O & A Hedge Actuarial Consulting

(Consulting Actuaries and Chartered Insurers)

(FRC/2019/00000012909)

Suite 24, 1st Floor, Motorways Centre1 Motorways Avenue

Alausa, Ikeja, Lagos, Nigeria

Reg. No.:BN2262019 ***Tel: +234(0)9079471359***

FRC/2016/PRO/DIR/003/00000015764 Email: layemoabraham.oahac@gmail.com

LINKAGE ASSURANCE PLC

FINANCIAL CONDITION REPORT

AS AT 31 DECEMBER 2025

CONFIDENTIAL REPORT

O & A Hedge Actuarial Consulting
(FRC/2019/00000012909)
(Consulting Actuaries and Chartered Insurers)
Suite 24, 1st Floor, Motorways Centre1 Motorways Avenue
Alausa, Ikeja, Lagos, Nigeria
Email: layemoabraham.oahac@gmail.com

Risks are opportunities: Insurance, Pensions, Social security, Investments & Reinsurance

Suite 24, 1st Floor, Motorways Centre1 Motorways Avenue
Alausa, Ikeja, Lagos, Nigeria
Reg. No.:BN2262019 Tel: +234(0)9079471359
FRC/2016/PRO/DIR/003/00000015764 Email: layemoabraham.oahac@gmail.com

CONFIDENTIAL REPORT

LINKAGE ASSURANCE PLC ("LAP") – Financial Condition Report ("FCR") as at 31 December 2025

1. Introduction

1.1 This statutory financial condition report (FCR) on Linkage Assurance Plc("LAP") has been prepared for the financial year ending 31st December 2025 in line with the requirements of the Paragraph 6.5.50 of Prudential Guidelines for Insurers and Reinsurers 2022 and the Guidance note on FCR 2025 issued by the National Insurance Commission (NAICOM), Nigeria, having regards to relevant professional actuarial standards, including International Statement of Actuarial Practice (ISAP).

1.2 The FCR report has been prepared by O& A Hedge Actuarial Consulting, an independent consulting firm of professionally qualified actuaries and chartered insurers.

Data and Information Provided

1.3 For the preparation of the FCR on the non-life business, LAP has provided the following information and data:

- Premium data for policies written during year 2025
- Claims paid data for years 2024 to 2025.
- Details of total number of non-life policies written for 2024 to 2025
- Details of Reinsurance Treaties and facultative reinsurance arrangement for years 2024 and 2025
- Copies of transition actuarial reports on IFRS17 basis for years 2022 to 2025
- Outline of the company's risk management strategy,
- Short summary of Company's 3-year business plan. We would expect a more comprehensive business plan
- The company's audited annual financial statements, including profit and loss and statement of comprehensive and other income for 2022 to 2025
- Statement of Investment principles
- Supplementary information was taken from the company's official web site address: https://www.linkageassurance.com/.

1.4 The accuracy of this report is limited by the accuracy, quality and appropriateness of the policy data and financial information provided by the company. A full audit of the data provided by LAP was not conducted but to ensure that good quality and appropriate data and

CONFIDENTIAL REPORT

information relating to the policies sold by the company were used in the preparation of the financial condition report, we sought clarification and corrections where necessary.

1.5 A number of checks were conducted on the data for reasonableness, accuracy, completeness, internal consistency and appropriateness to determine if the policy data provided covered a reasonable model point for the purpose of preparing the FCR. We confirm that the data provided were appropriate for the FCR exercise. A few errors and omissions in the data which were detected were brought to the attention of LAP for action.

1.6 Whilst we have used practical national and international professional actuarial and insurance knowledge and experience to ensure high standards in my analysis of the company's data and presentation of the results, the accuracy and reliability of this FCR depends on the extent to which the company's data and information provided are accurate and credible.

1.7 Your attention is directed to the reliance and limitations of this FCR as set out in Appendix A in section 11 below.

2. Executive Summary

Summary of Major Findings and Recommendations

Table 1: Recent history of Non-life Life insurance contract liabilities and Statutory Solvency Position

In N000s	2022	2023	2024	2025
Gross Premiums Written (GWP)	12.979.789	16.332.886	24.736.095	27.252.019
Admissible Assets - General Business	23.101.096	30.443.364	35.438.401	36.239.643
Gross Insurance Revenue	12.506.551	14.835.202	22.229.099	27.630.687
Reinsurance Cost	5.974.935	**6.979.055**	9.794.692	9.707.848
Total Liability For Incurred Claims	9.572.174	10.024.350	10.473.845	11.291.600
Risk Adjustment	923.222	1.320.718	855.993	949.671
Liability for Remaining Coverage	2.857.962	4.722.763	6.953.576	6.477.288
Insurance Acquisition Cashflows	(543.059)	(741.519)	(1.187.082)	(829.097)
Loss Component	381.593	14.475	290.658	388.279
Total gross non-life insurance contract liabilities	**13.191.892**	**15.340.786**	**17.386.989**	**18.277.740**
Total Reinsurance Asset	(4.903.079)	(5.559.450)	(5.571.208)	(4.143.338)
Total Net Technical Provisions	**8.288.811**	**9.781.338**	**11.815.781**	**14.134.402**
Other non-life admissible Liabilities	2.006.750	2.954.026	3.408.624	2.931.864
Total Liabilities	**15.198.642**	**18.294.811**	**20.795.613**	**21.209.604**
Net Asset Value	**7.902.454**	**12.148.553**	**14.642.788**	**15.030.039**
Balance Sheet Solvency	152%	166%	170%	171%
Required Minimum Solvency Margin (MSM)	3.000.000	3.000.000	3.000.000	15.000.000
Margin of Solvency	7.902.454	12.148.553	14.642.788	15.030.039
Statutory Solvency Capital ratio	**263%**	**405%**	**488%**	**100,2%**

Source:

Actuarial valuation reports and LAP Audited Accounts

Solvency capital ratio cover = Net Asset Value/ Minimum solvency Margin (RMSM)

CONFIDENTIAL REPORT

Suite 24, 1st Floor, Motorways Centre1 Motorways Avenue

Alausa, Ikeja, Lagos, Nigeria

Reg. No.:BN2262019 ***Tel: +234(0)9079471359***

FRC/2016/PRO/DIR/003/00000015764 **Email: layemoabraham.oahac@gmail.com**

2.1 As at 31st December 2025, Linkage Insurance("LAP") had Admissible assets for its non-life of **NGN36.24bn** [2024: NGN35.44bn] to meet its accrued total liabilities of **NGN21.21bn** [2024: NGN22.83bn], comprising of gross non-life (General business) insurance contracts liabilities of NGN18.28bn [2024: NGN17.39bn] and other non-insurance contract liabilities of **NGN2.93bn** [2024: NGN3.41bn. The said available assets provide a level of cover of the solvency margin (SM) of 100.2**%** [2024:488%], a significant reduction of 388% in solvency cover ratio**.** The reduction in solvency could be attributable to the regulatory recapitalisation requirement increasing the Minimum Capital Requirement for the company's non-life insurance business to NGN15bn from NGN3bn effective mid-year 2025. LAP appears to have been undergoing some positive restructuring from its owners and management which has managed to sustain the cover of solvency at some positive level despite a very competitive environment and internal management changes from year 2024 to year 2025.

