



MUTUAL BENEFITS ASSURANCE PLC

Non-Life Financial Condition Report as at 31 December 2022

July 2023

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1. Executive Summary

1.1 Introduction

This Financial Condition Report ("FCR") sets out the results of the analysis of the financial condition of Mutual Benefits Assurance Plc ("Mutual Benefits") as at 31 December 2022. This report includes an analysis of the financial progress since the previous financial year end. Current insurance regulations issued by the National Insurance Commission ("NAICOM") require all insurance companies to have their Actuary issue an FCR. The FCR has been developed by taking regulatory guidance provided as per the "Draft Roadmap for Transition to Risk Based Insurance Solvency Regime in Nigeria" into account. The draft roadmap was released in October 2016. We have also prepared this report in line with the Insurance Act (2003).

Mutual Benefits has contracted Zamara Consulting Actuaries Nigeria ("Zamara") to provide actuarial services. Jay Kosgei, FIA, is the appointed actuary and will sign off on the FCR.

The FCR is limited to Mutual Benefits Assurance Plc, not the consolidated Group information. It covers only the general business and excludes other business underwritten by companies related to the group.

1.2 Financial Performance

The financial performance for the financial period 1 January 2022 to 31 December 2022 is summarised below, based on Mutual Benefits' revenue accounts. The corresponding statistics for the previous financial year are included for comparative purposes.

Financial Performance	31 December 2022	31 December 2022	31 December 2021
Statement	Budget (₦ '000)	Actual (₦ '000)	Actual (₦ '000)
Gross Written Premiums	18,506,708	15,749,404	13,794,276
Net Earned Premium	13,587,742	11,369,777	9,680,275
Fees and Commissions Income	698,026	654,596	676,792
Net benefits and Claims	(4,681,952)	(3,592,864)	(4,657,566)
Underwriting expenses*	(4,934,760)	(4,763,601)	(4,130,991)
Underwriting Profit	4,669,056	3,667,908	1,568,510
Other Income and Expenses**	(3,130,680)	(3,068,652)	(5,076,728)
Investment income	1,008,236	1,095,046	702,593
Profit before tax	2,546,612	1,694,302	(2,805,625)
Ratios			
Net loss ratio	34.5%	31.6%	48.1%
Expense Ratio***	31.2%	36.1%	35.7%
Net combined ratio	65.6%	67.7%	83.8%

* This includes commissions expenses

** This includes fair value gains/(losses), other income, charge, employee benefit expenses and management expenses

*** This includes Net Commissions

A review of the financial performance for the financial year 2022 shows that the profit before tax was around ₦ 852.3 million lower than the expected budget and ₦ 4.5 billion higher than its corresponding figure in 2021.

Top line business increased by 14.2%, and the net earned premium correspondingly rose by 17.5%. The net incurred loss ratio improved from 48.1% in 2021 to 31.6% in 2022. This could largely be attributed to the growth in net earned premiums as highlighted in section 5 of this report.

During the year, acquiring and underwriting expenses slightly worsened relative to the net earned premium as shown by the small increase in the expense ratios from 35.7% in 2021 to 36.1% in 2022. The attained expense ratio was above the target expense ratio of 31.2%.

Investment returns were higher than those recorded in 2021 by 55.9%. Further, other incomes and expenses improved by 39.6% from ₦5.1 billion in 2021 to ₦ 3.1 billion in 2022.

Despite the slight deterioration in expense ratio, the company realised an improvement in profitability from a loss before tax position of ₦2.8 billion recorded in 2021 to a profit before tax of ₦1.7 billion in 2022. This was mainly attributable to growth in top line and consequent growth in net premium income coupled by improvement in claims experience, investment income and other incomes and expenses.

The following is a comparative summary of the Company's balance sheet:

Asset/Liability Class	31 December 2022	31 December 2021
	₦ '000	₦ '000
Fixed Interest	12,298,057	12,695,501
Investment Properties	75,000	56,000
Equities	212,696	216,304
Cash and Cash Equivalents	3,027,375	2,719,127
Invested Assets	15,613,128	15,686,932
Investment in subsidiary	6,120,000	6,120,000
Other balance sheet assets	7,567,312	6,221,864
Total Assets	29,300,440	28,028,796
Insurance Liabilities	11,008,862	9,957,655
Other Liabilities	4,577,286	5,568,862
Total Liabilities	15,586,148	15,526,517
Net Assets	13,714,292	12,502,279

Total assets of Mutual Benefits have increased by 4.5% in the period between 31 December 2021 and 31 December 2022. Invested assets form 53.3% of Mutual Benefit's total assets as at 31 December 2022. Fixed Interest was the predominant asset class in Mutual Benefits' investment portfolio, forming 42.0% of the total assets.

Other balance sheet assets increased by ₦ 1.3 billion from that in 2021, with a slight reduction in invested assets. Equities decreased by ₦ 3.6 million from 2021 while investment property increased by ₦ 19.0 million within the year.

Overall, the net assets increased by ₦ 991.5 million, a 7.8% increase from ₦ 12.7 billion in 2021 to ₦ 13.7 billion in 2022. This was largely due to the reduction in other liabilities. Further insights into the financial position of Mutual Benefits are highlighted in section 6 of this report.

