using internal records and other publicly available financial information. Individual operating units maintain records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanism, such as the right of offset where counterparties are both debtors and creditors of the Company.

Management information reported to the Company includes details of provisions for impairment on loans and receivables and subsequent write-off.

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

Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company risk department.

42. Property Insurance Contracts

Frequency and Severity of Claims

For property insurance contract, climatic changes give rise to more frequent and severe extreme weather events (for example, flooding) and their consequences (for example, flood claims). For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

The Company has the right and duty to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage.

The Company has reinsurance contracts are subdivided into the following risk groups: fire, business interruption, and theft. The insurance risk arising from these contracts is not concentrated in any of the territories in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured building. The Company does not underwrite property insurance contracts outside Nigeria.

(a) Sources of Uncertainty in the Estimation of Future Claim Payments

The shorter settlement period for these claims allow the Company to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year-end. However, the longer time needed to assess the emergence of a flood claim make the estimation process more uncertain for these claims.

The Company has been monitoring numbers of reported claims on a weekly basis and reflected such information in its assessment of the adequacy of the unearned premium provision held at year end.

The effect of this unexpected weather may affect prior year claims, due to the re-opening of old claims and higher settlement costs for flood claims in the current market. However, more permanent changes in the climate may produce a higher frequency and severity of claims than currently expected.

(b) Process used to decide on Assumption

For non-subsidence-related property risks, the Company uses similar statistical methods used for general accident insurance risks that incorporate the various assumptions made in order to estimate the ultimate cost of claims.

Similar to the approach for the assumptions underlying the casualty insurance liabilities, the choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observe historical developments. In certain instance, this has meant that different techniques or combination of techniques has been selected for individual accident years or groups of accident years within the same class of business. The Company has selected an average cost per claim method using actuarial extrapolation techniques applied to the experience observed for such years. The Company has calculated estimates assuming that the settlement period has remained unchanged. Through this analysis, the Company determines the need for an IBNR or an expired risk liability to be held at each reporting date.

(c) Changes in Assumption

The Company did not change its assumptions for the insurance contracts disclosed in this note other than updating the costs of rebuilding properties, replacement or indemnity for contents for time value of money.

43. Non-life Insurance Contracts (which comprise general insurance)

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

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

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

44. Finance risk management

Credit risk
Liquidity risk
Market risk

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

44.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Key areas where the Company is exposed to credit risk are

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

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

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

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

Counterparty risk-this is the risk that is counterparty is not able or willing to meet its financial obligations as they fall due.
The Company's credit tolerance limit to all categories of brokers is as set by NAICOM in its circular on 'No Premium No Cover'.

44.1.2 Credit risk management

The credit risk management process involves the identification, measurement, mitigation and control, monitoring and reporting credit risk.
Risk Management Committee has the primary responsibility of ensuring that an appropriate, adequate and effective system of risk management and internal control which address credit control is established and maintained.

Impairment model

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

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

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

		Amount	Amount
Maximum Exposure to credit risk	**Notes**	**2019**	**2018**
Cash and Cash Equivalents		655,816	811,154
Available-for-sale (Less Equity security)	7i & 7ii	218,598	153,171
Loans and Receivables	7 iii	700,275	593,454
Trade Receivables	8	4,895	4,263
Reinsurance Assets (Less prepaid reinsurance & IBNR	9	1,204,963	1,415,031
Other Receivables and Prepayments	11	208,922	114,327
Statutory Deposit	15	300,150	300,150
		3,293,619	**3,391,550**