2.2 The premium written increased over year 2025 to NGN27.2574bn from NGN24.74bn in year 2024, an increase of 10.17% and annual increase of 28.05% a year over most recent 3 years. This sustained significant increase in premium generation is a positive feature and a product of pragmatic management and marketing strategy. The insurance revenue was NGN27.63bn, compared to NGN22.23bn in prior year. The company returned a profit after tax of NGN3.13bn at year end 2025, compared with NGN5.55bn at end of year 2024. The increase in profit after tax was due to well managed claim experience and good dividend payment from the unquoted investment in IBTC Pensions amongst other reasons. However, the Insurance service expenses increased from NGN14.97 to NGN15.08bn over the year under review.

2.3 We recommend that LAP monitors its solvency level especially following any significant changes to the market environment as the solvency level can change dramatically in response to the impact of change in experience.

Investment Strategy

2.4 The company should consider a review of its investment strategy to include:

- The company has reviewed the Expected limit of actual asset allocatable to each asset type in addition to the limit permitted in each sector and company. However, there are few assets not under any of the key categories. For example, Statutory deposit, Reinsurance Asset and Premium Receivable, Property, plant and equipment (Others), Land and Building. Only sector and company limits are set in the Statement of investment principles (SIP) of LAP and should be reviewed.

- The asset allocation is heavily weighted in cash and cash equivalents, Federal Government of Nigeria Bonds and Financial institutions at 52.29% of total admissible assets. We recommend that the company ensures proper monitoring so that such concentration of investment in liquid assets will not be counterproductive, resulting in lower returns and that it's not in breach of the asset allocation limits set in the LAP's SIP. This should be reviewed.

CONFIDENTIAL REPORT

- The asset types appear not well defined to be consistent with the actual implemented asset types invested in as appeared in the accounts for proper interpretation. For example, the asset type allocation should indicate clearly the category the Treasury bills, Placement with Financial Institutions and Corporate bonds which appear as line items in the accounts would be part of on the asset allocation table. Such explicit split of asset types and allocations limits would make for easy monitoring for compliance with regulatory requirements.

- The company might benefit from an investment review that includes an asset - liability matching, using an asset- liability model. This would assist to achieve a balance in distribution and avoid overconcentration of asset in any particular asset type.

- conducting a strategic capital allocation by lines of business and set limits and ranges for rebalancing and aggressively target matching risk adjusted returns and set liquidity plan for each line.

- Specify the Limits and range of Fees and charges agreed with investment managers and analysts

2.5 No form of hedging instruments has been held by LAP to hedge against currency fluctuations to which it is highly susceptible on its Aviation and Oil and Gas business. The company might want to consider how to employ non-speculative approach hedging that may exist in the market which it can effectively and efficiently use for hedging against exchange rate fluctuations.

2.6 A key element that might have contributed to the high combined ratio is the claim experience which remains volatile for some the business classes. From the results of the key financial ratios, it can be observed that the portfolios of insurance contracts (General Accident, Marine and Aviation) that exhibit combined ratios that are near or above 100% may indicate of inadequate pricing in year 2025 and if considered in addition to the insurance acquisition cost ratio of average of 31.3% of the insurance revenue will appear high and may on a balance of probability not be sustainable without an appropriate premium charge, effective and efficient reinsurance programme.

2.7 **Business Plan:** Overall, the business plan looks too ambitious in a few areas and unambitious in other areas without a balance in the business world of realism. We recommend a rework of the company's business plan within the plank of realism and more supportable assumptions. The projected near or above 100% combined ratio underlying the business plan may portray future unprofitableness of the core insurance business. The near 100% of the Gross revenue by the key element of costs before consideration for reinsurance costs and low reinsurance recoveries should inform the company to review its premium rates otherwise its survival might become dependent on investment income in the future rather than profitability from its core business.

CONFIDENTIAL REPORT

2.8 Heavy reliance on investment income at an average of 27.41% of its net asset value per year may be plausible based on recent LAP 's investment result but there is no guarantee such results will be stainable in any event.
2.9 Further the business plan should be presented at individual class level to shown projected revenue accounts for proper comparison of actual performance with the expected performance. All key underlining assumptions for each class should be clearly stated.

Oil and Gas insurance class: We recommend that the pricing of the Oil and Gas business be investigated to ensure that it's premium is adequate and competitive. This recommendation is due to huge claims incurred on Britannia energy policy and others during the year which contributed significantly to reduce the insurance service result impacting the company's performance. The company must consider amongst other factors:

- the need to implement more focused pre-underwriting risk management programme such as risk assessment, survey and knowledge of the direct insurer's claims history, quality and strength of oil rig, fire and collapse risks precautions in place.
- the engineering and survey unit of LAP be manned by qualified mechanical engineer with competence or training in risks assessments in the oil and gas business.
- Adequate and appropriate premium charge
- Adequate and appropriate reinsurance(reinsurance) arrangement that could enhance larger number and number of reinsurance recoveries whilst ensuring protection of LAP's retention

General Accident class has been source of loss making to direct insurer. General Accident class has been source of little underwriting loss – NGN137.5mn for LAP. The high insurance service expense of 76% of the gross insurance revenue looks to be high in isolation and when combined with insurance cost 33% of the gross insurance revenue might have been sources of losses in that class. The company is advised to review its General Accident Pricing and Marketing strategy along with its underwriting approach. For LAP the number of policy count achieved was 10,797 as against the expected count of 13,134(an A/E: 82%) The amount of premium written was NGN2.6bn compared to the expected amount of NGN2.4bn with an A/E of 107%. The average premium improved NGN181mn to NGN240mn per contract. The company has taken step to review the writing of type of contract resulting in loss making.
The company is advised to review its General Accident Pricing and Marketing strategy along with its underwriting approach to prevent future insurance losses.

