



CONTINENTAL REINSURANCE PLC

Financial Condition Report as at 31 December 2023

June 2024

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1 Executive Summary

1.1. Introduction

Continental Reinsurance Plc ("Continental Re (Plc)") has contracted Zamara Consulting Actuaries (Nigeria) Limited, ("Zamara") to provide actuarial services in an Appointed Actuary capacity. The Financial Condition Report ("FCR" or "this report") is part of the actuarial services to be offered by Zamara to Continental Reinsurance Plc.

The FCR sets out the results of the analysis of the financial condition of Continental Reinsurance Plc as at 31 December 2023. Jay Kosgei, FIA, will sign off on the FCR. This report is prepared with an understanding that it will be submitted to the National Insurance Commission ("NAICOM").

Continental Reinsurance Plc writes both life and non-life reinsurance business, underwritten in the Company's offices in Lagos and Tunis.

Continental Reinsurance Plc has successfully adopted the IFRS 17 standard in the inaugural year for reporting under this new framework for insurance contracts. To facilitate a seamless transition and ongoing operations under a Business as Usual ("BAU") model, the company has significantly invested in relevant technology and human resources. Below is a summary of the key steps undertaken:

- **Actuarial and Accounting Processes:** Continental Reinsurance Plc's contracts and financial data available supports the use of the simplified measurement method, the Premium Allocation Approach ("PAA"), with contracts that span over one-year periods having passed the PAA eligibility test. Continental Reinsurance Plc has also incorporated the allowance for discounting and risk adjustment within its calculation of the Liability for Incurred Claims ("LIC").

Continental Reinsurance Plc has successfully presented its accounts in the IFRS 17 format by restating the 2021 and 2022 balances, which have been used as comparatives in the 2023 accounts. The accounts comply with the required disclosures for the standard and present reinsurance and retrocession contracts separately as expected.

In the figure below we provide a breakdown of the key changes in the Profit and Loss statement ("P&L") and Balance Sheet with the transition from IFRS 4 to IFRS 17 reporting.

PAA – IFRS 17 P&L	IFRS 4 P&L
Insurance Service Revenue	Insurance Service Revenue
Earned Premium	Gross Written Premium Change in UPR
Insurance Service Expense	Insurance Service Expense
Actual Claims and Expenses Incurred Increase in Losses (Change in Loss Component) Expected Release of Incurred Claims Reserves (IBNR & OCR) over the current year Expected Release of RA in Incurred Claims over the current year Increase in PV of incurred claims relating to prior years. Newly incurred claims over the current period DAC release	Paid claims and management expenses Increase/Decrease in Loss Component Change in IBNR and OCR Increase/Decrease in DAC
Investment Income	Investment Income
Actual investment income	Actual investment income
Insurance Finance Expense	Insurance Finance Expense
Finance Effect for Incurred claims	N/A
PAA – IFRS 17 Balance Sheet	IFRS 4 Balance Sheet
Liability for remaining coverage (LRC) <ul style="list-style-type: none"> Unearned Premium Reserve (UPR) (Deferred Acquisition Cost) (DAC) Loss Component 	Liability for remaining coverage (LRC) <ul style="list-style-type: none"> Unearned Premium Reserve (UPR) Retrocession Share of (Deferred Acquisition Cost (DAC) AURR
Liability for Incurred Claims (LIC) <ul style="list-style-type: none"> BEL for Incurred Claims (OCR+IBNR) (Time Value of Money) (TVOM) Risk Adjustment for Incurred Claims 	Liability for Incurred Claims (LIC) <ul style="list-style-type: none"> BEL for Incurred Claims (OCR+IBNR)
Asset for Remaining Coverage (ARC) <ul style="list-style-type: none"> Retrocession Share of Unearned Premium Reserve (UPR) (Retrocession Share of Deferred Acquisition Cost) (DAC) Retrocession Share of Loss Component 	Asset for Remaining Coverage (ARC) <ul style="list-style-type: none"> Retrocession Share of Unearned Premium Reserve (UPR) Deferred Acquisition Cost (DAC) Retrocession Share of AURR
Asset for Incurred Claims (AIC) <ul style="list-style-type: none"> Retrocession Share of BEL for Incurred Claims (Retrocession Time Value of Money) (TVOM) Retrocession Share of Risk Adjustment for Incurred Claims 	Asset for Incurred Claims (AIC) <ul style="list-style-type: none"> Retrocession Share of BEL for Incurred Claims

- The insurance revenue under IFRS 17 consists of the written premium and the movement in the IFRS 4 premium reserve. It represents the PAA premium reserve release.
- In line with the IFRS 17 requirement for holding a risk adjustment reserve, i.e., a margin over and above the Best Estimate Liability ("BEL") for uncertainty (non-financial risks) in the claims and discounting the incurred claims under the PAA measurement methodology, the change in incurred claims is computed as the sum of:

Expected release of Incurred claims reserves and risk adjustment over the current year which constitutes Continental Reinsurance Plc's expectations of the claims incurred reserve (including risk adjustment) expected to cater for claims incurred over the current period (2023) based on the projection assumptions as at the end of the previous period (2022). This amount is accounted for as an expense in the IFRS 17 P&L accounts;

Newly Incurred Claims reserve over the current year which comprises a reserve set up in respect of newly incurred claims for business underwritten or earned over the current year (2023);

Change (Increase/Decrease) in PV and RA for Incurred Claims liability relating to prior years which refers to the change in incurred claims reserves relating to the previous year (2022) and prior, compared to expected, based on any review of reserving assumptions in the current year (2023);

Finance Effect for Incurred claims relates to the investment income expected over the 2023 based on the discount rate assumptions underlying the reserves as at 2022.

The other items in the P&L largely remain the same as they were under IFRS 4. We note that while the P&L items affect the profitability patterns, the balance sheet items affect Continental Reinsurance Plc's net assets.

- **People:** Continental Reinsurance Plc has an internal actuarial function that is capable of conducting actuarial valuations in line with the IFRS 17 requirements, having been part of the entire implementation process with the implementation partner, the review and quality assurance process with the external actuary, and the IFRS 17 audit process with the external auditor. The actuarial function works closely with the appointed actuary in the actuarial valuations, and the internal financial reporting function in IFRS 17 reporting so as to satisfy the granularity of the reporting requirements. The internal actuarial and financial reporting functions will play a critical role in the transition to the IFRS 17 BAU model, with key reporting areas such as the strategy and identification key performance indicators being some of the key items that will need to be updated.
- **Products and contract aggregation:** Continental Reinsurance Plc's financial reporting calculations are based on the aggregation of insurance contracts based on the similarity of risks insured, year of inception and the degree of profitability.
- **Systems:** Continental Reinsurance Plc has acquired the Prophet and Risk Integrity software for use internally. The Company relies on the software to produce IFRS 17 accounts with the required disclosure requirements.

Zamara has conducted a quality assurance review of Continental Reinsurance Plc's implementation process and is comfortable with the approach adopted by the Company. The sections that follow therefore report the financial condition of Continental Reinsurance Plc in line with the IFRS 17 standard.

The FCR is limited to the Continental Reinsurance Plc information only. It does not relate to the entire Continental Reinsurance Limited Group.

1.2. Financial Summary

The financial performance for the financial period 1 January 2023 to 31 December 2023 is summarised below. The corresponding statistics for the previous financial year are included for comparative purposes.

Business Performance	31 December 2023			31 December 2022		
	Non-Life	Life	Total	Non-Life	Life	Total
	NGN '000	NGN '000	NGN '000	NGN '000	NGN '000	NGN '000
Reinsurance Service Revenue (<i>Gross Earned Premium</i>)	40,713,236	6,064,502	46,777,738	33,529,122	5,242,674	38,771,796
Reinsurance Service Expenses						
Gross Incurred Claims	16,827,751	3,016,185	19,843,935	16,614,087	2,201,114	18,815,201
Gross Acquisition Costs	11,254,461	1,505,996	12,760,458	7,991,757	1,473,370	9,465,127
Underwriting Expenses	3,925,189	700,192	4,625,380	3,112,759	263,296	3,376,054
Increase in Losses on Onerous Contracts	2,593	(1,215)	1,378	12,709	1342	14,051
Reinsurance Service Result	8,703,243	843,344	9,546,587	5,797,811	1,303,552	7,101,363
Retrocession Service Expense (<i>Earned Ceded Premiums</i>) ²	(6,748,903)	(1,533,082)	(8,281,985)	(6,627,321)	(915,430)	(7,542,751)
Retrocession Service Revenue (<i>Retrocession Recoveries</i>)						
Incurred Claims Recovery	2,076,260	1,383,377	3,459,637	2,109,836	700,047	2,809,883
Retrocession Service Result	(4,672,643)	(149,705)	(4,822,348)	(4,517,485)	(215,383)	(4,732,868)
Reinsurance Service Result after Retrocession	4,030,600	693,640	4,724,240	1,280,327	1,088,169	2,368,496
Investment Result ¹	13,757,291	1,572,032	15,329,323	2,563,998	274,872	2,838,870
Net Reinsurance and Investment Result	17,787,890	2,265,672	20,053,562	3,844,325	1,363,041	5,207,365
Non-Insurance Income and Expenses	(1,027,452)	(54,434)	(1,081,886)	(614,677)	(148,646)	(763,323)
Profit before tax	16,760,438	2,211,238	18,971,676	3,229,648	1,214,395	4,444,043
Income Tax Expense	(4,441,339)	(13,231)	(4,454,570)	(426,697)	(1,929)	(428,626)
Profit after tax	12,319,099	2,198,007	14,517,106	2,802,951	1,212,466	4,015,417

¹The investment result shown here consists of the investment income net of the losses/gains due to the currency movements and the reinsurance finance income/expenses

²includes movement in deferred commission income

We observed the following under Continental Reinsurance Plc's Profit and Loss Statement

a) Reinsurance Service Result

The Reinsurance Service Result increased from the levels attained in 2022 by NGN 2.4 billion, from NGN 7.1 billion in 2022 to NGN 9.5 billion in 2023. This was mainly attributed to increase in the reinsurance service revenue as highlighted below.

During the year the Reinsurance Service Revenue increased by 20.6% mainly driven by an increase in the earnings from the Fire portfolio from NGN 16.1 billion in 2022 to NGN 21.1 billion in 2023.

On the other hand, the Reinsurance Service Expenses increased from NGN 31.7 billion to NGN 37.2 billion with a notable increase of NGN 3.3 billion in Acquisition costs for the year 2023 largely from the non-life business. This is commensurate with the top line growth observed.

b) Retrocession Service Result

The Retrocession Service Cost (Earned Ceded Premiums) increased from NGN 7.5 billion in 2022 to NGN 8.3 billion in 2023 mainly attributable to the Fire Portfolio which recorded an increase of 840.8 million.

