



CAPITAL EXPRESS ASSURANCE LIMITED

FINANCIAL CONDITION REPORT AS AT 31 DECEMBER 2024

May 2025

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1. Consulting Actuary's Statement

I, Nikhil Dodhia, acting in my capacity as the Consulting Actuary, certify that, as at 31 December 2024, this Financial Condition Report for Capital Express Assurance Ltd has been prepared in accordance with the "Prudential Guidelines for Insurance Institutions in Nigeria" issued by the National Insurance Commission of Nigeria, as well as generally accepted actuarial principles.

The Company's Capital Adequacy Ratio is estimated at 349% on the minimum capital requirement of NGN 2 billion. I would, in the normal course of events, expect insurance liabilities arising in 2025 from the business on the Company's book at the review date to be met as at when due.



Nikhil Dodhia
Fellow of the Institute and Faculty of Actuaries
FRC No: FRC/2021/004/00000024023
Consulting Actuary :Capital Express Assurance Ltd

15 May 2025

2. Executive Summary

Introduction

- 2.1 This Financial Condition Report ("FCR") sets out the results of the analysis of the financial condition of Capital Express Assurance Limited ("Capital Express" or "the Company") as at 31 December 2024. Where available, this report includes an analysis of the financial progress since the previous financial year end.
- 2.2 The FCR sets out the insights and recommendations on Capital Express Limited's operations, financial condition, liabilities and to discuss issues of any known risks that may have an effect on the financial soundness of Capital Express Assurance Limited ("Capital Express") as at 31 December 2024.
- 2.3 Capital Express has contracted Zamara Consulting Actuaries Nigeria Limited ("Zamara") to provide actuarial services. In terms of this arrangement, Nikhil Dodhia, Fellow of the Institute and Faculty of Actuaries, is the consulting actuary and will sign off on the FCR.
- 2.4 This report is limited to the information of Capital Express, not the consolidated Group information (i.e. this FCR only covers the life insurance business underwritten in Nigeria, and excludes business underwritten by foreign offices belonging to the Group – unless stated otherwise).
- 2.5 Capital Express successfully implemented the financial reporting standard for insurance contracts, IFRS 17 ("the Standard") which was effective for periods starting as from 01 January 2023.
- 2.6 This FCR is the second report under this standard. The trends contained in this report are based on the IFRS 17 results over the past two years.
- 2.7 The sections that follow provide a report on the financial condition of Capital Express in line with the Commission's guidelines and the requirements of the IFRS 17 Standard where applicable.
- 2.8 Zamara did not conduct the valuation of the insurance contract liabilities as at 31 December 2024. The results of the valuation are contained in section 6 of this FCR.

Financial Performance

Statement of Profit and Loss

- 2.9 The table below summarizes Capital Express's profitability as at 31 December 2024, and as at 31 December 2023.

IFRS 17 Profit or Loss Statement	31 Dec 2024	31 Dec 2023	Percentage
	NGN '000	NGN '000	Movement
Insurance service revenue	7,181,582	5,448,585	31.8%
Insurance service expenses	(5,546,896)	(4,811,442)	15.3%
Net expense from reinsurance contracts held	(872,486)	(360,893)	141.8%
Insurance service result	762,200	276,250	175.9%
Insurance finance expenses	960,976	1,239,562	(22.5)%
Reinsurance finance income	60,337	54,992	9.7%
Net Insurance finance expense	1,021,313	1,294,554	(21.1)%
Investment income	44,564	1,025,802	(95.7)%
Impairment charge on financial assets	665	(656)	(201.3)%
Net realised gain/(loss)	748,307	26,374	2737.3%
Dividend income	264,192	173,810	52.0%
Total Investment and related Income	1,057,727	1,225,330	(13.7)%
Net Insurance service and investment result	2,841,240	2,796,134	1.6%
Other operating income	917,659	175,204	423.8%
Other operating expenses	(2,959,880)	(2,181,273)	35.7%
Other finance cost	(27,556)	(35,455)	(22.3)%
Profit before income tax	771,463	754,610	2.2%
Income tax expense	(6,000)	(9,522)	(37.0)%
Profit after taxation	765,463	745,088	2.7%

- 2.10 As illustrated in the IFRS 17 account, insurance service revenue increased by 31.8% whilst the insurance expense increased by 15.3% from NGN 4.8 billion as at 31 December 2023 to NGN 5.5 billion as at 31 December 2024. This led to a 176% increase in the Insurance Service Result from NGN 276.3 million in 2023 to NGN 762.2 million in 2024.
- 2.11 The reinsurance net expense increased from NGN 360.9 million as at 31 December 2023 to NGN 872.5 million as at 31 December 2024 representing an increase of the net expense from reinsurance held by 141.8%.
- 2.12 Investment income witnessed a considerable decline during the year, from NGN 1.0 billion in 2023 to NGN 44.6 million in 2024. There were, however, noticeable increases in the Net realised Gain from NGN 26.4 million in 2023 to NGN 748.3 million in 2024. Resultantly, Investment and related income slightly decreased by 13.7% from NGN 1.2 billion as at 31 December 2023 to NGN 1.1 billion as at 31 December 2024.

- 2.13 The observed increases in Other Operating Income and Other Operating Expenses were followed by a Profit Before Income Tax position of NGN 771 million, representing relative stability when compared to the position as at 31 December 2023, which totaled NGN 765 million.

Financial Position

- 2.14 The financial position of Capital Express on a statutory basis was as follows:

Asset Class (NGN' 000)	31 Dec 2024	Asset proportion	31 Dec 2023	Asset proportion
Fixed Interest securities	11,049,773	45.6%	7,189,343	39.6%
Property Investment	7,834,739	32.3%	7,249,089	39.9%
Cash and near cash deposits	1,862,468	7.7%	524,330	2.9%
Other Assets	1,760,314	7.3%	1,543,469	8.5%
Invested assets	22,507,294	92.9%	16,506,231	90.8%
Reinsurance recoveries	107,286	0.4%	183,831	1.0%
Other balance sheet assets	1,613,107	6.7%	1,487,391	8.2%
Total Assets	24,227,687	100%	18,177,453	100%
Insurance Liabilities	9,918,349	92.8%	8,448,484	94.3%
Other Liabilities	772,603	7.2%	506,201	5.7%
Total Liabilities	10,690,952	100%	8,954,685	100%
Net Assets	13,536,736		9,222,769	

