ANNUAL REPORT 2020

# 2020 NEM

## Annual Report & Accounts

# SOLID. RESILIENT. RESPONSIVE.

NEM

...together to succeed

**Everything**
you do **now**
is for the
**future**

# NEM environmental, social and governance (ESG) report

**NEM Insurance Plc is committed to the Environmental, Social and Governance (ESG) initiative. The core elements of this initiative are environmental protection, social protection and support and institutional strengthening. The company's board drives the initiative and has ensured that a well-developed long-term strategy which encompasses all ESG issues is developed.**

The company has expanded its social performance approach by engaging in activities that enhance our client protection principles and support; such as transparency and development of beneficial products to protect our clients' diverse interests, privacy of clients' data and a feedback method which gives NEM ways to address clients' complaints so that they can be served more effectively.

The company also ensures protection and preservation of our environment through responsible water and electricity consumption. Adequate maintenance of generators and vehicles to minimize consumption of fuel is adhered to. NEM has installed first aid boxes and fire safety equipment in all branches and at the head office, our staff are being trained periodically on fire safety, surveillance and emergency first aid in the work place; inverters are being installed in order to reduce energy consumption as well as energy saving bulbs; industrial printers have been installed to reduce paper usage

# Our Vision

To be the preferred choice of the insuring public

# Our Mission

To build a customer-satisfying Insurance Institution that is passionate about adding value to the interests of all stakeholders.

# Core Values

- Discipline
- Integrity
- Humility
- Excellence
- Empathy
- Courage

# Brief history about the Company


**NEM INSURANCE PLC started insurance business in Nigeria in 1948 through the agency of Edward Turner & Co.**

It became a Nigerian branch of NEM General Insurance Association Limited of London in 1965.

Incorporated in 1970 as a Nigerian company in compliance with the Companies Decree of 1968, the company became quoted on the NIGERIAN Stock Exchange in 1989 following the privatization by the Federal Government of Nigeria.

The company, which has contributed immensely towards the growth of Insurance Industry in Nigeria, was into Life and Non-Life business. Following the recapitalization exercise, the company merged with vigilant Insurance company Ltd to transact all classes of General Insurance.

The Company has expanded its operations into the West African Sub region, with the successful registration and commencement of business of its subsidiary, NEM INSURANCE (GHANA) Limited I in May 2009.

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NEM Insurance Plc

# AGRIC INSURANCE POLICY

*...a cover that protects your agricultural investment and supports business continuity plan*



**For Enquiry,Contact:**

NEM Support Center: +234(1)4489570
Agric Unit: +234 806 386 8250; 0812 668 9709
Email: nemsupport@nem-insurance.com
Website: nem-insurance.com

**HEAD OFFICE CONTACT:**
NEM House, 199, Ikorodu Road, Obanikoro, Lagos.
P. O. Box 654, Marina, Lagos. Tel: 01-4489560-9

NAICOM/CA/ADV/2020/3323

*...Together to succeed*

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# Notice Of 51st Annual General Meeting

# Notice Of **51st Annual General Meeting**

NOTICE IS HEREBY GIVEN that the 51st Annual General Meeting of NEM INSURANCE PLC. (the "Company') will hold at the Conference Room, NEM House, 199, Ikorodu Road, Obanikoro on the 24th of June 2021 at 10.00a.m to transact the following business:

**1.0 ORDINARY BUSINESS**

**1.1 To present the Annual Financial Statements of the Company for the year ended 31st December 2020 and Reports of the Directors, the Auditors Report and Audit Committee's Report thereon.**

**1.2 To declare a Dividend.**

**1.3 To re-elect Directors retiring by rotation.**

**1.4 To authorize the Directors to fix the remuneration of the Auditors.**

**1.5 To elect members of the Audit Committee.**

**1.6 To disclose the Remuneration of Managers of the company in line with Section 257 of the Companies and Allied Matters Act, 2020**

**2.0 SPECIAL BUSINESS**

**2.1 To approve the remuneration of Directors.**

**2.2 To consider and if thought fit, pass the following, with or without modification as Ordinary Resolutions of the Company:**

**2.2.1 Consolidation/ Reconstruction of Shares**

(a) That, in accordance with Section 125 of CAMA 2020 and Article 45 of the Company's Articles; the nominal value of the Ordinary shares in the Authorised Share Capital of the Company be and is hereby redenominated from 50 kobo each to N1 each, by the consolidation of every two (2) shares held by each shareholder into one (1) share.

(b) That where the consolidation results in a fraction of a Share being held, the Company be authorised to round that fraction down to the nearest whole Share or zero, as the Directors may deem fit.

(c) That the consolidated Shares shall have the same rights and be subject to the same restrictions as the existing Shares of the Company.

**2.2.2 General**

(a) That the Company's Memorandum and Articles of Association be amended to reflect the changes authorized by the foregoing resolutions.

(b) That the Directors be and are hereby authorized to appoint such advisers, professionals and parties that they deem necessary, upon such terms and conditions that they may deem appropriate regarding the implementation of the aforementioned resolutions.

(c) That the Directors be and are hereby authorised to take all steps and do all acts that they deem necessary for the successful implementation of the above stated resolutions

# Notice Of **51st Annual General Meeting**

**2.3 Ratification of Shareholders' Resolution passed at the Extra-Ordinary** General Meeting ("EGM") which held on 10th December 2020. At the EGM, the Company passed several resolutions including Resolution (b) which stated as follows: "In pursuance to the recommendation of the Directors, that the sum of Two Hundred a Seventy-Two Million, Five Hundred and Fifty One Thousand Naira (N272,551,000) and Two Billion and Eighty Seven Million, One Hundred and Ninety-Seven Thousand, Five Hundred and Forty-Three Naira (N2,087,197,543) be transferred from the Company's Share Premium account and Retained Earnings account respectively to the Share Capital account. The amount thus transferred shall represent the value of Four Billion, Seven Hundred and Nineteen Million, Four Hundred and Ninety Seven Thousand and Eighty Seven (4,719,497,087) ordinary shares of Fifty Kobo (N0.50K) each as fully paid up, and distributed amongst members whose names are registered in the Company's Register of Members at the close of business on Wednesday, 16th of December, 2020 in the proportion of nine (9) new shares of 50 kobo each for every ten (10) existing shares of 50 kobo each, held by them. The shares distributed shall rank pari pasu with the existing shares in all respect and will be treated for all purposes as capital and not as income".

However, the Securities and Exchange Commission ("SEC") subsequently observed that given that the basis of the bonus was 9 shares for every 10 shares held, and that since the Company's Issued and fully paid-up shares is Five Billion, Two Hundred and Eighty Million, Five Hundred and Two Thousand, Nine Hundred and Thirteen (5,280,502,913) ordinary shares of 50 kobo each, the proposed number of shares to be issued as bonus should translate to Four Billion, Seven Hundred and Fifty Two Million, Four Hundred and Fifty Two Thousand, Six Hundred and Twenty Two (4,752,452,622) and not Four Billion, Seven Hundred and Nineteen Million, Four Hundred and Ninety Seven Thousand, Eighty Seven (4,719,497,087) as indicated in the Resolution and directed that the error be rectified. SEC further observed that the Company's un-issued share capital of Four Billion, Seven Hundred and Nineteen Million, Four Hundred and Ninety Seven Thousand, Eighty Seven (4,719,497,087) cannot accommodate the appropriate number of shares to be issued as Bonus being Four Billion, Seven Hundred and Fifty Two Million, Four Hundred and Fifty Two Thousand, Six Hundred and Twenty Two (4,752,452,622).

Pursuant to the above, that Resolution (b) as passed at the EGM be and is hereby corrected as follows: "In pursuance to the recommendation of the Directors, that the sum of Two Hundred and Seventy Two Million, Five Hundred and Fifty One Thousand Naira (N272,551,000) and Two Billion, One Hundred and Three Million, Six Hundred and Seventy Five Thousand, Three Hundred and Eleven Naira (N2,103,675,311) be transferred from the Company's Share Premium account and Retained Earnings account respectively to the Share Capital account. The amount thus transferred shall represent the value of Four Billion, Seven Hundred and Fifty Two Million, Four Hundred and Fifty Two Thousand, Six Hundred and Twenty Two (4,752,452,622) ordinary shares of Fifty Kobo (N0.50K) each as fully paid up, and distributed amongst members whose names are registered in the Company's Register of Members at the close of business on Wednesday, 16th of December, 2020 in the proportion of nine (9) new shares of 50 kobo each for every ten (10) existing shares of 50 kobo each, held by

# Notice Of **51st Annual General Meeting**

them. The shares distributed shall rank pari pasu with the existing shares in all respect and will be treated for all purposes as capital and not as income".

**NOTES:**

**I. PROXY**

(a) With the safety and security of customers, employees, and other stakeholders as our top priority, the Company has been implementing its internal policy on the COVID-19 pandemic based on guidance received from government authorities in order to help prevent the spread of infections.

Therefore, in line with the Guidelines of the Corporate Affairs Commission ("CAC") on the conduct of Annual General Meetings ("AGMs") of Public Companies by Proxies, and the need to comply with the directives and regulations of the Federal Government of Nigeria, Lagos State Government, the Nigerian Centre for Disease Control ("NCDC") on safety and health measures against COVID-19 pandemic, Shareholders are hereby informed that attendance shall be by proxy only.

(b) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A form of proxy is attached to the last page of this Annual Report and may also be downloaded from the Company's website www.nem-insurance.com
In line with CAC's Guidelines, attendance at the AGM shall be by proxy only. Shareholders are required to appoint a proxy of their choice from the list of nominated proxies below:

| | | |
|---|---|---|
| (1) | Dr. Fidelis Ayebae | Chairman |
| (2) | Mr. Tope Smart | GMD/CEO |
| (3) | Mrs. Olajumoke Philip-Akede | Company Secretary |
| (4) | Sir Sunny Nwosu | Shareholder |
| (5) | Mrs. Adebisi Bakare | Shareholder |
| (6) | Mr. Gbenga Idowu | Shareholder |
| (7) | Mr. Nornah Awoh | Shareholder |

(c) For the instrument of proxy to be valid for the purposes of this Meeting, it must be completed and duly stamped by the Commissioner of Stamp Duties and emailed to registrars@apel.com.ng or deposited at the office of the Registrars, Apel Capital & Trust Limited 8, Alhaji Bashorun Street Off Norman Williams Crescent South-West Ikoyi Lagos not less than 48 hours before the time of the Meeting.

(d) The Company has made arrangements at its cost for the stamping of the duly completed proxy forms submitted to the Company's Registrars within the stipulated time.

**II. CLOSURE OF THE REGISTER OF MEMBERS**

The Register of Members and Transfer Books of the Company will be closed from 7th of June 2021 to 11th of June 2021 both dates inclusive for the purpose of updating

# Notice Of **51st Annual General Meeting**

our Register of Members. Accordingly, dividends will only be paid to Shareholders whose names are on the Register on 4th June 2021. Payment date is 24th of June, 2021

**III. UNCLAIMED DIVIDEND WARRANTS**

Some dividend warrants have remained unclaimed, or are yet to be presented for payment or are in need of revalidation. Affected Shareholders are advised to contact the Registrars, Apel Capital Registrars Limited 8, Alhaji Bashorun Street off Norman Williams Crescent South-West Ikoyi Lagos on this.

**IV. LIVE STREAMING OF THE AGM**

The AGM will be streamed live via the Company's website. This will enable Shareholders and other stakeholders who will not be attending the Meeting physically to observe the proceedings. Please log on to www.nem-insurance.com for the live streaming.

**V. DIVIDEND PAYMENT**

If the proposed dividend of 9 kobo per ordinary share of 50 kobo each as recommended by the Directors is approved by members at the AGM, e-dividends will be paid to Shareholders' accounts in accordance with the directive of the SEC on 24th of June 2021 to the Shareholders whose names appear in the Register of Members at the close of business on 4th of June 2021.

**VI. E-Dividend**

Notice is hereby given to all Shareholders who are yet to mandate their dividends to their bank accounts to kindly update their records by completing the e-dividend mandate form and submitting same to the Registrars, as dividend will be credited electronically to Shareholders'accounts as directed by the SEC.

Detachable application forms for e-dividend mandate, change of address and unclaimed dividends are attached to the Annual Report for the convenience of all Shareholders. The forms can also be downloaded from the Company's website at www.nem-insurance.com or from the Registrars' website at www.apel.com.ng. The completed forms should be returned to Apel Capital Registrars Limited 8, Alhaji Bashorun Street off Norman Williams Crescent South-West Ikoyi Lagos.

**VII. STATUTORY AUDIT COMMITTEE**

In accordance with Section 404 of the Companies and Allied Matters Act, 2020, a Shareholder may nominate another Shareholder for appointment to the Audit Committee. Such nomination should be in writing and must reach the Company Secretary not less than twenty one (21) days before the AGM.

Kindly note that the Code of Corporate Governance issued by the SEC and the National Insurance Commission ("NAICOM") respectively indicate that members of the Audit Committee should have basic financial literacy and should be able to read Financial Statements.

In view of the above, we request that nominations to the Audit Committee should be accompanied by copies of nominees' Curriculum Vitae.

**VIII. RE-ELECTION OF DIRECTORS**

In accordance with the Section 285 of the Companies and Allied Matters Act, 2020, Dr. Fidelis Ayebae and Mrs. Yinka Aletor will retire by rotation and being eligible offer themselves for reelection.

Their profiles are contained in the Annual Report and are also on the Company's website.

# Notice Of **51st Annual General Meeting**

**IX. RIGHT OF SHAREHOLDERS TO ASK QUESTIONS**

Pursuant to Rule 19.12 (c) of the Nigerian Stock Exchange's Rulebook 2015, it is the right of every Shareholder to ask questions not only at the meeting but also in writing prior to and after the meeting. Please send all questions to nem@nem-insurance.com

**X. E-Annual Report**

The electronic version of this Annual Report (e-annual report) can be downloaded from the Company's website www.nem-insurance.com. The e-annual report will be emailed to all Shareholders who have provided their email addresses to the Registrars. Shareholders who wish to receive the e-annual report are kindly requested to send an email to nem@neminsurance.com. or registrars@apel.com.ng.

**XI. Website**

A copy of this Notice and other information relating to the Meeting can be found at www.neminsurance.com.

**BY ORDER OF THE BOARD**

**OLAJUMOKE PHILIP-AKEDE**
**COMPANY SECRETARY**
FRC/2017/NBA/00000015972
199, IKORODU ROAD, LAGOS
DATED THIS 24th DAY OF MAY, 2021

# Corporate **Information**

| | | |
|---|---|---|
| **Directors** | Dr. Fidelis Ayebae | Chairman |
| | Mr. Tope Smart | Group Managing Director/CEO |
| | Ms Stella Omoraro | Executive Director |
| | Mr. Andrew Ikekhua | Executive Director |
| | Mrs. Yinka Aletor | Director |
| | Alhaji Ahmed I. Yakasai | Independent Director |
| | Chief Ede Dafinone | Director |
| | Mrs Joy Teluwo | Director |
| | Mr. Papa Ndiaye | Director |
| | Mr. Kelechi Okoro | Director |

**Company Secretary**
Mrs. Olajumoke Philip-Akede
199, Ikorodu Road
Obanikoro, Lagos

**Registered Office**
NEM House
199, Ikorodu Road
Obanikoro, Lagos

**FRCN Number**
FRC/2012/0000000000249

**Registration Number**
6971

**Corporate Head Office**
NEM House
199, Ikorodu Road
Obanikoro, Lagos
www.nem-insurance.com

**Registrars**
APEL Capital Registrars Limited
8, Alhaji Bashorun Street
Off Norman Williams Crescent,
South West, Ikoyi
Lagos
Tel: 01-2932121
Mobile No: 07046126698
www.apel.com.ng

# Corporate **Information**

| | |
|---|---|
| **Bankers** | Access Bank Plc<br>Polaris Bank Limited<br>Ecobank Nigeria Limited<br>First Bank of Nigeria Limited<br>GTBank Plc<br>Keystone Bank Limited<br>Standard Chartered Bank Nigeria Limited<br>Sterling Bank Plc<br>United Bank for Africa Plc<br>Zenith Bank Plc |
| **Auditors** | BDO Professional Services<br>(Chartered Accountants)<br>ADOL House, 15 CIPM Avenue<br>Central Business District<br>Alausa, Ikeja, Lagos.<br>P.O.Box 4929,GPO, Marina Lagos.<br>www.bdo-ng.com |
| **Solicitors** | Koya & Kuti Solicitors<br>5th Floor, 3, Ajele Street<br>Lagos.<br><br>Sola Abidakun & Co<br>9th Floor, UBA House<br>57, Marina<br>Lagos. |
| **Reinsurers** | SWISS Reinsurance Company<br>African Reinsurers Corporation<br>Continental Reinsurance Corporation<br>WAICA Reinsurance Plc<br>FBS Reinsurance Ltd<br>Nigeria Reinsurance Company Limited |
| **Subsidiary** | NEM Asset Management Ltd<br>199, Ikorodu Road Obanikoro<br>Lagos<br>Tel: 01-4489574 |
| **Associate** | RegencyNEM Insurance (Ghana) Limited<br>No 65, Patrice Lumumba Road,<br>Airport Residential Area Accra<br>P.O. Box 6342, Cantonments<br>Ghana |

# Corporate **Information**

## Branch Networks

**Abuja - Garki**
3, Ringim Close
Off Sokoto Street
Area 7, Garki, Abuja
Branch Manager: Michael A. Giwa
Mobile No: 08033208141

**Abuja – Wuse**
3, Ejura Close, Off Ajesa Street,
Opposite Airtel Office, Wuse 2, Abuja
Branch Manager: Mr. Martins Ilegoma
Mobile Nos: 08077284843
08078153184, 08037020262

**Abuja – Central Business District**
82, Imo State Liaison office
Opp. Federal Ministry of Finance
Central Business District
Branch Manager: Davies O. Dada
Mobile Nos: 08150849411

**Apapa**
2nd Floor
41/43 Itire Road
Surulere, Lagos
Tel: 01-7375546, 07028442653
Branch Manager: Uzor Enubuzo
Mobile No: 08059301673, 0802896842

**Calabar**
2nd Floor, 26, Etta-Agbor Road
Calabar
Cross River
Branch Manager: Opeoluwa Olaku
Mobile Nos: 08054642551, 08033055444

**Akure**
3rd Floor, BIO Building Alagabaka
Akure, Ondo State
Tel: 034-215829
Branch Manager: Kehinde Agbelade
Mobile No: 08033509419

**Ibadan**
3rd Floor, Broking House
1, Alhaji Jimoh Odutola Street
PMB 5328, Ibadan
Oyo State
Tel: 02-2411992
Branch Manager: Rufus Olumide
Mobile Nos: 08033463697

**Jos**
10, Rwang Pam Street
P.O. Box 1261
Jos, Plateau State
Tel: 073-454216
Branch Manager: Oyeronke
Oyegbamile-Bello
Mobile No: 08077284946

Lagos Mainland
199, Ikorodu Road
Obanikoro, Lagos
Tel: 01-8171844, 01-4824737, 01-2710060
Branch Manager: Lucky Okparavero
Mobile Nos: 08076175287,
08023123006
08077284829

**Kano**
3rd Floor, Union Bank Building
37, Niger Street
P.O. Box 1185, Kano

Branch Manager: Ahmed Bello
Mobile No: 08154971638
080652940000

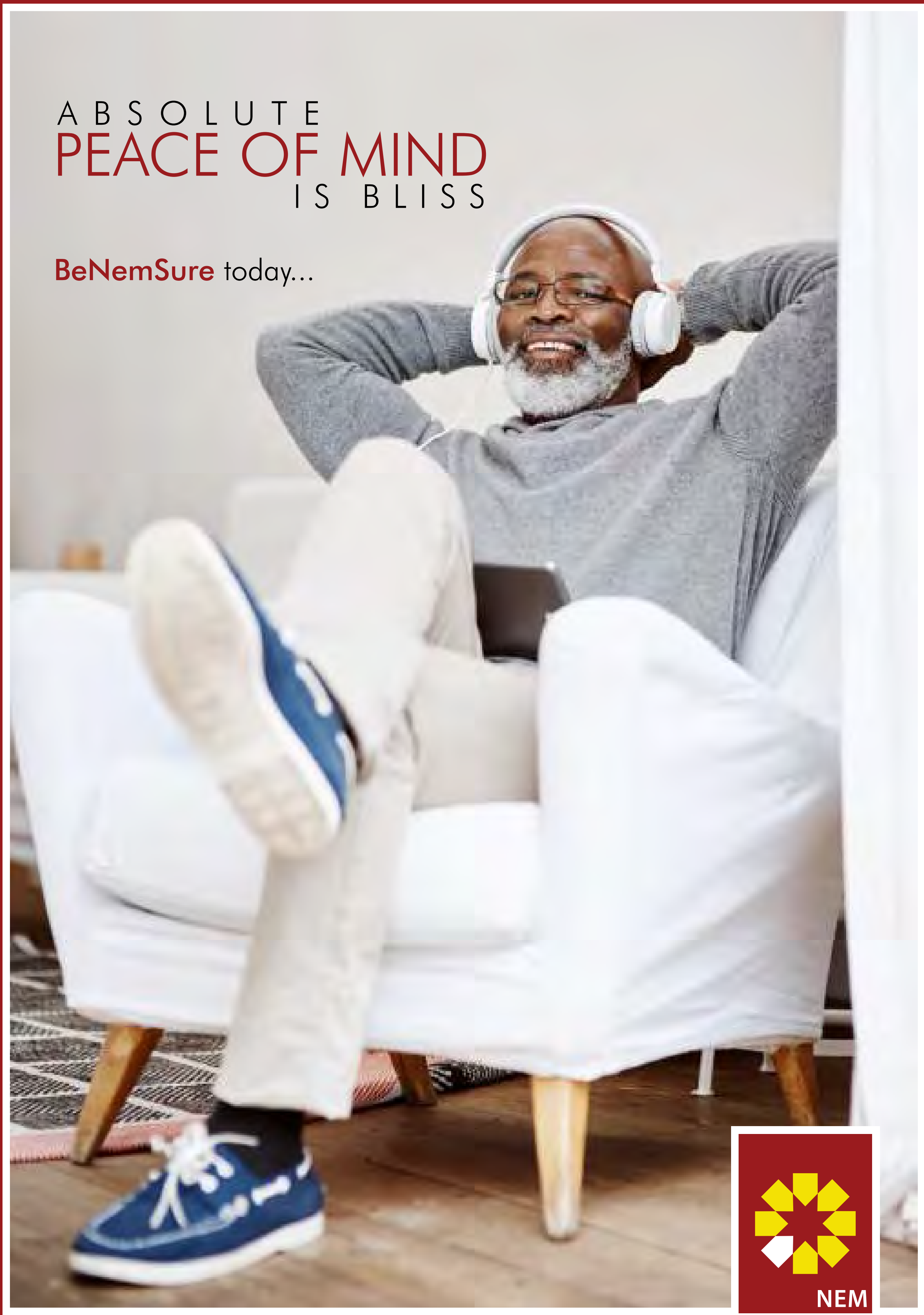
**Onitsha**
2nd Floor, (AIB) Building
107, Upper New Market Road, Onitsha
Tel: 046-410736
Branch Manager: Cyracus Akujobi
Mobile Nos: 08033457426,
08077284889

**Kaduna**
Ground Floor, Turaki Ali House
3, Kanata Road
P.O Box 822, Kaduna
Tel: 062-217683
Branch Manager: Eyitayo Ogboyomi
Mobile Nos: 08059584722

**Oshogbo**
1st Floor, Former Afribank
Building
Opposite Fakunle Comprehensive High School
Fakunle, Gbongan/Ibadan Road
Osogbo, Osun Sate
Tel: 035-214844
Branch Manager: Olubiyi Sonoiki
Mobile Nos: 08038436231,
08077284898

**Warri**
57, Effurun, Sapele Road
Effurun, Delta State
Branch Manager: Kayode
Arimoro
Mobile No: 08034221374
0802388188

**Port Harcourt**
House 2, Road 2
Circular Road, Residential Estate
Port Harcourt, Rivers State
Branch Manager:
Akintan Kolawole
Mobile Nos: 08037236009


ABSOLUTE
PEACE OF MIND
IS BLISS
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NEM
...together to succeed

# Results at a **Glance**

| | 2020 | 2019 | | Changes |
|---|---|---|---|---|
| **Financial Position** | N'000 | N'000 | N'000 | % |
| Cash and cash equivalents | 7,352,189 | 8,101,885 | (749,696) | (9) |
| - At fair value through profit or loss | 4,479,121 | 2,485,564 | 1,993,557 | 80 |
| - At fair value through other comprehensive income | 81,318 | 70,028 | 11,290 | 16 |
| - At amortised cost | 6,105,529 | 2,130,855 | 3,974,674 | 187 |
| Trade receivables | 228,140 | 207,484 | 20,656 | 10 |
| Reinsurance assets | 5,107,870 | 5,525,893 | (418,023) | (8) |
| Deferred acquisition cost | 1,840,694 | 810,097 | 1,030,597 | 127 |
| Other receivables and prepayments | 470,727 | 683,375 | (212,648) | (31) |
| Investment in Associate | 412,741 | 435,165 | (22,424) | (5) |
| Investment properties | 1,617,609 | 1,589,278 | 28,331 | 2 |
| Statutory deposit | 320,000 | 320,000 | - | - |
| Property, plant and equipment | 2,922,422 | 3,031,838 | (109,416) | (4) |
| Intangible asset | 10 | 1,225 | (1,215) | (99) |
| Deferred tax Assets | 263,035 | 291,203 | (28,168) | (10) |
| **Total Assets** | **31,201,405** | **25,683,890** | | |
| Insurance contract liabilities | 9,779,935 | 9,000,865 | 779,070 | 9 |
| Trade payables | 585,327 | 298,046 | 287,281 | 96 |
| Other payables | 1,720,097 | 1,386,681 | 333,416 | 24 |
| Retirement benefit obligations | 78,960 | 81,635 | (2,675) | (3) |
| Income tax liability | 675,783 | 462,419 | 213,364 | 46 |
| Deferred tax liabilities | - | 356,500 | (356,500) | (100) |
| **Total Liabilities** | **12,840,102** | **11,586,146** | | |
| Issued share capital | 5,016,477 | 2,640,251 | 2,376,226 | 90 |
| Share premium | - | 272,551 | (272,551) | (100) |
| Contingency reserve | 5,213,927 | 4,198,848 | 1,015,079 | 24 |
| FVOCI reserve | (40,178) | (51,468) | 11,290 | (22) |
| Asset revaluation reserve | 1,094,475 | 1,094,475 | - | - |
| Other Reserves - Employee benefit | 71,147 | 111,455 | (40,308) | (36) |
| Retained earnings | 7,005,455 | 5,831,632 | 1,173,823 | 20 |
| **Shareholders' Fund** | **18,361,303** | **14,097,744** | | |
| | | | | |
| **INCOME STATEMENT** | N'000 | N'000 | N'000 | % |
| Gross premium written | 22,035,695 | 19,759,872 | 2,275,823 | 12 |
| Gross premium income | 21,682,189 | 19,259,541 | 2,422,648 | 13 |
| Reinsurance expenses | (5,819,431) | (6,642,001) | 822,570 | 12 |
| **Net premium income** | **15,862,758** | **12,617,540** | | |
| Fees and commission income | 1,131,588 | 1,174,233 | (42,645) | (4) |
| Net underwriting income | 16,994,346 | 13,791,773 | | |
| Claims expenses | (6,054,469) | (3,937,318) | 2,117,151 | 54 |
| Underwriting expenses | (4,959,734) | (5,505,758) | (546,024) | (10) |
| Underwriting profit | **5,980,143** | **4,348,697** | | |
| **Investment income** | 1,004,344 | 878,186 | 126,158 | 14 |
| Net Fair value gain | 1,118,692 | 170,963 | 947,729 | 554 |
| Other income | 367,630 | 72,340 | 295,290 | 408 |
| (Loss)/profit on disposal of properties, plant and equipment | (16,830) | 872 | (17,702) | (2,030) |
| Share of (loss)/profit in Associate | (22,424) | 21,413 | (43,837) | (205) |
| Management expenses | (3,220,725) | (3,535,522) | (314,797) | (9) |
| **Profit before taxation** | **5,129,813** | **1,919,754** | **3,210,059** | **167** |
| Income taxes | (45,161) | 475,612 | (520,773) | (109) |
| Profit for the year after tax | 5,084,652 | 2,395,366 | 2,689,286 | 112 |
| Total other comprehensive income/(loss) | (29,018) | (35,712) | (6,694) | (19) |
| **Total comprehensive income for the year** | **5,055,634** | **2,359,654** | **2,695,980** | **114** |
| Basic Earnings Per Share (Kobo) | 0.96 | 0.45 | 0.51 | 112.27 |
| Diluted Basic Earnings Per Share (Kobo) | 0.96 | 0.45 | 0.51 | 112.27 |

# Message from the Chairman

My fellow Shareholders, invited Guests, Representatives of regulatory bodies here present, Directors, Ladies and Gentlemen. I welcome you to the 51st Annual General Meeting of our great Company - NEM Insurance Plc. The directors and I shall at this meeting present to you the Annual report and Accounts of our company for the year ended 31st December 2020 and to also consider the affairs of our company.

# Chairman's **Statement**

## Setting our course in the new normal operating environment

Each year brings its own set of challenges and changes, but I know that I speak for the Board when I express my confidence in the organization's ability to develop further and continue its success despite all the local and global challenges.
Year 2020 commenced with great expectations from the government to improve security, tackle un-employment, diversify the economy, enhance climate resilience, and boost the living standards of Nigerians until Nigeria recorded its Covid-19 index case through an Italian on February 27th, 2020. This raised concerns which led to a total lockdown between March 30th and 25th May 2020. Thereafter, we have deployed extensive Covid 19 protocols to curb the spread of the pandemic.
Furthermore, the aftermath effects of ENDSARS protests which occurred between 11th to 25th of October 2020 greatly affected the country's economy most especially insurance industry because of the huge claims which resulted from the vandalization of properties during the protests. Notwithstanding these challenges, our company still performed excellently well during the year under review,

The Gross Domestic Product was 10.98% as at the end of 2020 as against 12.3% in 2019. A decline by 10.73%.

The price of crude oil declined from US$64.87 per barrel in 2019 to US$51.27 per barrel as at the end of year 2020; thus reducing the external reserves from US$38.07 in 2019 to US$35.4 billion in 2020. Currently, crude oil prices continue to fluctuate. Chief of the causes of this trend is the global COVID-19 pandemic which caused the lockdown of the world's economy; claimed many lives and jobs.

The growth of the non-oil sector rose to 2.6% in quarter four of 2020: majorly on the back of accelerated activity in some sectors like the information and communications industry which enjoyed high patronage because of online/virtual activities which increased in response to social distancing protocol occasioned by the COVID-19 Pandemic.

Agricultural output witnessed tremendous boost during the year under review before the recent reopening of our borders. The boost was generally attributed to the then closure of the country's land borders to the importation of grains and food items. The Federal Government was commended for the bold step from various quarters. However, Nigeria is still far from food security occasioned partly by the incessant farmer-herdsmen conflicts, kidnapping and banditry in the country. As for the industrial sector, there was minimal growth of 1.95% (Q4 2020). The power sector's performance was not so encouraging due to increase in electricity tariff.

According to the report of National Bureau of Statistic (NBS) the Finance and Insurance sectors' contribution to real GDP in 2020 was 3.24%; marginally higher than that of the preceding year which was 3.01%. While the GDP of Financial Institutions (i.e. banks) under the Financial and Insurance sector grew to 2.41% in full year 2020 from 2.4% in 2019, the GDP of the Insurance sector was 0.32% in 2020 as against 0.59% in 2019.

In all, the GDP value of Nigeria represents 4.5% of the world economy and is ranked 27th on the Global nominal GDP.

The official exchange rate of the Dollar to Naira was N380 at the end of period under review while it was N306 in the preceding year. The Central Bank of Nigeria (CBN) reviewed its monetary policy stance during the period to 11.5% as against 13.5% in the preceding year which affected interest on fixed deposits.

Consumer Price Index (CPI) for all items in 2020 was 361.20 and 307.5 in 2019. The inflation rate was 12.88% in 2020 while it was 11.98% in 2019.

**The price of crude oil declined from US$64.87 per barrel in 2019 to US$51.27 per barrel as at the end of year 2020;**

Activities on the Nigerian Stock Exchange (NSE) indicated low developments during the fourth quarter of 2020 as the All-Share Index (ASI) decreased and the Aggregate Market Capitalization was N13.28 trillion at the end of the review period from N25.9 trillion at the end of December 2019.

According to the Central Bank of Nigeria (CBN), in its report, developments in the market were driven largely by portfolio switch from money market to capital market, following the CBN policy on treasury bills, which crashed the rates.

## Financial Performance

Despite all challenges, the company's performance has been a consistent upward progression and is summarized as follows:

## Premium Income

A Gross Premium of N22billion was generated as against N19.8 billion generated in the preceding year 2019; an increase of 12%. The Net Premium earned during the period under review was N15.8 billion and 25% increase over the preceding period of 2019 which recorded N12.6 billion.

## Investment Income

Though the interest rate in commercial paper crashed, the company's management was proactive enough take the advantage of other investment opportunities to generate an income on investment of N1.004billion as against the previous income on investment in 2019 which was N878.2 million. This resulted in increase of about 14.3%.

## Claims Paid

While a Gross Claim of N8.4 billion was incurred in 2020, that of 2019 was N7.3 billion; an increase of 15%.

In the same vein, the Net Claims expenses of N6.05 billion incurred in 2020 was 53% higher than that of the preceding period which recorded N3.9billion. The Net Claims ratio for the period under review was 27% as against that of 2019 that was 21%.

**Gross Claim of N8.4 billion was incurred in 2020, that of 2019 was N7.3 billion; an increase of 15%.**

## Profit for the Year

While the Group's Profit After Tax (PAT) for the preceding period was N2.4 billion, the sum of N5.08billion was recorded in the reporting period; an increase of 112%. The Parent Company also recorded an increase of 113% PAT over the preceding period. That is, N2.4 billion was generated in 2019 against N5.08billion in 2020.

## Financial Assets, Total Assets & Total Equity

There were increases of N5.9billion, N5.5billion and N4.2billion in the Group's Financial Assets, Total Assets and Total Equity respectively.
Also, the Parent Company had increases of N5.9billion; N5.5billion and N4.3billion in Financial Assets, Total Assets and Total Equity respectively.

## Earnings per Share (EPS)

The Group's EPS for the year under review was 0.96 kobo while that of the previous year was 45 kobo.

## Dividend

The Board is recommending a dividend of 9 kobo per ordinary share.

## Human Capital

During the period under review, over 55% of our employees attended various online trainings to enhance job performance. The Company adapted to online trainings in response to the restrictions on physical gathering. due to the pandemic.

All necessary work tools were provided for staff, additional laptop computers and internet facilities to facilitate working remotely, and a conducive environment while in the office with further motivation in form of promotions for deserving staff who performed remarkably during the year. In addition, bonuses were given to staff who performed excellently well while working from home during the lockdown in various areas of performances.

The company is gender friendly hence, we maintain a balance in the number of male and female staff in employment. Also, the company does not discriminate between able and physically challenged persons as employment is based on merit.

On-going recapitalization
After the cancellation of the Tier Based Minimum Solvency capital and series of consultations, NAICOM introduced a two phased recapitalization program, wherein 50 percent of the minimum paid up share capital must be met by 31st December 2020 and balance the following year. The New Paid-Up Share Capital recommended by NAICOM is as follows:

| Class | Previous Capital | New Capital |
|---|---|---|
| Life | N2 billion | N8 billion |
| General | N3 billion | N10 billion |
| Composite | N5 billion | N18 billion |
| Reinsurance | N10 billion | N20 billion |

NAICOM recognized Issued Share Capital, Retained Earnings and Share Premium as the qualifying items to make up the new Paid-Up Share Capital. As at the end of the reporting period we have recapitalized up to 5.016 billion, bonus shares were issued to existing shareholders in proportion of 9 for 10, this was approved at the EGM in 2020. It should be noted that before the end of year 2021 we shall conclude the second phase of the recapitalization to meet up with the NAICOM requirement of N10 billion in the (General Business) category.

## 2021 Business Outlook

NEM is actively following all the protocols such that below fifty percent of staff population are in the office at every point in time after the lockdown was eased by adhering to a strict weekly schedule while others are working from home, enforcement of use of nose masks, restriction of movement, provision of automatic hand washing facilities outside and in the office, use of sanitizers, good medical facilities for our personnel etc.

The focus has been on the safety of our personnel and clients, ensuring the continuity of access to our products by our clients and efficient service delivery.

**NAICOM introduced a two phased recapitalization program, wherein 50 percent of the minimum paid up share capital must be met by 31st December 2020 and balance the following year.**

As the situation continues to be very dynamic, the Company has been working diligently to assess the potential risks posed by COVID-19 to its business on an ongoing basis and to realign its strategies accordingly. We are of the opinion that our business operations will not be negatively affected by COVID 19 pandemic.
The Company remains well positioned and its business strong given the unprecedented circumstances and current market environment. The Company has adopted policies which are prudent at this time to grow its market share by leveraging extensively on its robust technology infrastructure and maintain a healthy balance sheet.

## Changes on The Board

A few changes occurred on the board. Mrs. Abisola Giwa-Osagie, our erstwhile Deputy Managing Director, having attained the age of 60 retired from the services of the company. We thank her for her contribution towards the growth of the company and wish her a happy retirement life.

On a sad note, I announce the demise of our former Executive Director (Finance) after a brief illness. I pray that the good Lord will comfort the family she left behind. May her soul rest in peace, Amen.

## Conclusion

I want to use this opportunity to appreciate the management and members of staff ably led by a very smart and result oriented GMD/CEO while also recognizing my fellow Directors. All their efforts, dedication and hard work are seen in the results being reported in the past years. This is a team to be proud of. Also, I want to appreciate all my fellow shareholders who have been supportive and loyal to the company. Our valued Clients, Brokers, Agents, and Reinsurers have been consistently supportive.

Thank you all.

Most importantly, I give all the glory and thanks to Almighty God who has been our Pillar, Helper and Guide.

Once again, I say a big thank you and promise that with your continued support, our company shall progressively soar high.
As health is wealth, please take responsibility, stay safe and observe all recommended Covid-19 safety protocols.

**DR. FIDELIS AYEBAE**
CHAIRMAN

# GMD/CEO Report

**At the beginning of year 2020, global economy had just recorded its 10th straight uninterrupted growth and economists had expected this trend to continue for years ahead but within two months those expectations were shattered due to the novel corona virus that was first discovered in China in December 2019. This led to the steepest global recession in generations.**

## The International Monetary Fund (IMF) estimates the global economy to have contracted by 4.4% in year 2020 compared with a contraction of just 0.1% in 2009 when the World last faced a financial crisis.

**The GDP grew by 0.11% in the 4th quarter of year 2020. While the economy contracted by 6.1% and 3.6% in second quarter**

In order to contain the spread of the virus, governments across the globe introduced various measures such as lockdowns which further worsened the already bad economic situation.
Recovery is being led by China which stands alone among major economies.
Unprecedented levels of government stimulus prevented even larger damage to many economies, but these also came with its own side effects such as the huge sovereign debt amassed by governments thereby raising questions about whether a financial crunch is the next crisis the world must deal with. However, it must be noted that debt today is sustainable due to the historically low interest rates.
On the local scene, though the economy contracted by 1.92% at the end of year 2020 compared with the 2.27% growth in 2019, Nigeria was able to exit recession against all expectations. and third quarter respectively, a growth of 0.11% was however recorded in the fourth quarter signaling a rebound. Before then, the collapse in oil prices coupled with lockdown in order to contain the spread of COVID-19 plunged the Nigerian economy into a severe economic recession. Also to be noted is the fall in private investment during the period due to uncertainty and this led to a reduction in remittances to Nigerian households which in recent years have been larger than the combined amount of foreign direct investment and overseas development assistance.
For 2020, the oil sector grew at –8.89% compared to 4.59% in 2019. The oil sector contributed 5.87% to the total real GDP in Q4 2020, down from the corresponding period of 2019 and the preceding quarter where it contributed 7.32% and 8.73% respectively.
For 2020, the non-oil sector contributed 91.84% to real GDP, higher than 91.22% recorded in 2019, while the oil sector contributed 8.16% to real GDP.
The global health crisis which further compounded the fragile economic situation in Nigeria took its toll on

households and corporate bodies as may be expected. Despite this difficult terrain, our company showed resilience and we were able to post impressive results.

**We met the first phase by capitalizing our share premium and part of our retained earnings to bring our Paid-Up Capital to N5,016,477,000.**

With regard to the issue of recapitalization, the National Insurance Commission (NAICOM) having looked at the impact of COVID-19 on the recapitalization of Insurance Industry decided to break the exercise into two phases. Insurance companies were required to meet up with 50% of their required capital by 31st December, 2020 while full compliance was scheduled to be attained by 30th September, 2021. We met the first phase by capitalizing our share premium and part of our retained earnings to bring our Paid-Up Capital to N5,016,477,000. This was achieved through the issuance of bonus shares to all existing shareholders as at middle of December. Suffice to say that the recapitalization exercise has now been suspended as a result of court injunction.

A review of our performance shows that all our performance indices came out positive during the period under review. Gross Premium grew by 12% from N19.8billion in 2019 to N22billion in 2020 while net premium grew by 25% from N12.6billion to N15.8billion. Investment income increased by 14% from N878million in 2019 to N1billion in 2020. Shareholders fund grew by 30% from N14billion in 2019 to N18.4billion in year 2020. Our profit during the period grew significantly from N2.4billion to N5.1billion, a growth of 112%. We however recorded a loss from our Associate in Ghana as profit declined from N21.4million to a loss of N22million.

I want to use this opportunity to express my gratitude to all brokers and clients for their unalloyed support over the years. We appreciate your support.

To our board members, words are not enough to express our appreciation to you for creating the right environment which assisted us in delivering value to all stakeholders. We are grateful.

I want to equally thank all our staff who in the midst of difficulty, brought about by COVID-19 have remained undaunted and have continued to deliver superior services to our numerous brokers and clients.

To all our shareholders, thank you for keeping faith with us in this journey.

Above all, I give God all the glory for His grace and mercies upon this company and all the stakeholders. May His name be praised forever.

As we look forward to the future, we are confident that more than ever before our goal of industry leadership is within reach.

**TOPE SMART**
Group Managing Director/CEO

# Directors' Report

For the Year ended

# 31.12.20

# REPORT OF **DIRECTORS**

For the Year ended 31 December, 2020

The directors hereby present their annual reports on the affairs of NEM Insurance Plc with the company's financial statements and auditors' report.