The Retrocession Service Revenue increased in 2023 as a result of an increase in the incurred claims recovery by NGN 649.8 million.

Consequently, the Reinsurance Service Result after Retrocession increased from the levels attained in 2022 by NGN 2.3 billion, from NGN 2.4 billion in 2022 to NGN 4.7 billion in 2023.

c) Investment Result

Furthermore, there was an improvement in the IFRS 17 profit driven by the 439.9% increase in the investment position as a result of favourable returns from Foreign Exchange Gains and Government securities.

d) Overall Profit

Overall, the profit after tax increased by NGN 10.5 billion, from NGN 4.0 billion in 2022 to NGN 14.5 billion in 2023 largely driven by the improved investment performance during the year.

Additional details on the financial performance of the company can be found in section 3.6.

1.3. Financial Position

The following is a comparative summary of the Continental Re (Plc)'s balance sheet over the last two years, with the 2022 accounts being restated following the adoption of IFRS 17 Standard:

Financial Position	31-Dec-23	31-Dec-22*
	Combined	Combined
	NGN '000	NGN '000
Cash and cash equivalents	25,683,522	11,246,049
Investment in Subsidiary	6,123,109	6,123,109
Quoted Equities	896,010	421,395
Unquoted Equities	1,336,382	631,971
Debt Instruments	29,410,143	17,782,034
Loans and Other receivables	4,068,655	2,802,542
Real Estate Investment	2,030,023	1,849,900
Statutory Deposit	1,000,000	1,000,000
Total Invested Assets	70,547,844	41,857,000
Retrocession Contract Assets	7,949,296	4,806,842
Reinsurance Contract Assets	0	0
Other Assets**	6,266,096	4,098,117
Total Assets	84,763,236	50,761,959
Reinsurance Contract Liabilities	30,644,522	15,571,135
Retrocession Contract Liabilities	256,662	104,777
Other Liabilities	7,081,103	3,513,577
Total Liabilities	37,982,287	19,189,489
Net Assets	46,780,949	31,572,470

*restated following adoption of the IFRS 17 Standard

**Other Assets Includes other assets, right of use asset, intangible assets, property, plant & equipment

As seen above, the Net Assets increased from NGN 31.6 billion in 2022 to NGN 46.8 billion in 2023, representing a 48.2% increase. This was mainly driven by the 140.9% increase in the retained earnings reserve occasioned by the company's ability to sustain profitability.

Overall, the Total Assets increased by 67% from NGN 50.8 billion in 2022 to NGN 84.8 billion in 2023 while Total Liabilities increased by 98% from NGN 19.2 billion in 2022 to NGN 38.0 billion in 2023 largely attributable to the increase in the liability for incurred claims.

The Net Reinsurance Contract Liabilities increased from NGN 15.6 billion in 2022 to NGN 30.6 billion in 2023 while the Net Retrocession Assets increased from NGN 4.7 billion to NGN 7.7 billion.

Overall, the company's return on equity ("ROE") significantly improved from 12.9% in 2022 to 37.1% in 2023, which is above the management's target ROE of 16.0% per annum.

1.4. Summary of Key Observations

We observed the following changes in Continental Re (Plc)'s business in the following areas:

- a) **Profitable Growth** – It is noted that the company observed a 20.6% increase in the Reinsurance Service Revenue which increased from NGN 38.8 billion in 2022 to NGN 46.8 billion in 2023. In light of this, the company still managed to record an improvement in the combined ratio from 81.6% to 79.6% which led to an improved profitability position, which was commendable.
- b) **Improved Claims Experience** – The company's gross incurred loss ratio decreased from 48.5% in 2022 to 42.4% in 2023, representing an improved claims experience in 2023.
- c) **Expenses and Commissions** – The company's gross expense ratio increased from 8.7% in 2022 to 9.9% in 2023 while the gross commissions ratio also increased from 24.4% in 2022 to 27.3% in 2023. This was occasioned by the increased top line growth hence more contributions by the premiums towards meeting fixed costs.
- d) **Regulatory Solvency Position** – The Company meets the regulatory capital requirements as demonstrated in section 4.4 of this report. Continental Re (Plc) has improved its solvency position with the capital adequacy ratio increasing from 217.0% in 2022 to 350.6% in 2023.
- e) **IFRS 17 Compliance** – As highlighted in section 1.1, Continental Re (Plc) has made considerable investments in appropriate technology and human capital to ensure a smooth process as it transitions to IFRS 17 reporting. The company has acquired systems and reviewed the reporting and actuarial process to comply with the requirements of the IFRS 17 Standard. In particular, the company has produced the 2023 financials and restarted the 2022 financials in line with the IFRS 17 requirements.

1.5. Material Risks Identified

The following summarises the key risks faced by Continental Re (Plc), as well as their impact and implications, based on our reviews as the Appointed Actuary:

- **Insurance Risk** –The three main sources of insurance risk that we have observed are: catastrophe risk, retrocession risk and underwriting risk.

a) Catastrophe Risk

Catastrophe Risk is defined as the risk related to the occurrence of high-severity and low-frequency events.

Some of the risks passed on from direct insurance companies to reinsurance companies are:

- Exposure to individual large losses
- Losses arising from aggregation of risks
- Volatility (uncertainty) in the portfolio

Catastrophes greatly increase the magnitude of the above risks because of their unusual severity. Consequently, due to the nature of its business, Continental Re (Plc) is greatly exposed to catastrophe risk.

b) Retrocession Risk

Due to the exposure to individual large risks, aggregation of claims and volatility, it is crucial for the company to have an adequate retrocession programme in place. An inadequate retrocession cover has the risk of not offering enough protection in the event of unusual losses. We note that the company conducts a retrocession optimisation exercise annually to ascertain the adequacy of its retrocession arrangements.

c) Underwriting Risk

We note that the company recorded a slight improvement in the combined ratio from 81.6% in 2022 to 79.6% in 2023 due to a decrease in the loss ratios from 48.5% in 2022 to 42.4% in 2023. This reduction in loss ratios reflects a more favourable balance between premiums earned and claims incurred, which enhances the overall profitability. However, it is important to continue monitoring underlying risk factors and market conditions to ensure that this trend is sustainable and not merely a result of short-term fluctuations. Maintaining rigorous underwriting standards and adjusting to emerging risks will be key to sustaining this positive momentum.

- **Foreign Exchange Risk** – Continental Re (Plc) faces the risk of currency mismatch between its assets and liabilities. Assets are invested in local currencies whereas the company's liabilities may be denominated in several currencies across the various jurisdictions in which the Company operates. Nevertheless, foreign exchange risk with respect to Asset Liability Matching is lessened by the company currently holding more dollars to minimise the effect of currency fluctuations.

The company should continually monitor this movements and always ensure proper matching as the foreign exchange losses or gains have had a material impact on the company's performance in the recent past as highlighted in section 3.6 of this report.

- **Information Technology ("IT") risk** – Continental Re (Plc), runs on two IT systems:
 - **SICS Property & Casualty ("SICS")** – This is a fully integrated non-life reinsurance administration application, for insurers and reinsurers. This is the core IT system.
 - **Sage X3 financial ("Sage")** – This covers financial, personal, cost and budget accounting, commitments, and fixed assets. It can also handle transfers and reporting of information from one country to another, and between subsidiaries and their headquarters. This is the core accounting system.
 - **Prophet (Actuarial Software)** – An actuarial Software solution, capable of advanced modelling and analytics. It is used in the effective assessment and management of insurance risks.
 - **Risk Integrity (IFRS 17 Engine)** – A dedicated IFRS 17 Solution for IFRS 17 compliance. It is useful in performing contract classification, measurement and reporting, disclosure management and allows for integration capabilities with other systems such as SICS.
 - **SAP (HR Management System)** – A solution that efficiently manages human resources, improves employee experience and supports strategic decision-making.

The separation of the core IT system (SICS) from the accounting system (Sage) introduces the risk of incompatible information between the systems. Continental Re (Plc) informed us that one of the main differences in these systems relates to foreign exchange conversion.

In this modern world, there are also data breaches that are faced by companies. These data breaches present both a direct risk (risk of losing data) and an indirect risk (business interruption) to companies. Possible measures to combat these risks have been discussed in the next section.

- **Group Risk** – The table below shows the underwriting result for Continental Re (Plc) per branch in 2023:

Branch	Underwriting Result
	NGN '000
Lagos	2,707,991
Tunis	2,016,248
Total	4,724,240

As highlighted in the table above, the profitability from the Lagos branch was the main profit driver of Continental Re (Plc)'s overall profitability. Conversely, any huge losses in one region could adversely affect the profitability of the group.

The results above highlight the risk of Continental Re (Plc)'s financial performance being affected by the performance of one or more branches within the group.

1.6. Recommendations

1.5.1 Addressing Underwriting Risk

The Company should mitigate the underwriting risk by continuously monitoring existing portfolios, reprice, or drop loss making portfolios among the existing ones, and ensure that new portfolios of business being onboarded are profitable.

The company should also regularly carry out an actual versus expected claims analysis on the current reserve estimates to ensure that any deterioration noted is correctly timely.

Addressing Insurance Risk

The company should review its reinsurance contracts with cedants (insurers) in conjunction with its retrocession contracts with retrocessionaires to protect its financial position from the risk of catastrophes. The company should also consider reviewing the retention limits for both inward reinsurance business and outward retrocession business to control its exposure to catastrophic events.

In addition, the requirement under IFRS 17 Standard to have the insurance result presented separately from the reinsurance result will ensure that the performance of the reinsurance contracts are separately tracked and monitored.

Managing Credit Risk

We recommend that the Company implements stricter credit control policies for timely collection of premiums. Continuous reviews of credit control policies in place will be required especially considering adoption of Risk Based Capital supervision which could impose high charges on premium debtors. This risk is further accentuated by the application of IFRS 9 as high levels of uncollected premiums leads to a higher expected credit loss assumptions on the impairment models.

In addition, adequate allowance should be made for impairment of the reinsurance receivables asset to arrive at a realistic view of the value of reinsurance receivables.

Addressing Inflation & Foreign Exchange risk

The Company should monitor the asset liability position by performing cashflow projections of the assets and liabilities allowing for expected currency movements. Sensitivities should be performed for different scenarios and adequate capital set aside to cushion against any losses arising from currency mismatch.

The company should continually monitor this movements and always ensure proper matching as the foreign exchange losses or gains have had a material impact on the company's performance in the recent past as highlighted in section 3.6 of this report.