1.3 Material risks identified

The following summarises the key risks faced by Mutual Benefits, as well as their impact and implications, based on our review as the Appointed Actuary:

Insurance Risk– Mutual Benefit’s overall net incurred claims ratio decreased from 48.1% in 2021 to 31.6% in 2022. In view of this, we encourage constant monitoring and efficient experience analysis to sustain decrease in the net incurred claims ratio.

Further, the claims experience in the Fire, Marine and Oil and gas classes should be monitored. This is owing to the inherent volatility in claims experience for these classes due to the high severity but low frequency occurrences. Optimal reinsurance arrangements should be put in place to ensure the company’s retention does not expose it to catastrophe events.

Currency Risk– Mutual Benefits is exposed to currency risk resulting from recognised assets and liabilities in currencies other than the Naira. Examples include transactions carried out in Pound, US Dollar, and Euro. Thus, the management of Mutual Benefits should have proper mitigative measures instituted to reduce the impact of such an event.

Regulatory Risk – The National Insurance Commission (NAICOM) announced new capital requirements for Nigerian Insurers. The proposed move from compliance based to risk based supervision is going to impose new solvency capital requirements for Mutual Benefits. Mutual Benefits faces this regulatory risk if its solvency margin falls below the proposed minimum requirement of ₦10 billion at the end of the process from the current ₦3 billion level.

Catastrophe Risk - Catastrophe Risk is defined as the risk related to the occurrence of high-severity and low-frequency events. This is especially noteworthy as the company also writes volatile classes of business such as Fire, Marine and Oil and Gas. These classes of business may be exposed to catastrophic events which may negatively influence the profitability and capital adequacy of the company.

1.4 Recommendations

1.4.1 Addressing Regulatory Risk

With the impending implementation of the Risk Based Supervision by NAICOM, Mutual Benefits should continue to realign its balance sheet assets to reduce the possible capital charges.

1.4.2 Addressing Currency Risk

Mutual Benefits should monitor its foreign exchange arrangements and take measures to minimise the risk of Forex losses. The company should consider some of the hedging approaches that may help minimise this risk.

1.4.3 Regular review of appropriateness of retentions

Owing to the inherent risk in the Fire, Marine and Oil and Gas classes of business as outlined in section 1.3 above, management needs to constantly review the appropriateness of the retentions held for these classes to ensure the company is not exposed to catastrophe events.

Other possible courses of action would be setting up catastrophe reserves and/or claims equalisation reserves to combat future one-off losses thereby minimising their impact on the overall profitability.

1.5 Status of Prior Year Recommendations


The following is a summary of the status of the key recommendations made in the 2021 FCR:

Recommendation	Status	Comment
Claims Experience – Mutual Benefits should continue to monitor the actual vs expected claims experience.		We have seen the improvement of the loss ratios from 48.1% in 2021 to 31.6% in 2022. Management should continue to monitor the loss ratio trend as well as the level and adequacy of claims reserves.
Addressing Regulatory and Compliance Risk – Mutual needs to be aware of impending regulatory solvency changes		As at 31st December 2022, Mutual Benefits had a Statutory Capital Adequacy Requirement Cover Ratio (SCAR) of 4.31 from 3.80 SCAR in 2021. Management should continue to realign its balance sheet assets to impending regulatory solvency changes.
Forex Exchange Risks – Mutual Benefits should continue monitor its foreign exchange movements.		Although, there were gains on foreign bank balances. The company should consider exploring the use of various hedging instruments and other mitigation strategies to cater for similar events in the future.
Review of appropriateness of retentions and catastrophe risk – This relates to the volatile claims experience in Fire, Marine and Oil and Gas classes of business		There is need to monitor the volatility risk and setting up of measures to handle the characteristic large losses associated with these classes. Possible courses of action would be the setting up of catastrophe and or claims equalisation reserve to combat future one off losses that may distort the actuarial reserves and overall profitability

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

1.6 Conclusion

I, Jay Kosgei, acting in my capacity as the Appointed Actuary, certify that, as at 31 December 2022, this Financial Condition Report for Mutual Benefits Assurance Plc has been prepared in accordance with the Guidelines to the Insurance Industry issued by the National Insurance Commission of Nigeria, as well as generally accepted actuarial principles.



Jay Kosgei
Fellow of the Institute and Faculty of Actuaries
FRC/2021/004/00000023786

06 July 2023

2. Information Requirements

2.1 Data Obtained

The following data was received from Mutual Benefits in order to complete the FCR:

- Audited financial statements as at 31 December 2021 and 2022 for the 2021 and 2022 financial year.
- Insurance Liability Valuation as at 31 December 2022 prepared by Zamara.
- Various documents relating to company governance structure and business plans for Mutual Benefits, including:
 - Mutual Benefits General Insurance Company's Projected budgets.
 - Solvency Calculations for the year 2020-2022.
 - Treaty Cover Notes for 2022, and
 - Peak Exposures for 2022.

It was assumed that the data provided by Mutual Benefits was correct, and thus a full audit of the data provided was not conducted by Zamara. However, reconciliations of data were conducted as part of the Insurance Liability Valuation as at 31 December 2022.

2.2 Reliance and Limitations

This FCR is based on the audited financial statements as at 31 December 2022 as well as the general business plans of Mutual Benefits, and company information that was provided to Zamara.