1. LEGAL FORM

The company was incorporated in 1970 as a Nigerian Company in accordance with the Companies Act of 1968. The company became listed on the Nigerian Stock Exchange in 1989 following its privatization by the Federal Government of Nigeria.

2. **PRINCIPAL ACTIVITIES AND CORPORATE DEVELOPMENT**

The company is engaged in the business of General Insurance which includes marine, motor vehicle, fire and burglary, oil and gas etc.

| **SUMMARY OF THE RESULT**<br>**Comprehensive Income** | **2020**<br>**N'000** | **2019**<br>**N'000** |
|---|---|---|
| **Gross premium written** | 22,035,695 | 19,759,872 |
| **Gross premium income** | 21,682,189 | 19,259,541 |
| **Reinsurance expenses** | (5,819,431) | (6,642,001) |
| **Investment Income** | 1,004,344 | 878,186 |
| **Other revenue** | 2,578,656 | 1,439,821 |
| **Total Revenue** | **19,445,758** | **14,935,547** |
| | | |
| **Claims paid** | 6,054,469 | 3,937,318 |
| **Underwriting expenses** | 4,959,734 | 5,505,758 |
| **Management expenses** | 3,250,566 | 3,553,738 |
| **Total Claims and Other Expenses** | **14,264,769** | **12,996,814** |
| | | |
| **Profit before tax** | 5,180,989 | **1,938,733** |
| **Information Technology Development Levy** | (51,176) | **(18,979)** |
| **Income tax (expense)/income** | (45,161) | **475,612** |
| **Profit For the Year** | **5,084,652** | **2,395,366** |
| **Other Comprehensive income/(loss) for the year** | **(29,018)** | **(35,712)** |
| | | |
| **Total comprehensive income for the year** | **5,055,634** | **2,359,654** |
| **Basic Earnings Per Share (Kobo)** | **0.96** | **0.45** |
| **Diluted Basic Earnings Per Share (Kobo)** | **0.96** | **0.45** |

# REPORT OF DIRECTORS
For the Year ended 31 December, 2020

### 3. CORPORATE GOVERNANCE REPORT

Introduction

The business of NEM Insurance Plc is conducted under a corporate governance structure that incorporates the Board, the Committees, and a functional Management System with the Board as the apex decision making body. This is in accordance with the Code of Corporate Governance for the Insurance industry in Nigeria, the Securities and Exchange Commission (SEC) Code of Corporate Governance and best practices. "At NEM Insurance Plc, we have ensured that our business activities are implicitly transparent".

For the financial year under review, 2020; the Board is of the opinion that NEM Insurance Plc has in all material respects, complied with the requirements of the Code of Corporate Governance for Insurance industry in Nigeria.

A summary of the key components of our Corporate Governance System is provided hereunder.



**The Board**

The Board of the Company is responsible for establishing the policy framework that would ensure that the Company fully discharges its legal, financial, as well as regulatory responsibilities. The Board monitors the performance of the Company, monitors the effectiveness of the Governance Structure under which it operates and renders the Accounts of its stewardship of the organization's resources to the shareholders. The Board of Directors of the Company is composed of a mix of non-executives and executives whereby the number of non-executives exceeds the number of executives while the position of the Chairman of the Board is clearly delineated from the Chief Executive Officer.

**The Chairman**

The Chairman of NEM Insurance Plc was duly appointed. The Chairman's primary role is to ensure that the board carries out its governance role in the most effective manner. The Chairman manages the operations of the Board effectively in order to ensure that members made concrete contributions towards the decisions of the Board and that the Board operates in harmony.

**The Chief Executive Officer (CEO)**

The CEO monitors the day-to-day operations of the Company and its strategic and financial plans with the cooperation and support of the Board. The CEO ensures transparency and the effective operation and management of the Company's resources in order to ensure profitability of its operations and that all significant matters affecting the Company are brought to the attention of the Board.

**Independent Director**

The Board appointed one independent Director who has remained truly independent since his appointment.

# REPORT OF **DIRECTORS**

For the Year ended 31 December, 2020

**Annual Board Appraisal**

In accordance with the requirements of the NAICOM Code, the Board renewed the mandate of New Version Consultants Ltd to conduct the appraisal of its performance for 2020. The Board embarked on implementation of some of the recommendations of the last Appraisal Report.

**(a) ACTIVITIES OF THE BOARD**

The Board meets regularly to discuss critical issues affecting the organization and performs other responsibilities that fall within its purview as provided in the Company's Article of Association and by other relevant regulatory authorities. Meetings were well attended with sufficient notice given well in advance of the meetings. Sufficient time was also allotted to meetings as required to cover the items on the Agenda.

**Composition of the Board/Schedule of Attendance at Meetings**

| S/N | Name of Director | Status | Meetings Held | Meetings Attended |
|---|---|---|---|---|
| 1. | Dr. Fidelis Ayebae | Chairman | 5 | 5 |
| 2. | Mr. Tope Smart | Group Managing Director/CEO | 5 | 5 |
| 3. | Ms Stella Omoraro | Executive Director | 5 | 5 |
| 4. | Mr Andrew Ikekua | Executive Director | 5 | 5 |
| 5. | Alhaji Ahmed I. Yakasai | Independent Non-Executive Director | 5 | 5 |
| 6. | Mrs Joy Teluwo | Non-Executive Director | 5 | 5 |
| 7. | Mrs. Yinka Aletor | Non-Executive Director | 5 | 5 |
| 8. | Chief Ede Dafinone | Non-Executive Director | 5 | 5 |
| 9. | Mr. Papa Ndiaye | Non-Executive Director | 5 | 5 |
| 10. | Mr. Kelechi Okoro | Non-Executive Director | 5 | 5 |
| | | | 5 | 5 |

**(b) BOARD COMMITTEES**

The Board's committee structure is as specified in the NAICOM Code and adequate for the complexity of the operations of the Company. The Committees and committee members for the 2021 financial year were:

- Finance, General Purpose and Investment Committee.
- Enterprise Risk Management Committee
- Strategy and Corporate Governance Committee.
- Remuneration, Nomination And Governance Committee
- Audit and Compliance Committee.

The Committees listed above were provided with specified Terms of Reference to guide their activities.

**Finance, General Purpose and Investment Committee**
The key responsibilities Committee are:

- Monitoring the Company's Budget
- Setting investment policies and guidelines
- Monitoring Sources of Income Generation.
- Overseeing investment and reinvestment of the funds of the company
- Ensuring Integrity of Financial Reporting.
- Expense Control.

**The Committee met four times during the year**

| Name | Status | Meetings Held | Meetings Attended |
|---|---|---|---|
| 1. Mrs Yinka Aletor | Chairman | 4 | 4 |
| 2. Mr. Tope Smart | Group Managing Director | 4 | 4 |
| 3. Ms Stella Omoraro | Executive Director | 4 | 4 |
| 4. Alhaji Ahmed I. Yakasai | Independent Non-Executive Director | 4 | 4 |
| 5. Mr. Kelechi Okoro | Non-Executive Director | 4 | 4 |

**Enterprise Risk Management and Strategy Committee**

The key responsibilities of the Committee are:
- Determine the policies in respect of Risk Profile and Risk Limits.
- To develop, recommend and implement strategic management plans
- Review Policies as required by the Emerging dynamics of the operating environment.
- To study and give advice on the strategic plans for the long term development of the Company.
- Ensure that all the Departments of the Company are adequately sensitized to the level of risks inherent in their Operations.
- Assess Adequacy of Risk mitigants for major risk indicators.

**The Committee met three times during the year:**

**Composition of the Committee/Attendance**

| Name | Status | Meetings Held | Meetings Attended |
|---|---|---|---|
| 1. Chief Ede Dafinone | Chairman | 3 | 3 |
| 2. Mrs Joy Teluwo | Non-Executive Director | 3 | 3 |
| 3. Alhaji Ahmed I. Yakasai | Independent Non-Executive Director | 3 | 3 |
| 4. Mr Andrew Ikekhua | Executive Director | 3 | 3 |

# REPORT OF DIRECTORS

For the Year ended 31 December, 2020

**Remuneration, Nomination and Governance Committee**

The Terms of Reference of the Committee are:
- Approve, guide and influence key human resource policies and strategies.
- Ensure disclosure of remuneration in a proper, complete, accurate and transparent manner.
- To advise the Board on the Company's compliance with NAICOM and SEC Corporate Governance Codes; and the Nigerian Stock Exchange Listed Company Rules and other applicable governance requirements.
- Make recommendations to the board on matters pertaining to appointments, removals, and resignations of executive and non-executive directors
- Ensure that the process of appointing executives is credible and transparent; and oversee induction and ongoing development of directors.

**The Committee met two times during the year.**

**Composition of the Committee/Attendance**

| Name | Status | Meetings Held | Meetings Attended |
|---|---|---|---|
| 1. Mr. Papa Ndiaye | Chairman | 2 | 2 |
| 2. Alhaji Ahmed I. Yakasai | Independent Non-Executive Director | 2 | 2 |
| 3. Mrs. Yinka Aletor | Non-Executive Director | 2 | 2 |
| 4. Mrs. Joy Teluwo | Non-Executive Director | 2 | 2 |
| 5. Chief Ede Dafinone | Non-Executive Director | 2 | 2 |
| 6. Ms. Stella Omoraro | Executive Director | 2 | 2 |

**Audit and Compliance Committee**

The NAICOM Code makes the following provisions in respect of the responsibilities of the Audit and Compliance Committee:
- The Committee shall have a written mandate and Terms of Reference.
- The Committee shall be responsible for the review of integrity of the data and information provided in the Audit and/or Financial Report.
- The Committee shall provide oversight functions with regards to both the Company's Financial Statement and its Internal Control and Risk Management Functions.
- The Committee shall review the terms of engagement and recommend the appointment or reappointment and compensation of External Auditors to the Board and the Shareholders.
- Review the procedure put in place to encourage honest whistle blowing.
- The Audit Committee shall meet at least three times in a year and at least once with the External Auditors.
- The Committee performance shall be evaluated periodically.

# REPORT OF DIRECTORS
For the Year ended 31 December, 2020

S.404 (7) of the Companies and Allied Matters Act Cap 2020 provides for the functions of the Committee.

The Committee met four times during the year and covered the basic components of these responsibilities.

**The Composition of the Committee and schedule of attendance are as follows:**

| Name | Status | Meetings Held | Meetings Attended |
|---|---|---|---|
| 1. Mr. Christopher Ogba | Chairman | 4 | 4 |
| 2. Mr. Taiwo Oderinde | Shareholders' Representative | 4 | 4 |
| 3. Mr. Samuel Mpamaugo | Shareholders' Representative | 4 | 4 |
| 4. Mr. Kelechi Okoro | Non-Executive Director | 4 | 4 |
| 5 Mrs Joy Teluwo | Non-Executive Director | 4 | 4 |
| 6. Mrs. Yinka Aletor | Non-Executive Director | 4 | 4 |



**4. DIVIDEND**

The Directors recommend a declaration of dividend of 9 Kobo per ordinary share of 50 kobo each subject to the approval of the shareholders at the next Annual General Meeting.

**5. DIRECTORS AND DIRECTORS' INTEREST**

**i. Directors**
No Director has disclosed any declarable interest in any contract with the Company during the year in pursuant to Section 303 of the Companies and Allied Matters Act 2020

**ii. Directors' Interest**
The Interest of the Directors in the issued share capital of the Company as recorded in the register of shareholders and/or as notified by them for the purposes of Section 301 of the Companies and Allied Matters Act 2020 are as follows

# REPORT OF **DIRECTORS**

For the Year ended 31 December, 2020

| Name | Direct | Indirect | Total |
|---|---|---|---|
| BUKSON INVESTMENT LIMITED | - | **337,054,367** | **337,054,367** |
| CAPITAL EXPRESS | - | **383,492,958** | **383,492,958** |
| JEIDOC LIMITED | - | **368,445,497** | **368,445,497** |
| MR. TOPE SMART | **124,643,848** | - | **124,643,848** |
| DR. FIDELIS AYEBAE | **24,373,852** | - | **24,373,852** |
| MRS STELLA OMORARO | **1,895,971** | - | **1,895,971** |
| MR ANDREW IKEKHUA | **585,742** | - | **585,742** |
| ALHAJI AHMED I. YAKASAI | - | - | - |
| MR PAPA NDIAYE | - | **1,578,870,371** | **1,578,870,371** |
| MR KELECHI OKORO | - | | |

**6. DIRECTORS RESPONSIBILITIES**

The Directors are responsible for the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the income statement for that year and comply with the Insurance Act, CAP 117 LFN 2004, Financial Reporting Council of Nigeria Act, No. 6, 2011 and the Companies and Allied Matters Act 2020.

**7. SHAREHOLDING**

The Registrars have advised that the called up and fully paid up shares of the Company as at 31st December, 2020 were beneficially held as follows:

| | BEGINNING RANGE | TOTAL SHAREHOLDERS | % OF HOLDINGS | TOTAL SHAREHOLDINGS | % OF SHAREHOLDINGS |
|---|---|---|---|---|---|
| 1 | 1000 | 5,059 | 11.69 | 2,935,037 | 0.06 |
| 1001 | 5000 | 10,892 | 25.17 | 34,720,478 | 0.66 |
| 5001 | 10000 | 8,093 | 18.70 | 67,875,232 | 1.29 |
| 10001 | 50000 | 13,868 | 32.04 | 349,420,538 | 6.62 |
| 50001 | 100000 | 3,010 | 6.96 | 237,910,045 | 4.51 |
| 100001 | 500000 | 1,967 | 4.55 | 411,160,452 | 7.79 |
| 500001 | 1000000 | 207 | 0.48 | 162,335,985 | 3.07 |
| 1000001 | 5000000 | 142 | 0.33 | 292,179,167 | 5.53 |
| 5000001 | 10000000 | 18 | 0.04 | 140,552,409 | 2.66 |
| 10000001 | 50000000 | 12 | 0.03 | 213,413,893 | 4.04 |
| 50000001 | 100000000 | 1 | 0.00 | 78,298,280 | 1.48 |
| 100000001 | 1000000000000 | 9 | 0.02 | 3,289,701,397 | 62.3 |
| Grand Total | | 43,278 | 100.00 | 5,280,502,913 | 100. |

# REPORT OF **DIRECTORS**

For the Year ended 31 December, 2020

### NEM SHARE CAPITAL HISTORY

| YEAR | AUTHORISED SHARE CAPITAL | ISSUED AND FULLY PAID UP |
|---|---:|---:|
| 1989 | | |
| 1990 | 8,000,000.00 | 800,000 |
| 1991 | 9,200,000.00 | 200,000 |
| 1993 | | 900,000 |
| 1996 | 100,000,000.00 | 2,500,000 |
| 1997 | | 34,235,623 |
| 1998 | | 46,996,377 |
| 2004 | 380,000,000.00 | 251,987,063 |
| 2005 | 2,000,000,000.00 | |
| 2006 | | 706,206,767 |
| 2007 | 7,000,000,000.00 | 3,531,133,835 |
| 2008 | 7,000,000,000.00 | |
| 2009 | 8,400,000,000.00 | 4,976,922,766 |
| 2010 | 8,400,000,000.00 | 5,280,502,313 |
| 2011 | 8,400,000,000.00 | 5,280,502,313 |
| 2012 | 8,400,000,000.00 | 5,280,502,313 |
| 2013 | 8,400,000,000.00 | 5,280,502,313 |
| 2014 | 8,400,000,000.00 | 5,280,502,313 |
| 2015 | 8,400,000,000.00 | 5,280,502,313 |
| 2016 | 8,400,000,000.00 | 5,280,502,313 |
| 2017 | 8,400,000,000.00 | 5,280,502,313 |
| 2018 | 8,400,000,000.00 | 5,280,502,313 |
| 2019 | 8,400,000,000.00 | 5,280,502,313 |
| 2020 | 10,400,000,000.00 | 10,032,955,532.00 |

We hereby declare that apart from Jeidoc Limited, Bukson Investment Limited, Capital Express Assurance Limited and AFIG Funds (the shareholders with 5% and above), no other person or persons hold more than 5% and above in the issued and fully paid up shares of the company.

# REPORT OF **DIRECTORS**

For the Year ended 31 December, 2020

| S/N | ACCT NO | NAME | ADDRESS | HOLDING | % |
|---|---|---|---|---|---|
| 1 | 2979 | JEIDOC LIMITED | CEDDI TOWERS 16, WHARF ROAD , APAPA LAGOS STATE LAGOS | 368,445,497 | 6.98% |
| 2 | 147140 | BUKSON INVESTMENT LIMITED | C/O NEM INSURANCE PLC BROAD STREET, LAGOS LAGOS | 337,054,367 | 6.38% |
| 3 | 194768 | CAPITAL EXPRESS ASSURANCE LIMITED | C/O NEM INSURANCE PLC, 138/146 BROAD STREET LAGOS ISLAND LAGOS | 383,492,958 | 7.26% |
| 4 | | AFIG FUNDS | C/O ABOX CORPORATE SERVICES LIMITED TOWER 1, 6TH FLOOR, 1 CYBERCITY, MAURITIUS | 1,578,870,171 | 29.9% |

Chief Ede Dafinone represents Jeidoc Limited, Mrs. Joy Teluwo represents Bukson Investment Limited, Mrs. Yinka Aletor represents Capital Express Assurance Company Limited while Mr. Papa Ndiaye and Mr. Kelechi Okoro represent AFIG Funds.

8. RETIREMENT BY ROTATION AND RE-ELECTION
In accordance with the Section 285 of the Companies and Allied Matters Act 2020, Dr. Fidelis Ayebae and Mrs. Yinka Aletor will retire by rotation and being eligible offers themselves for re-election. Their profiles are contained in the Annual Report and also on the Company's website.

9. COMPOSITION OF DIRECTORS
The Board of Directors of the company is currently comprised of the under listed individuals:

| | |
|---|---|
| Dr. Fidelis Ayebae | Chairman |
| Mr. Tope Smart | Group Managing Director |
| Ms. Stella Omoraro | Executive Director |
| Mr. Andrew Ikekhua | Executive Director |
| Alhaji Ahmed I. Yakasai | Independent Non-Executive Director |
| Mrs. Yinka Aletor | Non-Executive Director |
| Mrs. Joy Teluwo | Non-Executive Director |
| Chief Ede Dafinone | Non-Executive Director |
| Mr. Papa Ndiaye | Non-Executive Director |
| Mr. Kelechi Okoro | Non-Executive Director |

**Records of the Directors Attendance**
In accordance with Section 252 of the Companies and Allied Matters Act, 2020, the records of the Directors attendance at Director's meeting in 2020 are available for inspection at the Annual General Meeting.

**10. SECURITY TRADING POLICY**
In compliance with Rule 17.15 Disclosure of Dealings in Issuers' Share, Rulebook of the Exchange 2015 (Issuers Rules), the company has a Security Trading Policy that applies to all employees and Directors and this has been circulated to all employees that may at times possess any insider or material information about the company. The policy includes the need to enforce confidentiality against external advisers.

**11. COMPLAINTS MANAGEMENT POLICY**
In compliance with the Securities and Exchange Commission's Rule on Complaints Management for Public Companies, the company has in place an investor complaint desk at its head office to resolve complaints arising from issues covered under the Investment and Securities Act 2017 (ISA)

**12. DONATIONS**
Donations during the year ended 31 December 2020 amounted to N41,750,000 (2019: N17,056,442) as follows:

| | |
|---|---|
| NIGERIA UNION OF TAILORS | 50,000 |
| HOLY CHILD COLLEGE OLD GIRLS ASSOCIATION | 500,000 |
| NIGERIA INSURERS ASSOCIATION/FEDERAL GOVERNMENT SUPPORT ON COVID-19 | 35,000,000 |
| EAC TRUSTEES/CAPITAL MARKET COVID-19 FUND | 500,000 |
| PROFESSIONAL INSURANCE LADIES ASSOCIATION | 500,000 |
| RACO CHILD/RURAL CARE INITIATIVE ORPHANAGE/MODUPE COLE MEMORIAL | 250,000 |
| THE LAGOS CHAMBER OF COMMERCE & INDUSTRY | 100,000 |
| COMMONWEALTH BUSINESS WOMEN NIGERIA | 200,000 |
| ILUPEJU TOWNSHIP GAMES | 200,000 |
| NIGERIA BRITAIN ASSOCIATION | 1,000,000 |
| UVWIC UNITED DEVELOPMENT MOVEMENT | 100,000 |
| FIRE PROTECTION ASSOCIATION OF NIGERIA | 250,000 |
| AFRICAN INSURANCE ASSOCIATION | 2,850,000 |
| PACELLI SCHOOL FOR BLIND/RANCO CHILD AND RURAL CARE INITIATIVE | 250,000 |
| | 41,750,000 |

**13. EVENTS AFTER REPORTING DATE**
There were no significant events after reporting date which could have had a material effect on the consolidated financial statements for the year ended 31 December, 2020 which have not been adequately provided for or disclosed in the financial statements.

**14. EMPLOYMENT AND EMPLOYEES**
It is the policy of the Group not to adopt discriminatory criteria for considering applications for employment including those from physically challenged persons. All employees whether or not physically challenged are given equal opportunities to develop their experience and knowledge and to qualify for promotion.

When an employee becomes physically challenged during the course of his or her employment, the Group endeavors to retain the individual for employment in spite of his disability, when this is reasonably possible. As at 31st December, 2020 one physically challenged person was in the employment of the Company.

**15. EMPLOYEES INVOLVEMENT, TRAINING AND DEVELOPMENT**

**i. Information dissemination**

"The employees are regularly provided with information on matters that are of concern to them through established channels of communication."

**ii. Consultation with employees**

There are regular consultations between the senior and junior staff unions and Management, particularly on matters affecting staff welfare.

**iii. Encouraging employees' involvement and training**

The employees are the Group's most valuable and cherished resource. The Company is therefore committed to their continuous training and development. In line with this policy of continuous development of the human resources, members of staff are sent on training programs. The courses are aimed at broadening their technical/professional knowledge and managerial skills.

**iv. Health, safety at work and welfare of employees**

The Group places high premium on health and welfare of its employees. Medical facilities are provided for staff and their families at private hospitals retained in their respective localities. Transportation, housing and lunch subsidies are provided to all levels of employees. Firefighting equipment are also installed in strategic positions in the office building.

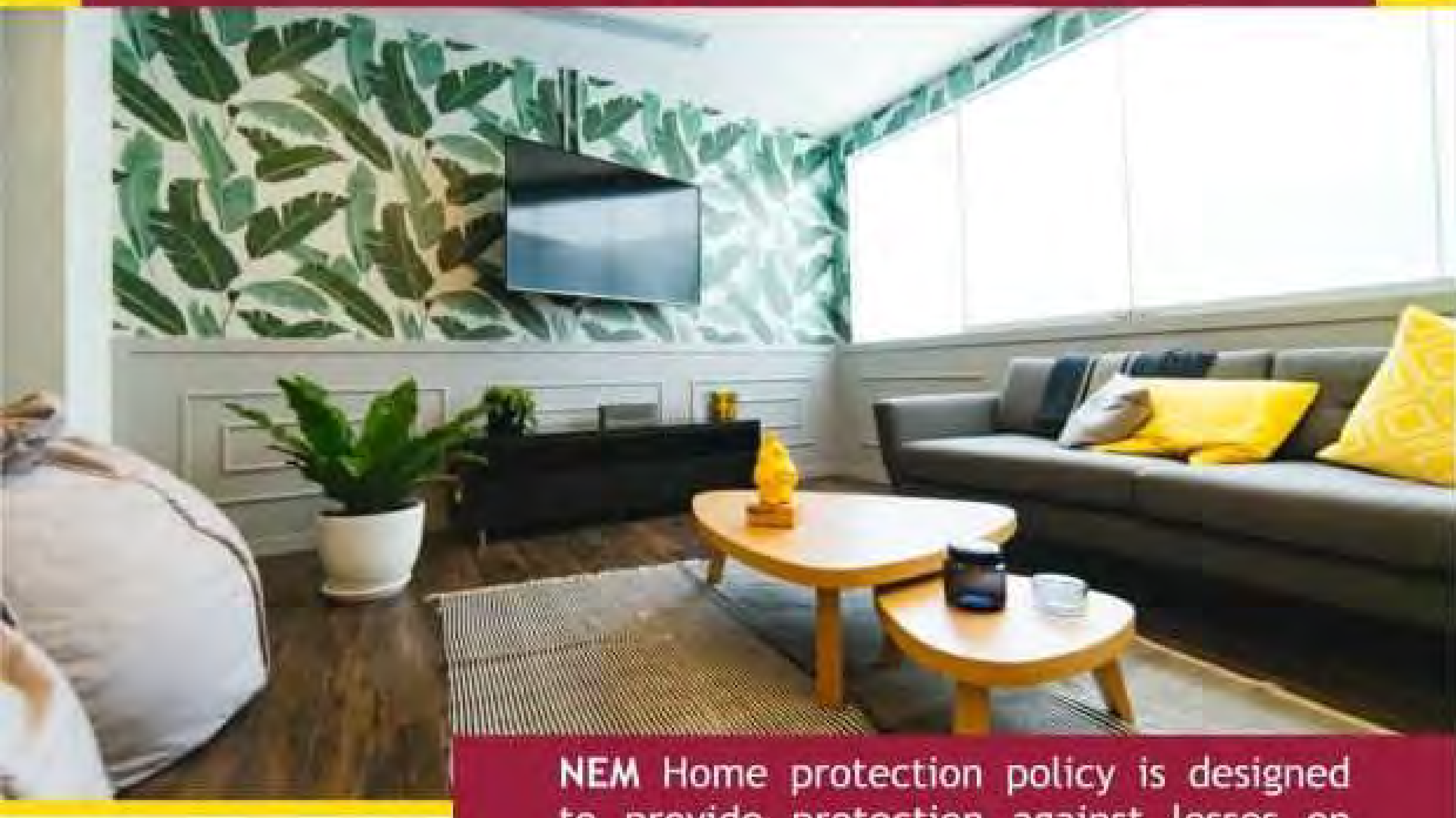
**16. AUDITORS**

In compliance with Section 33(2) of the Securities and Exchange Commission's Code of Corporate Governance and Section 22(1) of National Insurance Commission 2010 guidelines on the tenure of External Auditors, Messrs. BDO Professional Services (Chartered Accountants) has shown willingness to continue in office as the auditors in accordance with Section 401(2) of the Companies and Allied Matters Act 2020, as amended. A resolution will be proposed at the Annual General Meeting to authorize the Directors to determine their remunerations.

**BY ORDER OF THE BOARD**
**OLAJUMOKE PHILIP-AKEDE**
**COMPANY SECRETARY**
**Lagos, Nigeria**
**FRC/2017/NBA/00000015972**
**Date: 10th of March, 2021**

# NEM HOME
# PROTECTION
# POLICY

*Get your home protected*



**NEM** Home protection policy is designed to provide protection against losses on household content in a residential building

NEM

...together to succeed

NEM Insurance Plc RC:6971

NEM HOUSE
199, Ikorodu Road,
Obanikoro,
P.O. Box 654
Marina, Lagos
Tel: 01-448960-9
Customer Service
Centre: 014489570-2
Email: nem@nem-insurance.com
website: nem-insurance.com

NIA

Authorised and Regulated by the National Insurance Commission. RIC No. 028(G)

NAICOM/ADV/CA/2019/3127

# Board Of Directors

# Board Of **Directors**

Dr. Fidelis Ayebae is a Fellow of the Chartered Institute of Corporate Affairs. He is a Member of the Nigerian Institute of Management and Institute of Directors and an Associate of the Chartered Institute of Administration. He is currently the Managing Director/Chief Executive Officer of Fidson Healthcare Plc. He is a member of various boards and has undergone various trainings both at local and international levels. An experienced industrialist and investment expert with both banking and engineering backgrounds, Dr. Ayebae understands the Nigerian business terrain. He enjoys inspirational speaking, travelling, and reading. He is married with children.

## DR. FIDELIS AYEBAE
**CHAIRMAN**

# Board Of **Directors**

Tope Smart, a graduate and an award winner from the University of Lagos also holds a Masters Degree in Business Administration (MBA) from the University of Nigeria, Nsukka.
He is an Associate member of both the Chartered Insurance Institute of London and the Chartered Insurance Institute of Nigeria.
Tope, an astute professional, believes very strongly in the entrenchment of insurance in the mind of every Nigerian. He is a Council member, Chartered Insurance Institute of Nigeria, Council member, West African Insurance Companies Association (Ghana), Council member, Nigeria-Britain Association, Vice President, African Insurance Organization (AIO) and a past Chairman of the Nigeria Insurers Association to mention but a few.
Tope sits on the board of several companies amongst which are RegencyNem Insurance (Ghana) Limited and NEM Asset Management Limited.
In 2014, he was appointed by the Federal Government as Co-Chairman of Insurance Industry Transformation Committee. He was also recently appointed as Chairman, Planning Committee of the University of Lagos Alumni Association's Golden Jubilee Anniversary.
In recognition of his outstanding achievements, Tope has won several awards amongst which are Distinguished Alumnus by the University of Lagos, University of Lagos Alumni Association Golden Jubilee Special Recognition Award amongst others.
He is also a two-time winner of the Businessday Top 25 CEOs award.
Tope is an alumnus of Harvard Business School.

## MR.TOPE SMART

**- B.Sc (HONS), ACII, MBA**
**GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER**

# Board Of **Directors**

Mrs. Olayinka Titilope Aletor is a lawyer and a seasoned resource person at various legal seminars and conferences. She currently works at the Nigerian Law School, Abuja campus and has chaired various committees and panel of investigations of the institution.
Prior to her current job, she had worked with the Continuing Legal Education Association of Nigeria [CLEAN]; Akeredolu, Olujimi [Legal Practitioners] and Chief Afe Babalola & Co [Emmanuel Chambers].
Mrs. Aletor is well-read and well-traveled. Her knowledge and integrity in handling legal issues of both national and international standing, have endeared her to the corporate world. She is married with children.

## MRS. OLAYINKA TITILOPE ALETOR

**DIRECTOR**

# Board Of **Directors**

Mr. Yakasai Ahmed, a graduate of Pharmacy from the prestigious Ahmadu Bello University (1983), and holds a Masters degree in International Marketing from the University of Salford, Manchester, UK (2015). He is an astute administrator having held various leadership positions in both private and government establishments.
He is a fellow of several professional bodies including the Pharmaceutical Society of Nigeria, Institute of Logistics Management of Nigeria, Chartered Institute of Commerce, Nigeria Academy of Pharmacy and Nigeria Institute of Management.
He is an established pharmacist who has been actively involved in several pharmaceutical committees and associations.
He served as the Commissioner for Land and Physical Planning (Kano State) 2010-2011 and as Commissioner of Commerce, Industry, Cooperatives and Tourism (2005-2010).
He was also the Zonal Consultant, NAFDAC (2003-2005).
His area of expertise includes strategic Planning & Leadership, Entrepreneurship, Project Planning & Execution, Public Health Management, Financial & Economic Planning, and International Marketing among others.
He is the immediate past president of the Pharmaceutical Society of Nigeria.
Alhaji Yakasai is the Managing Director/ Chief Executive Officer of Pharmaplus Nigeria Limited and a board member of several other organizations.

## YAKASAI AHMED I.

**- (FPSN, FNIM, FNA Pharm)**

**DIRECTOR**

# Board Of **Directors**

Chief Ede Dafinone studied Economics at the Victoria University of Manchester (1983 and holds a Master's degree from the University of Exeter, UK (1984). He is an astute accountant having held various leadership positions in both private and government establishments.
He is a fellow of several professional bodies including Institute of Chartered Accountants in England and Wales (2000), Institute of Chartered Accountants of Nigeria (2000) and an associate member of Chartered Taxation Institute of Nigeria (1999).
He is an established Accountant who has been actively involved in several committees and associations.
He served as the Treasurer of the Nigerian Conservation Foundation (1989), was a Member of the National Broadcasting Commission (1992-1994) and was the Chairman of Nigerian Conservation Foundation (2015).
His area of expertise includes Auditing, Accounting, and Insurance brokerage, Project Planning & Execution, Financial & Economic Planning, among others.

## CHIEF EDE DAFINONE

**DIRECTOR**

# Board Of **Directors**

Mrs. Joy Teluwo, is a registered nurse who studied at the Edo State School of Nursing. She is the Managing Director/ Chief Executive Officer of Jotel Trade Park Limited.
Her career spans over 15 years in the corporate sector, specializing in risk management. In 2002, she joined the Vigilant Oil & Gas as the General Manager where she set up the Risk Management unit. She continues to successfully run three indigenous companies including Tropical Farms.
Over the years, she has acquired various management skills which include, team building, business development, customer relationship, marketing management amongst several others.

## MRS. JOY TELUWO

**DIRECTOR**

# Board Of **Directors**

Papa is a graduate of Harvard College with a bachelor's degree in Economics. He holds an M.A. in International Affairs from the University of Pennsylvania's Lauder Institute, and an M.B.A. from the Wharton School of Business.
He spent the early part of his career at Salomon Brothers and joined JP Morgan's Emerging Markets Group in 1992. In 2000, Papa served as Special Advisor for Economic and Financial Affairs to the President of the Republic of Senegal and Chairman of the Senegalese Presidential Economic and Financial Advisory Council.

He is Founding Partner of AFIG Funds and currently the Chief Executive Officer of the company. Prior to his current position at AFIG, he has worked as Investment Director at Emerging Markets Partnership in Washington (EMP, now ECP) and also held senior responsibilities for IFC's equity and debt investment activities in capital markets and financial institutions in Africa between 1996 and 2000.
Papa sits on the boards of several African companies and non-profit organizations pertaining to Africa.

## PAPA MADIAW NDIAYE

**DIRECTOR**

# Board Of **Directors**

Kelechi Okoro holds a Bachelor's in Human Physiology from the University of Ibadan, and an M.B.A. from Lagos Business School.
He is a Director at AFIG Funds. He is responsible for sourcing, executing and managing investments for the funds under management. Prior to joining AFIG Funds in 2013, Kelechi was at Argentil Capital Partners where he originated and executed infrastructure transactions.
He also a has stint with the Infrastructure and Natural Resources Group of the International Finance Corporation (IFC), and at ARM Investment Managers both in Nigeria.

## KELECHI OKORO
**DIRECTOR**

# Board Of **Directors**

Mr. Andrew Ikekhua holds a Higher National Diploma Certificate in Mass Communication in 1997 from the Plateau State School of Accountancy & Management Studies, Jos and two Post Graduate Diploma in Management (2000) and Commercial Administration (2004) from University of Lagos and University of Calabar respectively. He is also an Associate of the Chartered Insurance Institute of Nigeria (ACIIN). He is also a fellow of the Institute of Chartered Economists of Nigeria (FCE) (2009) and a full member, Nigeria Institute of Management (Chartered (MNIM, 2014) and the Institute of Marketing of Nigeria (MIMN) (2013).

Prior to his appointment as the Company's Branch Manager, Ibadan and Ikeja from 2001 to 2006, he worked at various levels of the accounts and audit department of both BAICO (1981 -1990) and NEM Insurance Plc, (1990 -2000). He later became the Head of the Lagos Mainland Branch upon recapitalization in 2007 and later an Assistant General Manager in 2009.

In recognition of his excellent track record, he was promoted to the position of Deputy General Manager in 2013 and in 2014 to the position of General Manager (Marketing). He is currently the Executive Director (Marketing & Business Development).
He is married with children and has attended several marketing and management courses both locally and internationally.

## MR. ANDREW M. IKEKHUA

**– HND, PGD (MGT), PGD (COMM. ADMIN) MBA, MNIM CHARTERED), FCE, ACIIN**
**EXECUTIVE DIRECTOR (MARKETING)**

Get
# NEM Travel Insurance Policy

NEM
...together to succeed

## A Cover with COVID-19 Protection

## TRAVEL WITHOUT IMPLICATIONS

- Medical Expenses and Hospitalization Abroad
- Emergency Medical Evacuation
- Emergency Dental Care
- Repatriation of Mortal Remains
- Repatriation of Family Member traveling with the insured
- Emergency Return Home following Death of a Close Relative
- Medical Expenses on COVID-19
- Cost of Compulsory 14 days Quarantine if diagnosed positive with COVID-19

NAICOM/CA/ADV/2020/4069

# Management Team Profile

# Management Team **Profile**

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Tope, an astute professional, believes very strongly in the entrenchment of insurance in the mind of every Nigerian. He is a Council member, Chartered Insurance Institute of Nigeria, Council member, West African Insurance Companies Association (Ghana), Council member, Nigeria-Britain Association, Vice President, African Insurance Organization (AIO) and a past Chairman of the Nigeria Insurers Association to mention but a few.

Tope sits on the board of several companies amongst which are RegencyNem Insurance (Ghana) Limited and NEM Asset Management Limited. In 2014, he was appointed by the Federal Government as Co-Chairman of Insurance Industry Transformation Committee. He was also recently appointed as Chairman, Planning Committee of the University of Lagos Alumni Association's Golden Jubilee Anniversary.

In recognition of his outstanding achievements, Tope has won several awards amongst which are Distinguished Alumnus by the University of Lagos, University of Lagos Alumni Association Golden Jubilee Special Recognition Award amongst others.

He is also a two-time winner of the Businessday Top 25 CEOs award.

Tope is an alumnus of Harvard Business School.



## Mr. Tope Smart

- B.Sc (Hons), ACII, MBA

Group Managing Director/Chief Executive Officer

# Management Team **Profile**

Mr. Andrew Ikekhua holds a Higher National Diploma Certificate in Mass Communication in 1997 from the Plateau State School of Accountancy & Management Studies, Jos and two Post Graduate Diploma in Management (2000) and Commercial Administration (2004) from University of Lagos and University of Calabar respectively. He is also an Associate of the Chartered Insurance Institute of Nigeria (ACIIN).

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He is married with children and has attended several marketing and management courses both locally and internationally.

## Mr. Andrew M. Ikekhua

– HND, PGD (MGT), PGD (COMM. ADMIN) MBA, MNIM CHARTERED),
FCE, ACIIN
Executive Director (Marketing)

# Management Team **Profile**

Mr. S. J. Adebayo has had over twenty-five (25) years of experience in the insurance industry. He obtained a Bachelor of Science Degree in Insurance from the prestigious University of Lagos in 1988 and he is a Chartered Insurer (ACIIN). He also holds a Master Degree in Public Administration from OOU, Ago-Iwoye (2008).

He started his career with Leadway Assurance Company Limited. He proceeded to Barrow Lloyds Insurance Brokers and Prime Investment Insurance Company Limited before joining Vigilant Insurance Company Limited in 1996. As a result of his hard work and dedication to duty he was elevated to the position of Deputy General Manager in 2011.

Mr. S. J. Adebayo is the currently General Manager, Technical Operations where he oversees the Reinsurance, Underwriting and Claims Departments of the company. He has attended several courses in Insurance and Management.



# Mr. Sunday J. Adebayo

– B. Sc., MPA, ACIIN

General Manager, Technical

# Management Team **Profile**

Mr. Momoh A. Odamah, is a graduate of Education from the popular Ahmadu Bello University Zaria (1988) and an Associate of the Chartered Insurance Institute of Nigeria (ACIIN) 2004. He obtained a Master's degree in Business Administration (Marketing), from the prestigious University of Lagos, Akoka, Lagos (2016). He had earlier obtained a diploma in Professional Salesmanship from Burleigh College of Concise Studies, Harrow, Middlesex, England (1983), and an Affiliate Member of the Chartered Institute of Personnel Management of Nigeria.

He started his career with Vigilant Insurance Ltd as an Assistant Superintendent (1990), and was engaged in NEM Insurance Plc in 2007, as an Assistant General Manager – Marketing.

Mr. Odamah is a highly committed and trusted insurance marketer, these qualities have helped him to win and retain clients and brokers effortlessly. He is currently the General Manager (Branch Operations & Special Accounts), a team builder; an adept marketing, innovation, business & scenario strategist; a lean resource & talent manager. He has attended several quality trainings locally and internationally, including a Transformational Leadership training in Singapore

## Mr. Momoh A. Odamah

- B.ED, MBA, ACIIN
General Manager, Branch Operations & Special Accounts

Mrs. Mojisola Teluwo is a graduate of Yaba College of Technology where she obtained the Higher National Diploma [HND] certificate in Business administration, 1993. She is a full member of the Nigeria Institute of Management [MNIM] 2003 and Fellow Institute of Chartered Economist of Nigeria [FCE] 2011. She is also an Associate of the Chartered Institute of Personnel Management of Nigeria [ACIPM] 2012.

She is a seasoned veteran of over two decades in the insurance industry. Her career started from Vigilant Insurance Company in 1994 where she rose to the position of AGM/Head Corporate Affairs. She continued to head the Corporate Affairs department of NEM Insurance Plc after the recapitalization exercise in 2007.

Mrs. Teluwo is a Deputy General Manager and currently heads the Corporate Services Department. She has attended several courses on management, Human Resources and Industrial Relations.



# Mrs. Mojisola Teluwo

**– HND; ACIPM MNIM, FCE**

Deputy General Manager (Corporate Services)

# Management Team **Profile**

Mr. Idowu Semowo holds a Bachelor of Science Degree in Fisheries Management in 1990 from the University of Ibadan and a Master of Business Administration in Marketing from the University of Lagos (1995). He is a fellow both The Institute of Chartered Accountants of Nigeria [FCA] and Chartered Institute of Bankers of Nigeria [FCIB] respectively. He is also an Associate of the Chartered Institute of Stockbrokers of Nigeria [ACS].

He has over twenty-five years of experience in the financial industry [Auditing, Banking and Stock Broking]. He started his career with BBC Balogun Badejo & Co [a firm of Chartered Accountants] in 1993 and later worked with various banks: UTB, Magnum and MBC International Bank Limited between 1997 and 2005.

He worked with Kinley Securities Limited as AGM [Finance Service] up till December 2007 before joining NEM Insurance Plc as AGM [Investment] and later promoted to Deputy General Manager (Investment & Risk Management). He has attended several courses on Professional Management, Credit Analysis, Selling, Marketing and Costing of Financial Services and Products.

Mr. Semowo is currently a General Manager and Chief Financial Officer at NEM Insurance Plc.



## Mr. Idowu Olaitan Semowo
**- B.Sc., MBA, ACIB, ACS, FCA**

General Manager, Finance & Investment

# Management Team **Profile**

Mr. Adeyemi Mabayoje Mayadenu holds a Higher National Diploma Certificate in Insurance from The Polytechnic Ibadan (1993). He became an Associate member of the Chartered Insurance Institute of Nigeria (ACIIN) in 2001.