Minimising IT risk

We urge Continental Re (Plc) to monitor and address any gaps that may be caused by running its IT systems. This should ideally be a ground-up exercise where all internal processes relating to the IT systems are analysed to identify any areas that need improvement.

In addition, we urge the company to consider regularly carrying out exercises which assess the company's ability to deal with data breaches e.g., penetration testing. This can be done as part of a comprehensive cyber audit. Continental Reinsurance Limited (Group) carry out various exercises and simulations to improve cyber security. We urge management to continue carrying out these exercises in future.

Managing Group risk

Whereas the company has policies that apply to the group, Continental Re (Plc) should carry out an assessment of business operations in each branch separately. This assessment should be as granular (detailed) as possible. The aim of carrying out this exercise would be to make sure that Continental Re (Plc) is not over-exposed to losses from any branch.

1.7. Status of Prior Year Recommendations

The following is a summary of the status of the key recommendations made in the 2022 FCR:

Recommendation	Status	Comment
Insurance Risk		Despite the improvement in the incurred loss ratios and an improvement in the impact of the retrocession arrangements in 2023, the company is exposed to catastrophe risk and retrocession risk owing to its risk profile. This remains an area that requires close monitoring.
Regulatory Risk		Continental Re (Plc) developed and adopted IFRS 17 policy choices in compliance with the IFRS 17 Standard. In addition, the company has produced the 2023 financial statements and restated the 2022 financials in compliance with the Standard's requirements.
Credit Risk		The company is still exposed to counterparty risk as evidenced by the receivables and payables relating to the reinsurance contracts issued and held.
Currency Risk		Continental Re (Plc) still faces the risk of currency mismatch between its assets and liabilities and should ensure continued review to ensure movements in the currencies does not present significant liquidity challenges to meet liabilities if and when they fall due.
Group Risk		There is the risk of Continental Re (Plc)'s financial performance being affected by losses incurred in one or more branches.

Key:

Colour	Status	Meaning
Red		Needs immediate action.
Amber		Continues to be an area of focus.
Green		No longer a point of focus.

1.8. Conclusion

I, Jay Kosgei, certify that, as at 31 December 2023, this Financial Condition Report for Continental Reinsurance Plc has been prepared in accordance with the prudential guidelines for Insurance Institutions in Nigeria issued by the National Insurance Commission ("NAICOM") as well as generally accepted actuarial principles.



Jay Kosgei
Fellow of the Institute and Faculty of Actuaries
Financial Reporting Council Number:
FRC/2021/004/00000023786

27 June 2024

2 Information Requirements

2.1. Data Obtained

The following data was used in the preparation of this Financial Condition Report.

- Audited financial statements as at 31 December 2023 for the 2023 financial year.
- Restated Financial Statement as at 31 December 2022 in the IFRS 17 format.
- Insurance Liability Valuation results as at 31 December 2023.
- Various documents relating to the company's governance structure and business plans for Continental Re (Plc), including:
 - Continental Re (Plc) General Insurance Company's Reinsurance Management Framework
 - Continental Re (Plc) Group Investment Strategy
 - Budget plan for the 2023 Financial year
 - ERM Strategy and Risk Appetite policy
 - Summaries of Retrocession Structures and underwriting limits
 - ALM Policy as well as the Investment Guide
 - Forward looking strategy and business plan.

All this data was provided by Continental Reinsurance Plc at the time of writing this report. It was assumed that the data provided by Continental Re (Plc) is correct, and so a full audit of the data provided was not conducted.

However, reconciliations of data were conducted as part of the Insurance Liability Valuation as at 31 December 2023.

Please refer to the Insurance Liability Valuation as at 31 December 2023 for Continental Re (Plc) which outlines the data provided by Continental Re (Plc) for this specific purpose and the reconciliations undertaken as part of the valuation exercise.

2.2. Reliance and Limitations

This FCR is based on the audited financial statements of Continental Re (Plc) as at 31 December 2023 as well as the business plans of Continental Re (Plc), and company information that were provided to Zamara.

Zamara also reviewed the Insurance Liability Valuation as at 31 December 2023, the results of which are summarised in section 4.1.

The report should be read in its entirety and conclusions based on certain parts of the report should not be taken out of context, which might be misleading.

Our conclusions and recommendations are based on several assumptions as to future conditions and events. These assumptions, which are documented in our report, must be understood in order to understand our conclusions in their appropriate context.

3 Business Overview

3.1. Company Overview

Continental Reinsurance Plc is a Pan-African reinsurer operating across the African continent. Incorporated in Nigeria in 1985,



Continental Reinsurance Plc writes business in more than 50 African countries, which are serviced from its six-client service centres in Nigeria (current Headquarters), Botswana, Cameroon, Côte d'Ivoire, Kenya, and Tunisia. Continental Reinsurance Plc also has a specialist subsidiary, Continental Property and Engineering Risk Services (CPERS), registered in South Africa that services all clients across Africa. The map shows each service centre and the countries where each centre operates in.

Continental Re (Plc) includes insurance business from the following two offices:

- Lagos (in Nigeria)
- Tunis (in Tunisia)

3.2. Shareholding Structure

Continental Re (Plc)'s shareholding structure is as shown in the table below:

Name of Shareholder	Percentage Shareholding
CRe African Investments Limited	99.99%
Other	0.01%
Total	100.0%

As shown in the table above, majority of the shares are owned by CRe African Investments Limited who claim 99.99% of the shares of the company. There was no change in the shareholding structure from the previous year's structure.

3.3. Macro-Economic Environment

The Gross Domestic Product ("GDP") is the total value of all goods and services produced within a year in a country. GDP growth (annual change in GDP) is a common economic measure used to compare the development of an economy between different years.

As highlighted in section 3.1, Continental Re (Plc) has offices in 2 countries. The table below shows the GDP growth in 2022 and 2023 for each of these countries. Other regions have also been shown for comparative purposes.

Annual GDP Growth	2023	2022	2021
Nigeria	2.9%	3.2%	3.6%
Tunisia	0.4%	2.2%	3.3%
Africa	3.2%	3.7%	4.8%
Sub-Saharan Africa	2.7%	3.6%	4.7%
North Africa	2.9%	4.1%	5.3%
World	3.2%	3.2%	6.0%

*Data obtained from International Monetary Fund ("IMF") World Economic Outlook (April 2024).

In 2023, both Nigeria and Tunisia's economic growth was lower than the world average. There was a decline in Annual GDP Growth from 3.2% in 2022 to 2.9% in 2023 in Nigeria and 2.2% in 2022 to 0.4% in 2023 in Tunisia. Despite this decline, Continental Re (Plc) experienced a commendable growth in top line, 20.6% increase in Gross Earned premium and 9.8% increase in the Net Earned Premium in 2023.

3.4. Nigeria Insurance Industry

The insurance regulator in Nigeria, National Insurance Commission ("NAICOM") is taking measures to grow the industry. According to NAICOM's statement of regulatory priorities dated May 2017, the Commission is looking to introduce enforcement of Compulsory Insurance which should increase uptake of insurance products.

The regulator is also in the process of implementing Risk Based Capital requirements. Currently, the solvency margin for reinsurers is NGN 10 billion. With risk-based supervision the required solvency margin is likely to change based on capital charges imposed for the various risk covered including insurance risk, market risk, credit risk and operational risk. This will be particularly crucial for insurance companies that hold large proportions of assets which attract high capital charges. Retrocession Reinsurance is likely to be recognised as a risk management tool in arriving at the required risk-based capital. Insurance Companies will therefore be better placed if they have sound and optimal reinsurance arrangements.

Following the adoption of the IFRS 17 effective 1st Jan 2023, the regulator provided guidance on key issues relating to the IFRS 17 reporting including guidance on the discount rates.

3.5. Business Mix

Business Mix by Country

Gross Earned Premium	31 December 2022	31 December 2022	Revenue Growth
	NGN '000	NGN '000	%
Lagos	34,283,637	29,115,884	17.7%
Tunis	12,494,101	9,655,912	29.4%
Total	46,777,738	38,771,796	20.6%

From the table above, the largest share of premium revenue comes from the Lagos office. This represents about 73.3% of the total earned premium while the Tunis office contributed 26.7% to the Gross Earned Premium in 2023.

Business Mix by Class of Business

Continental Re (Plc) underwrites all statutory classes of business (Aviation, Engineering, Fire Domestic, Fire Industrial, Public Liability, Marine, Motor Private, Motor Commercial, Personal Accident, Workmen's Compensation, Theft, Miscellaneous and Medical) for Non-Life re-insurance business and in 2020, the company began writing Life re-insurance business. However, the classes are combined for record-keeping and reporting purposes into the following classes:

- **Other Accident** – Accident, Banker's Blanket Bond, Bonds, Bonds & Guarantee, Bonds / Caution, Combined workmen's Compensation/GPA, Commercial Crime, Court bonds/ Judicial bonds, Credit Insurance, Cyber Risk, Fidelity, Fidelity Guarantee, Fidelity Guaranty, General Accident, General bonds, Globale de Banque, Goods in transit, Group Personal Accident, Loss of Employment, Miscellaneous, Miscellaneous Accident, Money, Personal Accident, Theft, Theft/Burglary, and Travel Insurance.

- **Agriculture** - Agriculture, Crop, Livestock, Animal, Area Yield Index Insurance (AYII), Livestock Index Insurance, Multi-Peril Crop Insurance (MPCI), Forestry/Tree Crop Insurance, Bloodstock, Aquaculture Insurance, Weather Index Insurance (WII), Birds & Poultry, Pets Insurance, Bloodstock/Horse Insurance, Named Peril Crop Insurance, Hardcover Livestock Insurance, and Single Animal Livestock Insurance.
- **Energy** - Energy, Oil and Gas, Oil & Energy, Oil & Energy - Combined Operation, MB & Liability, and Oil & Energy Construction.
- **Engineering** - Engineering, CAR, Annual Contractors All Risk, Machinery LOP, Machinery Breakdown, ALOP, Boiler Pressure Vessel, Electronic Equipment, EAR, Annual Erection All Risk, Contractors All Risk, Comprehensive Machinery Insurance, Contractors Plant and Machinery, Plant All Risks, Decennial Liability, Erection All Risk, Computer All risks, Advanced Loss of Profit/Delay-in-startup, and Civil Engineering Completed Risks.
- **Fire** - Political Risks, Micro Insurance, PVT, Political Violence & Terrorism, Fire, Fire Domestic, Fire Industrial, Terrorism, Political Risks, Violence & Terrorism - Material Damage, Fire and Allied perils, Operational power plants, Water Damage, War & Civil War (Business Interrupt/Physical Damage), Breakage of Glass, Business Interruption, Flow risk, Riot & Civil Commotion, & Expropriation.
- **Liability** - Credit trade insurance, Liability, Motor, Professional Indemnity, Workmen Compensation, Motor Commercial, Motor Private, Domestic Insurance, Motor, Other General Liability, Motor Liability, Director & Officers, Motor Trade, Long term credit insurance, Port Liability, Bailee Liability, Short term business/Single buyer, Employers Liability, TPL, Motor Cycle, Export credit insurance, Public Liability, Others, Warehousing Liability, Middle & Long term credit Insurance, Motor Contingent Liability, and Other Liability.
- **Marine** - Marine, Aviation, Marine Cargo, Marine Hull, Marine: Cargo & Hull, Aviation Hull, Aviation Liability, Hull Deductible, Marine Liability, Marine Open Cover, Other Transits, Marine Third-Party Liability,
- **Medical** – This purely relates to medical business. For the previous valuations, this class was part of the Accident class. The accident class has since been split into Medical and other Accident.