Zamara also conducted the Insurance Liability Valuation as at 31 December 2022, the results of which are summarised in section 4.1.

We do not audit the data received and rely on the accuracy and completeness of the data based on reconciliations to audited financial statements. We also perform reasonability checks and highlight any material risks in this FCR.

We do not audit the solvency calculations of Mutual Benefits. We rely on the accuracy and completeness of the solvency calculations sent to us by Mutual Benefits. We, however, performed reasonability checks on these calculations.

3. Business overview

3.1 Company Structure and Changes in the Year

The following shareholders held 5% or more of the issued and paid-up shares of the company as at 31 December 2022:

Name of shareholder	Percentage Shareholding
Charles Enterprises LLC	42.27%
Arubiewe Farms Ltd	21.97%
Ogunbiyi Akinade Akanmu	5.48%

Mutual Benefits underwrites the following classes of business within the statutory classes of business based on the Insurance Act 2003:

- Fire insurance business.
- General accident insurance business.
- Motor vehicle insurance business.
- Marine and aviation insurance business.
- Oil and gas insurance business.
- Engineering insurance business and
- Bonds credit guarantee and suretyship insurance business.

3.2 Recent Experience and Profitability

The table below details the historic profitability of Mutual Benefits, as well as a comparison of Actual and Budgeted performance for the financial year ended 31 December 2022. Key financial ratios have also been included that can be used to assess any trends in the business.

Financial Performance	31 December 2022	31 December 2022	31 December 2021
Statement	Budget (₦ '000)	Actual (₦ '000)	Actual (₦ '000)
Gross written Premium	18,506,708	15,749,404	13,794,276
Net Earned Premium	13,587,742	11,369,777	9,680,275
Fees and Commissions Income	698,026	654,596	676,792
Net benefits and Claims	(4,681,952)	(3,592,864)	(4,657,566)
Underwriting expenses*	(4,934,760)	(4,763,601)	(4,130,991)
Underwriting Profit	4,669,056	3,667,908	1,568,510
Other Income and Expenses**	(3,130,680)	(3,068,652)	(5,076,728)
Investment income	1,008,236	1,095,046	702,593
Profit before tax	2,546,612	1,694,302	(2,805,625)
Ratios			
Net loss ratio	34.5%	31.6%	48.1%
Expense Ratio***	31.2%	36.1%	35.7%
Net combined ratio	65.6%	67.7%	83.8%

* This includes commissions expenses

** This includes fair value gains/(losses), other income, charge, employee benefit expenses and management expenses

*** This includes Net Commissions

Consideration of the financial performance for the 2022 financial year against the prior year shows that the profit before tax was higher than the 2021 financial year by ₦ 4.5 billion. The six principal drivers for comment are:

- Actual vs expected gross written premiums.
- The claims incurred during the period.
- The expenses incurred during the period, including commissions.
- Net foreign exchange gains and
- The level of investment return earned in the period.
- Fair value gains on invested assets through profit or loss

We observed a 14.2% increase in the gross premiums from ₦13.8 billion in 2021 to ₦15.7 billion in 2022 most of which came from the Aviation & Oil and Gas and Motor classes of business. The net earned premiums increased by ₦1.7 billion, representing a 17.5% year on year increase. Relative to the projected budget for the year, the gross written premiums in 2022 fell short of the target ₦18.5 billion mark by 14.9%. Mutual Benefit has nonetheless experienced an upward trend in the top line growth over the last three years.

In 2022, Mutual Benefit's claims decreased by ₦1.1 billion representing a 22.9% decrease from the previous year figure of ₦4.7 billion despite the growth in top line business. The corresponding net claims loss ratio improved from 48.1% in 2021 to 31.6% in 2022.

The underwriting expenses increased by 15.3% from ₦4.1 billion in 2021 to ₦4.8 billion in 2022. The expenses incurred in 2022 were less optimal relative to the net earned premiums, with an expense ratio of 36.1%, compared to the 2021 expense ratio of 35.7%.

Investment income increased by ₦392.5 million from ₦702.6 million in 2021 to ₦1.1 billion in 2022 and other income and expenses decreased from ₦5.1 billion in 2021 to ₦3.1 billion in 2022 mainly due to a lower net fair value loss on financial assets and an improvement in net foreign exchange gain.

Overall, the company realised a profit before tax of ₦4.5 billion higher than that recorded in 2021. This was due to the growth in top line and consequent growth in net earned premiums coupled by improvement in claims experience, investment income and other income and expenses.

3.3 Business Plan

The table below compares the actual financial performance of 2022 to the budgeted financial performance of 2023:

Financial Performance Statement	31 December 2022	31 December 2023
	Actual (₦ '000)	Budget (₦ '000)
Gross written premium	15,749,404	25,000,000
Net Earned Premium	11,369,777	17,784,909
Fees and Commissions Income	654,596	862,270
Net benefits and Claims	(3,592,864)	(5,839,261)
Underwriting expenses	(4,763,601)	(6,529,761)
Underwriting Profit	3,667,908	6,278,157
Other Income and Expenses	(3,068,652)	(4,452,372)
Investment income	1,095,046	1,453,121
Profit before tax	1,694,302	3,278,906
Ratios		
Net loss ratio	31.6%	32.8%
Expense Ratio**	36.1%	31.9%
Net combined ratio	67.7%	64.7%

Gross written premiums are expected to grow by 58.7% in 2023 from ~~N~~15.7 billion in 2022 to ~~N~~25.0 billion in 2023. Whereas we have not been provided with the underlying basis for this growth, we believe that the annual growth of gross written premium may be too optimistic and therefore may need revision given the growth from 2021 to 2022 was 14.2%.

