# CONTINENTAL REINSURANCE LIMITED (PLC)

Financial Condition Report as at 31 December 2022
February 2023

## Contents

# 1 Executive Summary

## 1.1. Introduction

Continental Reinsurance Limited (PLC) ("*Continental Re (PLC)*" or "*the Company")* has contracted Zamara Consulting Actuaries (Nigeria) Limited, ("*Zamara*") to provide actuarial services in an Appointed Actuary capacity. The Financial Condition Report ("FCR" or "this report") is part of the actuarial services to be offered by Zamara to Continental Re (PLC).

The FCR sets out the results of the analysis of the financial condition of Continental Reinsurance Limited (PLC) as at 31 December 2022. Jay Kosgei, FIA, will sign off on the FCR. This report is prepared with an understanding that it will be submitted to the National Insurance Commission ("NAICOM").

Continental Re (PLC) writes both life and non-life reinsurance business, underwritten in the Company's offices in Lagos and Tunis.

**The FCR is limited to the Continental Reinsurance Limited (PLC) information only. It does not relate to the entire Continental Reinsurance Group.**

## 1.2. Financial Performance

The financial performance for the financial period 1 January 2022 to 31 December 2022 is summarised below. The corresponding statistics for the previous financial year are included for comparative purposes:

| Financial Performance | 31 December 2022 | 31 December 2021 |
|---|---|---|
| | NGN '000 | NGN '000 |
| Gross Written Premium | 44,492,292 | 34,925,988 |
| Change in Gross Unearned Premium | (5,720,496) | (4,303,807) |
| Gross Earned Premium | 38,771,796 | 30,622,181 |
| Reinsurance Earned Premium ceded | (8,944,538) | (4,627,346) |
| **Net Earned Premium** | **29,827,258** | **25,994,835** |
| | | |
| Gross Incurred Claims | (20,264,529) | (18,840,626) |
| Retrocession Recoveries | 3,171,922 | 3,152,062 |
| Net Incurred Claims | (17,092,606) | (15,688,564) |
| Underwriting Expenses | (2,917,199) | (2,936,908) |
| Net Acquisition Costs* | (8,063,340) | (7,057,675) |
| **Underwriting Profit** | **1,754,113** | **311,688** |
| Investment and Other Income | 2,438,037 | 1,466,710 |
| Foreign Exchange Gain/(Loss) | 2,246,333 | 914,585 |
| Other Administrative Expenses | (1,204,037) | (1,315,950) |
| Impairment of Assets | (1,003,915) | 80,266 |
| **Profit/(Loss) before tax** | **4,230,531** | **1,457,299** |
| | | |
| Income Tax | (428,626) | (123,352) |
| **Profit after tax** | **3,801,905** | **1,333,947** |

*These include maintenance of insurance contracts

Profit before tax increased from by NGN 2,773 million from NGN 1.5 billion in 2021 to NGN 4.2 billion in 2022. This was mainly driven by the profitable growth in 2022, which saw the net combined improve from 98.8% to 94.1%. Profitability was accentuated by the improved investment performance and a favourable foreign exchange position.

Additional details on this can be found in section 3.6.

## 1.3. Financial Position

The following is a comparative summary of the financial position of Continental Re (PLC) over the last two years:

| Financial Position | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| | NGN '000 | % | NGN '000 | % |
| Cash and cash equivalents | 11,246,049 | 28.5% | 9,466,793 | 30.5% |
| Investment in Subsidiary | 6,123,109 | 15.5% | 6,123,109 | 19.8% |
| Quoted Equities | 421,395 | 1.1% | 593,401 | 1.9% |
| Unquoted Equities | 631,971 | 1.6% | 575,163 | 1.9% |
| Debt Instruments | 17,782,034 | 45.1% | 11,235,664 | 36.2% |
| Loans and Other receivables | 344,470 | 0.9% | 175,326 | 0.6% |
| Real Estate Investment | 1,849,900 | 4.7% | 1,826,200 | 5.9% |
| Statutory Deposit | 1,000,000 | 2.5% | 1,000,000 | 3.2% |
| Total Invested Assets | 39,398,928 | 100.0% | 30,995,656 | 100.0% |
| Reinsurance Receivables | 19,234,086 | | 12,279,106 | |
| Retrocession Assets | 5,944,876 | | 6,261,678 | |
| Other Assets | 8,806,070 | | 8,352,429 | |
| Total Assets | 73,383,960 | | 57,888,870 | |
| Insurance Contract Liabilities | 34,580,032 | | 25,400,102 | |
| Other Liabilities | 7,500,462 | | 4,632,180 | |
| Total Liabilities | 42,080,494 | | 30,032,282 | |
| Net Assets | 31,303,466 | | 27,856,588 | |

As seen above, the Net Assets increased from NGN 27.9 billion in 2021 to NGN 31.3 billion in 2022, representing a 12.4% increase. This was mainly driven by the 40.9% increase in the retained earnings reserve occasioned by the company's ability to sustain profitability.

The Total Assets increased by 26.8% from NGN 57.9 billion in 2021 to NGN 73.4 billion in 2022. This was however matched by a disproportional 4.01% increase in Total Liabilities, leading to a disproportionate increase in shareholder's fund.

The ratio of reinsurance receivables to gross premiums increased from 35.2% in 2021 to 43.2% in 2022. The ratio remains considerably high, and management should set up measures to reduce this.

Overall, the company's return on equity ("ROE") significantly improved from 5.9% in 2021 to 12.9% in 2022, which was below management's target ROE of 14.0% per annum.

Additional details on the financial position can be found in section 6.

## 1.4. Improvements observed

- **Profitable Growth** – The Gross Written Premiums increased by 27.4% from NGN 34.9 billion in 2021 to NGN 44.5 billion in 2022 while the Net Earned Premium increased by 14.7% during the year. In light of this, the company still managed to record an improvement in the combined ratio which led to an improved profitability position, which was commendable.

- **Improved Claims Experience**– The company's net incurred loss ratio decreased from 60.4% in 2021 to 57.3% in 2022, representing an improved claims experience in 2022.

- **Expenses and Commissions** – The company's expense ratio improved from 11.3% in 2021 to 9.8% in 2022. The company's net commissions ratio also slightly improved from 27.2% in 2021 to 27.0% in 2022. This was occasioned by the increased top line growth hence more contributions by the premiums towards meeting fixed costs. ]

- **Regulatory Solvency Position** – The required capital adequacy ratio by NAICOM is 100.0%. The Company therefore meets the regulatory capital requirements as demonstrated in section 4.4 of this report. Continental Re (PLC) has improved its solvency position with the capital adequacy ratio increasing from 250.9% in 2021 to 313.9% in 2022.

## 1.5. Material Risks Identified

The following summarises the key risks faced by Continental Re (PLC), as well as their impact and implications, based on our reviews as the Appointed Actuary:

- **Insurance risk** – The net claims loss ratio of the company improved from 60.4% in 2021 to 57.3% in 2022. The two main sources of insurance risk that we have observed are: catastrophe risk, retrocession risk and underwriting risk.

a) <u>Catastrophe Risk</u>

Catastrophe Risk is defined as the risk related to the occurrence of high-severity and low-frequency events.

Some of the risks passed on from direct insurance companies to reinsurance companies are:
- Exposure to individual large losses
- Losses arising from aggregation of risks
- Volatility (uncertainty) in the portfolio

Catastrophes greatly increase the magnitude of the above risks because of their unusual severity. Consequently, due to the nature of its business, Continental Re (PLC) is greatly exposed to catastrophe risk.

b) <u>Retrocession Risk</u>

Due to the exposure to individual large risks, aggregation of claims and volatility, it is crucial for the company to have an adequate retrocession programme in place. An inadequate retrocession cover has the risk of not offering enough protection in the event of unusual losses. We note that the company conducts a retrocession optimisation exercise annually to ascertain the adequacy of its retrocession arrangements.

c) Underwriting Risk

In section 5.2, we observed that the main classes of business recorded combined ratios in the excess of 100% over the two years under consideration. Specifically, the Fire class of business has recorded a combined ratio above 100% which indicative of inadequate pricing. If not repriced or dropped, the loss drivers could offset the profitability of the rest of the book which will affect the company's ability to sustain a positive underwriting result. This will be more pronounced with the impending adoption of the IFRS 17 accounting standard that requires the profitability to be measured at a level that does not offset the losses of loss-making groups by the profitable ones.

- **Regulatory and Compliance Risk** – There is a risk of insufficient preparation for changes in accounting standards relating to IFRS 17.

  Continental Re (PLC) has increased its solvency position with the capital adequacy ratio increasing from 250.9% in 2021 to 313.9% in 2022. Whereas the company has maintained a healthy solvency position, the interaction of its solvency to other risks such as insurance risk and credit risk could hurt the solvency position in the long run, especially with the strain that could be introduced by the adoption of a Risk Based Capital regime.

  Further, with the global adoption of the IFRS 17 standard, timely compliance remains a potent risk to the company's operations, especially because the change is an enterprise-wide initiative that cuts across actuarial, risk, finance, and IT systems. As a result, the adoption of the standard will have clear implications to the business both from a cost and compliance perspective.

  Specifically, there is the risk that the Company will not have in place the processes and procedures required to facilitate the implementation of IFRS 17. We however note that Continental Re (PLC) has already begun the IFRS 17 implementation process and has already carried out a gap assessment and management have a view of the expected financial impact of adopting the standard.