For IFRS 17 grouping, the company adopted the following portfolios in line with the existing classes of business:

- Fire
- Engineering
- Energy
- Accident
- Marine
- Liability
- Agriculture
- Medical
- Life

Retrocession

The table below shows the business mix by type of reinsurance. Previous year's statistics have been included for comparative purposes.

Class of Business	Type of Retrocession Year on Year	
	2023	2022
Treaty	59.3%	56.3%
Facultative	40.7%	43.7%
Total	100.0%	100.0%

As shown in the table above, the proportion of Treaty Retrocession Cover increased from 56.3% in 2022 to 59.3% in 2023. Subsequently, Facultative business decreased from 43.7% in 2022 to 40.7% in 2023.

3.6. Year-on-Year Financial Performance

The table below gives comparative details of the performance of Continental Re (Plc)'s portfolio over a two-year period. Further, the key underwriting ratios are analysed and discussed.

Business Performance	31 December 2023			31 December 2022		
	Non-Life	Life	Total	Non-Life	Life	Total
	NGN '000	NGN '000	NGN '000	NGN '000	NGN '000	NGN '000
Reinsurance Revenue	40,713,236	6,064,502	46,777,738	33,529,122	5,242,674	38,771,796
Reinsurance Service Expenses						
Gross Incurred Claims	16,827,751	3,016,185	19,843,935	16,614,087	2,201,114	18,815,201
Gross Acquisition Costs	11,254,461	1,505,996	12,760,458	7,991,757	1,473,370	9,465,127
Underwriting Expenses ²	3,925,189	700,192	4,625,380	3,112,759	263,296	3,376,054
Increase in Losses on Onerous Contracts	2,593	(1,215)	1,378	12,709	1,342	14,051
Reinsurance Service Result	8,703,243	843,344	9,546,587	5,797,811	1,303,552	7,101,363
Retrocession Service Result	(4,672,643)	(149,705)	(4,822,348)	(4,517,484)	(215,383)	(4,732,868)
Reinsurance Service Result after Retrocession	4,030,599	693,640	4,724,239	1,280,326	1,088,169	2,368,495
Investment Result	13,757,291	1,572,032	15,329,323	2,563,998	274,872	2,838,870
Net Insurance and Investment Result	17,787,890	2,265,672	20,053,562	3,844,325	1,363,041	5,207,365
Non-Insurance Income and Expenses	(1,027,452)	(54,434)	(1,081,886)	(614,677)	(148,646)	(763,323)
Profit before tax	16,760,438	2,211,238	18,971,676	3,229,648	1,214,395	4,444,043
Income Tax Expense	(4,441,339)	(13,231)	(4,454,570)	(426,697)	(1,929)	(428,626)
Profit after tax	12,319,099	2,198,007	14,517,106	2,802,951	1,212,466	4,015,417
Reinsurance Claims Loss Ratio ³	41.3%	49.7%	42.4%	49.6%	42.0%	48.5%
Expense Ratio ⁴	9.6%	11.5%	9.9%	9.3%	5.0%	8.7%
Reinsurance Commissions Ratio ⁵	27.6%	24.8%	27.3%	23.8%	28.1%	24.4%
Reinsurance Combined Ratio ⁶	78.6%	86.1%	79.6%	82.7%	75.1%	81.6%

³Reinsurance Claims Loss Ratio- Computed as gross incurred claims divided Reinsurance Revenue.

⁴Expense Ratio- Computed as attributable expense divided by Reinsurance Revenue

⁵Reinsurance Commission Ratio - Computed as gross acquisition cost divided by Reinsurance Revenue

⁶Combined Ratio - Computed as a total of the ratios above

From the table overleaf, we noted the following changes in the business vis a vis the drivers of profitability:

- **Increase in the Reinsurance Revenue-** The Reinsurance Service Revenue for the combined portfolio increased from approximately NGN 38.8 billion as at 2022 to NGN 46.8 billion in 2023 which was mainly driven by an increase in the earnings from the Fire portfolio from NGN 16.1 billion in 2022 to NGN 21.1 billion in 2023
- **Increase in Reinsurance Service Expenses** – This was mainly attributable to the increase in the gross claims incurred from NGN 18.8 billion in 2022 to NGN 19.8 billion in 2023. Consequently, the claims loss ratio for the combined portfolio improved from 48.5% as at 2022 to 42.4% in 2023. The expense ratio worsened slightly from the previous year but remained relatively low at 9.9%. Further, there was a decrease in the losses on onerous contracts from the previous year by NGN 12.7 million.
- **Increase in the Reinsurance Service Result and Movement in Combined Ratios** – There was an improvement in the reinsurance service result. We note that company recorded a marginal decrease in the combined ratio from 81.6% in 2022 to 79.6% in 2023.
- **Increase in the net cost of Retrocession**– Continental Re (Plc) experienced an increase in the net cost on the retrocession contracts from NGN 2.4 billion to NGN 4.7 billion in 2023, as a result of an increase in the Retrocession Service Expenses from NGN 7.5 billion in 2022 to NGN 8.3 billion in 2023. We recommend that management should monitor this position closely by carrying out a reinsurance optimisation exercise to ensure that their capital and solvency is well protected.
- **Increase in the net investment result** – The net investment result improved by 285.1% from NGN 5.2 billion in 2022 to NGN 20.1 billion in 2023 as a result of favourable returns from Foreign Exchange Gains and Government Securities. Consequently, the profit after tax increased by NGN 10.5 billion, reaching NGN 14.5 billion in 2023.

Overall, the combined ratio marginally decreased from 81.6% in 2022 to 79.6% in 2023. This was mainly driven by the incurred loss ratio, which improved from 48.5% in 2022 to 42.4% in 2023.

3.7. Business Performance Benchmarked against the Budgeted Figures

The table below compares the actual business experience with the budgeted amounts for the financial year ending December 2023:

Business Performance	31 December 2023	
	Actual	Budget
	NGN '000	NGN '000
Gross Earned Premium	46,777,738	48,533,727
Net Earned Premium	38,495,753	38,047,109
Net Incurred Claims	16,384,299	20,126,094
Underwriting Expenses	4,625,380	4,878,131
Net Acquisition Costs	12,761,835	11,068,886
Underwriting Profit	4,724,239	1,973,999
Investment and Other Income	14,247,437	2,986,577
Profit/(Loss) before tax	18,971,676	4,960,576
Income Tax	(4,454,570)	(744,086)
Profit after tax	14,517,106	4,216,489
Net Ratios		
Claims Loss Ratio	42.6%	52.9%
Expense Ratio	12.0%	29.1%
Commissions Ratio	33.2%	12.8%
Combined Ratio	87.7%	94.8%

Consideration of the budgeted figures against the actual experience for the financial year ending 31 December 2023 was done based on the IFRS 4 budget and the assessment yielded the following insights:

- Continental Re (Plc)'s gross earned premium was lower than expected by NGN 1.8 billion. Consequently, the net earned premium was higher than the budget by NGN 448.6 million.
- The net loss ratio and the net expense ratio were lower than the budget while the net commissions ratio was higher than the budget. Overall, this led to a combined ratio that was 7.1% lower than the budgeted level.
- The actual investment income was NGN 11.3 million higher than the expected level.
- The underwriting position was lower than expected by NGN 2.8 billion due to better claims experience. In addition, the company exceeded its profit after tax target of NGN 4.2 billion by posting a profit after tax of NGN 13.4 billion.

In summary, the company was able to meet its profit after tax target mainly due to improved claims experience and higher investment returns during the year.

3.8. Business Plan

The table below shows the 2023 actual figures and the projected Profit and Loss Statement for the combined life and non-life business in 2024. The comparison in the table is based on the IFRS 17 figures:

Business Performance	2023 Actual	2024 Budget
	NGN '000	NGN '000
Reinsurance Service Revenue (<i>Gross Earned Premium</i>)	46,777,737	51,876,691
Reinsurance Service Expenses		
Gross Incurred Claims	19,843,935	26,486,334
Gross Acquisition Costs	12,760,458	13,097,451
Underwriting Expenses	4,625,380	7,199,049
Increase in Losses on Onerous Contracts	1,378	-
Reinsurance Service Result	9,546,587	5,093,857
Retrocession Service Expenses (<i>Earned Ceded Premiums</i>)	(8,281,985)	(9,467,369)
Retrocession Service Revenue (<i>Retrocession Recoveries</i>)		
Incurred Claims Recovery	3,459,637	7,235,321
Commission income	-	-
Increase in Losses on Onerous Contracts	-	-
Retrocession Service Result	(4,822,348)	(2,232,048)
Reinsurance Service Result after Retrocession	4,724,238	2,861,809
Investment Result ¹	15,329,323	4,384,485
Net reinsurance and Investment Result	20,053,562	7,246,294
Non-Insurance Income and Expenses	(1,081,886)	(1,231,801)
Profit before tax	18,971,676	6,014,493
Income Tax Expense	(4,454,570)	(902,174)
Profit after tax	14,517,106	5,112,319

¹ The investment result shown here consists of the investment income net of the losses/gains due to the currency movements and the reinsurance finance income/expenses.

The Reinsurance Service Revenue is projected to increase by NGN 5.1 billion from the current NGN 46.8 billion in 2023 to NGN 51.9 billion in 2024, a 10.9% increase. Whereas we have not been provided with the underlying basis for this projection, we believe that the targeted reinsurance service revenue is attainable.

