



CUSTODIAN LIFE ASSURANCE LIMITED

FINANCIAL CONDITION REPORT AS AT 31 DECEMBER 2024

March 2025

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1. Introduction

This FCR has been guided by the provisions of the Insurance Act 2003 as well as other regulations and guidance from the National Insurance Commission (NAICOM). The objective of the report is to provide the regulator a summary of the risk exposure of the insurer and to give information on the business issues that are monitored by the actuarial function.

The preparation of this FCR stems from the National Insurance Commission's Guidelines, which states that an insurer shall on annual basis appoint an independent Actuary who shall conduct and submit a Financial Condition Report with detail of inter alia; measures governing the business operations, corporate governance, risk management, solvency and financial performance of an insurer.

1.1. Data Obtained

The following data was received from Custodian Life in order to complete the FCR:

- Audited financial statements as at 31 December 2024 for the 2024 financial year.
- Actuarial valuation of the Life Fund report as at 31 December 2024 prepared by Zamara.
- Various documents relating to company governance structure and business plans for Custodian Life, including:
 - IFRS 17 Compliant Budgeted Figures
 - Enterprise Risk Management Framework & Policy
 - Custodian Life Assurance Shareholding structure

It was assumed that the data provided by the Company was correct, and a full audit of the data provided was not conducted.

1.2. Reliance and Limitations

This FCR is based on the audited life revenue accounts of the Company as at 31 December 2024, as well as the business plans and company information that were provided to Zamara.

The accuracy of any values quoted in this FCR, and the conclusions reached are limited to the realisation of the assumptions used, and the accuracy of the data and information to which these assumptions were applied.

Zamara did not consider the adequacy of the Company's reinsurance programme in detail as part of this FCR. High level analysis and feedback was however conducted, and the results included in this FCR.

Zamara conducted the Actuarial Valuation of the Life Fund as at 31 December 2024, the results of which are summarised in section 6 of this report. IFRS 17 standard was incorporated in the current valuation of the insurance liabilities.

As external actuaries, we are not part of the Company's management body; consequently, our exposure to the day-to-day activities of the Company is limited. While we have undertaken to ensure that our report and analysis are a reliable reflection of the Company's true financial health, it is, nonetheless possible for an external party to be unaware of material developments pertaining to the Company that may be pertinent to the analysis and reporting undertaken.

This report should not be disclosed, copied, discussed with or otherwise furnished to any third party (unless they have a statutory right to it) without our prior written consent. Zamara Consulting Actuaries Nigeria Limited or any representative of our firm is not responsible whatsoever for any judgments or conclusions that may be drawn by third parties from this report.

2. Executive Summary

2.1. Introduction

This Financial Condition Report ("FCR") sets out the results of the analysis of the financial condition of Custodian Life Assurance Limited ("Custodian Life" 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.

The FCR sets out the insights and recommendations on Custodian Life Limited operations, financial condition, liabilities and to discuss issues of any known risks that may have an effect on the financial soundness of Custodian Life Assurance Limited ("Custodian Life") as at 31 December 2024.

The Company has contracted Zamara Actuaries, Administrators and Consultants ("Zamara") to provide actuarial services. In terms of this arrangement, Nikhil Dodhia, Fellow of the Institute and Faculty of Actuaries, is the appointed actuary.

The FCR is limited to the Custodian Life Assurance Limited company information.

2.2. Financial Performance

2.2.1 Income Statement

The table below summarises Custodian Life's profitability as at 31 December 2024, and as at 31 December 2023.