His insurance career started from Nigeria Life & Pensions, Lagos where he served as a clerk in 1990. He served as a Youth Corp Member at the Regional office of NICON Insurance Company, Benin City (1994-1995). He then proceeded to Hogg Robinson (Nig.) Limited, Warri as a senior staff (1995-1998). Thereafter, he worked in various capacities with reputable insurance companies including IGI Company Limited and Goldlink Insurance Company. He joined Vigilant Insurance Company Limited as Assistant Controller (2003-2007) and rose to become a Group Executive and headed the Port Harcourt branch of NEM INSURANCE PLC upon the merger and recapitalization. Mr. Mayadenu is a versatile Insurance practitioner with vast experience in technical and marketing skills. In recognition of his marketing prowess, he was elevated to the position of Assistant General Manager in 2011 and continued as Head of the Port Harcourt branch of the company.
He has attended several courses (home and abroad) in Insurance, Marketing and Management. He is the Deputy General Manager (Strategy & Systems). He is happily married with children.



## Mr. Adeyemi Mabayoje Mayadenu
**- HND, ACIIN**

Deputy General Manager, Strategy & Systems

# Management Team **Profile**

Mr. George Augustine Emefiele holds a bachelor degree in Sociology [1986] from the University of Ibadan. He proceeded to the University of Lagos where he obtained an M.Sc. in Industrial Relations and Personnel Management [1995] and MBA from Federal University of Technology Akure, Ondo State [2002]. He is also an Associate of the Chartered Institute of Personnel Management of Nigeria [ACIPM], 2000.

He has over 20years working experience as an academic and as a seasoned insurance marketer. He started his working career with Yaba College of Technology as a lecturer in 1995 and later worked with Piccadilly Insurance Company Limited, 1999, Vigilant Insurance company Limited (2004). In 2004, he moved to the United States of America where he worked in various organizations amongst which are Farmers Insurance incorporated (2005), Home Depot Inc., USA (2007), Citi Group Inc. Dallas, USA (2008).

In January, 2009, he joined NEM Insurance Plc as a Group Executive. He is currently the Deputy General Manager, Marketing [Business Development].
He has attended many courses in Management and Marketing Strategy locally and internationally.

He is happily married with children.



## Mr. George Augustine Emefiele

**– B.Sc, M.Sc, MBA, ACIPM**

Deputy General Manager (Marketing)

# Management Team **Profile**

Mr. Kayode Arimoro is a graduate of Obafemi Awolowo University and Ambrose Alli University where he bagged Bachelor of Arts and Masters in Business Administration respectively. He started his insurance career with Leadway Assurance Limited in 1995 where he grew through the ranks to become the Assistant Branch Manager of the Warri branch. In 2001, he joined Vigilant Insurance Co. Limited as Branch Manager (Warri).

His business acumen and dedication to work has contributed immensely to the company performance and brand recognition in Warri and its environs where he has been overseeing the company's growing clients' base for over a decade.

Mr. Arimoro is an Assistant General Manager in charge of the Warri branch.

He is an associate member of the Chartered Insurance Institute of Nigeria (ACIIN) and the National Institute of Marketing of Nigeria. He has attended several courses locally and internationally which cuts across management, strategy, financial management and business development.
He is happily married with children



## Mr. Kayode Busuyi Arimoro

**- BA, MBA, ACIIN**

Assistant General Manager, Warri Branch

# Management Team **Profile**

Mrs. Moyosola Olayinka Okeremi is a graduate of Insurance from the Enugu State University of Science and Technology, Enugu (1996). She obtained a Master's in Business Administration (MBA) from the Ladoke Akintola University, Ogbomoso in year 2005. She is a member of various professional associations which includes the Nigeria Institute of Marketing NIM and Nigeria Institute of Management (Chartered) MNIM.

She began her working career at Airclaims Consult Limited in 1997 as a Youth Corps Member. Due to her commitment and dedication to work, she was employed after her service year as a Clients Relations Officer by the company. In 1999, Mrs. Okeremi joined Piccadilly Insurance Company Limited where she started her insurance career and was with the company till March 2002.

In 2002, she joined NEM Insurance Plc as Senior Manager, Marketing and has grown through the ranks to become a member of the Management. In recognition of her contribution to the company, Mrs. Okeremi was promoted to the position of Assistant General Manager in year 2020.
She is a good manager with excellent business acumen. She has attended various courses both locally and internationally in insurance, management, business processes an

## Mrs. Moyosola Olayinka Okeremi

**– BSC, MBA, MNIM (CHARTERED)**

Assistant General Manager (Marketing)

# Management Team **Profile**

Mr. Emmanuel Ajayi, is a is seasoned finance executive with over two decades of experience in the insurance industry that cuts across development of financial strategies, preparation of company's statement of accounts, investment, and credit management. Mr. Ajayi started his career in 1993 with Nigeria – French Insurance Company Limited as Management Trainee and rose to the position of Manager (Finance & Admin) in in 2002. In 2003 he joined Vigilant Insurance Company Limited as Finance and Investment Manager.

Following the recapitalization exercise in the insurance industry in 2007, Vigilant Insurance Company Limited merged with NEM Insurance Plc, Mr. Ajayi was among the staff retained by NEM Insurance Plc after the merger. He was later appointed Chief Financial Officer to the new subsidiary of NEM in Ghana- NEM Insurance (Ghana) Limited in 2009 where he had primary responsibility of supervising accounting and administrative activities of the Company, preparation of the company's financial strategies and statement of accounts in line with International Financial Reporting Standard (IFRS), placement of funds and company's investments.

Mr. Ajayi was later redeployed to Nigeria in 2011. He was elevated to Group Head in 2018 , the position he held until his recent promotion to Assistant General Manager (Finance & Investment).

Mr. Ajayi graduated from University of Nigeria, Nsukka in 1992 where he studied Economics. He had his Master of Business Administration from University of Technology Akure in 2002. He is a fellow of the Institute of Chartered Accountant of Nigeria (FCA). He has attended several professional courses both locally and abroad.
He is currently the Assistant General Manager, Finance and Investment at NEM Insurance Plc.



## Mr. Ajayi Emmanuel Ojo
**– BSC, FCA**

Assistant General Manager, Finance & Investment

# Management Team **Profile**

Mr. Onorienbohwo attended the Federal Polytechnic, Ado-Ekiti (1989) and Yaba College of Technology, Yaba-Lagos (1998) where he obtained National Diploma and Higher National Diploma respectively in Accounting.

In addition to having a professional certification in accountancy (Fellow of Institute of Chartered Accountants), he has also obtained a Master's Degree in Business Administration (MBA) Finance at Ladoke Akintola University of Technology, Ogbomosho, (2011).

Onos, as popularly called, started his career with Guinea Insurance Plc in the early 90s. At Guinea Insurance, he contributed his quota in salvaging the company from troubled waters. He was one of the ten (10) staff retained when the company embarked on re-engineering in 2001. In 2004, he moved briefly to the then Hallmark Assurance Plc as Finance Manager. By December 2005, NEM Insurance Plc employed him as Senior Manager in Finance Department.

He is currently Assistant General Manager and oversees the Internal Audit Department at NEM Insurance Plc. Mr. Onorienbohwo has attended several courses locally and internationally on Finance, Internal Auditing and Risk-Based Internal Audit. He is happily married with children.



## James Obevu Onorienbohwo

**– HND, MBA, FCA**

Assistant General Manager

# Management Team **Profile**

Mr. Michael Alaba Giwa holds a Bachelors degree in Political Science from the renowned Ahmadu Bello University, Zaria in 1989. He is an Associate Member of the Nigeria Institute of Management (MNIM). He started his Insurance Career at Leadway Assurance Company Limited from 1993 to1997 where he worked in various departments and capacities.

Thereafter, he worked as a Marketer and Branch Manager in various reputable insurance companies including, Acen Insurance Co. Ltd, Kaduna (1998-1999), Pioneer Branch Manager of STACO Insurance Plc, Kaduna and STACO Insurance Plc, Abuja (1999-2005), Vigilant Insurance Company Ltd Abuja (2005-2007). Upon the merger of NEM Insurance Plc and Vigilant Insurance Company Limited, he has worked with NEM Insurance Plc from 2007 till date. His vast experience and aggressive marketing saw NEM Insurance Plc Abuja under him witnessing transformation and has grown from one (1) branch to three (3) branches, all operating at maximum capacity.

Mr. Giwa has attended several courses in Modern Marketing Strategies, Strategic Sales & Marketing, Business Development and Management both locally and internationally. He is currently the Assistant General Manager (Garki-Abuja). He is happily married with children.



## Mr. Michael Alaba Giwa
**– BSC, MNIM**

Assistant General Manager
(Garki- Abuja Branch)

# Management Team **Profile**

Olayinka Ojikutu hold a Bachelors' degree in Political Science from University of Lagos, Nigeria, and a Masters' degree in Human Resources Management from London Metropolitan University, London, United Kingdom. She is also an Associate Member of the Chartered Institute of Personnel Management (ACIPM), as well as a Senior Professional in Human Resources International (SPHRi) from HR Certification Institute (HRCI), and a PPA Certified Practitioner from Thomas International.

She has garnered over 15 years' HR management experience drawn from various organisations in major economic sectors in Nigeria & UK. She started her career with the now defunct West Anglian Great Northern Railway line (WAGN) in 2002. Over the years, she progressively held positions at London Borough of Hackney, Makers UK. In 2012, she joined InterContinental Hotel, Lagos (IHG) as a pioneer staff and was a key member of the preopening team responsible for recruitment, strategic workforce planning, policy and process development, onboarding and employee engagement.

Prior to joining NEM Insurance Plc in April 2021, she was the HR Manager at Southern Sun Ikoyi Hotel where she played a pivotal role in the success of the company's business continuity plan during the COVID-19 pandemic outbreak that affected hospitality industry's operations.

She is currently the Group Head, Human Resources at NEM Insurance Plc where she is responsible for providing people management solutions and practices that are people driven and able to deliver on organizational strategic direction, corporate values and philosophies.

## Mrs. Olayinka Ojikutu

**– ACIPM, SPHRi, MA. HRM**

Group Head, Human Resources

Olajumoke Philip-Akede, is currently the Company Secretary and Legal Adviser of NEM Insurance Plc. She attended Obafemi Awolowo University (2005) and proceeded to the Nigerian Law School, Kano thereafter where she was called to the Nigerian Bar (NBA) as a Barrister and Solicitor of the Supreme Court of Nigeria. She has a professional certification in International Contract & Commercial Management (IACCM) and is a member of the International Bar Association (IBA). She also has a diploma in Global Governance from the International Business Management Institute, Germany.

She has over a decade of experience in diverse sectors as a Legal practitioner. She is well-grounded in legal/corporate advisory, strategic planning and business development. She is happily married with children.



# Mrs. Olajumoke Philip-Akede

**– LLB, IACCM**

Group Executive (Company Secretary)

# Financial Statements & Notes to the Accounts

# Report Of External Consultants On Board Appraisal

**NEM INSURANCE PLC**

In compliance with the requirement of the NAICOM "Code of Good Corporate Governance for the Insurance Industry in Nigeria" "The Code" the Board of NEM Insurance Plc commissioned New Version Consultants Limited to conduct an appraisal of the performance of the Board of the Company. The exercise was guided by the provisions of The NAICOM Code and other recognised Codes of Best Practices which promote enhanced governance values. Our findings are as follows:

i. The Board is composed of a mix of executives and non-executives which indicates that the non-executives are in greater proportion than the executives. The proportion of executives to non-executives is 3:4. Members are individuals of diverse professional backgrounds and business experience. Among the non-executives are: A legal practitioner, foremost industrialist and investment expert as well as astute businessmen with interests in key sectors of the economy including: Insurance, Pharmaceuticals, Real Estate and Manufacturing who have established successful track records in their chosen fields of endeavours and are well exposed to taking business and financial decisions in their day-to-day activities. The Executive Directors are qualified professionals with cognate experience in their areas of specialization and a vast knowledge of Insurance business and its operating terrain. Members have been bringing their experience to bear in directing the affairs of the Company which has since stabilized its operations post-consolidation.

In accordance with The NAICOM Code, the Board Chairman is a Non-Executive Director; there is a clear delineation of responsibilities between the position of the GMD and the Chairman while no one individual occupies the two positions at the same time thereby avoiding the issue of executive duality. The two individuals are not members of the same family.

ii. The Operations/Processes of the Board were managed within the context of regulatory requirements and in accordance with Best Practices. Accordingly, the Board held four meetings during the year under review and attendance was outstanding whereby each member met the 75% minimum requirement prescribed in The Code in respect of attendance. A Committee structure comprising of the minimum requirement of the NAICOM Code was institutionalized and the Committees were provided with the required Terms of Reference. The agenda contained issues meant for the attention of the Board and the preparation of the agenda was flexible in allowing all members to introduce relevant subject matters to the Board.

"Adequate notice was given for meetings and Board materials were circulated promptly to members which allowed them adequate time to prepare for the meetings. Members were given equal opportunity and they made cogent contributions to deliberations and most decisions were arrived at by consensus. The Board enjoys a cordial working relationship and meetings were conducted in an atmosphere devoid of rancor. The above review suggests that the Composition and Processes/Operations of the Board meet most of the parameters of The NAICOM Code."

# Report Of **External Consultants On Board Appraisal**

iii. Members performed their oversight responsibilities with respect to the activities of management in particular as regards the Group's growth strategy, its Financial Performance, Business Prospects as well as status of Regulatory Compliance.

Following the recommendation made to the Board, particularly the regularization of its size, we observed that the Board has instituted the required mechanism to address the issue in order to enhance its governance practices.

BY ORDER OF THE BOARD

BOLADE SUNMONU
FRC/2016/1CAN/00000014573
Lagos, Nigeria
Date: 1st of February, 2021

# Statement of **Directors' Responsibilities**

In accordance with the provisions of Section 377 of the Companies and Allied Matters Act, 2020 and Sections 24 and 28 of the Banks and Other Financial Institutions Act 1991, the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the financial position at the end of the financial year of the Company and of the operating result for the year then ended.

**The responsibilities include ensuring that:**

- Appropriate and adequate internal controls are established to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- The Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act, 2020, Banks and Other Financial Institutions Act, 1991, Insurance Act 2003, Financial Reporting Council Act 2011 and the yearly Operational Guidelines issued by NAICOM.
- The Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed; and
- The financial statements are prepared on a going concern basis unless it is presumed that the Company will not continue in business.
- The Directors accept responsibility for the year's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with;

- Insurance Act 2003
- International Financial Reporting Standards;
- Companies and Allied Matters Act 2020;
- Banks and Other Financial Institutions Act, 1991;
- NAICOM Operational Guidelines; and
- Financial Reporting Council Act, 2011.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and of its operating result for the year ended 31 December 2020.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of financial control. Nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors on 10th of March 2021 by:

**Mr. Tope Smart**
GMD
FRC/2013/CIIN/00000001331

**Fidelis Ayebae**
Chairman, Board of Directors
FRC/2013/CIANG/00000002376

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

We the undersigned hereby certify the following with regards to our Audited Financial Statements for the year ended 31 December 2020 that:

- We have reviewed the report;

- To the best of our knowledge, the report does not contain:
  - Any untrue statement of a material fact, or
  - Omit to state a material fact, which would make the statements, misleading in the light of circumstances under which such statements were made;

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

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

- We have disclosed to the auditors of the Company and audit committee:
  - All significant deficiency in the design or operation of internal controls which would adversely affect the Company's ability to record, process, summarise and report financial data and have identified for the Company's auditors any material weakness in internal controls, and
  - Any fraud, whether or not material, that involves management or other employees who have significant role in the Company's internal controls;

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

**Mr. Tope Smart (GMD)**
**FRC/2013/CIIN/00000001331**

**Mr. Idowu Semowo CFO**
**FRC/2013/ICAN/00000001466**

# Report Of The **Audit And Compliance Committee**

- To the members of NEM Insurance Plc
- In accordance with the provisions of Section 404 of the Companies and Allied Matters Act, 2020, we the Members of the Audit and Compliance Committee of NEM Insurance Plc, having carried out our statutory functions under the Act, hereby report as follows:
- We have reviewed the scope and planning of the audit for the year ended 31 December 2020 and we confirm that they were adequate;
- The Company's and its Subsidiary's reporting and accounting policies as well as internal control systems conform to legal requirements and agreed ethical practices; and
- We are satisfied with the departmental responses to the External Auditors' findings on management matters for the year ended 31 December 2020
- Finally, we acknowledge and appreciate the co-operation of Management and Staff in the conduct of these duties.

.......................................................

**Chairman of the Audit and Compliance Committee**

FRC/2013/00000002802

Date: 9 March 2021

**Members of the Audit Committee**

| | | |
|---|---|---|
| Mr. Christopher Ogba | (Shareholders' Representative) | Chairman |
| Mr. Samuel Mpamaugo | (Shareholders' Representative) | Member |
| Mr. Taiwo Oderinde | (Shareholders' Representative) | Member |
| Mr. Kelechi Okoro | (Non Executive Director) | Member |
| Mrs. Yinka Aletor | (Non Executive Director) | Member |
| Mrs. Joy Teluwo | (Non Executive Director) | Member |

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

# Independent Auditors' Report

## To The Shareholders Of Nem Insurance Plc And Its Subsidiary Company Report On The Audit Of The Consolidated And Separate Financial Statements

**Opinion**

We have audited the accompanying consolidated and separate financial statements of NEM Insurance Plc ("the Company") and its Subsidiary (together "the group), which comprise, the consolidated and separate statements of financial position as at 31 December 2020, the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity, and consolidated and separate statements of cash flows for the year then ended; and notes to the consoli dated and separate financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion the consolidated and separate financial statements give a true and fair view of the financial position of the Company and its Subsidiary as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria, Act No 6, 2011, the Companies and Allied Matters Act, 2020, Insurance Act CAP I17, LFN 2004 and the Prudential Guidelines issued by National Insurance Commission.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated and separate Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Inter national Ethics Standards Board Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

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

(i) Revenue recognition

In view of large number of policies underwritten by the Company, the gap between the underwriting and finance departments, and manual interference in the premium documentation, there is a risk that revenue may not be completely accounted for in the financial statements.

Response

- We have tested the design and implementation of key controls over revenue recognition, focusing on the flow of information from the underwriting systems to the financial reporting ledger. In addition, we performed substantive analytical procedures on gross and unearned premium balances.

# Independent Auditors' Report

## To The Shareholders Of Nem Insurance Plc And Its Subsidiary Company
## Report On The Audit Of The Consolidated And Separate Financial Statements

- We performed other substantive procedures to confirm completeness of revenue by:
  selecting some debit notes from hard copy files and traced to soft copy listing of premium and obtained a serially generated debit notes and investigated missing and duplicated debit notes.

- We ensured that an appropriate and consistent revenue recognition policy is in place and in line with the Company's and its Subsidiary's accounting policies.

(ii) Valuation of investment properties
Management has estimated the value of the Company's and its Subsidiary's investment properties to be N1.617billion as at 31 December 2020. Independent external valuations were obtained in order to support the value in the Company's and its Subsidiary's financial statements. These valuations are dependent on certain key assumptions and significant judgments including capitalization rates and fair market rents.

**Our response**
We ascertained the following
- Evaluated the independent external valuers' competence, capabilities and objectivity
- Assessed the methodologies used and the appropriateness of the key assumptions.
- Checked the accuracy and relevance of the input data used.

We also reviewed and found the disclosures on note 11 to be appropriate based on the assumptions and available evidence.

(iii) Valuation of insurance contract liabilities
Management has estimated the value of insurance contract liabilities in the Company's and its Subsidiary's financial statements to be N9.779billion as at year ended 31 December 2020 based on the actuarial valuation and liability adequacy test carried out by an external firm of Actuaries.

The valuation has been made on the following key assumptions which were determined by the Actuary:

- Reserves were calculated via a cash flow projection approach, taking into account future premiums, expenses and benefit payments including an allowance for benefits.

- The unexpired premium reserve for general business is calculated on the assumption that risk will occur evenly during the duration of the policy.
- The Company's claim payment approach will be sustained into the future.
- Weighted past average inflation will remain unchanged over the claim projection period.
- Gross claim amount includes all related claim expenses.
- An allowance was made for IBNR(Incurred But Not Reported) claims to take care of the delay in reporting claims.

# Independent Auditors' Report

## To The Shareholders Of Nem Insurance Plc And Its Subsidiary Company
## Report On The Audit Of The Consolidated And Separate Financial Statements

**Our response**

We ascertained the following

- Evaluated and validated controls over insurance contract liabilities,
- Checked the claims register for completeness and accuracy of claims accrued, additional adjustment was raised,
- Reviewed transactions after year end for claims paid but not accrued, additional audit adjustment was raised,
- Evaluated the independent external Actuary's competence, capability and objectivity,
- Assessed the methodologies used and the appropriateness of the key assumptions,
- Checked the accuracy and relevance of data provided to the Actuary by management,
- Reviewed the results based on the assumptions.

(iv) Impairment losses on financial assets carried at amortised costs

The Company's investments in this class of financial assets include cash and short-term deposits and debt instruments carried at amortised costs. This totaled N13.432billion as at 31 December 2020 representing 43% of the Company's total assets and the associated expected credit loss (ECL) is significant to the financial statements. This was considered a Key Audit Matter as IFRS 9 is a complex accounting standard which requires significant judgement to determine the impairment loss reserve.

The general approach to ECL was adopted. This approach involves identification of significant changes in credit risks using a multi factor model, for the purpose of determining whether financial assets will be classified as stage 1, stage 2 or stage 3. While twelve months ECLs are computed for financial assets in stage 1, lifetime ECLs are computed for financial assets in stage 2 and 3. Calculating ECL for this class of financial assets also involves determination of risk parameters such as probability of default (PD), loss given default (LGD) and exposure at default (EAD). The approach also involves considerable level of judgements and estimation in determining inputs for ECL calculation such as:

- Determination of PD and LGD
- Adjusting the PD for forward looking information
- Selecting macroeconomics variables
- Incorporating multiple scenarios
- Considered cash flow estimation including timing and amount as well as
- collateral valuation

**Our response**

We ascertained the following

- We reviewed the IFRS 9 ECL models and documentation prepared by the management for the computation of impairment losses on financial assets carried at amortised costs in line with the requirements of IFRS 9.
- We gained an understanding of how the client derived the risk parameters (i.e. PD's and LGD's) by performing a walkthrough exercise. We also challenged all the assumptions considered in the estimation of recovery cash flows, the discount factor, collateral valuation and timing of realization, the forecast, and assigned probability weight to the scenarios.
- In instances where we were not satisfied with the assumptions used by the management in its cash flow estimation and discounting, we challenged management assumptions by re-computing the cash flows to determine the recoverable amounts and all other parameters used.

- We focused on the most significant model assumptions including probability of default and loss given default.

# Independent Auditors' Report

## To The Shareholders Of Nem Insurance Plc And Its Subsidiary Company
## Report On The Audit Of The Consolidated And Separate Financial Statements

- We performed detailed procedures on the completeness and accuracy of the information used.
- Lastly, we reviewed the qualitative and quantitative disclosures for reasonableness to ensure conformity with the IFRS 7- Financial Instruments: Disclosures

**Other Information**

The Directors are responsible for the other information. The other information comprises the information included in the Chairman's statement and Directors' report, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

**Responsibilities of the Directors for the consolidated and separate Financial Statements**

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria Act, No 6, 2011, the Companies and Allied Matters Act, 2020, Insurance Act, CAP I17 LFN 2004, and the Prudential Guidelines issued by National Insurance Commission, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditors' responsibilities for the Audit of the consolidated and separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

# Independent Auditors’ Report

## To The Shareholders Of Nem Insurance Plc And Its Subsidiary Company
## Report On The Audit Of The Consolidated And Separate Financial Statements

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the Group and the Company’s financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and significant audit findings and any significant deficiencies in internal control that we identify during our audit.

- **Report on other legal and regulatory requirements**
  **Contravention of laws and regulations**
  The Company did not contravene the requirements of the National Insurance Commission of Nigeria’s Operational Guidelines during the year and therefore no penalty was paid

  **Compliance with the FRC guidance for reporting the effects of COVID-19 on business operations**
  The Company and its Subsidiary complied with the guidance provided by the Financial Reporting Council (FRC) for reporting the impact of COVID-19 on its operations. Also, we confirm that we have obtained sufficient appropriate audit evidence regarding going concern applicability. We conclude, based on the audit evidence obtained up to the date of our auditors’ report, that no material uncertainty exists about the Company’s ability to continue as a going concern.

  **Compliance with the requirements of the Companies and Allied Matters Act, 2020.**
  The Companies and Allied Matters Act, 2020 and Insurance Act CAP I17 LFN 2004 require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

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

# Independent Auditors' Report

## To The Shareholders Of Nem Insurance Plc And Its Subsidiary Company
## Report On The Audit Of The Consolidated And Separate Financial Statements

ii) in our opinion, proper books of account have been kept by the Company and its Subsidiary

iii) the Company's and its Subsidiary's statements of financial position, and its statements of profit or loss and other comprehensive income are in agreement with the books of account.

iv) to the best of our knowledge, the Company and its Subsidiary complied with the requirements of the relevant circulars issued by National Insurance Commission (NAICOM) and the regulations of the Insurance Act CAP I17 LFN 2004 during the year.


Lagos, Nigeria
22 March 2021

Ebenezer O. Olabisi
FRC/2012/ICAN/00000000104
For: BDO Professional Services
Chartered Accountants

# Statement Of **Significant Accounting Policies**

The following are the significant accounting policies adopted by the Group in the preparation of these financial statements. These accounting policies have been consistently applied for all years presented.

### 1.0 General Information

(a) NEM Insurance Plc ("NEM" or "the Company") is a public limited liability company domiciled in Nigeria. The Company's registered and corporate office is 199, Ikorodu Road, Obanikoro, Lagos.

In 2016, the Company opened a subsidiary NEM Asset Management Ltd and NEM Insurance Ghana Limited became an Associate after merger with Regency Insurance to transact the same line of business.

The financial statements were authorised for issue by the Board of Directors on 10 March 2021.

(b) Principal activity
The Company is principally engaged in the business of General Insurance activities. Such services include provision of non-life insurance services for both corporate and individual customers.

### 1.1 Summary of Significant Accounting Policies

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

### 1.2 Going Concern

These financial statements have been prepared on the going concern basis. The Group has no intention or need to reduce substantially its business operations, the management believes that the going concern assumption is appropriate for the Group due to sufficient capital adequacy ratio and projected liquidity, based on historical experience that short-term obligations will be refinanced in the normal course of the business. Liquidity ratio and continuous evaluation of current ratio of the group is carried out by the group to ensure that there are no going concern threats to the operations of the group.

### 1.3 Basis of Preparation and Compliance with IFRS

The Group's financial statements for the year 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), Companies and Allied Matters Act, 2020, Insurance Act CAP I17, LFN 2004 and Prudential Guidelines issued by National insurance Commisson and Investment and Securities Act 2007.

# Statement Of **Significant Accounting Policies**

**1.3.1 Foreign currency translation**

(a) Functional and Presentation Currency

The financial statements are presented in Nigerian currency (Naira) which is the Company's functional currency. Except otherwise indicated, financial information presented in Naira have been rounded to the nearest thousand (N'000)

(b) Transactions and balances in foreign currencies

Transactions denominated in foreign currencies are recorded in Naira at the rate of exchange ruling at the date of each transaction. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the profit or loss. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at that date. Exchange gains arising from the revaluation of monetary assets and liabilities are recognized in the income statement while those on non-monetary items are recognized in other comprehensive income. For non-monetary financial assets, unrealized exchange differences are recorded directly in equity until the asset is disposed or impaired.

**1.3.2 Basis of measurement**

The financial statements are prepared on the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss;
- Financial assets classified as FVOCI which are measured at fair value through other comprehensive income;
- Land and building (included in property and equipment) which are measured at fair value through other comprehensive income;
- Financial assets which are measured at amortised costs; and
- Investment properties which are measured at fair value.
- In accordance with IFRS 4 Insurance contracts, the Group has applied existing accounting policies for its Non-life Insurance contracts, modified as appropriate to comply with the IFRS framework.

**1.4 Critical Accounting Estimates, Judgments and Assumptions**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial positions and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1.5.

**1.5 Judgments, Estimates and Assumptions**

The estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognized in the year in which the estimate is revised, if the revision affects only that year or if the revision affects both current and future years.

# Statement Of **Significant Accounting Policies**

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described below:

**1.5.1 Income Taxes**

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions.

**1.5.2 Retirement Benefits**

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of gratuity obligations. The assumptions used in determining the net cost (income) for gratuity include the discount rate, rate of return on assets, future salary increments and mortality rates.

The Group determines the appropriate discount rate at the end of the year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related gratuity liability. Other key assumptions for gratuity obligations are based in part on current market conditions.

In most cases, no explicit assumptions are made regarding the future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.  Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium.  Judgment is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

1.5.3 Fair Valuation of Investment Properties

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is determined by reference to observable market prices. The fair value of investment property does not reflect the related future benefits from this future expenditure. These valuations are performed annually by external appraisers. Assumptions are made about expected future cash flows and the discounting rates.

# Statement Of **Significant Accounting Policies**

1.6 New standards and interpretations issued but not yet adopted by the Group

The following are the new standards and interpretations that have been issued, but are not mandatory for the financial year ended 31 December 2020. They have not been adopted in preparing the financial statements for the year ended 31 December 2020.

1.6.1 New standards, interpretations and amendments

(a) New standards, interpretations and amendments adopted from 1 January 2020

New standards effective for adoption in the annual financial statements for the year ended 31 December 2020 but had no significant effect or impact on the Company are:

• IAS 1 Presentation of Financial Statements and
• IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material); and
• Revisions to the Conceptual Framework for Financial Reporting.

• Definition of a Business (Amendments to IFRS 3);
• Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7); and

• COVID-19-Related Rent Concessions (Amendments to IFRS 16).

(b) New standards, amendments and interpretation issued not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

"The following amendments have not been adopted in preparing the financial statements for the year ended 31 December 2020:
• Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
• Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective date 1 January 2022;
• Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) effective date 1 January 2022;
• References to Conceptual Framework (Amendments to IFRS 3) effective date 1 January 2022.
• IFRS 17 Insurance Contracts (effective 1 January 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023."

# Statement Of **Significant Accounting Policies**

2 SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are defined as those that are reflective of significant judgements and uncertainties and potentially give rise to different results under different assumptions and conditions.

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

2.1 CONSOLIDATION

(i) Subsidiaries

The financial statements of the subsidiary is consolidated from the date the Group acquires control, up to the date that such effective control ceases. For the purpose of these financial statements, subsidiaries are entities over which the Group, directly or indirectly, has power to govern the financial and operating policies so as to obtain benefits from their activities.

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

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

Acquistion - related costs are expensed as incurred.

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

(ii) Disposal of subsidiaries

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity, accounted investment or as a financial asset under the Amortized Cost or Fair Value Through Other Comprehensive Income category depending on business model intended and the level of influence retained.

(iii) Special purpose entities
Special purpose entities that are created to accomplish a narrow and well- defined objective such as the securitisation of particular assets, or the execution of specific borrowings or lending transactions or the provision of certain benefits to employee.

The financial statements of special purpose entities are included in the Group's consolidated financial statements, where the substance of the relationship is that the Group controls the special purpose entity.

(iv) Associates
In the financial statements, the Company's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate.

The share of profit of the associate is shown on the face of the income statement. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

2.2 CASH AND CASH EQUIVALENTS
Cash and cash equivalents include notes and coins on hand and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Due to their short-term nature, the carrying value of cash and cash equivalents approximates their fair value, hence they are carried at fair value in the statement of financial position.

2.3 FINANCIAL ASSETS

2.3.1 Recognition
The Group on the date of origination or purchase recognizes placements, equity securities and deposits at the fair value of consideration paid. Regular-way purchases and sales of financial assets shall be recognized on the settlement date. All other financial assets and liabilities, including derivatives, shall be initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

2.3.2 Classification and Measurement
Initial measurement of a financial asset or liability shall be at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs shall be recognized immediately in profit or loss. Financial assets include placement with banks, treasury bills and equity instruments.
The Group classifies its financial assets into the following categories in line with the provisions of IFRS 9:

# Statement Of **Significant Accounting Policies**

(a) Fair Value Through Profit or Loss (FVTPL)
(b) Amortized Cost
(c) Fair Value Through Other Comprehensive Income (FVOCI)

The Group shall classify its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics.

**Business Model Assessment**

Business model assessment shall involve determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows, selling financial assets or both. The Group shall assess business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of business model the Group will take into consideration the following factors:
The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that shall be funding those assets or realizing cash flows through the sale of the assets;
How the performance of assets in a portfolio will be evaluated and reported to the relevant heads of departments and other key decision makers within the Company's business lines;
The risks that affect the performance of assets held within a business model and how those risks shall be managed;
How compensation shall be determined for the Company's business lines, management that manages the assets; and
The frequency and volume of sales in prior periods and expectations about future sales activity.

Management shall determine the classification of the financial instruments at initial recognition. The business model assessment falls under three categories:
I) Business Model 1(BM1): Financial assets held with the sole objective to collect contractual cash flows
II) Business Model 2 (BM2): Financial assets held with the objective of both collecting contractual cash flows and selling; and
III) Business Model 3 (BM3): Financial assets held with neither of the objectives mentioned in BM1 or BM2 above. These shall be basically financial assets held with the sole objective to trade and to realize fair value changes.

The Group may decide to sell financial instruments held under the BM1 category with the objective to collect contractual cash flows without necessarily changing its business model if one or more of the following conditions shall be met:
i) Where these sales shall be infrequent even if significant in value. A Sale of financial assets shall be considered infrequent if the sale shall be one-off during the Financial Year and/or occurs at most once during the

# Statement Of **Significant Accounting Policies**

quarter or at most three (3) times within the Financial Year.
(ii) Where these sales shall be insignificant in value both individually and in aggregate, even if frequent. A sale shall be considered insignificant if the portion of the financial assets sold shall be equal to or less than five (5) per cent of the carrying amount (book value) of the total assets within the business model.
(iii) When these sales shall be made close to the maturity of the financial assets and the proceeds from the sales approximates the collection of the remaining contractual cash flows. A sale is considered to be close to maturity if the financial assets has a tenor to maturity of not more than one (1) year and/or the difference between the remaining contractual cash flows expected from the financial asset does not exceed the cash flows from the sales by ten (10) per cent."
"Other reasons: The following reasons outlined below may constitute 'Other Reasons' that may necessitate selling financial assets from the BM1 category that will not constitute a change in business model:
1. Selling the financial asset to realize cash to deal with unforeseen need for liquidity (infrequent).
2. Selling the financial asset to manage credit concentration risk (infrequent)
3. Selling the financial assets as a result of changes in tax laws (infrequent).
4. Other situations also depend upon the facts and circumstances which need to be judged by the Management



Cash flow Characteristics Assessment

The Group shall assess the contractual features of an instrument to determine if they give rise to cash that shall be consistent with a basic investment arrangement.
Contractual cash flows shall be consistent with a basic deposit arrangement if they represent cash flow that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Principal shall be defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest shall be defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

A. Classification of Financial Assets

a) Financial assets measured at amortised cost
Financial assets shall be measured at amortised cost if they are held within a business model whose objective shall be to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category shall be carried at amortized cost using the effective interest rate method. The effective interest rate shall be the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost shall be calculated taking into account any discount or premium on acquisition, transaction costs and fees that shall be an integral part of the effective interest rate. Amortization shall be included in Interest income in the Consolidated Statement of Income. Impairment on financial assets measured at amortized cost shall be calculated using the expected credit loss approach. Financial assets measured at amortized cost shall be presented net of the allowance for credit losses (ACL) in the statement of financial position.

# Statement Of **Significant Accounting Policies**

b) Financial assets measured at FVOCI
Financial assets shall be measured at FVOCI if they are to be held within a business model whose objective shall be to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that shall be solely payments of principal and interest.
Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI shall be recorded in Other Comprehensive Income (OCI).

c) Financial assets measured at FVTPL
Financial assets measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that shall be solely payments of principal and interest. Financial assets may also be designated at FVTPL if by so doing eliminates or significantly reduces an accounting mismatch which would otherwise arise. These instruments shall be measured at fair value in the Consolidated Statement of Financial Position, with transaction costs recognized immediately in the Consolidated Statement of Income.

d) Equity Investments
Equity instruments shall be measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value shall be recognized in the Consolidated Statement of Income. The Company can elect to classify non-trading equity instruments at FVOCI. This election will be used for certain equity investments for strategic or longer term investment purposes.
The FVOCI election shall be made upon initial recognition, on an instrument-by-instrument basis and once made shall be irrevocable. Gains and losses on these instruments including when derecognized/sold shall be recorded in OCI and shall not be subsequently reclassified to the Consolidated Statement of Income.
Dividends received shall be recorded in Interest income in the Consolidated Statement of Income. Any transaction costs incurred upon purchase of the security shall be added to the cost basis of the security and shall not be reclassified to the Consolidated Statement of Income on sale of the security.

B. Classification of Financial Liabilities

Financial liabilities shall be classified into one of the following measurement categories:

a) Fair Value through Profit or Loss (FVTPL)
b) Amortised cost

(a) Financial Liabilities at fair value through profit or loss
Financial liabilities accounted for at fair value through profit or loss fall into two categories:
Financial liabilities held for trading and Financial liabilities designated at fair value through profit or loss on inception
Financial liabilities at fair value through profit or loss shall be financial liabilities held for trading. A financial liability shall be classified as held for trading if it shall be incurred principally for the purpose of repurchasing it in the near term or if it shall be part of a portfolio of identified financial instruments that shall be managed together and for which there shall be evidence of a recent actual pattern of profit-taking. Derivatives shall also be categorized as held for trading unless they shall be designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

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Gains and losses arising from changes in fair value of financial liabilities classified as held for trading shall be included in the income statement and shall be reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest expenses on financial liabilities held for trading shall be included in 'Net interest income'.
Financial Liabilities shall be designated at FVTPL when either the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or the financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required. For liabilities designated at fair value through profit or loss, all changes in fair value shall be recognized in the Consolidated Statement of Income, except for changes in fair value arising from changes in the Group's own credit risk which shall be recognized in OCI. Changes in fair value of liabilities due to changes in the Group's own credit risk, which are recognized in OCI, shall not be subsequently reclassified to the Consolidated Statement of Income upon derecognition/extinguishment of the liabilities.

(b) Financial Liabilities at amortised cost
Financial liabilities that are not classified at fair value through profit or loss fall into this category and shall be measured at amortised cost using the effective interest rate method. Financial liabilities measured at amortised cost shall be debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

C. Reclassifications
Financial assets shall not be reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. A change in the Group's business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations such as:
- Significant internal restructuring or business combinations; for example: an acquisition of a private asset management company that might necessitate transfer and sale of assets to willing buyers, this action will constitute changes in business model and subsequent reclassification of the assets held from BM1 to BM2 Category.
Any other reason that might warrant a change in the Group's business model are determined by management based on facts and circumstances.
The following shall not be considered to be changes in the business model:
(a) A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)
(b) A temporary disappearance of a particular market for financial assets.
(c) A transfer of financial assets between parts of the Group with different business models.

When reclassification occurs, the Group shall reclassify all affected financial assets in accordance with the new business model. Reclassification shall be applied prospectively from the 'reclassification date'. Reclassification date shall be 'the first day of the first reporting period following the change in business model. For example, if the Group decides to shut down the retail business segment on 31 January 2019, the reclassification date will be 1 April, 2019 (i.e. the first day of the entity's next reporting period), the Group shall not engage in activities consistent with its former business model after 31 January, 2019. Gains, losses or interest previously recognised shall not be restated when reclassification occurs.

# Statement Of **Significant Accounting Policies**

2.3.3 IMPAIRMENT OF FINANCIAL ASSETS

In line with IFRS 9, the Group assess the under listed financial instruments for impairment using Expected Credit Loss (ECL) approach:

1. Amortized cost financial assets; and
2. Debt securities classified as at FVOCI.

Equity instruments and financial assets measured at FVTPL shall not be subjected to impairment under the standard.

Expected Credit Loss Impairment Model

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

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

Stage 1 – Where there has not been a Significant Increase in Credit Risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss shall be recorded. The expected credit loss shall be computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity shall be used.

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

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

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

Measurement of Expected Credit Losses

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

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Details of these statistical parameters/inputs are as follows:
PD – The probability of default shall be an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the asset has not been previously derecognized and are still in the portfolio.

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

Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instrument. This shall be used to calculate lifetime ECLs for "stage 2" and stage 3 exposures. PDs shall be limited to the maximum exposure required by IFRS 9

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

LGD – The loss given default shall be an estimate of the loss arising in the case where a default occurs at a given time. It shall be based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It shall be usually expressed as a percentage of the EAD.

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

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

The Group shall determine allowance for credit losses using three probability-weighted forward looking scenarios. The Group shall consider both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Group prepares the scenarios using forecasts generated by credible sources such as Business Monitor International (BMI), International Monetary Fund (IMF), Nigeria Bureau of Statistics (NBS), World Bank, Central Bank of Nigeria (CBN), Nigeria Insurers Association, Financial Markets Dealers Quotation (FMDQ), and Trading Economics.

**Assessment of significant increase in credit risk (SICR)**
At each reporting date, the Group shall assess whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected

life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors. The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking Macroeconomic factors shall be a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region.

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

The quantitative models considers deterioration in the credit rating of obligor/counterparty based on the Group's internal rating system or External Credit Assessment Institutions (ECAI) while qualitative factors considers information such as expected forbearance, restructuring, exposure classification by licensed credit bureau etc.

A backstop shall be used to ensure that in the (unlikely) event that the primary (quantitative) indicators do not change and there is no trigger from the secondary (qualitative) indicators, an account that has breached the 30 days past due criteria for SICR and 90 days past due criteria for Default shall be transferred to stage 2 and stage 3 respectively except there is a reasonable and supportable evidence available without undue cost to rebut the presumption.

Definition of Default and Credit Impaired Financial Assets

At each reporting date, the Group shall assess whether financial assets are credit impaired. A financial asset shall be credit impaired when one or more of the following events have a detrimental impact on the estimated future cash flows of the financial asset:
- Significant financial difficulty of the Issuer;
- A breach of contract such as a default or past due event;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- The disappearance of an active market for a security because of financial difficulties

A debt that has been renegotiated due to a deterioration in the issuer's condition shall be considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there shall be no other indicators of impairment. In making an assessment of whether an investment in sovereign debts is credit-impaired, the Group shall consider the following factors.

1. The market's assessment of credit worthiness as reflected in the bond yields
2. The rating agencies' assessments of credit worthiness
3. The country's ability to access the capital markets for new debt issuance
4. The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness

# Statement Of **Significant Accounting Policies**

5. The international support mechanisms in place to provide the necessary support as lender of last resort to that country as well as the intention, reflected in public statements of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and irrespective of the political intent, whether there is the capacity to fulfil the required Criteria.

Presentation of allowance for ECL in the statement of financial position
Allowances for ECL shall be presented in the statement of financial position as follows:

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

Write-off
The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there shall be no realistic prospect of recovery. After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off (either partially or in full):
• Continued contact with the customer is impossible;
• Recovery cost is expected to be higher than the outstanding debt;
• Amount obtained from realization of credit collateral security leaves a balance of the debt; or
• It is reasonably determined that no further recovery on the facility is possible.