The Reinsurance Service Expenses are projected to increase by NGN 9.6 billion in 2024 with the Gross Claims Incurred projected to increase by NGN 6.6 billion. This represents an increase of 25.7% of the Reinsurance Service Expenses. Whereas we have not been provided with the underlying basis for this projection, we believe that the targeted reinsurance service expenses are reasonable. However, we note the disproportional increase in the revenue versus the expenses resulting in a projected decrease in the reinsurance service result. The Company should aim to attain a higher growth in the revenue to maintain the growth in its profitability.

Consequently, the Reinsurance Service Result is projected to decrease by NGN 4.5 billion, a 46.6% decrease from the current NGN 9.5 billion. The reinsurance Service Result after Retrocession is projected to decrease from NGN 4.7 billion to NGN 2.9 billion over the next one year driven by a decline of NGN 2.6 billion in the Retrocession Service Revenue and an increase in Retrocession Service Expenses by NGN 1.2 billion. Whereas we have not been provided with the underlying basis for this projection, we believe that this projection is realistic.

Overall, the Profit Before Tax is projected to decline by NGN 12.9 billion in the next 1 year owing to the conservative projections in the investment result relative to the returns achieved in 2023 which were largely driven by favourable returns from Foreign Exchange Gains and Government Securities.

4 Financial Position and Management

Zamara reviewed the Insurance Liability Valuation as at 31 December 2023 for Continental Re (Plc), and this section includes a summary of this review.

The insurance liabilities and reinsurance assets were aggregated together with other insurance liabilities and reinsurance assets which were previously presented as separate line items in the financial statements. Such items include the premium receivables and payables, commissions payable and receivables, and claims recoveries etc.

4.1. Results of the Insurance Liability Valuation

Non-Life Business

The table below indicates the estimated value of Continental Re (Plc)'s insurance liabilities as at 31 December 2023. Estimates for the previous year have been included for comparative purposes.

Gross Reserves	31 December 2023	31 December 2023	31 December 2022
	Booked	Actuarial Estimate	Actuarial Estimate
	NGN '000	NGN '000	NGN '000
Liability for Incurred Claims (LIC)			
Outstanding Claims	32,367,949	32,367,949	15,294,245
Effect of Discounting	(4,761,056)	(4,761,056)	(2,326,814)
Risk Adjustment	3,357,333	3,357,333	1,996,221
Total LIC	30,964,226	30,964,226	14,963,652
Liability for Remaining Coverage (LRC)			
Unearned Premium Reserve ("UPR")	3,380,898	3,380,898	3,657,793
Deferred Acquisition Cost ("DAC")	(5,001,753)	(5,001,753)	(3,935,865)
Loss Component	28,366	28,366	12,709
Total LRC	(1,592,489)	(1,592,489)	(265,363)

The corresponding retrocession assets are as given in the table below:

Retrocession Reserves	31 December 2023	31 December 2023	31 December 2022
	Booked	Actuarial Estimate	Actuarial Estimate
	NGN '000	NGN '000	NGN '000
Asset for Incurred Claims (AIC)			
Outstanding Claims	(7,662,593)	(7,662,593)	(3,158,792)
Effect of Discounting	1,264,030	1,264,030	505,943
Risk Adjustment	(794,795)	(794,795)	(416,373)
Total AIC	(7,193,358)	(7,193,358)	(3,069,222)
Asset for Remaining Coverage (ARC)			
Unearned Premium Reserve ("UPR")	(1,644,324)	(1,644,324)	(2,294,796)
Deferred Acquisition Cost ("DAC")	1,630,048	1,630,048	978,494
Loss Component	-	-	-
Total ARC	(14,276)	(14,276)	(1,316,302)

We confirm that the Company booked the estimated liabilities as provided in the table above. Zamara is therefore satisfied that Continental Re (Plc)'s booked reserves are sufficient to cover future claims and expenses.

Further details of valuation assumptions and methodology adopted are provided in our valuation reports as at May 2024.

Life Business

The table below indicates the estimated value of Continental Re (Plc) 's gross insurance liabilities as at 31 December 2023.

Gross Reserves	31 December 2023	31 December 2023	31 December 2022
	Booked	Actuarial Estimate	Actuarial Estimate
	NGN '000	NGN '000	NGN '000
Liability for Incurred Claims (LIC)			
Outstanding Claims	865,486	865,486	706,654
Effect of Discounting	(93,271)	(93,271)	(75,230)
Risk Adjustment	89,772	89,772	85,293
Total LIC	861,987	861,987	716,717
Liability for Remaining Coverage (LRC)			
Unearned Premium Reserve ("UPR")	1,199,634	1,199,634	926,876
Deferred Acquisition Cost ("DAC")	(789,091)	(789,091)	(772,088)
Loss Component	254	254	1,342
Total LRC	410,797	410,797	156,130

The corresponding retrocession reserves are shown below.

Retrocession Reserves	31 December 2023	31 December 2023	31 December 2022
	Booked	Actuarial Estimate	Actuarial Estimate
	NGN '000	NGN '000	NGN '000
Asset for Incurred Claims (AIC)			
Outstanding Claims	(255,972)	(255,972)	(85,784)
Effect of Discounting	25,398	25,398	9,129
Risk Adjustment	(26,550)	(26,550)	(10,354)
Total AIC	(257,124)	(257,124)	(87,009)
Asset for Remaining Coverage (ARC)			
Unearned Premium Reserve ("UPR")	(227,886)	(227,886)	(322,817)
Deferred Acquisition Cost ("DAC")	12	12	93,283
Loss Component	-	-	-
Total ARC	(227,874)	(227,874)	(229,534)

We confirm that the Company booked the estimated liabilities as provided in the table above. Zamara is therefore satisfied that the company's booked reserves are sufficient to cover future claims and expenses.

Further details of valuation assumptions and methodology adopted are provided in our Life valuation report dated May 2024.

4.2. Reserve Methodology

Continental Re (Plc) calculated their reserves using the following methodologies for both life and non-life businesses:

Insurance Liabilities	Methodology	
	31 December 2023	31 December 2022
LIC		
OCR	Paid Claims Chain ladder Bornhuetter- Fergusson Expected Loss Ratio Method	Paid Claims Chain ladder Bornhuetter- Fergusson Expected Loss Ratio Method
Discounting	Yield Curve (attached in appendix)	N/A
Risk Adjustment	Value at Risk with a 75% confidence interval; estimated at an overall level (10.4%)	N/A
LRC		
UPR/DAC	365ths Method - Non-Proportional Treaty & Facultative Contracts 8ths Method - Proportional treaty contracts	365ths Method - Non-Proportional Treaty & Facultative Contracts 8ths Method - Proportional treaty contracts
URR	Fulfilment cashflows relating to unexpired duration (discounted with risk adjustment) plus DAC less UPR	Assessment of Historical Claims Experience and Combined Ratio
LRC (Pipelines)		
Pipeline premium/ Commissions	Chain ladder Method	Chain ladder Method

As seen above, the methodology employed in computing the best estimate liabilities was reviewed in line with the requirements of the IFRS 17 Standard and the measurement approach adopted by Continental Re (Plc), that is, the Premium Allocation Approach.

For the LIC, the key changes are with regards to the discounting of the future cashflows and the application of a risk adjustment margin to the discounted best estimate liabilities. For the LRC, the methodology on the estimation of the loss component presents a variation over the two years.

4.3. Reserve Sufficiency

Non - Life Business

The table below outlines the sufficiency of the non-life reserves as at 31 December 2022, by comparing the expected claims from the previous valuation with the actual claims experience in 2023:

Class of Business	Actual Claims NGN 000s	Expected Claims NGN 000s	Actual vs Expected Claims NGN 000s
Accident	993,760	1,080,541	(86,781)
Agriculture	196,488	296,844	(100,356)
Energy	640,847	229,201	411,646
Engineering	1,008,545	972,944	35,601
Fire	5,197,750	7,229,514	(2,031,764)
Liability	314,148	187,144	127,004
Marine	884,433	718,024	166,409
Total	9,235,971	10,714,212	(1,478,241)

The table above shows a favourable claims experience at an aggregate level which was mainly driven by the Fire class of business, as the actual claims were lower than expected by NGN 1.5 million at an aggregate level and NGN 2.0 billion for the Fire class of business.

Life Business

The table below outlines the sufficiency of the life reserves as at 31 December 2022, by comparing the expected claims from the previous valuation with the actual claims experience in 2023:

Figures in NGN '000		
Actual Claims NGN 000s	Expected Claims NGN 000s	Actual vs Expected Claims NGN 000s
1,104,242	1,115,955	(11,713)

The results above show a favourable claims experience as the actual experience was slightly better than the expected experience.

Zamara appropriately adjusted its assumptions in light of the emerging claims experience.

4.4. Solvency

According to regulatory requirements, reinsurers need to ensure that their Solvency Margin exceeds the maximum of 15% of the net premium income and the minimum regulatory requirement of NGN 10 billion. The Solvency Margin is calculated as the excess of admissible assets over admissible liabilities.

The Statutory Capital Adequacy Ratio (SCAR) calculated as the excess assets over regulatory capital is estimated at 350.6% as at 31 December 2023. This has increased from 217.0% in 2022 mainly due to an increase in the assets hence increased solvency margin.

The following provides a summary of the SCAR over the last two years.

Amounts in N'000	2023	2022
Total Admissible Assets	112,585,305	73,093,666
Total Admissible Liabilities	61,882,008	41,706,564
Solvency Margin	50,703,297	31,387,101
Minimum Paid up Capital	14,462,973	14,462,973
15% of Net Premium	4,647,100	5,190,679
Regulatory Capital	14,462,973	14,462,973
Statutory CAR Cover	350.6%	217.0%

We recommend that Continental Re (Plc) aligns the solvency computations based on the prepared IFRS 17 accounts pending any further guidance from the regulator.

5 Pricing and Premium Adequacy

5.1. Approach

In evaluating the adequacy of the premium rates charged, we assessed the combined ratios for the business considering prior year statistics. This was to highlight the classes of business that have been making losses over a sustained period.

5.2. Premium Adequacy

The table below indicates the values of key financial ratios for Continental Re (Plc) for the financial year ended 31 December 2023. The corresponding statistics from the previous year have been included for comparative purposes.

Financial Performance Ratios	31 December 2023	31 December 2022
Net Claims Loss Ratio	42.6%	51.3%
Expense Ratio	12.0%	10.8%
Net Commissions Ratio	33.1%	30.3%
Combined Ratio	87.7%	92.4%

**Claims ratio was computed as the net incurred claims divided by the net earned premiums.*

**Expense ratio was computed as the underwriting expenses divided by the net earned premiums.*

**Commissions ratio was computed as the net acquisition costs divided by the net earned premiums*

**Combined ratio was computed as a total of the claims loss ratio, expense ratio and commissions ratio.*

The above statistics indicate that the overall mix of exposure for Continental Re (Plc) resulted in a combined ratio of 87.7% in 2023. This represents an improvement in underwriting experience from a combined ratio of 92.4% in 2022.