Reinsurance Strategy: Year 2025 reinsurance strategy is very much the same as that of year 2023 except the following observed changes:

- No reinsurance treaty structure and changes in few management structure and strategy as listed in the section on Reinsurance strategy

Pricing and Premium Adequacy: From the results of the key financial ratios, it can be observed that the portfolios of insurance contracts) that exhibit combined ratios that

CONFIDENTIAL REPORT

are near or above 100% may indicate inadequate pricing. We recommend that the Company continues to review and ensure its premiums achieve its target profitability whilst keeping its expenses low. The Fire business appears to have consecutively produced loss ratio experience above or near 100%.

3. Development Since the Previous Financial Year End

3.1 There has been a fundamental change in insurance legislation, including:

- Change in minimum Capital Requirement (MCR form NGN3bn to NGN15bn.
- Change monitoring process of statutory solvency margin
- Reclassification of Capital structure for admissibility purpose
- Reinsurance actuarial certification/ Report
- Increased reliance on actuarial investigation and monitoring
- Requirement for Capital verification.

Amongst other changes.

3.2 Linkage Assurance Plc is in its second post IFRS 17 implementation financial year period having complied with regulatory requirement to Implement International Financial Reporting Standard 17 (IFRS17) Insurance contracts. Adopting a modified retrospective approach, the application of IFRS17 has resulted in changes to its accounting policies and presentation, mainly:

- **Reclassification of Items**. For example, Deferred Acquisition is now reclassified to Insurance acquisition cashflows, Unearned Premium Reserve (UPR) is now reclassified as Liability for Remaining Coverage, Outstanding Claims is now reclassified as Liability for Incurred Claims, etc.

- **Remeasurement**: For example, calculation of Risk Adjustment (RA) for Non-financial Risk, Interest Accretion on Liability for Incurred Claims, Discounting of future fulfilment cashflows, etc

- **Acquisition of IFRS17 Software:** We commend the efforts of the company in expending resources to acquire IFRS 17 implementation software for the conversion of its accounting reporting from IFRS 4/9 to IFRS17. The software continued to be improved to capture rennet developments in its versions.

- **IFRS17 Measurement Model:** Eligibility tests conducted on the financial information and data of LAP supports the use of Premium Allocation Approach(“PAA) for the measurement of its liabilities under IFRS 17(Insurance contracts). The company includes discounting in the determination of its Liability for incurred claims. (“LIC”). There have been changes in the company’s accounting policies in relation to the elements introduced by the IFRS17 standards.

CONFIDENTIAL REPORT

- **People:** LAP has external actuarial consultancy OAHAC that handles its actuarial services, including the implementation and preparation of IFRS 17 Liability adequacy tests requirements. LAP strengthened its technical and accounting/finance departments with recruitment of qualified professionals led by high profile and experienced personnel. LAP invested in training its key personnel from the accounting and actuarial departments locally and internationally on the implementation of IFRS17 (Insurance contracts).

- **Systems:** Continued training on the use of its acquired Netherlands, Amsterdam-based internationally tested Triple A, Value & Risk IFRS17 actuarial reserving and accounting tools to implement IFRS 17 requirements fully for the company at the correct granularity appropriate to its business. These robust systems enabled LAP to obtain approval from NAICOM of its Statutory Accounting and other Returns seamlessly. Triple A, Value & Risk IFRS17 actuarial reserving and accounting tools now makes it possible for LAP to produce reliable monthly accounts with the continued assistance of OAHAC actuaries.

- **Products separation and Aggregation:** LAP's financial reporting liabilities calculations are based on the aggregation of results from individual cohort of policies with similar homogeneous risks and contract boundaries for determination of policies. Thus, Marine and Aviation classes are now reported on in the account separately.

3.3 The company has heeded our recommendation on improving its investment policy strategy by making it to include:
  - The need to include in the investment committee with members who have professional expertise in insurance funds' investments and an actuary to offer advice on strategic asset allocation by line of business, sector and monitoring of the activities of the Head of investment unit for compliance with extant laws and Board requirements
  - Asset types to be well defined to be consistent with the actual implemented asset types invested in as appeared in the accounts for proper interpretation. For example, the asset type allocation should indicate clearly the category the Treasury bills, Placement with Financial Institutions and Corporate bonds which appear as line items in the accounts would be part of on the asset allocation table. Such explicit split of asset types and allocations limits would make for easy monitoring for compliance with regulatory requirements.

3.4 The company has some strong points. The company has recently achieved commensurate level of insurance revenue volume of over NGN27.63bn in year 2025] compared with NGN22.23bn in year 2024. This achievement is a strong point

CONFIDENTIAL REPORT

for the company. The company's technical Insurance service results are good in some classes.

3.5 The Company's assets backing the general business liabilities are considered to be of appropriate type and characteristics that could be used to match the corresponding short term ("short tailed") and long tailed ("extended term") liabilities.

4. Business Overview and Information Requirements

4.1 The Linkage Assurance Plc ("LAP") has appointed O & A Hedge Actuarial Consulting ("OAHAC") to produce a Financial Condition Report in respect of its non-life insurance business, based on the financial position as at 31st December 2025.

4.2 LAP, a Nigerian Direct insurer, was licensed on 26 March 1991 to accept insurance risks cessions on General Insurance with registration number RC-162306. LAP started as a private limited liability company approved by the National Insurance Commission to transact General Insurance Business. The company has undergone business combination following regulatory requirements on recapitalisation, merging with the Central Insurance Company Limited on 27th October 2007. The Company became a public liability Company (Plc) from 7th October 2003 and was listed on the Nigerian Stock Exchange on 18 November 2003. The Company which was licensed to carry out business in all classes of non-life insurance and as special insurers currently has authorised share capital of NGN9.24billion divided into18.48billion units of 50kobo per share.

4.3 To govern the company, the shareholders have constituted a Thirteen - member Board of Directors ("the Board").

4.4 The Chairman of the Board of Directors of LAP is Chief Joshua Bernard Fumudoh is a graduate of accounting and an astute businessperson who has versed knowledge of in Insurance management. He has been Managing Director/CEO various companies in manufacturing, non-executive director of insurance brokerage firm in the past with doggedness in executive management, corporate management, corporate leadership, and business administration.

4.5 The day-to-day activities of LAP have been delegated to the executive management, which is led by Mr Daniel Braie is a Chartered Insurer. Mr. Braie is a highly experienced insurance technical management professional and a phenomenal marketer insurance with 47 years of diversified experience in insurance and financial management.