- 2.15 The total assets of Capital Express have grown by 33% in the period between 31 December 2023 and 31 December 2024. Invested Assets formed 92.9% (90.8% in 2023) of total assets of Capital Express as at 31 December 2024, with Other Assets, comprising Prepayments and other receivables and Intangible Assets, forming 6.7% of the total assets of Capital Express. Additionally, 49.1% of the Company's invested assets comprise fixed interest securities.
- 2.16 The company's predominant asset in 2024 was the fixed interest securities representing 45.6% while the predominant asset in 2023 was the property investment representing 39.9% of Total Assets.
- 2.17 The next major asset class was Property Investment which accounted for 32.3% and 39.9% of the Total Assets at the end of 2024 and 2023 respectively.
- 2.18 On the other hand, the liquid assets (cash and near cash deposit) significantly increased by 7.7% in 2024 against 2.9% in 2023.
- 2.19 Insurance contract Liabilities were about 92.8% in 2024 and 94.3% in 2023 of the company's total liabilities. Other liabilities, comprising Trade Payables and Other Accruals, formed 7.2% of the total liabilities.
- 2.20 Overall, the total assets held by Capital Express of NGN 24.2 billion (NGN 18.2 billion in 2023) are more than the total liabilities of the Company of NGN 10.7 billion (NGN 9.0 billion in 2023), resulting in a Net Assets position of NGN 13.5 billion (NGN 9.2 billion in 2023).

Solvency Position

2.21 The Company's Capital Adequacy Ratio ("CAR") on a statutory basis is shown below:

Amounts in NGN '000	2024	2023
Total Admissible Assets	17,587,542	11,784,866
Total Liabilities	10,605,233	8,868,960
Solvency Margin	6,982,309	2,915,906
Minimum Regulatory Capital	2,000,000	2,000,000
15% of Net Premium	1,314,661	1,126,240
Regulatory Capital	2,000,000	2,000,000
Statutory CAR Cover	349%	146%

2.22 The CAR cover is estimated at 349% as at 31 December 2024 up from 146% as at 31 December 2023 following an increase in the net assets. **Overall, the Company is financially sound from a solvency perspective and sufficiently capitalised to carry the insurance service revenue capital requirement and NGN 2.00 billion minimum capital requirement.**

Material Risks Identified

2.23 The following summarises the key risks faced by Capital Express, their impact, and our recommendations based on our review as the Consulting Actuary:

Insurance Risk

- 2.24 The Company should continually monitor its actuarial assumptions to assess its actual experience against the parameters outlined above. This will help guide the selection of the most appropriate valuation assumptions and reduce the risk of understating the Company's reserves.
- 2.25 In addition, value of inforce and value of new business actuarial calculations combined with proper analysis of surplus (AoS) would guide the company on the actual drivers of its profitability from the above parameters, guiding on the correct course of action to be taken.

Credit Risk

- 2.26 A high proportion of premium debtors relative to gross written premium (GWP) can negatively affect a company's liquidity and its ability to meet policyholder obligations as they fall due. This may also expose the company to reputational and regulatory risks.

Inflation Risk

- 2.27 With the increasing inflation rates in Nigeria, there is a risk of erosion in the value of the policies which may affect the affordability of premiums and lead to operational costs for insurers.
- 2.28 In addition, the depreciation of the Nigerian Naira against foreign currencies could increase the cost of expenses such as reinsurance premiums and foreign-denominated liabilities.

Investment Risk

- 2.29 Insurers are heavily reliant on the returns from investments in equities, bonds, and other financial instruments. Volatile stock market rates can adversely impact the returns on their investment portfolios. As observed in 2024, the investment income on Capital Express's portfolio declined from the levels attained in 2023 despite the increased profitability and top line growth.

Technological Risk

- 2.30 **Cybersecurity Threats:** Capital Express faces the risk of cyberattacks, data breaches, and other security incidents. This is due to the increasing digitization of the insurance industry globally. These could undermine customer trust and result in financial and reputational damage.
- 2.31 **Data Privacy and Protection:** As insurers collect more customer data, they face the risk of non-compliance with evolving data protection laws and regulations. Violations could lead to legal consequences and damage to reputation.

Environmental, Social and Governance (ESG) Risk Factors

- 2.32 Insurers may face pressure to incorporate Environmental, Social and Governance (ESG) factors into their operations. There is an increasing focus on ensuring that their investments and business practices align with sustainability standards, which may lead to additional costs or challenges.

Reinsurance Risk

- 2.33 Our high-level analysis of the reinsurance strategy in place revealed that the existing reinsurance arrangements have led to a favorable reinsurance impact.

- 2.34 The reinsurance service ratio was 88.5% and 37.6% as at 31 December 2023 and as at 31 December 2024 respectively. As at 2024, the ratio is below 100% indicating that reinsurance expenses exceeded reinsurance income. The ratio as at 31 December 2024 reflects a deterioration compared to the experience in 2023. We recommend that Capital Express continues to review its reinsurance arrangements in place as at 31 December 2024 to ensure they are optimal.

Liquidity Risk

- 2.35 Whereas as a going concern, Capital Express is expected to receive premium income, as well as premiums from new business to offset these cash flow demands, the liquidity position should be monitored closely for the short term as a liquidity gap in this period is observed. A proper asset liability matching exercise should ensure that the assets and liabilities are matched both in respect of timing and amounts.

Compliance Risk

- 2.36 This is the risk that a change in the current legislation or global reporting requirement will affect a company, or industry. This is especially because companies must abide by regulations set by governing bodies that oversee their industry.
- 2.37 Capital Express should be wary of any adverse effects of future compliance requirements. This is especially with the adoption of the global requirements as well the upcoming shift to the Risk Based regime and the new additional regulatory guidelines on underwriting annuity business for the Nigeria insurance industry. Such changes are bound to have implications on operational costs and sometimes could even introduce restrictions on a company's normal operations.

Operational Risk

- 2.38 Operational risk is the risk of loss from failure of internal processes, systems and people. When offering insurance services, there's a risk that systems may fail to accurately capture policy data or provide the latest information on policyholders.
- 2.39 Due to the dynamic nature of this risk, the company should monitor each of these risk components (people, systems and processes) regularly and review the risk management measures to ensure any issues arising are adequately dealt with. Measures that may be considered include regular and updated business training of the employees, adoption of efficient systems and processes as well as regular reviews and updates of the same.

Actuary's Opinions

Recent Experience and Profitability

- 2.40 We recommend that Capital Express reviews its long-term forecasts and aligns these based on the actual performance as at 31 December 2024. In addition, the Company should incorporate scenario analysis to allow for adverse performance, especially in the financial markets.