The gross combined ratio cannot however be relied upon to give useful information on the appropriateness of premium rates for individual classes of business. Significant changes in the future mix of business underwritten by Continental Re (Plc) can have a material impact on the overall combined ratio and profitability of the company. We therefore assessed the appropriateness of the premiums charged per class of business as follows:

Non-Life Business

The table below summarises the combined loss ratios for Continental Re (Plc) as at 31 December 2023, per class of business:

Class of Business	Net Loss Ratio	Net Expense Ratio*	Combined Ratio
Accident	35.9%	47.5%	83.5%
Agriculture	46.4%	44.5%	90.9%
Energy	65.1%	42.8%	107.9%
Engineering	27.7%	46.6%	74.3%
Fire	48.5%	42.5%	91.0%
Liability	25.1%	58.2%	83.3%
Marine	36.0%	47.0%	82.9%

*The expenses include net commissions as well as underwriting expenses

**The classes have been regrouped to match the 2022 end-year valuation segmentation. i.e., Other Accident and Medical has been grouped under Accident.

The table below summarises the combined loss ratios for Continental Re (Plc) as at 31 December 2022, per class of business:

Class of Business	Net Loss Ratio	Net Expense Ratio*	Combined Ratio
Accident	29.0%	51.6%	80.6%
Agriculture	51.2%	77.0%	128.2%
Energy	-6.9%	38.8%	31.9%
Engineering	7.5%	49.5%	57.0%
Fire	85.3%	36.6%	121.9%
Liability	15.5%	39.5%	55.0%
Marine	34.6%	40.0%	74.6%

*The expenses include net commissions as well as underwriting expenses

**The classes have been regrouped to match the 2022 end-year valuation segmentation. i.e., Miscellaneous and Medical has been grouped under Accident, Aviation under Marine, and Workmen's Compensation under Liability.

From the tables above, the company had combined ratios of more than 90% for some classes of business notably Agriculture, Energy and Fire classes of business which could be an indicator of mispriced portfolios within these classes.

Zamara also recommends that the company embarks on a rigorous de-risking strategy where the pricing is in line with the underlying exposure for new business and the performance of the existing accounts is monitored and immediate action is taken where any deterioration is detected.

Further, we recommend that a technical pricing policy is adopted where the underwriting experience is assessed while making allowance for retrocession and investment income and weighing the expected outcome against the shareholders ROE.

Life Business

The table below shows the financial performance of the life portfolio:

Financial Performance	31 December 2023	31 December 2022
Net claims ratio	36.0%	34.7%
Expense ratio	48.7%	40.2%
Net combined ratio	84.7%	74.9%

**The expenses include net commissions as well as underwriting expenses*

These ratios indicate net combined ratios of less than 100% year on year, suggesting that the pricing of the portfolio is commensurate with the risk undertaken.

6 Asset and Liability Management

6.1. Assets

6.1.1. Asset classes

Please note that all financial results presented in this report have been derived from audited financial statements of Continental Re (Plc). Please see Section 2 for more details.

The table below shows the composition of Continental Re (Plc)'s assets across the various asset classes as at 31 December 2023. Corresponding statistics for the previous financial year are shown for comparative purposes.

Financial Position	31-Dec-23	31-Dec-22
	NGN '000	NGN '000
Cash and cash equivalents	25,683,522	11,246,049
Investment in Subsidiary	6,123,109	6,123,109
Quoted Equities	896,010	421,395
Unquoted Equities	1,336,382	631,971
Debt Instruments	29,410,143	17,782,034
Loans and Other receivables	4,068,655	2,802,542
Real Estate Investment	2,030,023	1,849,900
Statutory Deposit	1,000,000	1,000,000
Total Invested Assets	70,547,844	41,857,000
Reinsurance Contract Assets	7,949,296	4,806,842
Insurance Contract Assets	0	0
Other Assets	6,266,096	4,098,117
Total Assets	84,763,236	50,761,959
Insurance Contract Liabilities	30,644,522	15,571,135
Reinsurance Contract Liabilities	256,662	104,777
Other Liabilities	7,081,103	3,513,577
Total Liabilities	37,982,287	19,189,489
Net Assets	46,780,949	31,572,470

*Other Assets Includes right of use asset, intangible assets, property, plant, & equipment

6.1.2. Valuation of Assets

For the purposes of this FCR, all assets have been considered at 100% of fair (or market) value except for Investments in Subsidiaries. Therefore, the total assets have been considered at NGN 84.8 billion as at 31 December 2023.

6.1.3. Asset admissibility

Intangible assets are not allowed in computing solvency. The Company's intangible assets comprise 0.04% of the total assets.

6.2. Liabilities

Continental Re (Plc) underwrites the full suite of reinsurance policies aimed at the general insurance and life insurance market.

The liability profile with respect to currency will vary depending on where a cedant is domiciled. The nature and term of the liability varies across the different classes of business that Continental Re (Plc) underwrites (i.e., life or non-life reinsurance business), as well as the basis of reinsurance on which Continental Re (Plc) will underwrite a policy (i.e., losses-occurring basis or risks-attaching basis).

Nature and term of liabilities:

- Liability, Marine, and Engineering class claims are generally long tailed and may take more than 3 years to settle.
- Liability, Marine and Engineering class claims may increase with inflation, specifically court-awards and price inflation.
- Accident and Fire claims are generally reported soon after occurrence and thus are considered short tail. Fire claims, however, can take years to settle especially if they involve reconstruction of buildings.
- Life reinsurance contracts are primarily short term. However, reporting delays observed from claim triangulations indicate the liabilities can have tails as long as three to four years.

The currency, nature and term of the liabilities impact the assets that Continental Re (Plc) should be investing in to reduce the risk of a mismatch between assets and liabilities.

6.3. Asset Liability Matching and Liquidity

We attempted to match the liabilities of Continental Re (Plc) to the income inflows from their invested assets with respect to timing and amounts of the cashflows. For the timing of the liabilities, we used the general settlements pattern from the actuarial valuation projections and the expected timing of the invested assets.

Below is an analysis showing the Company's projected asset/liability profile with respect to timing and amounts

Class of Asset (NGN '000)	Time Period				
	2023	2024	2025	2026	2027+
Debt Instruments	28,713,702	259,392	39,876	267,289	129,884
Cash and Cash Equivalents	25,683,522	-	-	-	-
Equities	2,232,392	-	-	-	-
Investment Property	43,506	43,506	43,506	43,506	435,060
Total Income from Assets	56,673,122	302,898	83,382	310,795	564,944
Liabilities	0	1	2	3	4+
Net OCR and IBNR	7,261,157	8,302,657	6,310,555	4,231,481	9,079,353
Net UPR less DAC	(132,949)	(410,630)	(349,935)	(178,091)	(563,527)
Other	7,081,103	-	-	-	-
Total liabilities outgo	14,209,311	7,892,028	5,960,619	4,053,391	8,515,826
Gap	42,463,811	(7,589,130)	(5,877,237)	(3,742,595)	(7,950,883)

Continental Re (Plc) should be mindful about meeting their liquidity requirements in the medium-term as illustrated by the gap analysis above. Whereas it is expected that premiums will be received within the year to offset these cashflows demands, management should continue monitoring this position on a regular basis.

Further, we note a huge positive gap in year 2023, which implies that the company has a more than enough "near cash" assets to meet its obligations to policyholders and other counterparties if and when they fall through which is ideal owing to the nature of short-term insurance liabilities.

6.4. Investment Strategy

Continental Re (Plc) has in place an Investment Policy Statement that provides guidelines on the Company's investment strategy.

The Investment Policy Statement document defines the processes that will be involved in the management of the asset liability position as well as outlining the various stakeholders that are to be involved in these processes together with their respective responsibilities.

The Investment policy specifies the target medium-term and long-term asset allocation. The table below compares the actual asset allocation as at 31 December 2023 and 31 December 2022 against this target allocation:

Investment Class	Actual Asset Allocation*		Target Asset Allocation
	31 December 2023	31 December 2022	Long-Term
Cash and Cash Equivalents	36.4%	26.9%	30-35%
Equity Investments**	11.8%	17.1%	3-10%
Fixed income securities	47.5%	49.2%	25-36%
Real Estate investment	2.9%	4.4%	18-25%
Mutual Funds	0.0%	0.0%	0-5%
Statutory deposit	1.4%	2.4%	5-7%

*Analysis considers invested assets only

**This includes Investment in subsidiary, Quoted Equities and Unquoted Equities

From the above, the company's holdings in cash, equity investments and fixed income securities are higher relative to its target long-term asset allocation. The company's real estate and statutory deposit investments are lower than the target long-term asset allocation.

In conclusion, we recommend that Continental Re (Plc) continually monitors the current asset allocation considering its investment policy as well as the nature, term, and currency of its liabilities. In addition, management should continuously review the investment policy and allocations to ensure they are consistent with the investment climate and the Company's expected financial performance.

7 Retrocession Arrangements

7.1. Retrocession Adequacy

We carried out an assessment of the impact of reinsurance on Continental Re (Plc) 's underwriting result based on the IFRS 17 results over the last two years. We set out our findings as below:

Business Performance	31 December 2023			31 December 2022		
	Non-Life	Life	Total	Non-Life	Life	Total
	NGN '000	NGN '000	NGN '000	NGN '000	NGN '000	NGN '000
Reinsurance Service Revenue	40,713,236	6,064,502	46,777,738	33,529,122	5,242,674	38,771,796
Reinsurance Service Expenses						
Gross Incurred Claims	16,827,751	3,016,185	19,843,935	16,614,087	2,201,114	18,815,201
Gross Acquisition Costs	11,254,461	1,505,996	12,760,458	7,991,757	1,473,370	9,465,127
Underwriting Expenses	3,925,189	700,192	4,625,380	3,112,759	263,296	3,376,054
Increase in Losses on Onerous Contracts	2,593	(1,215)	1,378	12,709	1,342	14,051
Reinsurance Service Result	8,703,243	843,344	9,546,587	5,797,811	1,303,552	7,101,363
Retrocession Service Result	(4,672,643)	(149,705)	(4,822,348)	(4,517,484)	(215,383)	(4,732,868)
Reinsurance Service Result after Retrocession	4,030,599	693,640	4,724,239	1,280,326	1,088,169	2,368,495

From the table above, we note that Continental Re (Plc) has had a net gain on retrocession for the Life and non-life businesses over the two years with an improved impact of the reinsurance cost in 2023 largely driven by the improved service revenue compared to the result in 2022.