4.6 The LAP Board has a governance structure that splits into committees which are mixed with other experienced expert persons from diverse disciplines to form:

CONFIDENTIAL REPORT

- Enterprise Risk Management and Governance Committee, which assists the Board to oversee LAP's financial strategy and performance and, enterprise-wide risk management (ERM) and governance framework and strategic matters to enable best business practices.
- Finance and Investment and General-Purpose Committee, which assists the Board to oversee the formulation of investment policies and principles and their implementation and monitoring.
- Statutory Audit Committee, which ensures audit functions are carried out in compliance with the relevant company laws and, code of corporate governance for public companies.

4.7 The committees hold meetings as required by law at regular intervals and we understand that attendance at such meetings have been kept fairly consistent.

4.8 In 2025, LAP grew its gross insurance revenue by about 24% from NGN22.23bn in year 2024 to NGN27.63bn in year 2025. LAP's net asset value of NGN46.69bn at the end of 2024 was 8.97% greater than its value NGN42.84bn at end of 2024. LAP's earnings per share reduced from NGN 36.0 in 2024 to NGN16.0 in year 2025. This is consistent with the change in profit after tax of NGN3.89bn in year 2025, compared with NGN10.53bn in year 2024. The Company holds profit reserve of NGN5.33bn[2024:4.56bn] in the year under review. This would mean that the company's business has been very profitable year to year over the last 3 years.

Nature of Business

LAP, a general insurance company accepts significant insurance risks from policyholders on the following key products to the public:

- **General Accident insurance**, which provides financial protection to primary insurers for compensation to the victim of an accident or a specified event which results in bodily injury or loss of money. The General accident class covers a wide range of events, including Product and Public liability, Directors and Officers liability, Fidelity guarantee (FG), Workmen's compensation (WC), Goods-in transit(GIT), Money – in transit(MIT), Personal accident and Group personal accident(GPA), Burglary(private homes and business premises), Professional indemnity(PI), All risks and other miscellaneous insurances and Bonds.

- **Fire insurance,** which provides financial protection to primary insurers for indemnity the later promise to their policyholder against the uncertainty of financial losses that may occur as a result of fire damage, natural catastrophes and associated perils. This coverage provides protection for personal and commercial properties.

- **Liability insurance,** which provides coverage to primary insurers for legal liability risks, helping them to manage their capital and risk exposure.

CONFIDENTIAL REPORT

- **Engineering insurance,** which provides coverage for engineering-related risks, including construction, machinery breakdown, and electronic equipment, to primary insurers

- **Marine insurance**, which provides coverage to primary insurers for indemnity against financial losses arising from accidental damage from perils that may affect marine transportation and other maritime activities.

- **Energy insurance**, which provides coverage to primary insurers for indemnity against accidental financial losses that, may arise from accidental damage to oil and gas installations, and other oil and gas high tech - based activities including exploration.

- **Agriculture insurance,** which provides coverage to primary insurers for indemnity against financial losses from agricultural risks, including crop, livestock, and forestry.

4.1 LAP provides reinsurance agreement for each of the aforementioned main classes of insurance and for their components as the evidence of contract with the direct insurer. All the policies have their, risks type and risk exposure limits, premium rates and possible adjustments and payment conditions as well as commission rates and claims settlement conditions and few risk exclusions, thereby promoting transparency.

4.2 **Future Business Plan 2025 to 2029**

Table 2: Future of the business: Linkage Assurance Plc Business Plan as at 31.12.2025

LINKAGE ASSURANCE PLC FIVE YEAR FORECAST FROM 2025 - 2029					
	2025	2026	2027	2028	2029
(All figures are in millions)	N	N	N	N	N
Insurance revenue	24.976	30.701	36.227	39.850	43.835
Acquisition expense	(7.627)	(8.779)	(10.359)	(11.395)	(12.535)
Net Claims	(5.977)	(6.588)	(7.773)	(8.551)	(9.406)
Insurance service expenses	(17.635)	(20.699)	(24.380)	(26.906)	(29.697)
Allocation of reinsurance premiums	(8.137)	(10.892)	(12.852)	(14.137)	(15.551)
Amounts recoverable from reinsurers	2.721	3.824	4.513	4.964	5.460
Net expense from reinsurance contracts held	(5.416)	(7.067)	(8.339)	(9.173)	(10.091)
Insurance service result	**1.924**	**2.935**	**3.508**	**3.771**	**4.047**
Investment and Other income	6.644	7.323	8.229	9.900	11.618
Other operating expense	(4.617)	(4.781)	(4.951)	(5.127)	(5.310)
Profit Before Tax	**3.951**	**5.477**	**6.785**	**8.544**	**10.356**

4.3 The company has provided a business plan spanning over 2025 to 2029 with the following likely underlying assumptions. The company did not State its assumptions but considered macroeconomic and insurance industry driven factors in sufficient details.

CONFIDENTIAL REPORT

Suite 24, 1st Floor, Motorways Centre1 Motorways Avenue

Alausa, Ikeja, Lagos, Nigeria

Reg. No.:BN2262019 ***Tel: +234(0)9079471359***

FRC/2016/PRO/DIR/003/00000015764 **Email: layemoabraham.oahac@gmail.com**

- The amounts in the 2025 column of the projection appear to be forecasts as the actual amounts in the audited accounts differ. For instance, the actual Gross Insurance Revenues as at end of year 2025 was NGN27.63 110.61% of the amount in the business plan
- The premium written is projected to grow at realistic level of 15.1% annually, but with a counterbalancing effect of reinsurance cost at an average of 22% and the insurance service expense around 125% of the Gross Insurance Revenue.
- The underlying assumptions of the company's business plan might have been overstated, which resulted in a business plan with projected combined ratio of over 100% in each future year.
- The line item "Insurance service expenses" appear to have been duplicated with the prior items of "net claims" and "Acquisition cost" which are part of the former – needless repetiton that would throw the business plan into nullity.
- The operational expenses have historically been kept at around 25.0%% of the Gross Insurance Revenue is projected to taper down to around 12.11% .
- A further consideration of the elements of liability such as:
  - Insurance Finance expenses/income in the business plan
  - Risk adjustment.