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

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

44.1.3 Credit Quality

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

31st December 2019	Unrated	AAA	AA	B	BB	BBB	TOTAL
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cash and Cash Equivalents	-	655,816	-	-	-	-	655,816
Available-for-sale (Less Equity security)	-	218,598	-	-	-	-	218,598
Loans and Receivables	700,275	-	-	-	-	-	700,275
Trade Receivables	4,895	-	-	-	-	-	4,895
Reinsurance Assets (Less prepaid reinsurance & IBNR	1,204,963	-	-	-	-	-	1,204,963
Other Receivables(Less Prepayments)	208,922	-	-	-	-	-	208,922
Statutory Deposit	-	-	-	-	-	300,150	300,150
	2,119,055	**874,414**	**-**	**-**	**-**	**300,150**	**3,293,619**
31st December 2018	**Unrated**	**AAA**	**AA**	**B**	**BB**	**BBB**	**TOTAL**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Cash and Cash Equivalents	-	811,154	-	-	-	-	811,154
Available-for-sale (Less Equity security)	-	153,171	-	-	-	-	153,171
Loans and Receivables	593,454	-	-	-	-	-	593,454
Trade Receivables	4,263	-	-	-	-	-	4,263
Reinsurance Assets (Less prepaid reinsurance & IBNR	1,415,031	-	-	-	-	-	1,415,031
Other Receivables(Less Prepayments)	114,327	-	-	-	-	-	114,327
Statutory Deposit	-	-	-	-	-	300,150	300,150
	2,127,075	**964,325**	**-**	**-**	**-**	**300,150**	**3,391,550**

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

Trade receivable and reinsurance assets (claims receivable) subject to credit risk are further assessed below:		
	2019	**2018**
	N'000	**N'000**
Gross premium receivables	4,895	4,263
Co-insurance receivable	-	-
Reinsurers' share of outstanding claims	137,605	226,880
Recoverables from reinsurers on claim paid	1,067,358	1,188,151
Total	**1,209,858**	**1,419,294**
Neither due nor impaired	1,209,858	1,419,294
Impaired	-	-
Carrying amount	**1,209,858**	**1,419,294**
Loans & receivables and other receivables subject to credit risk are further assessed below:		
	2019	**2018**
Neither due nor impaired	**N'000**	**N'000**
Other Receivables(Less Prepayments)	208,922	114,327
Loans and Receivables	700,275	593,454
Total receivables neither due nor impaired	**909,197**	**707,781**
Impaired	-	-
Carrying amount	**909,197**	**707,781**

Credit quality

Credit Rating

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

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

The Company's categorization of Trade and Reinsurance receivable (less prepaid reinsurance and IBNR) as at 31 December 2019 is as follows:

		2019	2018	
		N'000	**N'000**	
Trade receivable		4,895	4,263	
Reinsurance receivable		1,204,963	1,415,031	
Total		**1,209,858**	**1,419,294**	
		2019	**2018**	
		N'000	**N'000**	
Category		**D**	**D**	
Insurance brokers		4,895	4,263	
Insurance companies		-	-	
Reinsurance companies		-	-	
Policy holders		-	-	
		4,895	**4,263**	
Impairment		-	-	
Net carrying amount		**4,895**	**4,263**	

44.1.4 Concentration of credit risk

The Company monitors concentration of credit risk by sector.

31st December 2019					
Concentration of credit risk	Financial Services	Govern-ment	Public Sector	Other	Total
	N'000	N'000	N'000	N'000	N'000
Cash and Cash Equivalents	**655,816**	-	-	-	655,816
Available-for-sale	-	218,598		-	218,598
Loans and Receivables	-	-	700,275	-	700,275
Trade Receivables		-	-	4,895	4,895
Reinsurance Assets	**1,204,963**	-	-	-	1,204,963
Other Receivables	-	-	-	208,922	208,922
Statutory Deposit	-	-	300,150	-	300,150
	1,860,779	**218,598**	**1,000,425**	**213,817**	**3,293,619**

31st December 2018					
Concentration of credit risk	Financial Services	Govern-ment	Public Sector	Other	Total
	N'000	N'000	N'000	N'000	N'000
Cash and Cash Equivalents	811,154	-	-	-	811,154
Available-for-sale	-	153,171		-	153,171
Loans and Receivables	-	-	593,454	-	593,454
Trade Receivables		-	-	4,263	4,263
Reinsurance Assets	1,415,031	-	-	-	1,415,031
Other Receivables	-	-	-	114,327	114,327
Statutory Deposit	-	-	300,150	-	300,150
	2,226,185	**153,171**	**893,604**	**118,590**	**3,391,550**

44.1.5 Offsetting financial assets and financial liabilities

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

Similar financial assets and liabilities include trade receivables and payables.

