TANGERINE GENERAL INSURANCE LIMITED

FINANCIAL CONDITION REPORT FOR NON-LIFE BUSINESS AS AT 31ST DECEMBER 2023

Building a better working world

EXECUTIVE SUMMARY

This report provides an overview of the Financial Condition of the Company. We also understand that this report will form part of the Company's submission to NAICOM. The report has been prepared in accordance with the General Insurance Business Actuarial Reports Guidance Notes (GN12v5.0) published by the Institute and Faculty of Actuaries.

The following are the key conclusions of the report.

- Overall, this report demonstrates that the Company remains adequately capitalized with a strong and conservative investment portfolio to support current and projected liabilities while maintaining compliance with regulatory requirements.

- As at 31st December 2023, the business had a Net Book Asset Value of N16.31 billion or 544% of the statutory minimum capital of N3billion. Hence the business is well capitalized from the current regulatory point of view.

- The estimated economic/risk-based capital required to support the business at 31st December 2023 as N7.99 billion, a coverage of 211% of the shareholder's Funds of N16.31 billion. The company thus holds a cushion above its economic capital which enhances its ability to meet its obligations to policyholders in adverse scenarios.

- It is noted that the proportion of GWP brought in by the Broker channel is 80%. We advise that the company expands other distributions channels such as digitization and bancassurance to write its business to widen its reach and increase its penetration in the market.

- The highest contributor to total GWP remains Oil & Gas line of business which contributed approximately 28% to premiums. We recommend that the company continues to monitor the portfolio to avoid any event of concentration risk in Motor.

- The level of excess capital both on a statutory basis and economic capital basis shows that the company has capacity to write more business and take more risk in search for enhanced return. This can also be achieved by investing in higher-yielding assets to ensure a higher return for investors' capital.

The Managing Director,
Tangerine General Insurance Limited,
14, Hughes Avenue, Alagomeji,
Yaba,
Lagos.

June 2024

FINANCIAL CONDITION REPORT FOR NON-LIFE BUSINESS AS AT 31ST DECEMBER 2023

Dear Sir,

Introduction, Purpose and Limitations

1.1 We are pleased to present our Financial Condition Report ("FCR") for **Tangerine General Insurance Limited**

Purpose:

1.2 This report sets out the outcome of our assessment of the criteria stipulated in the Guidance note (GN12v5.0), issued by the Institute and Faculty of Actuaries, to the extent relevant to TGIL Insurance Company Limited for the year ended 31st December 2023.

1.3 This report is prepared solely for the purpose of providing an overview of the current financial condition of the Company. We understand that this report will form part of your submission to NAICOM. This report is not to be used for any other purpose other than that described above and should not be distributed to any other parties other than NAICOM.

Limitations:

1.4 Management is solely responsible for the contents and submission of the Financial Conditions Report in accordance with Guidance Note GN12V5.0

1.5 Because our assessment does not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), we do not express any assurance on the financial statements, the financial conditions or the ability of the entity to continue as a going concern for the foreseeable future.

1.6 Had we performed additional procedures, or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), other matters might have come to our attention that would have been reported to you.

1.7 Our report has been prepared based on certain assumptions and is subject to certain limitations.

2. Developments in the Business

2.1 We illustrate in the table below how TGIL's books have developed over the year 2022 to 2023.

	2022	2023	YoY Movement
Insurance Revenue	6,232,549	8,149,647	31%
Insurance Service Expense	(4,986,300)	(9,373,614)	88%
Net expenses from reinsurance contracts held	(549,163)	1,649,020	-400%
Insurance Service Result	**697,086**	**425,053**	**-39%**
Investment Return	2,095,625	1,958,387	-7%
Net Insurance Finance Expenses	322,262	(64,465)	-120%
Net Financial Result	**2,417,887**	**1,893,922**	**-22%**
Other Income	390,412	3,648,556	835%
Other Operating Expenses	(2,085,960)	(2,335,881)	12%
Profit before Tax	**1,419,425**	**3,631,650**	**156%**
Income Tax	(210,659)	(1,736,535)	724%
Profit after Tax	**1,208,766**	**1,895,115**	**57%**

Though there was a significant decrease in the insurance service expense, we note a remarkable increase in the profit before tax mainly as a result of the 835% increase in other income.