- **Credit Risk** – The ratio of reinsurance receivables to gross premiums increased from 35.2% in 2021 to 43.2% in 2022. This remains considerably high, and management should institute strict credit control policies. This high proportion of premium debtors relative to the GWP has a significant negative impact on the Company's liquidity which could affect the company's ability to meet its obligation to policyholders when they fall due. This could also lead to reputation risk and regulatory risk under a risk-based capital supervision.

- **Foreign exchange Risk** – Continental Re (PLC) faces the risk of currency mismatch between its assets and liabilities. Assets are invested in local currencies whereas the company's liabilities may be denominated in several currencies across the various jurisdictions in which the Company operates. Nevertheless, foreign exchange risk with respect to Asset Liability Matching is lessened by the company currently holding more dollars to minimise the effect of currency fluctuations.

The company should continually monitor this movements and always ensure proper matching as the foreign exchange losses or gains have had a material impact on the company's performance in the recent past as highlighted in section 3.6 of this report.

- **Rise in inflation Rates** – In 2022, Nigeria has seen the highest inflation rates in the recent past hitting an average rate in excess of 20%, a 10 year high. This has put a strain on cashflow requirements on the companies especially given that premiums are eroded in terms relative to the final claims settlements especially given that the pricing does not allow for any allowances for inflation.

  Further, and especially where insurance penetration is modest, Inflation leads to less uptake of insurance as the population switches priorities to address more pressing needs as they have less disposable income due the erosion of the purchasing power of the local currency. This puts further strain on the insurance companies' liquidity positions.

- **Information Technology ("IT") risk** – Continental Re (PLC), runs on two IT systems:

  - SICS Property & Casualty ("SICS") – This is a fully integrated non-life reinsurance administration application, for insurers and reinsurers. This is the core IT system.
  - Sage X3 financial ("Sage") – This covers financial, personal, cost and budget accounting, commitments, and fixed assets. It can also handle transfers and reporting of information from one country to another, and between subsidiaries and their headquarters. This is the core accounting system.

  The separation of the core IT system (SICS) from the accounting system (Sage) introduces the risk of incompatible information between the systems. Continental Re (PLC) informed us that one of the main differences in these systems relates to foreign exchange conversion.

  In this modern world, there are also data breaches that are faced by companies today, including Continental Re (PLC). These data breaches present both a direct risk (risk of losing data) and an indirect risk (business interruption) to companies. Possible measures to combat these risks have been discussed in the next section.

- **Group Risk** – The table below shows the underwriting profit for Continental Re (PLC) per branch in 2022:

| Branch | Underwriting Profit NGN '000 |
|---|---:|
| Lagos | 1,749,164 |
| Tunis | 4,949 |
| **Total** | **1,754,113** |

As highlighted in the table above, the profitability from the Lagos branch was the main profit driver of Continental Re (PLC)'s overall profitability. Conversely, any huge losses in one region could adversely affect the profitability of the group.

The results above highlight the risk of Continental Re (PLC)'s financial performance being affected by the performance of one or more branches within the group.

## 1.6. Recommendations

### Addressing Insurance Risk

The company should review its reinsurance contracts with cedants (insurers) in conjunction with its retrocession contracts with retrocessionaires to protect its financial position from the risk of catastrophes. The company should also review the retention limits for both inward reinsurance business and outward retrocession business to control its exposure to catastrophic events.

The Company should monitor the gross claims loss ratios relative to the net claims loss ratios to assess the effectiveness of the retrocession programmes in place. This is especially critical for classes of business for which the Company does not receive retrocession commission. In carrying out this exercise, management should note that reinsurance data may be scanty owing to the nature of the risks. As such, statistical information about the past may not be a sufficient indicator of possible future experience.

We understand that the Company conducted a reinsurance optimisation exercise in the past. The Company is also monitoring its retrocession contracts. We recommend that management continue to monitor the retrocession arrangements in place in order to maximise retrocession benefits.

Another possible course of action would be setting up catastrophe reserves and/or claims equalisation reserves to combat future one-off losses thereby minimising their impact on the overall profitability.

On the underwriting risk, especially for the classes combined ratios in excess of 100%, we recommend that the company embarks on a rigorous de-risking strategy where the pricing is in line with the underlying exposure for new business and the performance of the existing accounts is monitored and immediate action is taken where any deterioration is detected.

Further, we recommend that a technical pricing policy is adopted where the underwriting experience is assessed while making allowance for retrocession and investment income and weighing the expected outcome against the shareholders ROE.

### Addressing Regulatory and Compliance Risk

We note that the Company includes in its risk register measures to manage compliance risks in respect of adoption of IFRS 17 and regulatory changes.

The Company is in the process of implementing the standard, training staff and assessing the readiness of systems, processes, and functions. We further recommend that the Company includes in its processes clearly defined policies of risk measurement and how the risks can be translated into appropriate IFRS 17 assumptions.

### Managing Credit Risk

We recommend that the Company implements stricter credit control policies for timely collection of premiums. Continuous reviews of credit control policies in place will be required especially considering adoption of Risk Based Capital supervision which could impose high charges on premium debtors. This risk is further accentuated by the application of IFRS 9 as high levels of uncollected premiums leads to a higher expected credit loss assumptions on the impairment models.

In addition, adequate allowance should be made for impairment of the reinsurance receivables asset to arrive at a realistic view of the value of reinsurance receivables.

### Addressing Inflation & Foreign Exchange risk

The Company should monitor the asset liability position by performing cashflow projections of the assets and liabilities allowing for expected currency movements. Sensitivities should be performed for different scenarios and adequate capital set aside to cushion against any losses arising from currency mismatch.

The company should continually monitor this movements and always ensure proper matching as the foreign exchange losses or gains have had a material impact on the company's performance in the recent past as highlighted in section 3.6 of this report.

### Minimising IT risk

We urge Continental Re (PLC) to monitor and address any gaps that may be caused by running both its IT systems. This should ideally be a ground-up exercise where all internal processes relating to the IT systems are analysed to identify any areas that need improvement.

In addition, we urge the company to consider regularly carrying out exercises which assess the company's ability to deal with data breaches e.g., penetration testing. This can be done as part of a comprehensive cyber audit. The company informed us that a comprehensive cyber audit had already been carried out. We urge management to continue carrying out these exercises in future.

### Managing Group risk

Whereas the company has policies that apply to the group, Continental Re (PLC) should carry out an assessment of business operations in each branch separately. This assessment should be as granular (detailed) as possible. The aim of carrying out this exercise would be to make sure that Continental Re (PLC) is not over-exposed to losses from any branch.

## 1.7. Status of Prior Year Recommendations

The following is a summary of the status of the key recommendations made in the 2021 FCR:

| Recommendation | Status | Comment |
|---|---|---|
| **Insurance Risk** | | Despite the improvement in the Net incurred loss ratios and an improvement in the impact of the retrocession arrangements in 2022, the company is exposed to catastrophe risk and retrocession risk owing to its risk profile. This remains an area that requires close monitoring. |
| **Regulatory Risk** | | There is a risk of insufficient preparation for changes in accounting standards relating to IFRS 17 and adoption of a more capital-intensive Risk Based Capital regime. |
| **Credit Risk** | | The ratio of reinsurance receivables to gross premiums increased from 35.2% in 2021 to 43.2% in 2022. This ratio has increased in 2022 and remains considerably high. |
| **Currency Risk** | | Continental Re (PLC) still faces the risk of currency mismatch between its assets and liabilities and should ensure continued review to ensure movements in the currencies does not present significant liquidity challenges to meet liabilities if and when they fall due |
| **IT Risk** | | There is the risk of data breaches on Continental Re (PLC)'s systems. |
| **Group Risk** | | There is the risk of Continental Re (PLC)'s financial performance being affected by losses incurred in one or more branches. |

Key:

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

## 1.8. Conclusion

I, Jay Kosgei, certify that, as at 31 December 2022, this Financial Condition Report for Continental Reinsurance Limited (PLC) has been prepared in accordance with the Guidelines to the Insurance Industry issued by the National Insurance Commission ("NAICOM") as well as generally accepted actuarial principles.

Jay Kosgei
Fellow of the Institute and Faculty of Actuaries
Financial Reporting Council Number:
FRC/2021/004/00000023786

February 2022

# 2 Information Requirements

## 2.1. Data Obtained

The following data was used in the preparation of this Financial Condition Report.

- Audited financial statements as at 31 December 2022 for the 2022 financial year.
- Audited financial statements as at 31 December 2021 for the 2021 financial year.
- Audited financial statements as at 31 December 2020 for the 2020 financial year
- Insurance Liability Valuation results as at 31 December 2022 prepared by Zamara.
- Various documents relating to the company's governance structure and business plans for Continental Re (PLC), including:
  - Continental Re (PLC) General Insurance Company's Reinsurance Management Framework
  - Continental Re (PLC) Group Investment Strategy
  - Continental Re (PLC) General Insurance Company's Strategic Plan (2013 – 2022)
  - ERM Strategy and Risk Appetite policy
  - The Risk Register
  - Summaries of Retrocession Structures and underwriting limits
  - ALM Policy as well as the Investment Guide
  - Forward looking strategy and business plan.

All this data was provided by Continental Re (PLC) by the time of writing this report. It was assumed that the data provided by Continental Re (PLC) was correct, and so a full audit of the data provided was not conducted.

However, reconciliations of data were conducted as part of the Insurance Liability Valuation as at 31 December 2022.