2.4 TRADE RECEIVABLES
Trade receivables are initially recognized at fair value and subsequently measured at amortized cost less provision for impairment. A provision for impairment is made when there is an objective evidence (such as the probability of solvency or significant financial difficulties of the debtors) that the Group will not be able to collect all the amount due based on the original terms of the invoice. Allowances are made based on an impairment model which consider the loss given default for each customer, probability of default for the sectors in which the customer belongs and emergence period which serves as an impairment trigger based on the age of the debt. Impaired debts are derecognized when they are assessed as uncollectible. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortized cost at the reversed date. Any subsequent reversal of an impairment loss is recognized in the profit or loss.

2.5 REINSURANCE ASSETS
Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for the insurance contracts in accounting policy 2.14 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered in to by the

# Statement Of **Significant Accounting Policies**

Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. Reinsurance assets consist of short-term balances due from reinsurers, as well as long term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in compliance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Group has the right to set-off re-insurance payables against amount due from re-insurance and brokers in line with the agreed arrangement between both parties.

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

(a) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that an insurance receivable is impaired using the same methodology adopted for financial assets held at used for these financial assets. These processes are described in accounting policy.

2.6 DEFERRED ACQUISITION COSTS

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

2.7 OTHER RECEIVABLES AND PREPAYMENTS

2.7.1 Other receivables

Other receivables are made up of amounts due from parties which are not directly linked to insurance or investment contracts. Other receivables are stated after deductions of amount considered bad or doubtful of recovery. When a debt is deemed not collectible, it is written-off against the related provision or directly to the profit or loss to the extent not previously provided for. Any subsequent recovery of written-off debts is credited to the profit or loss.

2.7.2 Prepayments

Prepayments are carried at cost less amortisation and accumulated impairment losses.

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2.8 INVESTMENT IN ASSOCIATE

In the separate financial statements of NEM Insurance Plc, investment in associate is accounted for using the equity method of accounting.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate.

The share of profit of the associate is shown on the face of the income statement. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

2.9 INVESTMENT IN SUBSIDIARY

The financial statements of subsidiaries are consolidated from the date the Group acquires control, up to the date that such effective control ceases. For the purpose of these financial statements, subsidiaries are entities over which the Group, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from their activities. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

Inter-company transactions, balances and unrealised gains on transactions between Companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

In the separate financial statements of NEM Insurance Plc, investment in subsidiary is accounted for at cost.

On loss of control, the Group de-recognizes the assets and liabilities of the subsidiary, any controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in income statement.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as fair value through other comprehensive income financial asset depending on the level of influence retained.

2.10 INVESTMENT PROPERTIES

Properties that are held for long-term rental yields or for capital appreciation or both and that are insignificantly occupied by the entities in the consolidated group are classified as investment properties. These properties consist of land and buildings.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably.

# Statement Of **Significant Accounting Policies**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost was incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market condition at the date of the consolidated statement of financial position.

Gains or losses arising from the changes in the fair value of investment properties are included in the consolidated income statement in the year in which they arise. Subsequent expenditure is included in the assets carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred. The fair value of investment property is based on the nature, location and condition of the specific asset.

Rent receivable is recognized in profit or loss and is spread on a straight-line basis over the period of the lease. Where lease incentive, such as a rent free period are given to a Lessee, the carrying value of the related investment property excludes any amount reported as a separate asset as a result of recognizing rental income on this basis.

2.11 STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up capital of the Company deposited with the Central Bank of Nigeria (CBN) in pursuant to Section 10(3) of the Insurance Act of Nigeria CAP I17, 2004. Statutory deposit is measured at cost.

2.12 INTANGIBLE ASSETS

(i) Software

Software acquired by the Group is stated at cost less accumulated amortization and accumulated impairment losses. Expenditure on internally developed software is recognized as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. Development costs previously expensed cannot be capitalized. The capitalized costs of internally developed software include all costs attributable to developing the software and capitalized borrowing costs and are amortized over its useful life. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The maximum useful life of software is five years. Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

# Statement Of **Significant Accounting Policies**

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the Company acquired at the date of acquisition. Goodwill is tested annually for impairment and carried as cost less accumulated impairment losses. Impairment losses in goodwill are not reversed.

2.13 PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Property, plant and equipment are initially recorded at cost. Land is subsequently carried at revalued amount being the fair value at the date of revaluation,while buildings are subsequently carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The Group revalues its property, plant and equipment every three years in line with relevant provisions of International Accounting Standard (IAS) 16



All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Any increase in an asset's carrying amount, as a result of revaluation is credited to other comprehensive income and accumulated in Revaluation Surplus within Revaluation reserves in equity. The increase is recognized in profit or loss to the extent that it reverses a decrease of the same asset previously recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized in Profit or Loss and is provided on a straight-line basis over the estimated useful life of the assets.Depreciation methods, estimated useful lives and residual values are reviewed annually and adjusted when necessary. No depreciation is charged on property, plant and equipment until they are available for use. The average useful lives per class of asset are as follows:

| Assets class | Average useful life |
|---|---|
| Land | - Nil |
| Building under Construction | - Nil |
| Buildings | - 2% |
| Machinery and equipment | - 20% |
| Motor vehicles | - 20% |
| Furniture and fittings | - 20% |
| Computer equipment | - 20% |

# Statement Of **Significant Accounting Policies**

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

2.14 INSURANCE CONTRACT LIABILITIES
The Group underwrites risks that individuals, corporate and other entities wish to transfer to an insurer. These risks relate to property, personal accident, motor, liability, marine and other perils which may arise from an insured event. The Group is therefore exposed to uncertainty surrounding the timing, frequency and severity of claims under insurance contracts. The major risk is that the frequency and severity of claims may be greater than estimated or expected. The Group is engaged in the general insurance business and most of the risks it underwrites are insurance which claims are settled within one year of the occurrence of the events giving rise to the claims.

In accordance with IFRS 4 on insurance contracts, the Group has continued to apply certain accounting policies which are applied in accordance with pre-changeover Nigerian GAAP.

Technical Reserves

Technical Reserves are statutory amounts which are computed in accordance with the provisions of Sections 20(1) (a) of the Insurance Act of Nigeria CAP I17 LFN 2004 as follows:

a) Insurance Funds
i) Reserves for unearned premium
Reserves for unearned premium is made on the basis of percentage of net premiums written on time apportionment in accordance with section 20(1) (a) of the Insurance Act of Nigeria CAP I17 LFN 2004.

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

iii) Reserves for outstanding claims
Reserves for outstanding claims is maintained as the total amount of oustanding claims incurred and reported plus claims incurred but not reported ("IBNR") as at the statement of financial position date. The IBNR is based on the liability adequacy test.

b) Liability adequacy test
This is an assessment of whether the carrying amount of an insurance liablity needs to be increased (or the carrying amount of related deferred acquisition costs or related intangible assets decreased), based on a

# Statement Of **Significant Accounting Policies**

review of future cash flows. At each reporting date the Group performs a liability adequacy test on its insurance liabilities less deferred policy acquisition expenses to ensure that the carrying amount is adequate. If the assessment shows that the carrying amount is inadequate, the deficiency is recognized in the income statement by setting up an additional provision in the statement of financial position at amortised cost. The impairment loss is calculated under the same method.

The provisions of the Insurance Act CAP I17 LFN, 2004 requires an actuarial valuation for life reserves only. However, IFRS 4 requires a liability adequacy test for both life and non-life insurance reserves. The provision of section 59 of the Financial Reporting Council Act of Nigeria, CAP I17 LFN,2004 gives superiority to the provision of IFRS and since it results in a more conservative reserving than the provision of the Insurance Act CAP I17 LFN, 2004 it well serves the Group's prudential concerns.



2.15 TRADE AND OTHER PAYABLES

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

2.16 RETIREMENT OBLIGATIONS AND EMPLOYEE BENEFITS

The Group operates the following contribution and benefit schemes for its employees:

(i) Defined benefit gratuity scheme

The Group has a defined benefit gratuity scheme for management and non-management staff. Under this scheme, a specified amount as determined by actuarial valuation is contributed by the Group and charged to the income statement over the service life of each employee.

Employees are entitled to gratuity after completing a minimum of five continuous full years of service. The gratuity obligation is calculated annually by Independent Actuaries using the projected unit credit method. The present value of the gratutity obligation is determined by discounting the estimated future cash outflows using market yields on high quality corporate bonds (except where there is no deep market in such bonds, in which case the discount rate is based on market yields on Government bonds). The liability recognised in the statement of financial position in respect of defined benefit gratuity plan is the present value of the defined benefit obligation at the date of the statement of the financial position less the fair value of plan assets. Actuarial gains or losses arising from the valuation are credited or charged to income statement (Other comprehensive statement) in the financial year in which they arise.

(ii) Defined contribution pension scheme

In line with the provisions of the Nigerian Pension Reform Act, 2014, the Group has instituted a defined contributory pension scheme for its employees. The scheme is funded by fixed contributions from employees and the Group at the rate of 8% by employees and 10% by the Group of basic salary, transport and housing allowances invested outside the Group through Pension Fund Administrators (PFAs) of the employee's choice. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

# Statement Of **Significant Accounting Policies**

(iii) Short-term benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are recognised as employee benefit expenses and paid in arrears when the associated services are rendered by the employees of the Group.

2.17 INCOME TAX

Income tax expense comprises current and deferred tax

(i) Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognized as an expense for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity.

(ii) Deferred income tax

Deferred income tax is provided using liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities and in relation to acquisitions on the difference between the fair values of the net assets acquired and their tax base.

However, deferred income tax is not recognized for:

(a) Temporary differences arising on the initial recognition of goodwill

(b) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

(c) Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized when it is probable that future taxable profit will be available against which these temporary differences can be utilized.

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

# Statement Of **Significant Accounting Policies**

2.18 SHARE CAPITAL AND PREMIUM

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Share premium accounts for the amount the Group raises in excess of par value.

2.19 CONTINGENCY RESERVE

Contingency reserve is credited at the higher of 3% of total premiums during the year and 20% of net profit per year, until it reaches the higher of the minimum paid up capital or 50% of net premium in accordance with Section 21 (2) of the Insurance Act CAP I17, LFN 2004.

When the Group's land and building are revalued by independent professional valuer, surpluses arising on the revaluation of these assets are credited to the asset revaluation reserve account. When assets previously revalued are disposed off, any revaluation surplus relating to the disposed assets is transferred to retained earnings.

2.20 RETAINED EARNINGS

This represents the amount available for dividend distribution to the equity shareholders of the Company.

2.21 FVOCI RESERVE

FVOCI reserve comprises the cumulative net change in the fair value of the Group's investments categorised as Fair Value Through Other Comprehensive Income (FVTOCI). Net fair value movements are recycled to income statement if an investment categorized as Amortised Cost is either derecognized or impaired.

2.22 OTHER RESERVES - EMPLOYEE BENEFIT ACTUARIAL SURPLUS

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

2.23 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Nigerian Naira (N), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-ends exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

# Statement Of **Significant Accounting Policies**

Foreign exchange gains and losses relating to borrowings and cash and cash equivalents are presented in the income statement within ‘finance income or finance cost’. All other foreign exchange gains and losses are presented in the income statement within ‘Other operating income’ or ‘ Other operating expenses’.

2.24 REVENUE RECOGNITION

Revenue comprises the fair value of services, net of value-added tax, after eliminating revenue within the Group. Revenue is recognized as follows:

(a) Rendering of services: Revenue arising from asset management and other related services offered by the Group are recognised in the accounting period in which the services are rendered.

Recognition and Measurement of Insurance Contracts

i Gross premium written

Gross premium is recognized at the point of attachment of risk to a policy before deducting cost of reinsurance cover. All written premium relating to risk for period not falling due within the accounting period is carried forward as an unearned premium.

ii Gross premium earned

Gross premium earned is stated at premium written on direct and indirect business after deducting premium relating to unexpired risks which is determined on time apportionment basis.

iii Net premium earned

Net premium represents total amount invoiced to policy holders less reinsurance and is recognized as an income from the date of attachment of risk.

iv Reinsurance premium

The Group cedes reinsurance in the normal course of business with retention limits varying by line of business for the purpose of limiting its net loss potential. Reinsurance arrangements however do not relieve the Group from its direct obligation to its policy holders. This is recognized as an expense or deduction from the gross premium and it relates to premium on business ceded on treaty and facultative and is recognized on part apportionment basis.

2.25 REINSURANCE EXPENSES

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

2.26 FEES AND COMMISSION INCOME

Fees and commission income represents the income the Company is entitled to for ceding businesses to the reinsurers and other insurance Companies. Fees and commission income is recognized over time, in accordance with IFRS 15 (Revenue from Contracts with Customers), covering the policy period over which services are expected to be provided, using the time apportionment basis. Fees and commission covering the reporting period are recognized in profit or loss as fees and commission income earned, while the unearned portion of fees and commission income is reported in the statement of financial position as deferred commission income.

# Statement Of **Significant Accounting Policies**

2.27 CLAIMS AND LOSS ADJUSTMENT EXPENSES

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

Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).



(a) Salvages

Some non-life insurance contracts permit the Group to sell (usually damaged) property acquired in the process of settling a claim.

The Group may also have the right to pursue third parties for payment of some or all costs of damages to its clients property (i.e. subrogation right).

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

2.28 UNDERWRITING EXPENSES

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

(a) Commission expenses

Commission expenses are brokerage fees paid to brokers and agents which are certain percentages based on the class of business underwritten.

(b) Maintenance expenses

Maintenance expenses are expenses incurred in servicing existing policies/contract. These expenses are charged to the revenue account in the accounting period in which they are incurred.

2.29 INVESTMENT INCOME

(a) Dividend income

Dividend income from equities is recognised when the right to receive payment is established, this is the ex-dividend date for equity securities.

(b) Interest income and expense

Interest income on financial assets that are classified as amortised cost and interest expense on financial liabilities other than those at FVTPL are determined using the effective Interest rate method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except

# Statement Of **Significant Accounting Policies**

for financial assets that have subsequently become credit-impaired (or stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e net of the expected credit loss provision). Interest income on assets classified as amortised cost are recognised in investment income.

2.30 MANAGEMENT EXPENSES

Management expenses are expenses other than claims, investment expenses, employee benefit, expenses for marketing and administration and underwriting expenses. They include rents, professional fee, depreciation expenses and other non-operating expenses. Management expenses are accounted for on accrual basis and recognised in the income statement upon utilization of the service or at the date of their origin.

2.31 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it can earn and incur expenses, including revenues and expenses that relate to transaction with any of the Group's other components, whose revenues and operating results are reviewed regularly by Executive Management to make decisions about the resources allocated to each segment and assess its performance, and for which discrete financial information is available. All costs that are directly traceable to the operating segments are allocated to the segment concerned while indirect costs are allocated based on the benefits derived from such costs.

2.32 CONTINGENT LIABILITIES

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the ocurrence or non-ocurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present obligation as a result of past events which is not recognised because it is not probable that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise of illegal claims under arbitration or court process in respect of which a liability is not likely to crystallise.

# Statement Of **Financial Position**

## As At 31 December, 2020

| Assets | Notes | Group 2020 N'000 | Group 2019 N'000 | Parent 2020 N'000 | Parent 2019 N'000 |
|---|---|---|---|---|---|
| Cash and cash equivalents | 3 | 7,352,189 | 8,101,885 | 7,326,758 | 8,095,230 |
| Financial assets | | | | | |
| - At fair value through profit or loss | 4 | 4,479,121 | 2,485,564 | 4,479,121 | 2,485,564 |
| - At fair value through other comprehensive income | 4 | 81,318 | 70,028 | 81,318 | 70,028 |
| - At amortised cost | 4 | 6,105,529 | 2,130,855 | 6,105,529 | 2,130,855 |
| Trade receivables | 5 | 228,140 | 207,484 | 228,140 | 207,484 |
| Reinsurance assets | 6 | 5,107,870 | 5,525,893 | 5,107,870 | 5,525,893 |
| Deferred acquisition cost | 7 | 1,840,694 | 810,097 | 1,840,694 | 810,097 |
| Other receivables and prepayments | 8 | 470,727 | 683,375 | 374,862 | 627,253 |
| Investment in Associate | 9 | 412,741 | 435,165 | 412,741 | 435,165 |
| Investment in Subsidiary | 10 | - | - | 100,000 | 50,000 |
| Investment properties | 11 | 1,617,609 | 1,589,278 | 1,617,609 | 1,589,278 |
| Statutory deposit | 12 | 320,000 | 320,000 | 320,000 | 320,000 |
| Intangible asset | 13 | 10 | 1,225 | 10 | 1,225 |
| Property, Plant and Equipment | 14 | 2,922,422 | 3,031,838 | 2,922,422 | 3,030,737 |
| Deferred tax assets | 20 | 263,035 | 291,203 | 253,568 | 281,736 |
| Total Assets | | 31,201,405 | 25,683,890 | 31,170,642 | 25,660,545 |
| | | | | | |
| Liabilities | | | | | |
| Insurance contract liabilities | 15 | 9,779,935 | 9,000,865 | 9,779,935 | 9,000,865 |
| Trade payables | 16 | 585,327 | 298,046 | 585,327 | 298,046 |
| Other payables | 17 | 1,720,097 | 1,386,681 | 1,718,797 | 1,382,477 |
| Retirement benefit obligations | 18 | 78,960 | 81,635 | 78,960 | 81,635 |
| Income tax liability | 19 | 675,783 | 462,419 | 670,286 | 457,987 |
| Deferred tax liabilities | 20 | - | 356,500 | - | 356,500 |
| | | 12,840,102 | 11,586,146 | 12,833,305 | 11,577,510 |
| | | | | | |
| Share capital | 21 | 5,016,477 | 2,640,251 | 5,016,477 | 2,640,251 |
| Share premium | 22 | - | 272,551 | - | 272,551 |
| Statutory contingency reserve | 23 | 5,213,927 | 4,198,848 | 5,213,927 | 4,198,848 |
| Retained earnings | 24 | 7,005,455 | 5,831,632 | 6,981,489 | 5,816,923 |
| FVOCI reserve | 25 | (40,178) | (51,468) | (40,178) | (51,468) |
| Asset revaluation reserve | 26 | 1,094,475 | 1,094,475 | 1,094,475 | 1,094,475 |
| Other Reserves - gratuity | 27 | 71,147 | 111,455 | 71,147 | 111,455 |
| Total Equity | | 18,361,303 | 14,097,744 | 18,337,337 | 14,083,035 |
| | | | | | |
| Total Equity and Liabilities | | 31,201,405 | 25,683,890 | 31,170,642 | 25,660,545 |

The financial statements on pages 27 to 94 were approved by the Board of Directors and authorised for issue on 10 March 2021 and signed on its behalf by:

| | | |
|---|---|---|
| Dr. Fidelis Ayebae (Chairman) | Mr. Tope Smart (GMD/CEO) | Mr. Idowu Semowo (CFO) |
| FRC/2013/CIANG/00000002376 | FRC/2013/CIIN/00000001331 | FRC/2013/ICAN/00000001466 |

The accompanying notes and significant accounting policies on pages 92 to 116 and other national disclosures on pages 191 to 196 form an integral part of these financial statements.

# Statement Of **Profit Or Loss And Other Comprehensive Income**

## FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | Group 2020 N'000 | Group 2019 N'000 | Parent 2020 N'000 | Parent 2019 N'000 |
|---|---|---|---|---|---|
| Gross premiums written | 28 | 22,035,695 | 19,759,872 | 22,035,695 | 19,759,872 |
| Increase in unearned premium | 29(a) | (353,506) | (500,331) | (353,506) | (500,331) |
| Gross premium income | 29 | 21,682,189 | 19,259,541 | 21,682,189 | 19,259,541 |
| Reinsurance expenses | 30 | (5,819,431) | (6,642,001) | (5,819,431) | (6,642,001) |
| Net premium income | | 15,862,758 | 12,617,540 | 15,862,758 | 12,617,540 |
| Fees and commission income | 31 | 1,131,588 | 1,174,233 | 1,131,588 | 1,174,233 |
| Net underwriting income | | 16,994,346 | 13,791,773 | 16,994,346 | 13,791,773 |
| Claims expenses | 32 | (6,054,469) | (3,937,318) | (6,054,469) | (3,937,318) |
| Underwriting expenses | 33 | (4,959,734) | (5,505,758) | (4,959,734) | (5,505,758) |
| Underwriting profit | | 5,980,143 | 4,348,697 | 5,980,143 | 4,348,697 |
| Investment income | 34 | 1,004,344 | 878,186 | 1,004,344 | 878,186 |
| Net Fair value gain | 35 | 1,118,692 | 170,963 | 1,118,692 | 170,963 |
| Other income | 36 | 367,630 | 72,340 | 326,623 | 27,575 |
| (Loss)/profit on disposal of properties, plant and equipment | 38 | (16,830) | 872 | (16,830) | 872 |
| Share of (loss)/profit in Associate | 9 | (22,424) | 21,413 | (22,424) | 21,413 |
| Management expenses | 37 | (3,220,725) | (3,535,522) | (3,191,896) | (3,512,569) |
| Allowance for credit losses - Cash | 3 | 22,281 | (15,274) | 22,281 | (15,274) |
| Allowance for credit losses - Bonds | 4.3(e) | (39,936) | (68) | (39,936) | (68) |
| Allowance for credit losses - Fixed deposits | 4.3(f) | (12,186) | (2,874) | (12,186) | (2,874) |
| Profit before NITDA and taxation | | 5,180,989 | 1,938,733 | 5,168,811 | 1,916,921 |
| Information Technology | | | | | |
| Development Levy | 19(a) | (51,176) | (18,979) | (51,176) | (18,979) |
| Profit before taxation | | 5,129,813 | 1,919,754 | 5,117,635 | 1,897,942 |
| Income taxes | 19(b) | (45,161) | 475,612 | (42,240) | 480,112 |
| Profit for the year after tax | | 5,084,652 | 2,395,366 | 5,075,395 | 2,378,054 |
| Other comprehensive income: | | | | | |
| Items within OCI that may be reclassified to the Profit or loss: | | | | | |
| Actuarial loss-change in assumption | 18 | (17,624) | (5,949) | (17,624) | (5,949) |
| Actuarial loss - experience adjustment | 18 | (22,684) | (13,639) | (22,684) | (13,639) |
| Gain/(loss) on FVTOCI | | 11,290 | (16,124) | 11,290 | (16,124) |
| Items within OCI that will not be reclassified to the Profit or loss: | | | | | |
| Gain on revaluation of land and buildings | 26 | - | - | - | - |
| Total other comprehensive loss for the year | | (29,018) | (35,712) | (29,018) | (35,712) |
| Total comprehensive income for the year | | 5,055,634 | 2,359,654 | 5,046,377 | 2,342,342 |
| Basic earnings per share (Kobo) | | 0.96 | 0.45 | 0.96 | 0.45 |
| Diluted earnings per shares (Kobo) | | 0.96 | 0.45 | 0.96 | 0.45 |

The accompanying notes and significant accounting policies on pages 92 to 116 and other national disclosures on pages 191 to 196 form an integral part of these financial statements.

# Consolidated Statement of
# **Changes in Equity**

## for the year ended 31 December 2020

| Group | Share capital | Share premium | Contingency reserve | Other reserve -Gratuity | FVOCI Reserve | Asset revaluation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Balance 1 January, 2020 | 2,640,251 | 272,551 | 4,198,848 | 111,455 | (51,468) | 1,094,475 | 5,831,632 | 14,097,744 |
| Total comprehensive income for the year: | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 5,084,652 | 5,084,652 |
| Transfer to contingency reserve | - | - | 1,015,079 | | - | - | (1,015,079) | - |
| Dividend paid during the year | - | - | - | - | - | - | (792,075) | (792,075) |
| Transfer to share capital | 2,376,226 | (272,551) | - | - | - | - | (2,103,675) | - |
| Fair value loss on FVOCI | - | - | - | - | 11,290 | - | - | 11,290 |
| Changes in valuation of gratuity | - | - | - | (40,308) | - | - | - | (40,308) |
| Changes in valuation of land and building | - | - | - | - | - | - | - | - |
| Balance 31 December, 2020 | 5,016,477 | - | 5,213,927 | 71,147 | (40,178) | 1,094,475 | 7,005,455 | 18,361,303 |
| | | | | | | | | |
| Balance 1 January, 2019 | 2,640,251 | 272,551 | 3,606,052 | 131,043 | (35,344) | 1,094,475 | 4,715,527 | 12,424,555 |
| Total comprehensive income for the year: | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 2,395,366 | 2,395,366 |
| Transfer to contingency reserve | - | - | 592,796 | - | - | - | (592,796) | - |
| Dividend paid during the year | - | - | - | - | - | - | (686,465) | (686,465) |
| Fair value gain on FVOCI | - | - | - | - | (16,124) | - | - | (16,124) |
| Changes in valuation of gratuity | - | - | - | (19,588) | - | - | - | (19,588) |
| Changes in valuation of land and building | - | - | - | - | - | - | - | - |
| Balance 31 December, 2019 | 2,640,251 | 272,551 | 4,198,848 | 111,455 | (51,468) | 1,094,475 | 5,831,632 | 14,097,744 |

The accompanying notes and significant accounting policies on pages 92 to 116 and other national disclosures on pages 191 to 196 form an integral part of these financial statements.

# Consolidated Statement of **Changes in Equity**

### for the year ended 31 December 2020

| Parent | Share capital | Share premium | Contingency reserve | Other reserve -Gratuity | FVOCI Reserve | Asset revaluation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Balance 1 January, 2020 | 2,640,251 | 272,551 | 4,198,848 | 111,455 | (51,468) | 1,094,475 | 5,816,923 | 14,083,035 |
| Total comprehensive income for the year: | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 5,075,395 | 5,075,395 |
| Transfer to contingency reserve | - | - | 1,015,079 | - | - | - | (1,015,079) | - |
| Dividend paid during the year | - | - | - | - | - | - | (792,075) | (792,075) |
| Transfer to share capital | 2,376,226 | (272,551) | - | - | - | - | (2,103,675) | - |
| Fair value gain on FVOCI | - | - | - | - | 11,290 | - | - | 11,290 |
| Changes in valuation of gratuity | - | - | - | (40,308) | - | - | - | (40,308) |
| Changes in valuation of land and building | - | - | - | - | - | - | - | - |
| Balance 31 December, 2020 | 5,016,477 | - | 5,213,927 | 71,147 | (40,178) | 1,094,475 | 6,981,488 | 18,337,336 |
| | | | | | | | | |
| Balance 1 January, 2019 | 2,640,251 | 272,551 | 3,606,052 | 131,043 | (35,344) | 1,094,475 | 4,718,130 | 12,427,158 |
| Total comprehensive income for the year: | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 2,378,054 | 2,378,054 |
| Transfer to contingency reserve | - | - | 592,796 | - | - | - | (592,796) | - |
| Dividend paid during the year | - | - | - | - | - | - | (686,465) | (686,465) |
| Fair value gain on FVOCI | - | - | - | - | (16,124) | - | - | (16,124) |
| Changes in valuation of land and building | - | - | - | - | - | - | - | - |
| Changes in valuation of gratuity | - | - | - | (19,588) | - | - | - | (19,588) |
| Balance 31 December, 2019 | 2,640,251 | 272,551 | 4,198,848 | 111,455 | (51,468) | 1,094,475 | 5,816,923 | 14,083,035 |

The accompanying notes and significant accounting policies on pages 92 to 116 and other national disclosures on pages 191 to 196 form an integral part of these financial statements.

# Statement Of **Cash Flows**

For the Year ended 31 December, 2020

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| **Cash flows from Operating Activities:** | Notes | N'000 | N'000 | N'000 | N'000 |
| Premium received from policy holders | 5(a) | 21,742,403 | 19,529,337 | 21,742,403 | 19,529,337 |
| Deposit premium | 16 | 263,170 | 272,636 | 263,170 | 272,636 |
| Reinsurance Premium Paid | 16.1(c)' | (5,933,894) | (5,294,731) | (5,933,894) | (5,294,731) |
| Fees and Commission Received | 31 | 1,259,296 | 1,088,545 | 1,259,296 | 1,088,545 |
| Direct Claims Paid | 32 | (8,484,357) | (7,374,491) | (8,484,357) | (7,374,491) |
| Claims paid on behalf of co-assurance companies | 6.5 | (549,998) | (1,144,841) | (549,998) | (1,144,841) |
| Claims Received from Reinsurers | 32(d) | 2,555,947 | 1,936,513 | 2,555,947 | 1,936,513 |
| Claims Received from co-assurance companies | 32(c) | 1,271,065 | 1,875,018 | 1,271,065 | 1,875,018 |
| Commission Paid | 33(b) | (3,417,935) | (3,107,891) | (3,417,935) | (3,107,891) |
| Maintenance Expenses Paid | 33(c) | (2,572,396) | (2,552,350) | (2,572,396) | (2,552,350) |
| Cash paid to and on behalf of Employees | 37(a) | (1,496,154) | (1,591,840) | (1,484,792) | (1,581,730) |
| Other Operating Expenses paid | | (305,585) | (1,168,450) | (337,579) | (1,181,352) |
| Company Income Tax Paid | 19(a) | (211,305) | (156,622) | (209,449) | (156,084) |
| **Net cash inflow from operating activities** | | **4,120,257** | **2,310,833** | **4,101,481** | **2,308,579** |
| **Cash flows from Investing Activities:** | | | | | |
| Purchase of FVTPL | 4(a) | (899,574) | (128,844) | (899,574) | (128,844) |
| Proceeds from Short term placement above 90 days | 4.3(d) | - | 784,755 | - | 784,755 |
| Investment in short term placement above 90 days | 4.3(d) | (735,248) | (1,659,926) | (735,248) | (1,659,926) |
| Proceeds from Redemption of Amortised cost | 4.3(a) | - | 24,487 | - | 24,487 |
| Proceeds on disposal FVTPL | 4(b) | - | 101,882 | - | 101,882 |
| Purchase of financial assets at amortised cost | 4.3(a) | (3,291,548) | (50,000) | (3,291,548) | (50,000) |
| Investment Income received | 34 | 1,004,344 | 878,186 | 1,004,344 | 878,186 |
| Acquisition of Investment properties | 11 | (3,622) | (6,272) | (3,622) | (6,272) |
| Acquisition of property, plant and equipment | 14 | (156,569) | (164,640) | (156,569) | (164,638) |
| Deposit for shares in subsidiary | 8(c)ii) | - | - | - | 16,690 |
| Proceeds from disposal on PPE | 38 | 4,339 | 872 | 4,339 | 872 |
| **Net cash outflow from investing activities** | | **(4,077,878)** | **(219,500)** | **(4,077,878)** | **(202,808)** |
| **Cash flows from financing activities** | | | | | |
| Dividends paid to equity holders of the parent | 24 | (792,075) | (686,465) | (792,075) | (686,465) |
| **Net cash outflow from financing activities** | | **(792,075)** | **(686,465)** | **(792,075)** | **(686,465)** |
| Total cash (outflow)/inflow | | (749,696) | 1,404,868 | (768,472) | 1,419,306 |
| **Cash and cash equivalents at 1 January** | | **8,101,885** | **6,697,017** | **8,095,230** | **6,675,924** |
| Cash and cash equivalents at 31 December | | 7,352,189 | 8,101,885 | 7,326,758 | 8,095,230 |
| Represented by: | | | | | |
| **Cash and cash equivalents at 31 December** | 3 | **7,352,189** | **8,101,885** | **7,326,758** | **8,095,230** |

The accompanying notes and significant accounting policies on pages 92 to 116 and other national disclosures on pages 191 to 196 form an integral part of these financial statements.

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

| 3 | Cash and Cash Equivalents | Group | | Parent | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | | N'000 | N'000 | N'000 | N'000 |
| | Cash - petty cash | 1,868 | 677 | 1,867 | 663 |
| | Balances with Local banks | 1,459,137 | 875,267 | 1,433,707 | 868,626 |
| | Domiciliary accounts with local banks | 384,803 | 284,269 | 384,803 | 284,269 |
| | Placement with banks | 4,443,220 | 6,007,984 | 4,443,220 | 6,007,984 |
| | Placement with other institutions | 1,065,074 | 957,882 | 1,065,074 | 957,882 |
| | | **7,354,102** | **8,126,079** | **7,328,671** | **8,119,424** |
| | Allowance for credit losses (Note 3(c)) | (1,913) | (24,194) | (1,913) | (24,194) |
| | **Total cash and cash equivalents** | **7,352,189** | **8,101,885** | **7,326,758** | **8,095,230** |
| | Current | 7,352,189 | 8,101,885 | 7,326,758 | 8,095,230 |
| | Non-current | - | - | - | - |

Short-term deposits are made for varying periods averaging between 1 - 90 days depending on the immediate cash requirements of the Group. All deposits are subject to an average interest rate of 9%. The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

| | | | | | |
|---|---|---|---|---|---|
| (a) | Attributable to policyholders | N'000 | N'000 | N'000 | N'000 |
| | Balances with Local Banks | 1,461,005 | 875,944 | 1,435,574 | 869,289 |
| | Domiciliary Accounts with local banks | 384,803 | 284,269 | 384,803 | 284,269 |
| | Placement with Banks | 4,443,220 | 6,007,984 | 4,443,220 | 6,007,984 |
| | | **6,289,028** | **7,168,197** | **6,263,597** | **7,161,542** |
| (b) | Attributable to shareholders | N'000 | N'000 | N'000 | N'000 |
| | Balances with local banks | - | - | - | - |
| | Placement with other institutions | 1,065,074 | 957,882 | 1,065,074 | 957,882 |
| | **Cash and cash equivalents** | **7,354,102** | **8,126,079** | **7,328,671** | **8,119,424** |
| (c) | Impairment allowance for cash & cash equivalents | N'000 | N'000 | N'000 | N'000 |
| | ECL allowance as at 1 January 2019 under IFRS 9 | 24,194 | 8,920 | 24,194 | 8,920 |
| | (Write back)/additions during the year (Note 37(c)) | (22,281) | 15,274 | (22,281) | 15,274 |
| | **Balance at the end of the year** | **1,913** | **24,194** | **1,913** | **24,194** |

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

**4. Financial Assets**

The Company's financial assets are summarised by categories as follows:

| | Group | | Parent | |
|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 |
| Fair value through profit or loss (Note 4.1) | 4,479,121 | 2,485,564 | 4,479,121 | 2,485,564 |
| Fair value through other comprehensive income (Note 4.2) | 81,318 | 70,028 | 81,318 | 70,028 |
| Financial asset at amortised cost (Note 4.3) | 6,105,529 | 2,130,855 | 6,105,529 | 2,130,855 |
| | **10,665,968** | **4,686,447** | **10,665,968** | **4,686,447** |
| Current | 88,595 | 87,477 | 88,595 | 87,477 |
| Non- current | 10,577,373 | 4,598,970 | 10,577,373 | 4,598,970 |
| | **10,665,968** | **4,686,447** | **10,665,968** | **4,686,447** |

a Financial assets at fair value through profit or loss

| | 2020 | 2019 | 2020 | 2019 |
|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 |
| Balance at the beginning of the year | 2,485,564 | 1,108,206 | 2,485,564 | 1,108,206 |
| Purchases | 899,574 | 128,844 | 899,574 | 128,844 |
| Reclassification from FVOCI (Note 4.2(c)) | - | 1,174,577 | - | 1,174,577 |
| Fair value gains (Note 35) | 1,093,983 | 170,782 | 1,093,983 | 170,782 |
| Disposal | - | (96,845) | - | (96,845) |
| **Balance at the end of the year** | **4,479,121** | **2,485,564** | **4,479,121** | **2,485,564** |
| Attributable to policyholders | 4,479,121 | 2,485,564 | 4,479,121 | 2,485,564 |

b

| Gain on disposal | N'000 | N'000 | N'000 | N'000 |
|---|---|---|---|---|
| Fair value at the beginning of the year | - | 96,845 | - | 96,845 |
| Sales proceed | - | (101,882) | - | (101,882) |
| **Gain on disposal (Note 36)** | **-** | **(5,037)** | **-** | **(5,037)** |

c Fair value through profit or loss

Management valued the Company's quoted investments at market value which is a reasonable measurement of fair value since the prices of the shares are quoted in an active market. The instruments are measured and evaluated on a fair value basis and fair value is determined by reference to published price quotations in an active market -classified as level 1 in the fair value hierarchy.

# Notes To The **Financial Statements**

**For the Year ended 31 December, 2020**

4.2 Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

(a) Equity securities which are not held for trading, and which the group has elected at initial recognition to recognise as FVOCI. These are strategic investments and the group considers this classification to be more relevant.

Equity investments at FVOCI comprise the following individual investments:

| Financial assets at fair value through profit or loss | Group | | Parent | |
|---|---|---|---|---|
| Equity securities | 2020 | 2019 | 2020 | 2019 |
| Fair value | N'000 | N'000 | N'000 | N'000 |
| CSCS | 35,818 | 27,370 | 35,818 | 27,370 |
| WAMCO | 45,500 | 42,658 | 45,500 | 42,658 |
| | **81,318** | **70,028** | **81,318** | **70,028** |

The fair value gain in the carrying amount of financial assets at fair value through other comprehemsive income (FVOCI) are recognized in other comprehensive income and accumulated under the heading of FVOCI reserve.

(b) Equity instrument measured at fair value through other comprehensive income

| | Group | | Parent | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | N'000 | N'000 | N'000 | N'000 |
| Balance at the beginning of the year | 70,028 | 1,260,729 | 70,028 | 1,260,729 |
| Fair value gains/(loss) (Note 25) | 11,290 | (16,124) | 11,290 | (16,124) |
| Reclassification to FVTPL (Note 4.2(c)) | - | (1,174,577) | - | (1,174,577) |
| Disposal during the year | - | - | - | - |
| **Balance at the end of the year** | **81,318** | **70,028** | **81,318** | **70,028** |
| Attributable to policy holders | - | - | - | - |
| **Attributable to shareholders** | **81,318** | **70,028** | **81,318** | **70,028** |

(c) The Company's change in business model during the year necessitated the reclassification of MTN shares from FVOCI to FVTPL and will henceforth be held for trading

4.3 Financial assets at amortised cost

| | Group | | Parent | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | N'000 | N'000 | N'000 | N'000 |
| Bonds (Note 4.3(a)) | 3,476,996 | 225,384 | 3,476,996 | 225,384 |
| Fixed deposits and Treasury bills (Note 4.3(d)) | 2,628,533 | 1,905,471 | 2,628,533 | 1,905,471 |
| | **6,105,529** | **2,130,855** | **6,105,529** | **2,130,855** |

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| (a) | Bonds | N'000 | N'000 | N'000 | N'000 |
| | Balance at the beginning of the year | 225,790 | 200,277 | 225,790 | 200,277 |
| | Purchases during the year | 3,291,548 | 50,000 | 3,291,548 | 50,000 |
| | Accrued interest capitalised (Note 34) | - | - | - | - |
| | Disposal during the year | - | (24,487) | - | (24,487) |
| | | 3,517,338 | 225,790 | 3,517,338 | 225,790 |
| | Allowance for credit losses (Note 4.3(e)) | (40,342) | (406) | (40,342) | (406) |
| | **Balance at the end of the year** | **3,476,996** | **225,384** | **3,476,996** | **225,384** |

| | | | 2020 | | Parent | |
|---|---|---|---|---|---|---|
| | | | | | 2020 | 2019 |
| (b) | Breakdown of the bonds | Maturity date | Coupon Rate | Frequency | N'000 | N'000 |
| | Access Bank Eurobond | October 2021 | 10.50% | Half yearly | 46,984 | 46,984 |
| | Ondo State Government | August 2022 | 15.50% | Half yearly | 777 | 1,166 |
| | Osun State Government | October 2020 | 14.75% | Half yearly | - | 4,280 |
| | Niger State Government | September 2021 | 14.00% | Half yearly | 6,500 | 12,003 |
| | FIDSON Bond | October 2023 | 15.50% | Half yearly | - | 6,222 |
| | UBA Bond | May 2025 | 16.45% | Half yearly | 92,502 | 24,933 |
| | Sterling Bond | September 2023 | 16.25% | Half yearly | 29,933 | 29,933 |
| | Wema Bond | October 2023 | 18.50% | Half yearly | 49,894 | 49,894 |
| | Ondo State Government | December 2026 | 13.00% | Half yearly | 47,703 | 49,969 |
| | Federal Government (Capex) | Various | Various | Half yearly | 794,489 | - |
| | Federal Government (Apel) | June 2027 | 11.20% | Half yearly | 150,000 | - |
| | Flourmill Bond | February 25 | 11.10% | Half yearly | 100,000 | - |
| | Nova Merchant Bank Bond | June 2027 | 12.00% | Half yearly | 52,000 | - |
| | FSDH Eurobond | Various | Various | Half yearly | 746,556 | - |
| | ValueFund Property Bond | January 2023 | 13.50% | Half yearly | 50,000 | - |
| | Lagos State Bond | January 2030 | 12.30% | Half yearly | 50,000 | - |
| | Edo State Bond | December 2025 | 9.00% | Half yearly | 50,000 | - |
| | Cadinal Stone Bond | December 2025 | 7.00% | Half yearly | 150,000 | - |
| | Sokoto State Bond | May 2023 | 12.50% | Half yearly | 100,000 | - |
| | ATG Telecoms | | | | 1,000,000 | - |
| | | | | | 3,517,338 | 225,384 |

(c) The bonds were issued at par with no discount and they are redeemable at par on their respective due dates. Based on all these facts, management is of the opinion that the fair values of these bonds are equal to their face values.

