Deloitte.

Universal Insurance Plc.

Financial Condition Report as at 31 December 2023

September 2024

1. Executive Summary

Deloitte has been appointed by the Management of Universal Insurance Plc ("the Company" or "Universal") to produce a Financial Condition Report ("FCR") as at 31 December 2023.

A Financial Condition Report is an actuarial report designed to provide the Board of Directors and other parties insight into the actuarial function's view of the business. The FCR is prepared in accordance with the requirements of prudential guidelines for insurance Institutions in Nigeria.

The guidelines stipulate that "An insurer shall on an annual basis appoint an independent Actuary who shall conduct and submit a Financial Condition Report with details of inter alia; measures governing the business operations, corporate governance, risk management, solvency and financial performance of an insurer."

This report has been prepared in compliance with the guidelines.

Business and performance

The Gross Written Premium (GWP) increased from N5.67b in the 2022 financial year (FY) to N9.37b in the 2023 financial year (a year-on-year growth of 65.33%). Oil and Gas, Fire, and Motor portfolios continued to account for over 64% of the total gross written premium.

The Company posted an insurance service result of N1.54 billion in 2023FY against N1.56 billion in 2022FY. A decrease of 1% in insurance service results is a result of a 15% negative variance in Insurance service expenses.

Governance Structure

The Company maintains an efficient and sound organizational structure commensurate with its operational requirements and with a view to governing and managing its business efficiently and effectively. The governance structure is based on well-defined lines of responsibility ('three lines of defense') spanning; Front-line functions, Risk, Compliance, and Internal Audit functions which are governed by the Board to provide independent oversight and challenge the decisions of management.

The executive management team consists of experienced insurance industry professionals with extensive market experience and histories of success in their respective specialist areas.

Risk Profile

Universal has a comprehensive risk framework designed around a clear understanding of the sources and nature of risks faced by the business, consistent with the prudential guidelines. The Company's risk management system is proportionate to the nature, scale, and complexity of the risks to which the Company is exposed. The system includes processes for the identification, assessment, reporting, controlling, and monitoring of all categories of risk.

The Company's business activities give rise to market, credit, counterparty, insurance, and operational risks. The Company endeavours to allocate resources to managing those risks that present the greatest threats to the organization.

Valuation of Asset and Liabilities

The Company's current balance sheet comprises mainly assets held in investment securities such as federal government bonds, money-market funds, cash deposits quoted securities, and corporate bonds. All assets and liabilities have been valued in accordance with the applicable financial reporting framework.

Capital Management

The structure of the Company's available capital comprises share capital and retained earnings. The capital management policy focuses on ensuring compliance with regulatory capital requirements and maintaining appropriate capital ratios to protect the security of its stakeholders, including policyholders while maintaining shareholder value.

The review of the capital position shows that the company is solvent on the regulatory capital requirements.

Conclusion and recommendations

The following are the key conclusions of the report.

- Overall, this report demonstrates that the Company remains adequately capitalized with a conservative investment portfolio to support current and projected liabilities while maintaining compliance with regulatory requirements.
- The level of excess capital on a statutory basis implies the company can write more business and take more calculated risks in search of enhanced return.
- The company should continuously update its enterprise risk management framework in view of emerging risks in the business environment.
- The company has aggregate combined ratios below 100% implying optimal underwriting. We recommend the business keep optimizing its underwriting process.

2. Introduction

2.1 Purpose

Deloitte has been appointed by the Management of Universal Insurance Plc ("the Company" or" Universal") to produce a Financial Condition Report ("FCR") as at 31 December 2023.

A Financial Condition Report is an actuarial report designed to provide the Board of Directors and other parties insight into the actuarial function's view of the business. This report contains the findings of the financial condition review of the company as at 31 December 2023. The FCR is prepared in accordance with the requirements of prudential guidelines for insurance Institutions in Nigeria.

The guidelines stipulate that "An insurer shall on an annual basis appoint an independent Actuary who shall conduct and submit a Financial Condition Report with details of inter alia; measures governing the business operations, corporate governance, risk management, solvency and financial performance of an insurer."

This report has been prepared in compliance with the guidelines.

This report should be considered in its entirety since sections taken in isolation could be misleading. This report does not constitute nor offer investment advice.

2.2 Limitation

The results summarized in this report have been determined based on policyholder (and other) data and financial information provided by management. We have made every effort to ensure that the data used is accurate and consistent with that used in the previous valuations. However, we are dependent on Universal's management sign-off on the data. Our work has thus been carried out in accordance with the accuracy completeness, and reasonableness of the data and information received, which remain the sole responsibility of the company's management.

The procedures were limited to the activities covered in the scope of our letter of engagement and did not constitute an audit conducted in accordance with auditing standards or other professionally recognized standards thus, Deloitte will not express any professional opinion We will make no express or implied representations or warranties about the sufficiency, appropriateness, or completeness of the data used in the reperformance of our procedures.

This report is confidential. It should not be provided in whole or in part to any party apart from the directors and management of Universal, its auditors or advisors, and the Commissioner of Insurance, without Deloitte's prior written consent. Particularly, we do not accept any liability for anyone who obtains this report or learns of its contents, nor do we assume any liability for use for purposes not specifically stated in the report.

3. Data and Information

The actuarial valuations and projections contained in this report are based on work performed by the in-house team of Universal, reviewed by Deloitte. Other information has been derived from internal reports and discussions with management. No information requested has been withheld.

While we have no reason to believe that any problem is likely to arise, we would anticipate a degree of maturing of risk management practices over time, and these may bring to light issues that are not covered in this current report.

For further details regarding the calculation, assumption, and methodologies applied in the actuarial valuation of liabilities, please refer to the Liability Valuation Report as at 31 December 2023.

The following reports/information were provided by the management in compiling this report:

- Business overview;
- Group structure;
- 31 December 2023 actuarial valuation report;
- IFRS 17 financial statements for the year ending 2023;
- Annual financial statements for the year ending 2023;
- Economic capital framework;
- Underwriting manual;
- Budgeted income statement;
- Corporate governance framework;
- Reinsurance arrangement; and
- Enterprise risk management policy.

Management is responsible for the overall accuracy and completeness of all information provided.

Reliance was also placed on the year-end actuarial valuation report produced by the appointed actuaries (Deloitte).

4. Business Overview

Universal Insurance Plc was established by the then Eastern Nigeria Government, African Continental Bank Plc in 1961, through an association between Eastern Nigeria Development Corporation (ENDC) and Pearl Assurance Company Limited of London whereby ENDC acted as agents to the insurance company. Universal Insurance Plc from its inception has been in a partnership relationship with Swiss Reinsurance Company of Zurich, which provided the necessary reinsurance support to the Company.

The aftermath of the Nigerian civil war was that Eastern Nigeria became defunct. Thus, after series of changes, the East Central State was split into Anambra, Imo, Enugu, Abia, and Ebonyi States. These five states apart from many individuals have shares in the Company.

