HEIRS LIFE ASSURANCE LIMITED

Financial Condition Report as at 31 December 2024

May 2025

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1. Appointed Actuary's Statement

I, Nikhil Dodhia, acting in my capacity as the Appointed Actuary, certify that, as at 31 December 2024, this Financial Condition Report for Heirs Life 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 3.70 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
Appointed Actuary: Heirs Life Assurance Ltd

05 May 2025

2. Executive Summary

Introduction

2.1. The preparation of this FCR stems from the National Insurance Commission's Guidelines, which states that an insurer shall on an 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.

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

2.3. Heirs Life 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 appointed actuary and will sign off on the FCR.

2.4. This report is limited to the information of Heirs Life, 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. Heirs Life 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. Zamara has conducted a review of Heirs Life's IFRS 17 results. The sections that follow provide a report on the financial condition of Heirs Life in line with the Commission's guidelines and the requirements of the IFRS 17 Standard where applicable.

Financial Performance

Statement of Profit and Loss

2.8. The table below summarizes Heirs Life's profitability for the years ended 31 December 2024 and 31 December 2023.

IFRS 17 Profit or Loss Statement	31-Dec-24 NGN '000	31-Dec-23 NGN '000	Movement
Insurance Revenue	15,147,393	7,256,831	109%
Insurance Service Expense	(7,618,666)	(6,011,656)	27%
Insurance Service Result from insurance contracts	7,528,728	1,245,175	505%
Net Income/(Expense) from reinsurance contracts	(193,692)	(44,355)	-337%
Insurance Service Result	7,335,035	1,200,820	511%
Investment income	4,459,119	2,856,385	56%
Net loss on FVTPL investments	(825,115)	(285,109)	189%
Profit on investment contracts	585,507	19,314	2932%
Exchange Gain/(Loss)	479,703	332,034	44%
Net credit impairment losses	(13,208)	(83,750)	-84%
Net Insurance Income	4,686,006	2,838,874	65%
Net finance Income from insurance contracts issued	(936,775)	489,896	-291%
Net finance expenses from reinsurance contracts held	25,555	(11,623)	-320%
Net Insurance finance expenses	(911,220)	478,273	-291%
Net Insurance and Investment Result	11,109,822	4,517,967	146%
Other income	21,636	510	4140%
Other operating expenses (Non attributable)	(5,528,427)	(2,580,685)	114%
Finance costs	(90,376)	(58,499)	54%
IFRS 17 Profit before Tax	5,512,655	1,879,293	193%
Income Tax Expense	(55,359)	(18,887)	193%
IFRS 17 Profit After Tax	5,457,296	1,860,406	193%

2.9. As evidenced in the IFRS 17 accounts above, the insurance service revenue increased from ₦7.26 billion in 2023 to ₦15.15 billion in 2024, representing a growth of 109%. This is mainly attributable to an increase in the expected claims and expenses, and the CSM release. Similarly, insurance service expenses increased by 27% from ₦6.01 billion in 2023 to ₦7.62 billion in 2024. This is mainly due to an increase in actual claims and expenses and an increase in losses on onerous contracts and loss reversals. These factors resulted in an increase in the gross insurance service result by 511% from ₦1.2 billion in 2023 to ₦7.34 billion in 2024.

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2.10. The net income/(expenses) from reinsurance contracts increased from a net expense of ₦44.36 million in 2023 to a net expense of ₦193.69 million in 2024 resulting in an increase in the net insurance service result from ₦1.2 billion in 2023 to ₦7.34 billion in 2024, representing a growth of 511%.

2.11. The net investment income witnessed a growth of 145% in 2024, largely due to the realized gains on financial assets held while the net insurance finance expenses increased by 291%. The net insurance and investment result increased by 147%, from ₦4.51 billion to ₦11.15 billion resulting in a profit before tax of ₦6.64 billion in 2024 compared to ₦1.88 million in 2023.

2.12. Overall, the improved IFRS 17 profit in 2024 was attributable to the growth in insurance service revenue and improved investment returns.

2.13. Further analysis of Heirs Life's performance, over the last two years, based on the IFRS 17 accounts, is provided in section 5.1 of this report.

Financial Position

2.14. The financial position of Heirs Life on a statutory basis was as follows:

Financial Position	31 Dec 2024 ₦ '000	Asset proportion	31 Dec 2023 ₦ '000	Asset proportion
Financial investments	61,953,844	94%	33,281,137	88%
Reinsurance contract assets	505,680	1%	278,318	1%
Insurance Contract Assets	-	0%	222	0%
Trade receivables	-	0%	83,239	0%
Statutory deposit	800,000	1%	800,000	2%
Other receivables	364,887	1%	381,387	1%
Cash & Cash Equivalents	840,051	1%	1,708,093	5%
Property, Plant and Equipment	614,981	1%	333,419	1%
Other Assets	1,120,189	2%	893,939	2%
Total Assets	**66,199,632**	**100%**	**37,759,754**	**100%**
Insurance contract liabilities	39,659,829	77%	22,201,429	77%
Reinsurance contract liabilities	76,433	0%	40,084	0%
Investment Contract liabilities	8,458,884	16%	3,719,006	13%
Trade Payables	1,925,425	4%	1,655,632	6%
Provisions & other payables	646,627	1%	513,743	2%
Lease liability	828,121	2%	518,270	2%
Income tax payable	54,273	0%	18,845	0%
Total Liabilities	**51,649,592**	**100%**	**28,667,009**	**100%**
Ordinary share capital	8,000,000		8,000,000	
Contingency reserve	678,272		339,679	
Retained earnings	5,871,768		753,066	
Total Shareholder's Equity	**14,550,040**		**9,092,745**	
Total Equity and Liabilities	**66,199,632**		**37,759,754**	

2.15. The total assets of Heirs Life have grown by 100% in the period between 31 December 2023 and 31 December 2024. Financial Investment assets formed 94% (88% in 2023) of the total assets of Heirs Life as at 31 December 2024, with other assets, comprising Rights of Use and Intangible Assets, making up 2% of Heirs Life's total assets.

2.16. Insurance and investment contract liabilities form 93% (90% in 2023) of the total liabilities. This is followed by Trade receivables at 4% (6% in 2023).

2.17. Overall, the total assets held by Heirs Life of ₦66.20 billion (₦37.76 billion in 2023) are more than the total liabilities of the Company of ₦51.65 billion (₦28.67 billion in 2023), resulting in net assets of ₦14.59 billion (₦ 9.09 billion in 2023).

Solvency Position

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

Capital Item	2024	2023
Total Admissible Assets	59,953,291	36,536,544
Total Liabilities	51,650,032	28,667,009
Solvency Margin	8,303,259	7,869,535
Minimum Regulatory Capital	2,000,000	2,000,000
15% of Net Premium	2,243,055	1,081,871
Regulatory Capital	2,243,055	2,000,000
Surplus/Deficit	6,021,264	5,869,536
Statutory CAR Cover	368%	393%

2.19. The Statutory Capital Adequacy Ratio (SCAR), calculated as the excess of admissible assets over regulatory capital, was estimated at 370% as at 31 December 2024. This represents a decrease from 393% in 2023, mainly due to an increase in assets which led to an improved Solvency Margin.

Material Risks Identified

2.20. The following summarises the key risks faced by Heirs Life as well as their impact and implications, based on our review as the Appointed Actuary:

Insurance Risk

2.21. 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.

2.22. 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

2.23. 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

2.24. 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.

2.25. 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

2.26. 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 Heirs Life's portfolio declined from the levels attained in 2023 despite the increased profitability and top line growth.

Technological Risk

2.27. **Cybersecurity Threats:** Heirs Life 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.

2.28. **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

2.29. 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

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

2.31. The reinsurance service ratio was 87.39% and 54.44% 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 Heirs Life continues to review its reinsurance arrangements in place as at 31 December 2024 to ensure they are optimal.