Insurance Liability Valuation

- 2.41 As the Consulting Actuary, we are satisfied with the reserves booked by Capital Express in their audited accounts.
- 2.42 The approach and methodologies adopted for the measurement of the insurance and reinsurance contracts are in line with the IFRS 17 Standard and key actuarial decisions made by the insurer.
- 2.43 We recommend that Capital Express continues to carry out the experience analysis of all economic and non-economic assumptions to ensure that they remain current and reflective of the business.

Pricing and Premium Adequacy

- 2.44 We recommend that in order to effectively assess the premium adequacy of Capital Express, a profit test analysis of the business in force has to be carried out. The exercise involves projecting to maturity future cash flows in respect of the business in force based on the actual expected experience.

Asset and Liability Management

- 2.45 Asset and Liability Management (ALM) is becoming a key performance and regulatory requirement for insurers globally.
- 2.46 With IFRS 17, it is becoming important to mitigate the impact of Insurance Finance Income or Expenses (IFIE) by optimizing measurement models and aligning investment strategies with liabilities.
- 2.47 Matching investment income recognition with liability discounting helps reduce IFIE fluctuations which can be achieved by using assets with similar duration and risk profile to liabilities.

Impact of IFRS 17 Adoption

- 2.48 Capital Express has successfully implemented IFRS 17. The in-house team understands the reporting requirements and have their accounts in full compliance with the standard.

3. Development since Previous Financial Year

- 3.1 The last financial condition report was for financial year 2023. The company has experienced and demonstrated the following since the previous financial year:

Premium History

- 3.2 Capital Express reported gross written premium of NGN 8.8 billion as at 31 December 2024 to NGN 7.5 billion as at 31 December 2023 resulting in a year-on-year increase by 16.7%

Amounts in N'000

Gross Written Premium (NGN'000)			
	31 Dec 2024	%	31 Dec 2023
Total Individual Life	812,175	9.3%	782,247
Total Group Life	7,952,230	90.7%	6,726,018
Total	8,764,405	100%	7,508,265

Authorized Share Capital

- 3.3 Capital Express reported issued share capital of NGN 5.2 billion with an addition of NGN 2.8 billion as at 31 December 2024 to NGN 5.2 billion as at 31 December 2023 resulting in a year-on-year increase by 55%.

Issued share capital		
	31 Dec 2024	31 Dec 2023
Ordinary shares issued and fully paid	5,174,041,000	5,174,041,000
Additions during the year	2,825,958,000	-
Total	8,000,000,000	5,174,041,000

4. Business Overview and Information Requirements

Company and Shareholding Structure

- 4.1 Capital Express Assurance Limited is a life insurance company with the vision to be a world-class financial service provider and a mission to be in every household providing wealth management and risk protection services, using the most sophisticated technology and manpower, thereby creating value to all stakeholders.
- 4.2 Capital Express Assurance Limited ownership structure as at 31 December 2024 is as follows:

Ordinary Share Capital	Number of Shares	Percentage Holding
Authorized Share Capital	8,000,000,000	99.9%
Total	8,000,000,000	99.9%

Board of Directors

- 4.3 The Board of Directors of the Company, for the year financial year comprised the following members:

Director	Position
Mr Mathew Ogwezhi	MD/ CEO
Otunba Ademola Adenuga	Chairman
Mrs. Olayinka Aletor	Non-Executive Director
Mr. Adeyinka Obalade	Independent Non-Executive Director
Barr. Osahon Idemudia	Member
Mr. Adewale Oketola	ED (Finance)
Mr. Gbenga Owodunni	ED (Technical)

Board Committees

- 4.4 The Board carries out its oversight functions through the following Board Committees:

- Board Finance, Investment and General-Purpose Committee
- Board Enterprise Risk Management and Governance Committee
- Board Audit and Compliance Committee
- Board Litigation Committee

Products

4.5 The Company underwrites the following life products for individual life and Group businesses:

- a) Protection Product:
 - Capex Savings Plan (Protection Portion)

- b) Endowment Products:
 - Endowment Plan
 - 3 Payment Plan
 - Flexi 3 - Plan A
 - Flexi 3 - Plan B
 - Flexi 3 - Plan C

- c) Investment-Linked Products:
 - Universal Life Assurance Plan
 - Capex Target Savings Plan
 - Unit-Linked Plan
 - Capex Savings Plan (Savings Portion)

- d) Group Business:
 - Group Life
 - Group Credit Life

5. Recent Experience and Financial Performance

Income Statement and Overall Profitability

- 5.1 The table below details Capital Express's profitability, as well as a comparison of actual performance for the financial year ended 31 December 2024. Key financial ratios have also been included that can be used to assess any trends in the business.

Statement of Profit or Loss	31 Dec 2024	31 Dec 2023	Percentage
	NGN '000	NGN '000	Movement
Insurance service revenue	7,181,582	5,448,585	31.8%
Insurance service expenses	(5,546,896)	(4,811,442)	15.3%
Net expense from reinsurance contracts held	(872,486)	(360,893)	141.8%
Insurance service result	762,200	276,250	175.9%
Insurance finance expenses	960,976	1,239,562	(22.5)%
Reinsurance finance income	60,337	54,992	9.7%
Net Insurance finance expense	1,021,313	1,294,554	(21.1)%
Investment income	44,564	1,025,802	(95.7)%
Impairment charge on financial assets	665	(656)	(201.3)%
Net realised gain/(loss)	748,307	26,374	2737.3%
Dividend income	264,192	173,810	52.0%
Total Investment and related Income	1,057,727	1,225,330	(13.7)%
Net Insurance service and investment result	2,841,240	2,796,134	1.6%
Other operating income	917,659	175,204	423.8%
Other operating expenses	(2,959,880)	(2,181,273)	35.7%
Other finance cost	(27,556)	(35,455)	(22.3)%
Profit before income tax	771,463	754,610	2.2%
Income tax expense	(6,000)	(9,522)	(37.0)%
Profit after taxation	765,463	745,088	2.7%

- 5.2 As illustrated in the IFRS 17 account, insurance service revenue increased by 31.8% whilst the insurance expense increased by 15.3% from NGN 4.8 billion as at 31 December 2023 to NGN 5.5 billion as at 31 December 2024. This led to a 176% increase in the Insurance Service Result from NGN 276.3 million in 2023 to NGN 762.2 million in 2024.
- 5.3 The reinsurance net expense increased from NGN 360.9 million as at 31 December 2023 to NGN 872.5 million as at 31 December 2024 representing an increase of the net expense from reinsurance held by 141.8%.
- 5.4 Investment income witnessed a considerable decline during the year, from NGN 1 billion in 2023 to NGN 44.6 million in 2024. There were, however, noticeable increases in the Net realized Gain from NGN 26.4 million in 2023 to NGN 748.3 million in 2024. Resultantly,

Investment and related income slightly decreased by 13.7% from NGN 1.2 billion as at 31 December 2023 to NGN 1.1 billion as at 31 December 2024.