4.1 Ownership Structure

Universal Insurance Plc is a major general insurer in the Nigerian market. The lines of business of the company are Motor, General Accident, Bond, Marine, Fire, Oil & Gas, Engineering, Aviation, and Agriculture.

Ownership and Shareholdings

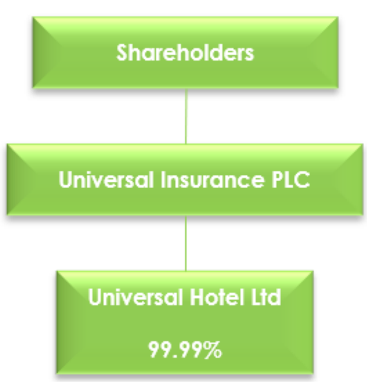
The table presents the shareholdings of more than 5% in Universal as at 31 December 2023.

Shareholders	% Holding
African Alliance Insurance Plc Trad	24.38%
Conau Trade and Investment Limited	6.05%
Others with less than 5% individual holdings	69.58%
TOTAL	100.00%

The was no change in shareholding during the 2023 financial year.

4.2 Group Structure

The chart below shows the simplified Universal entity structure as at 31 December 2023.



4.3 Company Strategy and Objectives

Universal's strategic ambition is to become one of the top 10 general insurance companies in Nigeria by gross written premium (GWP) in the next 5 years. Universal's strategic priorities have 3 main focus:

- Defend the core.

    - Universal strategic focus is to strengthen customer engagement and experience (including simplifying customer onboarding and payment processes; engagement, and loyalty schemes).
    - The Company will continue to strengthen the Universal brand and focus on the core business portfolio.
- Growth and diversify the business:
    - Expand geographical footprint across other states in Nigeria.
    - Explore partnerships with non-traditional ecosystems to scale (e.g. InsurTechs, digital ecosystems, affinity groups)
    - Expand digital channels (mobile app, portal, USSD)
- Strengthen operational excellence.
    - Transform underwriting/claims.
    - Invest in deepening the technology capabilities (e.g. core insurance platform; cybersecurity)
    - Strengthen data management and analytics.
    - Improve employee engagement and development.

5. Operating environment

In 2023, Nigeria's economy demonstrated resilience amidst persistent challenges, including rising costs, fuel subsidy removal, and currency devaluation.

The different reforms and initiatives by the new administration impacted the business environment at large. Insurance penetration in Nigeria remained relatively low compared to other emerging insurance markets. Nevertheless, there are concerted efforts to raise awareness about the importance of insurance coverage.

The National Insurance Commission (NAICOM) continued to enforce critical reforms designed to support the growth of the insurance sector. One of such notable reforms is the increase in premiums for both third-party and comprehensive motor insurance. NAICOM had in late December 2022 announced a 200 percent increase in third-party motor insurance premiums from N5 000 to N15 000 and raised the minimum premium rate for comprehensive motor insurance to 5%, effective from January 1, 2023. This came after over 20 years of non-increase in the compulsory Motor Third Party insurance policy. NAICOM equally raised the claims and cost of insurance on all classes of motor insurance, including motorcycles.

The market exhibited considerable growth potential driven by regulatory enhancements, technology advancement, and initiatives aimed at increasing product innovation.

Outlook

Several factors are expected to drive continued growth and development of the insurance sector. The ongoing efforts by the present administration to stabilize and grow the Nigerian economy will create a more favourable environment for the insurance industry. Growth in the economy is likely to increase disposable income and enhance the capacity of businesses and individuals to invest in insurance products.

NAICOM's continued focus on regulatory reforms and enforcement is likely to further strengthen the industry's foundation, enhance market confidence, and improve governance standards.

Overall, the Nigerian insurance market is poised for continued growth and development. The combination of regulatory support, technological advancements, increased market penetration, and product innovation is expected to drive the sector forward.

6. Significant development since prior financial year-end

The developments since the previous financial year-end that could have an impact on the risk profile of the Company are summarized below.

- Changes in the business environment:
  - Nigeria's Gross Domestic Product (GDP) grew by 3.46% (year-on-year) in real terms in the fourth quarter of 2023. This growth rate is lower than the 3.52% recorded in the fourth quarter of 2022 and higher than the third quarter of 2023 growth of 2.54%. The performance of the GDP in the fourth quarter of 2023 was driven mainly by the Services sector, which recorded a growth of 3.98% and contributed 56.55% to the aggregate GDP.
  - Inflation surged to 28.92% in December 2023 from 21.8% in January, led by spikes in food (32.8%), Naira devaluation, and transportation (27%) costs.
  - With the parallel exchange rate market reaching a peak of N1,200/$. Nigeria's foreign reserves closed out 2023 at $32.80bn, losing about $4.2 billion during the year compared to $37.08 billion at the start of the year from data available at the Central Bank of Nigeria (CBN).
  - CBN took several actions to manage price stability, such as increasing the Monetary Policy Rate (MPR) to 18.75%, removing the cap on SDF, sustaining CRR debits at 32.5%, and issuing ₦6.66 trillion in OMO bills.
  - To address forex (FX) supply, the CBN collapsed all FX transaction windows into the I & E window, reintroduced BDCs, established a committee to monitor FX liquidity, and gradually cleared FX backlog obligations.
- Changes in the regulatory environment:
  - The Nigerian Insurance regulator (NAICOM) issued an update on regulatory procedures, mandating that all regulatory returns—covering Monthly, Quarterly, Bi-annual, Annual, and incident reports—are to be submitted exclusively through a now-developed NAICOM portal. Consequently, the previous practice of submitting reports to the regulator via email will no longer be applicable.
  - NAICOM implemented tenure limits for Executive Directors (EDs) of Insurance and Reinsurance Companies effective January 1, 2023. This regulation sparked structural changes within organizations in the industry. According to the regulation, the tenure of CEOs and EDs of Insurance and Reinsurance businesses is restricted to a maximum of ten years. However, if an ED transitions into the role of CEO within the same company, the cumulative tenure can extend to fifteen years. There were no structural changes in the company as a result of NAICOM tenure regulations.
  - International Financial Reporting Standard (IFRS) 17 became effective for financial reporting starting 1 January 2023. Therefore, the liabilities for the Company as at 31 December 2023 are calculated on IFRS 17 basis.

- Company-specific developments.
  - The Company has implemented and still continues to implement a number of reforms driven by its strategic aspirations.
  - The Company launched a retail mobile app to drive its online presence and business growth.

7. Recent experience and financial performance

7.1 IFRS 17 Implementation

With IFRS 17 effective from annual reporting periods beginning on or after 1 January 2023 making 2023 an unprecedented milestone for changes in financial reporting for the insurance sector. The standard replaces the interim standard, IFRS 4, which has for the past decade provided guidance for insurance accounting.

As part of the implementation process, Universal assessed the impact of moving from IFRS 4 to IFRS 17 and updated its process and accounting policy to reflect the requirements of the standard.