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

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

			Related amounts not offset in the statement of financial position			
31st December, 2019	Gross amount of recognised financial assets	Gross amount of financial liab offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Financial instruments not offset in the statement of financial position	Cash collateral received	Net amount
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Trade receivables	4,895	-	4,895	-	-	4,895
Reinsurance assets	1,204,963	-	1,204,963	-	-	1,204,963
Total	**1,209,858**	**-**	**1,209,858**	**-**	**-**	**1,209,858**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

			Related amounts not offset in the statement of financial position			
31st December, 2019	Gross amount of recognised financial liability	Gross amount of financial assets offset in the statement of financial position	Net amount of financial liab presented in the statement of financial position	Financial instruments not offset in the statement of financial position	Cash collateral received	Net amount
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Trade payables	81,720	-	81,720	-	-	81,720
Reinsurance and co-insurance payable		-	-	-	-	-
Total	**81,720**	**-**	**81,720**	**-**	**-**	**81,720**

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements (not offset in the financial statements)				*Related amounts not offset in the statement of financial position*		
31st December, 2018	Gross amount of recognised financial assets	Gross amount of financial liab offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Financial instruments not offset in the statement of financial position	Cash collateral received	Net amount
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Trade receivables	4,263	-	4,263	-	-	4,263
Reinsurance assets	1,415,031		1,415,031	-	-	1,415,031
Total	**1,419,294**	**-**	**1,419,294**	**-**	**-**	**1,419,294**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements						
31st December, 2018				***Related amounts not offset in the statement of financial position***		
	Gross amount of recognised financial liability	Gross amount of financial assets offset in the statement of financial position	Net amount of financial liab presented in the statement of financial position	Financial instruments not offset in the statement of financial position	Cash collateral received	Net amount
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Trade payables	21,864	-	21,864	-	-	21,864
Reinsurance and co-insurance payable	-	-	-	-	-	-
Total	**21,864**	**-**	**21,864**	**-**	**-**	**21,864**

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

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

44.2.1 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company does not maintain any lines of credit as it does not envisage any liquidity stress that would stretch its liquidity position.

Liquidity Risk Management

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

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

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

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

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

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

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

December 31, 2019	Carrying Amount	Gross total	1-3 months	3-6 months	6-12 months	1-5 years	> 5years
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cash and Cash Equivalents	655,816	655,816	655,816	-	-	-	-
Available-for-sale (Less Equity security)	218,598	218,598	-	-	-	218,598	-
Loans and Receivables	700,275	700,275	-	-	700,275	-	-
Trade Receivables	4,895	4,895	4,895	-	-	-	-
Reinsurance Assets		-					
(Less prepaid reinsurance & IBNR)	1,204,963	1,204,963	1,204,963	-	-	-	-
Other Receivables(Less Prepayments)	208,922	208,922	208,922	-	-	-	-
Total Financial Assets	**2,993,469**	**2,993,469**	**2,074,596**	**-**	**700,275**	**218,598**	**-**
Trade Payables	81,720	81,720	81,720	-	-	-	-
Provisions and Other Payables	105,176	105,176	105,176	-	-	-	-
Retirement Benefit Obligations	141,800	141,800	141,800	-	-	-	-
Total financial liabilities	**328,696**	**328,696**	**328,696**	**-**	**-**	**-**	**-**
Net financial assets/ (liabilities)	2,664,773	2,664,773	1,745,900	-	700,275	218,598	-
Insurance contract liabilities	**1,194,433**	**1,194,433**	**774,519**	**-**	**-**	**490,942**	