- 5.5 The observed increases in Other Operating Income and Other Operating Expenses were followed by a Profit Before Income Tax position of NGN 771 million, representing relative stability when compared to the position as at 31 December 2023, which totaled NGN 765 million.

Ratios

Ratios	31 Dec 2024	31 Dec 2023
Net Claims Ratio	52.10%	52.27%
Underwriting Expense and Commission Ratio	22.13%	17.64%
Management Expense Ratio	41.21%	38.99%
Net Combined Ratio	118.44%	108.90%

- 5.6 The financial ratios under the heading quoted in the table above have been approximated as follows:

▪ Net Claims Ratio	Net claims expenses / Net premium income
▪ Management Expense Ratio	Management expenses / Net premium income
▪ Underwriting Expenses and Commission Ratio	(Underwriting expenses + Commission income) / Net premium income
▪ Net Combined Ratio	Net claims ratio + Total expense ratio + Commission ratio

Excess Assets and Financial Position

- 5.7 The following table summarises the financial position of the Company:

Asset Class (NGN' 000)	31 Dec 2024	Asset proportion	31 Dec 2023	Asset proportion
Fixed Interest securities	11,049,773	45.6%	7,189,343	39.6%
Property Investment	7,834,739	32.3%	7,249,089	39.9%
Cash and near cash deposits	1,862,468	7.7%	524,330	2.9%
Other Assets	1,760,314	7.3%	1,543,469	8.5%
Invested assets	22,507,294	92.9%	16,506,231	90.8%
Reinsurance recoveries	107,286	0.4%	183,831	1.0%
Other balance sheet assets	1,613,107	6.7%	1,487,391	8.2%
Total Assets	24,227,687	100%	18,177,453	100%
Insurance Liabilities	9,918,349	92.8%	8,448,484	94.3%
Other Liabilities	772,603	7.2%	506,201	5.7%
Total Liabilities	10,690,952	100%	8,954,685	100%
Net Assets	13,536,736		9,222,769	

- 5.8 The total assets of Capital Express have grown by 33% in the period between 31 December 2023 and 31 December 2024. Invested Assets formed 92.9% (90.8% in 2023) of total assets of Capital Express as at 31 December 2024, with Other Assets, comprising Prepayments and other receivables and Intangible Assets, forming 6.7% of the total assets of Capital Express.
- 5.9 The company's predominant asset in 2024 was the fixed interest securities representing 45.6% while the predominant asset in 2023 was the property investment representing 39.9% of Total Assets.
- 5.10 The next major asset class was Property Investment which accounted for 32.3% and 39.9% of the Total Assets at the end of 2024 and 2023 respectively.
- 5.11 On the other hand, the liquid assets (cash and near cash deposit) significantly increased by 7.7% in 2024 against 2.9% in 2023.
- 5.12 Insurance contract Liabilities were about 92.8% in 2024 and 94.3% in 2023 of the company's total liabilities. Other liabilities, comprising Trade Payables and Other Accruals, formed 7.2% of the total liabilities.
- 5.13 Overall, the total assets held by Capital Express of NGN 24.2 billion (NGN 18.2 billion in 2023) are more than the total liabilities of the Company of NGN 10.7 billion (NGN 9.0 billion in 2023), resulting in a Net Assets position of NGN 13.5 billion (NGN 9.2 billion in 2023).

Gross Written Premium

- 5.14 The table below summarises the gross written premium of the Company:

Amounts in N'000

Gross Written Premium		
Business Class	31 December 2024	Percentage
Individual Life	812,175	9.3%
Group Life	7,952,230	90.7%
Total	8,764,405	100%

- 5.15 The Company's written premium is made up of 9.3% individual life product comprising of Endowment products, Protection products and Investment-Linked products and 90.7% Group Life. The group life portfolio is the highest contributor to the total gross written premium.

Business Plan

- 5.16 Capital Express projected business performance over the next year is shown in the table below. The projection is prepared in the IFRS 17 format.

	2024 Budget	2024 Actual	2025 Budget	Movement
	N'000	N'000	N'000	(%)
Gross Premium Written	12,500,000	8,764,405	25,000,000	185.2%
Income contract revenue	9,576,507	7,181,582	20,321,298	183.0%
Insurance service expense	(6,250,004)	(5,546,896)	(13,226,606)	138.5%
Net expense from reinsurance contracts held	(357,913)	(872,486)	(748,022)	(14.3)%
Insurance service result	2,968,590	762,200	6,346,670	732.7%
insurance finance income/(expenses)	450,789	960,976	967,098	0.6%
Reinsurance finance income	27,890	60,337	80,530	33.5%
Net Insurance finance expense	478,679	1,021,313	1,047,628	2.6%
Investment income	524,737	44,564	972,131	2081.4%
Profit on investment contracts	144,993	-	152,000	(100.0)%
Net fair value (loss)/gain	242,761	-	280,000	(100.0)%
Impairment (charge)/ write-back	2,430	665	1,340	101.6%
Net realised gain/(loss)	-	748,307	-	(100.0)%
Dividend income	50,000	264,192	100,000	(62.1)%
Total Investment and other income	964,921	1,057,727	1,505,471	42.3%
Net Insurance and investment result	4,412,190	2,841,240	8,899,769	213.2%
other operating income	-	917,659	-	(100.0)%
other operating expenses	(3,393,750)	(2,959,880)	(6,255,869)	111.4%
Other finance cost	-	(27,556)	-	(100)%
Profit before tax	1,018,440	771,463	2,643,900	242.7%
income taxes	(30,000)	(6,000)	(30,000)	400.0%
Profit after tax	988,440	765,463	2,613,900	241.5%

- 5.17 The Company's 2024 premium collection was below the budgeted amount by about NGN 3.7 billion. The Gross written premium is expected to grow by 185.2% from NGN 8.8 billion as at 31 December 2024 to NGN 25 billion as at 31 December 2025.
- 5.18 The insurance service revenue achieved was below target by about NGN 2.4 million while the insurance service expenses were also below the budgeted amount by NGN 703.1 million. Both the insurance services revenue and insurance service expenses are expected to grow by 183.0% and 138.5% respectively by 31 December 2025.
- 5.19 Investment income result achieved as at 31 December 2024 are NGN 1.1 billion which is above the 2024 budget of NGN 964.9 million, but the projected amount is expected to increase by 42.3% as at 31 December 2025.
- 5.20 The Company is expected to make a profit before income tax expense of NGN 771.5 million in 2024 financial year which was below the 2024 budgeted profit before income tax of NGN 1.0 billion.