7.2 Underwriting Performance

Universal focuses on the profitability and volume of the business that it underwrites, relying on a team of experienced underwriters with strong, long-standing relationships with brokers, and reinsurers.

Premium received by Business Segment:

Segment	GWP 2022FY (N'000)	Concentration %	GWP 2023FY (N'000)	Concentration %
Agriculture	50,345	1%	45,867	0%
Aviation	173,973	3%	305,801	3%
Bond	327,758	6%	938,342	10%
Engineering	237,860	5%	457,616	5%
Fire	958,674	17%	1,676,343	18%
General Accident	700,159	12%	806,920	9%
Marine	627,362	11%	828,430	9%
Motor	705,020	12%	1,337,821	14%
Oil and Gas	1,885,175	33%	2,970,742	32%
TOTAL	**5,666,325**	**100%**	**9,367,882**	**100%**

- The GWP increased from N5.67b in 2022FY to N9.37b in 2023FY, registering a growth of 65% from the previous year. Oil & Gas and Fire portfolio continued to account for over 50% of the total gross written premium.
- All business segments recorded growth in the GWP in 2023 with the exception of the Agriculture portfolio.

Underwriting Results.

	2022FY (N'000)	2023FY (N'000)	Change
Gross Written Premium	5,666,325.0	9,367,882.1	65%
Insurance Revenue	4,839,359.7	8,006,851.5	65%
Insurance Service Expenses	2,887,903.6	5,991,966.5	107%
Insurance Service Result from insurance contracts issued (C)	1,951,456.1	2,014,885.0	3%
Net Income (expenses) from reinsurance contracts held (D)	(394,479.6)	(477,528.8)	21%
Insurance Service Result	**1,556,976.5**	**1,537,356.2**	**-1%**

- The Company posted an overall increase of 65% in its GWP compared to the previous financial year. The increase was primarily driven by a 75% growth in the Fire portfolio, as well as a 57% growth in the Oil and Gas business line.
- The Insurance revenue increased by 65% from N4.84b in 2022FY to N8.01b in 2023FY primarily due to increased business written in the 2023FY.
- On a Year on Year ('YoY) basis, the ratio of 'Insurance Service Expenses' to 'Insurance Revenue' was 75% compared to 60% of the previous year. This was primarily driven by the relative increase in the incurred claims and expenses during the year.
- The Company posted an insurance service result of N1.54 billion in 2023FY against N1.56 billion in 2022FY. The slight decrease of 1% in insurance service result is a result of a 15% negative variance in Insurance service expenses.

7.3 Investment and Finance Performance

	2022 FY (N'000)	2023 FY (N'000)	Change
Investment Income	207,705.5	191,463.2	-8%
Net fair value gain/(loss) on assets at fair value	503.1	131,815.0	26102%
Net finance expenses (income) from insurance contracts issued	(10,677.3)	(242,986.4)	2176%
Net finance expenses (income) from reinsurance contracts held	23,400.5	23,200.5	-1%

- The Company's investment income decreased by 8% from N207.7 million in 2022FY to N191.5 million in 2023FY.
- The Company incurred a Net insurance finance expense of N242.9 million in the current period compared to a Net insurance finance expense of N10.6 billion in the previous period. This is largely due to changes in financial assumptions adopted.

7.4 Other Material Income & Expenses.

The main income and expenses outside of underwriting results and investment results are other operating income, non-attributable expenses, and impairment loss as summarised below:

	2022 FY (N'000)	2023FY (N'000)	% Change
Other operating income	4,007.7	0.0	-100%
Realised fair value gain	381,168.1	523,678.3	37%
Net realised gains/(loss) on financial assets	0.0	2,853.0	-
Other operating and administrative expenses (Non-attributable)	(1,830,110.5)	(1,640,665.1)	-10%
Net impairment gain/(losses)	(457,739.1)	0.0	-100%
Profit before Tax	**(138,099.0)**	**514,671.9**	**473%**

- The Company's non-attributable expenses and other operating expenses for the year were N1.6 billion, down from N1.8 billion the previous year. This decrease, despite the inflationary environment, is primarily due to a decrease in other charges and expenses, and Legal & Professional fees.

- The Company did not record any other operating income in 2023FY compared to the N4 million recorded in 2022FY. This is due to no exchange variance on its financial assets.
- The Company experienced an increase of 37% in realized fair value gain in 2023FY compared to 2022FY. This rise is primarily attributable to a rise in the fair value of its quoted securities.
- The Company did not record any net impairment gain/(losses) in 2023FY compared to the N457.7 million recorded in 2022FY.

8. Governance

This section provides a summary of the Company's risk management framework and process.

8.1 Corporate Governance

Universal is headed by a Board responsible for the development of corporate governance practices and ensuring compliance by the Company's organs. The Board has delegated some of its responsibilities to the various Board Committees. Universal maintains an efficient and sound organizational structure commensurate with its operational requirements and with a view to governing and managing its business efficiently and effectively. All major changes in the organization's structure are approved by the Board.

The governance structure is based on well-defined lines of responsibility ('three lines of defense') spanning; Front-line Functions, Risk, Compliance, and Internal Audit Functions which are governed by the Board to provide independent oversight and challenge.

8.2 Board and Senior Executives

The following table shows the Board and Senior Executives of the Company as at 31 December 2023:

Board Members:

Name	Board Position
Mr. Jasper Nduagwuike	Sitting Chairman
Mr. Benedict Ujoatuonu	Managing Director/CEO
Mr. Reginald Anyanwu	Executive Director
Mr. Paulinus Oluchukwu Offorzor	Executive Director (Retired)
Mrs. Olufunmilayo Balogun	Non-Executive Director

Senior Management team:

Name	Management Position
Mr. Benedict U. Ujoatuonu	Managing Director/CEO
Mr. Reginald Anyanwu	Executive Director
Mr. Chinedu A. Onyilimba	Company Secretary/Legal Adviser
Mrs. Doris Ekeopara	Head of Finance
Mr. Tunji Oyebayo	Head of Marketing
Mrs. Justina Nnadi	Head of Compliance
Mr. Daniel Okpoh	Head of Internal Audit
Mr. Peter Eze	Head of Underwriting
Mr. Bamidele Ojo	Head of Oil & Gas

8.3 Board Committee

The Board of Directors is responsible for directing the activities of the Company, setting the goals and strategies necessary to operate, and providing oversight for the implementation of those strategies carried out by the executive management team. The Board carries out its oversight functions through its various Board Committees. The following Board Committees have been established in the Company:

- Statutory Audit Committee
- Board Finance & Investment
- Enterprise Risk Management/Corporate Governance Committee
- Board Audit & Compliance Committee.

9. Risk Management

9.1 Risk management framework

Universal closely monitors and manages risk exposures and the aggregate risk profile through a dedicated Risk management function operating processes aimed at supporting the company in achieving its strategic objectives by making the management of risk an integral part of all business decisions. Risk management oversight is the responsibility of the relevant Board of Directors with the delegation of risk-related decisions as appropriate to the Audit and Compliance Committee.