The targeted net loss ratio and expense ratio of 32.8% and 31.9% respectively are reasonable given the current value of 31.6% and 36.1%, respectively, provided the company continues to grow its top line by underwriting more profitable businesses.

The investment income is projected to grow by 32.7% in 2023. Whereas we have not been provided with the underlying basis for this movement, we believe that the annual growth of investment income is reasonable.

In summary, the projected net loss ratio, investment income and expenses seem reasonable. However, the projected gross written premium may be too optimistic given the observed growth in 2022 and the current global financial trends characterised by deteriorating inflation rates which may have a negative impact on the Mutual Benefits' economic growth. We urge management to continue monitoring the effects of the economic impact on business performance during the year.

4. Financial Position and Management

Zamara conducted an Insurance Liability Valuation as at 31 December 2022 for Mutual Benefits, and this section includes a summary of this analysis.

4.1 Results of the Insurance Liability Valuation

The table below indicates the estimated value of Mutual Benefits' insurance liabilities as calculated by Zamara as at 31 December 2022. The corresponding estimates as at 31 December 2021 are also included for comparison purposes.

Insurance Liabilities	31 December 2022	31 December 2022	31 December 2021
	₦ '000 (Booked)	₦ '000 (Zamara)	₦ '000 (Booked)
Gross Claims Liabilities			
Incurred But Not Reported ("IBNR")	2,153,559	2,153,559	1,674,999
Outstanding Claims Reserve ("OCR")	3,285,393	3,285,393	3,474,789
Unearned Premium Reserve ("UPR")	5,326,221	5,326,221	4,807,867
Additional Unexpired Risk Reserve ("AURR")	243,689	243,689	-
Deferred Acquisition Cost	765,211	765,211	655,070
Net Claims Liabilities			
Incurred But Not Reported ("IBNR")	1,492,884	1,492,884	1,133,713
Outstanding Claims Reserve ("OCR")	1,767,072	1,767,072	2,598,283
Unearned Premium Reserve ("UPR")	4,383,435	4,383,435	3,883,606
Additional Unexpired Risk Reserve ("AURR")	120,429	120,429	-
Deferred Acquisition Cost	506,883	506,883	454,743

As seen above, the Mutual Benefits booked net reserves as recommended in the valuation report as at 31 December 2022, prepared by Zamara.

As such, as the Appointed Actuary, we were satisfied that Mutual Benefits booked reserves as at 31 December 2022 are sufficient to meet its future liabilities.

4.2 Adequacy of Reserves

Mutual Benefits calculated their reserves using the following methodologies:

Insurance Liabilities	Methodology	
	31 December 2022	31 December 2021
Claims Reserves		
IBNR	Basic Chain ladder Method, Bornhuetter-Fergusson Method and Loss Ratio Method	Basic Chain ladder Method, Bornhuetter-Fergusson Method and Loss Ratio Method
OCR	Sum of case estimates	Sum of case estimates
Premium Reserves		
UPR	365ths Method	365ths Method
URR	Consideration of combined ratio	Consideration of combined ratio
DAC	365ths Method	365ths Method

The adequacy of the IBNR held as at 31 December 2021 has been assessed as follows:

Class of Business	Gross IBNR 2021	Pure IBNR	Emerging IBNR	Total Utilisation	% Utilisation
	₦ '000	₦ '000	₦ '000	₦ '000	₦ '000
Fire	297,108	204,266	(114,345)	89,922	30.3%
Marine	364,468	103,833	200,580	304,413	83.5%
Motor	211,048	213,656	(126,057)	87,599	41.5%
General Accident	438,310	334,069	(278,358)	55,711	12.7%
Oil and Gas	364,065	98,970	(228,608)	(129,638)	-35.6%
Total	1,674,999	954,794	(546,788)	408,007	24.4%

The utilization of the total gross IBNR held as at 31 December 2021 was 24.4% as at 31 December 2022. This is attributable to the observed improvement in the claims experience in 2022 and the observed revision of the 2021 outstanding claims.

As such, the 2021 reserve was adequate at a class-wise and overall level.

4.3 Solvency

The following table shows the solvency margin of Mutual Benefits as at 31 December 2022. The solvency positions for 2020 and 2021 are also displayed for comparative purposes.

	31 December 2022	31 December 2021	31 December 2020
	₦ '000	₦ '000	₦ '000
Total Admissible Assets	27,805,540	26,417,195	28,852,762
Total Admissible Liabilities	14,864,895	15,007,305	14,646,419
Solvency Margin	12,940,645	11,409,890	14,206,343
Statutory Capital Adequacy Requirement ('SCAR')	3,000,000	3,000,000	3,000,000
SCAR Cover Ratio	4.31	3.80	4.74

As at 31st December 2022, Mutual Benefits had a Statutory Capital Adequacy Requirement Cover Ratio (SCAR) of 4.31 from 3.80 in 2021.