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | **2020** | **2019** | **2020** | **2019** |
| (d) | Fixed deposits and Treasury bills | **N'000** | **N'000** | **N'000** | **N'000** |
| | Balance at the beginning of the year | 1,910,000 | 1,034,829 | 1,910,000 | 1,034,829 |
| | Liquidation during the year | - | (784,755) | - | (784,755) |
| | Addition during the year | 735,248 | 1,659,926 | 735,248 | 1,659,926 |
| | | 2,645,248 | 1,910,000 | 2,645,248 | 1,910,000 |
| | Allowance for credit losses (Note 4.3(f)) | (16,715) | (4,529) | (16,715) | (4,529) |
| | **Balance at the end of the year** | **2,628,533** | **1,905,471** | **2,628,533** | **1,905,471** |
| | | | | | |
| | Attributable to policyholders | - | - | - | - |
| | **Attributable to shareholders** | **6,105,529** | **2,130,855** | **6,105,529** | **2,130,855** |
| | | | | | |
| (e) | Impairment allowance on Bond: | **N'000** | **N'000** | **N'000** | **N'000** |
| | ECL allowance as at 1 January | 406 | 338 | 406 | 338 |
| | Additions during the year | 39,936 | 68 | 39,936 | 68 |
| | Balance at the end of the year (Note 4.3(a)) | 40,342 | 406 | 40,342 | 406 |
| | | | | | |
| (f) | Impairment allowance on Fixed deposits and Treasury bills: | **N'000** | **N'000** | **N'000** | **N'000** |
| | ECL allowance as at 1 January | 4,529 | 1,655 | 4,529 | 1,655 |
| | Additions during the year | 12,186 | 2,874 | 12,186 | 2,874 |
| | **Balance at the end of the year (Note 4.3(d))** | **16,715** | **4,529** | **16,715** | **4,529** |

# Notes To The **Financial Statements**

**For the Year ended 31 December, 2020**

| 5 | Trade Receivables | Group | | Parent | |
|---|---|---|---|---|---|
| | | **2020** | **2019** | **2020** | **2019** |
| | | **N'000** | **N'000** | **N'000** | **N'000** |
| | Premium Receivable (Note 5(a)) | 228,140 | 207,484 | 228,140 | 207,484 |
| | Receivable from reinsurer | - | - | - | - |
| | | **228,140** | **207,484** | **228,140** | **207,484** |

| | | | | | |
|---|---|---|---|---|---|
| (a) | Premium Receivable | **N'000** | **N'000** | **N'000** | **N'000** |
| | Balance at the beginning of the year | 207,484 | 279,709 | 207,484 | 279,709 |
| | Gross premium written during the year (Note 29) | 22,035,695 | 19,759,872 | 22,035,695 | 19,759,872 |
| | Premium received in the year | (22,015,039) | (19,832,097) | (22,015,039) | (19,832,097) |
| | **Balance at the end of the year** | **228,140** | **207,484** | **228,140** | **207,484** |
| | Current | 228,140 | 207,484 | 228,140 | 207,484 |
| | **Non-current** | **-** | **-** | **-** | **-** |

| | | | | | |
|---|---|---|---|---|---|
| (b) | Analysis of Trade Receivables | **N'000** | **N'000** | **N'000** | **N'000** |
| | Amount due from reinsurance Companies | - | - | - | - |
| | Amount due from Insurance Brokers | 228,140 | 207,484 | 228,140 | 207,484 |

(c) The Group's policy in line with the provisions of “No Premium, No Cover” on impairment of trade receivables recognizes trade receivables from Brokers only. Such receivables should not exceed a period of 30 days.

| | | | | |
|---|---|---|---|---|
| Age of Trade Receivables | **N'000** | **N'000** | **N'000** | **N'000** |
| Within 30 days | 228,140 | 207,484 | 228,140 | 207,484 |
| Above 30 days | - | - | - | - |
| | **228,140** | **207,484** | **228,140** | **207,484** |

(d) Trade receivables are receivables from insurance contracts as at the year end from brokers and these have been collected subsequent to the year ended 31 December 2020.

# Notes To The **Financial Statements**

**For the Year ended 31 December, 2020**

| 6 | Reinsurance Assets | Group | | Parent | |
|---|---|---|---|---|---|
| | | **2020** | **2019** | **2020** | **2019** |
| | | **N'000** | **N'000** | **N'000** | **N'000** |
| | Reinsurance share of UPR (Note 6.1) | 1,493,504 | 1,082,294 | 1,493,504 | 1,082,294 |
| | Reinsurance share of IBNR (Note 6.2) | 680,276 | 973,497 | 680,276 | 973,497 |
| | Reinsurance share of Outstanding Claim (Note 6.3) | 1,573,438 | 1,579,148 | 1,573,438 | 1,579,148 |
| | | 3,747,218 | 3,634,939 | 3,747,218 | 3,634,939 |
| | Reinsurance share of Claims paid (Note 6.4) | 1,018,429 | 1,063,775 | 1,018,429 | 1,063,775 |
| | Co-assurance receivables (Note 6.5) | 342,223 | 726,851 | 342,223 | 726,851 |
| | Reinsurance receivables (Note 6.6) | - | 100,328 | - | 100,328 |
| | | **5,107,870** | **5,525,893** | **5,107,870** | **5,525,893** |
| | Current | 1,835,727 | 1,909,473 | 1,835,727 | 1,909,473 |
| | Non-current | 3,272,143 | 3,616,420 | 3,272,143 | 3,616,420 |

| | | | | | |
|---|---|---|---|---|---|
| 6.1 | Prepaid Reinsurance expense | **N'000** | **N'000** | **N'000** | **N'000** |
| | Reinsurance share of UPR (Note 6.1(a)) | 1,493,504 | 1,082,294 | 1,493,504 | 1,082,294 |
| | Prepaid reinsurance premium (Note (6.1(b)) | - | - | - | - |
| | | **1,493,504** | **1,082,294** | **1,493,504** | **1,082,294** |

| | | | | | |
|---|---|---|---|---|---|
| (a) | Reinsurance share of UPR | **N'000** | **N'000** | **N'000** | **N'000** |
| | Balance at the beginning of the year | 1,082,294 | 902,427 | 1,082,294 | 902,427 |
| | Movement during the year (Note 30) | 411,210 | 179,867 | 411,210 | 179,867 |
| | **Balance at the end of year** | **1,493,504** | **1,082,294** | **1,493,504** | **1,082,294** |

| | | | | | |
|---|---|---|---|---|---|
| (b) | Balance at the end of the year | **N'000** | **N'000** | **N'000** | **N'000** |
| | Balance at the beginning of the year | - | 1,517,990 | - | 1,517,990 |
| | Changes during the year (Note 30) | - | (1,517,990) | - | (1,517,990) |
| | | **-** | **-** | **-** | **-** |

i Prepaid reinsurance premium of N1,493,504,000 (2019: N1,082,294,000) was as result of time apportionment on reinsurance outward ceded out amounting to N6,230,641,000 (2019: N5,303,878,000).

| | | | | | |
|---|---|---|---|---|---|
| (c) | Prepaid reinsurance premium | **N'000** | **N'000** | **N'000** | **N'000** |
| | Balance at the beginning of the year | - | 1,517,990 | - | 1,517,990 |
| | Premium ceded during the year (Note 30) | 6,230,641 | 5,303,878 | 6,230,641 | 5,303,878 |
| | Balance at the end of the year (Note 6.1(b)) | - | - | - | - |
| | Amortised Reinsurance | 6,230,641 | 6,821,868 | 6,230,641 | 6,821,868 |
| | Movement in UPR during the year (Note 30) | (411,210) | (179,867) | (411,210) | (179,867) |
| | **Reinsurance Expenses (Note 30)** | **5,819,431** | **6,642,001** | **5,819,431** | **6,642,001** |

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

| | | Group | | Parent | |
|---|---|---|---|---|---|
| 6.2 | Reinsurance share of IBNR | 2020 | 2019 | 2020 | 2019 |
| | | N'000 | N'000 | N'000 | N'000 |
| | Balance at the beginning of the year | 973,497 | 334,016 | 973,497 | 334,016 |
| | Movement during the year (Note 32(d)) | (293,221) | 639,481 | (293,221) | 639,481 |
| | **Balance at the end of year (Note 6)** | **680,276** | **973,497** | **680,276** | **973,497** |
| | | | | | |
| 6.3 | Reinsurance share of Outstanding Claim | N'000 | N'000 | N'000 | N'000 |
| | Balance at the beginning of the year | 1,579,148 | 955,927 | 1,579,148 | 955,927 |
| | Movement during the year (Note 32(d)) | (5,710) | 623,221 | (5,710) | 623,221 |
| | **Balance at the end of year (Note 6)** | **1,573,438** | **1,579,148** | **1,573,438** | **1,579,148** |
| | | | | | |
| 6.4 | Reinsurance share of Claims paid | N'000 | N'000 | N'000 | N'000 |
| | Balance at the beginning of the year | 1,063,775 | 870,367 | 1,063,775 | 870,367 |
| | Movement during the year (Note 32(d)) | 6,391 | 193,408 | 6,391 | 193,408 |
| | | 1,070,166 | 1,063,775 | 1,070,166 | 1,063,775 |
| | Allowance for impairment Note 37(b)) | (51,737) | - | (51,737) | - |
| | **Balance at the end of year (Note 6)** | **1,018,429** | **1,063,775** | **1,018,429** | **1,063,775** |
| | | | | | |
| 6.5 | Co assurance receivables | N'000 | N'000 | N'000 | N'000 |
| | Balance at the beginning of the year | 726,851 | 38,815 | 726,851 | 38,815 |
| | Claims paid on behalf of Co-assurance Companies | 549,998 | 1,144,841 | 549,998 | 1,144,841 |
| | Claims recovered from co-assurance companies (Note 32(c )) | (779,348) | (456,805) | (779,348) | (456,805) |
| | | 497,501 | 726,851 | 497,501 | 726,851 |
| | Allowance for impairment Note 37(b)) | (155,278) | - | (155,278) | - |
| | **Balance at the end of year (Note 6)** | **342,223** | **726,851** | **342,223** | **726,851** |

(a) Co-assurance receivables relate to amount paid on behalf of co-assurance companies where NEM Insurance Plc is leading which are yet to be received at year end.

6.6 The reinsurance receivables comprise of amount due to NEM Insurance Plc after year end reconciliation with Scib Nigeria & Co. Limited .

| | | | | | |
|---|---|---|---|---|---|
| 7 | Deferred acquisition cost | N'000 | N'000 | N'000 | N'000 |
| | Balance at the beginning of the year | 810,097 | 655,614 | 810,097 | 655,614 |
| | Commission paid during the year (Note 33(a)) | 3,417,935 | 3,107,891 | 3,417,935 | 3,107,891 |
| | Amortised acquisition cost during the year (Note 33(a)) | (2,387,338) | (2,953,408) | (2,387,338) | (2,953,408) |
| | **Balance at the end of the year** | **1,840,694** | **810,097** | **1,840,694** | **810,097** |

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

| | | Group | | Parent | |
|---|---|---|---|---|---|
| 8 | Other receivables and prepayments | 2020 | 2019 | 2020 | 2019 |
| | | N'000 | N'000 | N'000 | N'000 |
| | Prepayments (Note 8(a)) | 67,602 | 66,608 | 67,602 | 66,608 |
| | Interest receivable (Note 8(b)) | 81,992 | 109,430 | 81,992 | 109,430 |
| | Withholding Tax Receivable | 12,697 | 109,075 | 12,697 | 109,075 |
| | Other receivables (Note 8(c)) | 305,236 | 309,748 | 209,371 | 253,626 |
| | Stock brokers' current accounts (Note 8(d)) | 3,200 | 88,514 | 3,200 | 88,514 |
| | | **470,727** | **683,375** | **374,862** | **627,253** |

| | | | | | |
|---|---|---|---|---|---|
| (a) | Prepayments | N'000 | N'000 | N'000 | N'000 |
| | Balance at the beginning of the year | 66,608 | 83,111 | 66,608 | 83,111 |
| | Payment during the year | 31,817 | 11,221 | 31,817 | 11,221 |
| | Amortisation during the year (Note 37(b)) | (30,823) | (27,724) | (30,823) | (27,724) |
| | **Balance at the end of the year** | **67,602** | **66,608** | **67,602** | **66,608** |

| | | | | | |
|---|---|---|---|---|---|
| (i) | Breakdown of prepayments | N'000 | N'000 | N'000 | N'000 |
| | Prepaid Commission | 49,876 | 53,240 | 49,876 | 53,240 |
| | Rent and rates | 17,726 | 13,368 | 17,726 | 13,368 |
| | | **67,602** | **66,608** | **67,602** | **66,608** |

(ii) Prepaid commission represent commission paid to brokers on deposit premium received during the year which will be recognised respectively when the business commence.

| | | | | | |
|---|---|---|---|---|---|
| (b) | Interest receivable | N'000 | N'000 | N'000 | N'000 |
| | Balance at the beginning of the year | 109,430 | 114,271 | 109,430 | 114,271 |
| | Movement during the year | (27,438) | (4,841) | (27,438) | (4,841) |
| | **Balance at the end of the year** | **81,992** | **109,430** | **81,992** | **109,430** |

(i) Interest receivable represents accrued interest on various placements as at the reporting date. The movement of N27.438million during the year has been included in investment income reported in Note 34

| | | | | | |
|---|---|---|---|---|---|
| (c) | Other Receivables | N'000 | N'000 | N'000 | N'000 |
| | Staff loans and advances (Note 8(c)(i)) | 68,023 | 63,545 | 68,023 | 63,545 |
| | Others | 237,213 | 246,203 | 8,848 | 7,581 |
| | Deposit for shares in NEM Asset Management Ltd (Note 8(c)(ii)) | - | - | 132,500 | 182,500 |
| | | **305,236** | **309,748** | **209,371** | **253,626** |

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| (i) | Staff loans and advances | N'000 | N'000 | N'000 | N'000 |
| | Balance at the beginning of the year | 63,545 | 22,826 | 63,545 | 22,826 |
| | Additions during the year | 45,739 | 69,584 | 45,739 | 69,584 |
| | Repayment during the year | (41,261) | (28,865) | (41,261) | (28,865) |
| | **Balance at the end of the year** | **68,023** | **63,545** | **68,023** | **63,545** |

(ii) Deposit for shares in NEM Asset Management Ltd represents amount given to NEM Asset Management Limited for future increase in shares. Movement during the year represent issue of additional shares.

| | N'000 | N'000 | N'000 | N'000 |
|---|---|---|---|---|
| Balance at the beginning of the year | - | - | 182,500 | 167,500 |
| Additions during the year | - | - | - | 15,000 |
| Reclassification during the year (Note 10) | - | - | (50,000) | - |
| **Balance at the end of the year** | **-** | **-** | **132,500** | **182,500** |

| | | | | | |
|---|---|---|---|---|---|
| (d) | Stock brokers' current accounts | N'000 | N'000 | N'000 | N'000 |
| | Fundvine Capital and Securities Limited | - | 85,314 | - | 85,314 |
| | Centrepoint Investment Limited | 3,200 | 3,200 | 3,200 | 3,200 |
| | | **3,200** | **88,514** | **3,200** | **88,514** |

i Stock brokers' current accounts comprise of amount due to NEM Insurance Plc after year end reconciliation with brokers.

(e) As other receivables are short term in nature, highly active and recoverable on a monthly basis from staff salaries and ultimately from staff final entitlement, no assessment for impairment using Expected Credit Loss (ECL) approach was carried out at the reporting date.

| | | | | | |
|---|---|---|---|---|---|
| 9 | Investment in Associate | N'000 | N'000 | N'000 | N'000 |
| | Balance at the beginning of the year | 435,165 | 413,752 | 435,165 | 413,752 |
| | Addition during the year | - | - | - | - |
| | Share of (loss)/profit during the year | (22,424) | 21,413 | (22,424) | 21,413 |
| | **Balance at the end of the year** | **412,741** | **435,165** | **412,741** | **435,165** |

Nem Insurance Plc holds 40% interest in Regency NEM Insurance Ghana Limited. The Company incurred a loss of N56,060,400 during the year.

| | | | | | |
|---|---|---|---|---|---|
| 10 | Investment in subsidiary | N'000 | N'000 | N'000 | N'000 |
| | Balance at the beginning of the year | - | - | 50,000 | 50,000 |
| | Reclassification during the year (Note 8(c)(ii)) | - | - | 50,000 | - |
| | **Balance at the end of the year** | **-** | **-** | **100,000** | **50,000** |

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

(a) NEM Insurance Plc acquired 100% interest in NEM Asset Management in 2016. The principal activity of NEM Asset Management is asset leasing and LPO financing. The Assets and Liabilities of the new Subsidiary (NEM Asset Management) are consolidated in these Financial Statements. During the year, the subsidiary made a Profit after tax of N9million (2019: N17 million). Reclassification during the year represent additional issued shares by NEM Asset Management from the initial deposit for shares.

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| 11 | Investment Properties | N'000 | N'000 | N'000 | N'000 |
| | Balance at the beginning of the year | 1,589,278 | 682,951 | 1,589,278 | 682,951 |
| | Reclassification (Note 14 and (Note 11(f)) | - | 899,874 | - | 899,874 |
| | Addition during the year (Note 11(g)) | 3,622 | 6,272 | 3,622 | 6,272 |
| | Revaluation gain (Note 35) | 24,709 | 181 | 24,709 | 181 |
| | **Balance at the end of the year** | **1,617,609** | **1,589,278** | **1,617,609** | **1,589,278** |

| | **Carrying amount of investment properties** | **Status of Title** | **Balance at the beginning of the year** | **Additions** | **Fair value changes** | **Carrying amount** |
|---|---|---|---|---|---|---|
| **(a)** | | | N'000 | N'000 | N'000 | N'000 |
| | Oniru-Block Xv1, Plot 11, Aremo Adesegun Oniru Crecent, Off Onigefon Road, Oniru, Lagos | Not Perfected | 232,790 | - | 205 | 232,995 |
| | Ebute-Metta- 22a, Borno Way, Ebute-Metta Lagos | Perfected | 400,731 | - | - | 400,731 |
| | Zaria- Plot No 34, Liverpool Street, Off River Road, GRA Extension Zaria, Kaduna State | Perfected | 55,757 | 3,622 | (2,496) | 56,883 |
| | Block Viib Plot 4 Oniru Chieftaincy Family Private Estate Victoria Island, Lagos | Not Perfected | 900,000 | - | 27,000 | 927,000 |
| | | | **1,589,278** | **3,622** | **24,709** | **1,617,609** |

| | | | | |
|---|---|---|---|---|
| The Company's investment properties are allocated as follows: | N'000 | N'000 | N'000 | N'000 |
| Attributable to policyholders | - | - | - | - |
| **Attributable to shareholders** | **1,617,609** | **1,589,278** | **1,617,609** | **1,589,278** |

# Notes To The Financial Statements

## For the Year ended 31 December, 2020

(b) Investment properties are held at fair value which has been determined based on valuations performed by independent valuation experts, Diya Fatimilehin & Co. (Estate Surveyors & Valuers) ; Plot 237B, Muri Okunola Street, Victoria Island , Lagos; The Valuers Fatimilehin Adegboyega and Diya Maurise Kolawole are registered with Financial reporting Council of Nigeria with registration Numbers FRC/2013/NIESV/00000000754 and FRC/2013/NIESV/00000002773 respectively.

(c) The valuers are the industry specialists in valuing these types of investment properties. The fair value is supported by market evidence and represents the amount at which the assets could be exchanged between knowledgeable, willing buyers and knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with standards issued by International Valuation Standards Committee. Valuations are performed on an annual basis and the fair value gains and losses are recorded within the statement of comprehensive income.

(d) This is an investment in land and building held primarily for generating income or capital appreciation and occupied substantially for use in the operations of the Company. This is carried in the statement of financial position at their market value.

(e) In the year, there is revaluation surplus on investment properties of N24,708,570.

(f) Additions during the year represents amount incurred to renovate the property located at Zaria, Plot No. 34, Liverpool Street, off River Road, GRA Extension Zaria, Kaduna.

| | Group | | Parent | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| 12 Statutory deposit | N'000 | N'000 | N'000 | N'000 |
| **Statutory deposit** | **320,000** | **320,000** | **320,000** | **320,000** |

This represents the amount deposited with the Central Bank of Nigeria as at 31 December, 2020: (2019: N 320m) which was in accordance with section 9(1) and section 10 (3) of Insurance Act CAP I17 LFN 2004. Statutory deposits are measured at cost.

**13 Intangible asset**

| | Group 2020 | Group 2019 | Parent 2020 | Parent 2019 |
|---|---|---|---|---|
| Cost | N'000 | N'000 | N'000 | N'000 |
| At January 1, | 79,051 | 79,051 | 61,596 | 61,596 |
| Addition | - | - | - | - |
| **At December 31** | **79,051** | **79,051** | **61,596** | **61,596** |
| Amortisation | | | | |
| At January 1, | 77,826 | 72,646 | 60,371 | 59,554 |
| Amortisation during the year | 1,215 | 5,180 | 1,215 | 817 |
| At December 31 | 79,041 | 77,826 | 61,586 | 60,371 |
| **Carrying Amount** | **10** | **1,225** | **10** | **1,225** |

(a) The only intangible asset of the Company was a software named "IES' used in posting the business transactions of the Company.

## 14(a) Property, plant and equipment (Group)

| Cost/Valuation | Building under Construction | Land | Building | Machinery & equipt | Motor Vehicles | Furniture & fittings | Computer Equipment | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** |
| At 1 January 2019 | 899,874 | 407,900 | 2,197,100 | 145,898 | 724,535 | 414,828 | 383,950 | 5,174,085 |
| **Additions** | - | 10,000 | - | 3,354 | 92,331 | 10,386 | 48,569 | 164,640 |
| Disposals | - | - | - | (10,293) | (65,927) | (2,953) | (5,710) | (84,883) |
| **Reclassification** | (899,874) | - | - | - | - | - | - | (899,874) |
| At 31 December 2019 | - | 417,900 | | 138,959 | 750,939 | 422,261 | 426,809 | 4,353,968 |
| | | | | | | | | |
| At 1 January 2020 | - | 417,900 | 2,197,100 | 138,959 | 750,939 | 422,261 | 426,809 | 4,353,968 |
| Additions | - | - | - | 4,891 | 117,859 | 2,309 | 31,510 | 156,569 |
| Disposals | - | - | - | (120,518) | (69,036) | (396,040) | (305,583) | (891,177) |
| **At 31 December 2020** | **-** | **417,900** | **2,197,100** | **23,332** | **799,762** | **28,530** | **152,736** | **3,619,360** |
| | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2019 | - | - | - | 104,310 | 304,750 | 328,050 | 278,168 | 1,015,278 |
| Charge for the year | - | - | 43,942 | 27,745 | 150,235 | 84,434 | 85,379 | 391,735 |
| Disposals | - | - | - | (10,293) | (65,927) | (2,953) | (5,710) | (84,883) |
| At 31 December 2019 | - | - | 43,942 | 121,762 | 389,058 | 409,531 | 357,837 | 1,322,130 |
| | | | | | | | | |
| At 1 January 2020 | - | - | 43,942 | 121,762 | 389,058 | 409,531 | 357,837 | 1,322,130 |
| Charge for the year | - | - | 43,942 | 4,666 | 159,954 | 5,817 | 30,437 | 244,816 |
| Disposals | - | - | - | (120,518) | (47,867) | (396,040) | (305,583) | (870,008) |
| **At 31 December 2020** | **-** | **-** | **87,884** | **5,910** | **501,145** | **19,308** | **82,691** | **696,938** |
| | | | | | | | | |
| **Carrying amounts at:** | | | | | | | | |
| 31 December 2020 | - | 417,900 | 2,109,216 | 17,422 | 298,617 | 9,222 | 70,045 | 2,922,422 |
| 31 December 2019 | - | 417,900 | 2,153,158 | 17,197 | 361,881 | 12,730 | 68,972 | 3,031,838 |

(i) Included in motor vehicles are 5 units of new vehicles, 1 unit of Toyota Fortuner, 2 units of Toyota Yaris cars, 1 unit of Hyundai Tucson Evolution and 1 unit of Toyota Rush, which were financed by 25% equity contribution from the Company and 75% finance lease facility from Frontline Trust Limited. The value is N53million(2019: N75 million)

(ii) The Group had no capital commitments as at the statement of financial position date (2019: Nil). As at the reporting date land is being carried at revalued amount.

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

(b) Property, plant and equipment (Parent)

| Cost/Valuation | Building under Construction | Land | Building | Machinery & equipt | Motor Vehicles | Furniture & fittings | Computer Equipment | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| At 1 January 2019 | 899,874 | 407,900 | 2,197,100 | 145,897 | 719,935 | 414,742 | 383,146 | 5,168,594 |
| Additions | - | 10,000 | - | 3,353 | 92,330 | 10,386 | 48,569 | 164,638 |
| Disposals | - | - | - | (10,293) | (65,927) | (2,953) | (5,710) | (84,883) |
| Reclassification (Note 11) | (899,874) | - | - | - | - | - | - | (899,874) |
| At 31 December 2019 | - | 417,900 | 2,197,100 | 138,957 | 746,338 | 422,175 | 426,005 | 4,348,475 |
| At 1 January 2020 | - | 417,900 | 2,197,100 | 138,957 | 746,338 | 422,175 | 426,005 | 4,348,475 |
| Additions | - | - | - | 4,891 | 117,859 | 2,309 | 31,510 | 156,569 |
| Disposals | - | - | - | (120,518) | (69,036) | (396,040) | (305,583) | (891,177) |
| **At 31 December 2020** | **-** | **417,900** | **2,197,100** | **23,330** | **795,161** | **28,444** | **151,932** | **3,613,867** |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2019 | - | - | - | 104,310 | 301,991 | 327,997 | 277,687 | 1,011,985 |
| Charge for the year | - | - | 43,942 | 27,745 | 149,315 | 84,434 | 85,200 | 390,636 |
| Disposals | - | - | - | (10,293) | (65,927) | (2,953) | (5,710) | (84,883) |
| Reclassification | - | - | - | - | - | - | - | - |
| At 31 December 2019 | - | - | 43,942 | 121,762 | 385,379 | 409,478 | 357,177 | 1,317,738 |
| At 1 January 2020 | - | - | 43,942 | 121,762 | 385,379 | 409,478 | 357,177 | 1,317,738 |
| Charge for the year | - | - | 43,942 | 4,666 | 159,032 | 5,799 | 30,276 | 243,715 |
| Disposals | - | - | - | (120,518) | (47,867) | (396,040) | (305,583) | (870,008) |
| **At 31 December 2020** | **-** | **-** | **87,884** | **5,910** | **496,544** | **19,237** | **81,870** | **691,445** |
| **Carrying amounts at:** | | | | | | | | |
| **31 December 2020** | **-** | **417,900** | **2,109,216** | **17,420** | **298,617** | **9,207** | **70,062** | **2,922,422** |
| **31 December 2019** | **-** | **417,900** | **2,153,158** | **17,195** | **360,959** | **12,697** | **68,828** | **3,030,737** |

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

| 15 | Insurance Contract Liabilities | Group | | Parent | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | | N'000 | N'000 | N'000 | N'000 |
| | Outstanding Claims reserve (Note 15.1) | 2,860,898 | 2,615,469 | 2,860,898 | 2,615,469 |
| | Incurred but not reported (IBNR) (Note 15.1(b)) | 1,918,964 | 1,738,829 | 1,918,964 | 1,738,829 |
| | **Total outstanding Claims (including IBNR)** | **4,779,862** | **4,354,298** | **4,779,862** | **4,354,298** |
| | Unearned Premium Reserve (Note 15.2) | 5,000,073 | 4,646,567 | 5,000,073 | 4,646,567 |
| | | **9,779,935** | **9,000,865** | **9,779,935** | **9,000,865** |

The firm Ernst & Young (Formally HR Nigeria Limited), an actuarial service organisation did the valuation for the reporting date. The actuarial valuation reports were authorised by Mr. Okpaise Olurotimi, a professional actuary registered with the Financial Reporting Council of Nigeria with registration number FRC/2012/NAS/00000000738.

| | | | | | |
|---|---|---|---|---|---|
| 15.1 | Outstanding Claims reserve | N'000 | N'000 | N'000 | N'000 |
| | Fire | 1,402,243 | 674,733 | 1,402,243 | 674,733 |
| | Accident | 493,373 | 879,515 | 493,373 | 879,515 |
| | Marine and Aviation | 235,291 | 132,379 | 235,291 | 132,379 |
| | Motor | 680,684 | 499,190 | 680,684 | 499,190 |
| | Oil and Gas | 49,307 | 429,652 | 49,307 | 429,652 |
| | Agriculture | - | - | - | - |
| | | **2,860,898** | **2,615,469** | **2,860,898** | **2,615,469** |

| | | | | | |
|---|---|---|---|---|---|
| (a) | Movement in outstanding Claims reserve | N'000 | N'000 | N'000 | N'000 |
| | Opening balance | 2,615,469 | 1,976,983 | 2,615,469 | 1,976,983 |
| | (Decrease)/increase in the year (Note 32) | 245,429 | 638,486 | 245,429 | 638,486 |
| | **Closing balance** | **2,860,898** | **2,615,469** | **2,860,898** | **2,615,469** |

| | | | | | |
|---|---|---|---|---|---|
| (b) | Movement in Incurred but not reported | N'000 | N'000 | N'000 | N'000 |
| | Opening balance | 1,738,829 | 1,003,652 | 1,738,829 | 1,003,652 |
| | Increase in the year (Note 32) | 180,135 | 735,177 | 180,135 | 735,177 |
| | **Closing balance** | **1,918,964** | **1,738,829** | **1,918,964** | **1,738,829** |

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

(c) The Age Analysis of Outstanding Claims in thousands of Nigerian Naira as at 31 December 2020 is as follows:

| | Pending substantiating documents | Related to awaiting adjusters' report | Discharge vouchers not returned by the customers | "Total N'000" | "2019 N'000" |
|---|---|---|---|---|---|
| 0 - 90 days | 83,644 | 362,761 | 422,297 | 868,702 | 690,054 |
| 91 - 180 days | 171,973 | 166,347 | 201,196 | 539,516 | 618,163 |
| 181 - 270 days | 128,385 | 129,759 | 150,066 | 408,210 | 496,855 |
| 270 - 365 days | 75,963 | 85,136 | 175,841 | 336,940 | 425,587 |
| 365 days and above | 104,366 | 87,778 | 94,020 | 286,164 | 384,810 |
| | **564,331** | **831,781** | **1,043,420** | **2,439,532** | **2,615,469** |

15.2 Unearned Premium reserve

| | Group | | Parent | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **N'000** | **N'000** | **N'000** | **N'000** |
| Balance at the beginning of the year(Note 29(a)) | 4,646,567 | 4,146,236 | 4,646,567 | 4,146,236 |
| Changes in unearned premium (Note 29(a)) | 353,506 | 500,331 | 353,506 | 500,331 |
| Balance at the end of the year (Note 29(a)) | 5,000,073 | 4,646,567 | 5,000,073 | 4,646,567 |

The above balances represent the amounts payable on direct insurance business and assumed reinsurance business. The carrying amounts disclosed above approximate fair value at the reporting date. All amounts are payable within one year.

| 16 Trade Payables | **N'000** | **N'000** | **N'000** | **N'000** |
|---|---|---|---|---|
| Due to Reinsurance Broker - A.O.N. | 205,514 | 25,410 | 205,514 | 25,410 |
| Due to Reinsurance Broker - SCIB | 116,643 | - | 116,643 | - |
| Premium Deposit (Note 16(b)) | 263,170 | 272,636 | 263,170 | 272,636 |
| | **585,327** | **298,046** | **585,327** | **298,046** |

(a) Trade payable represents premium payable to both reinsurance companies and brokers. The carrying amount disclosed above reasonably approximates fair value at the reporting date. All amounts are payable within one year and payment process has commenced subsequent to the year end

(b) Premium deposit represents advance received in 2020 for 2021 production.

# Notes To The **Financial Statements**

**For the Year ended 31 December, 2020**

| 17 Other Payables | Group | | Parent | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | N'000 | N'000 | N'000 | N'000 |
| Accruals (Note 17(b)) | 433,710 | 500,892 | 429,679 | 496,688 |
| Dividend payable (Note 17(b(i)) | 728,297 | 390,482 | 728,297 | 390,482 |
| Other creditors (Note 17(c)) | 153,256 | 218,181 | 155,987 | 218,181 |
| Deferred commission Income (Note 17(g) and Note 31) | 404,834 | 277,126 | 404,834 | 277,126 |
| | **1,720,097** | **1,386,681** | **1,718,797** | **1,382,477** |

(a) The carrying amount disclosed above reasonably approximates fair value at the reporting date. All amounts are payable within one year.

| (b) Accruals | N'000 | N'000 | N'000 | N'000 |
|---|---|---|---|---|
| Audit fees | 3,600 | 3,600 | 3,600 | 3,600 |
| Profit Sharing | 150,000 | 150,000 | 150,000 | 150,000 |
| Performance bonus | - | 30,079 | - | 30,079 |
| Medical expenses | - | 5,760 | - | 5,760 |
| Naicom Levy | 220,357 | 197,599 | 220,357 | 197,599 |
| PAYE payable | 4,000 | 2,933 | 4,000 | 2,933 |
| VAT payable | 9,944 | 32,159 | 9,944 | 32,159 |
| Pension payable | 8,812 | - | 8,812 | - |
| Cooperative | 17,341 | 15,923 | 17,341 | 15,923 |
| Others | 19,656 | 62,839 | 15,625 | 58,635 |
| | **433,710** | **500,892** | **429,679** | **496,688** |

(b(i)) Dividend payable represents Unclaimed Dividend returned to the Group by Apel Capital & Trust Limited for investment as required by Securities and Exchange Commission.

| Movement in dividend payable: | N'000 | N'000 | N'000 | N'000 |
|---|---|---|---|---|
| Balance at the beginning of the year | 390,482 | 287,636 | 390,482 | 287,636 |
| Dividend declared and approved | 792,075 | 686,465 | 792,075 | 686,465 |
| Dividend paid | (454,260) | (583,619) | (454,260) | (583,619) |
| **Balance at the end of the year** | **728,297** | **390,482** | **728,297** | **390,482** |

| (c) Other Creditors | N'000 | N'000 | N'000 | N'000 |
|---|---|---|---|---|
| Lease creditor (Note 17 (d)) | 47,963 | 117,636 | 47,963 | 117,636 |
| Due to NEM Assets Management Ltd (Note 17 (e)) | - | - | 2,731 | - |
| Deferred Income (Note 17(f)) | 105,293 | 100,545 | 105,293 | 100,545 |
| | **153,256** | **218,181** | **155,987** | **218,181** |

# Notes To The **Financial Statements**

**For the Year ended 31 December, 2020**

(d) The Company has a liability with lease creditor to finance the purchase of fifteen units of motor vehicles under finance lease arrangement with Frontline Trust Limited. The tenor of the lease is three years. The liability shall be settled from the Company's operational cash flows.

(e) NEM Asset Management Ltd financed the purchase of some motor cars for NEM Insurance Plc under finance lease. The total amount outstanding as at 31 December 2020 was N2,731,000 (2019: Nil). NEM Asset Management Limited is a subsidiary of NEM Insurance Plc.

(f) The Deferred income represents rental income received in advance from tenants.

(g) Deferred commission Income represents unexpired commission received on reinsurance expenses.

## 18 Retirement Benefit Obligations

The Company has a defined benefit gratuity scheme covering its entire employees who have spent a minimum number of five years continuous service. The scheme is unfunded, therefore, no contribution is made to any fund.The Company has stopped gratuity since 2014 and the balance outstanding on it is subjected to valuation at year end.

The amounts recognised in the income statement (Management expenses) are as follows:

| | Group | | Parent | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | N'000 | N'000 | N'000 | N'000 |
| Current service cost | - | - | - | - |
| Interest cost on benefit obligation (Note 37(a)) | 9,933 | 11,446 | 9,933 | 11,446 |
| | **9,933** | **11,446** | **9,933** | **11,446** |

The amounts recognised in the statement of financial position at the reporting date are as follows:

| | | | | |
|---|---|---|---|---|
| Present value of the defined benefit obligation | N'000 | N'000 | N'000 | N'000 |
| **Total defined benefit obligation** | **78,960** | **81,635** | **78,960** | **81,635** |

The movement in the defined benefit obligation is as follows:

| | N'000 | N'000 | N'000 | N'000 |
|---|---|---|---|---|
| Balance at the beginning of the year | 81,635 | 78,496 | 81,635 | 78,496 |
| Current service cost | - | - | - | - |
| Interest cost | 9,933 | 11,446 | 9,933 | 11,446 |
| Benefits paid (Note 42) | (52,916) | (27,895) | (52,916) | (27,895) |
| Actuarial losses - Due to change in assumption | 17,624 | 5,949 | 17,624 | 5,949 |
| Actuarial losses - Due to experience adjustment | 22,684 | 13,639 | 22,684 | 13,639 |
| **Balance at the end of the year** | **78,960** | **81,635** | **78,960** | **81,635** |

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

**Actuary Report Extracts**

**Valuation Assumption**

The Valuation assumptions fall under two broad categories:

A Financial Assumptions

B Demographic Assumptions

The assumptions depict the estimate of the likely future experience of the Company.

A Financial Assumptions

| Average Long-Term Future | 2020 | 2019 | 2020 | 2019 |
|---|---|---|---|---|
| Discount Rate (p.a) | 7.12% | 13.50% | 7.12% | 13.50% |
| Inflation Rate (p.a) | 11% | 12% | 11% | 12% |
| Interest Credit Rate (p.a) | 0% | 0% | 0% | 0% |

(b(i)) In order to measure the liability, the projected benefit must be discounted to a net present value as at the statement of financial position date, using an interest assumption (called the discount rate under IAS 19).

The discount rate should be determined on the Company's statement of financial position date by reference to market yields on high quality corporate bonds (except where there is no deep market in such bonds, in which case the discount rate should be based on market yields on Government bonds). The discount rate should reflect the duration of the liabilities of the benefit programme.

We calculated the weighted average liability duration and adopted the corresponding Nigerian Government bonds market yield at the valuation date.

The weighted average liability duration for the Plan is 5.51years. The average weighted duration of the closest Nigerian Government bond as at 31 December 2020 was 5.49 years with a gross redemption yield of 7.10%.

**We have prudently adopted a discount rate of 7.12% for the current valuation.**

B **Demographic Assumptions**

**Mortality in Service**

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK.

| Sample Age | No of Deaths in year of age out of 10,000 lives | | No of Deaths in year of age out of 10,000 lives | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| 25 | 7 | 7 | 7 | 7 |
| 30 | 7 | 7 | 7 | 7 |
| 35 | 9 | 9 | 9 | 9 |
| 40 | 14 | 14 | 14 | 14 |
| 45 | 26 | 26 | 26 | 26 |

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

**Withdrawal from Service**

| Age Band | Rate | | Rate | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Less than or equal to 30 | 3% | 3% | 3% | 3% |
| 31-39 | 2% | 2% | 2% | 2% |
| 40-44 | 2% | 2% | 2% | 2% |
| 45-50 | 0% | 0% | 0% | 0% |
| 51-59 | 0% | 0% | 0% | 0% |

**Valuation Method**

As required by IAS 19, we have adopted the Projected Unit Credit (PUC) method to establish the value of the accrued liabilities. In calculating the liabilities, the method:

i recognises the Company service rendered by each member of staff at the review date.

ii anticipates that salaries will increase between the review date and the eventual exit date of the employee via withdrawal, death or retirement and then

iii discounts the expected benefit payments to the review date.

The emerging total value (for each individual) is described by IAS 19 as the **Defined Benefit Obligation (DBO).**

**MEMBERSHIP DATA**

The calculations are based on the membership data as at 31 December 2020 as summarised below.

| | **Number of Employees** | **Crystallised Gratuity as 31 December 2014** |
|---|---|---|
| Summary by Category | | N |
| Category | | |
| Male | 26 | 74,834,992 |
| Female | 14 | 37,921,493 |
| **Total** | **40** | **112,756,485** |
| | | |
| Data Reconciliation Summary | | N |
| As at 31 December 2019 | 61 | 162,991,167 |
| Exits | (21) | (50,234,682) |
| **As at 31 December 2020** | **40** | **112,756,485** |

Had the plan discontinued as at 31 December 2020, we estimate the accrued benefits payable as N112. 76million. This is the sum of the crystallised gratuity benefits of all qualified employees as at the review date.

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

The statement of financial position liability of N78.96million is lower because it is the discounted value of the crystallised gratuity benefits (with no interest credit) from their expected payment date to the review date.

**ACTUARY'S STATEMENT**

The calculations reported above have been made on a basis consistent with the understanding of the statement purpose of fulfilling the employer's financial accounting standards.

Figures required for other purposes should be calculated in accordance with the specific requirements for such purposes and it should not be assumed that the figures herein have any relevance beyond the scope of the International Accounting Standards requirements.

The firm Ernst & Young (Formerly HR Nigeria Limited), an actuarial service organisation did the valuation of Gratuity for the reporting period. The actuarial valuation reports were authorised by Mr. Okpaise Olurotimi Olatokunbo, a professional actuary registered with the Financial Reporting Council of Nigeria with registration number FRC/2012/NAS/00000000738.

**19 Taxation**

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | **2020** | **2019** | **2020** | **2019** |
| (a) | Per Financial Position | **N'000** | **N'000** | **N'000** | **N'000** |
| | Balance at the beginning of the year | 462,419 | 835,998 | 457,987 | 835,528 |
| | Income tax for the year | 340,109 | 405,334 | 337,453 | 401,335 |
| | Education tax for the year | 33,384 | 38,174 | 33,119 | 37,673 |
| | Prior year over-provision | - | (679,444) | - | (679,444) |
| | Information technology levy (Note 19(d)) | 51,176 | 18,979 | 51,176 | 18,979 |
| | Paid during the year | (211,305) | (156,622) | (209,449) | (156,084) |
| | **Balance at the end of the year** | **675,783** | **462,419** | **670,286** | **457,987** |
| | | | | | |
| (b) | Per Income Statement | **N'000** | **N'000** | **N'000** | **N'000** |
| | Income tax | 340,109 | 405,334 | 337,453 | 401,335 |
| | Education tax | 33,384 | 38,174 | 33,119 | 37,673 |
| | Prior year over-provision | - | (679,444) | - | (679,444) |
| | | **373,493** | **(235,936)** | **370,572** | **(240,436)** |
| | Deferred tax asset (Note 20 (i)) | 28,168 | (198,430) | 28,168 | (198,430) |
| | Deferred tax liabilities (Note 20 (ii)) | (356,500) | (41,246) | (356,500) | (41,246) |
| | **Charge for the year** | **45,161** | **(475,612)** | **42,240** | **(480,112)** |

# Notes To The **Financial Statements**

**For the Year ended 31 December, 2020**

(c) Profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

| | Group | | Parent | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **N'000** | **N'000** | **N'000** | **N'000** |
| **Profit before income tax** | 5,180,989 | 1,938,733 | 5,168,811 | 1,916,921 |
| **Tax calculated at the corporate tax rate** | **1,553,079** | **581,620** | **1,550,643** | **575,076** |
| **Effect of:** | | | | |
| Non-deductible expenses | 44,477 | 54,894 | 44,235 | 54,894 |
| Effect of Education tax levy | 33,362 | 38,174 | 33,119 | 37,673 |
| Effect of Capital allowance on income tax | (159,536) | (143,176) | (159,536) | (140,631) |
| Effect of Balancing and Investment Allowance | (1,092) | (23,128) | (1,092) | (23,128) |
| Effect of Deferred tax | (328,332) | (239,676) | (328,332) | (239,676) |
| Tax exempt income | (1,096,797) | (64,876) | (1,096,797) | (64,876) |
| Overprovision in prior years | - | (679,444) | - | (679,444) |
| **Total income tax expense in income statement** | **45,161** | **(475,612)** | **42,240** | **(480,112)** |
| **Effective tax rate (%)** | 0.87 | (24.53) | 0.82 | (25.05) |

(d) Information Technology Levy

The Nigeria Information Technology Development Agency (NITDA) Act was signed into Law on 24 April, 2007. Section 12 (2a) of the Act stipulates that, specified companies contribute 1% of their profit before tax to the Nigerian Information Technology Development Agency. In line with the Act, the Company has provided for NITDA levy at the specified rate.