7.2. Retrocession Impact

The following table compares the loss ratio impact of the Company's retrocession programme by class of business in 2023:

Class of Business	Gross Earned Premium NGN '000	Retro Earned Premium NGN '000	Gross Loss Ratio	Net Loss Ratio	Impact of Retrocession
Accident*	4,099,336	(643,979)	39.5%	35.9%	3.6%
Agriculture	1,323,957	(221,081)	39.9%	46.4%	-6.5%
Energy	3,535,790	(1,427,549)	38.9%	65.1%	-26.2%
Engineering	4,589,966	(954,489)	32.0%	27.7%	4.3%
Fire	21,050,512	(3,090,668)	47.2%	48.5%	-1.3%
Liability	1,309,770	(59,691)	24.0%	25.1%	-1.1%
Marine	4,803,904	(351,446)	33.0%	36.0%	-2.9%
Life	6,064,502	(1,533,082)	49.7%	36.0%	13.7%
Total	46,777,737	(8,281,985)	42.4%	42.6%	-0.1%

The following table compares the loss ratio impact of the Company's retrocession programme by class of business in 2022:

Class of Business	Gross Earned Premium NGN '000	Retro Earned Premium NGN '000	Gross Loss Ratio	Net Loss Ratio	Impact of Retrocession
Accident*	4,514,620	(1,664,589)	30.4%	29.0%	1.4%
Agriculture	1,024,184	(400,606)	39.1%	51.2%	-12.1%
Energy	3,088,165	(1,252,267)	-4.0%	-6.9%	2.9%
Engineering	3,691,985	(597,117)	12.0%	7.5%	4.5%
Fire	16,126,510	(2,249,871)	81.3%	85.3%	-3.9%
Liability	1,168,297	(233,817)	10.5%	15.5%	-5.0%
Marine	3,915,360	(229,054)	32.7%	34.6%	-1.8%
Life	5,242,674	(915,430)	42.0%	34.7%	7.3%
Total	38,771,796	(7,542,751)	48.5%	51.3%	-2.7%

The Accident, Engineering, Fire, Marine and Life portfolios jointly formed above 80% of the total book with each class contributing at least about 10% of the total gross earned premiums in 2023. Of these classes, the impact on retrocession arrangements is mainly favourable in the Life class with some volatility observed in the rest of the classes over the 3 years of review.

Whereas the overall retrocession impact has been unfavourable over the 2-year period, we observed an improvement from -2.7% to -0.1% in 2023, implying more benefits from the retrocession in 2023. Therefore, the overall retrocession arrangements as at 31 December 2023 were not unreasonable.

Following the retrocession optimisation undertaken in 2022, management should continue refining the current retrocession plan until an optimal balance of cost versus benefit is struck. This should of course be reviewed in light of the company's retentions and risk appetite. Further, it should take into consideration the Company's current structure and expected claims as well as retrocession commission income.

8 Risk Management

8.1. Policy and Strategy Framework

Continental Re (Plc) has instituted a risk management policy and strategy including key principles and allocation of responsibilities for dealing with risk management. The strategy also includes Board-approved risk appetite and policies, processes and tools used to identify, assess, monitor, manage and report on risks.

Continental Re (Plc) has set up an end-to-end functional risk management framework that is aligned to the Company's wider business objectives. The Company sees an effective risk management framework as a means to:

- Support the company in achieving its strategic goals
- Articulate the governing body's expectations
- Improve management standards and resources
- Support a firm-wide risk culture development

The benefits of the above goals will positively affect policyholders, shareholders and employees, as well as ensuring that all regulatory and corporate governance requirements are met.

The risk management strategy of Continental Re (Plc) is detailed in its Risk Management Framework document and is in line with the group's enterprise risk management (ERM) strategy, which has been approved by the group's Board Risk Committee. The framework brings together risk management and compliance activities and incorporates these efforts efficiently into day-to-day business processes, in alignment with the corporate strategy.

Generally, the company has one 'risk language' across all divisions guided by the top echelon as echoed by the Enterprise Risk Management policy statement, which calls on all employees to embrace and embed in the ERM approach.

Below is a listing of the role(s) of the various stakeholder to ensure an effective management of risk

Role	Responsibilities
Entity Board	<ul style="list-style-type: none"> ▪ Oversight of the Risk Management Framework; Proposing and approving the Risk Appetite level for the business. ▪ Oversight and challenge to key business risks; delegating responsibility for detailed oversight and challenge to the Audit Risk & Compliance Committee. ▪ Establishment of a Risk aware culture within the business to support the delivery of the RMF. ▪ Providing necessary support to the Risk Management Team, to enable them to achieve their objectives.

Role	Responsibilities
Risk Management Committee	<ul style="list-style-type: none"> ▪ Evaluating the risks inherent within the business and ensuring that they are captured appropriately within the business Risk Profile. ▪ Providing challenge to the assessment of risks, and, ensuring that the individual risk target and collective residual risk exposure is appropriate to business need and market conditions. ▪ Monitoring residual risk exposures, gaining assurance as to adequacy of controls implemented to manage risks to the agreed level of appetite. ▪ Supporting the reporting of internal loss events to the Risk Management team for consideration within the RMF. ▪ Proposing the RMF to the Entity Board. ▪ Receiving information regarding key internal loss events, ensuring rectification and preventative action has been taken and that financial loss data has been captured. ▪ Facilitating a Risk aware culture within the business to support the delivery of the RMF. ▪ Set up such other adhoc groups or sub committees, as may be deemed necessary, to review, manage and report on "risk matters".
Risk Management Function	<ul style="list-style-type: none"> ▪ Ownership, development, and delivery of the entity Risk Management Framework. ▪ Ensure complete linkage between the RMF and the business strategy, planning and budgeting process, providing input from a Risk and Capital perspective. ▪ Ownership of the Governance Policy Management Framework and facilitation of the regular update of all Governance Policy statements. ▪ Facilitate an improved understanding of Risk Management throughout the organization to embed and improve continuously a risk aware culture. ▪ Work with business management to review and update the Risk & Control matrices on a quarterly basis, challenge risk assessments and controls, and ensure that appropriate and timely actions are taken to manage all identified risks; ▪ Contribute to Operational or Management committees and Business change projects as necessary; and ▪ Management of resource requirements within defined budget

Role	Responsibilities
Actuarial Function	<ul style="list-style-type: none"> Provides challenge to the pricing and reserving activities of the business, facilitates the development of the Capital Model, and reports directly to the Risk Management Committee. Risk Management provides input to the Capital Model from the aggregated risk profile and loss even
Internal Audit	<ul style="list-style-type: none"> Prepare internal audit plan based on the result of the assessment of the risks faced by the company in line with the risk management framework. Internal audit should provide independent assurance on the robustness and effectiveness of the company's risk management process.
Compliance Team	<ul style="list-style-type: none"> Owns and facilitates the identification and management of regulatory risk. Risk Management considers regulatory risks within the risk register, facilitates the process for identification, capture and assessment of risk and incorporates feedback from Compliance into the residual risk assessment noted within the Risk & Control Matrices.
Regional Managers, Heads & Other Senior Managers	<ul style="list-style-type: none"> Actively supporting a strong risk aware culture. Organization and management of business areas in a professional manner Operating appropriate controls on a timely basis to manage the business' risk
All staff & outsourced providers	<ul style="list-style-type: none"> Identification and escalation of control weaknesses, emerging risks. Timely reporting all control and regulatory breaches to the Risk and Compliance department. Ensuring that the Risk and Compliance department are advised of any material

8.2. ERM

The guiding principles with regard to ERM, which are detailed in the Risk Management Framework are outlined below. These components relate to central themes that Continental Re (Plc) has identified, specifically governance, compliance, standard, culture, and behaviour.

- To exercise strong and effective control over all material risks at Board level with full access to reliable and comprehensive management information
- To maintain a firm regime of compliance with applicable laws and regulations
- To adopt best practice in all areas of risk management
- To operate within group wide ERM framework that is adapted to business needs and in line with emerging international standards
- To maintain a high standard of peer review by adopting an attainable, realistic, and measurable process and by using appropriately qualified staff, whether internal or external
- To review Underwriting and Investment guidelines as part of the annual planning cycle
- To build an in-house actuarial team to support pricing, capital modelling, and reserving
- To align employees reward with performance at personal, departmental and company level.
- To involve the Company's staff at the appropriate level in policy making and decisions in order to increase the sense of ownership.
- To operate a whistle-blowing policy that encourages staff to speak up freely on any concerns relating to malpractice or unethical behaviour
- In addition to internal principles, the Company aims to comply with the Security and Exchange Commission (SEC), National Insurance Commission (NAICOM) and other international regulators requirements on effective risk management.

8.3. ERM Deliverables and Uses.

The ERM framework aligns with the general operations of the business. It is used to in setting up, monitoring, or assessing the functionality of the following processes or functions:

8.3.1 Strategic Planning Process.

Objectives under this process, are grouped and reviewed under the followings into either:

- a) The Corporate business strategy, which is long term and with a 3-year cycle that is reassessed periodically. This strategy is reviewed annually and results in the definition of the budget and objectives for the year. Shareholder's risk appetite is an integral part of this strategy.
- b) Operational Strategy mainly deals with the day-to-day organisation of the different functions of the business into a functional tool geared to deliver on the corporate business strategy. It is reviewed on the same frequency as the business strategy.

- c) Personal Objectives, this forms part of the wider governance framework to ensure that the people have the right skills and that they are grown and aligned to the business and operational strategies. It is supported by the training and development team within the Human Resource.

8.3.2 Capital Model Framework

The ERM incorporates a capital model framework focusing on the following key aspects:

- Capital Adequacy which considers the adequate level of capital required to support business profile of the Company over the short-term future allowing for diversification between lines of business and between types of risks.
- Capital Allocation which considers fair allocation between individual functions within the organisation while raising awareness with staff in terms of collective and individual capital attached to their functions.

8.3.3 Performance Management

Although evidence of the same was not reviewed the development and dissemination of this policy across the organisation shows Continental Re (Plc)'s commitment to achieving its set objectives.

The performance of a particular jobholder is measured objectively against the level of risk attached to their function in order to provide a fair assessment.

8.3.4 Underwriting, pricing, and Reserving

In our interactions with management and the wider operations team, we have been able to observe that Continental Re (Plc) has a strong multi-faceted team with an end to end understanding of the business and the interactions between the different functions.