With the impending implementation of the Risk Based Supervision by the regulator, the company will need to realign its balance sheet assets so as to reduce the possible capital charges brought about by the risk-based capital regulations on some of the volatile financial instruments backing its liabilities.

Management should, therefore, continue monitoring capital levels to ensure that the company's solvency position remains favourable.

Despite the impending regulatory requirements that may be brought by the Risk Based Supervision, we commend Mutual Benefits for having a capital management strategy in place which is intended to help in ensuring the solvency position of the company is kept in check.

The Company has established the following capital management objectives, policies, and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators, and stakeholders.
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

5. Pricing and premium adequacy

The table below indicates the values of key financial ratios for Mutual Benefits for the financial year ended 31 December 2022. The corresponding statistics from the previous year have been included for comparative purposes.

Key Financial Ratios	31 December 2022	31 December 2021
Net loss ratio	31.6%	48.1%
Expense Ratio**	36.1%	35.7%
Net combined ratio	67.7%	83.8%

** This includes Net Commissions

The above statistics indicate that the overall underwriting performance for Mutual Benefits resulted in a net combined ratio of 67.7%. The net combined ratio has improved from 83.8% mainly as a result of the net loss ratio which improved from 48.1% in 2021 to 31.6% in 2022.

The net combined incurred loss ratio cannot, however, be relied upon to give complete information on the appropriateness of premium rates for individual classes of business. Significant changes in the future mix of business underwritten by Mutual Benefits 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. The tables below summarise the combined net incurred loss ratios for Mutual Benefits as at 31 December 2022 and 2021 per class of business

Valuation Segmentation	31 December 2022		
	Net Loss Ratio	Expense Ratio	Net Combined Ratio
Fire	-27.01%	41.29%	14.29%
Marine	18.78%	35.78%	54.57%
Motor	93.69%	30.36%	124.05%
General Accident	54.81%	40.66%	95.47%
Oil and Gas	1.46%	34.48%	35.93%

Valuation Segmentation	31 December 2021		
	Net Loss Ratio	Expense Ratio	Net Combined Ratio
Fire	45.6%	29.5%	75.1%
Marine	9.4%	25.9%	35.3%
Motor	62.9%	23.7%	86.5%
General Accident	58.3%	41.2%	99.5%
Oil and Gas	55.5%	42.9%	98.4%

Based on the results of the analysis, the Motor class of business is not profitable. We recommend that management closely monitors the premium adequacy and claims experience of the Motor class of business and ensure that appropriate pricing mechanism is put in place.

Mutual Benefits should also continue to monitor the adequacy of its premiums for the other classes as well.

Two items in the income statement (management expenses and employee benefit expenses), were not classified as underwriting expenses, despite mostly relating to expenses occurred in the day-to-day operations of the business. These items add up to approximately ~~€~~3.0 billion in 2022. We recommend that management analyses these expenses and thus allocate them to the respective underwriting lines. This would enable management to scientifically determine accurate premiums rates to be charged for different lines of business.

6. Asset and Liability Management

6.1 Assets

6.1.1 Asset classes

Please note that all financial results presented in this report (apart from Section 4: Insurance Liability Valuation) have been derived from audited financial statements of Mutual Benefits.

The table below shows the composition of Mutual Benefits' assets between the various asset classes as at 31 December 2022. Corresponding statistics for the previous financial year are shown for comparative purposes.

Asset/Liability Class	31 December 2022	31 December 2021
	₦ '000	₦ '000
Fixed Interest	12,298,057	12,695,501
Investment Properties	75,000	56,000
Equities	212,696	216,304
Cash and Cash Equivalents	3,027,375	2,719,127
Invested Assets	15,613,128	15,686,932
Investment in subsidiary	6,120,000	6,120,000
Other balance sheet assets	7,567,312	6,221,864
Total Assets	29,300,440	28,028,796

6.1.2 Valuation of Assets

For the purposes of this FCR, we were not aware of any assets whose fair value is significantly different from its carrying value. The assets therefore adopted for our review total ₦29.3 billion as at 31 December 2022.

6.1.3 Asset admissibility

The assets listed below, held by Mutual Benefits, were considered admissible in the solvency calculations as at 31 December 2022:

- Cash and Bank Balances;
- Quoted Investments at Market Value;
- Unquoted Stock at Cost;
- Land and Buildings;
- Furniture and Fittings;
- Office Equipment;
- Motor Vehicles;
- Prepaid Expenses made to members of staff;
- Amount due from retrocession;
- Staff Loans and advances; and
- Claims receivable

The liabilities listed below, held by Mutual Benefits, were considered admissible in the solvency calculations as at 31 December 2022:

- Provision for unexpired risks;
- Provision for outstanding claims;
- Provisions for claims incurred but not yet reported; and
- Fund to meet other liabilities.

6.2 Liabilities

Mutual Benefits underwrites the following classes of business within the statutory classes of business based on the Insurance Act 2003:

- Fire insurance business;
- General accident insurance business;
- Motor vehicle insurance business;
- Marine and aviation insurance business;
- Oil and gas insurance business;
- Engineering insurance business;
- Bonds credit guarantee and suretyship insurance business.