**20 Deferred Taxation**

| | | | | |
|---|---|---|---|---|
| i Deferred tax Assets | **N'000** | **N'000** | **N'000** | **N'000** |
| Balance at the beginning of the year | (291,203) | (92,773) | (281,736) | (83,306) |
| Charge for the year | 28,168 | (198,430) | 28,168 | (198,430) |
| **Balance at the end of the year** | **(263,035)** | **(291,203)** | **(253,568)** | **(281,736)** |

| | | | | |
|---|---|---|---|---|
| ii Deferred tax Liabilities | **N'000** | **N'000** | **N'000** | **N'000** |
| Balance at the beginning of the year | 356,500 | 397,746 | 356,500 | 397,746 |
| Charge for the year | (356,500) | (41,246) | (356,500) | (41,246) |
| Revaluation surplus (Note 26) | - | - | - | - |
| **Balance at the end of the year** | **-** | **356,500** | **-** | **356,500** |

| | | | | |
|---|---|---|---|---|
| **21 Share Capital** | **N'000** | **N'000** | **N'000** | **N'000** |
| Authorised Share Capital | | | | |
| 10,000,000,000 ordinary shares of 50k each | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| 400,000,000 ordinary shares of 50k each(Note 24(a)) | 200,000 | - | 200,000 | - |
| | **5,200,000** | **5,000,000** | **5,200,000** | **5,000,000** |

# Notes To The Financial Statements

## For the Year ended 31 December, 2020

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| (a) | Ordinary shares issued and fully paid | N'000 | N'000 | N'000 | N'000 |
| | 5,280,502,913 ordinary shares of 50k each at the beginning of the year | 2,640,251 | 2,640,251 | 2,640,251 | 2,640,251 |
| | Bonus issue/recapitalisation of share premium (Note 24(a)) | 272,551 | - | 272,551 | - |
| | Bonus issue/recapitalisation of retained earnings (Note 24(a)) | 2,103,675 | - | 2,103,675 | - |
| | | **5,016,477** | **2,640,251** | **5,016,477** | **2,640,251** |
| **22** | **Share Premium** | **N'000** | **N'000** | **N'000** | **N'000** |
| | Balance at the beginning of the year | 272,551 | 272,551 | 272,551 | 272,551 |
| | Bonus issue/recapitalisation of share premium (Note 24(a)) | (272,551) | - | (272,551) | - |
| | **Balance at the end of the year** | **-** | **272,551** | **-** | **272,551** |
| **23** | **Statutory contingency reserve** | **N'000** | **N'000** | **N'000** | **N'000** |
| | Balance at the beginning of the year | 4,198,848 | 3,606,052 | 4,198,848 | 3,606,052 |
| | Transfer from revenue reserve (Note 24) | 1,015,079 | 592,796 | 1,015,079 | 592,796 |
| | **Balance at the end of the year** | **5,213,927** | **4,198,848** | **5,213,927** | **4,198,848** |

Statutory contingency reserve is calculated in accordance with the provisions of Section 21(2) of the Insurance Act, 2003 at the higher of 3% of the total premium or 20% of total profit after tax. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50% of net premium.

During the current year, this was calculated based on 3% of the gross premium.

| | | Group 2020 | Group 2019 | Parent 2020 | Parent 2019 |
|---|---|---|---|---|---|
| **24** | **Retained earnings** | **N'000** | **N'000** | **N'000** | **N'000** |
| | Balance at the beginning of the year | 5,831,632 | 4,715,527 | 5,816,923 | 4,718,130 |
| | Profit for the year | 5,084,652 | 2,395,366 | 5,075,395 | 2,378,054 |
| | Transfer to contingency reserve (Note 23) | (1,015,079) | (592,796) | (1,015,079) | (592,796) |
| | Bonus issue/recapitalisation of retained earnings (Note 24(a)) | (2,103,675) | - | (2,103,675) | - |
| | Dividend paid | (792,075) | (686,465) | (792,075) | (686,465) |
| | **Balance at the end of the year** | **7,005,455** | **5,831,632** | **6,981,489** | **5,816,923** |

**(a)** "At the Company's Extra Ordinary General Meeting held on 10 December 2020 the Company resolved that the sum of N272,551,000 and N2,103,675,311 be transferred from the Company's share premium account and Retained Earnings accounts respectively to the Share Capital account. The amount thus transferred shall represent the value of 4,752,452,622 Ordinary shares of 50kobo each as fully paid up and distributed amongst members whos names are registered in the Company's Register of Members at the close of business on Wednessday 16 December 2020 in the proportion of 9 new shares of 50kobo each for every 10 existing shares of 50kobo each held by them. The shares distributed rank pari pasu with the existing shares in all respect and will be treated for all purpose as Capital and not as income."

# Notes To The Financial Statements

## For the Year ended 31 December, 2020

It was also resolved that, to enable the Company accommodate the appropriate number of shares to be issued as Bonus being 4,752,452,622, the Company's share capital be increased to N5,200,000,000 by the creation of 400,000,000 Ordinary Shares of 50kobo each.

**(b)** As at the reporting year, the unearned portion of the retained earnings amounted to N1,289,655,000, representing net fair value gains on investment properties and quoted equity securities. The bonus issue/ recapitalisation of N2,103,675,311 made/carried out during the year was from the earned portion of the retained earnings

| | | Group | | Parent | |
|---|---|---|---|---|---|
| **25** | **FVOCI reserve** | **2020** | **2019** | **2020** | **2019** |
| | Balance at the beginning of the year | **N'000** | **N'000** | **N'000** | **N'000** |
| | Write back/(additions) during the year (Note4.2(b) | (51,468) | (35,344) | (51,468) | (35,344) |
| | Balance at the end of the year | 11,290 | (16,124) | 11,290 | (16,124) |
| | | **(40,178)** | **(51,468)** | **(40,178)** | **(51,468)** |

**(a)** The fair value reserve shows the effect from the fair value measurement of financial instruments of the category FVOCI. Any gains or losses are not recognised in the comprehensive income statement until the asset has been sold or impaired. The negative movement was due to change in the long term Unquoted Investment.

| | | | | | |
|---|---|---|---|---|---|
| **26** | **Asset revaluation reserve** | **N'000** | **N'000** | **N'000** | **N'000** |
| | Balance at the beginning of the year | 1,094,475 | 1,094,475 | 1,094,475 | 1,094,475 |
| | Additions during the year | - | - | - | - |
| | **Balance at the end of the year** | **1,094,475** | **1,094,475** | **1,094,475** | **1,094,475** |

**(a)** This represents change in depreciation of revalued property in line with IAS 16.

**(b)** This comprise cumulative fair value changes on valuation of leasehold land & building net of deferred tax asset/liabilities.

| | | | | | |
|---|---|---|---|---|---|
| **27** | **Other Reserves - gratuity** | **N'000** | **N'000** | **N'000** | **N'000** |
| | Balance at the beginning of the year | 111,455 | 131,043 | 111,455 | 131,043 |
| | Loss during the year | (40,308) | (19,588) | (40,308) | (19,588) |
| | **Balance at the end of the year** | **71,147** | **111,455** | **71,147** | **111,455** |

**(a)** This comprise of the cumulative actuarial gain on change in assumptions and experience adjustment.

| | | | | | |
|---|---|---|---|---|---|
| **28** | **Gross Premium written** | **N'000** | **N'000** | **N'000** | **N'000** |
| | Direct premium (Note 28(a)) | 21,776,459 | 19,510,665 | 21,776,459 | 19,510,665 |
| | Inward reinsurance (Note 28(a)) | 259,236 | 249,207 | 259,236 | 249,207 |
| | | **22,035,695** | **19,759,872** | **22,035,695** | **19,759,872** |

Gross premium written increased when compared with previous year majorly because of the new businesses won during the year due to aggressive marketing embarked upon by the Company.

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

| | | Group | | Parent | |
|---|---|---|---|---|---|
| (a) | **Gross Premium written** | **2020** | **2019** | **2020** | **2019** |
| | | **N'000** | **N'000** | **N'000** | **N'000** |
| | Fire | 4,630,064 | 4,695,644 | 4,630,064 | 4,695,644 |
| | Oil and Gas | 3,560,975 | 2,928,191 | 3,560,975 | 2,928,191 |
| | General accident | 4,478,009 | 3,992,349 | 4,478,009 | 3,992,349 |
| | Marine | 2,196,887 | 2,151,309 | 2,196,887 | 2,151,309 |
| | Motor | 6,908,099 | 5,743,172 | 6,908,099 | 5,743,172 |
| | Agricuture | 2,425 | - | 2,425 | - |
| | Direct premium (Note 28) | 21,776,459 | 19,510,665 | 21,776,459 | 19,510,665 |
| | Inward reinsurance (Note 28) | 259,236 | 249,207 | 259,236 | 249,207 |
| | | **22,035,695** | **19,759,872** | **22,035,695** | **19,759,872** |

| | | | | | |
|---|---|---|---|---|---|
| 29 | **Gross premium income** | **N'000** | **N'000** | **N'000** | **N'000** |
| | Premium written during the year (Note 28) | 22,035,695 | 19,759,872 | 22,035,695 | 19,759,872 |
| | Changes in unearned premium (Note 29(a)) | (353,506) | (500,331) | (353,506) | (500,331) |
| | | **21,682,189** | **19,259,541** | **21,682,189** | **19,259,541** |
| (a) | **Movement in Unearned premium** | **N'000** | **N'000** | **N'000** | **N'000** |
| | Unearned premium brought forward (Note 15.2) | 4,646,567 | 4,146,236 | 4,646,567 | 4,146,236 |
| | Unearned premium carried forward (Note 15.2) | (5,000,073) | (4,646,567) | (5,000,073) | (4,646,567) |
| | **Increase in unearned premium** | **(353,506)** | **(500,331)** | **(353,506)** | **(500,331)** |
| 30 | **Reinsurance expenses** | **N'000** | **N'000** | **N'000** | **N'000** |
| | Reinsurance premium (Cost) during the year (Note 30(a)) | 6,230,641 | 5,303,878 | 6,230,641 | 5,303,878 |
| | Change in Reinsurance Share of UPR (Note 6.1(a)) | (411,210) | (179,867) | (411,210) | (179,867) |
| | Change in Prepaid Reinsurance Premium (Note 6.1(b)) | - | 1,517,990 | - | 1,517,990 |
| | | **5,819,431** | **6,642,001** | **5,819,431** | **6,642,001** |
| (a) | **Reinsurance expense** | **N'000** | **N'000** | **N'000** | **N'000** |
| | Motor | 4,257 | 27,193 | 4,257 | 27,193 |
| | Marine | 961,086 | 864,723 | 961,086 | 864,723 |
| | Fire | 2,247,009 | 1,832,133 | 2,247,009 | 1,832,133 |
| | General Accident | 1,466,275 | 1,311,447 | 1,466,275 | 1,311,447 |
| | Oil & Gas | 1,552,014 | 1,268,382 | 1,552,014 | 1,268,382 |
| | | **6,230,641** | **5,303,878** | **6,230,641** | **5,303,878** |

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

**(b)** Reinsurance expenses of N6,230,641,000 was paid during the year, N4,064,884,000 was paid to the foreign insurers while N2,165,757,000 was paid to local insurers. In 2019 reinsurance expense stood at N5,303,878,000 (Foreign N3,462,377,000 - Local N1,841,501,000)

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| **31** | **Fees and commission income** | N'000 | N'000 | N'000 | N'000 |
| | Deferred Commission as at 1 January | 277,126 | 362,814 | 277,126 | 362,814 |
| | Fees and Commission Income received during the year (Note 31(b)) | 1,259,296 | 1,088,545 | 1,259,296 | 1,088,545 |
| | Deferred Commission as at 31 December (Note 17) | (404,834) | (277,126) | (404,834) | (277,126) |
| | **Fees and Commission Income earned during the year** | **1,131,588** | **1,174,233** | **1,131,588** | **1,174,233** |

**(a)** Fee income represents commission received on direct business and transactions ceded to re-insurance during the year under review.

| | | | | | |
|---|---|---|---|---|---|
| (b) | Classes | N'000 | N'000 | N'000 | N'000 |
| | Motor | 1,206 | 7,300 | 1,206 | 7,300 |
| | Marine | 239,515 | 203,403 | 239,515 | 203,403 |
| | Fire | 616,313 | 505,740 | 616,313 | 505,740 |
| | General Accident | 402,262 | 356,127 | 402,262 | 356,127 |
| | Oil and Gas | - | 15,975 | - | 15,975 |
| | | **1,259,296** | **1,088,545** | **1,259,296** | **1,088,545** |

| | | | | | |
|---|---|---|---|---|---|
| **32** | **Claims Expenses** | N'000 | N'000 | N'000 | N'000 |
| | Gross Claims paid (Note 32(a)) | 8,484,357 | 7,374,491 | 8,484,357 | 7,374,491 |
| | Increase in outstanding claims (Note 15.1(a)) | 245,429 | 638,486 | 245,429 | 638,486 |
| | Changes in IBNR (Note 15.1(b)) | 180,135 | 735,177 | 180,135 | 735,177 |
| | **Gross claims incurred during the year** | 8,909,921 | 8,748,154 | 8,909,921 | 8,748,154 |
| | Claims recovered (Note 32(c)) | (491,717) | (1,418,213) | (491,717) | (1,418,213) |
| | Recoverables from Reinsurance (Note 32(d)) | (2,363,735) | (3,392,623) | (2,363,735) | (3,392,623) |
| | **Net Claims expenses** | **6,054,469** | **3,937,318** | **6,054,469** | **3,937,318** |

| | | | | | |
|---|---|---|---|---|---|
| (a) | **Claims Paid** | | | | |
| | **Classes** | N'000 | N'000 | N'000 | N'000 |
| | Motor | 3,615,747 | 2,757,281 | 3,615,747 | 2,757,281 |
| | Marine | 428,235 | 1,273,321 | 428,235 | 1,273,321 |
| | Fire | 2,769,468 | 1,795,778 | 2,769,468 | 1,795,778 |
| | General Accident | 1,057,175 | 1,323,482 | 1,057,175 | 1,323,482 |
| | Oil and Gas | 613,732 | 224,629 | 613,732 | 224,629 |
| | | **8,484,357** | **7,374,491** | **8,484,357** | **7,374,491** |

(b) Claims expenses consist of claims paid during the financial year together with the movement in the provision for outstanding claims.

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | **Claims recovered** | **2020** | **2019** | **2020** | **2019** |
| (c) | **Classes** | **N'000** | **N'000** | **N'000** | **N'000** |
| | Motor | 394,030 | 451,324 | 394,030 | 451,324 |
| | Marine | 127,107 | 633,769 | 127,107 | 633,769 |
| | Fire | 266,924 | 412,996 | 266,924 | 412,996 |
| | General Accident | 266,924 | 132,629 | 266,924 | 132,629 |
| | Oil and Gas | 216,081 | 244,300 | 216,081 | 244,300 |
| | Total | 1,271,065 | 1,875,018 | 1,271,065 | 1,875,018 |
| | **Claims recovered from co-assurance companies (Note 6.5)** | (779,348) | (456,805) | (779,348) | (456,805) |
| | | **491,717** | **1,418,213** | **491,717** | **1,418,213** |

i Claims recovered represent recoveries from co-assurance companies where NEM Insurance Plc is the lead underwriter.

| | | | | | |
|---|---|---|---|---|---|
| (d) | **Reinsurance Recoverable** | **N'000** | **N'000** | **N'000** | **N'000** |
| | **Claims recovered from reinsurance** | 2,555,947 | 1,936,513 | 2,555,947 | 1,936,513 |
| | Changes in Reinsurance share of Outstanding Claims (Note 6.3) | (5,710) | 623,221 | (5,710) | 623,221 |
| | Changes in Reinsurance share of IBNR (Note 6.2) | (293,221) | 639,481 | (293,221) | 639,481 |
| | Change in Reinsurance share of Claims paid not yet recovered (Note 6.4) | 6,391 | 193,408 | 6,391 | 193,408 |
| | Changes in reinsurance receivables (Note 6.6) | 100,328 | - | 100,328 | - |
| | | **2,363,735** | **3,392,623** | **2,363,735** | **3,392,623** |

| | | | | | |
|---|---|---|---|---|---|
| 33 | **Underwriting Expenses** | **N'000** | **N'000** | **N'000** | **N'000** |
| | Commission expense (Note 33(a)) | 2,387,338 | 2,953,408 | 2,387,338 | 2,953,408 |
| | Maintenance expense (Note 33(c)) | 2,572,396 | 2,552,350 | 2,572,396 | 2,552,350 |
| | | **4,959,734** | **5,505,758** | **4,959,734** | **5,505,758** |

| | | | | | |
|---|---|---|---|---|---|
| (a) | Commission expense | **N'000** | **N'000** | **N'000** | **N'000** |
| | Commission paid during the year (Note 33(b)) | 3,417,935 | 3,107,891 | 3,417,935 | 3,107,891 |
| | Changes in deferred acquisition cost | (1,030,597) | (154,483) | (1,030,597) | (154,483) |
| | | **2,387,338** | **2,953,408** | **2,387,338** | **2,953,408** |

| | | Group | | Parent | |
|---|---|---|---|---|---|
| (b) | Commission expense | 2020 | 2019 | 2020 | 2019 |
| | The analysis of commission expenses by business class is as follows: | N'000 | N'000 | N'000 | N'000 |
| | Motor | 867,590 | 724,996 | 867,590 | 724,996 |
| | Marine | 423,499 | 397,591 | 423,499 | 397,591 |
| | Fire | 983,275 | 1,030,192 | 983,275 | 1,030,192 |
| | General Accident | 951,190 | 801,695 | 951,190 | 801,695 |
| | Oil & Gas | 191,630 | 153,417 | 191,630 | 153,417 |
| | Agriculture | 751 | | 751 | - |
| | | **3,417,935** | **3,107,891** | **3,417,935** | **3,107,891** |

| | | | | | |
|---|---|---|---|---|---|
| (c) | The analysis of Maintenance expenses by business class is as follows: | N'000 | N'000 | N'000 | N'000 |
| | Motor | 823,167 | 814,158 | 823,167 | 814,158 |
| | Marine | 257,240 | 271,610 | 257,240 | 271,610 |
| | Fire | 540,203 | 592,841 | 540,203 | 592,841 |
| | General Accident | 540,203 | 504,047 | 540,203 | 504,047 |
| | Oil & Gas | 411,583 | 369,694 | 411,583 | 369,694 |
| | | **2,572,396** | **2,552,350** | **2,572,396** | **2,552,350** |

(d) Underwriting expenses consist of acquisition and maintenance expenses which include commission and policy expenses, proportion of staff cost. Underwriting expenses for insurance contracts are recognised as expense when incurred.

| | | | | | |
|---|---|---|---|---|---|
| 34 | **Investment Income** | N'000 | N'000 | N'000 | N'000 |
| | Dividend income | 99,193 | 140,372 | 99,193 | 140,372 |
| | Interest from fixed deposit | 486,558 | 670,026 | 486,558 | 670,026 |
| | Interest from Amortised cost financial assets | 376,842 | 24,358 | 376,842 | 24,358 |
| | Interest from statutory deposit | 41,751 | 43,430 | 41,751 | 43,430 |
| | | 1,004,344 | 878,186 | 1,004,344 | 878,186 |
| | Amortised cost financial assets - Accrued interest (Note 4.3(a)) | - | - | - | - |
| | | **1,004,344** | **878,186** | **1,004,344** | **878,186** |

The increase in Interest from Amotised cost financial assets was as a result of about N4billion increase in Financial asset at Amortised cost during the year.

# Notes To The **Financial Statements**

**For the Year ended 31 December, 2020**

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| (a) | **Investment Income** | **N'000** | **N'000** | **N'000** | **N'000** |
| | Attributable to Policy holders | 560,811 | 490,366 | 560,811 | 490,366 |
| | Attributable to Share holders | 443,533 | 387,820 | 443,533 | 387,820 |
| | | **1,004,344** | **878,186** | **1,004,344** | **878,186** |
| 35 | **Net Fair Value Gain** | **N'000** | **N'000** | **N'000** | **N'000** |
| | **Investment properties** | | | | |
| | Fair Value Gain (Note 11) | 24,709 | 181 | 24,709 | 181 |
| | **Fair Value through Profit or Loss:** | | | | |
| | Quoted Equity Securities (4.1(a)) | 1,093,983 | 170,782 | 1,093,983 | 170,782 |
| | | **1,118,692** | **170,963** | **1,118,692** | **170,963** |
| 36 | **Other Income** | **N'000** | **N'000** | **N'000** | **N'000** |
| | Sundry Income | 75,996 | 6,599 | 72,279 | 146 |
| | Interest and Similar Income | 38,699 | 40,002 | - | - |
| | Rental Income (Note 36(a)) | 42,110 | 20,702 | 43,519 | 22,392 |
| | Gain on equity disposed (Note (4.1(b)) | - | 5,037 | - | 5,037 |
| | Exchange gain | 210,825 | - | 210,825 | - |
| | | **367,630** | **72,340** | **326,623** | **27,575** |

Sundry income represents write back of accrued expenses no longer required while Exchange gain represents difference from translation of cash and cash equivalents denominated in foreign currencies.

| | | | | | |
|---|---|---|---|---|---|
| (a) | **Rental income** | **N'000** | **N'000** | **N'000** | **N'000** |
| | Ebute Meta property | 5,000 | 6,861 | 5,000 | 6,861 |
| | Head office | 16,210 | 8,687 | 17,619 | 8,687 |
| | Abuja office (Sub lease) | 900 | 469 | 900 | 469 |
| | Oniru property | 20,000 | 6,375 | 20,000 | 6,375 |
| | | **42,110** | **22,392** | **43,519** | **22,392** |
| 37 | **Management Expenses** | **N'000** | **N'000** | **N'000** | **N'000** |
| | Employee benefit expenses (Note 37(a)) | 1,506,087 | 1,603,286 | 1,494,725 | 1,593,176 |
| | Other Management Expenses (Note 37(b)) | 1,325,168 | 1,395,574 | 1,310,002 | 1,389,193 |
| | Directors emoluments | 103,993 | 104,400 | 103,993 | 104,400 |
| | AGM expenses | 29,246 | 25,347 | 29,246 | 25,347 |
| | Auditors Remuneration (Note 39(a)and (b) | 10,200 | 10,000 | 9,000 | 9,000 |
| | Depreciation (Note 14) | 244,816 | 391,735 | 243,715 | 390,636 |
| | Amortisation (Note 13) | 1,215 | 5,180 | 1,215 | 817 |
| | | **3,220,725** | **3,535,522** | **3,191,896** | **3,512,569** |

# Notes To The **Financial Statements**

**For the Year ended 31 December, 2020**

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| (a) | **Employee benefit expenses** | N'000 | N'000 | N'000 | N'000 |
| | Salaries and Wages | 892,859 | 989,885 | 883,867 | 981,048 |
| | Medical Expenses | 50,999 | 49,474 | 50,827 | 49,359 |
| | Staff Training | 129,539 | 204,389 | 129,202 | 204,273 |
| | Staff Welfare | 348,516 | 295,145 | 347,137 | 294,471 |
| | Employers' Pension Contribution | 74,241 | 52,947 | 73,759 | 52,579 |
| | | 1,496,154 | 1,591,840 | 1,484,792 | 1,581,730 |
| | Gratuity (Note 18) | 9,933 | 11,446 | 9,933 | 11,446 |
| | | **1,506,087** | **1,603,286** | **1,494,725** | **1,593,176** |

| | | Group 2020 | Group 2019 | Parent 2020 | Parent 2019 |
|---|---|---|---|---|---|
| (b) | **Other Management Expenses** | N'000 | N'000 | N'000 | N'000 |
| | Advertising | 185,906 | 298,202 | 185,906 | 298,202 |
| | Bank charges | 48,879 | 49,302 | 48,620 | 49,017 |
| | Business permit | 1,070 | 3,554 | 1,070 | 3,554 |
| | Computer Expenses | 21,545 | 83,171 | 21,375 | 83,127 |
| | Dailies and Subscription | 79,878 | 64,065 | 79,758 | 63,950 |
| | Donations | 41,750 | 17,056 | 41,750 | 17,056 |
| | ECOWAS Brown Card | 4,354 | 2,603 | 4,354 | 2,603 |
| | Electricity expenses | 27,506 | 29,206 | 27,506 | 29,206 |
| | Exchange loss | - | 22,134 | - | 22,134 |
| | Filing Fees | 23,470 | 1,000 | 23,470 | 1,000 |
| | Fine & penalty | 232 | 850 | 232 | 850 |
| | Generator Expenses | 219,597 | 188,030 | 219,597 | 188,030 |
| | Hotel expenses | 30,476 | 77,245 | 30,476 | 77,195 |
| | Insurance Expenses | 107,629 | 80,604 | 107,629 | 80,604 |
| | Impairment provision on claim recoverable (Note 6.4) | 51,737 | - | 51,737 | - |
| | Impairment provision on Co-assurance (Note 6.5) | 155,278 | - | 155,278 | - |
| | Motor running expenses | 12,787 | 22,428 | 12,717 | 22,390 |
| | Motor Repair & Maintenance | 35,453 | 45,324 | 35,131 | 44,833 |
| | Nigerian Insurers Association Levy | 8,543 | 8,341 | 8,543 | 8,341 |
| | Office General Expenses | 67,878 | 308,740 | 67,859 | 307,707 |
| | Other Tax Expenses | - | - | - | - |
| | Withholding tax written off | 118,555 | 1,217 | 118,555 | - |
| | Postages & telephone | 14,586 | 10,960 | 14,586 | 10,932 |
| | Rent, rates and other expenses (Note 8(a)) | 30,823 | 27,724 | 30,823 | 27,724 |
| | Repair & Maintenance | 22,650 | 38,568 | 22,650 | 38,568 |
| | Other Expenses | 14,586 | 15,250 | 380 | 12,170 |
| | | **1,325,168** | **1,395,574** | **1,310,002** | **1,389,193** |

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| (c) | **Expected credit loss expense** | N'000 | N'000 | N'000 | N'000 |
| | Allowance for credit losses - Cash (Note 3(c)) | (22,281) | 15,274 | (22,281) | 15,274 |
| | Allowance for credit losses - Fixed deposits and treasury bills (Note 4.3(d)) | 12,186 | 2,874 | 12,186 | 2,874 |
| | Allowance for credit losses - Bonds (Note 4.3(a)) | 39,936 | 68 | 39,936 | 68 |
| | | 29,841 | 18,216 | 29,841 | 18,216 |
| | | Stage 1 | Stage 2 | Stage 3 | Total |
| | Cash and cash equivalents | (22,281) | - | - | (22,281) |
| | Financial Assets measured at amortised costs | 12,186 | - | - | 12,186 |
| | Financial Assets measured at amortised costs | 39,936 | - | - | 39,936 |
| | | **29,841** | **-** | **-** | **29,841** |

| | | | | | |
|---|---|---|---|---|---|
| 38 | **(Loss)/profit on disposal of Property, Plant and Equipment** | | | | |
| | | N'000 | N'000 | N'000 | N'000 |
| | Cost (Note 14(b)) | (891,177) | (84,883) | (891,177) | (84,883) |
| | Accumulated depreciation (Note 14(b)) | 870,008 | 84,883 | 870,008 | 84,883 |
| | Carrying amount | (21,169) | - | (21,169) | - |
| | Sale proceeds | 4,339 | 872 | 4,339 | 872 |
| | | **(16,830)** | **872** | **(16,830)** | **872** |

| | | | | | |
|---|---|---|---|---|---|
| 39 | **Supplementary profit and loss information** | N'000 | N'000 | N'000 | N'000 |
| (a) | Profit before taxation is arrived at after charging: | | | | |
| | Depreciation (Note 14) | 244,816 | 391,735 | 243,715 | 390,636 |
| | Amortisation (Note 13) | 1,215 | 5,180 | 1,215 | 817 |
| | Auditors' fees (Note 37) | 10,200 | 10,000 | 9,000 | 9,000 |
| | Exchange loss realised (Note 37(b)) | - | 22,134 | - | 22,134 |
| | Directors' emoluments (Note 37) | 103,993 | 104,400 | 103,993 | 104,400 |
| | | N'000 | N'000 | N'000 | N'000 |
| | **and after crediting:** | | | | |
| | (Loss)/profit on disposal of property, plant and equipment (Note 38) | (16,830) | 872 | (16,830) | 872 |
| | **Gain on investment properties (Note 35)** | **24,709** | **181** | **24,709** | **181** |

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

**(b)** BDO Professional Services was appointed to carry out only the statutory audit of the financial statements of the Company.

**(c)** Staff Costs

| The average number of persons employed (excluding Directors ) in the financial year and staff costs were as follows: | Number | Number | Number | Number |
|---|---|---|---|---|
| Managerial | 12 | 15 | 11 | 14 |
| Senior | 173 | 180 | 172 | 179 |
| Junior | 21 | 21 | 19 | 21 |
| | **206** | **216** | **202** | **214** |

**(d)** **Employees Remunerated at Higher Rates**

The number of employees in receipt of emoluments excluding allowance and pension within the following ranges were:

| N - N | Number | Number | Number | Number |
|---|---|---|---|---|
| 60,001 - 500,000 | - | 40 | - | 40 |
| 500,001 - 1,000,000 | - | 113 | - | 113 |
| 1,000,001 - 1,500,000 | 9 | 36 | 7 | 35 |
| 1,500,001 - 2,000,000 | 4 | 4 | 4 | 4 |
| 2,000,001 - 2,500,000 | 46 | 11 | 46 | 10 |
| 2,500,001 - 3,000,000 | 33 | 6 | 32 | 6 |
| 3,000,001 - Above | 114 | 6 | 113 | 6 |
| | **206** | **216** | **202** | **214** |

**(e)** **Chairman's and Directors' Emoluments**

i

| Aggregate emoluments of the directors were: | N'000 | N'000 | N'000 | N'000 |
|---|---|---|---|---|
| **Fees** | | | | |
| Chairman | 6,000 | 4,400 | 6,000 | 4,400 |
| Other Directors | 28,000 | 23,100 | 28,000 | 23,100 |
| | **34,000** | **27,500** | **34,000** | **27,500** |
| Emoluments as Executives | 82,000 | 76,900 | 82,000 | 76,900 |
| | **116,000** | **104,400** | **116,000** | **104,400** |

ii The number of Directors excluding the Chairman whose emoluments were within the following ranges were:

| N - N | Number | Number | Number | Number |
|---|---|---|---|---|
| 2,000,000 - 4,000,000 | 6 | 6 | 6 | 6 |
| 4,000,001 - 6,000,000 | - | - | - | - |
| 6,000,001 - 8,000,000 | - | - | - | - |
| 8,000,001 and Above | 4 | 4 | 4 | 4 |
| | **10** | **10** | **10** | **10** |

The Highest paid Director earned N38,000,000 in 2020 (2019:N36,900,000)

# Notes To The Financial Statements
## For the Year ended 31 December, 2020

40 **Basic/Diluted earnings per ordinary share**

Basic/Diluted earnings per share is calculated by dividing the results attributable to shareholders by the weighted average number of ordinary shares in issue and ranking for dividend.

| | Group | | Parent | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | N'000 | N'000 | N'000 | N'000 |
| **Net profit attributable to ordinary share-holders for basic and diluted EPS** | 5,084,652 | 2,395,366 | 5,075,395 | 2,378,054 |
| **Weighted average number of ordinary shares for EPS** | 5,280,503 | 5,280,503 | 5,280,503 | 5,280,503 |
| **Basic Earnings Per Share (kobo)** | 0.96 | 0.45 | 0.96 | 0.45 |
| **Diluted Basic Earnings Per Share (kobo)** | 0.96 | 0.45 | 0.96 | 0.45 |

(a) There have been no other transaction involving ordinary shares or potential ordinary shares between the reporting date and date of completion of these financial statements.

41 **Related party disclosures**

(a) **Parent**

Related parties include the Board of Directors, the Group Managing Director, Group Finance Director, Managing Director, close family members and Companies which are controlled by these individuals

(b) **Subsidiary**

During the year, the Company conducted transactions with its related Company and also with its subsidiary Company, Details of amount due from and to these related parties are as disclosed in Notes 9, 10 and 17(c)) to the financial statements. Lease financing transactions with related parties were carried out in the ordinary course of business and were on an arm's length basis. Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

| | N'000 | N'000 | N'000 | N'000 |
|---|---|---|---|---|
| Due to NEM Assets Management Limited | - | - | 2,731 | - |
| Investment in Subsidiary | - | - | 100,000 | 50,000 |
| **Investment in Associate** | 412,741 | 435,165 | 412,741 | 435,165 |

(c) **Transactions with key management personnel**

The Company's key management personnel and persons connected with them are also considered to be related parties for disclossure purposes. The definition of key management includes close members of family and entity over which control can be exercised. The key management personnel have been identified as the executive directors of the Company. Close members of family are those members who may be expected to influence or be influenced by that individual in their dealings with Nem Insurance Plc.

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

| | Cash flow from Operating activities | Group | | Parent | |
|---|---|---|---|---|---|
| (d) | **Short term Benefits (Board of Directors)** | 2020 | 2019 | 2020 | 2019 |
| | Fees: | N'000 | N'000 | N'000 | N'000 |
| | Chairman | 6,000 | 4,400 | 6,000 | 4,400 |
| | **Other Directors** | 28,000 | 23,100 | 28,000 | 23,100 |
| | | 34,000 | 27,500 | 34,000 | 27,500 |
| | Other Emoluments: | | | | |
| | Other Directors | 82,000 | 76,900 | 82,000 | 76,900 |
| | | 116,000 | 104,400 | 116,000 | 104,400 |
| | **Short term Benefits (Management Team)** | 231,607 | 223,102 | 225,651 | 217,771 |
| | Salaries and Allowances: | | | | |
| | **Post Employment Benefits (Management Team)** | | | | |
| | Pension | 20,698 | 19,977 | 20,093 | 19,465 |
| | Total Benefits to Key Personnel | 116,000 | 347,479 | 116,000 | 341,636 |

| 42 | Cash flow from Operating activities | | Group | | Parent | |
|---|---|---|---|---|---|---|
| | | | 2020 | 2019 | 2020 | 2019 |
| | | Notes | N'000 | N'000 | N'000 | N'000 |
| | Operating profit before tax | | 5,129,813 | 1,919,754 | 5,117,635 | 1,897,942 |
| | **Adjustment for non-operating items:** | | | | | |
| | Depreciation - Property, plant & equipment | 14 | 244,816 | 391,735 | 243,715 | 390,636 |
| | Amortisation - Intangible assets | | 1,215 | 5,180 | 1,215 | 817 |
| | Reclassification of deposit for shares | | - | - | (50,000) | - |
| | Loss/(profit) on disposal of property and equipment | | 16,830 | (872) | 16,830 | (872) |
| | Share of Profit in Associate | 9 | 22,424 | (21,413) | 22,424 | (21,413) |
| | Fair value gain on investment properties | 11 | (24,709) | (181) | (24,709) | (181) |
| | Fair value gain on quoted investment | 4 | (1,058,421) | (170,782) | (1,093,983) | (170,782) |
| | Gain on FVTPL | | - | (5,037) | - | (5,037) |
| | Information Technology Development Levy | | 51,176 | 18,979 | 51,176 | 18,979 |
| | Allowance for credit losses | | 29,841 | 18,216 | 52,122 | 18,216 |
| | Service & Interest cost on retirement benefit | 37(a) | 9,933 | 11,446 | 9,933 | 11,446 |
| | Investment Income | 34 | (1,004,344) | (878,186) | (1,004,344) | (878,186) |
| | Cash flow changes before changes in working capital | | 3,418,574 | 1,288,839 | 3,342,014 | 1,261,565 |

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | **Changes in operating assets and liabilities** | N'000 | N'000 | N'000 | N'000 |
| | (Increase)/decrease in Trade receivables | (20,656) | 72,225 | (20,656) | 72,225 |
| | Decrease/(increase) in Reinsurance assets | 418,023 | (716,303) | 418,023 | (716,303) |
| | Increase in Deferred acquisition cost | (1,030,597) | (154,483) | (1,030,597) | (154,483) |
| | Decrease in Other receivables and prepayments | 212,648 | 26,484 | 252,391 | 54,753 |
| | Increase in Insurance contract liabilities | 765,789 | 1,860,713 | 779,070 | 1,860,713 |
| | Increase/(decrease) in Trade payables | 287,281 | (20,977) | 287,281 | (20,977) |
| | (Decrease)/increase in Other payables | 333,416 | 138,852 | 336,320 | 135,065 |
| | **Net cash inflow from operating activities** | **4,384,478** | **2,495,350** | **4,363,846** | **2,492,558** |
| | Gratuity benefit to employees (Note 18) | (52,916) | (27,895) | (52,916) | (27,895) |
| | Tax paid | (211,305) | (156,622) | (209,449) | (156,084) |
| | | **4,120,257** | **2,310,833** | **4,101,481** | **2,308,579** |
| | | | | | |
| (a) | **Premium received from policy holders** | N'000 | N'000 | N'000 | N'000 |
| | Trade receivable at the beginning | 207,484 | 279,709 | 207,484 | 279,709 |
| | Gross premium written | 22,035,695 | 19,759,872 | 22,035,695 | 19,759,872 |
| | Trade receivable at the end | (228,140) | (207,484) | (228,140) | (207,484) |
| | Deposit premium | (272,636) | (302,760) | (272,636) | (302,760) |
| | | **21,742,403** | **19,529,337** | **21,742,403** | **19,529,337** |

### 43 Capital Commitments

There were no material capital commitments at 31 December 2020 (2019 Nil).

### 44 Contingent liabilities

There were contingent liabilities in respect of legal actions against the Company, the monetary amount of which cannot be quantified. No provision has been made in these financial statements in respect of the legal actions as the directors, having taken legal advice, do not believe any material liability will eventually be borne by the Company.

### 45 Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in the presentation of the current year financial statements.

**46 Legal proceedings and regulations**

**(a)** Legal Proceedings

The Company operates in the insurance industry and is subject to legal proceeding in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

**(b)** Regulations

The Company is also subject to insurance solvency regulations in all the territories where it operates and has complied with all these solvency regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

**(c)** The directors are of the opinion that the Company will not incur any significant loss with respect to these claims and accordingly, no provision has been made in these Consolidated Financial Statements.

**47 Events after the reporting period**

The directors are not aware of any events which occurred since 31 December 2020 which may have material effect on the financial statements at that date or which may need to be mentioned in the financial statements in order not to make them misleading as to the operations or financial position at 31 December 2020.

In compliance with the requirements of the Financial Reporting Council of Nigeria (FRC) and the Institute of Chartered Accountants of Nigeria (ICAN) in respect of COVID-19, the directors have assessed its impact on the financial statements as a whole and are of the opinion that it has no material effect.

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

### 48 Segment reporting

For management purposes, the Company is organised into business units based on their products and services and reportable operating segments as follows:

Segments Report – Underwriting Result per class of business

| Group | MOTOR | MARINE | FIRE | GENERAL ACCIDENT | OIL & GAS | AGRICULTURE | 2020 | 2019 |
|---|---|---|---|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Direct Business Premium | 6,908,099 | 2,196,887 | 4,630,064 | 4,478,009 | 3,560,975 | 2,425 | 21,776,459 | 19,510,665 |
| Reinsurance Inward | 27,840 | 1,867 | 99,551 | 128,038 | 533 | 1,407 | 259,236 | 249,207 |
| Gross Premium written | 6,935,939 | 2,198,754 | 4,729,615 | 4,606,047 | 3,561,508 | 3,832 | 22,035,695 | 19,759,872 |
| Increase in Unexpired Risk | (179,652) | (76,020) | (28,419) | 189,026 | (255,415) | (3,026) | (353,506) | (500,331) |
| Gross Premium Earned | 6,756,287 | 2,122,734 | 4,701,196 | 4,795,073 | 3,306,093 | 806 | 21,682,189 | 19,259,541 |
| Reinsurance Cost | (8,475) | (915,638) | (2,178,766) | (1,438,857) | (1,277,695) | - | (5,819,431) | (6,642,001) |
| Net Premium Earned | 6,747,812 | 1,207,096 | 2,522,430 | 3,356,216 | 2,028,398 | 806 | 15,862,758 | 12,617,540 |
| Commission Received | 123,324 | 182,158 | 513,045 | 313,064 | (3) | - | 1,131,588 | 1,174,234 |
| | **6,871,136** | **1,389,254** | **3,035,475** | **3,669,280** | **2,028,395** | **806** | **16,994,346** | **13,791,774** |
| Direct Claim Paid | (3,615,747) | (428,235) | (2,769,468) | (1,057,175) | (613,732) | | (8,484,357) | (7,374,491) |
| Increase in Outstanding Claims & IBNR | (240,766) | (243,845) | (767,044) | 244,007 | 582,245 | (161) | (425,564) | (1,373,663) |
| Gross Claim Incurred | (3,856,513) | (672,080) | (3,536,512) | (813,168) | (31,487) | (161) | (8,909,921) | (8,748,154) |
| Claim recoveries | (223,204) | (64,273) | 1,015,842 | 99,221 | (335,869) | | 491,717 | 1,418,213 |
| Reinsurance Recoveries | 73,158 | 502,785 | 1,350,538 | 967,385 | (530,131) | | 2,363,735 | 3,392,622 |
| Net Claim Expense | (4,006,559) | (233,568) | (1,170,132) | 253,438 | (897,487) | (161) | (6,054,469) | (3,937,319) |
| Acquisition Cost | (523,830) | (332,930) | (705,003) | (656,522) | (169,053) | - | (2,387,338) | (2,953,408) |
| Underwriting Expenses | (823,167) | (257,240) | (540,203) | (540,203) | (411,583) | | (2,572,396) | (2,552,350) |
| Total Deduction | (5,353,556) | (823,738) | (2,415,338) | (943,287) | (1,478,123) | (161) | (11,014,203) | (9,443,077) |
| **Underwriting Profit** | **1,517,580** | **565,516** | **620,137** | **2,725,993** | **550,272** | **645** | **5,980,143** | **4,348,697** |

### 49 Claim Development Table

Extracts from EY Nigeria Limited Valuation Report

### 49.1 Data Reconciliation

As part of our verification process, we have reconciled the gross written premium and the claims paid in the technical data, with the figures indicated in the financial accounts. We illustrate both set of figures below.