3. Business Overview

3.1 Premium History

Gross Written Premium (GWP) has increased with an average of 24% over the years under review.

Line of Business	2021		2022		2023	
	₦' 000	%	₦' 000	%	₦' 000	%
Motor	1,100,691	20.1%	1,344,068	19.8%	2,055,162	22.4%
General Accident	558,808	10.2%	797,206	11.7%	1,053,172	11.5%
Bond	8,905	0.2%	42,187	0.6%	67,352	0.7%
Marine	476,664	8.7%	769,457	11.3%	864,552	9.4%
Fire	837,947	15.3%	1,091,620	16.1%	1,681,597	18.3%
Engineering	395,372	7.2%	554,707	8.2%	912,127	9.9%
Oil & Gas	2,105,649	38.4%	2,188,956	32.2%	2,530,756	27.6%
Agric		0.0%	9,409	0.1%	20,108	0.2%
Total	**5,484,037**	100%	**6,797,610**	100%	**9,184,826**	100%
% Increase (YoY)			24%		35%	

3.1.1 The GWP increased for all the lines of business from 2022 to 2023.

3.1.2 The main drivers of growth are the Motor, Bond, Engineering, Fire and Agric classes of business which led to an 35% increase in 2023.

3.1.3 The Oil & Gas line of business has consistently contributed the highest to the GWP in the years under review.

4. Pricing & Premium Adequacy

The Premium Income for Tangerine General Insurance Limited has been utilised for 2022 and 2023.

Both years depicted an increase in both the Claims & Attributable expense ratios as well as the acquisition expense ratios. This resulted in an increase in the combined ratio from 64% (2022) to 70% (2023).

Based on the above analysis over a 2-year period, it is noted that Tangerine has managed to achieve combined ratios below 100% in the last 2 years which demonstrates pricing adequacy.

The investment income as a percentage of Net Premium Income increased to 139% (2023) from 47% (2022).

5. Capital Management & Adequacy

5.1.1 Balance Sheet Solvency

We illustrate in the table below that from 2022 to 2023, the company has a more than sufficient balance sheet solvency ratio.

Year	2022 - Restated (N'000)	2023 (N'000)
Technical Liabilities (Net of Reinsurance)	3,391,880	5,096,443
Shareholders Fund (Free Assets)	14,375,058	16,306,137
Balance Sheet Solvency Ratio	**424%**	**320%**

The solvency ratios give comfort that liability obligations will be met when they fall due. We highlight the regulatory solvency position below and discuss risk-based solvency in section 8.

5.1.2 Regulatory Solvency

We show in the table below that the company's admissible assets exceeded the regulatory capital requirement of N3bn throughout the 2 years under review.