Currency of liabilities:

- The insurer transacts primarily in the Naira, but also transacts in Pound, Euro, US dollar, and CFA Franc.

Nature and term of liabilities:

In general, the following is applicable relating to the term of liabilities arising from various classes of business:

- Engineering class liabilities are generally long tailed and may take more than 3 years to settle.
- Engineering class liabilities may increase with inflation, specifically court-award and price inflation.
- Marine class liabilities are generally long-tailed and may take more than 3 years to settle and may also increase with inflation, specifically court-award and price inflation.
- Property damage claims are generally reported and settled soon after occurrence and thus are considered short-tailed.
- Property damage claims are generally not affected by inflation from occurrence to settlement.
- Fire and Oil and Gas liabilities are very volatile in nature. The claims experience for these classes can range from very favourable to highly unfavourable.
- Fire and Oil and Gas liabilities are susceptible to large losses.

The currency, nature and term of the liabilities impact the assets that Mutual Benefits should be investing in so as to reduce the risk of a mismatch between assets and liabilities.

6.3 Asset Liability Matching

The following is a Gap analysis showing the projected asset/liability profile of Mutual Benefits:

Class of Asset (N'000)	Time Period				
	0	1	2	3	4+
Treasury Bills: Held to Maturity	10,758,812	-	-	-	1,306,483
Cash and Cash Equivalents	3,027,375				
Equities	212,696				
Total Income from Assets	13,998,883	-	-	-	1,306,483
Liabilities (N'000)	0	1	2	3	4+
Net OCR and IBNR	819,772	274,921	251,680	126,348	338,821
Net UPR less DAC	1,773,152	1,160,346	245,102	280,382	562,723
Other	4,577,286	-	-	-	-
Total liabilities outgo	7,170,209	1,435,267	496,782	406,730	901,544
Gap	6,828,673	(1,435,267)	(496,782)	(406,730)	404,939

From the gap analysis, the surplus in year 0 and the expected premium income should be adequate to offset any cashflow demands in the medium term. Nonetheless, management should continue monitoring this position on a regular basis.

6.4 Investment Strategy

Mutual Benefits investment strategy is hinged on prudent investment principles within the context of the applicable insurance regulations. The goal and objective of the Company's investment activities is to maximize returns on a risk adjusted basis.

The Company should consider introducing two investment pools in the strategy: one to cover liabilities and a second for surplus/free assets. The first pool should ideally be broken down into business lines or smaller pools based on the nature and term of actual/notional liabilities as highlighted in section 6.2. The second pool represents the company's free assets and can be used to improve investment returns. Each pool should have its own target asset allocation and tactical limits. In addition, there should be a target and maximum allowable allocation per asset class.

7. Reinsurance Arrangements

7.1. Reinsurance Management Strategy

It is the responsibility of the Board of Directors and senior management to develop, implement and maintain a reinsurance strategy appropriate to the operations of the Company, in order to ensure that the Company has sufficient capacity to meet its obligations as they arise.

These responsibilities are as follows:

- Set limits on the net risk to be retained per class of business and in aggregate for the Company
- Document clear policies and procedures for implementing the reinsurance strategy
- Review the reinsurance strategy regularly
- Seek professional advice on the soundness of the risk transfer before entering into, modifying or terminating a reinsurance arrangement

7.2. Placing Reinsurers

Mutual Benefits Insurance uses the following criteria when determining if a reinsurance broker is suitable:

- Possession of current operating licence.
- Value added to the reinsurance programme.
- Prompt remission of reinsurance premium to reinsurers.
- Prompt collection of a claim from reinsurer in case of a cash call.
- The ability to obtain concession of reinsurers on exceptional risks.

7.3. Summary of 2022 Treaty Cover Note

A Summary of the Treaty Cover Notes are summarised in the Appendix

7.4. Peak Exposures

The biggest risks faced by Mutual Benefits are summarised in the Peak Exposures section of the appendix.

8. Risk Management

8.1 Risk Management Strategy

Mutual Benefits has adopted the three lines of defence model for its risk governance specifying roles and responsibilities for each line of defence and ensuring independence of the parties involved. It should be noted that the board of directors and senior management are not considered to be part of the three lines of defence but are served by the three lines of defence model. They are therefore responsible for ensuring that the three lines of defence model are implemented in the Insurer.

Mutual Benefits has identified the following major risk areas as part of its risk management strategy:

- Reputational risk
- Operational risk
- Liquidity risk
- Market risk
- Investment risk
- Strategic risk
- Credit risk
- Reinsurance risk
- Underwriting risk

8.2 Material Risks

The following summarises the key risks faced by Mutual Benefits, as well as their impact and implications, based on our review as the Appointed Actuary:

Insurance Risk– Mutual Benefit’s overall net incurred claims ratio decreased from 48.1% in 2021 to 31.6% in 2022. In view of this, we encourage constant monitoring and efficient experience analysis to sustain decrease in the net incurred claims ratio.

Further, the claims experience in the Fire, Marine and Oil and gas classes should be monitored. This is owing to the inherent volatility in claims experience for these classes due to the high severity but low frequency occurrences. Optimal reinsurance arrangements should be put in place to ensure the company’s retention does not expose it to catastrophe events.