The Chief Risk Officer reports directly to the committee. The governance structure includes well-defined lines of accountability for individuals, committees, and Boards and is laid out in the Universal's Risk Management Framework. As with other business functions, the risk management function is subject to Internal Audit. The Company does not currently have a Chief Risk Officer, however, the Chief Compliance Officer doubles as the Chief Risk Officer.

Universal has a comprehensive risk framework designed around a clear understanding of the sources and nature of risks faced by the business, consistent with the guidelines of NAICOM.

The risk function provides detailed risk reporting to the Board at least quarterly encompassing the full scope of the risk universe and against the Board's defined Risk Appetites.

In the event of an actual, projected, or proposed material change in the risk profile, the function performs an analysis to understand the potential implications from a risk perspective ensuring that the results of the self-assessment form an integral part of the management and strategic decision-making process.

9.2 Risk Management Strategy

The Company's risk management strategy is cognisant that the complete elimination of risk is not possible and aims to reduce both the severity and probability of the occurrence of risk events through appropriate risk mitigation processes and responses. The Company endeavors to allocate resources to managing those risks that present the greatest threats to the organisation.

Risk Identification

On an ongoing basis, risk owners are required to regularly reassess and reaffirm the full scope of risks and emerging risks, and associated core processes and controls, for which they are responsible through discussion with the Risk Function. Any changes to existing events, including the addition of new risks considered during this discussion to ensure that all significant operational risks faced by the Company are understood and monitored on a regular basis.

Risk Assessment

A qualitative and quantitative assessment for all the risks identified is carried out as part of the assessment of controls in place to ensure that they remain effective and the level of risk remains within the appetite of Universal. The aim is to articulate risks and controls clearly and at a level that they can be monitored against and audited more effectively providing a comprehensive assessment of the control's environment in place.

During this process, events with the potential of negatively impacting goals are examined at the departmental level. Such events are assessed and included in the overall risk profile of the respective business units. Risk profiles of the various departments of the Company are combined with the risk profile of entity-level risks to form a portfolio view of risk at the corporate level. New events that represent opportunities are channeled back to the strategy and goal-setting process.

Risks are assessed from two perspectives; likelihood of occurrence and impact. This assessment utilizes a combination of quantitative and qualitative techniques to derive an overall risk profile for the respective departmental levels.

Risk Reporting

A summary of newly identified risks and the reviews and assessments performed in the period is reported to the quarterly Board meetings. A more detailed, quarterly risk management report is produced to report on the progress and results of individual control assessments and changes from the previous period. The progress of other relevant actions is also reported in the quarterly risk report.

Furthermore, all underlying details of control assessments and actions, including the Risk Function challenge, granular control assessments, and justification of action statuses are fully visible to the Internal Audit Function.

Any risk events identified during the period are reported to the Board on a quarterly basis. This will include any identified control gaps and management actions to be implemented.

Risk and Control Monitoring

The monitoring of risks is an integral part of the company's risk management process. Monitoring of all risks is done on a regular basis. This includes the monitoring of emerging risk exposures, quality of investments and their performance, security and credit ratings of counterparties, liquidity, and mismatches between assets and liabilities, as well as operational risks, risk events, and potential emerging risks.

The monitoring activities in Universal take two distinct forms; ongoing monitoring and independent risk management evaluation. On-going monitoring activities are built into the normal, recurring operating activities across the Corporation. Employees are responsible for identifying and escalating potential ERM Framework weaknesses or enhancements.

9.3 Risk Governance Framework

The Company's governance model has been designed to promote transparency, accountability, and consistency through the clear identification of roles, the separation of business management and governance and control structures, and tracking performance against accountabilities.

The Company's Risk Governance framework follows the Three Lines of Defence model, which involves the clear allocation of accountability and ownership for risk and controls, and an effective separation of risk-taking from risk oversight.

- The first line of defense consists of the day-to-day management and operation of the business responsible for ensuring that a risk and control environment is established as part of day-to-day operations and for delivering strategy and optimising business performance within agreed governance and risk framework;
- The second line of defense consists of those business functions and executive committees providing a framework of governance, risk oversight, oversight monitoring, and challenge of the first line of defense; and,
- The third line is responsible for assessing risk culture in each audit as well as focused risk culture reviews.

9.4 Internal control

The Board and the CEO, including senior executives, are responsible for adopting an effective internal controls framework. Universal applies a "Three Lines of Defence" model for Enterprise Risk Management. Such a model is widely adopted across the financial services industry and allows for appropriate segregation of risk ownership, oversight, and assurance responsibilities. In particular:

The first line of defense – Business Departments and Units

This consists of the daily decision-making with respect to the origination and management of the risk exposures within the business. The primary responsibilities and objectives of the first line of defense are listed below:

- Have the primary responsibility of the day-to-day risk management
- Bear the consequences of loss through economic risk capital allocation
- Fill and complete all identified risks in the risk matrix report including risk rating, residual risks, remedial action, and details on follow-up.
- Reports to senior management through risk champions on the risk management situation and process in their respective functions.

Second line of defense – Risk Compliance Management and Board Risk Committee

The primary duties and responsibilities of the Risk Compliance Management and Board Risk Committee are enumerated below.

- Assist in determining the risk capacity, risk appetite allocation strategies, policies, and structures for managing the risk
- Ensures the effectiveness of the risk management framework and ensures follow-up on all major risks
- Provide oversight, support, monitoring, and reporting of the risk management situation from time to time.
- Responsible for the annual review of the risk registers which indicates the status of the risk management system
- Custodian of risk management methodologies
- Monitor completion and return of risk management matrix and also examine and analyze risk matrix.
- Identify training needs on risk management
- Report risk updates to the Board.

The third line of defense – Audit and the Board

Universal recognizes that clear accountability is fundamental to the management of enterprise risk. The "third lines of defense" governance model performs the under-listed functions.

- The Board sets the risk appetite and provides oversight
- The Board approves the risk management framework
- The audit provides independent and objective assurance of the overall effectiveness of the risk governance framework design and implementation.

9.5 Internal Audit

The Internal Audit function is responsible for auditing the Company's processes and controls. The Company has an approved internal audit policy and charter outlining its responsibilities and reporting lines.

To achieve the degree of independence necessary to carry out its responsibilities effectively, the internal audit team has direct and unrestricted access to senior management and the Board, achieved through a dual-reporting relationship. The internal audit department is free from interference in determining the scope of internal auditing, performing work, and communicating results and discloses any interference to the Board together with its implications.

9.6 Material changes in the system of governance

There were no material changes in the system of governance during the year.

9.7 Material risk

Achieving Universal's business plan is subject to the risk in the environment in which it operates. The Company's risk universe encompasses those risks that are fundamental to the company and those more subjective yet nevertheless important sources of risk such as Strategic, Group, Reputational, and Emerging risks. The Company's risk management approach focuses on understanding and assessing these risks, enabling an evaluation of possible impacts that in turn guide the formulation of mitigation plans.