- 5.21 Overall, Capital Express is expected to remain profitable, but management should continue focusing on controlling claims and operating expenses while monitoring its top-line and maintaining strong investment returns.

6. Valuation of Assets and Liabilities

- 6.1 Becoda Consulting conducted an actuarial valuation of Capital Express Life fund as at 31 December 2024 based on the IFRS 17 Standard, and this section includes a summary of the results.
- 6.2 IFRS 17, an accounting standard, was developed to standardize insurance accounting globally and improve transparency in insurance accounts. The valuation of insurance liabilities covers liability for remaining coverage (LRC) and liability for incurred claims (LIC) and the assets for remaining coverage (ARC) and assets for incurred claims (AIC) reinsurance .

Results of the Actuarial Valuation

- 6.3 This section shows the results of the actuarial valuation of the Company's Life Fund as at 31 December 2024. The results of the valuation as at 31 December 2023 have been provided for comparative purposes:
- 6.4 IFRS 17 introduces components like Best Estimate Liability (BEL), Risk Adjustment (RA) and Contractual Service Margin (CSM)
- 6.5 The table below details the IFRS 17 liabilities for the individual life class of business as at 31 December 2024 and as at 31 December 2023.

Amounts in NGN '000

Individual Life Liabilities	31 December 2024	31 December 2023	Percentage Growth
Best Estimate Liability	3,339,954,307	3,399,002,057	(1.7)%
Risk Adjustment	47,095,505	46,255,986	1.8%
Fulfilment Cashflows (BEL&RA)	3,387,049,812	3,445,258,043	(1.7)%
Contractual Service Margin	219,246,045	394,745,138	(44.5)%
Total Liability for Remaining Coverage	3,606,295,857	3,840,003,181	(6.1)%
Total IFRS 17 Liabilities	3,606,295,857	3,840,003,181	(6.1)%

- 6.6 The liabilities held for the individual life as at 31 December 2024 decreased by 6.1% from what was held as at 31 December 2023. The decreased total liability is attributed to the 44.5% decrease in contractual service margin as well as the 1.7% decrease in the Best Estimate Liabilities as at 31 December 2024 as compared to the previous year.
- 6.7 The table below shows the liabilities held for the group life class of business as at 31 December 2024.

Amounts in NGN '000

Group Life	31 December 2024
IBNR + OCR	2,209,583,495
Risk Adjustment	77,335,422
Effect of Discounting	-
Liability for Incurred Claims	2,286,918,917
Liability for remaining coverage	2,593,855,132
Total IFRS 17 Liabilities	4,880,774,049

6.8 The table below shows the reinsurance asset held for group life as at 31 December 2024.

Amounts in NGN '000

Group Life Reinsurance Asset	31 December 2024
IBNR + OCR	34,643,506
Risk Adjustment	1,212,523
Effect of Discounting	-
Liability for Incurred Claims	35,856,029
Liability for remaining coverage	106,665,693
Total IFRS 17 Asset	142,521,722

6.9 The following methodology was used to value the liabilities as at 31 December 2024:

- For Individual Life business, the Best Estimate Liabilities (BEL) was determined via a cashflow projection approach discounted back to the valuation date using the discount rates.
- For the group business the premium allocation approach has been used for the calculation of the liability.
- The uncertainty and timing for group life arises in the estimate of the loss reserve, hence only the uncertainty arising from claims reserve have been allowed for in the Risk Adjustment calculation for group life business.
- The Value at Risk approach was used for the Risk Adjustment (RA) calculation for other contracts other than group life business. The RA is calculated at Unit of Account level with a bottom-up approach.
- The Contractual Service Margin (CSM) allocation was based on the coverage units. General Model Measurement (GMM) approach has been used for the investment linked products.
- Discount rates as published by the Nigerian Actuarial Society (NAS) was adopted and no adjustment has been made to the published rates.
- The valuation is carried out in Naira. There were no liabilities in other currencies

Adequacy of Past Estimates of Insurance Liabilities

- 6.10 Reserves held as at 31 December 2024 constituted policyholder contributions and interest earned to the date of the valuation which represent the full amount owed by the Company in respect to policy holder liabilities. The reserves were therefore sufficient.
- 6.11 On an annual basis, insurance contract liabilities are subject to liability adequacy testing in order to mitigate insurance and underwriting risk. The net liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs. Where a shortfall is identified, an additional provision is made, and the Company recognizes the deficiency in profit or loss. Additionally, it is paramount to ensure that the technical provisions are an adequate assessment of the amount of the company's liabilities.
- 6.12 The adequacy of GPV reserves depends on how closely the assumptions adopted in the valuation represent the actual experience of the Company. If the actual experience of the Company turns out to be worse than expected as per the valuation assumptions adopted, the reserves held will prove to be insufficient.
- 6.13 There were four key assumptions on which computed reserves were based:
- Interest Rate Assumptions
 - Expense Assumptions
 - Mortality Assumptions
 - Withdrawal Assumptions
- 6.14 Mortality assumptions were based on the UK's Mortality of Assured Lives A1967-70 in line with market practice in Nigeria. We note that the mortality experience as per the A6770 has proven to be prudent over the years with the number of actual deaths being lower than the expected.
- 6.15 Withdrawal assumptions comprise of lapses and surrenders. For lapses, Becoda consulting maintained the lapse rates adopted in the previous valuation. The adopted lapse assumption were determined from an adjusted pricing basis. For surrenders, the account balance is payable subject to any surrender penalties where surrenders are made under the deposit-based plans and surrenders are permitted for the traditional endowment business once certain criteria, including payment of a minimum number of years' premiums have been met.
- 6.16 We recommend that the Company continually undertakes experience investigations in order to assess the appropriateness of the valuation assumptions adopted and hence the sufficiency of the reserves held. Experience should be continuously monitored in order to effectively manage insurance and investment risks.