Liquidity Risk

2.32. Whereas as a going concern, Heirs Life 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

2.33. 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.

2.34. Heirs Life 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

2.35. 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.

2.36. 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

2.37. We recommend that Heirs Life 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

2.38. As the Appointed Actuary, we are satisfied with the reserves booked by Heirs Life in their audited accounts.

2.39. 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.

2.40. We recommend that Heirs Life 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

2.41. We recommend that in order to effectively assess the premium adequacy of Heirs Life, 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

2.42. Asset and Liability Management (ALM) is becoming a key performance and regulatory requirement for insurers globally.

2.43. 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.

2.44. 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

2.45. Heirs Life has successfully implemented IFRS 17. The in-house actuarial team is able to produce IFRS 17 numbers internally and have understanding the impact of the standard on the performance of the Company.

3. Status of Prior Year Recommendations

Recommendation	Status	Comment
Insurer's Plans We recommend that Heirs Life reviews their budgets or forecasts and aligns these based on the IFRS 17 accounts. This will also allow for the realignment of the key performance indicators.		Heirs Life has not prepared long-term budgets in line with the IFRS 17 Standard. Based on the actual experience as at 2024 and the macro environment in which Heirs Life operates, the future projections will require rigorous strategies to ensure that these are achieved. Heirs Life should develop mitigating strategies for key risks associated with the lack of alignment with IFRS 17.
The Company should continually monitor its actuarial assumptions. 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.		The Company conducted an experience investigation to determine the actuarial assumptions adopted in the 2024 valuation. We recommend Heirs Life to continually monitor the assumptions to ensure they remain in line with the actual experience of the Company.
Pricing and Premium Adequacy We recommend that, in order to effectively assess the premium adequacy of Heirs Life, 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.		As at 2024, the claims experience has improved compared to that at as 2023. The expense ratio has, however, reduced on an overall basis. We recommend that Heirs Life continually conduct detailed profit test analysis and review the expense allocation policy choice to ensure that the criteria adopted to allocate expenses into portfolios remain appropriate.
Reinsurance Arrangements We recommend that Heirs Life undertake a reinsurance optimisation exercise to ensure that its retentions are at an appropriate level to cover its claims and expenses in the future as well as gain from the reinsurance arrangements in place.		This remains to be an area of concern. Based on the performance as at 31 December 2024, the reinsurance expenses increased from the position as at 2023. We note that the reinsurance recoveries within the year reduced from the position as at 2023.

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

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4. Business Overview

Company Structure and Key Shareholders

4.1. Heirs Life Assurance Limited ("Heirs Life" or "the Company") was incorporated on February 13, 2019, with registration number RC1561351 while an operational license with registration number 094 was issued by NAICOM on November 25, 2020. The Company commenced operations thereafter.

4.2. This report is limited to the information of Heirs Life not the consolidated Group information (i.e. this FCR only covers life assurance business underwritten in Nigeria, and excludes business underwritten by foreign offices belonging to the Group – unless stated otherwise).

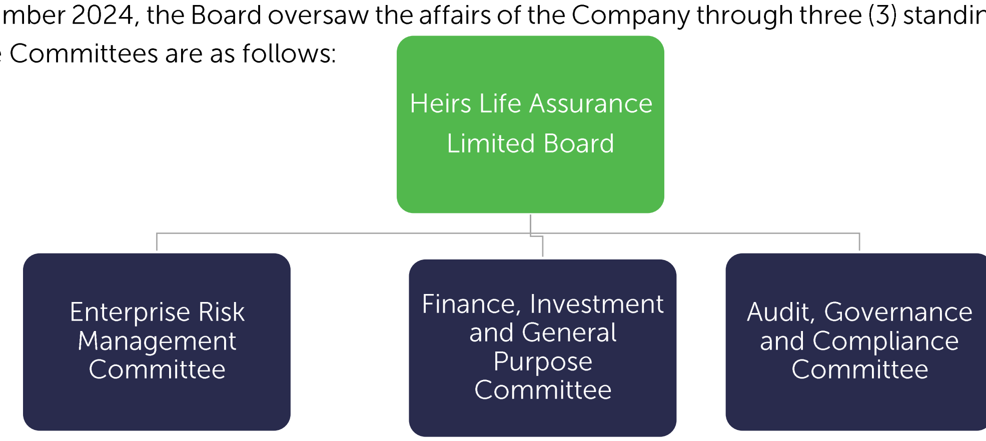
4.3. The shareholding structure of the Company over the reporting period was as follows:

Shareholders	Number of Shares ('000)	Percentage Shareholding
Heirs Holdings Limited	4,000,000	50%
United Capital Plc	2,000,000	25%
Africa Prudential Plc	1,200,000	15%
AVON HMO Ltd	800,000	10%
Total	**8,000,000**	**100%**

4.4. There were no changes in the shareholding structure during the year from the position as at 31 December 2024.

4.5. The Commission has in place "Corporate Governance Guidelines for Insurance and Reinsurance Companies in Nigeria". These guidelines highlight key requirements and provide guidance for effective corporate governance of the regulated entities.

4.6. The Board of Heirs consists of 11 members, nine (9) of whom act in a non-executive capacity. The board discharges its duties through a number of standing committees whose terms of reference are subject to regular reviews. The terms of reference define the purpose of each of the committees, their composition, frequency of meetings, responsibilities, and duties, as well as expected reports to the Board. As at December 2024, the Board oversaw the affairs of the Company through three (3) standing Committees. The Committees are as follows:



Products

4.7. Heirs Life currently underwrites the following classes of life assurance business:

a) Individual Life Products (Long-term)

- Heirs Couples Plan
- Heirs Credit Life Assurance
- Heirs Endowment Assurance
- Heirs Entrepreneurs Plan
- Heirs Hospital Cash Advance Plan
- Heirs Hospital Cash Basic Plan
- Heirs Keyman Assurance
- Heirs Mortgage Protection Assurance
- Heirs Salary Plus Plan
- Heirs Save Extra
- Heirs Save Plan
- Heirs Smart School Plan
- My Heirs Plan
- My Heirs Plus Plan
- Heirs Triple Pay Plan
- Heirs Term Assurance Cashback
- Heirs Term Assure
- Heirs Whole Life Assurance
- Heirs Whole Life Assurance with Limited Premium Term

b) Group Life Products (Short-term)

- Group Credit
- Group Life
- Group Mortgage

c) Annuity Policies

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5. Recent Experience and Profitability

Income Statement and Overall Profitability

5.1. The table below details Heirs Life's profitability and compares 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.

Financial Performance	31-Dec-24 NGN '000	31-Dec-23 NGN '000	Movement
Insurance Service Revenue			
Expected Claims and Expenses Excluding Investment Component	6,326,283	3,180,384	99%
Expected Release of Risk Adjustment	214,194	298,663	-28%
CSM Release	4,549,433	1,223,242	272%
Acquisition Costs Recovered	1,575,832	352,739	347%
PAA Premium Reserve Release (Earned Premium)	2,481,652	2,201,804	13%
Total	**15,147,393**	**7,256,831**	**109%**
Insurance Service Expenses			
Actual Claims and Expenses	6,275,841	3,188,823	97%
Change in Incurred Claims	(708,115)	(385,090)	84%
Other directly attributable expenses	846,975	366,358	
Expected Claims and Expenses for Loss Component	-	-	
Expected Release of RA For Loss Component	-	-	
DAC Release	-	-	
Increase in Losses on Onerous Contracts and loss reversal	(456,658)	2,102,921	-122%
Insurance acquisition cash flows amortisation	1,660,622	738,643	125%
Total	**7,618,666**	**6,011,655**	**27%**
Insurance Service Result from insurance contracts issued	7,528,728	1,245,176	505%
Net Expenses from reinsurance contracts	**(425,115)**	**(351,614)**	21%
Net Income from reinsurance contracts	**231,423**	**307,259**	-25%
Net Income/(Expense) from reinsurance contracts	**(193,692)**	**(44,355)**	**337%**
Insurance Service Result	7,335,035	1,200,821	511%
Investment income	4,459,119	2,856,385	56%
Net loss on FVTPL investments	(825,115)	(285,109)	189%
Profit on investment contracts	585,507	19,314	2932%
Net credit impairment losses	(13,208)	(83,750)	-84%
Net Investment Income	4,206,303	2,506,840	68%
Net finance Income from insurance contracts issued	(936,775)	489,896	-291%