Overall, the company is profitable which points to a proper underwriting and pricing controls. However, a few classes are still making losses individually owing to the inherent characteristics of the risks within these classes, the general industry loss trends. Overall, we believe there is still room for improvement through tighter underwriting controls and more appropriate pricing basis or more optimised reinsurance arrangement especially for classes with combined ratios above 100.0%.

8.3.5 Investment

As it would be the case for any other investor, the Company's Investment objectives correlate to the concepts of risk and return and reflect the shareholder's appetite. The level of investment returns projected must be aligned with the investment strategy adopted. The strategy adopted must also reflect the various asset funds and their characteristics.

Our review of the investments, both on the strategy and the returns, was covered in detail in section 6 of this report.

8.4. Risk Appetite

The risk appetite is well articulated for Continental Re (Plc). The shareholder's objectives as per the risk appetite statement are as outlined below

Market Position

- (i) To maintain a strong market presence in the African Reinsurance market and target the 1st or 2nd market share position.

Underwriting Growth and Profitability

- (i) To achieve a 10% growth in GPL.
- (ii) To achieve underwriting profit of approximately N5,985m.
- (iii) To maintain a retrocession cession ratio of 34%.
- (iv) To achieve a retrocession recovery ratio of at least 26%.
- (v) To achieve a net loss ratio of 49% and combined ratio of 91.5%.

Customer Service

- (i) To settle claims promptly and in line with our SLA of 48 to 72 hours.

Capital and Regulatory Compliance

- (i) To achieve a return on equity of 16.0%.

Risk Appetite Statement

In a bid to protect shareholder's capital, Continental Re (Plc) has set out the following operational limits under the various risk categories:

a) Insurance Risk

- Strive to achieve a loss ratio of below 70%
- Strive for claims reserves not to fall short of payments by more than 5%
- Not to lose more than 5% of shareholders' funds (approx. \$5.5m) from a single catastrophe event once in every 100 years.
- Not to have net exposure of more than 3.5% of shareholders' funds on any one loss event.
- To have a positive retrocession impact across all classes of business underwritten.

b) Operational Risk

- Not to have any instances of losses, or unauthorized disclosure, of personal or confidential information.
- Not to have any system or infrastructure failures which cause significant business disruption (greater than 24 hours).
- To have a claims settlement timeline of at most 72 hours.
- To always maintain key functions and adequate staff retention.
- Maintain an Employee Satisfaction Rate of $\geq 75\%$.
- To have zero breaches of laws or regulations, instances of financial penalties or loss of license.

- Maintain a customer satisfaction score (CSAT) of $\geq 80\%$.
- Maintain a financial rating from A.M Best of B+ and above.
- No single cedant to exceed 10% of the company's premium income.
- Maintain unrated counterparty exposure: 0% to 5% of total retrocession placement.

c) Market/Investment Risk.

- The company does not expect to have the asset distribution fall outside the limits stipulated by the investment guidelines.
- The Company aims to achieve a Return on Equity ("ROE") of 16.0%.

Our assessment of the Company's profitability with regards to the loss ratios and return on equity is summarised in the table below:

Key Performance Ratios		
	2023	2022
Return on Equity (ROE)	37.1%	12.9%
Net Loss Ratio	42.6%	51.3%

The analysis above shows that there was an improvement in the overall performance of the business in 2023. Benchmarked against the target return on equity of 16.0% and the target loss ratio of 70.0%, the business achieved the loss ratio target both in 2023 and 2022 financial years. On the other hand, the company achieved the return on equity target of 16.0% in 2023 but fell below the target in 2022.

8.5. Current Risks

We reviewed the current risk registers and summarised the following risks that were ranked as "risks identified and to be prioritized" by the company's internal risk scoring criteria.

Regulatory and Compliance

The Company faces a risk of reduced business volumes following legislation in some international markets imposing compulsory cessions or localised reinsurance.

Measures in place to manage the risks include, imploring the relevant regulators for concessions for companies within member states, targeting companies in regions with international programmes and expanding to have local presence in the countries concerned as well as overall marketing to retain existing clients and attract new clients.

Reputational Risk

There is a risk of poor reputation following delays in claim settlements. The Company is managing the risk by tightening controls on timely claim settlements, performing quarterly reconciliations, and feedback to clients on progress in claim processing.

Insurance Risk

Continental Re (Plc) is exposed to insurance claims risks arising from over insuring above the Company's risk appetite. This leads to overexposure to claims that eventually affects the Capital.

Measures taken to manage the insurance risk include, retrocession arrangement, vetting of risks before acceptance to ensure risks are within acceptable limits and putting up clear and concise underwriting guidelines that are regularly updated.

8.6. Material Risks

The following summarises the key risks faced by Continental Re (Plc), as well as their impact and implications, based on our reviews as the Appointed Actuary:

- **Insurance Risk** –The three main sources of insurance risk that we have observed are: catastrophe risk, retrocession risk and underwriting risk.

d) Catastrophe Risk

Catastrophe Risk is defined as the risk related to the occurrence of high-severity and low-frequency events.

Some of the risks passed on from direct insurance companies to reinsurance companies are:

- Exposure to individual large losses
- Losses arising from aggregation of risks
- Volatility (uncertainty) in the portfolio

Catastrophes greatly increase the magnitude of the above risks because of their unusual severity. Consequently, due to the nature of its business, Continental Re (Plc) is greatly exposed to catastrophe risk.

e) Retrocession Risk

Due to the exposure to individual large risks, aggregation of claims and volatility, it is crucial for the company to have an adequate retrocession programme in place. An inadequate retrocession cover has the risk of not offering enough protection in the event of unusual losses. We note that the company conducts a retrocession optimisation exercise annually to ascertain the adequacy of its retrocession arrangements.

f) Underwriting Risk

We note that the company recorded a slight improvement in the combined ratio from 81.6% in 2022 to 79.6% in 2023 due to a decrease in the loss ratios from 48.5% in 2022 to 42.4% in 2023. This reduction in loss ratios reflects a more favourable balance between premiums earned and claims incurred, which enhances the overall profitability. However, it is important to continue monitoring underlying risk factors and market conditions to ensure that this trend is sustainable and not merely a result of short-term fluctuations. Maintaining rigorous underwriting standards and adjusting to emerging risks will be key to sustaining this positive momentum.

- **Foreign Exchange Risk** – Continental Re (Plc) faces the risk of currency mismatch between its assets and liabilities. Assets are invested in local currencies whereas the company's liabilities may be denominated in several currencies across the various jurisdictions in which the Company operates. Nevertheless, foreign exchange risk with respect to Asset Liability Matching is lessened by the company currently holding more dollars to minimise the effect of currency fluctuations.

The company should continually monitor this movements and always ensure proper matching as the foreign exchange losses or gains have had a material impact on the company's performance in the recent past as highlighted in section 3.6 of this report.

- **Information Technology ("IT") risk** – Continental Re (Plc), runs on two IT systems:
 - **SICS Property & Casualty ("SICS")** – This is a fully integrated non-life reinsurance administration application, for insurers and reinsurers. This is the core IT system.
 - **Sage X3 financial ("Sage")** – This covers financial, personal, cost and budget accounting, commitments, and fixed assets. It can also handle transfers and reporting of information from one country to another, and between subsidiaries and their headquarters. This is the core accounting system.
 - **Prophet (Actuarial Software)** – An actuarial Software solution, capable of advanced modelling and analytics. It is used in the effective assessment and management of insurance risks.
 - **Risk Integrity (IFRS 17 Engine)** – A dedicated IFRS 17 Solution for IFRS 17 compliance. It is useful in performing contract classification, measurement and reporting, disclosure management and allows for integration capabilities with other systems such as SICS.
 - **SAP (HR Management System)** – A solution that efficiently manages human resources, improves employee experience and supports strategic decision-making.

The separation of the core IT system (SICS) from the accounting system (Sage) introduces the risk of incompatible information between the systems. Continental Re (Plc) informed us that one of the main differences in these systems relates to foreign exchange conversion.

In this modern world, there are also data breaches that are faced by companies. These data breaches present both a direct risk (risk of losing data) and an indirect risk (business interruption) to companies.

- **Group Risk** – The table below shows the underwriting result for Continental Re (Plc) per branch in 2023:

Branch	Underwriting Result
	NGN '000
Lagos	2,707,991
Tunis	2,016,248
Total	4,724,240

As highlighted in the table above, the profitability from the Lagos branch was the main profit driver of Continental Re (Plc)'s overall profitability. Conversely, any huge losses in one region could adversely affect the profitability of the group.

The results above highlight the risk of Continental Re (Plc)'s financial performance being affected by the performance of one or more branches within the group.

9 Appendices

Appendix 1: Peak Exposures

Treaty/Fac. No	Total Sum Insured (USD)	Exposure (USD)	Class
PFAC11238	106,810,023.98	106,810,023.98	Life
PFAC21641	95,475,000.00	49,950,000.00	Oil & Energy
PFAC3569	62,230,179.29	49,784,143.43	Oil & Energy
PFAC1271	68,568,073.32	49,711,853.15	Oil & Energy
PFAC30	67,308,613.12	48,798,744.51	Oil & Energy
PFAC46	47,880,000.00	47,880,000.00	Oil & Energy
PFAC2484	90,420,673.08	47,687,500.00	Oil & Energy
PFAC6408	116,000,000.00	46,300,000.00	Engineering
PFAC792	44,250,000.00	44,250,000.00	Oil & Energy
PFAC67	37,708,585.32	37,708,585.32	Oil & Energy
PFAC22344	37,387,500.00	37,387,500.00	Fire
PFAC92	35,422,794.72	35,422,794.72	Life
PFAC16296	34,874,651.51	34,874,651.51	Oil & Energy
PFAC18265	33,780,487.71	33,780,487.71	Engineering
PFAC85	30,000,000.00	30,000,000.00	Oil & Energy
PFAC91	30,000,000.00	30,000,000.00	Oil & Energy
PFAC19629	29,230,000.00	29,230,000.00	Oil & Energy
NPFAC302	26,655,000.00	26,655,000.00	Oil & Energy
PFAC99	25,500,000.00	25,500,000.00	Oil & Energy
PFAC11811	25,296,000.00	25,296,000.00	Engineering

Appendix 2: Yield Curve

Time	2023	2022	2021
1	11.1%	7.4%	4.8%
2	13.2%	11.2%	9.2%
3	14.5%	13.9%	12.3%
4	15.2%	15.6%	14.4%
5	15.4%	16.5%	15.6%
6	15.4%	16.8%	16.0%
7	15.1%	16.5%	15.8%
8	14.9%	15.8%	15.2%
9	14.7%	14.9%	14.2%
10	14.9%	13.9%	13.2%