Solvency

6.17 The Company's Capital Adequacy Ratio ("CAR") on a statutory basis is shown below:

Amounts in NGN '000	2024	2023
Total Admissible Assets	17,587,542	11,784,866
Total Liabilities	10,605,233	8,868,960
Solvency Margin	6,982,309	2,915,906
Minimum Regulatory Capital	2,000,000	2,000,000
15% of Net Premium	1,314,661	1,126,240
Regulatory Capital	2,000,000	2,000,000
Statutory CAR Cover	349%	146%

6.18 The CAR cover is estimated at 349% as at 31 December 2024 up from 146% as at 31 December 2023 following an increase in the net assets. **Overall, the Company is financially sound from a solvency perspective and sufficiently capitalised to carry the net written premium capital requirement and NGN 2 billion minimum capital requirement.**

7. Asset and Liability Management (ALM)

Introduction

- 7.1 ALM is the practice of managing a business so that decisions and actions taken with respect to assets and liabilities are coordinated. ALM can be defined as the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve an organization's financial objectives, given the organization's risk tolerance and other constraints.
- 7.2 Capital Express is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts), reinsurance assets and insurance liabilities. In particular, the key 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. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

Assets

- 7.3 The table below illustrates the total assets backing the policyholders' liabilities of Capital Express:

Asset Class (NGN' 000)	31 Dec 2024	Total Asset proportion	31 Dec 2023	Total Asset proportion
Fixed Interest securities	11,049,773	45.6%	7,189,343	39.6%
Property Investment	7,834,739	32.3%	7,249,089	39.9%
Cash and near cash deposits	1,862,468	7.7%	524,330	2.9%
Other Assets	1,760,314	7.3%	1,543,469	8.5%
Invested assets	22,507,294	92.9%	16,506,231	90.8%
Reinsurance recoveries	107,286	0.4%	183,831	1.0%
Other balance sheet assets	1,613,107	6.7%	1,487,391	8.2%
Total Assets	24,227,687	100%	18,177,453	100%
Insurance Liabilities	9,918,349	92.8%	8,448,484	94.3%
Other Liabilities	772,603	7.2%	506,201	5.7%
Total Liabilities	10,690,952	100%	8,954,685	100%
Net Assets	13,536,736		9,222,769	

- 7.4 The total assets of Capital Express have grown by 33% in the period between 31 December 2023 and 31 December 2024. Invested Assets formed 92.9% (90.8% in 2023) of total assets of Capital Express as at 31 December 2024, with Other Assets, comprising Prepayments and other receivables and Intangible Assets, forming 6.7% of the total assets of Capital Express.
- 7.5 The company's predominant asset in 2024 was the fixed interest securities representing 45.6% while the predominant asset in 2023 was the property investment representing 39.9% of Total Assets.
- 7.6 The next major asset class was Property Investment which accounted for 32.3% and 39.9% of the Total Assets at the end of 2024 and 2023 respectively.

- 7.7 On the other hand, the liquid assets (cash and near cash deposit) significantly increased by 7.7% in 2024 against 2.9% in 2023.
- 7.8 Insurance contract Liabilities were about 92.8% in 2024 and 94.3% in 2023 of the company's total liabilities. Other liabilities, comprising Trade Payables and Other Accruals, formed 7.2% of the total liabilities.
- 7.9 Overall, the total assets held by Capital Express of NGN 24.2 billion (NGN 18.2 billion in 2023) are more than the total liabilities of the Company of NGN 10.7 billion (NGN 9.0 billion in 2023), resulting in a Net Assets position of NGN 13.5 billion (NGN 9.2 billion in 2023).

8. Pricing and Premium Adequacy

Net Combined Ratio

- 8.1 The table below indicates key financial ratios for Capital Express for the financial year ended 31 December 2024. The corresponding statistics from the previous year have been included for comparative purposes.

Ratios	2024	2023
Net Claims Ratio	55.10%	52.27%
Underwriting Expenses & Commission Ratio	22.13%	17.64%
Management Expense Ratio	41.21%	38.99%
Net Combined Ratio	118.44%	108.90%

- 8.2 The above statistics indicate that the overall mix of exposure for the Company results in a loss (combined ratio higher than 100%). It is however important to note that for long term insurance business investment returns comprise a significant part of profitability. As such, the combined loss ratio does not provide a complete and comprehensive assessment of the adequacy of premiums.

Group Life Business

- 8.3 Group Life business experienced a better underwriting result in 2024.
- 8.4 The net claims ratio increased from 52.27% as at 31 December 2023 to 55.10% as at 31 December 2024.
- 8.5 Active scheme management is still required to increase the profitability of the Group Life portfolio. The Company will have to ensure that high risk schemes are priced appropriately.

Individual Life Business

- 8.6 The Individual life business continues to experience increase in the insurance liabilities, the company has been experiencing high operating expenses, it is expected for this gap to narrow with the continuing increase of new business sales.
- 8.7 Capital Express should continue its expense management and enhance growth in volumes going forward.

9. Reinsurance Management Strategy

Current Reinsurance Arrangements

9.1 Reinsurance arrangements provide the company with additional protection against the inherent risks within the policies sold. Capital Express strives to optimise the use of reinsurance as part of its Capital Management. Capital Express has in place the following reinsurance policy for its life business.

9.2 Capital Express has entered into reinsurance arrangement with four reinsurance companies namely:

- a) African Reinsurance Corporation
- b) Continental Reinsurance Plc.
- c) WAICA Reinsurance Corporation Plc
- d) FBS Reinsurance Limited

9.3 The table below summarizes Capital Express reinsurance arrangement for year 2024 and 2023 respectively:

Class of Business	31 Dec 2024		31 Dec 2023	
	Individual Life	Group Life	Individual Life	Group Life
	N'000	N'000	N'000	N'000
Company Retention	5,000	20,000	5,000	20,000
Treaty Capacity	1,000,000	1,000,000	1,000,000	1,000,000
Underwriting capacity	1,050,000	1,020,000	1,050,000	1,020,000

9.4 In 2024, Capital Express retained its company retention per life at NGN 20 million for group Life and NGN 5 million for individual life respectively from the previous year.

9.5 Capital Express retained its treaty capacity for the Group Life business at NGN 1 billion initial sum at risk on anyone life and NGN 1 billion for individual life respectively from the previous year.