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Financial Performance	31-Dec-24	31-Dec-23	Movement
	NGN '000	NGN '000	
Net finance expenses from reinsurance contracts held	25,555	(11,623)	-320%
Net insurance finance expenses	**(911,220)**	**478,273**	**291%**
Net Insurance and Investment Result	**10,630,118**	**4,185,934**	**154%**
Other income	21,636	510	4140%
Other operating expenses (Non attributable)	(5,528,427)	(2,580,685)	114%
Finance costs	(90,376)	(58,499)	54%
IFRS 17 Profit	**5,032,951**	**1,547,260**	**225%**
Income tax expense	(55,359)	(18,887)	193%
Profit After Tax	**4,977,592**	**1,528,373**	**226%**
Investment Return	**31-Dec-24**	**31-Dec-23**	
Insurance Expense Ratio	50.30%	82.84%	
Reinsurance Impact Ratio	1.53%	4.23%	
Reinsurance Service Ratio	54.44%	87.39%	

5.2. Based on the IFRS 17 accounts above, the insurance service revenue increased from ₦7.26 billion in 2023 to ₦15.15 billion in 2024, representing a growth of 93%. This is mainly attributable to an increase in the expected claims and expenses, and the CSM release. Similarly, insurance service expenses increased by 27% from ₦6.01 billion in 2023 to ₦7.62 billion in 2024. This is mainly due to an increase in actual claims and expenses and an increase in losses on onerous contracts and loss reversals. These factors resulted in an increase in the gross insurance service result by 505% from ₦1.25 billion in 2023 to ₦7.53 billion in 2024.

5.3. The net income/(expenses) from reinsurance contracts increased from a net expense of ₦44.36 million in 2023 to a net expense of ₦193.69 million in 2024 resulting in an increase in the net insurance service result from ₦1.2 billion in 2023 to ₦7.34 billion in 2024, representing a growth of 511%.

5.4. The net investment income witnessed a growth of 68% in 2024, largely due to the realized gains on financial assets held while the net insurance finance expenses increased by 291%. The net insurance and investment result increased by 154%, from ₦4.19 billion to ₦10.63 billion resulting in a profit before tax of ₦5.03 billion in 2024 compared to ₦1.5 billion in 2023.

5.5. Overall, the improved IFRS 17 profit in 2024 was attributable to the growth in insurance service revenue and improved investment returns.

5.6. We outline below the business performance ratios for the years ended 2024 and 2023 based on key performance indicators under IFRS 17:

KPI's	31-Dec-24	31-Dec-23
Insurance Expense Ratio	50.30%	82.84%
Reinsurance Impact Ratio	1.53%	4.23%
Reinsurance Service Ratio	54.44%	87.39%

5.7. As observed in the table above, in 2024, the insurance service expense ratio moved from 82.84% as at 31 December 2023 to 50.30% as at 31 December 2024. This is mainly due to higher increase in the insurance service expenses by 27% compared to the increase in insurance service revenue by 109% between the two periods. The impact of reinsurance decreased from 4.23% in 2023 to 1.53% in 2024 while the reinsurance service ratio reduced from 87.39% in 2023 to 54.44% in 2024

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Financial Position

5.8. The financial position of Heirs Life on a statutory basis was as follows:

Financial Position	31/12/2024 NGN '000	Proportion of Total Assets	31/12/2023 NGN '000	Proportion of Total Assets
Financial investments	61,953,844	94%	33,281,137	88%
Reinsurance contract assets	505,680	1%	278,318	1%
Insurance Contract Assets	-	0%	222	0%
Trade receivables	-	0%	83,239	0%
Statutory deposit	800,000	1%	800,000	2%
Other receivables	364,887	1%	381,387	1%
Cash & Cash Equivalents	840,051	1%	1,708,093	5%
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Other Assets	1,120,189	2%	893,939	2%
Total Assets	**66,199,632**	**100%**	**37,759,754**	**100%**
Insurance contract liabilities	39,659,829	77%	22,201,429	77%
Reinsurance contract liabilities	76,433	0%	40,084	0%
Investment Contract liabilities	8,458,884	16%	3,719,006	13%
Trade Payables	1,925,425	4%	1,655,632	6%
Provisions & other payables	646,627	1%	513,743	2%
Lease liability	828,121	2%	518,270	2%
Income tax payable	54,273	0%	18,845	0%
Total Liabilities	**51,649,592**	**100%**	**28,667,009**	**100%**
Ordinary share capital	8,000,000		8,000,000	
Contingency reserve	678,272		339,679	
Retained earnings	5,871,768		753,066	
Total Shareholder's Equity	**14,550,040**		**9,092,745**	
Total Equity and Liabilities	**66,199,632**		**37,759,754**	

5.9. The invested assets of Heirs Life grew by 186% in the period between 31 December 2023 and 31 December 2024, increasing from NGN 33.28 billion to NGN 61.95 billion. As at 31 December 2024, financial investments constituted 94% of the Company's total assets.

5.10. Financial investments were the predominant assets on the last two valuation dates, representing 94% and 88% of total assets as at 31 December 2024 and 2023, respectively. The next major asset class as at 31 December 2024 was the Other Assets class comprising the Right of Use assets and Intangible Assets, while as at 31 December 2023, was cash and cash equivalents, which accounted for 5% of total balance sheet assets.

5.11. Insurance contract liabilities increased by 79%, from NGN 22.20 billion as at 31 December 2023 to NGN 39.66 billion as at 31 December 2024, reflecting business growth. Reinsurance contract assets also rose significantly by 80%, from NGN 278.32 million to NGN 505.68 million over the same period.

5.12. Overall, total assets grew by 75%, from NGN 37.76 billion in 2023 to NGN 66.20 billion in 2024. Total liabilities, on the other hand, grew by 80%, from NGN 28.67 billion to NGN 51.65 billion over the same period. Net assets increased by 60%, rising from NGN 9.09 billion to NGN 14.55 billion.

Business Plans/Projections

5.13. Heirs Life's projected business performance over the next year is shown in the table below. The projections are made on line items in Income Statement in IFRS 4 format.

Amounts in NGN '000

	2024 Actual (N'000)	2024 Projected (N'000)	2025 Projected (N'000)	2026 Projected (N'000)	2027 Projected (N'000)	2028 Projected (N'000)
Gross Written Premium	**33,859,296**	**42,500,000**	**80,047,436**	**118,957,458**	**142,013,641**	**170,080,305**
Gross Premium Income	**34,413,507**	**15,656,000**	**33,647,436**	**35,687,237**	**38,343,683**	**42,520,076**
Reinsurance Expenses	(755,870)	(573,000)	(797,000)	(1,940,934)	(2,343,237)	(2,864,696)
Net Premium Earned	**33,657,637**	**15,083,000**	**32,850,436**	**33,746,303**	**36,000,447**	**39,655,381**
Net Claims	(5,536,684)	(9,180,000)	(19,211,385)	(22,911,448)	(27,434,680)	(32,951,208)
Underwriting Expenses	(5,043,278)	(3,696,000)	(7,844,649)	(11,890,119)	(14,753,196)	(18,439,288)
Underwriting Profit	**6,787,444**	**2,207,000**	**5,794,403**	**(1,055,263)**	**(6,187,429)**	**(11,735,115)**
Investment Income	6,999,489	5,572,000	9,142,000	22,155,905	31,265,070	44,350,701
Operating Expenses		(2,532,000)	(5,265,000)	(6,054,750)	(7,568,438)	(10,217,391)
Staff Cost	(2,298,663)	(1,995,000)	(2,647,000)	(3,044,050)	(3,652,860)	(4,931,361)
Profit /(Loss) Before Tax	**5,957,401**	**3,252,000**	**7,024,403**	**12,001,842**	**13,856,343**	**17,466,835**

5.14. The Company projects growth in the Gross Written Premium from an actual figure of ₦33.86 billion as at 31 December 2024 to ₦80.01 billion as at 31 December 2025.