Would contribute to the increasing the combined ratio above 100%

- LAP'S 2025-2028 business plan is based on assumptions and business model that may likely make the company to sustain Insurance service loss in the time horizon considered. The near or above 100% projected combined ratio with element of costs before consideration for reinsurance costs and recoveries should inform the company to review its premium rates or become dependent of investment income to survive.
- Heavy reliance on investment income at an average of 27.41% of its average net asset value per year may be plausible based on recent LAP 's investment result but there is no guarantee such results will be stainable in any event.
- Further the business plan was attempted to be presented at individual class level to shown projected revenue accounts for proper comparison of actual performance with the expected performance. However, only Gross written premiums were projected. All key underlining assumptions for each class should be clearly stated. Other factors that drive the profit or loss and the net asset values need be projected in a forward-looking manner
- The business plan does not set out LAP's projected statement of financial position and no illustration of its projected solvency position.
- Overall, the business plan looks unambitious in a few areas and overly ambitious in other areas without a balance in the business world of realism. We recommend a rework of the company's business plan within the plank of realism and with supportable assumptions.

CONFIDENTIAL REPORT

5. Recent Experience and Financial Performance

Reinsurance Contract Issued Revenue and Expenses

5.1 The table below sets out the performance in terms of net revenue generated by Linkage Assurance Plc over the recent years with respect to its business based on results from assessment conducted on IFRS17 (Insurance contracts) standards. We provide some comments on the performance.

Table 3: Reinsurance Contract Issued Revenue and Expenses

NGN'000s	2022	2023	2024	2025
Insurance Revenue less net allocation of reinsurance premiums	9.570.679	11.056.998	15.738.555	**18.540.360**
Net Incurred Claims	(5.612.782)	(4.798.783)	(4.832.547)	(3.217.581)
Maintenance expenses	(1.025.716)	(1.807.897)	(2.115.580)	(2.199.857)
Insurance Acquisition Cost	(4.133.617)	(4.188.723)	(8.023.461)	(9.665.016)
Insurance Service Expenses	**(10.772.115)**	**(10.795.403)**	**(14.971.588)**	**(15.082.454)**
Insurance Service Result	**(1.201.436)**	**261.595**	**766.967**	**3.457.906**
Net Insurance Finance Income/(Expenses):				
Finance Expenses From Insurance Contract Issued	(197.842)	(543.036)	269.094	(3.640.388)
Reinsurance Finance Income from Reinsurance Contract held	953.506	195.752	(116.578)	1.466.666
Net Insurance Service Result	**(445.772)**	**(85.689)**	**919.483**	**1.284.184**
Investment result:				
Interest revenue calculated using the effective interest method	973.356	2.292.891	3.567.427	4.755.424
Net trading income	4.011.603	4.231.179	2.989.028	3.904.015
Other income	399.260	2.673.629	2.847.692	(670.812)
Fair value change in financial assets	(182.281)	(29.880)	(56.687)	14.520
Credit loss expense	(164.202)	(100.669)	131.566	7.297
Total Net investment income	**5.037.736**	**9.067.151**	**9.479.026**	**8.010.444**
Net Insurance and Financial Result	**4.591.963**	**8.981.462**	**10.398.509**	**9.294.628**
Net non-underwriting expenses:				
Other expenses	(2.716.981)	(3.517.715)	(5.116.425)	(5.262.205)
Total Net non-underwriting expenses:	**(2.716.981)**	**(3.517.715)**	**(5.116.425)**	**(5.262.205)**
Overall result before tax	**1.874.982**	**5.463.747**	**5.282.084**	**4.032.423**
Acquisition expenses	32%	26%	32,4%	35,5%
overall Net claim ratio*	58,6%	43,4%	30,7%	17,4%
overall Net expense ratio*	20,5%	35,0%	31,5%	40,1%
Management expense ratio	28,4%	31,8%	32,5%	28,4%
Combined ratio = Net Claims ratio plus net expense ratio	79,1%	78,4%	62,2%	57,5%
Overall Operating ratio*	80,4%	50,6%	66,4%	78,3%
Profit margin	19,6%	49,4%	33,6%	21,7%

Source: Annual report and Accounts

*Note:

- Net claims ratio = net claims incurred/net Insurance Revenue
- Net expense ratio = net operating expenses/ net Insurance Revenue
- Overall Operating ratio = 1-(overall result/ net Insurance Revenue
- Net Profit margin = Net profit/ net insurance revenue
- Acquisition expenses = Insurance Acquisition / Gross written premium

Commentary

Growth in Insurance Service Results

CONFIDENTIAL REPORT

- The net insurance service result improved over the year ended at 31st December 2025[2025: insurance service result profit of NGN1.284bn, compared to net Insurance service result for 2024: NGN 0.92bn. However, the company reaped a profit before tax of NGN 4.03bn at year end 2025. This might be due to several factors including, increased insurance acquisition costs, claims from Energy and other classes and the inadequate counterbalancing impact of reinsurance recovery arising from its reinsurance arrangement. In a few classes, the company have not been making reasonable amount of recoveries from reinsurance arrangement in relation to its outlay in addition to getting sufficient ceding and profit reinsurance commissions to help offset part of its expenses. This is examined further under the reinsurance section below.

Growth in other Expenses

- A key issue is that LAP appears to be taming its insurance service expenses. The net combined ratio (claims and expenses) has improved to well below 100%, suggesting that the company might have improved its underwriting and risk selection skill and reinsurance support. However, the overall net claim ratio of 40.1% and management expense ratio of 28.4% [2024:32.5%] of the net insurance revenue and insurance acquisition cashflows of 35.5% as a percentage of gross insurance revenue) totalling 81.2%[2024:95.7%;2023:100.9%;2022:118.9%] would be considered some improved ratio level in relation to previous years' experience. A key element that might have contributed to the high combined ratio is the net claim experience which remains volatile and if considered in addition to the insurance acquisition cost ratio of average of 35.5% of the insurance revenue appear high and may on a balance of probability not be sustainable without an appropriate increased premium charge, effective and efficient reinsurance programme. The management expense ratio alone is about 28.4% [2024: 32.5%] of the net insurance revenue (or 19% [2024: %] of gross insurance revenue appear to have been well controlled through increased sales volume. Staff related expenses: NGN 1.25bn [2024:1.8bn] constitute 24% [2024:24.1%] of the total Operating expenses: NGN5.26bn[2024:5.12bn].

- The acquisition costs, including sales commission payment rate has increased from 32.4% into 35.5% on average over the last year would suggest that LAP's sources of business and business mix and marketing strategy might have altered slightly and created some impact on sales volume. The company should investigate the high acquisition cost as it looks high.