The table below sets out the material risks to which Universal is exposed along with risk mitigations in each case.

Risk	Description	Mitigation plans
Market risk	The risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations. Market risk arises in business units due to fluctuations in both the value of liabilities and the value of investments held.	• The Company at all times is mindful of the investment limits as set out by the NAICOM in the relevant guidelines. • The Company in line with Section 21 of the Insurance Act 2003 shall maintain sufficient contingency reserve. • The Company at all times must comply with the investment policies of the company.
Credit risk	The risk that the counterparty will default on payment or fail to perform an obligation to the company.	• Keeping abreast of the financial healthiness of approved Reinsurers by checking credit ratings
Operational risk	The risk of loss from inadequate or failed internal processes, people and systems, or external events arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud, or unforeseen catastrophes will result in unexpected losses.	• Follow documented Internal Audit Processes and Procedures for each department. • Follow the documented Internal Audit Manual • Follow the Manual of Accounting Principles • Regular Risk and Control Self Assessment ("RCSA") process. • Oversight exercised by Internal Audit, Risk, and Compliance functions

Liquidity risk	This is the risk that the company will have insufficient cash flow to meet its operational and financial payment obligations because of the inability to liquidate assets or obtain funding.	• Regular analysis of liquidity requirements on a forward-looking basis. • Stress and scenario testing, which also enables risk measurement
Underwriting risk	Underwriting is the process by which an insurer determines whether and under what conditions to accept a risk. Weaknesses in the systems and controls surrounding the underwriting process can expose the Company to the risk of unexpected losses which may threaten the capital adequacy of the Company.	• Appropriate rates to risks. • Use of the underwriting manual. • Regular monitoring of actual versus expected claims and expenses.

10. Valuation of Assets and Liabilities

10.1 Asset Overview

Universal's investments are held in financial assets, investment properties, statutory deposits, and cash & cash equivalents. These balances make up a significant proportion of the Company's assets at the reporting date. The remaining assets comprise properties, intangible assets, trade and other receivables. All of the investments are valued using quoted market prices in active markets where possible aside from debtors and cash which are held at cost and revalued for exchange rate movements. The company's financial statements are prepared in accordance with International Financial Reporting Standards.

The following table summarises the valuation of the Company's assets as at the reporting date.

Asset	31 December 2023 (N'000)	31 December 2022 (N'000)	Change %
Cash and Cash Equivalents	1,137,011	572,664	99%
Financial Assets	3,049,565	2,532,487	20%
Trade Receivable	45,564	57,147	-20%
Reinsurance Contract Assets	970,622	650,691	49%
Deferred tax assets	403,685	403,685	0%
Other Receivables	459,876	414,410	11%
Investment in Subsidiaries	2,788,184	2,457,516	13%
Investment Properties	2,408,229	1,923,414	25%
Intangible Asset	69,061	70,160	-2%
Property, Plant, and Equipment	4,068,903	2,594,691	57%
Statutory Deposits	335,000	335,000	0%
Total:	**15,735,701**	**12,011,865**	**31%**

10.2 Valuation Bases and Assumptions

The valuation principles applied to each material asset class under the IFRS framework are explained below:

Cash and Cash Equivalents

Recorded at fair value based on the balances confirmed by the relevant banks and financial institutions at the end of the year. Furthermore, the non-USD cash balances are translated into equivalent US$ using the year-end exchange rate available from FMDQ. There are no material estimations or judgments made due to the nature of these assets.

Financial Assets

Recorded at a fair value reflecting market prices traded on a securities exchange at the reporting date. For unquoted investment, valuation based on the principle of IFRS 13 Fair valuation was applied.

Trade Receivables

Recorded at fair value based on the balances confirmed by the brokers at the end of the year. There are no material estimations or judgments made due to the nature of these assets.

Reinsurance contract Asset

The reinsurance contract assets are calculated based on the requirements of IFRS 17. The reinsurance assets include balances from assets from remaining coverage (equivalent to unearned premiums) and assets from incurred claims which are essentially balances due from reinsurance companies for paid and unpaid claims.

Deferred Tax Assets

Recognition of deferred tax assets is subject to a degree of estimation and judgment. The Company makes use of all available evidence when determining the future taxable profits.

Other receivables

Recorded at fair value based on the balances confirmed by the counterparty at the end of the year. There are no material estimations or judgments made due to the nature of these assets.

Investment in subsidiaries

Recorded in accordance with the equity method as prescribed in International Accounting Standards.

Investment Properties

Recorded at fair value based on a recent external valuation report performed by an accredited professional thirdparty valuer at the reporting date.

Intangible Assets

The amount relates mainly to capitalized costs for purchased software and is valued using the cost model in IAS 38.

Property, Plant, and Equipment

Property, plant, and equipment held for own use consist of machinery and equipment and are valued using the cost model in IAS 16.

Statutory Deposit

Recorded at fair value based on the balances confirmed by the relevant banks at the end of the year. There are no material estimations or judgments made due to the nature of these assets.

10.3 Liabilities Overview

Universal's liabilities comprise technical provisions and non-technical provisions. The technical provision balances make up a significant proportion of the company's liabilities at the reporting date.

The following table summarises the valuation of the Company's liabilities.

Liabilities	31 December 2023 (N'000)	31 December 2022 (N'000)	Change
Trade payables & other liabilities	766,673.24	0.00	-
Insurance contract liabilities	4,138,492.33	2,629,297.68	57.4%
Deferred tax liabilities	296,874.79	296,874.79	0.0%
TOTAL:	**5,202,040.36**	**2,926,172.46**	**77.8%**

10.4 Valuation Methodology and Assumptions

Insurance Contract Liabilities

The valuation of the insurance contract liabilities is based on the requirement of IFRS 17.

The IFRS 17 policyholder liabilities are made up of the following:

- Liability for Remaining Coverage (LRC) relating to future service, comprising of:
  - Best Estimate Liabilities ("BEL") or present value of future cashflows.
  - Risk Adjustment ("RA") for non-financial risks; and
  - Contractual Service Margin ("CSM") for groups of contracts measured using the General Measurement Model ("GMM") and Variable Fee Approach (''VFA'').
- Liability for Incurred Claims ("LIC") relating to past services, comprising of:
  - BEL (IBNR and Outstanding Claims Reserves); and
  - RA for non-financial risks.
- Asset for Remaining Coverage ("ARC") relating to future services, comprising of:
  - Any applicable PAA loss recovery component; and
  - Reinsurance UPR for groups of reinsurance contracts held measured using PAA.
- Asset for Incurred Claims ("AIC") relating to past services, comprising of:
  - BEL for reinsurance contracts held; and
  - Reinsurance RA
- Manual actuarial adjustments, if any.

The company applied the premium allocation approach (PAA) for measurement of its insurance liabilities as all portfolios met the PAA eligibility requirements.