5.15. The Company projects to record an Underwriting Profit figure of ₦5.79 billion in 2025, from an actual position of ₦ 6.79 billion in 2024.

5.16. The Company has a projection of ₦7.02 billion as the Profit Before Tax as at the financial year ended 2025.

5.17. In view of time constraints, future projections on an IFRS 17 basis could not be made, but will be, in subsequent FCR reports.

6. Insurance Liability Valuation

6.1. We carried out an IFRS 17 based Statutory Actuarial Valuation for Heirs Life which entailed relying on the Company's available data and resources as at 31 December 2024.

6.2. The Statutory actuarial valuation covered insurance contracts issued for the long-term (individual life) and short-term (group life) classes of business. The long-term class includes term assurance, triple pay endowment plan, whole life, endowment and annuity policies, while the short-term class includes group life, credit life, mortgage, and hospital cash plan policies.

6.3. The Statutory actuarial valuation was based on data and resources available at the time of undertaking this exercise. We used assumptions made by Heirs Life in selecting measurement methods, allocating items of actual experience such as expenses and investment income—across the Company's products and IFRS 17 groups.

6.4. In line with the requirements of the Standard, the valuation of insurance liabilities covers liabilities for remaining coverage (LRC) and liabilities for incurred claims (LIC) at gross and reinsurance levels using prescribed methodologies and assumptions.

Results of the Actuarial Valuation

Long-Term (Individual Life) Insurance Liabilities

6.5. This section shows the results of the actuarial valuation of the Company's Life Fund as at 31 December 2024. The result of the valuation as at 31 December 2023 has been provided for comparative purposes.

6.6. The table below details the IFRS 17 liabilities for the long-term business as at 31 December 2024 and 31 December 2023.

Liabilities as at 31 December 2023 and 31 December 2024 (Long-Term business)
Amounts in NGN '000

IFRS 17 Long-Term Liabilities	31-Dec-23	31-Dec-24
Best Estimate Liability	14,228,378	32,159,898
Risk Adjustment	446,632	717,655
Contractual Service Margin	6,254,467	5,354,105
Total	**20,929,477**	**38,231,659**

6.7. From the table above, the Best Estimate Liability (BEL) for the Individual Life business increased significantly due to the growth of the annuity portfolio over the period and inclusion of insurance liabilities for newly issued products in 2024. The Risk Adjustment (RA) has increased in line with the growth in the Best Estimate Liability. The Contractual Service Margin for the Individual Life business reduced from NGN 6.25 billion to NGN 5.35 million.

6.8. The table below shows the reinsurance assets for the long-term business class as at 31 December 2024.

Reinsurance Assets as at 31 December 2024 (Long-Term business)
Amounts in NGN '000

IFRS 17 Long-Term Liabilities	31-Dec-24
Best Estimate Liability	131,842
Risk Adjustment	10,201
Contractual Service Margin	(67,268)
Total	**74,775**

Short-Term (Group) Insurance Liabilities

6.9. The following table provides a comparison between the short-term business as at 31 December 2023 and at 31 December 2024.

Liabilities as at 31 December 2023 and 31 December 2024 (Gross)
Amounts in NGN '000

Short-Term Liabilities	Dec-2023	Dec-2024
IBNR + OCR	662,594	545,961
Effect of Discounting	-	-
Risk Adjustment	53,155	45,090
LIC - Amounts transferred from LRC	(234)	64,061
Liability for Incurred Claims	**715,516**	**655,112**
Unearned Premium Reserve	539,921	1,220,954
Deferred Acquisition Cost	(57,276)	(297,046)
DAC - Initial Expenses	(9,978)	(4,196)
Loss Component	34,103	21,638
LRC - Payables	116,640	(0)
LRC - Receivables	-	-
LRC - Amounts transferred to LIC		
Liability for Remaining Coverage	**623,409**	**941,350**
Total Reserve	1,338,925	1,596,461

6.10. The following table compares the reinsurance assets held for the short-term business as at 31 December 2023 and at 31 December 2024.

Reinsurance Assets as at 31 December 2023 and 31 December 2024 (Short-Term business)
Amounts in NGN '000

Reinsurance Assets	Dec-2023	Dec-2024
IBNR + OCR	(175,520)	(215,509)
Effect of Discounting	-	-
Risk Adjustment	(14,518)	(17,826)
LIC - Amounts transferred from LRC	(6,619)	(7,916)
Sub-Total Asset for Incurred Claims	**(196,657)**	**(241,250)**
Unearned Premium Reserve	(164,323)	(313,865)
Deferred Acquisition Cost	38,929	(2,670)
Loss Component	-	-
LRC - Payables	38,365	46,817
LRC - Receivables	6,616	(3)
LRC - Amounts transferred to LIC	0	7,916
Sub-Total Asset for Remaining Coverage	**(80,414)**	**(261,805)**
Total Reserve	(277,070)	(503,056)

Valuation Methodology

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

Measurement Methods

- Non-participating contracts – annuities and term assurances, were valued applying the General Measurement Model (GMM) due to the long-term nature of the contracts. GMM method entails computing insurance contract liabilities comprising the Best Estimate Liability (BEL), Risk Adjustment (RA) and the Contractual Service Margin (CSM). For loss making contracts, a loss component is established and amortized based on a systematic allocation approach (coverage units).

- The Liability for Remaining Coverage (LRC) was determined using the full Gross Premium Valuation (GPV) method on a policy-by-policy basis. The method entails making monthly projections of all items of future outgo and income on a policy-by-policy basis. The future outgo comprises all future expected contractual benefits and expenses, including bonuses and surrender pay-outs. Allowance was also made for lapses. Future income includes expected contractual premiums. The Gross Premium Valuation reserves are then computed by subtracting the present value of future income from the present value of future outgo at the prescribed discount rate.

- The Premium Allocation Approach (PAA) outlined in Paragraphs 55 to 59 is a simplification of the GMM for short term contracts with coverage periods of a year or less. Under the PAA, liabilities in respect of the remaining coverage comprise the Unearned Premium Reserves (UPR) and the liabilities in respect of incurred claims comprise the BEL and RA for incurred claims.

- Under PAA Approach, the liability for remaining coverage (LRC) was determined as the Unearned Premium Reserve (UPR) calculated using the 365ths method based on the assumption that the risk profile is spread evenly over the year, netted off the Deferred Acquisition Cost. The same methodology was applied in estimating the reinsurer's share of the UPR. The UPR is considered in place of fulfilment cashflows and CSM in respect of future service. For loss making contracts a loss component is established and amortized using a similar release pattern as the UPR.

- For Liability for Incurred Claims, the triangulation methods were adopted to determine the Incurred But Not Report (IBNR) reserve. The Basic Chain Ladder (BCL) Method was preferred where the claims development was greater than 75% (based on the selected development factors). The loss ratio method was preferred for the three most recent years. The Outstanding Claims Reserve was reported as provided by Heirs Life.

- The choice to discount the IBNR and OCR was made to reflect the time value of money since not all claims incurred are settled in less than one year. This effect of discounting is further unwound in the Profit and Loss Statement.

Risk Adjustment

- Provision for Adverse Deviation (pfaD) risk adjustment method was adopted for contracts measured under the General Measurement Model (GMM) while the Value at Risk (VaR) Mack Method approach was adopted to measure risk adjustment for contracts/portfolios measured under the Premium Allocation approach (PAA).