9.6 The table below summarizes Capital Express' reinsurance companies participation:

Reinsurance Companies	31 Dec 2024	
	Individual Life	Group Life
African Reinsurance Corporation	75%	75%
Continental Reinsurance Plc	10%	10%
WAICA Reinsurance Corporation Plc	10%	10%
FBS Reinsurance Limited	5%	5%

Reinsurance Impact

- 9.7 We assessed the impact of the reinsurance impact on Capital Express's performance over the last two years based on the IFRS 17 results as shown below:

Reinsurance Impact	31 Dec 2024	31 Dec 2023
	N'000	N'000
Insurance Service		
Insurance Service Revenue	7,181,582	5,448,585
Insurance Service Expense	(5,546,896)	(4,811,442)
Insurance service result before reinsurance (A)	1,634,686	637,143
Reinsurance		
Reinsurance Premium Expense	(1,125,903)	(187,367)
Reinsurance Recoveries	96,899	74,354
Reinsurance Income	60,337	54,991
Inward commission & fees	266,168	36,426
Reinsurance Service result (B)	(702,499)	(21,596)
Reinsurance Service result (C) = (A) + (B)	738,389	466,839
Ratio		
Value for money Ratio*	37.6%	88.5%

*Value for money Ratio = (Reinsurance Recoveries + Reinsurance income + inward commission & fees)/Reinsurance Premium Expense

- 9.8 Capital Express has majorly reinsured its group life portfolio due to high sums assured underwritten on the product.
- 9.9 Based on the above result, proportion of value for money worsened to 37.6% in 2024 from 88.5% in 2023.
- 9.10 We recommend Capital Express undertake a reinsurance optimization exercise to ensure that its retentions are at an appropriate level to cover its claims and expenses in the future as well gain from the reinsurance arrangements in place. Treaty profit sharing formulae could for instance be reviewed.

10. Risk Management

Risk Management Strategy

- 10.1 Capital Express has a framework for the structures, methodologies, policies, processes and procedures for Risk Management. The company has positioned its Risk Management framework to provide guidance on how risk culture can be integrated into day-to-day key processes of the company.
- 10.2 Capital Express has aligned its risk management framework with the 2015 NAICOM Custodian Guideline and business continuity requirement that is set out in "NAICOM's Guideline for Developing a Risk Management Framework for Insurers and Reinsurer In Nigeria". This framework applies to all activities undertaken by personnel that affect Capital Express as a whole, including any impact to the shareholder from policyholder and third-party business, and those activities undertaken to protect the Company's assets, tangible or intangible.
- 10.3 Capital Express's risk governance is based on the principles of the 'three lines of defence' model: risk taking and management, risk control and oversight, and independent risk assurance.
- 10.4 The Risk Management department has the responsibility and oversight for risk management and is an integral part of Capital Express's Company processes. The Risk Management function is charged with coordinating and reporting on enterprise risk management program on a day-to-day basis. In addition to the main or core risk areas, specialized risk management areas such as occupational health & safety, security, and environmental & social management systems are coordinated and managed by the relevant groups within the company.
- 10.5 Capital Express's risk management framework details the company's view of risk, its philosophy and strategy for managing risk, risk taxonomy, governance, role and responsibilities and the effective integration of risk management over time into the organization's processes so that it protects and creates value.

Corporate Governance

- 10.6 Capital Express Assurance Limited ("the Company") has consistently developed corporate policies and standards to encourage good and transparent corporate governance framework to avoid potential conflicts of interest between all stakeholders whilst promoting ethical business practices. This is the foundation of the history, values and culture of Capital Express for building and sustaining an enduring institution that guarantees profitability and professionalism.
- 10.7 For Capital Express to ensure consistency in its practice of good corporate governance, the Company continuously reviews its practice to align with the various applicable Codes of Corporate Governance such as the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria (FRC) Codes with particular reference to compliance, disclosures and structure. Furthermore, an annual Board appraisal is also conducted by an Independent Consultant appointed by the Company whose report is submitted to NAICOM

and presented to shareholders at the Annual General Meeting of the Company in compliance with the recommendation of the NAICOM corporate governance guidelines.

- 10.8 Capital Express operates on the 3 level lines of defence model for the oversight and management of risk to create and promote a culture that emphasizes effective management and adherence to operating controls as illustrated below:

- **1st line – Risk Owners**

The Board, management and line managers: It involves broad setting of strategy, risk appetite, performance measurement, establishment and maintenance of internal control and day-to-day risk management in the business. In addition, business managers and staffs have the primary responsibility for managing risks and are required to take responsibility for the identification, assessment, management, monitoring and reporting of enterprise risks arising within their respective businesses, thereby ensuring an informed risk and reward balance.

- **2nd line – Risk Control**

The Company's risk management function provides oversight and independent reporting to executive management, implements the Company's risks management policy in the business units, approves risk specific mandates and provides an independent overview of the effectiveness of risk management by the first line of defence. The risk function recommends risk policies to the board for approval and oversees the effectiveness of the enterprise risk management framework in the identification, assessment, management, monitoring and reporting of risks.

- **3rd line – Risk Assurance**

The third line of defence comprises the internal audit function that provides independent and objective assurance of the effectiveness of the Company's systems of internal control established by the first and second lines of defence in management of enterprise risks across the organization. The internal audit function is accountable to the board audit & compliance committee and ultimately to the main board.

- 10.9 The governance structure comprises of:

- **Board Finance, Investment and General-Purpose Committee**

The Finance, Investment and General-Purpose Committee is responsible for the reviews, approval of the company's investment policy, decisions and portfolio limits by Management of the Company. This Committee sets and monitors asset allocation targets and returns, approves investment strategy and overall investment risk appetite. The committee have supervisory functions over investment and other finance-related issues such as capital & funding requirements.

- **Board Audit and Compliance Committee**

The Committee provides oversight functions with regard to the Company's internal control process and procedure. The Committee ensures compliance with legal and

other regulatory requirements, assessment of qualifications and independence of external auditor; and performance of the Company's internal audit function as well as that of external auditors. The committee provides oversight over financial reporting and accounting.

- **Enterprise Risk Management and Governance Committee**

This Committee has supervisory functions over risk management, the risk profile, the enterprise-wide risk management framework, underwriting functions of the Company and the corporate governance. The Committee reviews the adequacy and effectiveness of risk management and controls, reviews company's compliance level with applicable laws, statutes and regulatory requirements that may impact the company's risk profile, reviews changes in the economic and business environment and recommend for approval of the board risk management procedures and controls for new products and services.