CONFIDENTIAL REPORT

Insurance Contracts written

5.2 The table below sets out the direct general insurance business written by the company over the last four years.

Table 4: General insurance business – direct

	2022	2023	2024	2025
Number of policies written				
General Accident	7.779	7.970	11.030	10.797
Motor	9.228	8.557	8.720	8.358
Marine	2.115	2.159	2.164	1.946
Fire & other damage to property	10.668	9.885	10.837	6.149
Oil & Gas	364	757	738	475
Bond	296	214	138	88
Aviation	355	661	697	102
Engineering	1.530	1.827	2.941	2.932
Agriculture	105	45	81	56
Total	**32.440**	**32.075**	**37.346**	**30.903**
Year on year % increase			**16,43%**	**-17,25%**
Gross written premiums(NGN'000s)	**2022**	**2023**	**2024**	**2025**
General Accident	1.377.534	1.607.179	2.001.327	2.592.940
Motor	2.689.508	4.342.170	5.007.723	8.177.261
Marine	936.301	1.078.785	1.818.429	1.781.163
Fire & other damage to property	2.584.320	3.230.258	3.836.035	4.562.431
Oil & Gas	4.112.194	4.555.246	8.988.610	8.085.041
Bond	23.880	19.064	14.525	5.731
Aviation	518.803	602.343	1.496.316	122.439
Engineering	624.856	880.637	1.550.676	1.904.875
Agriculture	112.393	17.203	22.454	20.138
Total	**12.979.789**	**16.332.886**	**24.736.095**	**27.252.019**
Year on year % increase		26%	51%	10%
Average Premium **(NGN)**				
General Accident	177	202	181	240
Motor	291	507	574	978
Marine	443	500	840	915
Fire & other damage to property	242	327	354	742
Oil & Gas	11.297	6.017	12.180	17.021
Bond	81	89	105	65
Aviation	1.461	911	2.147	1.200
Engineering	408	482	527	650
Agriculture	1.070	382	277	360

Source: Premium Production Data & LAP Accounts

5.3 The total number of policies reported by class mask some significant features: Total number of policies written in year 2025 was 30,903 represents a 17.25% decrease in relation to 37,346 sold in year 2024. However, the Gross premium written was NGN 27.25bn [2024: NGN 24.74bn], representing 10% increase.

CONFIDENTIAL REPORT

- **Motor (Liability) business:** The number of motor policies was expected to be around 13,134 but the actual number achieved was 10,737 (82% achieved). The actual total written premiums experienced was **22,592,940**, compared with expected amount of 2,412,270, resulting in 107% actual to expected experience over year 2025 with average per policy premium of NGN 978,000 [2024:574,000]. The increase in experienced premium volume and per policy cost could be attributed to:
  - Compliance with Statutory Tariff premium rate of NGN15,000 for third party motor insurance
  - Impact of high price inflation in increased vehicle purchase costs among other reasons with a knock-on effect on premium volume.
  - The market appears to be hard for this class of business and for LAP the average premium per policy appears to be up swing for last 4 years with hard premium in the underwriting cycle.
- **General Accident class** has been source of little underwriting loss – NGN137.5mn for LAP. The high insurance service expense of 76% of the gross insurance revenue looks to be high in isolation and when combined with insurance cost 33% of the gross insurance revenue might have been sources of losses in that class. The company is advised to review its General Accident Pricing and Marketing strategy along with its underwriting approach. For LAP the number of policy count achieved was 10,797 as against the expected count of 13,134(an A/E: 82%) The amount of premium written was NGN2.6bn compared to the expected amount of NGN2.4bn with an A/E of 107%. The average premium improved NGN181mn to NGN240mn per contract. The company is advised to review its General Accident Pricing and Marketing strategy along with its underwriting approach to prevent future insurance losses.
- **Oil and Gas:** Underwriting cycle in this market appear to be upswing with hard premium for LAP. The Oil and Gas class is mostly transacted in US ($) dollars at average of (USD1 to NGN1,350) roughly over year 2025. LAP appears to be in good strength in Oil and Gas class. However, it is likely not all the previous year policies have been renewed. Actual number sold was 475 which is far lower than the expected 1,051 expected for the year-an A/E =45%. The number of Oil and Gas policy has been on the decline year to year. However, Actual premium volume written of NGN8.09bn compared with the expected amount of NGN13.3bn (Actual/Expected =61%). So, the variance might be due to shift on focus of marketing to select accounts that yielded high volume of premium and impact of high price inflation. The average premiums have almost doubled from NGN12.18mn in year 2024 to NGN17.02mn in year 2025. We recommend that the pricing of the Oil and Gas business be investigated to ensure that it's adequate and competitive. This recommendation is due to the recent past volatility of claims incurred on Oil and Energy policy and others during the year which contributed significantly to throw the company's performance to an insurance service loss of NGN0.2bn in the immediate past year. The company must consider amongst other factors
  - the need to implement more focused pre-underwriting risk management programme such as risk assessment, survey and knowledge of the direct insurer's

CONFIDENTIAL REPORT

claims history, quality and strength of oil rig, fire and collapse risks precautions in place.
- the engineering and survey unit of LAP be manned by qualified mechanical engineer with competence or training in risks assessments in the oil and gas business.
- Adequate and appropriate premium charge
- Adequate and appropriate reinsurance(reinsurance) arrangement that could enhance larger number and number of reinsurance recoveries whilst ensuring protection of LAP's retention

➢ **Fire and Property Class** has experienced increase in number of policies at an average of 1% a year over 4 last years and 21% per year in volume of premium written. Aa steady growth historically and increase in number by 6,149 policies over year 2025, compared with 10,837 in 2024. production. By assumption on past trend, we would expect minimum 10,923 count of Fire policies over year 2025 but we had actual count of 6,149 an Actual over Expected of 56%. For premium production of about NGN 4.67bn in 2025 but actual production was below the target at NGN4.56bn. (i.e Actual vs Expected of 98.0%).

➢ **Aviation:** The Marine and Aviation have been separated in the accounts, in line with IFRS 17 financial reporting standard, they now have separate reporting lines. The Aviation industry has been relatively calm for some years after some government reforms about safety in the air. Very few air accidents involving massive losses, including lives have been reported. However, in response to high inflation rate, the premium charged have been on basis of hard premium in an upswing insurance cycle. Aviation experienced significant decline over the year 2025, unlike the growth from NGN602.34mn to NGN1.50bn, an increase of 148,42%. Average premium per policy increased from NGN911,000 in year 2023to NGN2.15mn in year 2024. The number of policies declined to 102 from 697. Similarly, the volume of premium written reduced considerably from 1.4bn to just 102mn. This class merits further investigation. Impact of currency exchange rate volatility partly accounts for high average premium.