Please refer to the Insurance Liability Valuation as at 31 December 2022 for Continental Re (PLC) which outlines the data provided by Continental Re (PLC) for this specific purpose and the reconciliations undertaken as part of the valuation exercise.

## 2.2. Reliance and Limitations

This FCR is based on the audited financial statements of Continental Re (PLC) as at 31 December 2022 as well as the general business plans of Continental Re (PLC), and company information that were provided to Zamara.

Zamara also conducted the Insurance Liability Valuation as at 31 December 2022, the results of which are summarised in section 4.1.

The report should be read in its entirety and conclusions based on certain parts of the report should not be taken out of context, which might be misleading.

Our conclusions and recommendations are based on several assumptions as to future conditions and events. These assumptions, which are documented in our report, must be understood in order to understand our conclusions in their appropriate context.

# 3 Business Overview

## 3.1. Company Overview

Continental Reinsurance Limited (PLC) is a Pan-African reinsurer operating across the African continent. Incorporated in Nigeria in 1985,


Continental Reinsurance Limited (PLC) writes business in more than 50 African countries, which are serviced from its six-client service centres in Nigeria (current Headquarters), Botswana, Cameroon, Côte d'Ivoire, Kenya, and Tunisia. Continental Reinsurance Limited (PLC) also has a specialist subsidiary, Continental Property and Engineering Risk Services (CPERS), registered in South Africa that services all clients across Africa. The map shows each service centre and the countries where each centre operates in.

Continental Re (PLC) includes insurance business from the following two offices:

- Lagos (in Nigeria)
- Tunis (in Tunisia)

## 3.2. Shareholding Structure

Continental Re (PLC)'s shareholding structure is as shown in the table below:

| Name of Shareholder | Percentage Shareholding |
| --- | --- |
| CRe African Investments Limited | 99.99% |
| Other | 0.01% |
| **Total** | **100.0%** |

As shown in the table above, majority of the shares are owned by CRe African Investments Limited who claim 99.99% of the shares of the company.

## 3.3. Macro-Economic Environment

The Gross Domestic Product ("GDP") is the total value of all goods and services produced within a year in a country. GDP growth (annual change in GDP) is a common economic measure used to compare the development of an economy between different years.

As highlighted in section 3.1, Continental Re (PLC) has offices in 2 countries. The table below shows the GDP growth in 2021 and 2022 for each of these countries. Other regions have also been shown for comparative purposes.

| Annual GDP Growth | 2022 | 2021 |
| --- | --- | --- |
| Nigeria | 3.2% | 3.6% |
| Tunisia | 2.2% | 3.3% |
| **Africa** | **3.7%** | **4.8%** |
| Sub-Saharan Africa | 3.6% | 4.7% |
| North Africa | 4.1% | 5.3% |
| **World** | **3.2%** | **6.0%** |

*Data obtained from International Monetary Fund ("IMF") World Economic Outlook (October 2022).

In 2022, Nigeria's economic growth is similar to the word average while Tunisia's economic growth seems to be slower than the world average. There is a decline in Annual GDP Growth from 3.6% in 2021 to 3.2% in 2022 in Nigeria and 3.3% in 2021 to 2.2% in 2022 in Tunis. Despite this decline, Continental Re (PLC) experienced a commendable growth in top line, 27.4% increase in Gross Written premium and 14.7% increase in the Net Earned Premium in 2022.

## 3.4. Nigeria Insurance Industry

The insurance regulator in Nigeria, National Insurance Commission ("NAICOM") is taking measures to grow the industry. According to NAICOM's statement of regulatory priorities dated May 2017, the Commission is looking to introduce enforcement of Compulsory Insurance which should increase uptake of insurance products.

The regulator is also in the process of implementing Risk Based Capital requirements. Currently, the solvency margin for reinsurers is NGN 10 billion. With risk-based supervision the required solvency margin is likely to change based on capital charges imposed for the various risk covered including insurance risk, market risk, credit risk and operational risk. This will be particularly crucial for insurance companies that hold large proportions of assets which attract high capital charges. Reinsurance is likely to be recognised as a risk management tool in arriving at the required risk-based capital. Insurance Companies will therefore be better placed if they have sound and optimal reinsurance arrangements.

The anticipated adoption of IFRS 17 in 2023 will require Companies to have systems in place to accommodate the change. This also includes training their staff on the standards as well as putting together the infrastructure and processes to be followed in implementing IFRS 17.

## 3.5. Business Mix

Business Mix by Country

| Gross Written Premium | 31 December 2022 | 31 December 2021 | Revenue Growth |
|---|---|---|---|
| | NGN '000 | NGN '000 | % |
| Lagos | 31,415,623 | 26,947,493 | 16.6% |
| Tunis | 13,076,669 | 7,978,496 | 63.9% |
| **Total** | **44,492,292** | **34,925,988** | **27.4%** |

From the table above, the largest share of premium revenue comes from the Lagos office. This represents about 70.6% of the total premium. The Tunis office contributed 29.4% to the Gross Written Premium in 2022.

Business Mix by Class of Business

Continental Re (PLC) underwrites both life and general re-insurance business

For record keeping and reporting purposes, Continental Re (PLC) has the following classes for general re-insurance business: Accident, Agriculture, Energy, Engineering, Fire, Liability and Marine. These classes were further split into the following sub-classes of business:

- **Accident** – Medical and Other Accident
- **Agriculture** - Agriculture
- **Energy** - Oil & Energy (Oil & Gas)
- **Engineering** - Engineering

- **Fire** - Fire
- **Liability** – Liability, Motor and Professional Indemnity
- **Marine** – Aviation and Marine

In its life re-insurance book, Continental Re (PLC) underwrites both Group Life and Individual Life re-insurance business. Group Life forms the bulk of the Gross Booked Premium in 2022.

The table overleaf shows the split of business written for the year 2022 per reporting class as per the financial statements.

| Class of Business | Mix of Business % |
|---|---|
| Accident | 10.1% |
| Agriculture | 2.5% |
| Energy | 7.8% |
| Engineering | 10.7% |
| Fire | 42.7% |
| Liability | 2.9% |
| Marine | 9.4% |
| Life | 13.9% |
| **Total** | **100.0%** |

**Accident class includes Medical and Other Accident classes of business*

The Fire class was the predominant class of business as at 31 December 2022. This class constitutes 42.7% of the business written in 2022.

<u>Business Mix by Type of Reinsurance</u>

The table below highlights the type of reinsurance per class of business in 2022:

| Class of Business | Treaty Proportional | Treaty Non-Proportional | Facultative |
|---|---|---|---|
| Accident | 60.4% | 3.5% | 36.1% |
| Agriculture | 61.4% | 1.0% | 37.6% |
| Energy | 15.9% | 19.4% | 64.7% |
| Engineering | 68.7% | 0.8% | 30.4% |
| Fire | 54.3% | 11.5% | 34.2% |
| Liability | 20.0% | 33.8% | 46.2% |
| Marine | 84.0% | 6.5% | 9.5% |
| Life | 90.6% | 0.3% | 9.1% |
| **Total** | **60.5%** | **8.5%** | **31.0%** |

*Accident class incudes Medical and Other Accident Classes of business

60.5% of the business written by Continental Re (PLC) in 2022 related to Treaty Proportional reinsurance. This is mainly driven by the Fire class of business which comprised of 54.3% Treaty Proportional business, as it is the biggest class at an aggregate.

Consistent with best practice internationally, Medical and Motor reinsurance were mostly underwritten on Treaty Proportional bases respectively. Consequently, Accident and Liability premiums constitutes 51.4% of Treaty Proportional business and a 61.8% of Treaty Non-Proportional, respectively.

Due to the large risks common in Oil and Gas reinsurance, 64.7% of the business in Energy was written mainly a facultative basis.

## 3.6. Year-on-Year Financial Performance

The table below gives comparative details of the performance of Continental Re (PLC)'s portfolio over a two-year period. Further, the key underwriting ratios are also provided.

| Business Performance | 31 December 2022 | 31 December 2021 |
|---|---|---|
| | Total | Total |
| | NGN '000 | NGN '000 |
| Gross Written Premium | 44,492,292 | 34,925,988 |
| Change in Gross Unearned Premium | (5,720,496) | (4,303,807) |
| Gross Earned Premium | 38,771,796 | 30,622,181 |
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| Retrocession Recoveries | 3,171,922 | 3,152,062 |
| Net Incurred Claims | (17,092,606) | (15,688,564) |
| Underwriting Expenses | (2,917,199) | (2,936,908) |
| Net Acquisition Costs* | (8,063,340) | (7,057,675) |
| **Underwriting Profit** | **1,754,113** | **311,688** |
| Investment and Other Income | 2,438,037 | 1,466,710 |
| Foreign Exchange Gain/(Loss) | 2,246,333 | 914,585 |
| Other Administrative Expenses | (1,204,037) | (1,315,950) |
| Impairment of Assets | (1,003,915) | 80,266 |
| **Profit/(Loss) before tax** | **4,230,531** | **1,457,299** |
| Income Tax | (428,626) | (123,352) |
| **Profit after tax** | **3,801,905** | **1,333,947** |
| | | |
| Net Claims Loss Ratio | 57.3% | 60.4% |
| Expense Ratio | 9.8% | 11.3% |
| Net Commissions Ratio | 27.0% | 27.2% |
| Net Combined Ratio | 94.1% | 98.8% |

As shown in the table, the company's profitability increased in 2022 compared to 2021. This section will provide a detailed explanation into the following factors influencing the company's profitability:

- Premiums Written
- Claims Experience
- Expenses
- Commissions
- Non-operating Income and Expenses

<u>Premiums Written</u>

Gross Written Premiums increased from NGN 34.9 billion in 2021 to NGN 44.5 billion in 2022 representing a 27.4% growth. The growth in business was a big positive for the company, considering the slower Macro Economic growth highlighted in section 3.3. The Net Earned Premium increased by 14.7%.