| Profit or Loss Statement | 31 Dec 2024 | 31 Dec 2023 | Percentage |
|--|---------------------|--------------------|-----------------|
| | NGN '000 | NGN '000 | Movement |
| Insurance service revenue | 29,977,729 | 24,812,728 | 20.8% |
| Insurance service expense | (38,805,619) | (24,463,658) | 58.6% |
| Net expense from reinsurance contracts held | (1,075,354) | (1,217,768) | (11.7)% |
| Insurance service result | (9,903,244) | (868,698) | 1040% |
| Insurance finance expenses | (10,363,526) | (4,800,734) | 115.9% |
| Reinsurance finance income | 15,771 | 16,559 | (4.8)% |
| Net Insurance finance expense | (10,347,755) | (4,784,175) | (116.3)% |
| Investment income | 22,686,069 | 15,985,291 | 41.9% |
| Profit on investment contracts | 96,408 | 31,172 | 209.3% |
| Net fair value gain/(loss) | 4,569,841 | (7,422,573) | 161.6% |
| Impairment charge on financial assets | (1,877) | (242,276) | (99.2)% |
| Net realized gain | 388,790 | 635,767 | (38.8)% |
| Net foreign exchange gain | 3,733,525 | 2,851,503 | 30.9% |
| Other investment income | 125,928 | 116,467 | 8.1% |
| Total Investment and related income | 31,598,684 | 11,955,351 | 164.3% |
| Net Insurance service and investment result | 11,347,685 | 6,302,478 | 80.1% |
| Other operating income | 23,260 | 179,947 | (87.1)% |
| Other operating expenses | (2,322,978) | (1,792,208) | 29.6% |

| Profit or Loss Statement | 31 Dec 2024 | 31 Dec 2023 | Percentage |
|---------------------------------|------------------|------------------|--------------|
| | NGN '000 | NGN '000 | Movement |
| Profit before income tax | 9,047,967 | 4,690,217 | 92.9% |
| Income tax expense | (554,831) | (247,432) | 124.2% |
| Profit after taxation | 8,493,136 | 4,442,785 | 91.2% |

Overall, the company experienced a profit after taxation of NGN 8.5 billion as at 31 December 2024, an increase of 91.2% from a profit of NGN 4.4 billion as at the previous period.

As illustrated in the table, insurance service revenue increased by 20.8% whilst the insurance expense increased by 58.6% from NGN 24.5 billion as at 31 December 2023 to NGN 38.8 billion as at 31 December 2024 leading to a reduction in the Insurance service result from NGN (868.7) million in 2023 to NGN (9.9) billion in 2024. This situation as was redeemed by higher investment result.

Investment and related income significantly increased by 164.3% from NGN 12 billion as at 31 December 2023 to NGN 31.6 billion as at 31 December 2024.

The reinsurance net expense reduced from NGN (1.2) billion as at 31 December 2023 to NGN (1.1) billion as at 31 December 2024 representing a decrease of the net expense from reinsurance held by (11.7)%.

2.2.2 Financial Position

The financial position of Custodian Life's on a statutory basis was as follows:

| Asset Class (NGN' 000) | 31 Dec 2024 | Asset proportion | 31 Dec 2023 | Asset proportion |
|-----------------------------|--------------------|------------------|--------------------|------------------|
| Fixed Interest | 169,353,198 | 89.9% | 127,120,277 | 91.2% |
| Investment Property | 2,170,000 | 1.2% | 1,288,000 | 0.9% |
| Cash and near cash deposits | 7,653,979 | 4.1% | 4,904,404 | 3.5% |
| Other Assets | 4,674,319 | 2.5% | 3,610,134 | 2.6% |
| Invested assets | 183,851,496 | 97.6% | 136,922,815 | 98.3% |
| Reinsurance recoveries | 1,421,351 | 0.8% | 858,658 | 0.6% |
| Other balance sheet assets | 3,105,369 | 1.6% | 1,531,976 | 1.1% |
| Total Assets | 188,378,216 | 100% | 139,313,449 | 100% |
| Insurance Liabilities | 162,102,935 | 96.5% | 124,334,443 | 97.0% |
| Other Liabilities | 5,811,229 | 3.5% | 3,809,389 | 3.0% |
| Total Liabilities | 167,914,164 | 100% | 128,143,832 | 100% |
| Net Assets | 20,464,052 | | 11,169,617 | |

The company's predominant assets were fixed interest securities on both valuation dates representing 89.9% and 91.2% of Total Assets at end of 2024 and 2023 respectively.

The next major asset class were liquid assets (cash and near cash deposit) at 4.1% in 2024 and 3.5% in 2023.