(a) Claims Data

| | Gross Claims Paid Data | Gross Claims Paid Account | Precentage Difference |
|---|---|---|---|
| Class of Business | N'000 | N'000 | N'000 |
| General Accident | 1,057,175 | 1,057,175 | 0% |
| Fire | 2,769,468 | 2,769,468 | 0% |
| Marine | 428,235 | 428,235 | 0% |
| Motor | 3,615,747 | 3,615,747 | 0% |
| Oil and Gas | 613,732 | 613,732 | 0% |
| **Total** | **8,484,357** | **8,484,357** | **0%** |

# Notes To The **Financial Statements**

**For the Year ended 31 December, 2020**

Whilst we are investigating the cause of the difference above, we are of the view that they will not materially impact the reserve figures advised.

(b) **Premium Data**

| **Class of Business** | **Gross Premium Written Data** N'000 | **Gross Premium Written Account** N'000 | **Precentage Difference** N'000 |
|---|---|---|---|
| General Accident | 4,606,047 | 4,606,047 | 0% |
| Fire | 4,729,615 | 4,729,615 | 0% |
| Marine | 2,198,754 | 2,198,754 | 0% |
| Motor | 6,935,939 | 6,935,939 | 0% |
| Oil and Gas | 3,561,508 | 3,561,508 | 0% |
| Agriculture | 3,832 | 3,832 | 0% |
| **Total** | **22,035,695** | **22,035,695** | **0%** |

(c) **Comments on Claims Data**

The claims data was divided into five risk groups - (Marine, Motor, Fire, General Accident and Oil & Gas) in accordance with the Nigerian Insurance Act CAP I17, LFN 2004.

To enhance data credibility, we have not subdivided the claims data into sub risk group e.g. comprehensive, third party, private and commercial vehicles.

(d) **Business Trend**

We illustrate in the table below that the overall Gross Written Premium slightly increased by 10% between the calendar years 2019 and 2020 with increases in all sectors.

| **Class of Business** | **Gross Premium Written Data 2020** N'000 | **Gross Premium Written Data 2019** N'000 | **Precentage Difference** N'000 |
|---|---|---|---|
| General Accident | 4,606,047 | 4,019,277 | 15% |
| Fire | 4,729,614 | 4,858,297 | -3% |
| Marine | 2,198,755 | 2,169,566 | 1% |

# Notes To The **Financial Statements**

## For the Year ended 31 December, 2020

| | | | |
|---|---|---|---|
| Motor | 6,935,939 | 5,780,686 | 20% |
| Oil and Gas | 3,561,508 | 2,932,047 | 21% |
| Agriculture | 3,832 | - | 0% |
| **Total** | **22,035,695** | **19,759,873** | **12%** |

49.2 **Valuation Methodology**

We describe in this section the methods used for calculating Premium and Claim Reserve.

(a) **Premium Reserves**

i Our reserves consist of Unearned Premium Reserve (“UPR”), Unexpired Risk Reserve (“URR”) and Additional Unexpired Risk Reserve (“AURR”), which are all described in section 3.

ii We used the 365th ( time apportionment) method each policy's unexpired insurance period UP as the exact number of days of insurance cover available after the valuation date and estimate the UPR as the premium *(UP)/ policy duration.

iii Each policy's URR= UP* Assumed Loss Ratio. Typically, the Unearned Premium Reserve is expected to cover the unexpired risk. Where the unexpired risk exceeds the unearned premium we have held, an additional reserve called Additional Unexpired Risk Reserve (AURR) as described in section 3.

(b) **Claims Reserves**

The claim reserves comprise of:

i Outstanding Claims Reported (OCR)

ii Incurred But Not Reported (IBNR)

The Gross Claim Reserve is the sum of the OCR and the IBNR.

The OCR is obtained from the annual financial statements and is the figure reported by the Loss Claim Adjusters.

In estimating the Gross Claim Reserves, we used four (4) approaches namely:

i Basic Chain Ladder Method (BCL)

ii Inflation Adjusted Basic Chain Ladder Method (IABCL)

iii Boot Strap simulation (Stochastic approach)

iv Discounted Basic Chain Ladder and Inflation Adjusted Basic Chain Ladder

However, based on the risk nature and claims distribution, we have as our reserve estimate recommended the Discounted IABCL Method.

# Notes To The **Financial Statements**

For the Year ended 31 December, 2020

49.3 **Valuation Results**

(a) **Inflation Adjusted Chain Ladder Method - Result table**

Discounted Inflation Adjusted Basic Chain Ladder Method - Discounted

| **Class of Business** | **Gross Outstanding Claims** | **Estimated Reinsurance Recoveries** | **Net Outstanding Claims** |
|---|---|---|---|
| | **N'000** | **N'000** | **N’000** |
| General Accident | 1,068,318 | (700,175) | 368,143 |
| Fire | 1,932,086 | (1,016,277) | 915,809 |
| Marine | 524,168 | (192,411) | 331,757 |
| Motor | 1,064,013 | (307,337) | 756,676 |
| Oil and Gas* | 191,116 | (37,514) | 153,602 |
| Agriculture | 161 | - | 161 |
| **Total** | **4,779,862** | **(2,253,714)** | **2,526,148** |
| Accounts (Outstanding Claims) | 2,860,898 | (1,573,438) | 1,287,460 |
| **Difference** | **1,918,964** | **(680,276)** | **1,238,688** |

* Estimated using Expected loss ratio method and discounted

(b) **Incurred But Not Reported (IBNR) Table**

| **Class of Business** | **Outstanding Claim Reserves** | **Outstanding Reported Claim Reserves** | **Gross IBNR** |
|---|---|---|---|
| | **N'000** | **N'000** | **N’000** |
| General Accident | 1,068,318 | 493,373 | 574,945 |
| Fire | 1,932,086 | 1,402,243 | 529,843 |
| Marine | 524,168 | 235,291 | 288,877 |
| Motor | 1,064,013 | 680,684 | 383,329 |
| Oil and Gas | 191,116 | 49,307 | 141,809 |
| Agriculture | 161 | - | 161 |
| **Total** | **4,779,862** | **2,860,898** | **1,918,964** |

# Notes To The **Financial Statements**
## For the Year ended 31 December, 2020

(c) **Reinsurance IBNR table**

| | Total Outstanding Reinsurance Recoveries | Outstanding Reported Reinsurance Recoveries | Reinsurance IBNR |
|---|---|---|---|
| | N'000 | N'000 | N'000 |
| General Accident | 700,175 | 364,297 | 335,878 |
| Fire | 1,016,277 | 938,632 | 77,645 |
| Marine | 192,411 | 50,817 | 141,594 |
| Motor | 307,337 | 213,726 | 93,611 |
| Oil and Gas | 37,514 | 5,966 | 31,548 |
| **Total** | **2,253,714** | **1,573,438** | **680,276** |

(d) **UPR (Gross and Reinsurance UPR) - Result table**

| | Gross UPR | Reinsurance UPR | Net UPR |
|---|---|---|---|
| **Class of Business** | N'000 | N'000 | N'000 |
| General Accident | 934,063 | (347,809) | 586,254 |
| Fire | 1,113,269 | (505,516) | 607,753 |
| Marine | 448,512 | (241,817) | 206,695 |
| Motor | 1,922,019 | (2,005) | 1,920,014 |
| Oil and Gas | 579,183 | (396,357) | 182,826 |
| Agriculture | 3,027 | - | 3,027 |
| **Total** | **5,000,073** | **(1,493,504)** | **3,506,569** |

(e) **Additional Unexpired Risk Reserve (AURR)**

We derived our expense ratio as the average of the management expense ratio for the last three years using the information provided by NEM Insurance Plc. The average expense ratio was calculated to be about 23%.

| Class of Business | Claims Ratio | Combined Ratio |
|---|---|---|
| General Accident | 29% | 52% |
| Fire | 43% | 65% |
| Marine | 23% | 45% |
| Motor | 48% | 70% |
| Oil and Gas | 36% | 59% |
| Agriculture | 7% | 29% |

# Notes To The **Financial Statements**

**For the Year ended 31 December, 2020**

**49.4 Conclusion**

We are adopting the reserves from the Inflation Adjusted Discounted Chain Ladder method in this report. This method as indicated earlier

i - anticipates that total claim payments may be exposed to future inflationary pressures

ii - recognises that reserves should represent the present value of future claim payments

**Technical Reserves**

We are reporting Gross Reserves of N9.07 billion and Reinsurance Assets of N3.66 billion as shown in the table below. Our estimates meet the Liability Adequacy Test.

| **Reserves** | **Gross** | **Reinsurance Assets** | **Net** |
|---|---|---|---|
| | **N'000** | **N'000** | **N'000** |
| Claims | 4,779,862 | (2,253,714) | 2,526,148 |
| UPR | 5,000,073 | (1,493,504) | 3,506,569 |
| Total | 9,779,935 | (3,747,218) | 6,032,717 |

**50 Financial Risk Management Policy**

Management of financial and insurance risk

NEM Insurance Plc issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Company manages them.

**(a) Insurance risk**

The risk, under any insurance contract, is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Company manages its insurance risk by means of established internal procedures that include underwriting authority levels, pricing policy, approved reinsurers list and monitoring.

NEM is exposed to underwriting risk through the insurance contracts that are underwritten. The risks within the underwriting risk category are associated with both the perils covered by the specific lines of insurance including General Accident, Motor, Fire, Marine and Aviation, Oil and Gas and Miscellaneous insurance, as well as the specific processes associated with the conduct of the insurance business. The various subsets of underwriting risks are listed below;

i Underwriting Process Risk: risk from exposure to financial losses related to the selection and acceptance of risks to be insured.

ii Mispricing Risk: risk that insurance premiums will be too low to cover the Company's expenses related to underwriting, claims, claims handling and administration.

Individual risk: This includes the identification of the risk inherent in an insured property (movable or unmovable), we shall ensure surveys are performed and reviewed as at when due and that risks are adequately priced.

Claims Risk (for each peril): Risk that many more claims occur than expected or that some claims that occur are much larger than expected claims resulting in unexpected losses to the Company. The underwriting risk assessment shall also determine the likelihood of a claim arising from an insured risk by considering various factors and probabilities, determined by information obtained from the insured party, historical information on similar risks and available external data.

Concentration risk (including geographical risk): This includes identification of the concentration of risks insured by NEM. NEM utilizes data analysis, software and market knowledge to determine the concentration of its risks by insurance class, geographic location, exposure to a client or business. The assessment of the concentration risk is consistent with the overall risk appetite as established by the Company.

**Underwriting Risk Appetite**

- The following statements amongst others shall underpin NEM's underwriting risk appetite:
- We do not underwrite risks we do not understand;
- We are cautious in underwriting unquantifiable risks;
- We are extremely cautious in underwriting risk observed to poorly managed at proposal state e.g. those with low safety standards, shoddy construction or businesses with excessively high risk profile;
- We carefully evaluate businesses or opportunities that could create systemic risk exposures i.e. incidents of multiple claims occurring from one event e.g. natural catastrophe risks, and risks dependent on the macro-economic environment);
- We consider all applicable regulatory guidelines while carrying out our underwriting activities;
- We established and adhere to internal standards for co-insurance, reinsurance transactions;
  We exercise extreme caution when underwriting discrete (one-off) risks, particularly where we do not have the requisite experience or know-how;
- Where the broker has inadequate knowledge of the trade of the client or the class of business, we exercise caution in taking on such risks into our books;
- We exercise extreme prudence and caution when dealing with clients with financial difficulties or poor payment records; and with transient clients who change insurers regularly; and
- We ensure compliance with NAICOM's guideline on KYC for consistency.

**Underwriting Strategy**

The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Any risks exceeding the underwriting limits require head office approval. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

# Notes To The **Financial Statements**
For the Year ended 31 December, 2020

**Products and Services**

NEM Insurance Plc is presently operating as a non-life insurance company and we have a wide range of insurance products and services that are tailored to meet the specific needs of the company's clients. Insurance contracts are issued on an annual contract either directly to the customer or through accredited insurance brokers and agents. Premiums from brokers and agents are payable within 30 days, whereas from direct customers immediately. The following is a broad spectrum of the products and services the company is offering:

**Fire/Extraneous Perils Policy**

"This type of policy will provide indemnity to the insured in the event of loss or damage to property covered under it as a direct result of fire outbreak, lightning or explosion. Other extraneous perils such as social disturbances like strike and riot, and natural disasters like storm damage, flood and earthquake can also be covered by an extension of the standard scope of the cover. The items to be insured are usually made up of the following:"

a) Buildings
b) Office Furniture, Electrical & Electronic Equipment
c) Plant and Machinery
d) Stock of Raw Materials and finished goods
e) Loss of Annual Rent for alternative accommodation.

The policy also contains various other extensions that are granted at no extra cost to the policyholder. The replacement cost of the items to be insured will have to be supplied to us for assessment to facilitate quotation of the premium payable.

**Consequential Loss Policy**

This type of policy, often referred to as "business interruption insurance" is designed to indemnify the insured against loss of productive capacity or future earning power which may occur as a result of loss or damage to the premises and property insured under the Fire/Extraneous Perils in 1 above. This policy is normally taken out in conjunction with the Fire Policy so that when the latter pays for the material damage to property insured under it, this will pick up the intangible loss that will flow from the primary loss of the Fire perils. The items usually covered under this policy are as follows:
a)Gross Profit
b)Salary and Wages
c)Auditor's fees

The sum insured to be indicated against the items of Gross Profit should represent the difference in turnover and the total of standing and variable charges. The sum insured on Salary and Wages will be that which is required to maintain some key staff pending resumption of business while the sum insured on Auditor's Fees will represent charges that any firm of accountants will make in preparing papers for insurance claim.

**Burglary/Housebreaking Policy**

This type of policy is designed to indemnify the insured against loss or damage resulting from theft or attempted theft which is accompanied by actual forcible or violent entry into or out of the premises or any attempt theft. The items usually covered under this policy are similar to those under the Fire/Extraneous Perils policy above with the exception of Buildings and Loss of Rent. The replacement cost of the relative items would have to be supplied to enable us submit our quotation.

**Fidelity Guarantee Policy**

This is a form of policy that protects an organization against loss of money or valuable stock as a result of dishonesty or fraudulent activity of employees. It is possible to grant cover on named basis, positions basis or on a blanket basis. In any of these cases, the number of persons and the limit of guarantee any one loss would be advised as well as aggregate amount of guarantee in a given year. Once we have this information, we would be in a position to quote for premium payable.

**Public Liability Policy**

This policy also covers the insured against legal liability to third party for cost and expenses incurred in respect of accidental death, bodily injury and accidental damage to property occurring within the insured's premises or at work-away premises. The vicarious liability of the insured's employee can also be covered provided it arose in the course of carrying out his official duties. The Company usually require the insured to indicate the limit of cover required to enable her advise the premium payable.

**Money Policy**

This is another type of All Risks policy which is designed to cover any fortuitous event that could result in the loss of cash while in the course of transit either to or from the bank. The cover will also operate while the money is on the premises of the insured and while in a securely locked safe. The policy can also be extended to cover cash in the personal custody of selected management staff.

**Goods in Transit Policy**
This is also an "All Risks" policy covering goods being carried from one location to another. Any loss not specifically excluded under the policy is covered and the insurance is suitable for any organization that is engaged in movement of goods either by road or rail and the cover will operate when the goods are being conveyed by the insured's owned or hired vehicles. Losses arising from Fire and Theft are covered under this policy.

**Group Personal Accident Policy**
This type of policy is designed to foster the welfare of employees as well as reduce the financial constrain that an organization could undergo in the event of death or bodily injury to a member of staff arising as a result of any injury sustained through accidental, violent, external and visible means. The policy provides a world-wide cover on 24 hours basis and benefits payable in respect of Death and Permanent Disability are usually expressed as multiple of salaries. Cover also extends to pay weekly benefit in the event of temporary total disability resulting from bodily injury to the insured person as well as certain allowance for expenses incurred on medical treatment as a result of accidental injury. Death or injuries from natural causes are however not covered.

**Motor Insurance Policy**
This class of insurance is made compulsory by Government through the legislation known as the Motor Vehicle (Third Party) Insurance Act of 1945. Third Party Only cover which is the minimum type of insurance legislated upon provides indemnity to policyholder against legal liability to Third Parties for death, bodily injury and property damage.

The most popular type of cover under this policy is comprehensive insurance which, in addition to the cover provided under the Third Party Only, will also indemnify the policyholder for loss or damage to the vehicle resulting from road accident, fire and theft. The premium payable for the various forms of cover under this policy is regulated by a statistical table of rate known as "tariff" which is approved by Government.

**Marine Policies**
"CARGO: The policy issued here is to provide indemnity for loss or damage to imported goods being conveyed by sea or air. The All Risks type of cover known as Clauses ""A"" provides indemnity to the insured in the event of total or partial loss of the goods while the restricted cover known as Clauses ""C"" would provide indemnity in the event of total loss only. To enable us determine the premium payable in this regard, we would require information on the nature and value of goods being imported as well
as the type of cover required."

# Notes To The **Financial Statements**

For the Year ended 31 December, 2020

HULL: This type of policy is issued on vessels and yachts to provide indemnity for any loss, damage or liability that may arise from their use. The scope of cover provided is either an "all risks" or "total loss only" while the policy usually carries a deductible of about 10% of the value of the vessel or yacht.

**Aviation Policy**
This policy provides comprehensive cover against loss or damage to insured aircraft while operating anywhere in the world. Cover also extends to include the operator's legal liability to Third Parties for death, bodily injury and property damage. Liability to passengers is also covered up to a certain limit selected. In order to ensure full protection for our clients, we reinsure as much as 90% of this type of risk in the London Aviation Market through one of our overseas associates. The essence of this arrangement is to obviate the problem of absorption in the Nigerian Market which has limited capacity for Aviation Insurance and also to afford our clients the opportunity of having a dollar/sterling based insurance policy.

**Machinery Breakdown Policy**
This policy is designed to cover any damage to a plant or equipment while working or at rest, or being dismantled for the purpose of cleaning, repairing or overhauling. In the same vein, boiler and pressure vessels can be covered under a separate but similar policy.

**Electronic Equipment Policy**
"This policy is designed to cover any loss or damage that could result while any computer and or equipment insured is working or at rest. The cover under this policy also extends to include loss or damage to external data media such as diskettes and tapes containing processed information while such are kept within the premises. The increase in cost of working, as a result of damage to the main computer equipment, is also covered and indemnity is provided for alternative means of carrying on operation. With payment of an additional premium, this policy can be extended to cover the risk of theft.

**Energy Risks**
The policies on offer in this area have been specifically developed to take advantage of the insurance opportunities created by the Nigerian Content Policy. The Nigerian content policy is aimed at utilizing Nigerian human and material resources in creating values in the country through all contracts awarded in the Oil and Gas industry and the Power sector of the economy. NEM Insurance Plc has carved a niche as the Leader in provision of Oil & Gas and Energy Insurance in Nigeria.

- Our focus is on the following areas:
- Upstream Risks which includes Construction/Erection All Risks, Operators Extra Expense Insurance, Property Insurance and General Third Party Liability Insurance.
- Downstream Risks which includes the downstream properties (Refineries and Petrochemical plants, Onshore pipelines, Oil tank farm, Gas processing plants, Pumping and Metering stations, Gas turbines and Boilers, Damage to Asset and other related downstream sector risks.
- Power, Solid Mineral and Other special products.

# Notes To The **Financial Statements**

For the Year ended 31 December, 2020

The above products have been packaged for marketing to the public sector as well as various manufacturing, industrial and commercial concerns. Financial institutions such as banks, mortgage and stock broking firms are also being offered these products. Our company is innovative in approach and we specialize in packaging policies in line with the needs of the various segments of the economy. NEM Insurance Plc also provides comprehensive risk management services. The company carries out various risk surveys and make appropriate recommendations towards risk improvement and minimization of loss impacts.

**Approach to Management of Underwriting Risks**

The Company's underwriting risk shall be managed by adhering to policies, principles and guidelines spelt out in the Annual Underwriting Plan.

Where the broker has inadequate knowledge of the trade of the client or the class of business and the client not willing to disclose such information, the Company shall exercise caution in taking on such risks.

The Company shall exercise extreme prudence and caution when dealing with clients with financial difficulties or poor payment records; and with transient clients who change insurers regularly; and The Company shall ensure compliance with the National Insurance Commission's guidelines on "Know Your Customer" (KYC) requirement to get enough information about the transaction.

The company carries out timely pre-loss inspection/survey exercise of risks, preferably before commencement of cover but not later than 48 hours after commencement of risks.

We limit acceptance of risks to a more convenient value/share while spreading excess through co-insurance or facultative basis. We ensure application/introduction/review of policy terms and conditions including clauses/warranties that will deal with areas of concern which will at the end of the day make the risk worthy of being in the company's portfolio.

**Risk Acceptance Rules**

The company shall follow the provisions (terms and conditions) of the reinsurance treaties that were arranged for the classes of insurance that any risk offered for insurance falls under in deciding whether to accept the risk or not. This shall be the case on all cases where the sum insured of the risk is more than the company's retention as contained and evidenced by the treaty cover notes.

For any risk that Reinsurance Treaty could not be arranged for, acceptance of such risks shall be limited to any limit set by the company for such risks at the beginning of each year and shown in the underwriting plan.

**Marine Insurance Risks**

No Marine insurance risk (Hull or Cargo), Marine Cargo or any other special risks of different nature but relating to Marine Insurance e.g. Marine Cargo Insurance export, shall be accepted without clarification from the Heads of Technical, Energy and Branch Operations Departments. The company shall not accept Marine Cargo business in respect of fish head risks whether as import or export. Where it must be covered for any reason, cover shall be limited to ICC "C" and on rate of premium of a minimum of 0.20%.

**Aviation Risks**

No Aviation risk, Marine Hull risk, Marine Cargo export and any other special risks of different nature shall be accepted without clarification from the Heads of Technical, Energy and Branch Operations Departments.

# Notes To The **Financial Statements**
For the Year ended 31 December, 2020

**Approaches to Risk Mitigation**
Generally, we shall apply any of the following four (4) approaches to risk mitigations:

a) **Risk Termination (Avoidance)**
Under the risk termination approach, we will take measures to avoid risks that are outside our risk appetite, not aligned to our strategy or offer rewards that are unattractive when compared to the risk undertaken. Specifically, we will discontinue activities that generate these risks, such as divesting from certain geographical markets, product lines or businesses. Generally, we will utilise these approach for high-risk events that remain unacceptably high even after we have applied controls.

b) **Risk Treatment (Reduction)**
Under the risk treatment approach, we would accept the risks inherent in our transactions, but shall take measures, through our system of internal controls, to reduce the likelihood and/or impact of these risks. Generally, we would utilise this approach for risks that occur frequently and have low impact. Some of the measures we shall take under this approach may include formulating or enhancing policies, defining boundaries and authority limits, assigning accountabilities and measuring performance, improving processes, strengthening existing controls or implementing new controls and continuing education and training.



c) **Risk Transfer (Sharing)**
Under the risk transfer approach, we would accept the risks inherent in our transactions, but shall take measures to transfer whole or portions of the risk to an independent counterparty. Specifically, we shall transfer our risks to an independent counterparty such as co-insurance and reinsurance companies by utilising contracts and arrangements. We will retain accountability for the outsourced risk and that outsourcing does not eliminate risk but only changes our risk profile. The relevant business units shall be responsible for identifying and incorporating the risks arising from such risk transfer arrangements in their risk registers. The business units shall also be responsible for managing the resultant risks and reviewing the risk transfer arrangement to ensure that it is still capable of mitigating the initial risk.

d) **Risk Tolerance (Acceptance)**
Under the risk tolerance approach, we would accept the risks inherent in our transactions and would not take any action to change the likelihood and/or impact of the risks. We shall adopt this approach where the risk is low and the cost of further managing the risk exceeds the potential benefit should the risk crystallize.

e) **Reinsurance Treaty Cover**
We have arranged very adequate reinsurance treaties to enable us accommodate risks with high necessary support in the event of large claims. Our treaties are arranged by UAIB RE and placed with a consortium of reputable reinsurance companies.
The types of re-insurance on NEM Treaty are:
1) Quota share
2) Surplus
3) Excess of loss

1) **Quota share**
This is the simplest type of Re-insurance whereby a Reinsurer agrees to reinsure a fixed proportion of every risk accepted by the ceding Company, sharing proportionately in all losses and receiving in the same proportion of all direct net premium, less the agreed reinsurance commission.

# Notes To The **Financial Statements**

For the Year ended 31 December, 2020

**2) Surplus**

Under this arrangement the ceding Company can retain a risk up to the level of its agreed Retention amount. The proportion of the risk which is beyond the Retention amount is then ceded into the Surplus treaty and reinsurer receives a proportionate share of the premium, less reinsurance commission.

**3) Excess of Loss**

This arrangement protects the ceding Company against a loss where the ceding company's claims liability exceeds its retention.

**Concentration of insurance risk**

The Company monitors concentrations of insurance risk by product and sector. An analysis of concentrations of insurance risk at 31 December 2020 and 2019 for Gross Premiums written is set out below:

| **(a) By product** | **2020** | **2019** |
|---|---|---|
| | **N'000** | **N'000** |
| Motor business | 6,935,939 | 5,743,172 |
| Fire & Property | 4,729,615 | 4,858,296 |
| Marine & Aviation | 2,198,754 | 2,169,566 |
| General Accident | 4,606,047 | 4,056,791 |
| Energy business | 3,561,508 | 2,932,047 |
| Agriculture | 3,832 | - |
| **Total** | **22,035,695** | **19,759,872** |

| (b) By sector | N'000 | N'000 |
|---|---|---|
| Energy | 2,620,044 | 2,349,607 |
| Financial Services | 6,302,209 | 5,643,623 |
| IT/Telecoms & Other Corp. | 5,244,495 | 4,700,508 |
| Manufacturing | 5,663,173 | 5,069,370 |
| Retail | 2,205,774 | 1,996,764 |
| **Total** | **22,035,695** | **19,759,872** |

**51 Financial risk management**

NEM Insurance Plc operates in a highly complex and competitive environment driven by the need to meet all claim obligations, maximize returns to shareholders and comply with all statutory and regulatory requirements. The Company is in the business of managing risks for public and private entities as well as individuals. In the ordinary course of its business activities, the Company is exposed to a variety of financial risks, including currency risk, liquidity risk, credit risk, country risk and market risk as well as operational and compliance risks.

# Notes To The **Financial Statements**

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Risk is the level of exposure to opportunity, threat and uncertainty – that should be identified, understood, measured and effectively managed, in the course of executing the Company's business strategies. In terms of opportunity, we see risk in relation to returns in that the greater the risk, the greater the potential return. We therefore manage risk by using several methods to maximize the positive aspects within the constraints of our risk appetite and business environment.

In terms of threat, we see risk as the potential for the occurrence of negative events such as financial loss, fraud, damage to reputation or public image and loss of competitive advantage. We therefore manage risk in this context by introducing risk management techniques to reduce the probability of these negative events occurring without incurring excessive costs or stifling the initiative, innovation, and entrepreneurial flair of our staff.

In terms of uncertainty, we see risk as the distribution of all possible outcomes both positive and negative. In this context, we manage uncertainty by seeking to reduce the variance between anticipated outcomes and actual results.

Our risk management philosophy and culture consist of our shared beliefs, values, attitudes and practices with respect to how we consider risk in everything we do, from strategy development and implementation to every aspect of our day-to-day activities.

"We shall underwrite all profitable transactions that we consider prudent and meets our risk appetite and profile. We shall take calculated and informed risk while seeking to maximize returns and shareholders' value. We shall continuously evaluate the risk and rewards inherent in our business transactions, from strategy development and implementation to our day-today activities. We believe that to achieve this objective would require a good understanding of the risks we are taking and the effective management of these risks both at the individual and enterprise levels".

We therefore manage and control risk by introducing new risk management techniques, enhancing existing risk management practices and placing a greater emphasis on cooperation among departments to comprehensively manage the Company's full range of risks as a whole. The Company proactively formulates strategies and plans that enable the identification and management of events/factors/occurrences that impact our ability to attain our business and strategic objectives.

**(a) Risk Management Strategy**

The Company adopts the following strategy for managing risks:

i. Establish a clearly defined risk management process for identifying, measuring, controlling, monitoring and reporting risks.
ii. Entrench and incorporate risk management principles in all functions across the Company
iii. Comprehensive implementation and maintenance of our risk management framework
iv. Ensure good corporate governance practices
v. Board and senior management support to promote sound risk management
vi. Zero tolerance for non-compliance with risk and control procedures
vii. Avoid concentration of risk to any industry, market, sector or individual entity.
viii. Deployed a risk management systems to facilitate the effective management of risks

# Notes To The **Financial Statements**

For the Year ended 31 December, 2020

**Short-term insurance contracts**

For short-term insurance contracts, the Company funds the insurance liabilities with a portfolio of equity and debt securities exposed to market risk. The following tables indicate the contractual timing of cash flows arising from assets and liabilities included in the Company's ALM framework for management of short-term insurance contracts.

| At 31 December 2020 | Carrying amount N'000 | No stated maturity | 0 - 90 days | 91 - 180 days | 181 - 365 days | 1 - 2 years | > 2 years |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Cash & bank balances | 1,820,377 | - | 1,820,377 | - | - | - | - |
| Short Term Deposits | 5,508,294 | - | 3,497,088 | - | - | - | - |
| Trade receivables | 228,140 | - | 228,140 | - | - | - | - |
| Other Receivables | 374,862 | - | 162,291 | 3,200 | 209,371 | - | - |
| Amortised Cost Assets | 6,105,529 | - | - | 2,628,533 | - | - | 3,476,996 |
| Equity securities | | | | | | | |
| Financial Assets -FVTPL | 4,479,121 | 4,479,121 | - | - | - | - | - |
| Financial Assets -FVOCI | 81,318 | 81,318 | - | - | - | - | - |
| | **18,597,641** | **4,560,439** | **5,707,896** | **2,631,733** | **209,371** | - | **3,476,996** |
| **Insurance liabilities** | | | | | | | |
| Insurance Contract liability | 9,779,935 | - | 9,779,935 | - | - | - | - |
| Reinsurance Assets | (5,107,870) | - | (5,107,870) | - | - | - | - |
| | 4,672,065 | - | 4,672,065 | - | - | - | - |

| At 31 December 2019 | Carrying amount N'000 | No stated maturity | 0 - 90 days | 91 - 180 days | 181 - 365 days | 1 - 2 years | > 2 years |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Cash & bank balances | 1,153,558 | - | 1,153,558 | - | - | - | - |
| Short Term Deposits | 6,965,866 | - | 2,264,490 | - | - | - | - |
| Trade receivables | 207,484 | - | 207,484 | - | - | - | - |
| Other Receivables | 627,253 | - | 285,113 | 88,514 | 253,626 | - | - |
| Amortised Cost Assets | 2,130,855 | - | - | 1,905,471 | - | - | 225,384 |
| Equity securities | | | | | | | |
| Financial Assets -FVTPL | 2,485,564 | 2,485,564 | - | - | - | - | - |
| Financial Assets -FVOCI | 70,028 | 70,028 | - | - | - | - | - |
| | **13,640,608** | **2,555,592** | **3,910,645** | **1,993,985** | **253,626** | - | **225,384** |
| **Insurance liabilities** | | | | | | | |
| Insurance Contract liability | 9,000,865 | - | 9,000,865 | - | - | - | - |
| Reinsurance Assets | (5,525,893) | - | (5,525,893) | - | - | - | - |
| | **3,474,972** | - | **3,474,972** | - | - | - | - |

**(b) Sensitivity analysis - interest-rate risk**

The sensitivity analysis below is based on a change in one assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated - for example, change in interest rate and change in market values.

# Notes To The **Financial Statements**

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**Short-term insurance contracts**
For short-term insurance contracts, the Company funds the insurance liabilities with a portfolio of equity and debt securities exposed to market risk. The following tables indicate the contractual timing of cash flows arising from assets and liabilities included in the Company's ALM framework for management of short-term insurance contracts.

| **At 31 December 2020** | **Amount** | **Fixed rate** | **Floating rate** |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 7,326,758 | - | - |
| Trade receivables | 228,140 | - | - |
| Reinsurance Assets | 5,107,870 | - | - |
| Amortised Cost Assets | 6,105,529 | 6,105,529 | - |
| | **18,768,297** | **6,105,529** | - |
| | | | |
| Liabilities | | | |
| Non-life insurance liability | 9,779,935 | - | - |
| Other liabilities | 2,304,124 | - | - |
| Bank Overdraft | - | | - |
| Debt security in issue | - | - | - |
| | **12,084,059** | - | - |

**31 December 2019 (N'000)**

| **Assets** | **Carrying amount** | **Fixed rate** | **Floating rate** |
|---|---|---|---|
| Cash and cash equivalents | 8,095,230 | - | - |
| Trade receivables | 207,484 | - | - |
| Reinsurance Assets | 5,525,893 | - | - |
| Amortised Cost Assets | 2,130,855 | 2,130,855 | - |
| | **15,959,462** | **2,130,855** | - |
| | | | |
| **Liabilities** | | | |
| Non-life insurance liability | 9,000,865 | - | - |
| Other liabilities | 1,680,523 | - | - |
| Bank Overdraft | - | | - |
| Debt security in issue | - | - | - |
| | **10,681,388** | - | - |

The impact on the Company's profit before tax if interest rates on financial instruments held at amortised cost or at fair value had increased or decreased by 100 basis points, with all other variables held constant are considered insignificant. This is due to the short term nature of the majority of the financial assets measured at amortised cost.

**(c) Sensitivity analysis - equity risk**
The sensitivity analysis for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

"Management monitors movements of financial assets and equity price risk movements by assessing the expected changes in the different portfolios due to parallel movements of a 10% increase or decrease in the Nigeria All share index with all other variables held constant and all the Company's equity instruments in that particular index moving proportionally."

As at 31 December 2020, the market value of quoted securities held by the Company is N 4.48 billion (2019: N2.485 billion). If the all share index of the NSE moves by 100 basis points at 31 December 2020, the effect on profit or loss would have been N 44.8 million ( N 24.85 million).

**Credit Risk**
The Company's assets are exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the statement of financial position. The main sources of the Company's incoming cash flows are the amounts of receivables from insured and reinsurers. The Company manages the credit risk arising from such sources by aging and monitoring the receivables. The Company conducts the review of current and non-current receivables on a monthly basis and monitors the progress in the process of collection of the premiums in accordance with the procedure stated in the Company's internal control policy. The non-current receivables are checked and assessed for impairment.

The overdue premiums are considered by the Company on case by case basis. If an overdue premium is recognized by the Company as uncollectible, a notification is sent to the policyholder and the insurance agreement is cancelled from the date of notification. The premium related to the period from the beginning of insurance cover until the date of cancellation of the insurance agreement is considered a bad debt, and further steps right up to legal actions are planned with regard to that bad debt.

Other areas where the Company is exposed to credit risk are:
- amounts due from reinsurers for the insurance risks ceded;
- amounts due from insurance intermediaries.
- amounts due from insured
- amounts of deposits held in banks and correspondent accounts

NEM is exposed to the following categories of credit risk;

Direct Default Risk - risk that NEM will not receive the cash flows or assets to which it is entitled because brokers, clients and other debtors which NEM has a bilateral contract default on their obligations.

"Concentration Risk – is the exposure to losses due to excessive concentration of business activities to individual counterparties, groups of individual counterparties or related entities, counterparties in specific geographical locations, industry sectors, specific products, etc "

Counterparty Risk - the risk that a counterparty is not able or willing to meet its financial obligations to the Company as they fall due.

**(a) Credit Risk Principles**
The following principles underpin the Company's credit risk management policies:

- Individuals who create the credit risk and those who manage the risk clearly understand the nature of the risk;
- The Company's credit risk exposure is within the limits as approved by the Board;
- Credit decisions are clear and explicit and in line with the business strategy and objectives as approved by the Board;
- Credit risk exposures shall be within the defined limits to ensure there is no excessive concentration and that credit control procedures for managing large exposures and related counterparties are adhered to;

# Notes To The **Financial Statements**

For the Year ended 31 December, 2020

- Appropriate classification of credit risk through periodic evaluation of the collectability of risk assets; and
- Adequate loan loss provisioning to ensure that provisions or allowances are made to absorb anticipated losses.
- The expected payoffs more than compensate for the credit risks taken by the Company;
- Credit risk taking decisions are explicit and clear;
- There shall be clear delegated authorization limits for transactions;
- Sufficient capital as a buffer is available to take credit risk;

The Company's credit risk appetite shall be in line with its strategic objectives, available resources and the provisions of NAICOM Operational Guidelines. In setting this appetite/tolerance limits, NEM takes into consideration its corporate solvency level, risk capital and liquidity level , credit ratings, level of investments, reinsurance and coinsurance arrangements, and nature and categories of its clients. In setting the credit limit, a few conditions were put into consideration and these actually assisted in the selection of the brokers that made this list. From the records available for this purpose, the conditions used as yardstick are as follows:

1. Speed of payment;
2. Relationship management;
3. Volume of business and
4. Size of the accounts

From the above conditions, the few Insurance Brokers identified have been categorized into three (3) groups namely A, B and C. Maximum exposure to credit risk before collateral held or other credit enhancements The table below provides information regarding the credit risk exposure of the Company in relation with comparative exposure::

| | Maximum exposure | |
|---|---|---|
| **Maximum exposure to credit risk before collateral held or other credit enhancements:** | **2020 N'000** | **2019 N'000** |
| Cash and cash equivalents | 7,326,758 | 8,095,230 |
| Trade receivables | 228,140 | 207,484 |
| Debt measured at amortised cost | 6,105,529 | 2,130,855 |
| Loans and other receivables | 374,862 | 627,253 |
| **Total assets bearing credit risk** | **14,035,289** | **11,060,822** |

| **Age analysis for past due and impaired** | **Cash and cash equivalents** | **Trade receivables** | **Loans and other receivables** | **Amortised cost** | **Total** |
|---|---|---|---|---|---|
| 31 December 2020 | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** |
| Neither past due nor impaired | 7,326,758 | 228,140 | 374,862 | 6,105,529 | 14,035,289 |
| Past due but not impaired | - | - | - | - | - |
| Impaired | - | - | - | - | - |
| Net | - | - | - | - | - |
| | **7,326,758** | **228,140** | **374,862** | **6,105,529** | **14,035,289** |

**Business Risk Management**
Business risk is managed by Management Underwriting & Investment Committee through consistent monitoring of product lines' profitability, stakeholder engagement to ensure positive outcomes from external factors beyond the Group's control and prompt response to changes in the external environment.

NEM Insurance Plc norms and values set a tone for acceptable behaviours required for all staff members, and provide structure and guidance for non-quantifiable decision making, thereby assisting in the management of the group's reputation.

The Group identifies, assesses and manages reputational risks predominately within its business processes. Management of reputational risks is based on the Group's risk governance framework. In addition, company-wide risks are identified and assessed qualitatively as part of the annual risk & control self-assessment. The Group's risk functions analyses the overall risk profile and regularly informs management about the current profile and potential exposures to the risk. Risk functions' presentation of potential reputational risk guides management decisions in executing business operations and strategies.

The Group has laid great emphasis on effective management of its exposure to credit risk especially premium related debts. The Group defines credit risk as the risk of counterparty's failure to meet its contractual obligations. Credit risk arises from insurance cover granted to parties with payment instruments or payments plan issued by stating or implying the terms of contractual agreement. Credit risk exposure to direct business is low as the Company requires debtors to provide payment plans before inception of insurance policies. The Company's exposure to credit risk arising from brokerage business is relatively moderate and the risk is managed by the Group's internal rating model for brokers. Our credit risk internal rating model is guided by several weighted parameters which determine the categorization of brokers the Group transacts businesses with.

The Group credit risk originates from reinsurance recoverable transactions, retail clients, corporate clients, brokers and agents.

Management of credit risk due to outstanding premium
Credit Rating

We constantly review brokers' contribution to ensure that adequate attention is paid to high premium contributing brokers while others are explored for possible potentials.

Receivables are reviewed and categorized into grade A, B, C and D on the basis of:

a) Previous year contribution
b) Payment mode
c) Outstanding as at December of the previous year
d) Future prospect
e) Recommendation

The Group credit risk is constantly reviewed and approved during the weekly Management Operations meeting. The monthly Group management meeting is responsible for the assessment and continual review of the Company premium debt and direct appropriate actions in respect of delinquent ones. It also ensured that adequate provisions are taken in line with the regulatory guidelines. Other credit risk management includes:

a) Formulating credit policies with strategic business units, underwriters, brokers covering, brokers grading, reporting, assessment, legal procedures and compliance with regulatory and statutory bodies.
b) Identification of credit risk drivers within the Group in order to coordinate and monitor the probability of default that could have an unfortunate impact.
c) Developing and monitoring credit limits. The Group is responsible for setting credit limits through grading in order to categorize risk exposures according to the degree of financial loss and the level of priority expected from management.
d) Assessment of credit risk. All firsthand assessment and review of credit exposures in excess of credit limits, prior to granting insurance cover are subject to review process and approval given during management meeting.
e) Continuous reviewing of compliance and processes in order to maintain credit risk exposure within acceptable parameters.

**In measuring credit risk, the Group considers three models:**
a) The Probability of Default(PD), the likelihood that the insured will fail to make full and timely payment of financial obligations
b)The Exposure at Default (EAD) is derived from the Group's expected value of debt at the time of default
c)The Loss Given Default (LGD) which states the amount of the loss if there is a default, expressed as a percentage of the (EAD).

**Impairment Model**
Premium debtors, which technically falls under receivables is recognized at a fair value and subsequently measured at amortised cost, less provision for impaired receivables. Under IFRS, an asset is impaired if the carrying amount is greater than the recoverable amount. The Group adopts simplified provision matrix for calculating expected losses on premium receivables as a practical expedient in line with IFRS 9. The provision matrix is based on the Group's historical default rates over the expected life of the trade receivables which is adjusted for forward-looking estimates

**Credit quality**
The Group loan and receivables has no collateral as security and other credit enhancements, thus the group has no loan or receivables that are past due but not impaired. Insurance receivables are to be settled on demand and the carrying amount is not significantly different from the fair value.
The Group further manages its exposure to credit risk through deduction of transactions at source and investment in blue-chip companies quoted on Nigerian Stock Exchange. The exposure to credit risk associated with other receivables is low.

**Operational Risk Management**
A summary of the analytical tools that the Group employed in operational risk management are discussed below:

**Issue tracking report/action plan report:**
Issues can surface from the internal self-assessment process, an audit, or regulators requirements. A key result of the self-assessment process is an action plan with assigned responsibilities. This report contains a reap of major issues, the status of the action plan, and an aging of overdue tasks.

Risk control and self-assessment (RCSA): The business areas perform self-assessments semi- annually and results are aggregated to provide a qualitative and quantitative profile of risk across the organization and related action items. Severity of the risks identified is compared with previous RCSA risk severity and a trend is ascertained. The register summarizes findings into list of risks facing the institution. These summary results are accompanied by descriptions of the significant gaps and trends, suggested mitigants, and process owners and timeline for each risk.