The PAA is a simplification of the GMM for short-term contracts in which the liability for remaining coverage is calculated as the unearned Premium Reserve (UPR) plus deferred acquisition cost (DAC). The Liability for Incurred Claims (LIC) is the Incurred but Not Reported (IBNR) Claims Reserves and the Outstanding Claims Reserves (OCR), including allowance for the RA non-financial risks.

For all portfolios, the reserve has been determined as the sum of:

- The net unearned premium reserve (UPR) is calculated using the 365ths method.
- The Incurred But Not Reported (IBNR) reserve is determined based on claim triangulation methods which project the incurred claims based on historical claim reporting and settlement patterns.
- Outstanding Claims Reserves are reserves held for claims that have already been reported and which will be paid and settled in the foreseeable future as determined by the claims team.

Reserves are estimated on both a Gross and Net of reinsurance basis.

Other Liabilities

Deferred tax liabilities reflect expected future tax payable. The tax rate used to calculate the deferred tax balance is as given by the current company income tax rate in Nigeria.

The remaining liabilities comprise accruals for expenses and taxes incurred but not yet settled. Trade and other payables are also included and are valued at their respective transaction price, and deemed payable within twelve months after the reporting date.

The valuation of the insurance contract liabilities and reinsurance contract assets was carried out by the appointed actuary (Deloitte). Please refer to the actuarial valuation reports for further information.

11. Pricing and Premium Adequacy

11.1 The pricing methodology

The pricing methodology is based on the predetermined rates that incorporate historical claims experience (adjusted for inflation), expected claims, and maintenance expenses. Prices are updated regularly based on experience.

11.2 Profitability of New Business

The profitability of the business per portfolio was assessed by reviewing the combined ratio. The table below shows the combined ratio for each of the portfolios in the 2023 financial year.

Class of Business	Claims ratio	Expense ratio	Commission ratio	Risk Adjustment (RA)	Combined Loss ratio (With RA)
Agriculture	30%	1%	18%	19%	68%
Aviation	30%	38%	20%	8%	96%
Bond	14%	10%	18%	19%	61%
Engineering	24%	4%	15%	10%	53%
Fire	22%	32%	15%	7%	76%
General Accident	50%	4%	17%	11%	82%
Marine	6%	9%	13%	9%	37%
Motor	21%	9%	9%	8%	47%
Oil and Gas	5%	9%	19%	9%	42%

- The combined ratio for all classes of business is less than 100% implying that all businesses were profitable in 2023.

A further analysis of the combined ratio for the business in the last two years is shown below.

Component	2022FY	2023FY	Derivation
Claims Ratio	8%	22%	Claims Expenses/Insurance revenue)
Management Expense Ratio	36%	13%	Attributable Expenses/Insurance Revenue
Acquisition Expense Ratio	27%	16%	Acquisition Expenses/Insurance Revenue
Combined Ratio	**71%**	**51%**	

- Analysis of the past two years' combined ratios indicates that Universal has consistently achieved a combined ratio below 100%. This shows strong underwriting profitability. To sustain this positive performance, the Company should continue to implement strategies focused on optimizing pricing and expense management.

12. Asset Liability Management (ALM)

12.1 ALM Strategy

The Company's business model relies heavily on managing liabilities, therefore assets will be purchased to match the estimated insurance contract liabilities. These assets are purchased considering the nature, term, currency, and other characteristics of the underlying obligations as well as the Company's financial objectives and risk appetite.

The Company has a section of the Board committee tasked with the responsibility of overseeing the investment strategy of the Company. The Investment tasks are usually done between the Managing Director and the Chief Financial Officer.

12.2Asset Allocation

Assets	31-Dec-23 (N'000)	Concentration %	31-Dec-22* (N'000)	Concentration %	31-Dec-21* (N'000)	Concentration %
Cash and Cash Equivalents	1,137,011	7%	572,664	5%	192,818	2%
Financial Assets	3,049,565	19%	2,532,487	21%	2,325,185	21%
Trade Receivable	45,564	0%	57,147	0%	65,346	1%
Reinsurance Contract Assets	970,622	6%	650,691	5%	176,378	2%
Deferred tax assets	403,685	3%	403,685	3%	403,685	4%
Other Receivables	459,876	3%	414,410	3%	439,269	4%
Investment in Subsidiaries	2,788,184	17%	2,457,516	20%	2,449,516	22%
Investment Properties	2,408,229	15%	1,923,414	16%	1,901,830	17%
Intangible Asset	69,061	0%	70,160	1%	68,544	1%
Property, Plant, and Equipment	4,068,903	25%	2,594,691	22%	2,623,316	24%
Statutory Deposits	335,000	2%	335,000	3%	335,000	3%
Total Assets	**15,735,701**	**100%**	**12,011,865**	**100%**	**10,980,887**	**100%**
Current Liabilities	(864,157)		(110,109)		(137,361)	
Net Assets	**14,871,544**		**11,901,756**		**10,843,526**	

- The actual asset allocation mix has broadly been consistent in the last 3 years.

13. Capital Management and Capital Adequacy

13.1 Capital Management Strategy

Universal aims to optimize the structure and sources of its available capital resources to ensure that it consistently maximizes returns to its shareholders and policyholders.

The company's main sources of capital include its equity shareholders' funds. Universal also makes use of reinsurance arrangements to protect its shareholders' funds by reducing the need for further funding following unfavorable events such as catastrophes or single large claims.

13.2 Solvency Position

The current regulatory capital is not calculated on a risk-based approach. If the regulator (NAICOM) implements the new minimum capital requirements (which is risk-based), the current and future required capital is expected to increase, which will reduce the solvency cover ratio. The solvency ratios give comfort that liability obligations will be met when they fall due.

The table below shows the capital position as at 31 December 2023 and 31 December 2022 for comparative purposes.

	31-Dec-23 N'000	31-Dec-22 N'000
Free Assets	6,594,804.86	5,028,564.64
Technical liabilities (Net of reinsurance)	3,167,870.34	1,978,606.88
Excess assets	**3,426,934.52**	**3,049,957.76**
Regulatory required capital (Minimum required capital)	3,000,000	3,000,000
Capital Adequacy Ratio	**220%**	**168%**
Regulatory solvency ratio	**208%**	**254%**

The table above shows that the Company is solvent on the regulatory capital requirements.

14. Reinsurance Arrangements

14.1Reinsurance Management Strategy

The most significant risk for Universal relates to underwriting risk. The company employs an extensive reinsurance program designed to contain underwriting risk to acceptable levels on all classes of business.

The retention limit and the associated product lines were established in liaison with the reinsurers.

In setting these limits, the following were taken into consideration:

- The nature and quality of the business
- Regulations imposed by the regulatory body
- The risk appetite of Universal

While Universal reinsures with four (4) reinsurers, the majority of its businesses are with Africa Reinsurance and Waica Reinsurance which have stable ratings.

The table below shows the credit ratings and the distribution of the reinsurance exposure for Universal's reinsurance arrangements.