➢ **Marine** The Marine and Aviation were hitherto aggregated in the accounts, but in line with IFRS 17 financial reporting standard, they now have separate reporting lines hence forth. Historically the number of Marine policies written has steadily remained around 2,150. However, in response to high inflation rate, the Marine premium charged have been on the basis of hard premium in an upswing insurance cycle. Aviation class experienced slower growth over year 2025 from NGN1.82bn in 2024 down NGN1.71bn, against the expected NGN2.53bn, resulting in an A/E of 70%. The average per policy premium of NGN915mn, compared to prior year of NGN840mn would yield an actual over expected result of 79% in average premium. Impact of currency exchange rate volatility partly accounts for rising average premium.

➢ **Engineering class** experienced some steadiness with fewer unrenewed policies. The number of policies written 2,932 [2024:2,941] against expected count of 4,078 (A/E=72%) and premium volume NGN1.90bn {2023: NGN1.55bn] against expected

CONFIDENTIAL REPORT

amount of NGN2.44bn(A/E:78%). The average premium increased to NGN650mn instead of NGN599mn an (A/E: 108%) over year 2025 from average per policy premium of NGN527mn in year 2024.

- **Bond Class:** The sale of the Bond business has not been very impressive despite massive infrastructural development going on from the Federal and State Governments. Both number of policies and premium written have been very volatile. The Company should investigate its strength and weaknesses with a view to identifying a section of Bonds that it can be writing for improved participation.

- **Agriculture class** has been source of little underwriting profit – NGN5.5 mn for LAP. For LAP the average premium has been volatile ranging from NGN17.2mn to NGN22.2mn per contract.

5.3 The company's reinsurance programme for the various classes of business is discussed further in section 6 of this report. It is pertinent to note here though that LAP depends to a reasonable extent on the use of reinsurance protection and that it is the net insurance technical result, which is effective for accounting and solvency purpose, after taking into account reinsurer counterparty default risks.

6. Valuation of Asset and Liabilities – General Business

Valuation of Insurance Liability

6.1 The company adopted actuarial methods and assumptions that are consistent and compliant with IFRS17 requirements.pe Estimates of future cash flows are discussed in IFRS 17.33–35, IFRS 17. B36 –B71, and IFRS 17. IFRS17 standards is principle-based with "the objective of estimating future cash flows is to determine the expected value, or probability weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort." No particular methodology or set of assumptions have been prescribed.

6.2 OAHAC's actuary has used a combination of standard actuarial methods (Basic Chain ladder and Inflation adjusted Chain ladder with Bootstrap-Mack Stochastics, Bounernheiter Ferguson (BF), Average Claim Cost etc) and a set of market consistent and supportable information and assumptions to calculation the best estimate of the discounted value of the technical provisions for insurance contract liabilities, using premium allocation approach (PAA) after conducting an eligibility test on each line of business.

6.3 The calculation of the reserves for estimating future cashflows was conducted on both deterministic (assuming average historic experience would be reflected in the future experience without attaching probability or the level of uncertainty of variations around such experience) and stochastic (allowing for likely future variations around the average

CONFIDENTIAL REPORT

expected experience). The stochastic approach uses the Bootstrap – Mack method. These methods and assumptions are explained in the relevant section below in this report.

6.4 The table 6 below show a summary of the following key values by class of business:

- **Outstanding claims liabilities:** best estimate value of the outstanding claims liabilities, split between case reserves for Liability for Incurred (" LIC") claims from past years' service and incurred but not yet reported (IBNR) reserves and the future fulfilment cashflows.
- **Actuarial methods and assumptions for estimating the Liability for incurred claims:** Due to availability of data, Inflation adjusted Chain ladder with Bootstrap-Mack Stochastic and Bounernheiter Ferguson (BF) methods were used to calculate the LIC of Motor, Fire, General Accident, Marine and Engineering classes. Market consistent consumer price inflation rates were applied to the LIC cashflows and Federal Government of Nigeria (FGN) bond yield developed into a yield curve and produced by the Nigeria Actuarial Society (NAS) was applied for discounting the LIC cashflows.
  The large losses were separated and valued using the loss severity and frequency approach with large loss inflation rate of 5% a year and rate of claims deterioration having regards to historical loss ratio and industry average loss ratio adjusted with judgment.
- The lack of sufficient and large enough data prompted the use of the expected loss ratio and loss severity methods to be used for estimating the LIC for the Bond class, using assumptions derived from data and collateral statics from the insurance industry.
- Discount Rate A single discount rate of 19.90 % annual spot rate was assumed for calculating the present value of the future cashflows from the LIC and no illiquidity premium was assumed after assessing the huge cash and near cash assets and the company's reinsurers credit worthiness.
- **Premium liabilities** consisting of the best-estimate value of the Liability for Remaining Coverage ("LRC"), and associated Insurance cashflows were calculated using the 365th actuarial method and by extension any associated loss component (if any).
- **Risk margins (Risk adjustment)**: a bootstrap (Mack) stochastic method was used to determine the risk adjustment or risk margin on a basis that is intended to value the insurance liabilities of the company at 75% level of sufficiency. This was estimated using Value at Risk (VAR), derived on the basis that the claims distribution follows either normal or log normal distribution.

CONFIDENTIAL REPORT

Summary of Valuation Method and Assumptions

Table 5: Key Values By Class of Business

Incurred But Not Reported ("IBNR")	**Loss Ratio Method**	**Loss Ratio Method**
Outstanding Claims Reserve ("OCR")	Sum of case estimates	Sum of case estimates
Discount Rate	NAS Yield Curve	NAS Yield Curve
Risk Adjustment	Bootstrap (Mack Method) VAR	VAR method
	Liability for Remaining Coverage	
Unearned Premium Reserve ("UPR") and Insurance Acquisition Cashflows	365ths Method	365ths Method
Unexpired Risk Reserve ("URR")	**Consideration of combined ratio by class of business**	**Consideration of combined ratio by class of business**

CONFIDENTIAL REPORT

Suite 24, 1st Floor, Motorways Centre1 Motorways Avenue

Alausa, Ikeja, Lagos, Nigeria

Reg. No.:BN2262019 *Tel: +234(0)9079471359*

FRC/2016/PRO/DIR/003/00000015764 Email: layemoabraham.oahac@gmail.com

2025 Valuation Results

6.5 The gross insurance contracts liabilities for year 2025 are shown in table 7 and for year 2022 – 2025 in Table 8 below as well as the level of reserves held as reinsurance insurance assets.