## Claims Experience

The company's net incurred claims increased from NGN 15.7 billion in 2021 to NGN 17.1 billion in 2022. There was an improvement of the Net incurred loss ratio from 60.4% in 2021 to 57.3% in 2022. The improvement in the net claims loss ratio was mainly due to the increase in net earned premium in comparison to the corresponding claims experience.

## Expenses and Commissions

The company's expense ratio improved from 11.3% in 2021 to 9.8% in 2022 while the commissions ratio improved from 27.2% in 2021 to 27.0% in 2022. This could be attributable to the increase in the net earned premium during the year as the benefits of scale set in with a bigger top line.

## Non-operating Income

Investment and other income increased by 66.2% from NGN 1.5 billion in 2021 to NGN 2.4 billion in 2022, while the Foreign Exchange Gain increased by 145.6% from NGN 0.9 billion in 2021 to NGN 2.2 billion in 2022.

## Summary

Overall, the increase in the Net Earned premium following the top line growth was the main driver for the improved underwriting result in 2022. This was further accentuated by the improved claims ratio and expense ratio (including net commissions), as there was more contribution towards meeting the fixed costs, leading to an improved combined ratio from 98.8% in 2021 to 94.1% in 2022.

The increase in the non-operating income highlighted above, also contributed to the increase in underwriting gains leading to an overall profit before tax that was NGN 2.8 billion above the level attained in 2021.

## 3.7. Business Plan

The table below shows the projected Profit and Loss Statement for the combined life and non-life business in 2023. The actual figures for the year 2022 have been provided for comparative purposes.

| Business Performance | 31 December 2022 Actual NGN '000 | 31 December 2023 Budget NGN '000 |
|---|---|---|
| Gross Written Premium | 44,492,292 | 47,440,469 |
| | | |
| Net Earned Premium | 29,827,258 | 34,817,959 |
| Net Incurred Claims | (17,092,606) | (18,425,433) |
| Underwriting Expenses | (2,917,199) | (3,421,514) |
| Net Acquisition Costs* | (8,063,340) | (10,136,815) |
| **Underwriting Profit** | **1,754,113** | **2,834,198** |
| Investment and Other Income | 4,684,370 | 2,925,483 |
| Administrative and Other Expenses | (2,207,952) | (1,021,753) |
| **Profit/(Loss) before tax** | **4,230,531** | **4,737,928** |
| | | |
| Income Tax | (428,626) | (710,689) |
| **Profit after tax** | **3,801,905** | **4,027,239** |
| | | |
| **Net Ratios** | | |
| Claims Loss Ratio | 57.3% | 52.9% |
| Expense Ratio | 9.8% | 9.8% |
| Commissions Ratio | 27.0% | 29.1% |
| Combined Ratio | 94.1% | 91.9% |

The Gross Written Premium is expected to grow by 6.6% from NGN 44.5 billion in 2022 to NGN 47.4 billion in 2023. Whereas we have not been provided with the basis for these projections, the budgeted growth in topline is not unreasonable given the growth attained in 2022.

The projected net claims loss ratio, expense ratio and commissions ratios are reasonable. However, the targeted net incurred loss ratios will heavily be dependent on the company growing on its top line by attracting profitable portfolio. The investment and other income as well as the administrative and other expenses are also reasonable.

Overall, the company's projected performance is reasonable but will heavily be reliant on the ability to attain the targeted top line growth while attracting accounts with favorable loss ratios. For the existing accounts, close monitoring of the claims experience will be required, and the loss drivers will need to be either dropped or repriced to reflect the underlying risk at the earliest point of detection.

# 4 Financial Position and Management

Zamara conducted an Insurance Liability Valuation as at 31 December 2022 for Continental Re (PLC), and this section includes a summary of this analysis.

## 4.1. Results of the Insurance Liability Valuation

### Non-Life Business

The table below indicates the estimated value of Continental Re (PLC)'s insurance liabilities calculated by Zamara as at 31 December 2022 for the non-life business, in accordance with the statutory requirements as stipulated by the National Insurance Commission (NAICOM). We have also provided the corresponding net liabilities as at 31 December 2021.

| Gross Insurance Liabilities (NGN '000) | 31 December 2022 | 31 December 2021 | Movement (%) |
|---|---|---|---|
| Outstanding Claims Liabilities | 15,536,661 | 12,098,221 | 28.4% |
| Unearned Premium Reserve | 15,395,074 | 10,632,412 | 44.8% |
| Deferred Acquisition Cost | (3,935,865) | (2,941,090) | 33.8% |
| Total Liabilities | 26,995,869 | 19,789,543 | 36.4% |

The corresponding net reserves are as given in the table below:

| Net Insurance Liabilities (NGN '000) | 31 December 2022 | 31 December 2021 | Movement (%) |
|---|---|---|---|
| Outstanding Claims Liabilities | 12,305,770 | 8,304,819 | 48.2% |
| Unearned Premium Reserve | 12,347,267 | 8,306,607 | 48.6% |
| Deferred Acquisition Cost | (2,957,371) | (2,579,226) | 14.7% |
| Total Liabilities | 21,695,667 | 14,032,200 | 54.6% |

We confirm that the Company booked the estimated liabilities as provided in the table above. Zamara is therefore satisfied that Continental Re (PLC)'s booked reserves are sufficient to cover future claims and expenses.

Further details of valuation assumptions and methodology adopted are provided in our Non-Life valuation report dated January 2023.

## Life Business

The table below indicates the estimated value of Continental Re (PLC)'s insurance liabilities calculated by Zamara as at 31 December 2022, in accordance with the statutory requirements as stipulated by the National Insurance Commission (NAICOM). We have also provided the corresponding net liabilities as at 31 December 2022.

| Gross Insurance Liabilities (NGN '000) | 31 December 2022 | 31 December 2021 | Movement (%) |
|---|---|---|---|
| Outstanding Claims Liabilities | 707,586 | 686,592 | 3.1% |
| Unearned Premium Reserve | 2,940,712 | 1,982,878 | 48.3% |
| Deferred Acquisition Cost | (772,088) | (607,691) | 27.1% |
| Total Liabilities | 2,876,210 | 2,061,779 | 39.5% |

The corresponding net reserves are as given in the table below:

| Net Insurance Liabilities (NGN '000) | 31 December 2022 | 31 December 2021 | Movement (%) |
|---|---|---|---|
| Outstanding Claims Liabilities | 621,690 | 604,201 | 2.9% |
| Unearned Premium Reserve | 2,494,458 | 1,757,849 | 41.9% |
| Deferred Acquisition Cost | (678,805) | (536,124) | 26.6% |
| Total Liabilities | 2,437,343 | 1,825,926 | 33.5% |

We confirm that the Company booked the estimated liabilities as provided in the table above. Zamara is therefore satisfied that Continental Re (PLC)'s booked reserves are sufficient to cover future claims and expenses.

Further details of valuation assumptions and methodology adopted are provided in our Life valuation report dated January 2023.

## 4.2. Reserve Methodology

Continental Re (PLC) calculated their reserves using the following methodologies:

### Non - Life Business

| Insurance Liabilities | Methodology | |
|---|---|---|
| | 31 December 2022 | 31 December 2021 |
| **Claims Reserves** | | |
| OCR | Paid Claims Chain ladder, Bornhuetter- Fergusson | Paid Claims Chain ladder, Bornhuetter- Fergusson |
| | | |
| **Premium Reserves** | | |
| UPR/DAC | 365ths Method - Treaty Non-Proportional & Facultative Contracts<br><br>8ths Method - Proportional treaty contracts | 365ths Method - Treaty Non-Proportional & Facultative Contracts<br><br>8ths Method - Proportional treaty contracts |
| URR | Assessment of Historical Claims Experience and Combined Ratio | Assessment of Historical Claims Experience and Combined Ratio |
| | | |
| **Pipelines** | | |
| Pipeline premium/ Commissions | Chain ladder Method | Chain ladder Method |

As seen above, the Methodology for computing the reserves has been consistent between the two valuation periods.

## Life Business

| Insurance Liabilities | Methodology | |
|---|---|---|
| | 31 December 2022 | 31 December 2021 |
| **Claims Reserves** | | |
| OCR | Paid Claims Chain ladder, Bornhuetter- Fergusson | Paid Claims Chain ladder, Bornhuetter- Fergusson |
| | | |
| **Premium Reserves** | | |
| UPR/DAC | 365ths Method - Treaty Non-Proportional & Facultative Contracts<br><br>8ths Method - Proportional treaty contracts | 365ths Method - Treaty Non-Proportional & Facultative Contracts<br><br>8ths Method - Proportional treaty contracts |
| URR | Assessment of Historical Claims Experience and Combined Ratio | Assessment of Historical Claims Experience and Combined Ratio |
| | | |
| **Pipelines** | | |
| Pipeline premium/ Commissions | Chain ladder Method | Chain ladder Method |

As seen above, the Methodology for computing the reserves has been consistent between the two valuation periods.