Reinsurer	Distribution of total reinsurance arrangement	Credit Rating
African Reins. Corp.	42.5%	A
Waica Re	25%	BB+
FBS Reinsurance	12.5%	CCC
Continental Re	10.0%	B+

We recommend that Universal continue to perform regular reinsurance analysis.

15. Business projections

15.1 Data and Assumptions

The following table summarizes the key assumptions used to generate the three-year financial projections for Universal from 2024 to 2026 FYs. These assumptions are based on a combination of historical financial data, industry data, and management's forecast for future market conditions and strategic initiatives. The projections encompass key areas such as revenue growth rates, renewal rates, loss ratios, Management and operating expenses, and capital expenditures.

The projection assumptions are as shown below:

ASSUMPTIONS			
Revenue	Financial Year		
	2024	2025	2026
Revenue growth rate	50%	50%	50%
Technical			
Reinsurance ratios	10%	12%	12%
Loss ratios	22%	28%	28%
Underwriting expenses ratios	25%	25%	25%
Expenses			
Cost-to-income ratio	14%	13%	13%
Management expenses	25%	25%	25%

15.2 Business projections

Item	Financial Year		
	2024	2025	2026
Gross Written Premium	14,047,646	21,071,468	29,500,056
Gross Premium Income	10,649,826	16,530,759	22,316,525
Reinsurance Cost	(1,303,681)	(1,938,692)	(2,883,010)
Net Premium Income	**9,346,145**	**14,592,067**	**19,433,515**
Commission income	296,855	438,735	648,425
Net Underwriting income	**9,643,000**	**15,030,802**	**20,081,940**
Gross claims incurred	(2,301,747)	(4,695,350)	(6,338,723)
Claims recoveries	1,173,622	1,779,339	2,402,108
Net claims incurred	**(1,128,125)**	**(2,916,011)**	**(3,936,615)**
Underwriting expenses	(4,464,339)	(5,603,373)	(5,603,373)
Total Underwriting Expenses	**(5,592,465)**	**(8,519,385)**	**(9,539,989)**
Investment Income	194,212	211,486	230,297
Management Expenses	(945,305)	(1,383,807)	(2,025,718)
Profit before income tax	**3,299,443**	**5,339,097**	**8,746,530**
Income tax expenses	(98,215)	(102,305)	(106,565)
Profit for the year	**3,201,227**	**5,236,792**	**8,639,966**

From the above projections, the following were noted:

- Universal has plans to grow its gross written premium at about 50% for the next 3 financial years. This is reasonable given the 64% increase in gross written premium in 2023FY.
- The company should consider preparing its business projections in line with IFRS 17.

16. Conclusion and Recommendation

Based on our assessment of the financial condition of Universal as at 31 December 2023, the following are the key conclusions of the report.

- The solvency ratio based on the regulatory required capital is 208% as at 31 December 2023 which implies that the Company is in a financially sound position as at 31 December 2023. The level of excess capital on a statutory basis implies the company can write more business and take more calculated risks in search of enhanced return.
- The company should continuously update its ERM framework in view of the emerging risks in the insurance business.
- The Company's aggregate combined ratio remains below 100%, indicating strong underwriting performance. To ensure that the ratio remains below 100%, the company should continue to monitor its underwriting process including reviewing the premium level and monitoring expenses and claims (particularly on portfolios with higher combined ratios).
- We recommend that the Company consider preparing its projection in line with IFRS 17 requirements and include the capital requirement over the projection period.

We would like to thank the management of the Company for their assistance in the preparation of this report.

Takalani Sikhavhakhavha

Fellow of the Actuarial Society of South Africa

FRC Registration Number: FRC/2023/PRO/NAS/004/802144

25 September 2024

Michael Oladeji,

ACA, ACCA, FRM, CFA.

FRC/2022/PRO/ICAN/004/897961

Appendix 1: Products Description

Fire Insurance: This policy covers material damage caused by fire, lightning, and limited explosives to a policyholder's facilities and all equipment while on the policyholder's premises. The policy also extends to cover some extraneous perils of flood, bursting and overflowing of water pipes, riot, strikes and civil commotion, storm and tempest, earthquake as well as malicious property damage insured. The rating guide is based on the occupation of the insured, the standard perils rate is 0.075% except with additional peril.
However, the following events are exclusions to the policy, Riot, Civil commotion, strikes, war, invasion, act of foreign enemy, hostilities or warlike operations, mutiny, insurrection, military or usurped power.

Consequential Loss Insurance: This policy covers loss of profit, wages, and auditor's fee following machinery breakdown consequently causing business interruption or interference in the insured's day-to-day activities. The details of the sum insured to be supplied such as Values for Gross Profit, Auditors Fees Multiplier (Subject to indemnity period) e.g., 12 months.

Burglary Insurance: This policy provides cover for the contents against loss or damage to property by theft accompanied by forcible and violent breaking into or out of the insured's premises. It can be written on a first-loss basis, which is an indication of the insured's maximum exposure to loss/theft. The standard rating rate is between 0.275%-0.45%.
The following are not covered by the policy, Larceny, moral hazard of insured/employees.

Householder Insurance policy: It covers loss or damage to the properties of the policyholder, occasioned by actual forcible or violent breaking into or out of the building or any attempt there-at. Essentially, the policy could be said to be a combination of Fire & Burglary policy in one single document.

There are five major sections under the policy as follows.
Section I - Loss or damage to the building
Section II - Loss or damage to the contents whilst contained in the building caused by an insured peril.
Section III - Additional expense of alternative accommodation and loss of rent
Section IV - Liability to the public
Section V - Compensation for death of the insured.

The basis of rating/ Minimum rating is given as follows:
Building; 0.20% - 0.25%
Contents: 0.85% - 1%
Minimum Premium: N5,000.00

All Risk Insurance: Basically, the cover granted under this policy is similar to that of a Householder policy except that All Risks insurance has a wider scope. The covers include fire, burglary, housebreaking, theft, larceny, accidental loss, damage, or destruction from any cause, which is not excluded from the insured perils.
Under an All-Risks policy, the premium rate is determined by the nature of the items to be covered e.g., jewelleries & Mobile Phone have been found to be susceptible to theft and or accidental and as such attract a high rate which ranges between 2.5% - 10%. Other personal effects could attract a much lower rate like 1.5%. The minimum premium set for this policy is N5,000.00.

Money Insurance: The policy indemnifies the insured against loss of money whether in transit, in a safe, on-premises, or as otherwise stated in the policy. Most common cause of loss is theft or armed robbery. There are five major covers granted under this policy and they are briefly explained below.

- Transit cover: This provides cover for the movement of money from one location to the other e.g. from the insured's premises to the bank and vice versa. The cover begins from the point of loading the money into the insured's vehicle or a bullion van and terminates when the vehicle reaches its destination, and the money is safely delivered to the recipient.