December 31, 2018	Carrying Amount	Gross total	1-3 months	3-6 months	6-12 months	1-5 years	> 5years
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cash and Cash Equivalents	811,154	811,154	811,154	-	-	-	-
Available-for-sale (Less Equity security)	153,171	153,171	-	-	-	153,171	-
Loans and Receivables	593,454	593,454	-	-	593,454	-	-
Trade Receivables	4,263	4,263	4,263	-	-	-	-
Reinsurance Assets							
(Less prepaid reinsurance & IBNR)	1,415,031	1,415,031	1,415,031	-	-	-	-
Other Receivables(Less Prepayments)	114,327	114,327	114,327	-	-	-	-
Total Financial Assets	**3,091,400**	**3,091,400**	**2,344,775**	**-**	**593,454**	**153,171**	**-**
Trade Payables	21,864	21,864	21,864				
Provisions and Other Payables	60,672	60,672	60,672	-	-	-	-
		-					
Retirement Benefit Obligations	94,565	94,565	94,565	-	-	-	-
Total financial liabilities	**177,101**	**177,101**	**177,101**	**-**	**-**	**-**	**-**
Net financial assets/ (liabilities)	**2,914,299**	**2,914,299**	**2,167,674**	**-**	**593,454**	**153,171**	**-**
Insurance contract liabilities	**1,737,316**	**1,737,316**	**1,058,601**	**-**	**187,772**	**490,984**	**-**
Net policyholders' assets/(liabilities)	**1,176,983**	**1,176,983**	**1,109,073**	**-**	**405,682**	**337,813**	**-**

Expected Credit Loss Impairment Model for Financial Assets

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

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

****Stage 1** - Where there has not been a significant increase in credit risk (SICR) since initial recognition of financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss computed using a probability of default occurring over the ext 12months. For those instruments with are maining maturity of less than 12 months, probability of default corresponding to remaining term to maturity is used.

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

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

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

Measurement of Expected Credit Losses

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

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

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

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

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been precious derecognized and is still in the portfolio.
  - 12-months PDs – This is the estimated probability of default occurring with the next 12 months (or over) the remaining life of the financial instruments if that is less than 12 months) This is used to calculate 12 months ECLs
  - Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instruments. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3 exposures/PDs are limited to the maximum period of exposure required by IFRS 9.
- EAD. The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

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

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

Forward-looking Information

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

Macroeconomic factors

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

Multiple forward-looking Scenarios

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

The Company considers both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Company prepares the scenarios using forecasts generated by credible sources such as Business Monitor International (BMI) International Monetary Fund (IMF), Nigeria Bureau of Statistics (NBS), World Bank, Central Bank of Nigeria (CBN), Financial Markets Dealers Quotation (FMDQ) and Trading Economics. The Company estimates three scenarios for each risk parameter (LGD, EAD, CCF and PD). Normal, Upturn and Downturn, which in turn are used in the estimation of the multiple scenarios ECLs. The normal case represents the most likely outcome and is aligned with information used by the Company for other purposes such as strategy planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcome. The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

Assessment of significant Increase in Credit Risk (SICR)

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

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

Quantitative Elements

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

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

Qualitative Elements

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

Backstop Indicators

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

Definition of Default and Credit Impaired Financial Assets

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

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

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

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

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

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

Presentation of Allowance for ECL in the Statement of Financial Position

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

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

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Financial assets measured at FVOCI: loss allowance shall be recognized in the statement of financial position because the carrying amount of these assets shall be their fair value. However, the loss allowance shall be disclosed and recognized in the fair value reserve.

Inputs, assumptions and Techniques used for estimating impairment

When determining whether the credit risk (i.e. Risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost of effort. This includes both qualitative and quantitative information analysis based on the Company's experience, expert credit assessment and forward looking information.

The Company primary identifies whether a significant increase in credit risk has occurred for an exposure by using days past due and assessing other information obtained externally. Whether available, the Company monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in the published rating, the company also reviews changes in Bond yields together with available press and regulatory information about issuers.