Discount Rates

- The Bottom -up approach of determining discount rate was adopted whereby the liquid risk-free rate was derived from the yield curve published by the Nigerian Actuarial Society (NAS) yield curve as discount rates as required by the regulator

Other Considerations

- No product has been measured using the VFA approach as Heirs Life does not have any investment products with direct participating features.

- The valuation age is taken as age last birthday.

- The period from the valuation date to maturity date has been taken as the original term to maturity less the nearest month duration at the valuation date.

- The future premium term has been taken as the original premium term less the nearest month duration at the valuation date.
- It has been assumed that premiums are true premiums, and the value of outstanding balances has not been taken into account in the value of future premiums.
- The valuation is carried out in Nigerian Naira. There were no liabilities in other currencies.

Adequacy of Past Estimates of Insurance Liabilities

6.12. Reserves held as at 31 December 2024 constituted policyholder contributions and interest earned to the date of the valuation which represents the full amount owed by the Company in respect to policy holder liabilities.

6.13. 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.

6.14. 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 that expected as per the valuation assumptions adopted, the reserves held will prove to be insufficient.

6.15. There were four key assumptions on which computed reserves were based:
- Interest Rate Assumptions
- Expense Assumptions
- Mortality Assumptions
- Withdrawal Assumptions

6.16. Zamara adopted the expense assumptions derived from the expense analysis investigation undertaken. A high-level analysis of the sufficiency of the per policy expenses was carried out.

6.17. Mortality assumptions were based on the UK's Mortality of Assured Lives A67-70 in line with market practice in Nigeria. We note that the mortality experience as per the A67-70 has proven to be prudent over the years with the number of actual deaths being lower than the expected.

6.18. For lapses, Zamara adopted lapse rates derived from the conducted lapsation investigation conducted as at 31 December 2024 for the largest products. The adopted assumptions therefore represent the most recent experience on the Company in respect of withdrawals.

Actuary's Opinion

6.19. As the Appointed Actuary, we are satisfied with the reserves booked by Heirs Life in their audited accounts.

6.20. 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.

6.21. We recommend that Heirs Life continues to carry out the experience analysis of all economic and demographic assumptions to ensure that they remain current and reflective of the business.

7. Capital Management & Capital Adequacy

Capital Management Framework

7.1. The Company's Capital Management Policy documents the guidelines for the allocation and management of capital and resources in the Company. The capital management framework describes the minimum requirement for allocation, taking into account the Company's current business realities and capabilities; the framework comprises the principles and governance structures as well as the monitoring and reporting requirements which are necessary for the efficient allocation of capital by the Company. The framework is reviewed every two to three years based on emerging realities, new developments and changes in the Company's minimum capital requirement.

7.2. The Company manages and monitors its capital levels to ensure its status as a going concern and compliance with its regulatory capital requirements.

Solvency Margin Requirement

7.3. According to regulatory requirements, insurers must ensure that their Solvency Margin exceeds the higher of 15% of net premium income or the minimum regulatory requirement of NGN 2.00 billion. The Solvency Margin is calculated as the excess of admissible assets over admissible liabilities.

7.4. The table below provides a summary of the Statutory Capital Adequacy Ratio (SCAR) over the last two years.

Amounts in NGN '000

Capital Item	2024	2023
Total Admissible Assets	59,913,911	36,536,544
Total Liabilities	51,649,592	28,667,009
Solvency Margin	8,264,319	7,869,535
Minimum Regulatory Capital	2,000,000	2,000,000
15% of Net Premium	2,243,055	1,081,871
Regulatory Capital	2,243,055	2,000,000
Surplus/Deficit	6,021,264	5,869,535
Statutory CAR Cover	368%	393%

7.5. The Statutory Capital Adequacy Ratio (SCAR), calculated as the excess of admissible assets over regulatory capital, was estimated at 368% as at 31 December 2024. This represents an increase from 393% in 2023, mainly due to an increase in assets which led to an improved Solvency Margin.

7.6. As at 31 December 2024, Heirs Life is required to hold a minimum capital of NGN 2.2 billion, being the higher of NGN 2.00 billion and NGN 2.2 billion (representing 15% of the Net Insurance Revenue) for the financial year.

7.7. The SCAR has followed an upward trend over the period due to growth in the solvency margin. The increase in the solvency margin in 2024 was driven by the rise in total admissible assets.

8. Pricing and Premium Adequacy

Pricing Policy

8.1. Heirs Life has in place an underwriting policy which provides guidelines for acceptable life underwriting practice in the Company. The policy provides the procedures, documents to be relied upon, performance measures, and the risk and controls to be employed in the underwriting process.

8.2. The document covers the business acquisition process including its interaction with other units in the organization such as reinsurance, IT and customer service. In particular, the document provides guidance on management of new business and renewal business, risk acceptance criteria and approval limits.

8.3. The Company also has an underwriting risk management policy in place which is intended to address the management of exposures in light of business strategies and other management policies put in place by the Company.

Premium Adequacy

8.4. The financial ratios have been approximated as follows:

- Expense ratio :Insurance Service Expense / Insurance Service Revenue
- Loss Ratio :Actual Claims Incurred / Insurance Service Revenue.
- Combined Ratio : Loss Ratio + Expense Ratio

8.5. The table below indicates key financial ratios for Heirs Life for the financial year ended 31 December 2024. The corresponding statistics from the previous year have been included for comparative purposes.

Ratios	31-Dec-24	31-Dec-23
Loss Ratio	16.69%	30.39%
Expense Ratio	22.78%	49.78%
Combined Ratio	**39.75%**	**80.17%**

8.6. Overall, the combined ratio reduced from 80.17% in 2023 to 39.75% in 2024. A combined ratio above 100% indicates that the premium rates being charged are sufficient to cover claims and expense experience arising.

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

8.8. The cashflows include all contractual outgo and income, as well as the increase in statutory reserves in each projection period. Since the reserves held include risk margins, we expect these margins to be released as profits over the term of the policy. The discounted profits are then expressed as a proportion of the present value of future expected premiums to determine the profit margin of the business.

8.9. A positive profit margin indicates that the premiums are sufficient to cover expenses and claims. The profit test exercise may be extended to assess the value of all in-force policies and expected new business in an appraisal value calculation. This would serve as a granular check of the profitability of each product sold by the company, along with the key drivers influencing profitability.

8.10. An explicit analysis of surplus would further help determine the parameters that are contributing to the profits, such as lower-than-expected lapses releasing profits.

9. Asset and Liability Management

Introduction

9.1. Asset and Liability Management (ALM) is the practice of coordinating decisions and actions regarding assets and liabilities to ensure optimal financial outcomes. 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.

9.2. Heirs Life 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 over the long term, investment proceeds may not be 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.

9.3. The table below illustrates the total assets backing the policyholders' liabilities of Heirs Life as at 31 December 2024 and 31 December 2023.

Financial Position	31 Dec 2024 N '000	Asset proportion	31 Dec 2023 N '000	Asset proportion
Financial investments	61,992,752	94%	33,281,137	88%
Reinsurance contract assets	505,680	1%	278,318	1%
Insurance Contract Assets	-	0%	222	0%
Trade receivables	-	0%	83,239	0%
Statutory deposit	800,000	1%	800,000	2%
Other receivables	364,887	1%	381,387	1%
Cash & Cash Equivalents	840,524	1%	1,708,093	5%
Property, Plant & Equipment	614,981	1%	333,419	1%
Other Assets	1,120,189	2%	893,939	2%
Total Assets	66,239,013	100%	37,759,754	100%
Insurance contract liabilities	39,659,829	77%	22,201,429	77%
Reinsurance contract liabilities	76,433	0%	40,084	0%
Investment contract liabilities	8,458,884	16%	3,719,006	13%
Trade Payables	1,830,387	4%	1,655,632	6%
Provisions & other payables	741,666	1%	513,743	2%
Lease liability	828,121	2%	518,270	2%
Income tax payable	54,712	0%	18,845	0%
Total Liabilities	51,650,032	100%	28,667,009	100%
Ordinary share capital	8,000,000		8,000,000	
Contingency reserve	678,272		339,679	
Retained earnings	5,910,709		753,066	
Total Shareholder's Equity	14,588,981		9,092,745	
Total Equity and Liabilities	66,239,013		37,759,754	

Assets

Valuation of Assets

9.4. For the purposes of this FCR, the assets have been taken into account at 100% of fair (or market) value. The value of assets as at 31 December 2024 was ₦66.239 billion (₦37.759 billion in 2023).