- **Money in safe cover:** This provides cover for the loss of money in the safe or strong room whilst in the insured 's premises and during business hours and after business hours.
- **Money on premises cover:** This provides cover for the loss of money not in the insured's safe but on the premises. It is required that money not paid out same day is returned to the safe or strong room.
- **Damage to safe cover:** This provides cover for the damage or destruction of the safe as a consequence of theft or attempted theft. It should be known that damage to safe must be physical.
- **Money in personal custody cover:** This provides cover for the loss or theft of money in the personal custody of the insured's employees for business transactions or while kept in their homes. For this type of cover, it is required that the names of such employees or their positions be stated.

Basis of Rating/Minimum Premium

BANK -	PRAN Guidelines		
NON-BANKS -	CIT	0.085% -	0.045%
	CIS	1% -	0.55%
	COP	1% -	0.55%
	COP	2.5% -	0.85% x 0.1%
	DTS	0.85% -	0.35%

Minimum Premium N5,000.00

Fidelity Guarantee Insurance: Fidelity Guarantee Insurance Policy indemnifies the insured employer against losses sustained through any act or acts of fraud committed by the insured's employees. That is, the risk of an employee's infidelity is being transferred to the insurance company.

Basis of Rating/Minimum Premium

BANK -	PRAN Guidelines
NON-BANKS -	1% - 0.045%
	1% - 0.55%

Minimum Premium N5,000.00

Good in Transit Insurance: This is to cover the insured goods against loss or damage by any accident or misfortune while in transit, or while in the course of loading and on to or un-loading from the conveyance, or while temporarily housed in the ordinary course of transit as stated in the schedule of the policy. Goods of all nature inclusive of Petroleum Products except Fragile Perishable, Inflammable Goods and Explosives. The Delicate Goods Exclusion Clause takes care of this in the schedule of the policy. However, Fragile and Perishable goods can be accepted on an accommodation basis but on special terms to be agreed with the proposer.

Basis of Rating/Minimum Premium

The rating after assessing the risk information made available by the Proposer as stated above is based on the Estimated Annual carrying which is determined by the value of total transits for one year (for annual policies) or value/sum insured of goods (for single transit policies)

Motor Insurance: Our Motor Policy provides the following types of cover: -

- **Comprehensive Cover:** Damage to the insured's vehicle as a result of accidental collision or overturning, fire, and theft. Legal liability to Third Parties for death, bodily injury, or damage to their property. Limited medical expenses.
- **Third-Party Fire & Theft:** This covers the insured's Legal liability to Third Parties for death, bodily injury, or damage to their property and the insured's vehicle if stolen or damaged by fire.
- **Third Party Only:** This covers the insured Legal liability to Third Parties for death, bodily injury, or damage to their property up to the limit of N1, 000,000.00 and bodily injury (Unlimited).

Basis of Rating (use of the Nigerian Motor Tariff)

- Private Motor: 10% of the sum insured.
- Commercial Vehicle: 11.5% (Own Goods).
- Commercial Vehicle: 12% (General Cartage & Buses).
- Motorcycle: 11.5%.

- Third-Party Fire & Theft: 60% of the comprehensive premium.

Minimum Premium

- Private Motor Third Party = N15,000.00
- Comprehensive basis; minimum value/premium N3,000,000.00/N15,000.00
- Commercial Vehicle Third Party = N20,000.00
- Comprehensive basis; minimum value/premium N5,000,000.00/N100,000.00
- Motorcycle = N 3,000.00

Bond Insurance: A bond is a document, usually signed and sealed which contains such an agreement that has force in the face of the law, and it involves three parties. So, a Bond is not a simple contract like other classes of insurance. Strictly speaking, Bond is not insurance per se but a guarantee.
Bond insurance is a financial guarantee issued by an insurance company to protect bondholders from potential losses in the event of a default by the bond issuer.

Engineering Insurance: Most Engineering policies are of “All Risks” type. This however does not mean that the policy covers all conceivable risks. Though it means a wide scope of cover for tangible loss or damage of an accidental nature, it is subject to some important exclusions e.g. wear and tear and gradual deterioration. So, what is not explicitly excluded is covered. In all cases, get acquainted with the policy document to be familiar with the exceptions.
Standard policy wordings do not often cater to every kind of risk or scope of cover required by the Insured, so, amendments to policy are usually effected by the use of endorsements to either extend, restrict, add, delete, or otherwise to meet the Clients’ requirement.

Types of Covers

- Contractors All Risks (CAR): CAR Insurance provides an “All Risks” cover – every risk not specifically excluded is covered. It means that almost all sudden and unforeseen loss or damage occurring during the period of insurance to the property insured on the construction site will be indemnified. The most common causes of losses indemnifiable under CAR insurance are Fire, Lighting, Explosion, Flood, Inundation, Earthquake, Theft/Burglary, Bad workmanship, Lack of Skill, Negligence, Human error, Wilful and Malicious acts, and Short-circuiting.
- Erection All Risks (EAR): Erection All Risks Insurance is like Contractors’ All Risk insurance in that the covers are the same. While CAR covers risk involving the construction of building and civil engineering projects, EAR deals with the erection or installation of mechanical or electrical plants. As a general rule where there are both civil and erection works in a project the predominant work in value determines the type of policy to be issued. That is, if the values of facilities to be erected exceed that of civil works, it is Ear if the other way round it is CAR.
- Machinery Breakdown (MB): Machinery Insurance is “accident” insurance on machinery. It covers unforeseen and sudden physical loss of or damage to the insured items. Typical causes for loss or damage to machinery are: Faulty design, Human failure (faulty operation lack of skill, negligence), Short circuits and other electrical causes, and Shortage of water in boilers.
- Boiler and Pressure Vessel (BPA): The policy covers the results of the explosion or collapse of the insured boiler or vessel such as; damage to the insured item itself and to other property of the insured, damage to property belonging to a third party for which the insured is liable and liability to third party for personal injuries. The risks of explosion or collapse are the cover available hence it is not an All Risks policy but rather a named policy.
- Electronics Equipment (EE): Electronic equipment insurance is an “accident” insurance on an “All Risks” basis covering losses that arise suddenly and unforeseeable and materially affect the subject matter insured.
- Plant All Risks (PR): The standard policy covers the insured construction equipment and plant against unforeseen or accidental damage from a number of risks, which include; innocent operation, negligent or malicious acts of employees, fire, lightning and explosion, burglary, and theft, collision, overturning and derailment, forces of nature such as storm, flood, landslide, earthquake and volcanic eruption.

Marine Insurance

Marine Hull: This is to indemnify the assured for loss or damage by any accident or misfortune to the vessel (hull & machinery) insured under the policy. Cover may be arranged for operational risk (while the vessel is being used) or to cover the voyage risk (while the vessel is in transit from one location to another i.e. Europe – Lagos).

Marine Cargo (Single cover & Open cover): This is to indemnify the assured for loss or damage to the goods insured during a voyage from the overseas point of loading and while in transit up to delivery at the destination final warehouse. Cover can be arranged on an open-cover basis for importers that ship goods regularly or single transit/one-off cover for small-time importers.

Appendix 2: Organisational Structure