The Investment property on the other hand accounted for 1.2% and 0.9% of the Total Assets at the end of 2024 and 2023 respectively.

Insurance contract Liabilities were about 97% of the company's total liabilities on both review dates.

The Company's Net Assets increased by 83% in the review period. This was due to assets increasing at a faster rate than the liabilities during the review period.

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

| | 31 December 2024 NGN '000 | 31 December 2023 NGN '000 |
|--|------------------------------|------------------------------|
| Shareholders Fund (Assumed all is Admissible) | 20,464,052 | 11,169,617 |
| Statutory CAR | 2,000,000 | 2,000,000 |
| Statutory CAR Cover | 10.23X | 5.58X |

The CAR cover is estimated at 10.23 times as at 31 December 2024 up from 5.58 times 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.**

2.3. Material Risks and Recommendations

The following summarises the key risks faced by Custodian Life, their impact, and our recommendations based on our reviews as the Appointed Actuary:

2.3.1 Insurance Risk

Custodian Life is exposed to the following elements of insurance risk, with different varying levels of exposure:

- **Mortality Risk** – Mortality risk is posed by the presence of death benefits in the individual life portfolio. Higher deaths than expected in the valuation basis may occur leading to losses for the company.
- **Longevity Risk** – The Company has annuity as the biggest insurance class. Custodian Life is exposed to the risk of the annuitants living longer than expected as per the pricing basis, representing higher pay-outs than expected. Given the average age of an annuitant in Custodian Life portfolio is 59 years, there is risk that the annuitants may live longer due to improved healthcare.
- **Underwriting Risk** - Underwriting relates to risks that premiums charged are inadequate to cover the claims the Company is legally obliged to pay. It is essential that those premiums match to the return on the Company's capital.
- **Expense Risk** – Custodian Life is exposed to the risk of the actual expenses incurred exceeding the assumed expenses in the valuation of the liabilities. The current Total Expense ratio of 15.3% is considerably normal, as the ideal ratio should be in the range of 15% - 25%.
- **Lapse Risk** – The Company's lapse experience affects the spread of fixed expenses as well as the premium received, and withdrawal benefits paid by the company. There is a significant risk

associated with failure to sufficiently account for lapses, as provisions made are sensitive to changes in assumed lapse rates.

2.3.2 Market Risk

Custodian Life is exposed to Interest Rate, Equity price, Foreign Exchange and Property price risks. Custodian Life should constantly monitor its investment strategy to ensure that it meets its policyholder liabilities when they fall due. Furthermore, the investment strategy should be able to maximize shareholder's returns in line with their risk appetites.

2.3.3 Liquidity Risk

Custodian Life is exposed to funding liquidity risk and market liquidity risk. This is the risk of loss arising due to insufficient liquid assets to meet cash flow requirements or to fulfil its financial obligation once claims crystallize. Custodian Life have about 89.8% of its assets invested in government bonds with fixed interest. These assets are liquid in nature and doesn't pose material liquidity risk to Custodian Life.

2.3.4 Operational Risk

This represents risks of loss arising from inadequate or failed internal processes, personnel and systems, or from external events. Custodian Life has put in place a number of tools to manage the operational risk. These tools include risk identification and risk map among other tools. Risk identification tool is applied in identifying, assessing, quantifying and mitigating operational risk across the enterprise. Risk map tool is applied to show the impact of the risk in terms of frequency and severity across the lines of business and Company level.

2.3.5 Reputational Risk

This represents the risk that an event will negatively influence stakeholders' perception or threaten to violate public trust in the company's brand. Custodian Life has in place a robust approach to managing its actual and potential corporate culture and values against events that may erode its brand value. The Company proactively manage and reactively protects its brand leveraging on its strong internal stakeholder's collaboration.

2.4. Conclusion

I, Nikhil Dodhia, acting in my capacity as the Appointed Actuary, certify that, as at 31 December 2024, this Financial Condition Report for Custodian Life Assurance Limited has been prepared in accordance with the guidelines issued by the National Insurance Commission ("NAICOM") and generally acceptable actuarial principles.



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Appointed Actuary
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