## 4.3. Reserve Sufficiency

### Non - Life Business

The table below outlines the sufficiency of the non-life reserves as at 31 December 2021, by comparing the expected claims from the previous valuation with the actual claims experience in 2022:

| Class of Business | Actual Claims NGN 000s | Expected Claims NGN 000s | Actual vs Expected Claims NGN 000s |
|---|---|---|---|
| Accident | 487,029 | 917,252 | (430,223) |
| Agriculture | 231,538 | 361,869 | (130,331) |
| Energy | 162,772 | 290,398 | (127,625) |
| Engineering | 768,919 | 1,360,729 | (591,810) |
| Fire | 9,652,301 | 5,850,217 | 3,802,083 |
| Liability | 138,541 | 205,579 | (67,038) |
| Marine | 674,391 | 537,663 | 136,729 |
| Total | 12,115,491 | 9,523,706 | 2,591,785 |

The table above shows that there was unfavourable claims experience at an overall level, where the actual claims were greater than the expected claims. This was mainly driven by the unfavourable claims experience of Fire, which is the largest class of business.

Overall, the actual claims were NGN 2.6 billion higher than the expected claims, with the Fire class having the highest deterioration with the actual claims experience being NGN 3.8 billion higher than expected claims.

Zamara appropriately adjusted its assumptions considering the emerging claims experience which led to a bolstering of the reserves as evidenced in section 4.1 above.

### Life Business

The table below outlines the sufficiency of the life reserves as at 31 December 2021, by comparing the expected claims from the previous valuation with the actual claims experience in 2022:

| Figures in NGN '000 | | |
|---|---|---|
| Actual Claims NGN 000s | Expected Claims NGN 000s | Actual vs Expected Claims NGN 000s |
| 1,180,041 | 883,408 | 296,633 |

The results above show an unfavourable claims experience as the actual experience was worse than the expected experience.

Zamara appropriately adjusted its assumptions in light of the emerging claims experience.

## 4.4. Solvency

Continental Re (PLC) has computed the solvency margin and hence the capital adequacy ratio as at 31 December 2022 in line with NAICOM Prudential Guidelines and below is a summary of the Company's Solvency position:

| Statement of Solvency Margin | 31 December 2022 | 31 December 2021 |
|---|---|---|
| | NGN'000 | NGN '000 |
| Cash and cash equivalents | 11,442,197 | 9,466,793 |
| Financial assets | 60,651,469 | 44,371,232 |
| Statutory deposits | 1,000,000 | 1,000,000 |
| Total Assets | 73,093,666 | 54,838,025 |
| Total Liabilities | 41,700,421 | 29,745,132 |
| Solvency Margin | 31,393,244 | 25,092,893 |
| Minimum paid up capital | 10,000,000 | 10,000,000 |
| Capital Adequacy Ratio | 313.9% | 250.9% |

The required capital adequacy ratio by NAICOM is 100.0%. The Company therefore meets the regulatory capital requirements. Continental Re (PLC) has increased its solvency position with the capital adequacy ratio increasing from 250.9% in 2021 to 313.3% in 2022.

# 5 Pricing and Premium Adequacy

## 5.1. Approach

In evaluating the adequacy of the premiums rates charged, we assessed the combined ratios for the business considering prior year statistics. This was to highlight the classes of business that have been making losses over a sustained period.

## 5.2. Premium Adequacy

The table below indicates the values of key financial ratios for Continental Re (PLC) for the financial year ended 31 December 2022. The corresponding statistics from the previous year have been included for comparative purposes.

| Financial Performance Ratios | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Net Claims Loss Ratio | 57.3% | 60.4% |
| Expense Ratio | 9.8% | 11.3% |
| Net Commissions Ratio | 27.0% | 27.2% |
| **Combined Ratio** | **94.1%** | **98.8%** |

The above statistics indicate that the overall mix of exposure for Continental Re (PLC) resulted in a combined ratio of 94.1% in 2022. This represents an improvement in underwriting experience from a combined ratio of 98.8% in 2021.

The combined ratio cannot however be relied upon to give useful information on the appropriateness of premium rates for individual classes of business. Significant changes in the future mix of business underwritten by Continental Re (PLC) can have a material impact on the overall combined ratio and profitability of the company.

We therefore assessed the appropriateness of the premiums charged per class of business as follows:

## Non-Life Business

The table below summarises the combined loss ratios for Continental Re (PLC) as at 31 December 2022, per class of business:

| Class of Business | Net Loss Ratio | Net Expense Ratio* | Combined Ratio |
|---|---|---|---|
| Accident | 36.9% | 49.0% | 85.9% |
| Agriculture | 60.1% | 48.2% | 108.3% |
| Energy | -4.2% | 37.1% | 32.9% |
| Engineering | 13.9% | 42.1% | 56.0% |
| Fire | 92.4% | 39.4% | 131.8% |
| Liability | 22.3% | 24.7% | 47.0% |
| Marine | 37.3% | 41.8% | 79.0% |

**The expenses include net commissions as well as underwriting expenses*

The table below summarises the combined loss ratios for Continental Re (PLC) as at 31 December 2021, per class of business:

| Class of Business | Net Loss Ratio | Net Expense Ratio* | Combined Ratio |
|---|---|---|---|
| Accident | 69.0% | 43.4% | 112.4% |
| Agriculture | 31.6% | 38.8% | 70.5% |
| Energy | 20.4% | 30.5% | 50.9% |
| Engineering | 78.7% | 28.0% | 106.7% |
| Fire | 76.7% | 40.0% | 116.7% |
| Liability | 57.9% | 24.5% | 82.4% |
| Marine | 24.0% | 45.4% | 69.4% |

**The expenses include net commissions as well as underwriting expenses*

From the tables above, the company has had combined ratios more than 100% for some classes of business notably Agriculture and Fire classes of business which could be an indicator of mispriced portfolios within these classes.

Zamara also recommends that the company embarks on a rigorous de-risking strategy where the pricing is in line with the underlying exposure for new business and the performance of the existing accounts is monitored and immediate action is taken where any deterioration is detected.

Further, we recommend that a technical pricing policy is adopted where the underwriting experience is assessed while making allowance for retrocession and investment income and weighing the expected outcome against the shareholders ROE.

## Life Business

The table below shows the financial performance of the life portfolio:

| Financial Performance | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Net claims ratio | 37.7% | 39.0% |
| Expense ratio | 46.1% | 43.0% |
| **Net combined ratio** | 83.8% | 82.0% |

**The expenses include net commissions as well as underwriting expenses*

These ratios indicate net combined ratios of less than 100% year on year, suggesting that the pricing of the portfolio is commensurate with the risk undertaken.

# 6 Asset and Liability Management

## 6.1. Assets

### 6.1.1. Asset classes

**Please note that all financial results presented in this report (apart from Section 4: Insurance Liability Valuation) have been derived from audited financial statements of Continental Re (PLC). Please see Section 2 for more details.**

The table below shows the composition of Continental Re (PLC)'s assets across the various asset classes as at 31 December 2022. Corresponding statistics for the previous financial year are shown for comparative purposes.

| Financial Position | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| | NGN '000 | % | NGN '000 | % |
| Cash and cash equivalents | 11,246,049 | 28.5% | 9,466,793 | 30.5% |
| Investment in Subsidiary | 6,123,109 | 15.5% | 6,123,109 | 19.8% |
| Quoted Equities | 421,395 | 1.1% | 593,401 | 1.9% |
| Unquoted Equities | 631,971 | 1.6% | 575,163 | 1.9% |
| Debt Instruments | 17,782,034 | 45.1% | 11,235,664 | 36.2% |
| Loans and Other receivables | 344,470 | 0.9% | 175,326 | 0.6% |
| Real Estate Investment | 1,849,900 | 4.7% | 1,826,200 | 5.9% |
| Statutory Deposit | 1,000,000 | 2.5% | 1,000,000 | 3.2% |
| Total Invested Assets | 39,398,928 | 100.0% | 30,995,656 | 100.0% |
| Reinsurance Receivables | 19,234,086 | | 12,279,106 | |
| Retrocession Assets | 5,944,876 | | 6,261,678 | |
| Other Assets | 8,806,070 | | 8,352,429 | |
| Total Assets | 73,383,960 | | 57,888,870 | |
| Insurance Contract Liabilities | 34,580,032 | | 25,400,102 | |
| Other Liabilities | 7,500,462 | | 4,632,180 | |
| Total Liabilities | 42,080,494 | | 30,032,282 | |
| Net Assets | 31,303,466 | | 27,856,588 | |

### 6.1.2. Valuation of Assets

For the purposes of this FCR, all assets have been considered at 100% of fair (or market) value except for Investments in Subsidiaries. Therefore, the total assets have been considered at NGN 73.4 billion as at 31 December 2022.

### 6.1.3. Asset admissibility

Intangible assets are not allowed in computing solvency. The Company's intangible assets comprise 0.1% of the total assets.

## 6.2. Liabilities

Continental Re (PLC) underwrites the full suite of reinsurance policies aimed at the general insurance and life insurance market.

The liability profile with respect to currency will vary depending on where a cedant is domiciled. The nature and term of the liability varies across the different classes of business that Continental Re (PLC) underwrites (i.e., life or non-life reinsurance business), as well as the basis of reinsurance on which Continental Re (PLC) will underwrite a policy (i.e., losses-occurring basis or risks-attaching basis).