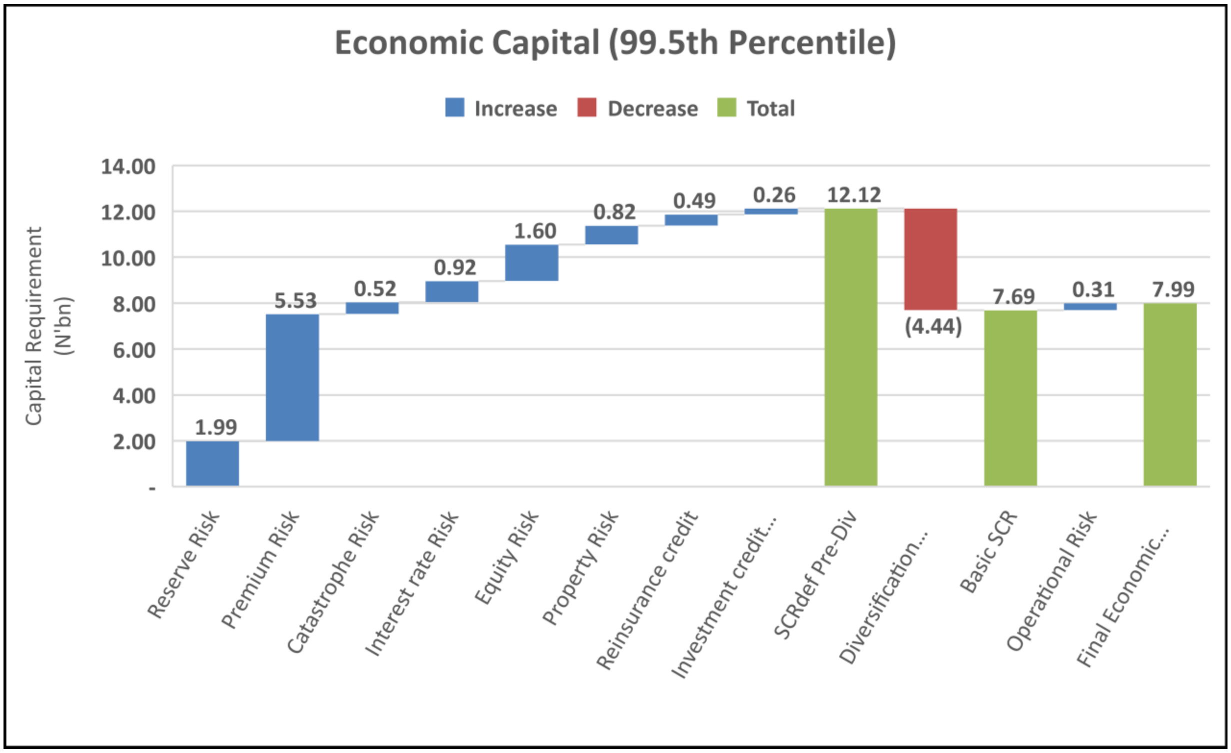
Year	2022 Restated (₦'000)	2023 (₦'000)
Technical Liabilities (Net of Reinsurance)	2,690,956	5,096,443
Free Assets (allowing for admissible rules)	13,309,410	14,604,525
Minimum Capital Requirement	3,000,000	3,000,000
Capital Adequacy Ratio (CAR)	444%	487%
Regulatory Solvency Ratio	495%	287%

The below table demonstrates how the Capital Adequacy Ratio and Regulatory Solvency ratio would be materially impacted should claim ratio increase by 20%.

5.2 Economic Capital

The total Economic Capital required in connection with the business profile at 31st December 2023 was N7.99 billion which is less than the shareholders' funds of N16.82billion.

This implies TGIL has capital excess which provides the management with capital flexibility to conduct its business plan over the forward-looking period considering inherent material risks (such as catastrophes) and in anticipation of continued difficult operating conditions in insurance, credit and financial markets.



6. Reinsurance Management Strategy

TGIL experienced an increase in the value for money ratio over the last 2 years from 125% (2022) to 150% (2023).

The increase in Bond, Marine and Engineering lines of business are the highest contributors to the increase in the value for money for this year.

The value for money ratios, however, does not take cognizance of other benefits reinsurance provides e.g. granting the company capacity to underwrite bigger risks than it would ordinarily have been able to take on due to its limited capital resources.

The above suggests that the treaty arrangement for Tangerine is optimal.

7. New Business Plans

The table below indicates the year-on-year growth for the various lines of businesses.

Tangerine has plans to grow at about 45% and 45% in 2024 and 2025 respectively. We illustrate the forecast in the table below. This seems quite reasonable due to the current economic constraints.

Line of Business	2023	2024		2025	
	₦' 000	₦' 000	YoY Growth	₦' 000	YoY Growth
Motor	2,055,162	2,683,223	31%	3,890,674	45%
General Accident	1,053,172	964,300	-8%	1,398,234	45%
Bond	67,352	159,630	137%	231,464	45%
Marine	864,552	1,378,445	59%	1,998,746	45%
Fire	1,681,597	2,374,423	41%	3,442,913	45%
Engineering	912,127	1,035,089	13%	1,500,879	45%
Oil & Gas	2,530,756	4,554,890	80%	6,604,591	45%
Agric	20,108	150,000	646%	217,500	45%
Total	**9,184,826**	**13,300,000**	**45%**	**19,285,000**	**45%**

8. Conclusion and Recommendations

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8.8 We are delighted to have conducted this Financial Conditioning Report for Tangerine General Insurance Limited. We hope you find this helpful for preparing and submitting a report to NAICOM.

8.9 We will naturally be delighted to discuss it with you and make necessary presentations.

Yours sincerely,

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Miller Kingsley, FNAS, FSA
Fellow, Nigerian Actuarial Society
Fellow, Society of Actuaries, USA
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