The profile of risks across the organization is an integral input for the Group's internal audit whilst preparing audit plans. Areas with high-risk exposures are thoroughly audited and performance of recommended controls tested by the Group's internal control function to ascertain that risks are properly managed.

Risk Maps: Risk maps typically are graphs on which impact of each risk is plotted against probability of occurrence. Risk maps are designed either to show inherent or residual risk categories by line of business. Risks in the upper right are very severe and need to be monitored closely to reduce the Group's exposure. High-frequency/low-severity risks create the basis for expected losses and are often subject to detailed analysis focused on reducing the level of losses.

Key risk indicators dashboard: These are numerous measures of actual risks in the business and support functions, such as error rates and control breaks. Summary indicators, related escalation criteria, explanations of any excesses, and identified trends are all important aspects that are tracked. Many indicators are specific to each business unit or process, but some may be common and reported in a consolidated fashion. Threshold is set by management for each key risk indicators and escalation of indicators above such levels triggers a mitigation response.

Loss events report: The ERM team developed a database for loss event collation named Loss Event Register. This register allows staff to report actual and near-miss (an unplanned event that did not result in injury, illness, or damage – but had the potential to do so) loss events. Summary statistics from the loss event database are used to show trends of total losses and mean average loss, with analysis by type of loss and business line.

Business continuity plan: A critical tool in managing our operational risk is the Business Continuity Plan (BCP) that documents the procedures to be executed by relevant teams in the event of a disaster.

**Liquidity Risk Management**
Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Group mitigates this risk by monitoring cash activities and expected outflows. The Group's current liabilities arise as claims are made and clients request for termination of their investment-linked products. The Group has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claims payments are funded by current operating cash flow including investment income. The Group has no tolerance for liquidity risk and is committed to meeting all liabilities as they fall due.

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

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

# Notes To The **Financial Statements**

For the Year ended 31 December, 2020

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

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

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

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

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

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

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

Details of these statistical parameters/inputs are as follows:
• PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.

1. 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over) the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.

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

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

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

1) Fixed LGD ratios prescribed by the Bank for International Settlements (BIS) under the foundation approach

2) Recovery rates on insolvencies in Nigeria as published by the World bank

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

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

**Multiple forward-looking scenarios**
The Group determines allowance for credit losses using probability-weighted forward looking scenarios.

The Group considers both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Group prepares the scenarios using forecasts generated by credible sources such as Business Monitor International (BMI), International Monetary Fund (IMF), Nigeria Bureau of Statistics (NBS), World Bank, Central Bank of Nigeria (CBN), Financial Markets Dealers Quotation (FMDQ) and Trading Economics.

The Group estimates three scenarios for each risk parameter (LGD, EAD, CCF and PD) – Normal, Upturn and Downturn, which in turn are used in the estimation of the multiple scenario ECLs. The normal case represents the most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

**Assessment of significant increase in credit risk (SICR)**

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

The Group adopts a multi factor approach in assessing changes in credit risk. This approach considers:

Quantitative (primary), Qualitative (secondary) and Back stop indicators which are critical in allocating financial assets into stages.

i Quantitative elements
"The quantitative element is the primary indicator of significant increases in credit risk, with the qualitative element playing a secondary role. The quantitative element is calculated based on the change in lifetime PDs by comparing:
• the remaining lifetime PD as at the reporting date; with
• the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations) "

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

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

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

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

(i) Significant financial difficulty of the borrower or issuer;

(ii) A breach of contract such as a default or past due event;

(iii) It is becoming probable that the issuer will enter bankruptcy or other financial reorganisation; or (iv)The disappearance of an active market for a security because of financial difficulties.

(v)The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

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

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

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

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

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

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

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

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

The Group has assumed that the credit risk of a financial asset has not increased significantly since the initial recognition if the financial asset has low credit risk at reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Group considers this to be Baa3 or higher based on the Moody rating.

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

The Group monitors the effectiveness of the criteria used to identify significant increase in credit risk by regular reviews to confirm that:
- The criteria are capable of identifying significant increase in credit risk before an exposure is in default;
- The criteria do no align with the point in time when the asset becomes 30 days past due;

- The average time between the identification of a significant increase in credit risk and default appears reasonable
- Exposures are not generally transferred from 12- month ECL measurement to credit impaired and

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

**Modified financial assets**
"The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the borrower. An existing financial asset whose terms have been modified may be derecognized and the renegotiated asset recognized as a new financial asset at fair value in accordance with the accounting policies. When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of:
"
- Its risk of default occuring at the reporting date based on the modified term; with

- The risk of default occuring estimated based on Data on initial recognition and the original contractual terms.

**Liquidity Risk**
Liquidity risk is the inability of a Group to meet obligations on a timely basis. It is also the inability of a Group to take advantage of business opportunities and sustain the growth target in its business strategy due to

liquidity constraints or difficulty in obtaining funding at a reasonable cost. Our liquidity risk exposure is strongly related to our credit and investment risk profile. The Group is exposed to daily calls on its available cash resources from claims to be paid.

At 31 December 2020, management does not believe the current maturity profile of the Group lends itself to any material liquidity risk, taking into account the level of cash and deposits and the nature of its securities portfolio at year end, as well as the reinsurance structure of the Group's insurance portfolio. The Group's bank deposits and trading securities are able to be released at short notice when and if required. The possible payments of significant insurance claims are secured by the reinsurance contracts' clause that allows a cash call from the reinsurers for the losses exceeding a certain amount based on line of business.

**Sources of Liquidity Risk**

Our liquidity risk exposure depends on the occurrence of other risks. Some of the factors that could lead to liquidity risks are:

- Reputational loss or rating downgrade, leading to inability to generate funds;
- Failure of insurance brokers and clients to meet their premium payment obligation as and when due;
- Lack of timely communication between Finance &Investment Division and Claims Department resulting in mismatch of funds;
- Investment in volatile securities; and
- Frequency and severity of major and catastrophic claims.

**Liquidity Risk Management Strategy**

- The Group's strategy for managing liquidity risks are as follows:
- Maintain a good and optimum balance between having sufficient stock of liquid assets, profitability and investment needs;
- Ensure strict credit control and an effective management of account receivables;
- Ensure unrestricted access to financial markets to raise funds;
- Develop and continuously update the contingency funding plan;
- Adhere to the liquidity risk control limits; and
- Communicate to all relevant staff on the liquidity risk management objectives and control limits.

**Liquidity Risk Appetite/Tolerance**

Our liquidity risk appetite is defined using the following parameters:

- Liquidity gap limits;
- Scenario and Sensitivity Analysis
- Liquidity Ratios such as:
- - Claims ratio
- - Cash ratio
- - Quick ratio
- Receivable to capital ratio
- Technical provision to capital ratio
- Maximum exposure for single risk to capital ratio
- Maximum exposure for a single event to capital ratio
- Retention rate
- Re-insurance receipts to ceded premium ratio
- Solvency margin

(b) Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflects market data obtained from independent

sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

| **At 31 December 2020 (N'000)** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| Financial assets | | | |
| Financial Assets -FVTPL | 4,479,121 | - | - |
| Financial Assets -FVOCI | - | 81,318 | - |
| Amortised Cost Assets | 6,105,529 | - | - |
| | **10,584,650** | **81,318** | **-** |

| **At 31 December 2019 (N'000)** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| Financial assets | | | |
| Financial Assets -FVTPL | 2,485,564 | - | - |
| Financial Assets -FVOCI | - | 70,028 | - |
| Amortised Cost Assets | 2,130,855 | - | - |
| | **4,616,419** | **70,028** | **-** |

(c) Fair valuation methods and assumptions

(i) Cash and bank balances
Cash and bank balances represent cash held with other banks. The fair value of these balances is their carrying amounts.

(ii) Equity securities
The fair values of quoted equity securities are determined by reference to quoted prices (unadjusted) in active markets for identical assets. The fair value of the unquoted equity securities was determined on a net asset value basis.

(iii) Debt securities
Treasury bills represent short term instruments issued by the Central bank of the jurisdiction where the Company operates. The fair value of treasury bills and bonds at fair value are determined with reference to quoted prices (unadjusted) in active markets for identical assets. The estimated fair value of bonds (asset or liability) at amortised cost represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iv) Other assets
Other assets represent monetary assets which usually have a short recycle period and as such the fair values of these balances approximate their carrying amount.

## 52 Capital management Policy

NEM has over the years been deploying capital from earnings and additional equity funds to support growth in business volumes while striving to meet dividend commitments to shareholders. To be able to continue to generate and deploy capital both to grow core businesses and reward shareholders, there is need for the

# Notes To The **Financial Statements**

For the Year ended 31 December, 2020

Company to execute the right strategy, the right growth dynamics, the right cost structure and risk discipline as well as the right capital management.

NEM's capital management strategy focuses on the creation of shareholders' value whilst meeting the crucial and equally important objective of providing an appropriate level of capital to protect stakeholders' interests and satisfy regulators.
The Company's objectives when managing capital are as follows:

- To ensure that capital is, and will continue to be, adequate for the safety, soundness and stability of the Company;
- To generate sufficient capital to support the Company's overall business strategy;
- To ensure that the Company meets all regulatory capital ratios and the prudent buffer required by the Board;
- To ensure that the average return on capital over a 3 -5 years performance cycle is sufficient to satisfy the expectations of investors;
- To maintain a strong risk rating;
- To ensure that capital allocation decisions are optimal, considering the return on economic and regulatory capital;
- To determine the capital required to support each business activity based on returns generated on capital to facilitate growth/expansion of existing businesses (i.e. capital allocation);
- To establish the efficiency of capital utilization.

**(a) Minimum Capital Requirement**
The Company complied with the minimum capital requirement of N3billion for non-life operations. This is shown under Shareholders' Fund in the Statement of Financial Position.

**(b) Solvency Status**
The Company met the criteria for solvency margin as stated in section 24(1) of the Insurance Act, CAP I17, LFN 2004, the solvency margin maintained is N12,360,840,000.

**(c) Capital Adequacy Test**
Based on the capital adequacy claculation below, NEM Insurance Plc has a surplus of N15.34 billion.

| | 2020 | |
|---|---|---|
| **Shareholders' fund as per Statement of Financial Position** | **N'000** | **N'000** |
| **Less:** | | |
| Intangible Assets | (10) | 18,337,337 |
| Deferred tax liability | - | |
| Due from related parties | - | |
| | | (10) |
| **Capital base** | | **18,337,327** |

**Management uses regulatory capital ratios to monitor its capital base. Based on the capital base computed above, the Company capital base is above the minimum capital requirement of N3billion specified by NAICOM.**

# Notes To The **Financial Statements**

For the Year ended 31 December, 2020

| (d) DETERMINATION OF SOLVENCY MARGIN | Admissible | Inadmissible | 2020 N'000 | 2019 N'000 |
|---|---|---|---|---|
| Cash and cash equivalents | 6,261,684 | 1,065,074 | 7,326,758 | 7,137,348 |
| Financial assets | | | | |
| -FVTPL | 4,479,121 | - | 4,479,121 | 2,485,564 |
| -Amortised Cost | 5,311,989 | 793,540 | 6,105,529 | 1,953,883 |
| -FVOCI | 81,318 | - | 81,318 | 70,028 |
| Trade receivables | 228,140 | - | 228,140 | 207,484 |
| Reinsurance assets | 5,107,870 | - | 5,107,870 | 5,525,893 |
| Deferred acquisition costs | 1,840,694 | - | 1,840,694 | 810,097 |
| Investment in Subsidiary | 100,000 | - | 100,000 | 50,000 |
| Staff loans and advances | 68,023 | - | 68,023 | 6,103 |
| Investment in Properties | - | 1,617,609 | 1,617,609 | - |
| Property, plant and equipment | 1,395,306 | 1,527,116 | 2,922,422 | 1,459,679 |
| Statutory deposit | 320,000 | - | 320,000 | 320,000 |
| **Admissable assets** | **25,194,145** | **5,003,339** | **30,197,484** | **20,026,079** |
| | | | | |
| **LIABILITIES** | | | | |
| Insurance contract liabilities | 9,779,935 | | 9,779,935 | 9,000,865 |
| Trade payables | 585,327 | | 585,327 | 298,046 |
| Provisions and other payables | 1,718,797 | | 1,718,797 | 1,382,477 |
| Retirement benefits obligations | 78,960 | | 78,960 | 81,635 |
| Current income tax liabilities | 670,286 | | 670,286 | 457,987 |
| **Admissible liabilities** | **12,833,305** | **-** | **12,833,305** | **11,221,010** |
| | | | | |
| **Solvency margin** | **12,360,840** | | | **8,805,069** |
| **Minimum share capital** | **3,000,000** | | | **3,000,000** |
| **Surplus in solvency margin** | **9,360,840** | | | **5,805,069** |
| **Percentage of solvency** | **76%** | | | **66%** |

**The Company's capital requirement ratio and Solvency margin are above the requirements of the Insurance Act CAP I17, LFN 2004.**

# Notes To The **Financial Statements**

For the Year ended 31 December, 2020

**Asset and Liability Management**

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities.

Asset and Liability management (ALM) attempts to address financial risks the group is exposed to which include interest rate risks, foreign currency risks, equity price risks and credit risks. The major financial risk is that in the long term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. ALM ensures that specific assets of the group is allocated to cover reinsurance and liabilities of the Group.

The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. The notes below show how the Group has managed its financial risks.

| **Assets** | **Insurance funds** | **Shareholders' funds** | **Total** |
|---|---|---|---|
| | **N'000** | **N'000** | **N'000** |
| Cash and cash equivalents | 6,261,684 | 1,065,074 | 7,326,758 |
| Financial assets | | | |
| -FVTPL | 4,479,121 | - | 4,479,121 |
| -FVOCI | - | 81,318 | 81,318 |
| - At amortised cost | - | 6,105,529 | 6,105,529 |
| Trade receivables | - | 228,140 | 228,140 |
| Reinsurance assets | 3,747,218 | 1,360,652 | 5,107,870 |
| Deferred acquisition costs | | 1,840,694 | 1,840,694 |
| Other receivables and prepayment | - | 374,862 | 374,862 |
| Investment in Associate | - | 412,741 | 412,741 |
| Investment in Subsidiary | - | 100,000 | 100,000 |
| Investment properties | - | 1,617,609 | 1,617,609 |
| Statutory deposit | - | 320,000 | 320,000 |
| Intangible assets | - | 10 | 10 |
| Property, plant and equipment | - | 2,922,422 | 2,922,422 |
| Deferred tax assets | - | 253,568 | 253,568 |
| **Total assets** | **14,488,023** | **16,682,619** | **31,170,642** |
| **Liabilities:** | | | |
| Insurance contract liabilities | 9,779,935 | - | 9,779,935 |
| Trade payables | - | 585,327 | 585,327 |
| Other payables | - | 1,718,797 | 1,718,797 |
| Retirement benefit obligations | - | 78,960 | 78,960 |
| Income tax liability | - | 670,286 | 670,286 |
| Deferred tax liabilities | - | - | - |
| **Total liabilities** | **9,779,935** | **3,053,370** | **12,833,305** |
| **Gap** | **4,708,088** | **13,629,249** | **18,337,337** |

**The main objectives of the Company when managing capital are:**

- to ensure that the Minimum Capital Requirement of N5 billion as required by the Insurance Act CAP I17, LFN 2004, is maintained at all times.
  This is a risk based capital method of measuring the minimum amount appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The calculation is based on applying capital factors to amongst others, the Company's assets, outstanding claims, unearned premium reserve and assets above a certain concentration limit.

# Other National Disclosure
# Statement Of Value Added - Group

| | 2020 N'000 | % | 2019 N'000 | % |
|---|---|---|---|---|
| **Gross Premium Income:** | | | | |
| Local | 21,682,189 | | 19,259,541 | |
| Foreign | - | | - | |
| **Other Income:** | | | | |
| Local | 2,486,732 | | 2,125,631 | |
| Foreign | (22,424) | | 21,413 | |
| | **24,146,497** | | **21,406,585** | |
| **Bought in Services:** | | | | |
| Local | (15,457,412) | | (16,207,369) | |
| Foreign | - | | - | |
| **Value Added** | **8,689,085** | **100** | **5,199,216** | **100** |
| **Applied as follows:** | | | | |
| **Employees** | | | | |
| Salaries and other employees benefits | 1,506,087 | 17 | 1,603,286 | 31 |
| **Provider of Capital** | | | | |
| Dividend to Shareholders | 792,075 | 9 | 686,465 | 13 |
| **Government** | | | | |
| Taxation | 45,161 | 1 | (475,612) | (9) |
| **Retention and Expansion** | | | | |
| Depreciation and Amortisation Charges | 246,031 | 3 | 396,915 | 8 |
| Contingency reserves | 1,015,079 | 12 | 592,796 | 11 |
| Retained profits for the year | 5,084,652 | 58 | 2,395,366 | 46 |
| **Value Added** | **8,689,085** | **100** | **5,199,216** | **100** |

Value added represents the additional wealth the Group has been able to create by its own and its employees' efforts. This statement shows the allocation of the wealth between employees, shareholders, government and that retained for the future creation of more wealth.

# Other National Disclosure

# Statement Of Value Added - Parent

| | 2020 N'000 | % | 2019 N'000 | % |
|---|---|---|---|---|
| **Gross Premium Income:** | | | | |
| Local | 21,682,189 | | 19,259,541 | |
| Foreign | - | | - | |
| **Other Income:** | | | | |
| Local | 2,445,725 | | 2,080,866 | |
| Foreign | (22,424) | | 21,413 | |
| | **24,105,490** | | **21,361,820** | |
| **Bought in Services:** | | | | |
| Local | (15,441,046) | | (16,199,988) | |
| Foreign | - | | - | |
| **Value Added** | **8,664,444** | **100** | **5,161,832** | **100** |
| **Applied as follows:** | | | | |
| **Employees** | | | | |
| Salaries and other employees benefits | 1,494,725 | 17 | 1,593,176 | 31 |
| **Provider of Capital** | | | | |
| Dividend to Shareholders | 792,075 | 9 | 686,465 | 13 |
| **Government** | | | | |
| Taxation | 42,240 | 0 | (480,112) | (9) |
| **Retention and Expansion** | | | | |
| Depreciation and Amortisation Charges | 244,930 | 3 | 391,453 | 8 |
| Contingency reserves | 1,015,079 | 12 | 592,796 | 11 |
| Retained profits for the year | 5,075,395 | 58 | 2,378,054 | 46 |
| **Value Added** | **8,664,444** | **100** | **5,161,832** | **100** |

Value added represents the additional wealth the Company has been able to create by its own and its employees' efforts. This statement shows the allocation of the wealth between employees, shareholders, government and that retained for the future creation of more wealth.

# Other National Disclosure **FIVE YEAR FINANCIAL SUMMARY** - Group

STATEMENT OF FINANCIAL POSITION

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Assets** | N'000 | N'000 | N'000 | N'000 | N'000 |
| Cash and Cash Equivalents | 7,352,189 | 8,101,885 | 6,697,017 | 3,328,800 | 3,471,854 |
| Financial assets | | | | | |
| **- At fair value through profit or loss** | 4,479,121 | 2,485,564 | 1,108,206 | 1,347,462 | 820,809 |
| - At fair value through other comprehensive income | 81,318 | 70,028 | 1,260,729 | - | - |
| - At amortised cost | 6,105,529 | 2,130,855 | 1,235,106 | - | - |
| -Available for Sale | - | - | - | 4,388,095 | 2,992,467 |
| **-Held-to-Maturity** | - | - | - | 181,364 | 192,707 |
| Trade Receivable | 228,140 | 207,484 | 279,709 | 723,535 | 668,040 |
| Reinsurance Assets | 5,107,870 | 5,525,893 | 4,809,590 | 2,382,459 | 1,725,098 |
| **Deferred Acquisition Cost** | 1,840,694 | 810,097 | 655,614 | 587,244 | 488,195 |
| Investment in Associate | 412,741 | 435,165 | 413,752 | 392,501 | 264,824 |
| **Investment Properties** | 1,617,609 | 1,589,278 | 682,951 | 676,555 | 442,558 |
| **Intangible Assets** | 10 | 1,225 | 6,405 | 18,997 | 20,747 |
| **Property, plant and equipment** | 2,922,422 | 3,031,838 | 4,158,807 | 2,864,795 | 2,819,986 |
| **Other Receivables and Prepayment** | 470,727 | 683,375 | 709,859 | 259,516 | 198,439 |
| **Statutory Deposit** | 320,000 | 320,000 | 320,000 | 320,000 | 320,000 |
| **Deferred tax asset** | 263,035 | 291,203 | 92,773 | 92,773 | 66,687 |
| **Total Assets** | **31,201,405** | **25,683,890** | **22,430,518** | **17,564,096** | **14,492,411** |
| | | | | | |
| **Liabilities** | | | | | |
| Insurance Contract Liabilities | 9,779,935 | 9,000,865 | 7,126,871 | 6,518,667 | 6,017,381 |
| Trade Payables | 585,327 | 298,046 | 319,023 | 73,694 | 65,315 |
| Other Payables | 1,720,097 | 1,386,681 | 1,247,829 | 550,458 | 497,272 |
| Income Tax Liabilities | 675,783 | 462,419 | 835,998 | 591,760 | 426,473 |
| Deferred Tax Liability | - | 356,500 | 397,746 | - | - |
| Retirement Benefit Obligations | 78,960 | 81,635 | 78,496 | 91,910 | 84,824 |
| **Total liabilities** | **12,840,102** | **11,586,146** | **10,005,963** | **7,826,489** | **7,091,265** |
| | | | | | |
| **Net Assets** | **18,361,303** | **14,097,744** | **12,424,555** | **9,737,607** | **7,401,146** |
| | | | | | |
| **Equity** | | | | | |
| Share Capital | 5,016,477 | 2,640,251 | 2,640,251 | 2,640,251 | 2,640,251 |
| Share Premium | - | 272,551 | 272,551 | 272,551 | 272,551 |
| Other Reserves-gratuity | 71,147 | 111,455 | 131,043 | 140,614 | 166,499 |
| FVOCI reserve | (40,178) | (51,468) | (35,344) | - | - |
| Available for sale reserve | - | - | - | (128,734) | (138,249) |
| Asset revaluation reserve | 1,094,475 | 1,094,475 | 1,094,475 | - | - |
| Contingency Reserve | 5,213,927 | 4,198,848 | 3,606,052 | 3,154,568 | 2,599,514 |
| Retained Earnings | 7,005,455 | 5,831,632 | 4,715,527 | 3,658,357 | 1,860,580 |
| **Shareholders' Fund** | **18,361,303** | **14,097,744** | **12,424,555** | **9,737,607** | **7,401,146** |

# Other National Disclosure **FIVE YEAR FINANCIAL SUMMARY** - Group

| INCOME STATEMENT | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 | N'000 |
| Gross Premium Written | 22,035,695 | 19,759,872 | 15,049,453 | 13,416,270 | 10,757,674 |
| **Gross premium income** | **21,682,189** | **19,259,541** | **14,346,488** | **13,031,779** | **10,628,183** |
| Net Premium income | 15,862,758 | 12,617,540 | 10,693,794 | 9,801,951 | 8,512,467 |
| Other Revenue | 3,583,000 | 2,147,044 | 1,934,089 | 2,244,226 | 1,614,096 |
| **Total Revenue** | **19,445,758** | **14,764,584** | **12,627,883** | **12,046,177** | **10,126,563** |
| Claims expense | (6,054,469) | (3,937,318) | (2,554,253) | (1,783,574) | (2,669,780) |
| Other Expenses | (8,261,476) | (8,907,512) | (7,387,969) | (7,167,712) | (5,311,011) |
| **Total Benefits, Claims and Other Expenses** | **(14,315,945)** | **(12,844,830)** | **(9,942,222)** | **(8,951,286)** | **(7,980,791)** |
| **Profit Before Tax** | **5,129,813** | **1,919,754** | **2,685,661** | **3,094,891** | **2,145,772** |
| Income tax | (45,161) | 475,612 | (648,957) | (319,499) | (327,974) |
| **Profit For the Year** | **5,084,652** | **2,395,366** | **2,036,704** | **2,775,392** | **1,817,798** |
| Other Comprehensive (loss)/Income | | | | | |
| for the year | (29,018) | (35,712) | 1,208,882 | (25,885) | (307,153) |
| Total Comprehensive Income | | | | | |
| for the year | 5,055,634 | 2,359,654 | 3,245,586 | 2,749,507 | 1,510,645 |
| **Basic EPS (Kobo)** | **0.96** | **0.45** | **0.39** | **0.53** | **0.34** |
| **Diluted Basic EPS (Kobo)** | **0.96** | **0.45** | **0.39** | **0.53** | **0.34** |

# Other National Disclosure **FIVE YEAR FINANCIAL SUMMARY** - Parent

STATEMENT OF FINANCIAL POSITION

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Assets** | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** |
| Cash and Cash Equivalents | 7,326,758 | 8,095,230 | 6,675,924 | 3,325,340 | 3,464,575 |
| Financial Assets | | | | | |
| **- At fair value through profit or loss** | 4,479,121 | 2,485,564 | 1,108,206 | 1,347,462 | 820,809 |
| - At fair value through other comprehensive income | 81,318 | 70,028 | 1,260,729 | - | - |
| - At amortised cost | 6,105,529 | 2,130,855 | 1,235,106 | - | - |
| -Available for Sale | - | - | - | 4,388,095 | 2,992,467 |
| **-Held-to-Maturity** | - | - | - | 181,364 | 192,707 |
| Trade Receivable | 228,140 | 207,484 | 279,709 | 723,535 | 668,040 |
| Reinsurance Assets | 5,107,870 | 5,525,893 | 4,809,590 | 2,382,459 | 1,725,098 |
| **Deferred Acquisition Cost** | 1,840,694 | 810,097 | 655,614 | 587,244 | 488,195 |
| Investment in Associate | 412,741 | 435,165 | 413,752 | 392,501 | 264,825 |
| **Investment in Subsidiary** | 100,000 | 50,000 | 50,000 | 50,000 | 142,500 |
| **Investment Properties** | 1,617,609 | 1,589,278 | 682,951 | 676,555 | 442,558 |
| **Intangible Assets** | 10 | 1,225 | 2,042 | 10,270 | 7,656 |
| **Property, plant and equipment** | 2,922,422 | 3,030,737 | 4,156,609 | 2,861,499 | 2,815,591 |
| **Other Receivables and Prepayments** | 374,862 | 627,253 | 698,696 | 276,254 | 129,741 |
| **Statutory Deposit** | 320,000 | 320,000 | 320,000 | 320,000 | 320,000 |
| **Deferred tax asset** | 253,568 | 281,736 | 83,306 | 83,306 | 57,220 |
| **Total Assets** | **31,170,642** | **25,660,545** | **22,432,234** | **17,605,884** | **14,531,982** |
| **Liabilities** | | | | | |
| Insurance Contract Liabilities | 9,779,935 | 9,000,865 | 7,126,871 | 6,518,667 | 6,017,381 |
| Trade Payables | 585,327 | 298,046 | 319,023 | 73,694 | 65,315 |
| Other Payables | 1,718,797 | 1,382,477 | 1,247,412 | 573,576 | 506,023 |
| Income Tax Liabilities | 670,286 | 457,987 | 835,528 | 591,760 | 426,473 |
| Deferred Tax Liability | - | 356,500 | 397,746 | - | - |
| Retirement Benefit Obligations | 78,960 | 81,635 | 78,496 | 91,910 | 84,824 |
| Bank Overdraft | - | - | - | - | - |
| **Total liabilities** | **12,833,305** | **11,577,510** | **10,005,076** | **7,849,607** | **7,100,016** |
| **Net Assets** | **18,337,337** | **14,083,035** | **12,427,158** | **9,756,277** | **7,431,966** |
| **Equity** | | | | | |
| Share Capital | 5,016,477 | 2,640,251 | 2,640,251 | 2,640,251 | 2,640,251 |
| Share Premium | - | 272,551 | 272,551 | 272,551 | 272,551 |
| Other Reserves-gratuity | 71,147 | 111,455 | 131,043 | 140,614 | 166,499 |
| FVOCI reserve | (40,178) | (51,468) | (35,344) | - | - |
| Available for sale reserve | - | - | - | (128,734) | (138,249) |
| Asset revaluation reserve | 1,094,475 | 1,094,475 | 1,094,475 | - | - |
| Contingency Reserve | 5,213,927 | 4,198,848 | 3,606,052 | 3,154,568 | 2,599,514 |
| Retained Earnings | 6,981,489 | 5,816,923 | 4,718,130 | 3,677,027 | 1,891,400 |
| **Shareholders' Fund** | **18,337,337** | **14,083,035** | **12,427,158** | **9,756,277** | **7,431,966** |

# Other National Disclosure **FIVE YEAR FINANCIAL SUMMARY** - Parent

| INCOME STATEMENT | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 | N'000 |
| Gross Premium Written | 22,035,695 | 19,759,872 | 15,049,453 | 13,416,270 | 10,757,674 |
| Gross premium income | 21,682,189 | 19,259,541 | 14,346,488 | 13,031,779 | 10,628,183 |
| Net Premium income | 15,862,758 | 12,617,540 | 10,693,794 | 9,801,951 | 8,512,467 |
| Other Revenue | 3,541,993 | 2,102,279 | 1,894,521 | 2,214,417 | 1,551,928 |
| **Total Revenue** | **19,404,751** | **14,719,819** | **12,588,315** | **12,016,368** | **10,064,395** |
| | | | | | |
| Claims expense | (6,054,469) | (3,937,318) | (2,554,253) | (1,783,574) | (2,669,780) |
| Other Expenses | (8,232,647) | (8,884,559) | (7,364,939) | (7,150,172) | (5,208,556) |
| **Total Benefits, Claims and Other Expenses** | **(14,287,116)** | **(12,821,877)** | **(9,919,192)** | **(8,933,746)** | **(7,878,336)** |
| **Profit Before Tax** | **5,117,635** | **1,897,942** | **2,669,123** | **3,082,622** | **2,186,059** |
| Income tax | (42,240) | 480,112 | (648,487) | (319,499) | (337,441) |
| **Profit For the Year** | **5,075,395** | **2,378,054** | **2,020,636** | **2,763,123** | **1,848,618** |
| Other Comprehensive (loss)/Income | | | | | |
| for the year | (29,018) | (35,712) | 1,208,882 | (25,885) | (307,153) |
| Total Comprehensive Income | | | | | |
| for the year | 5,046,377 | 2,342,342 | 3,229,518 | 2,737,238 | 1,541,465 |
| **Basic EPS (Kobo)** | **0.96** | **0.45** | **0.38** | **0.52** | **0.35** |
| **Diluted Basic EPS (Kobo)** | **0.96** | **0.45** | **0.38** | **0.52** | **0.35** |

# PROXY FORM

NEM Insurance Plc

| Number of Shares held | FOR | AGAINST |
|---|---|---|
| **1.0 ORDINARY BUSINESS** | | |
| To receive the account and the Reports thereon | | |
| To declare a dividend | | |
| To re-elect Dr. Fidelis Ayebae as a Director | | |
| To re-elect Mrs. Yinka Aletor as a Director | | |
| To authorize the Directors to fix the remuneration of the Auditors | | |
| To elect members of the Audit committee | | |
| To disclose the Remuneration of Managers of the company in line with Section 257 of the Companies and Allied Matters Act, 2020 | | |
| **2.0 SPECIAL BUSINESS** | | |
| 2.1 To approve the remuneration of Directors. | | |
| 2.2 To consider and if thought fit, pass the following, with or without modification as Ordinary Resolutions of the Company: | | |
| 2.2.1 Consolidation/ Reconstruction of Shares<br>(a) That, in accordance with Section 125 of CAMA 2020 and Article 45 of the Company's Articles; the nomina value of the Ordinary shares in the Authorised Share Capital of the Company be and is hereby redenominated from 50 kobo each to N1 each, by the consolidation of every two (2) shares held by each shareholder into one (1) share. | | |
| (b) That where the consolidation results in a fraction of a Share being held, the Company be authorised to round that fraction down to the nearest whole Share or zero, as the Directors may deem fit. | | |
| (c) That the consolidated Shares shall have the same rights and be subject to the same restrictions as the existing Shares of the Company. | | |
| 2.2.2 GENERAL<br>(a) That the Company's Memorandum and Articles of Association be amended to reflect the changes authorized by the foregoing resolutions. | | |

| Number of Shares held | FOR | AGAINST |
|---|---|---|
| (b) That the Directors be and are hereby authorized to appoint such advisers, professionals and parties that they deem necessary, upon such terms and conditions that they may deem appropriate regarding the implementation of the aforementioned resolutions. | | |
| (c) That the Directors be and are hereby authorised to take all steps and do all acts that they deem necessary for the successful implementation of the above stated resolutions | | |
| 2.3 Ratification of Shareholders' Resolution passed at the Extra-Ordinary General Meeting ("EGM") which held on 10th December 2020. At the EGM, the Company passed several resolutions including Resolution (b) which stated as follows: | | |
| "In pursuance to the recommendation of the Directors, that the sum of Two Hundred and Seventy-Two Million, Five Hundred and Fifty One Thousand Naira (N272,551,000) and Two Billion and Eighty Seven Million, One Hundred and Ninety-Seven Thousand, Five Hundred and Forty-Three Naira (N2,087,197,543) be transferred from the Company's Share Premium account and Retained Earnings account respectively to the Share Capital account. The amount thus transferred shall represent the value of Four Billion, Seven Hundred and Nineteen Million, Four Hundred and Ninety Seven Thousand and Eighty Seven (4,719,497,087) ordinary shares of Fifty Kobo (N0.50K) each as fully paid up, and distributed amongst members whose names are registered in the Company's Register of Members at the close of business on Wednesday, 16th of December, 2020 in the proportion of nine (9) new shares of 50 kobo each for every ten (10) existing shares of 50 kobo each, held by them. The shares distributed shall rank pari pasu with the existing shares in all respect and will be treated for all purposes as capital and not as income". | | |
| However, the Securities and Exchange Commission ("SEC") subsequently observed that given that the basis of the bonus was 9 shares for every 10 shares held, and that since the Company's Issued and fully paid-up shares is Five Billion, Two Hundred and Eighty Million, Five Hundred and Two Thousand, Nine Hundred and Thirteen (5,280,502,913) ordinary shares of 50 kobo each, the proposed number of shares to be issued as bonus should translate to Four Billion, Seven Hundred and Fifty Two Million, Four Hundred and Fifty Two Thousand, Six Hundred and Twenty Two (4,752,452,622) and not Four Billion, Seven Hundred and Nineteen Million, Four Hundred and Ninety Seven Thousand, Eighty Seven (4,719,497,087) as indicated in the Resolution and directed that the error be rectified. SEC further observed that the Company's un-issued share capital of Four Billion, Seven Hundred and Nineteen Million, Four Hundred and Ninety Seven Thousand, Eighty Seven (4,719,497,087) cannot accommodate the appropriate number of shares to be issued as Bonus being Four Billion, Seven Hundred and Fifty Two Million, Four Hundred and Fifty Two Thousand, Six Hundred and Twenty Two (4,752,452,622) | | |

# PROXY FORM

NEM Insurance Plc

| Number of Shares held | FOR | AGAINST |
|---|---|---|
| Pursuant to the above, that Resolution (b) as passed at the EGM be and is hereby corrected as follows: | | |
| "In pursuance to the recommendation of the Directors, that the sum of Two Hundred and Seventy Two Million, Five Hundred and Fifty One Thousand Naira (N272,551,000) and Two Billion, One Hundred and Three Million, Six Hundred and Seventy Five Thousand, Three Hundred and Eleven Naira (N2,103,675,311) be transferred from the Company's Share Premium account and Retained Earnings account respectively to the Share Capital account. The amount thus transferred shall represent the value of Four Billion, Seven Hundred and Fifty Two Million, Four Hundred and Fifty Two Thousand, Six Hundred and Twenty Two (4,752,452,622) ordinary shares of Fifty Kobo (N0.50K) each as fully paid up, and distributed amongst members whose names are registered in the Company's Register of Members at the close of business on Wednesday, 16th of December, 2020 in the proportion of nine (9) new shares of 50 kobo each for every ten (10) existing shares of 50 kobo each, held by them. The shares distributed shall rank pari pasu with the existing shares in all respect and will be treated for all purposes as capital and not as income". | | |
| | Please indicate with **"X"** in the appropriate box how you wish your vote to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his/her discretion.<br><br>Before posting the above form, please tear off this part and retain it for admission to the meeting. | |



# ADMISSION FORM

**NEM INSURANCE PLC 51st ANNUAL GENERAL MEETING**

Please admit the shareholder named on this form or his duly appointed proxy to the Annual General Meeting to be held at:

**The Conference Room,**
**NEM Insurance Plc**
**199, Ikorodu Road, Obanikoro, Lagos.**
**On Thursday 24th June, 2021 at 10.00 am**

Name of Shareholders:

______________________________

Note: You are requested to sign this form at the entrance in the presence of the Registrar on the

day of AGM ______________________________

NEM Insurance Plc

# PROXY FORM

I/We ______________________________________________

being a Shareholder/Shareholders of NEM INSURANCE PLC, hereby appoint any of the underlisted persons as my/our Proxy to act and vote for me/us on my/our behalf at the 51st Annual General Meeting to be held on Thursday, 24th day of June 2021 and at any adjournment thereof.

| | |
|---|---|
| (1) Dr. Fidelis Ayebae | Chairman |
| (2) Mr. Tope Smart | GMD/CEO |
| (3) Mrs. Olajumoke Philip-Akede | Company Secretary |
| (4) Sir Sunny Nwosu | Shareholder |
| (5) Mrs. Adebisi Bakare | Shareholder |
| (6) Mr. Gbenga Idowu | Shareholder |
| (7) Mr. Nornah Awoh | Shareholder |

Dated this ______________________ Day of ______________________ 2021

Signature: ______________________________________________

**NOTE:**

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy in his stead. All proxies must reach the Registrars, Apel Capital Registrars Limited 8, Alhaji Bashorun Street off Norman Williams Crescent South-West Ikoyi, Lagos or emailed to registrars@apel.com.ng not less than 48 hours before the time of holding the meeting. A proxy need not to be a member of the company.
2. In the case of joint shareholders any one of such may complete the form, but the names of all joint shareholders must be stated.
3. It is a requirement of the law under the Stamp Duties Act. Cap 411 Laws of Federation of Nigeria 1990 that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of the shareholders must bear a Stamp Duty. This shall be at the company's expense.
4. If the shareholder is a corporation this form must be under its common seal or under the hand of any officer or attorney duly authorized in that behalf.

**IMPORTANT**

Please insert your name in BLOCK CAPITALS on both proxy and admission forms.

APEL CAPITAL REGISTRARS LIMITED

NEM
...together to succeed

## SHAREHOLDER INFORMATION UPDATE

Dear Sir,

Kindly update my information with the below:

SURNAME: OTHER NAMES:

CONTACT ADDRESS (ES):

EMAIL ADDRESS:

MOBILE NUMBERS:

BVN:

D.O.B:

**Shareholder's signature /Date**

**Joint Shareholder's signature /Date**
(if corporate)

Company seal

| TICK AS APPLICABLE | |
|---|---|
| AICO BALANCED FUND | |
| ANINO INT'L PLC | |
| ARBICO PLC | |
| CHAPEL HILL DENHAM MONEY MARKET FUND | |
| INTERLINKED TECHNOLOGIES PLC | |
| INTERNATIONAL BREWERIES PLC | |
| LASACO ASSURANCE PLC | |
| LEAD UNIT TRUST SCHEME | |
| MASS TELECOM INNOVATION PLC | |
| MUTUAL TRUST MICROFINANCE BANK LTD | |
| NCR (NIGERIA) PLC | |
| **NEM INSURANCE PLC** | |
| PARAMOUNT EQUITY | |
| PHARMA DEKO PLC | |
| THE INITIATES PLC | |

Kindly return the duly completed form to:

Email: registrars@apel.com.ng
W: www.apel.com.ng
Tel: +234 (1) 2932121
+234 (0) 704 612 6698
Address: 8 Alhaji Bashorun Street
Off Norman Williams Crescent,
S.W. Ikoyi Lagos.

SECOND FOLD HERE

Please Affix
Postage Stamp

FIRST FOLD HERE

Apel Capital Registrars Limited
8, Alhaji Bashorun Street
Off Norman Williams
Crescent South West Ikoyi
Lagos

THIRD FOLD HERE

APEL CAPITAL
REGISTRARS LIMITED

Affix
Current
Passport

(To be stamped by Bankers)

Write your name at the back of your passport photograph

# E-DIVIDEND MANDATE ACTIVATION FORM

Only Clearing Banks are acceptable

Instruction

Please complete all section of this form to make it eligible for processing and return to the address below

The Registrar,

Apel Capital & Trust Ltd.
8, Alhaji Bashorun Street
Off Norman Williams Str, S.W Ikoyi Lagos.

I\We hereby request that henceforth, all my\our Dividend Payment(s) due to me\us from my\our holdings in all the companies ticked at the right hand column be credited directly to my \ our bank detailed below:

Bank Verification Number

Bank Name

Bank Account Number

Account Opening Date

| TICK | NAME OF COMPANY | SHAREHOLDER'S ACCOUNT NO. |
|---|---|---|
| | AIICO BALANCED FUND | |
| | ANINO INT'L PLC | |
| | ARBICO PLC | |
| | CHAPEL HILL DENHAM MONEY MARKET FUND | |
| | INTERLINKED TECHNOLOGIES PLC | |
| | INTERNATIONAL BREWERIES PLC | |
| | LASACO ASSURANCE PLC | |
| | LEAD UNIT TRUST SCHEME | |
| | MASS TELECOM INNOVATION PLC | |
| | MUTUAL TRUST MICROFINANCE BANK LTD | |
| | NCR (NIGERIA PLC | |
| ✓ | **NEM INSURANCE PLC** | |
| | PARAMOUNT EQUITY | |
| | PHARMA DEKO PLC | |
| | THE INITIATES PLC | |

## Shareholder Account Information

Surname / Company's Name | First Name | Other Names

Address :

City | State | Country

Previous Address (If any)

CHN (If any)

Mobile Telephone 1 | Mobile Telephone 2

Email Address

Signature(s) | Company Seal (If applicable)

Joint\Company's Signatories

**"This service costs N150.00 per approved mandate per company"**

SECOND FOLD HERE

Please Affix
Postage Stamp

FIRST FOLD HERE

Apel Capital Registrars Limited
8, Alhaji Bashorun Street
Off Norman Williams
Crescent South West Ikoyi
Lagos

THIRD FOLD HERE

# Noted

Noted

20
//NEM
//ARP


**Head Office**

199, Ikorodu Road
P.O.Box 654, Lagos

08023258120
08023259742
08023258105
08023307197

Fax: 2663277

nem@nem-insurance.com
www.nem-insurance.com