Nature and term of liabilities:

- Liability, Marine, and Engineering class claims are generally long tailed and may take more than 3 years to settle.
- Liability, Marine and Engineering class claims may increase with inflation, specifically court-awards and price inflation.
- Accident and Fire claims are generally reported soon after occurrence and thus are considered short tail. Fire claims, however, can take years to settle especially if they involve reconstruction of buildings.
- Life reinsurance contracts are primarily short term. However, reporting delays observed from claim triangulations indicate the liabilities can have tails as long as three to four years.

The currency, nature and term of the liabilities impact the assets that Continental Re (PLC) should be investing in so as to reduce the risk of a mismatch between assets and liabilities.

## 6.3. Asset Liability Matching and Liquidity

We attempted to match the liabilities of Continental Re (PLC) to the income inflows from their invested assets with respect to timing and amounts of the cashflows. For the timing of the liabilities, we used the general settlements pattern from our valuation projections and the expected timing of the invested assets.

Below is an analysis showing the Company's projected asset/liability profile with respect to timing and amounts

| Class of Asset (NGN '000) | Time Period | | | | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026+ |
| Debt Instruments | 17,094,640 | 256,022 | 39,358 | 263,817 | 128,196 |
| Cash and Cash Equivalents | 11,246,049 | - | - | - | - |
| Equities | 1,053,366 | - | - | - | - |
| Rental Income | 31,185 | 31,185 | 31,185 | 31,185 | 311,847 |
| Reinsurance receivables | 16,780,976 | 1,174,668 | 718,226 | 560,216 | - |
| Total Income from Assets | 46,206,216 | 1,461,875 | 788,768 | 855,218 | 440,043 |
| Liabilities | 0 | 1 | 2 | 3 | 4+ |
| Net OCR and IBNR | 6,907,471 | 3,298,729 | 1,485,999 | 753,667 | 481,594 |
| Net UPR less DAC | 2,969,557 | 4,216,634 | 2,232,710 | 874,830 | 911,818 |
| Other | 7,500,462 | - | - | - | - |
| Total liabilities outgo | 17,377,490 | 7,515,364 | 3,718,709 | 1,628,497 | 1,393,412 |
| Gap | 28,828,726 | (6,053,488) | (2,929,941) | (773,279) | (953,369) |

Continental Re (PLC) should be mindful about meeting their liquidity requirements in the medium-term as illustrated by the gap analysis above. Whereas it is expected that premiums will be received within the year to offset these cashflows demands, management should continue monitoring this position on a regular basis.

Further, we note a huge positive gap in year 2022, which implies that the company has a more than enough ''near cash'' assets to meet its obligations to policyholders and other counterparties if and when they fall through which is ideal owing to the nature of short-term insurance liabilities.

## 6.4. Investment Strategy

Continental Re (PLC) has in place an Investment Policy Statement that provides guidelines on the Company's investment strategy.

The Investment Policy Statement document defines the processes that will be involved in the management of the asset liability position as well as outlining the various stakeholders that are to be involved in these processes together with their respective responsibilities.

The Investment policy specifies the target medium-term and long-term asset allocation. The table below compares the actual asset allocation as at 31 December 2022 and 31 December 2021 against this target allocation:

| Investment Class | Actual Asset Allocation* | | Target Asset Allocation |
|---|---|---|---|
| | 31 December 2022 | 31 December 2021 | Long-Term |
| Cash and Cash Equivalents | 28.5% | 30.5% | 30-35% |
| Equity Investments** | 18.2% | 23.5% | 10-25% |
| Fixed income securities | 46.0% | 36.8% | 25-36% |
| Real Estate investment | 4.7% | 5.9% | 18-25% |
| Statutory deposit | 2.5% | 3.2% | 0-7% |

**Analysis considers invested assets only*

***This includes Investment in subsidiary, Quoted Equities and Unquoted Equities*

From the above, the company's cash and real estate investments are lower relative to its target long-term asset allocation, while its fixed income securities are higher than the company's target long-term asset allocation. The company's equity investments and statutory deposit investments remain within the target long-term asset allocation with bodes well with its liquidity requirements.

In conclusion, we recommend that Continental Re (PLC) continually monitors the current asset allocation considering its investment policy as well as the nature, term, and currency of its liabilities. In addition, management should continuously review the investment policy and allocations to ensure they are consistent with the investment climate and the Company's expected financial performance.

# 7 Retrocession Arrangements

## 7.1. Methodology

We have assessed the adequacy of the retrocession arrangements in place by considering the difference between gross loss ratios and net loss ratio hereinafter referred to as the impact of retrocession.

## 7.2. Retrocession Impact

The following table compares the loss ratio impact of the Company's retrocession programme by class of business in 2022:

| Class of Business | Gross Earned Premium NGN '000 | Retro Earned Premium NGN '000 | Gross Loss Ratio | Net Loss Ratio | Impact of Retrocession |
|---|---|---|---|---|---|
| Accident* | 4,610,006 | (2,215,407) | 32.4% | 36.9% | -4.6% |
| Agriculture | 973,423 | (430,531) | 46.5% | 60.1% | -13.7% |
| Energy | 2,800,577 | (966,554) | -2.1% | -4.2% | 2.2% |
| Engineering | 3,885,762 | (964,519) | 14.5% | 13.9% | 0.6% |
| Fire | 16,991,935 | (3,533,818) | 85.4% | 92.4% | -7.0% |
| Liability | 1,192,249 | (313,400) | 16.4% | 22.3% | -5.9% |
| Marine | 3,797,171 | (158,280) | 36.9% | 37.3% | -0.4% |
| Life | 5,463,898 | (1,305,255) | 41.6% | 37.7% | 3.9% |
| Total | 39,715,022 | (9,887,764) | 52.4% | 57.3% | -4.9% |

*For the year 2022, the Accident class incudes both the Medical and Other Accident classes of Business.*

The following table compares the loss ratio impact of the Company's retrocession programme by class of business in 2021:

| Class of Business | Gross Earned Premium NGN '000 | Retro Earned Premium NGN '000 | Gross Loss Ratio | Net Loss Ratio | Impact of Retrocession |
|---|---|---|---|---|---|
| Accident* | 3,344,530 | (1,265,259) | 54.9% | 69.0% | -14.1% |
| Agriculture | 827,591 | (565,478) | 52.1% | 31.6% | 20.4% |
| Energy | 3,317,492 | (999,784) | 14.2% | 20.4% | -6.1% |
| Engineering | 3,854,257 | (497,444) | 70.4% | 78.7% | -8.3% |
| Fire | 12,629,534 | (1,377,504) | 72.2% | 76.7% | -4.5% |
| Liability | 970,492 | (70,530) | 53.7% | 57.9% | -4.2% |
| Marine | 2,862,100 | (432,538) | 21.2% | 24.0% | -2.7% |
| Life | 3,911,461 | (514,086) | 38.5% | 39.0% | -0.5% |
| Total | 31,717,457 | (5,722,622) | 54.2% | 60.4% | -6.1% |

*For the year 2022, the Accident class incudes both the Medical and Other Accident classes of Business.*

The following table compares the loss ratio impact of the Company's retrocession programme by class of business in 2020:

| Class of Business | Gross Earned Premium NGN '000 | Retro Earned Premium NGN '000 | Gross Loss Ratio | Net Loss Ratio | Impact of Retrocession |
|---|---|---|---|---|---|
| Accident | 2,589,556 | (1,134,764) | 44.4% | 48.1% | -3.7% |
| Agriculture | 589,051 | (271,881) | 49.9% | 86.4% | -36.5% |
| Energy | 3,071,014 | (1,209,339) | 33.5% | 55.2% | -21.7% |
| Engineering | 2,878,383 | (281,042) | 63.9% | 64.7% | -0.8% |
| Fire | 11,447,666 | (1,865,231) | 63.2% | 63.5% | -0.3% |
| Liability | 523,647 | (253) | 46.6% | 44.1% | 2.5% |
| Marine | 2,697,551 | (674,984) | 41.3% | 41.0% | 0.3% |
| Life | 3,857,982 | (460,878) | 53.9% | 54.5% | -0.6% |

**For the year 2022, the Accident class incudes both the Medical and Other Accident classes of Business*

The Accident, Engineering, Fire, Marine and Life portfolios jointly formed above 80% of the total book with each class contributing at least about 10% of the total gross earned premiums in 2022. Of these classes, the impact on retrocession arrangements is mainly favourable in the Life class with some volatility observed in the rest of the classes over the 3 years of review.

Whereas the overall retrocession impact has been unfavourable over the 3-year period, we observed an improvement from -6.1% to -4.9% in 2022, implying more benefits from the retrocession in 2022. Therefore, the overall retrocession arrangements as at 31 December 2022 were not unreasonable.

Following the retrocession optimisation undertaken in 2021, management should however continue refining the current retrocession plan until an optimal balance of cost versus benefit is struck. This should of course be reviewed in light of the company's retentions and risk appetite. Further, it should take into consideration the Company's current structure and expected claims as well as retrocession commission income.

# 8 Risk Management

## 8.1. Policy and Strategy Framework

Continental Re (PLC) has instituted a risk management policy and strategy including key principles and allocation of responsibilities for dealing with risk management. The strategy also includes Board-approved risk appetite and policies, processes and tools used to identify, assess, monitor, manage and report on risks.

Continental Re (PLC) has set up an end-to-end functional risk management framework that is aligned to the Company's wider business objectives. The Company sees an effective risk management framework as a means to:

- Support the company in achieving its strategic goals
- Articulate the governing body's expectations
- Improve management standards and resources
- Support a firm-wide risk culture development

The benefits of the above goals will positively affect policyholders, shareholders and employees, as well as ensuring that all regulatory and corporate governance requirements are met.