Currency Risk– Mutual Benefits is exposed to currency risk resulting from recognised assets and liabilities in currencies other than the Naira. Examples include transactions carried out in Pound, US Dollar, and Euro. Thus, the management of Mutual Benefits should have proper mitigative measures instituted to reduce the impact of such an event.

Regulatory Risk – The National Insurance Commission (NAICOM) announced new capital requirements for Nigerian Insurers. The proposed move from compliance based to risk based supervision is going to impose new solvency capital requirements for Mutual Benefits. Mutual Benefits faces this regulatory risk if its solvency margin falls below the proposed minimum requirement of ₦10 billion at the end of the process from the current ₦3 billion level.

Catastrophe Risk - Catastrophe Risk is defined as the risk related to the occurrence of high-severity and low-frequency events. This is especially noteworthy as the company also writes volatile classes of business such as Fire, Marine and Oil and Gas. These classes of business may be exposed to catastrophic events which may negatively influence the profitability and capital adequacy of the company.

Appendix 1: Solvency Calculations

	31 December 2022	31 December 2021	31 December 2020
	₦ '000	₦ '000	₦ '000
Total Admissible Assets	27,805,540	26,417,195	28,852,762
Total Admissible Liabilities	14,864,895	15,007,305	14,646,419
Solvency Margin	12,940,645	11,409,890	14,206,343
Statutory Capital Adequacy Requirement ('SCAR')	3,000,000	3,000,000	3,000,000
SCAR Cover Ratio	4.31	3.80	4.74

Appendix 2: Peak Exposures

Bond

RISK DESCRIPTION	TOTAL SUM INSURED	EML	ANNUAL PREMIUM	MBA RETENTION	QUOTA SHARE	FAC REINS	P/N	LEAD REINS	P/N
APB/01/2/00042/21	160,000,000.00	100%	500,000.00	40,000,000	60,000,000	60,000,000.00	37.50%	African Re	60%
CID/01/2/00085/18	100,000,000.00	100%	500,000.00	40,000,000	60,000,000	NIL	NIL	African Re	60%
APB/02/2/00015/22	45,480,129.62	100%	454,000.30	18,192,052	27,288,078	NIL	NIL	African Re	60%
APB/01/2/00004/22	31,723,892.38	100%	317,238.92	12,689,557	19,034,335	NIL	NIL	African Re	60%
CID/6B/2/00010/22	30,771,699.85	100%	107,700.00	12,308,680	18,463,020	NIL	NIL	African Re	60%

Oil and Gas

POLICY NUMBER	TOTAL SUM INSURED	EML	ANNUAL PREMIUM	MBA RETENTION	SURPLUS TTY	FAC REINS	P/N	LEAD REINS	P/N
OIL/01/2/00002/14	20,688,513,895.90	100%	525,117,098.10	208,000,000	2,080,000,000	18,400,513,895.90	88.94%	WAICA	50%
OIL/26/2/00003/13	360,161,562,743.60	100%	420,081,342.40	208,000,000	2,080,000,000	357,873,562,743.60	99.36%	WAICA	50%
OIL/26/2/00002/18	69,219,375,000.00	100%	96,175,172.25	208,000,000	2,080,000,000	66,931,375,000.00	96.69%	WAICA	50%
OIL/02/2/00001/20	75,690,000,000.00	100%	93,287,925.00	208,000,000	2,080,000,000	73,402,000,000.00	96.98%	WAICA	50%
OIL/01/2/00039/A	72,642,455,200.00	100%	92,673,349.60	208,000,000	2,080,000,000	70,354,455,200.00	96.85%	WAICA	50%

Fire

POLICY NUMBER	TOTAL SUM INSURED	EML	ANNUAL PREMIUM	MBA RETENTION	SURPLUS TTY	FAC REINS	P/N	LEAD REINS	P/N
IAR/01/1/00031/14	31,500,000,000.00	100%	17,966,386.55	200,000,000	8,000,000,000	23,300,000,000.00	73.97%	African Re	60%
IAR/01/1/00122/17	23,899,785,726.15	100%	22,314,988.07	200,000,000	8,000,000,000	15,699,785,726.10	65.69%	African Re	60%
IAR/01/1/00059/15	13,059,821,878.55	100%	11,931,636.51	200,000,000	8,000,000,000	4,859,821,878.50	37.21%	African Re	60%
IAR/01/1/00100/21	6,715,543,911.26	100%	2,533,386.55	200,000,000	6,515,543,911	NIL	NIL	African Re	60%
IAR/01/1/00264/22	5,207,126,287.65	100%	5,806,754.14	200,000,000	5,007,126,288	NIL	NIL	African Re	60%

Marine Cargo

POLICY NUMBER	TOTAL SUM INSURED	EML	ANNUAL PREMIUM	MBA RETENTION	SURPLUS TTY	FAC REINS	P/N	LEAD REINS	P/N
MAC/1A/4/00050/20	9,078,589,228.62	100%	4,539,294.61	150,000,000	4,500,000,000	4,428,589,228.00	48.78%	AFRICAN RE	60%
MAC/1A/4/00050/20	6,212,817,563.70	100%	3,106,408.78	150,000,000	4,500,000,000	1,512,817,563.00	24.35%	AFRICAN RE	60%
MAC/01/3/00098/14	5,374,577,500.00	100%	2,235,691.00	150,000,000	4,500,000,000	724,577,500.00	13.48%	AFRICAN RE	60%
MOC/01/3/00037/20	5,106,811,936.48	100%	1,532,043.58	150,000,000	4,500,000,000	456,811,936.48	8.95%	AFRICAN RE	60%
MAC/1A/4/00050/20	3,419,003,376.25	100%	1,709,501.69	150,000,000	3,269,003,376	NIL	NIL	AFRICAN RE	60%