Where external credit ratings are not available, the Company allocates each exposure to a credit risk grade based on data that is determined to predictive of the risk of default (including but not limited to the audited financial) statements, management accounts and cash flows projections, available regulatory and press information about the borrowers and apply experienced credit judgments. Credit risk grades are defined by using quantitative and quantitative factors that are indicative of the risk of default and are aligned with the external credit rating definition from Moody's and Standard and Poor.

The Company has assumed that the credit risk of a financial asset has not increased significantly since the initial recognition if the financial asset has low credit risk at reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "Investment grade". The Company considers this to be Bass 3 or higher based on the Moody rating.

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

The Company monitors the effectiveness of the criteria used to identify significant increase in credit risk by regular reviews to confirm that:

The criteria are capable of identifying significant in credit risk before an exposure is in default;

The criteria do no align with the point in time when the asset becomes 30days past due;

The average time between the identification of a significant increase in credit risk and default appears reasonable

Exposure are not generally transferred from 12month ECL measurement to credit impaired and

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

Modified Financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the borrower. An existing financial asset whose terms have been modified may be derecognized and the renegotiated asset recognized as a new financial asset at fair value in accordance with the accounting policies. When the terms of a financial asset are modified and the modification does not result in recognition, the determination of whether the asset's credit risk has increase significantly reflects a comparison of:

- Its risk of default occurring at the reporting date based on the modified term; with
- The risk of default occurring estimated based on Data on initial recognition and the original contractual terms,

Investment portfolio

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

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

Investment		Class	2019	%	
			N'000		
Money market instruments		Cash & cash equivalent	593,445	37.30	
Federal Government Bond		Available-for-sale	218,598	13.74	
Quoted Securities		Available-for-sale	356,425	22.40	
Un-quoted Securities		Available-for-sale	422,531	26.56	
			1,590,999	**100**	
Investment		**Class**	**2018**	**%**	
			N'000		
Money market instruments		Cash & cash equivalent	585,808	37.04	
Federal Government Bond		Available-for-sale	153,171	9.68	
Quoted Securities		Available-for-sale	420,165	26.56	
Un-quoted Securities		Available-for-sale	422,531	26.71	
			1,581,675	**100**	

The Company's exposure to credit risk is low as money market instruments accounted for the largest part, 37.30% of the total investments as at December, 2019; 37.04% as at December, 2018.

Fair Value Hierarchy

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

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

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

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

December 31, 2019					
Asset Type		**Level 1**	**Level 2**	**Level 3**	**Total**
		N'000	**N'000**	**N'000**	**N'000**
Equity securities: Available for sale					
*Federal Government bonds		218,598	-	-	218,598
*Quoted Investments		356,425	-	-	356,425
*Unlisted Investments		-	-	422,531	422,531
Total		**575,023**	**-**	**422,531**	**997,554**
December 31, 2018					
Asset Type		**Level 1**	**Level 2**	**Level 3**	**Total**
		N'000	**N'000**	**N'000**	**N'000**
Equity securities: Available for sale					
*Federal Government bonds		153,171	-	-	153,171
*Quoted Investments		420,165	-	-	420,165
*Unlisted Investments		-	-	422,531	422,531
Total		**573,336**	**-**	**422,531**	**995,867**

Outstanding premium

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar on historical data of payment statistics for similar financial assets.

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

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

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

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

44.3 Market Risk

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

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

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

Interest rate risk:

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

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk. The Company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets in such a way that interest rate risk is minimal.
The Company has no significant concentration of interest rate risk.

Currency risk

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

The Company has no significant concentration of currency risk.

Price risk

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

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

45. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's process, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards or corporate behavior. Operational risks arise from all the Company's operations. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

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

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

46. Capital Management

The National Insurance Commission (NAICOM), sets and monitors capital requirements for Insurance Companies.

The Company's policy is to maintain a strong capital base to foster investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also recognised and afforded by a sound capital position.

46.1 Capital Management Objectives

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

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

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

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

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

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

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

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

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

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