Asset Admissibility

9.5. The following assets held by Heirs Life are inadmissible for the purposes of demonstrating regulatory solvency under the existing solvency templates:

- Other receivables & prepayments
- Portion of Investment in associates
- Right of use asset

Liabilities

9.6. The Company underwrites life insurance products for the individual and group life business. Please see section 4 for further details.

9.7. The life assurance liabilities held by the Company are primarily long-term and are all denominated in Nigerian Naira (NGN).

9.8. The Company is exposed to foreign exchange currency risk primarily through transactions denominated in foreign currency, as well as currency fluctuations in its investments. The Company regularly reviews its investment policy with a view to taking advantage of the foreign exchange volatility and immunizing the liability obligations of the Company.

9.9. The currency, nature and term of the liabilities impact the assets that the Company should be investing in to reduce the risk of a mismatch between assets and liabilities.

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Asset Liability Matching

9.10. The following is a Gap analysis showing the projected asset/liability profile of Heirs Life. The analysis is based on the internal computation undertaken by Heirs Life:

Class of Asset (NGN '000)			Time Period				
	Carrying amount	Gross nominal	0 - 3 months	3 -6 months	6-9 months	9 - 12 months	>1 year
Cash and cash equivalents	840,051	848,867	848,867	-	-	-	-
Financial assets at amortized cost	2,795,557	3,537,524	104,774	1,439,658	-	106,436	1,886,655
Financial assets at fair value through profit or loss	59,158,287	115,194,144	14,245,583	7,319,715	2,019,725	2,170,028	89,439,093
Trade receivables	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Statutory deposit	800,000	800,000	-	-	-	-	800,000
Total Financial Assets	63,593,895	120,380,535	15,199,225	8,759,373	2,019,725	2,276,465	92,125,748
Liabilities	Carrying amount	Gross nominal	0 - 3 months	3 -6 months	6 - 9 months	9 - 12 months	>1 year
Investment contract liabilities	8,458,884	8,458,884	-	-	-	-	8,458,884
Trade payables	1,925,425	1,925,425	1,925,425	-	-	-	-
Other payables and accruals	646,627	646,627	646,627	-	-	-	-
Lease Liabilities	828,121	828,121	-	-	-	-	828,121
Total financial liabilities	11,859,057	11,859,057	2,572,052	-	-	-	9,287,005
Net Financial Asset	51,734,838	108,521,478	12,627,173	8,759,373	2,019,725	2,276,465	82,838,743

9.11. The analysis shows that the total assets are expected to exceed, or at least equate the total liabilities at most maturities except within the 3–6 month time band.

9.12. It is recommended that a projected cashflow analysis is carried out which allows for all cash inflows and cash outflows. This would help in determining if there is sufficient liquidity to cover the gaps identified in the current analysis.

Investment Policy

9.13. Heirs Life has an Investment Policy in place. The Policy, based on the Insurance Act and Prudential Guidelines, in accordance with the Company's risk appetite, outlines the investment philosophies and objectives of the Company, and establishes appropriate investment guidelines for the strategic and operational execution of the Company's investment strategy, in order to ensure that investment opportunities are maximized, as they occur, within acceptable risk limits, while providing reasonable parameters to ensure prudence, attention to relevant market details, care in executing investment decisions and appropriate portfolio performance evaluation.

9.14. Furthermore, the Policy provides guidance for, expectations of, and limitations on all parties who are responsible for the Company's investment activities.

9.15. The Policy is subject to periodic reviews in order to reflect changes in market conditions, company objectives, risk profile or other factors relevant to the Company.

9.16. Overall, the Policy gives clear guidance on the investment process for the insurer's funds. The Policy is robust as it addresses key issues in the investment cycle.

9.17. The investment policy as approved by the Board shall be filed with the Commission on an annual basis.

Investment Objectives

9.18. The Company's investment objectives as stipulated in the Investment Policy as provided are:

a) **Safety**: The Company recognizes that safety of overall capital and policyholder funds is paramount in the formulation of their investment policy.

b) **Diversification**: The investments will be diversified by asset class and security type in order to reduce the overall portfolio risk to any one security type or asset class.

c) **Liquidity**: The investment portfolio will remain sufficiently liquid to enable the fund to meet all future claims liabilities.

d) **Return on Investment**: The investment portfolio shall be designed with the objective of achieving a positive return, consistent with the appropriate investment income budget and at least above the annual liability of the fund, but at the same time taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

e) **Compliance with the Insurance Act 2003**: Apart from compliance with other regulatory circulars, the policy shall comply with the Insurance Act 2003.

f) **Accounting policy**: The investment policy shall also be in tandem with the approved accounting policy of the company

Investment Strategy

9.19. The Company's investment strategy aims to diversify the assets of the company broadly and expose different segments of the funds to different investment risks to achieve optimum returns on investments.

9.20. The Company shall adopt a balanced investment strategy in managing its investment portfolios (Policyholders Fund and Shareholders Funds), in order to ensure the realization of superior long-term risk adjusted returns on a consistent basis, in line with the Company's risk appetite and income target.

Duties and Responsibilities

9.21. The duties and responsibilities of the parties involved in the investment decision making process are also highlighted in the Policy. Responsible parties include the Investment Manager, the Board of Directors, the Board Finance and Investment Committee and Executive Management Investment Committee.

9.22. **The Board** has the ultimate responsibility for overall oversight and over the management and overall investment performance of the Company. The Board will from time-to-time review and approve the investment policy as well as monitor compliance with the policy. The Board will also be responsible for approving certain level of investments as recommended by the Board Finance, Investment & General-Purpose Committee.

9.23. Further, there exists a **Finance, Investment & General-Purpose Committee** that implements the set policies and guidelines. The committee is tasked acting on behalf of the Board of Directors in the periodic oversight over the management and evaluation of the investment performance of the Company. The Committee shall consist of members of the Board with sound knowledge and broad experience in investment and portfolio management and shall be responsible for the review of recommendations from Executive Management and refer such recommendations for Board approval.

9.24. The **Executive Management Investment Committee** has the responsibility of the day-to-day management and execution of the investment policy and strategy of the Company as approved by the Board of Directors. The Committee shall comprise of the following:

a) Chief Executive Officer (CEO).

b) Executive Director – Technical

c) Chief Finance officer (CFO)

d) Chief Compliance and Risk Officer

e) Investment Manager

9.25. **The Investment Manager,** who reports directly to the CFO, shall:

a) Implement business investment strategy.

b) Prepare investment performance report.

c) Advice on investment options

d) Prepare periodic investment schedules.

e) Implement investment directives from EMIC.

f) Manage corporate finance issues

g) Manage financial risk as contained in the financial risk management framework.

h) Ensure compliance with NAICOM guidelines on investments

i) Any other investment-related functions as may be assigned from time-to-time by the management.

10. Reinsurance Arrangements

Reinsurance Management Strategy

10.1. The Company has a reinsurance risk management policy in place. The policy provides guidelines governing the Company's reinsurance strategy. The policy also considers the systems for the selection of reinsurers and retention.

10.2. The remainder of this section details the Company's reinsurance management practices.

Current Reinsurance Arrangements

10.3. Heirs Life Assurance Limited holds Treaty Reassurance arrangements with two companies;

- Africa Reassurance Corporation – 65%
- Continental Reassurance – 35%

Where the risk exceeds the treaty capacity or where no treaty exists, a facultative Reassurance arrangement will be used to fully place the risk.