The risk management strategy of Continental Re (PLC) is detailed in its Risk Management Framework document and is in line with the group's enterprise risk management (ERM) strategy, which has been approved by the group's Board Risk Committee. The framework brings together risk management and compliance activities and incorporates these efforts efficiently into day-to-day business processes, in alignment with the corporate strategy.

Generally, the company has one 'risk language' across all divisions guided by the top echelon as echoed by the Enterprise Risk Management policy statement, which calls on all employees to embrace and embed in the ERM approach.

Below is a listing of the role(s) of the various stakeholder to ensure an effective management of risk

| Role | Responsibilities |
|---|---|
| **Entity Board** | ▪ Oversight of the Risk Management Framework; Proposing and approving the Risk Appetite level for the business.<br>▪ Oversight and challenge to key business risks; delegating responsibility for detailed oversight and challenge to the Audit Risk & Compliance Committee.<br>▪ Establishment of a Risk aware culture within the business to support the delivery of the RMF.<br>▪ Providing necessary support to the Risk Management Team, to enable them to achieve their objectives. |

| Role | Responsibilities |
|---|---|
| Risk Management Committee | ▪ Evaluating the risks inherent within the business and ensuring that they are captured appropriately within the business Risk Profile.<br>▪ Providing challenge to the assessment of risks, and, ensuring that the individual risk target and collective residual risk exposure is appropriate to business need and market conditions.<br>▪ Monitoring residual risk exposures, gaining assurance as to adequacy of controls implemented to manage risks to the agreed level of appetite.<br>▪ Supporting the reporting of internal loss events to the Risk Management team for consideration within the RMF.<br>▪ Proposing the RMF to the Entity Board.<br>▪ Receiving information regarding key internal loss events, ensuring rectification and preventative action has been taken and that financial loss data has been captured.<br>▪ Facilitating a Risk aware culture within the business to support the delivery of the RMF.<br>▪ Set up such other adhoc groups or sub committees, as may be deemed necessary, to review, manage and report on “risk matters”. |
| Risk Management Function | ▪ Ownership, development, and delivery of the entity Risk Management Framework.<br>▪ Ensure complete linkage between the RMF and the business strategy, planning and budgeting process, providing input from a Risk and Capital perspective.<br>▪ Ownership of the Governance Policy Management Framework and facilitation of the regular update of all Governance Policy statements.<br>▪ Facilitate an improved understanding of Risk Management throughout the organization to embed and improve continuously a risk aware culture.<br>▪ Work with business management to review and update the Risk & Control matrices on a quarterly basis, challenge risk assessments and controls, and ensure that appropriate and timely actions are taken to manage all identified risks;<br>▪ Contribute to Operational or Management committees and Business change projects as necessary; and<br>▪ Management of resource requirements within defined budget |

| Role | Responsibilities |
|---|---|
| Actuarial Function | ▪ Provides challenge to the pricing and reserving activities of the business, facilitates the development of the Capital Model, and reports directly to the Risk Management Committee. Risk Management provides input to the Capital Model from the aggregated risk profile and loss even |
| Internal Audit | ▪ Prepare internal audit plan based on the result of the assessment of the risks faced by the company in line with the risk management framework.<br>▪ Internal audit should provide independent assurance on the robustness and effectiveness of the company's risk management process. |
| Compliance Team | ▪ Owns and facilitates the identification and management of regulatory risk. Risk Management considers regulatory risks within the risk register, facilitates the process for identification, capture and assessment of risk and incorporates feedback from Compliance into the residual risk assessment noted within the Risk & Control Matrices. |
| Regional Managers, Heads & Other Senior Managers | ▪ Actively supporting a strong risk aware culture.<br>▪ Organization and management of business areas in a professional manner<br>▪ Operating appropriate controls on a timely basis to manage the business' risk |
| All staff & outsourced providers | ▪ Identification and escalation of control weaknesses, emerging risks.<br>▪ Timely reporting all control and regulatory breaches to the Risk and Compliance department.<br>▪ Ensuring that the Risk and Compliance department are advised of any material |

## 8.2. ERM

The guiding principles with regard to ERM, which are detailed in the Risk Management Framework are outlined below. These components relate to central themes that Continental Re (PLC) has identified, specifically governance, compliance, standard, culture, and behaviour.

- To exercise strong and effective control over all material risks at Board level with full access to reliable and comprehensive management information
- To maintain a firm regime of compliance with applicable laws and regulations
- To adopt best practice in all areas of risk management

- To operate within group wide ERM framework that is adapted to business needs and in line with emerging international standards
- To maintain a high standard of peer review by adopting an attainable, realistic, and measurable process and by using appropriately qualified staff, whether internal or external
- To review Underwriting and Investment guidelines as part of the annual planning cycle
- To build an in-house actuarial team to support pricing, capital modelling, and reserving
- To align employees reward with performance at personal, departmental and company level.
- To involve the Company's staff at the appropriate level in policy making and decisions in order to increase the sense of ownership.
- To operate a whistle-blowing policy that encourages staff to speak up freely on any concerns relating to malpractice or unethical behaviour
- In addition to internal principles, the Company aims to comply with the Security and Exchange Commission (SEC), National Insurance Commission (NAICOM) and other international regulators requirements on effective risk management.

## 8.3. ERM Deliverables and Uses.

The ERM framework aligns with the general operations of the business. It is used to in setting up, monitoring, or assessing the functionality of the following processes or functions:

### 8.3.1 Strategic Planning Process.

Objectives under this process, are grouped and reviewed under the followings into either:

a) The Corporate business strategy, which is long term and with a 3-5-year reassessment period. This strategy is reviewed annually and results in the definition of the budget and objectives for the year. Shareholder's risk appetite is an integral part of this strategy.

b) Operational Strategy mainly deals with the day-to-day organisation of the different functions of the business into a functional tool geared to deliver on the corporate business strategy. It is reviewed on the same frequency as the business strategy.

c) Personal Objectives, this forms part of the wider governance framework to ensure that the people have the right skills and that they are grown and aligned to the business and operational strategies. It is supported by the training and development team within the Human Resource.

### 8.3.2 Capital Model Framework

The ERM incorporates a capital model framework focusing on the following key aspects:

- Capital Adequacy which considers the adequate level of capital required to support business profile of the Company over the short -term future allowing for diversification between lines of business and between types of risks.
- Capital Allocation which considers fair allocation between individual functions within the organisation while raising awareness with staff in terms of collective and individual capital attached to their functions.

### 8.3.3 Performance Management

Although evidence of the same was not reviewed the development and dissemination of this policy across the organisation shows Continental Re (PLC)'s commitment to achieving its set objectives.

The performance of a particular jobholder is measured objectively against the level of risk attached to their function in order to provide a fair assessment.

### 8.3.4 Underwriting, pricing, and Reserving

In our interactions with management and the wider operations team, we have been able to observe that Continental Re (PLC) has a strong multi-faceted team with an end to end understanding of the business and the interactions between the different functions.

Overall, the company is profitable which points to a proper underwriting and pricing controls. However, a few classes are still making losses individually owing to the inherent characteristics of the risks within these classes, the general industry loss trends. Overall, we believe the there is still room for improvement through tighter underwriting controls and more appropriate pricing basis or more optimised reinsurance arrangement especially for classes with combined ratios above 100.0%.

### 8.3.5 Investment

As it would be the case for any other investor, the Company's Investment objectives correlate to the concepts of risk and return and reflect the shareholder's appetite. The level of investment returns projected must be aligned with the investment strategy adopted. The strategy adopted must also reflect the various asset funds and their characteristics.

Our review of the investments, both on the strategy and the returns, was covered in detail in section 6 of this report.

## 8.4. Risk Appetite

The risk appetite is well articulated for this organisation. The shareholder's objectives as per the risk appetite statement are as outlined below

(i) To maintain a strong market presence in the African Reinsurance market and target a 2.0% average market share average market share over the next year.
(ii) To achieve a return on equity of 14.0%.
(iii) To achieve year on year dividend pay-out that is aligned with the company dividend policy.
(iv) Achieve an economic capital of target of 200.0%. And a regulatory capital target of 175.0%
(v) To achieve B++ credit rating over the next year.

Risk Appetite Statement

In a bid to protect shareholder's capital, Continental Re (PLC) has set out the following operational limits under the various risk categories:

a) Insurance Risk

- Only have a one catastrophe claim of up to 5.0% of the net assets with a frequency of one occurrence in 100 years.
- Strive to achieve a combined ratio of 90.0% with an attaching underwriting profit in the range of USD 2.6 million to USD 3.7 million.
- Only accept a maximum Net exposure of 3.0% of the net assets on any one loss event

b) Operational Risk

- Not to have any material compliance failures or breaches with regulatory compliance.
- Not to have any system or infrastructure failures which cause significant business disruption (greater than 24 hours).
- To maintain a high staff retention not to lose more than 5.0% of the skilled personnel.

c) Market/Investment Risk.

- The company does not expect to have the asset distribution fall outside the limits stipulated by the investment guidelines.
- The Company aims to achieve Risk Adjusted Return on Capital ("RAROC") of 10.0%.
- The Company aims to achieve a Return on Equity ("ROE") of 14.0%.