Engineering

POLICY NUMBER	TOTAL SUM INSURED	EML	ANNUAL PREMIUM	MBA RETENTION	SURPLUS TTY	FAC REINS	P/N	LEAD REINS	P/N
CAR/01/2/00045/18	25,668,272,364.73	100%	2,735,246.20	200,000,000	7,000,000,000	18,468,272,364.00	71.95%	AFRICAN RE	60%
CAR/01/2/00047/18	24,381,681,109.90	100%	7,406,664.34	200,000,000	7,000,000,000	17,181,681,109.00	70.47%	AFRICAN RE	60%
CAR/01/2/00043/21	10,721,407,528.28	100%	16,482,341.44	200,000,000	7,000,000,000	3,521,407,528.20	32.84%	AFRICAN RE	60%
CAR/01/2/00020/19	9,520,031,490.97	100%	4,234,994.99	200,000,000	7,000,000,000	2,320,031,490.97	24.37%	AFRICAN RE	60%
CBP/01/1/00275/21	8,388,215,726.56	100%	3,835,100.00	150,000,000	5,250,000,000	2,988,215,726.00	35.62%	AFRICAN RE	60%

General Accident

POLICY NUMBER	TOTAL SUM INSURED	EML	ANNUAL PREMIUM	MBA RETENTION	SURPLUS TTY	FAC REINS	P/N	LEAD REINS	P/N
GPA/18/2/00001/15	611,794,826.48	100%	11,097,512.11	45,000,000	566,794,826	NIL	NIL	African Re	60%
CBP/18/2/00026/17	500,000,000.00	100%	13,206,326.70	100,000,000	400,000,000	NIL	NIL	African Re	60%
DOL/18/2/00014/22	412,200,000.00	100%	412,000.00	25,000,000	387,200,000	NIL	NIL	African Re	60%
ALR/18/2/00006/22	203,089,281.08	100%	784,953.98	30,000,000	173,089,281	NIL	NIL	African Re	60%
GPA/18/2/00001/20	179,493,765.38	100%	311,061.15	45,000,000	134,493,765	NIL	NIL	African Re	60%

Marine Hull

POLICY NUMBER	TOTAL SUM INSURED	EML	ANNUAL PREMIUM	MBA RETENTION	SURPLUS TTY	FAC REINS	P/N	LEAD REINS	P/N
MAH/26/3/00012/14	12,219,679,999.60	100%	14,499,924.70	150,000,000	3,600,000,000	8,469,679,999.00	69.31%	African Re	60%
MAH/10/3/00004/20	5,864,055,000.00	100%	11,454,297.00	150,000,000	3,600,000,000	2,114,055,000.00	36.05%	African Re	60%
MAH/26/3/00004/22	5,108,750,000.00	100%	17,389,972.00	150,000,000	3,600,000,000	1,358,750,000.00	26.60%	African Re	60%
MAH/26/3/00004/20	4,558,750,000.00	100%	17,422,396.00	150,000,000	3,600,000,000	808,875,000.00	17.74%	African Re	60%
MAH/6B/3/00002/20	3,800,000,000.00	100%	8,075,000.00	150,000,000	3,600,000,000	50,000,000.00	1.32%	African Re	60%

Motor

POLICY NUMBER	TOTAL SUM INSURED	EML	ANNUAL PREMIUM	MBA RETENTION	SURPLUS TTY	FAC REINS	P/N	LEAD REINS	P/N
PRM/18/4/00004/22	94,128,308.05	100%	1,361,636.90	2,000,000	10,000,000	82,128,308.05	87.25%	AFRICAN RE	60%
CVO/18/4/00005/22	71,500,004.00	100%	3,217,500.00	2,000,000	10,000,000	59,500,004.00	83.22%	AFRICAN RE	60%
CVO/18/4/00057/20	76,320,000.00	100%	1,664,403.28	2,000,000	10,000,000	64,320,000.00	84.28%	AFRICAN RE	60%
PRM/18/4/00041/17	66,500,000.00	100%	1,246,875.00	2,000,000	10,000,000	54,500,000.00	81.95%	AFRICAN RE	60%
CVO/18/4/00014/20	38,720,000.00	100%	311,889.00	2,000,000	10,000,000	26,720,000.00	69.00%	AFRICAN RE	60%

Appendix 3: Treaty Cover Notes

Retention is 2 million Naira per vehicle while reinsurance cover is 10 million Naira per vehicle.

HULL	(\$)
RETENTION	500,000
TREATY	1,500,000
TOTAL CAPACITY	2,000,000

LIABILITY	(\$)
RETENTION	500,000
TREATY CAPACITY	24,500,000
TOTAL CAPACITY	25,000,000