Heirs Life's retention is arranged by class of insurance businesses; that is, the retention level of Individual life will differ from Group Life.

The reassurance treaties are as summarized below:

Individual Life Contracts

	2024	2023
Retention Limit per Life	15,000,000.00	15,000,000.00
Treaty Capacity per Life	700,000,000.00	700,000,000.00
Underwriting Capacity	715,000,000.00	715,000,000.00
Reassurer and Proportion	AfricaRe - 65% Continental Re- 35%	AfricaRe - 65% Continental Re- 35%

Group Life Contracts

	2024	2023
Retention Limit per Life	20,000,000.00	20,000,000.00
Treaty Capacity per Life	700,000,000.00	700,000,000.00
Underwriting Capacity	720,000,000.00	720,000,000.00
Reassurer and Proportion	AfricaRe - 65% Continental Re- 35%	AfricaRe - 65% Continental Re- 35%

Credit Life Contracts

	2024	2023
Retention Limit per Life	20,000,000.00	20,000,000.00
Treaty Capacity per Life	700,000,000.00	700,000,000.00
Underwriting Capacity	720,000,000.00	720,000,000.00
Reassurer and Proportion	AfricaRe - 65% Continental Re- 35%	AfricaRe - 65% Continental Re- 35%

The retention limit is determined by considering the following factors,

- Paid up capital - Retention will be determined by 5% of HLA's paid-up capital or between the greater of 10% - 15% of annual Net premium income
- Contingency Reserves
- Premium Income in the preceding year
- Underwriting Experience and Portfolio size
- Loss ratios for the preceding underwriting year
- Heirs Life Assurance's Strategy

Placing Reinsurers

10.4. Heirs Life has strict criteria for selecting Reassurance companies, including:

a) The leader of the Reassurance agreement must have a rating of AA+ or higher from S&P or equivalent from Fitch, Moody's, AM Best, or Agusto.

b) Reassurance participation in unlimited layers must have a rating of BBB+ or higher from S&P.

c) In each layer of the Reassurance agreement, any Reassurer participating with 10% or more must have a rating of BBB or higher from S&P.

d) At least 80% of the Reassurance coverage for each limited layer must be from Reassurance companies with a rating of BBB- or higher from S&P.

e) Any Reassurer with a rating lower than BBB- from S&P must not have contracted liabilities exceeding 10% of its own capital.

Additional criteria include: Availability, Price, Service, Security, Size (shareholders' surplus), Rating, Ownership, Retrocession, Long-tail lines, Maintaining continuity of relation and Quality of Retrocessionaires.

Management of Liquidity in terms of timing mismatches between recoveries and payments

10.5. The treaty provides that in the event of a claim, Heirs Life pays the full amount to the claimant, and gets recovery from the Reassurers provided;

- The claim amount is beyond the retention limit.
- Proper reassurance arrangement was set in place at the inception of that policy (with the exception of cash calls).

Impact of Reinsurance on Insurance Service Result

10.6. We assessed the impact of the reinsurance arrangements on Heirs Life's performance over the last two years based on the IFRS 17 results over these periods as shown below.

Reinsurance Impact	31-Dec-24	31-Dec-23
	N'000	N'000
Reinsurance Premium Expense **(A)**	(425)	(360)
Reinsurance Recoveries **(B)**	93	318
Changes to liabilities for incurred claims **(C)**	138,971	(1,888)
Reinsurance Service result	(193,692)	(44,355)
Ratio		
Value for money Ratio (B+C)/A	**54%**	**88%**

10.7. The reinsurance service ratio is calculated as the sum of reinsurance income (recoveries and changes to liabilities for incurred claims) divided by reinsurance expenses. A ratio below 100% indicates a loss from the reinsurance arrangements.

10.8. As at 2024, the reinsurance service ratio stood at 54%, indicating that income from reinsurance did not exceed expenses. This marks a significant decline from 2023 (88%) to 2024 (54%). We recommend that Heirs Life continue to carry out reinsurance optimisation exercises to maximise the benefits from its reinsurance arrangement.

Actuary's Opinion

10.9. We recommend that Heirs Life undertake a reinsurance optimisation 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.

10.10. We recommend that Heirs Life develops metrics to be adopted for the performance review of the reinsurance contracts held. This might include setting thresholds for key ratios as highlighted above.

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11. Risk Management

Risk Management Strategy

11.1. This section provides a high-level description of the Company's risk management framework, including the risk management process. This section should be read with reference to the Company's Enterprise Risk Management ("ERM") Framework.

11.2. The Commission has developed minimum standards for risk management frameworks within insurance companies to provide stakeholders with assurance that the risks they are exposed to are adequately managed. As part of the risk management guidelines all insurers are required to:

a) Documented Risk Management Strategy

b) Documented Risk Management Policies, Procedures and Controls

c) A written Business Plan that is approved by the Board

d) A Chief Risk Officer

e) An Enterprise Risk Management Committee

f) Up-to-date Risk Registers

g) A Review Process

h) A well-defined Risk Governance and Responsibilities

i) Defined Risk Appetite

j) A system for Independent Review

k) Address all material risk (at a minimum covering Market risk, Credit risk, Operational risk, Liquidity risk, Reinsurance risk, Underwriting risk, Reserving risk, Claims management risk, Group risk, Reputational risk and Legal risk.

11.3. The guidelines require that the risk management framework address all material risks including Credit risk, Operational risk, Liquidity risk, Reinsurance risk, Underwriting risk, Reserving risk, Claims Management risk, Reputational risk, Group risk and Legal risk.

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Risk Management Framework

11.4. The major focus of the Company's ERM Framework is to ensure that the Company complies with sound risk management practices in achieving its business goals and objectives, as well as ensuring that material risks are addressed in an integrated manner, rather than in isolation.

11.5. The following objectives serve as a basis of assessment for the Company's risk management performance:

a) Provide the Company with a centralized, overlapping, and cross-functional strategy for identifying and mitigating the organization's biggest risks.

b) Define risk governance structure, roles, and duties of key stakeholders.

c) Assist the Company achieve its strategic goals by systematically identifying, assessing, and managing risks using a standard vocabulary and simple-to-use methodologies.

d) Integrate risk management into the Company's risk-aware culture, routine processes and operations, strategic planning, and decision-making.

e) The Company conducts risk assessments carefully, thoughtfully, and openly with full support from Executive Management and sponsorship from the Board of Directors.

11.6. The Risk Management Strategy refers to the Company's strategy with regards to the types of business and risks that it is willing to participate in and provides guidance on the approach to measuring and managing risk and return, which is consistent with the overall business strategy.

11.7. NAICOM's guidance on risk management requires that all insurers within the Nigerian insurance market develop a Risk Management Strategy. The Company's Risk Management Strategy utilized is embedded in the Risk Management Framework.

11.8. Management identified the main risks the company is exposed to as being Insurance Risks, Operational Risks, Financial Risks, Credit Risks, Liquidity Risks, Reinsurance Risks, Regulatory Risks and Market Risks

11.9. The Company also intends to improve the risk management framework by the following:

a) Risk Technology and Digitization Plan: The risk technology aims to enable the business to assess risk objectively and timely to support strategic business decision-making. Pursuing a long-term digital initiative is aimed at delivering an integrated risk management system (IRMS) to manage the Company's risk database for financial and non-financial risk data, analyses, models, and reports.

b) Policies and Processes Plan: Heirs Life continues to develop a customized approach to risk management and embedding proactiveness in risk actions and advocacy. The Company will continually drive to promote a shift from a reactive risk management culture to a proactive risk management culture.

c) People and Culture Plan: Heirs Life will continue to empower its people to efficiently control and mitigate against disruptions and controllable events under normal and stressed conditions. This will involve integrating risk management activities into daily and routine business operations to eliminate surprises resulting in financial and/or non-financial loss to the business.

d) Governance and Reporting Plan: The Company continues to implement the three lines of defense rule designed by the COSO Enterprise Risk Management Framework as directed by NAICOM.