Under the current regulations in Nigeria, a reinsurance company is required to have a minimum required capital adequacy ratio of 100.0%. We note that the solvency ratio of Continental Re (PLC) as at 31 December 2022 was 313.9%, which meets Company's target of maintaining 175.0% regulatory capital.

Our assessment of the Company's profitability with regards to combined loss ratios and return on equity is summarised in the table below:

| Key Performance Ratios | | |
|---|---|---|
| | 2022 | 2021 |
| Return on Equity (ROE) | 12.9% | 5.9% |
| Combined Loss Ratios | | |
| Non-Life | 96.5% | 101.3% |
| Life | 79.2% | 82.3% |
| All Business | 94.1% | 98.8% |

The analysis above shows that there was an improvement in the overall performance of the business in 2022. However, benchmarked against the target return on equity of 14.0% and the target combined loss ratio of 90.0%, the business did not achieve the respective targets both in 2021 and 2022 financial years.

## 8.5. Current Risks

We reviewed the current risk registers and summarised the following risks that were ranked as "high risks by the company's internal risk scoring criteria.

### Regulatory and Compliance

The Company faces a risk of reduced business volumes following legislation in some international markets imposing compulsory cessions or localised reinsurance.

Measures in place to manage the risks include, imploring the relevant regulators for concessions for companies within member states, targeting companies in regions with international programmes and expanding to have local presence in the countries concerned as well as overall marketing to retain existing clients and attract new clients.

### Reputational Risk

There is a risk of poor reputation following delays in claim settlements. The Company is managing the risk by tightening controls on timely claim settlements, performing quarterly reconciliations, and feedback to clients on progress in claim processing.

### Insurance Risk

Continental Re (PLC) is exposed to insurance claims risks arising from over insuring above the Company's risk appetite. This leads to overexposure to claims that eventually affects the Capital.

Measures taken to manage the insurance risk include, retrocession arrangement, vetting of risks before acceptance to ensure risks are within acceptable limits and putting up clear and concise underwriting guidelines that are regularly updated.

## 8.6. Material Risks

The following summarises the key risks faced by Continental Re (PLC), as well as their impact and implications, based on our reviews as the Appointed Actuary:

- **Insurance risk** – The net claims loss ratio of the company improved from 60.4% in 2021 to 57.3% in 2022. The two main sources of insurance risk that we have observed are: catastrophe risk, retrocession risk and underwriting risk.

  d) <u>Catastrophe Risk</u>

  Catastrophe Risk is defined as the risk related to the occurrence of high-severity and low-frequency events.

  Some of the risks passed on from direct insurance companies to reinsurance companies are:
  - Exposure to individual large losses
  - Losses arising from aggregation of risks
  - Volatility (uncertainty) in the portfolio

  Catastrophes greatly increase the magnitude of the above risks because of their unusual severity. Consequently, due to the nature of its business, Continental Re (PLC) is greatly exposed to catastrophe risk.

  e) <u>Retrocession Risk</u>

  Due to the exposure to individual large risks, aggregation of claims and volatility, it is crucial for the company to have an adequate retrocession programme in place. An inadequate retrocession cover has the risk of not offering enough protection in the event of unusual losses. We note that the company conducts a retrocession optimisation exercise annually to ascertain the adequacy of its retrocession arrangements.

f) Underwriting Risk

In section 5.2, we observed that the main classes of business recorded combined ratios in the excess of 100% over the two years under consideration. Specifically, the Fire class of business has recorded a combined ratio above 100% which indicative of inadequate pricing. If not repriced or dropped, the loss drivers could offset the profitability of the rest of the book which will affect the company's ability to sustain a positive underwriting result. This will be more pronounced with the impending adoption of the IFRS 17 accounting standard that requires the profitability to be measured at a level that does not offset the losses of loss-making groups by the profitable ones.

- **Regulatory and Compliance Risk** – There is a risk of insufficient preparation for changes in accounting standards relating to IFRS 17.

  Continental Re (PLC) has increased its solvency position with the capital adequacy ratio increasing from 250.9% in 2021 to 313.9% in 2022. Whereas the company has maintained a healthy solvency position, the interaction of its solvency to other risks such as insurance risk and credit risk could hurt the solvency position in the long run, especially with the strain that could be introduced by the adoption of a Risk Based Capital regime.

  Further, with the global adoption of the IFRS 17 standard, timely compliance remains a potent risk to the company's operations, especially because the change is an enterprise-wide initiative that cuts across actuarial, risk, finance, and IT systems. As a result, the adoption of the standard will have clear implications to the business both from a cost and compliance perspective.

  Specifically, there is the risk that the Company will not have in place the processes and procedures required to facilitate the implementation of IFRS 17. We however note that Continental Re (PLC) has already begun the IFRS 17 implementation process and has already carried out a gap assessment and management have a view of the expected financial impact of adopting the standard.

- **Credit Risk** – The ratio of reinsurance receivables to gross premiums increased from 35.2% in 2021 to 43.2% in 2022. This remains considerably high, and management should institute strict credit control policies. This high proportion of premium debtors relative to the GWP has a significant negative impact on the Company's liquidity which could affect the company's ability to meet its obligation to policyholders when they fall due. This could also lead to reputation risk and regulatory risk under a risk-based capital supervision.

- **Foreign exchange Risk** – Continental Re (PLC) faces the risk of currency mismatch between its assets and liabilities. Assets are invested in local currencies whereas the company's liabilities may be denominated in several currencies across the various jurisdictions in which the Company operates. Nevertheless, foreign exchange risk with respect to Asset Liability Matching is lessened by the company currently holding more dollars to minimise the effect of currency fluctuations.

The company should continually monitor this movements and always ensure proper matching as the foreign exchange losses or gains have had a material impact on the company's performance in the recent past as highlighted in section 3.6 of this report.

- **Rise in inflation Rates** – In 2022, Nigeria has seen the highest inflation rates in the recent past hitting an average rate in excess of 20%, a 10 year high. This has put a strain on cashflow requirements on the companies especially given that premiums are eroded in terms relative to the final claims settlements especially given that the pricing does not allow for any allowances for inflation.

  Further, and especially where insurance penetration is modest, Inflation leads to less uptake of insurance as the population switches priorities to address more pressing needs as they have less disposable income due the erosion of the purchasing power of the local currency. This puts further strain on the insurance companies' liquidity positions.

- **Information Technology ("IT") risk** – Continental Re (PLC), runs on two IT systems:

  - SICS Property & Casualty ("SICS") – This is a fully integrated non-life reinsurance administration application, for insurers and reinsurers. This is the core IT system.
  - Sage X3 financial ("Sage") – This covers financial, personal, cost and budget accounting, commitments, and fixed assets. It can also handle transfers and reporting of information from one country to another, and between subsidiaries and their headquarters. This is the core accounting system.

  The separation of the core IT system (SICS) from the accounting system (Sage) introduces the risk of incompatible information between the systems. Continental Re (PLC) informed us that one of the main differences in these systems relates to foreign exchange conversion.

  In this modern world, there are also data breaches that are faced by companies today, including Continental Re (PLC). These data breaches present both a direct risk (risk of losing data) and an indirect risk (business interruption) to companies. Possible measures to combat these risks have been discussed in the next section.

- **Group Risk** – The table below shows the underwriting profit for Continental Re (PLC) per branch in 2022:

| Branch | Underwriting Profit NGN '000 |
|---|---:|
| Lagos | 1,749,164 |
| Tunis | 4,949 |
| **Total** | **1,754,113** |

As highlighted in the table above, the profitability from the Lagos branch was the main profit driver of Continental Re (PLC)'s overall profitability. Conversely, any huge losses in one region could adversely affect the profitability of the group.

The results above highlight the risk of Continental Re (PLC)'s financial performance being affected by the performance of one or more branches within the group.

# Appendix: Peak Exposures

| Treaty/Fac. No | Total Sum Insured (NGN) | Exposure (NGN) | Class |
|---|---|---|---|
| PFAC84 | 95,475,000 | 95,475,000 | Oil & Energy |
| PFAC14127 | 52,074,372 | 52,074,372 | Life |
| PFAC65 | 51,510,300 | 51,510,300 | Oil & Energy |
| PFAC4305 | 51,000,000 | 51,000,000 | Oil & Energy |
| PFAC1271 | 49,862,025 | 49,862,025 | Oil & Energy |
| PFAC3569 | 49,706,800 | 49,706,800 | Oil & Energy |
| PFAC30 | 67,308,613 | 48,798,745 | Oil & Energy |
| PFAC2484 | 48,650,175 | 48,650,175 | Oil & Energy |
| PFAC46 | 47,880,000 | 47,880,000 | Oil & Energy |
| PFAC6408 | 46,300,000 | 46,300,000 | Engineering |
| PFAC792 | 44,550,000 | 44,550,000 | Oil & Energy |
| PFAC3663 | 42,387,677 | 42,387,677 | Oil & Energy |
| PFAC4671 | 39,798,343 | 39,798,343 | Fire |
| PFAC14006 | 38,967,442 | 38,967,442 | Engineering |
| PFAC67 | 37,342,585 | 37,342,585 | Oil & Energy |
| PFAC9712 | 37,320,253 | 37,320,253 | Fire |
| PFAC1878 | 46,534,600 | 36,585,003 | Fire |
| PFAC16296 | 34,874,652 | 34,874,652 | Oil & Energy |
| PFAC18265 | 33,780,488 | 33,780,488 | Engineering |
| PFAC2497 | 33,391,918 | 33,391,918 | Fire |