Risk Monitoring and Reporting

- 10.10 Risk Management Monitoring and Reporting is a cycle with the assistance of process owners and cooperation of management; the team monitors and reports on risks. The risk reporting focuses on identifying risks based on priority, common themes and patterns that cut across different areas in capital express, risk treatment plans without owners, risks where treatment plans have not progressed as planned and key risks movement and trends.
- 10.11 Risk monitoring will occur through updates to be provided to the team by the business units who are also the process owners. The process owners will assist with coordination activities for monitoring and reporting. Internal audit will also provide a support and feedback mechanism for monitoring risks through risk based internal audits and compliance checks.
- 10.12 High rated risks will require immediate management attention and will be monitored and reported on at least quarterly basis, Moderate and Low rated risks may be monitored bi-annually or annually as judged relevant. Therefore, all identified risks will be monitored and reported at least annually.

Risk Appetite & Risk Taxonomy

- 10.13 Capital Express recognizes that its long-term sustainability is dependent upon the protection of the company's brand, preservation of value and relationship with customers. Capital Express set its risk appetite in terms of capital and earnings, and these will be cascaded into risk tolerance. Capital express will not accept risks that materially impair its reputation and values.

10.14 The risk management policies and procedures instituted are strategically aimed at managing potential, inherent and residual risk categories inherent in the company's operations.

10.15 The following risk are currently in place to address the key risk exposures of Capital Express.

- Operational Risk
- Market Risk
- Underwriting Risk
- Credit Risk
- Liquidity Risk

Risk Culture and Risk Strategy

10.16 Capital Express Assurance Limited's risk philosophy is guided by the following principles:

- The Company will comply with all regulations and uphold international best practice in the management of its risks.
- The Company will not take any action that will compromise its integrity, it shall endeavour to identify, assess, measure, manage and control all risks it faces.
- The Company will only accept risks that falls within its risk acceptance criteria and have commensurate returns.
- The Company will seek to be the reference point for risk management in the industry while maximizing value to its stakeholders and employing the best risk management techniques.
- The Company will build and entrench an enduring risk culture which shall pervade the entire organization.
- The Company's decision will be based on careful analysis of the implications of such risks to its strategic goals and operating environment.
- The Company will avoid risk outside its risk appetite but manage others within it.
- The Company will continually review its activities to determine the level of risks inherent in them in order to adopt appropriate risk response at all times.

10.17 Capital Express Assurance Limited Enterprise Risk Management Strategy is to:

- Manage risks within a tolerable level to meet service level expectations
- Apply a consistent approach to risk management across the organization
- Introduce incremental changes to the risk management process and procedures and build upon existing risk management activities.
- Ensure that a solid risk assessment exists before full corporate enforcement of policy.
- Balance the cost and control of risk to ensure the greatest value is created.

Material Risks Identified

- 2.49 The following are the key risks faced by Capital Express, their impact, and our recommendations based on our review as the Consulting Actuary:

Insurance Risk

- 2.50 The Company should continually monitor its actuarial assumptions to assess its actual experience against the parameters outlined above. This will help guide the selection of the most appropriate valuation assumptions and reduce the risk of understating the Company's reserves.
- 2.51 In addition, value of inforce and value of new business actuarial calculations combined with proper analysis of surplus (AoS) would guide the company on the actual drivers of its profitability from the above parameters, guiding on the correct course of action to be taken.

Credit Risk

- 2.52 A high proportion of premium debtors relative to gross written premium (GWP) can negatively affect a company's liquidity and its ability to meet policyholder obligations as they fall due. This may also expose the company to reputational and regulatory risks.

Inflation Risk

- 2.53 With the increasing inflation rates in Nigeria, there is a risk of erosion in the value of the policies which may affect the affordability of premiums and lead to operational costs for insurers.
- 2.54 In addition, the depreciation of the Nigerian Naira against foreign currencies could increase the cost of expenses such as reinsurance premiums and foreign-denominated liabilities.

Investment Risk

- 2.55 Insurers are heavily reliant on the returns from investments in equities, bonds, and other financial instruments. Volatile stock market rates can adversely impact the returns on their investment portfolios. As observed in 2024, the investment income on Capital Express's portfolio declined from the levels attained in 2023 despite the increased profitability and top line growth.

Technological Risk

- 2.56 **Cybersecurity Threats:** Capital Express faces the risk of cyberattacks, data breaches, and other security incidents. This is due to the increasing digitization of the insurance industry globally. These could undermine customer trust and result in financial and reputational damage.
- 2.57 **Data Privacy and Protection:** As insurers collect more customer data, they face the risk of non-compliance with evolving data protection laws and regulations. Violations could lead to legal consequences and damage to reputation.

Environmental, Social and Governance (ESG) Risk Factors

- 2.58 Insurers may face pressure to incorporate Environmental, Social and Governance (ESG) factors into their operations. There is an increasing focus on ensuring that their investments

and business practices align with sustainability standards, which may lead to additional costs or challenges.

Reinsurance Risk

- 2.59 Our high-level analysis of the reinsurance strategy in place revealed that the existing reinsurance arrangements have led to a favorable reinsurance impact.
- 2.60 The reinsurance service ratio was 88.5% and 37.6% as at 31 December 2023 and as at 31 December 2024 respectively. As at 2024, the ratio is below 100% indicating that reinsurance expenses exceeded reinsurance income. The ratio as at 31 December 2024 reflects a deterioration compared to the experience in 2023. We recommend that Capital Express continues to review its reinsurance arrangements in place as at 31 December 2024 to ensure they are optimal.

Liquidity Risk

- 2.61 Whereas as a going concern, Capital Express is expected to receive premium income, as well as premiums from new business to offset these cash flow demands, the liquidity position should be monitored closely for the short term as a liquidity gap in this period is observed. A proper asset liability matching exercise should ensure that the assets and liabilities are matched both in respect of timing and amounts.

Compliance Risk

- 2.62 This is the risk that a change in the current legislation or global reporting requirement will affect a company, or industry. This is especially because companies must abide by regulations set by governing bodies that oversee their industry.
- 2.63 Capital Express should be wary of any adverse effects of future compliance requirements. This is especially with the adoption of the global requirements as well the upcoming shift to the Risk Based regime and the new additional regulatory guidelines on underwriting annuity business for the Nigeria insurance industry. Such changes are bound to have implications on operational costs and sometimes could even introduce restrictions on a company's normal operations.

Operational Risk

- 2.64 Operational risk is the risk of loss from failure of internal processes, systems and people. When offering insurance services, there's a risk that systems may fail to accurately capture policy data or provide the latest information on policyholders.
- 2.65 Due to the dynamic nature of this risk, the company should monitor each of these risk components (people, systems and processes) regularly and review the risk management measures to ensure any issues arising are adequately dealt with. Measures that may be considered include regular and updated business training of the employees, adoption of efficient systems and processes as well as regular reviews and updates of the same.

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