Risk Appetite Framework

11.10. The Company has a risk appetite framework that articulates its appetite for Insurance Risks, Operational Risks, Financial Risks, Credit Risks, Liquidity Risks, Reinsurance Risks, Regulatory Risks and Market Risks. The Company's risk appetite establishes key risk metrics for the Board of Directors' review. This report is discussed with the Board quarterly and filed with NAICOM as required.

Risk Governance

11.11. The Company adopts a Risk Governance structure that encompasses all organizational levels. Heirs Life employs the three lines of defence model with individual and collective oversight functions. These are outlined below.

Three Lines of Defence Model

11.12. The Company has adopted the three lines of defence model for its risk governance framework, specifying roles and responsibilities for each line of defense and ensuring independence of the parties involved.

11.13. The following table provides a brief summary of the model:

Line of Defence	Parties Responsible
First line of Defence	▪ Risk Champions (Departmental Risk Supports) ▪ Business Units ▪ Executive Management
Second line of Defence	▪ Management ERM Committee
Third line of Defence	▪ Board Audit Committee ▪ Management Audit and Compliance Committee ▪ Internal Audit

Below are the stakeholders and their respective responsibilities:

- **Board of Directors**: Directs and formulates the risk management framework, approves risk appetite, and monitors significant risks.

- **CEO:** Ensures effective ERM structure and monitors top risks.
- **Executive Management Risk Committee**: Validates risk register, oversees risk processes, participates in ERM training, addresses risk management barriers, develops reporting protocols, establishes ERM policies, and reports quarterly to the Board.
- **Chief Risk Officer**: Develops and implements ERM policies, establishes risk management processes, promotes ERM competence, oversees departmental risk limits, facilitates reporting, and ensures regulatory compliance.
- **Internal Audit**: Audits risk management activities, supports risk management, and assesses internal controls.
- **Heads of Department**: Manage and report risks, execute risk guidelines, identify, and assess risks, monitor activities, report risk status, and facilitate risk training.
- **Risk Champions**: Facilitate risk identification, ensure consistent scoring, support risk analysis, develop risk responses, maintain risk register, coach team members, and contribute to risk management improvement.

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Risk Management Process

Risk Identification

11.14. The Company uses business processes to extract risk factors and the Risk Register to document the risk factors accordingly.

11.15. The various methods or techniques that are utilised as part of the risk identification process includes Workshops and Brainstorming sessions, Stakeholder Interviews Questionnaires and Surveys, Root Cause Analysis, Assumption Analysis, Scenario Analysis Business process Analysis, Document Reviews and Benchmarking.

11.16. As a next step, all risks that are identified during the risk identification process are assessed. The assessment is conducted through Desktop-based assessments, facilitated workshops, Structured interviews and Questionnaires.

11.17. As part of the assessment process all risks are assigned a probability of occurring and the expected impact on the Company if the risk should materialize. A residual risk rating is calculated by taking the effectiveness of the respective risk controls into account.

11.18. The assessment of the various risks is used as an input into deciding how that risk needs to be managed. A qualitative assessment method is adopted that assigns "Rare", "Unlikely", "Possible", "Likely and "Almost Certain" to the likelihood of occurrence. Similarly, the Impact is assigned a rating of "Insignificant", "Minor", "Moderate", "Major" and "Catastrophic".

Risk Mitigation

11.19. Following the assessment of the risks within the Company, the appropriate risk management techniques and various control mechanisms are identified for each risk. As part of the process, it is ensured that those risks that are retained are managed to be within the Company's risk appetite and available resources.

11.20. Risk management and mitigation decisions include Risk Tolerance; Risk Avoidance and Risk Transfer/ Sharing.

11.21. The 2024 Financial Statements specify how Insurance Risks, Underwriting Risks, Market Risks, Liquidity Risks, and Concentration Risks are mitigated. The Company has identified the following main risk types and the method of management for these risks:

Risk	Risk Management Process
Insurance Risk	• The Company enforced the 'no premium, no insurance cover' rule by NAICOM • Periodic policy issuance and claims settlement reviews were carried out • Process enhancements through automation of underwriting and claims processes.
Underwriting Risk	• All alterations to life insurance products must pass through the approvals framework that is part of the governance process. The statutory actuary certifies that new and revised products are financially sound. • The Company's underwriting strategy seeks to diversify its underwriting risks in terms of type (medical, occupational, and financial) and amount of risk covered. In spite of the difficulty of measuring this at the underwriting stage, the success or failure of a strategy can be determined by the historical consistency of profits emerging from the book of business. • Prior to issuance, premium rates must be certified by the statutory actuary as being financially sound. • At least every six months, investigations into mortality and morbidity experience are conducted to ensure that corrective action is taken where necessary.
Market Risk	• The Company holds 80% of its investment in government bonds and treasury bills, 13% in money market placements, and 7% in corporate bonds. This distribution enables the business to comply with NAICOM's prudential guidelines and protect the invested funds to enhance business profitability. • The imminent switch to risk digitization will enable the Company to conduct Value-at-Risk (VaR) analysis and stress testing with the integration with the investment database.
Liquidity Risk	• The Company actively monitors its liquidity management processes using risk indicators such as stressed liquidity coverage ratio (LCR), net stable funding ratio (NSFR), liquidity ratio (LR), and stock of the quality and level of high-quality liquid assets (HQLA) ratio. • The risk management team monitors the assets-liabilities mismatches and the gaps management.

Risk	Risk Management Process
Concentration Risk	• Depending on the nature of contract being written, the company utilizes standardized mortality basis tables to guide its premium pricing and underwriting decisions.
Capital Adequacy Risk	• The Own Risk and Solvency Assessment (ORSA) process at Heirs Life identifies, assesses, monitors, manages, and reports risk exposures, ensuring the necessary own funds to meet capital adequacy and solvency requirements. • The Company regularly assesses capital adequacy across various assets, liabilities, and risks, taking necessary actions to maintain its capital position. The company's capital management approach includes setting target risk-adjusted rates of return to align with performance objectives and enhance shareholder value.

Risk Monitoring

11.22. The Company monitors its risks to ensure the Company's risk priorities and risk treatment plans remain relevant. The Chief Risk Officer oversees risk assessment, reporting, monitoring, and communication. The goal of reporting is to compare actual risk exposures to risk appetite, with updates provided to the Board of Directors, Senior Management, and designated committees (such as the Executive Management Committee, Management Finance & Investment Committee, Management Technical Committee, Management Audit & Compliance Committee, or IT Steering Committee) as part of their oversight roles and to receive assurance that risks are being managed within approved risk thresholds.

Risk Reporting

11.23. Reporting enables the decision-makers to evaluate potential risks in a timely manner. All business units are responsible for documenting and reporting identified risks through their Risk Champions.

Material Risks Identified

11.24. The following summarizes the key risks faced by Heirs Life, as well as their impact and implications, based on our review as the Appointed Actuary:

Insurance Risk

11.25. 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.

11.26. 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

11.27. 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

11.28. 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.

11.29. 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

11.30. 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 Heirs Life's portfolio declined from the levels attained in 2023 despite the increased profitability and top line growth.

Technological Risk

11.31. **Cybersecurity Threats:** Heirs Life 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.

11.32. **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

11.33. 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

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

11.35. The reinsurance service ratio was 87.39% and 54.44% 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 reinsurance service ratio as at 31 December 2024 (54.4%) indicates a deterioration compared to the experience in 2023 (87.4%). We recommend that Heirs Life continues to review its reinsurance arrangements in place as at 31 December 2024 to ensure they are optimal.

Liquidity Risk

11.36. Whereas as a going concern, Heirs Life 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

11.37. 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.

11.38. Heirs Life 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

11.39. 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.

11.40. 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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