Table 6: Summary of Total Outstanding claims and Premium Liabilities and Risk Margins

	Gross	Reinsurance Held	Net of Reinsurance Held
Liability for Incurred Claims (LIC)	11,291,600,128	(4,424,331,183)	6,867,268,945
Liability for Remaining Coverage (LRC)	6,477,287,962	(2,726,590,700)	3,750,697,262
DAC	(829,097,266)	513,113,049	(315,984,217)
Loss Component	388,278,864	-	388,278,864
Risk Adjustment	949,670,698	(383,375,327)	566,295,371
			-
Reinsurance Payable		2,877,846,000	2,877,846,000
TOTAL Technical Provisions	**18,277,740,386**	**(4,143,338,161)**	**14,134,402,224**

CONFIDENTIAL REPORT

Trend in Solvency

6.6 The solvency cover of the required minimum solvency margin (RMSM) is calculated by taking the maximum of 15 per centum of the gross premium income less reinsurance premiums paid out during the year under review or the minimum paid-up capital whichever is greater. The admissible assets and admissible liabilities are as listed in the Company's accounts. The table below sets out the trend in the solvency cover of the LAP's fund over the recent past four years assuming most of the assets making up the shareholders' funds were considered admissible.

Table 7: Assessment of the Adequacy of Past Estimates of Insurance Contract Liabilities

In N000s	2022	2023	2024	2025
Gross Premiums Written (GWP)	12.979.789	16.332.886	24.736.095	27.252.019
Admissible Assets - General Business	23.101.096	30.443.364	35.438.401	36.239.643
Gross Insurance Revenue	12.506.551	14.835.202	22.229.099	27.630.687
Reinsurance Cost	5.974.935	**6.979.055**	9.794.692	9.707.848
Total Liability for Incurred Claims	9.572.174	10.024.350	10.473.845	11.291.600
Risk Adjustment	923.222	1.320.718	855.993	949.671
Liability for Remaining Coverage	2.857.962	4.722.763	6.953.576	6.477.288
Insurance Acquisition Cashflows	(543.059)	(741.519)	(1.187.082)	(829.097)
Loss Component	381.593	14.475	290.658	388.279
Total gross non-life insurance contract liabilities	**13.191.892**	**15.340.786**	**17.386.989**	**18.277.740**
Total Reinsurance Asset	(4.903.079)	(5.559.450)	(5.571.208)	(4.143.338)
Total Net Technical Provisions	**8.288.811**	**9.781.338**	**11.815.781**	**14.134.402**
Other non-life admissible Liabilities	2.006.750	2.954.026	3.408.624	2.931.864
Total Liabilities	**15.198.642**	**18.294.811**	**20.795.613**	**21.209.604**
Net Asset Value	**7.902.454**	**12.148.553**	**14.642.788**	**15.030.039**
Balance Sheet Solvency	152%	166%	170%	171%
Required Minimum Solvency Margin (MSM)	3.000.000	3.000.000	3.000.000	15.000.000
Margin of Solvency	7.902.454	12.148.553	14.642.788	15.030.039
Statutory Solvency Capital ratio	**263%**	**405%**	**488%**	**100,2%**

Source: Company's accounts

Solvency capital Adequacy ratio (CAR) cover = Net Asset Value/ Minimum solvency Margin
MSM = higher of 15% of Net Insurance revenue and minimum Capital Requirement (MCR)

CONFIDENTIAL REPORT

Suite 24, 1st Floor, Motorways Centre1 Motorways Avenue

Alausa, Ikeja, Lagos, Nigeria

Reg. No.:BN2262019 ***Tel: +234(0)9079471359***

FRC/2016/PRO/DIR/003/00000015764 **Email: layemoabraham.oahac@gmail.com**

6.7 LAP continued to meet the liability adequacy test under the insurance regulations. As at 31st December 2025, the Company had Total admissible assets to back its non-life insurance business of NGN36.24bn [2024: 35.44bn] to meet its estimated total liabilities of NGN21.21bn [2024: NGN22.83bn], comprising of gross non-life (General business) insurance contracts liabilities of NGN 18.28bn [2024:NGN17.39bn] and other non-insurance contract liabilities of NGN2.93bn [2024: NGN5.45bn. The said total admissible assets provide a level of cover of the required minimum solvency margin (RMSM) of 100.2% [2023:388%], a significant decrease of 388% in solvency. The reduction in solvency could be attributable to the regulatory recapitalisation requirement increasing the Minimum Capital Requirement for the company's non-life insurance business to NGN15bn from NGN3bn effective mid-year 2025. The Board and Management of LAP continue to make efforts to sustain and strengthen strong positive solvency capital ratio cover. A further factor considered is the adjustment to admissibility rules from NAICOM over the period. We have reasonable cause to believe that LAP meets the required minimum solvency margin at the FCR date. This means the Company has sufficient statutorily required amount and type of permitted assets to meet all of its insurance contract and other liabilities. We recommend that the solvency cover be monitored and recalculated following any significant changes in the external environment or within the company's structure which in the opinion of the Board may have significant impact on the company's business whether now or in the future.

6.8 The assets are valued under relevant IFRS and are market consistent.

6.9 The adjustment to outstanding claims to reflect the amount attributable to the company bearing non-financial risks via a risk adjustment and recent changes in the insurance service and inflationary effects on non-insurance expenses might have added to the increase in technical and total liabilities during the year under review. The Total liabilities is the addition of gross technical and other liabilities, ignoring reinsurance.

6.10 We would expect the Board and new management to continue their change dynamics of the Company away from its existing path in the future to greater profitability.

6.11 Taking together the adjustments to the solvency position above shows there has been an improved protection for policyholders despite huge claim shocks and that such a high solvency ratio at 3.69 to 3.89 net asset value multiple of the required minimum solvency margin might imply that the company has a high capacity to increase its risk appetite by taking on large risks in some business classes and with greater prospect of returning higher returns to its investors.

CONFIDENTIAL REPORT

7. Assets and Liability Management

7.1 LAP prepared its financial statements as at 31st December 2025 in compliance with IFRS 17 (Insurance Contracts) requirements. This includes balance sheet, Profit or Loss and other comprehensive and changes in equities statements along with insurance and other notes and adequate level of disclosures.

7.2 The assets are valued at fair value based on market conditions as at the measurement date and in line with extant IFRS and IAS standards. We provide below a summary of the balance sheet including the IFRS 17 results based on the IFRS 17 accounts produced by LAP as at 31 December 2025 and the restated IFRS 17 2024 financials:

Table 8: Summary of the balance sheet including the IFRS 17 results

	2025		2024
	N'000s		**N'000s**
Financial Assets - FVTPL	4.716.522		2.102.495
Fixed Interest (Amortized cost)	16.580.077		16.039.461
Fair value through OCI	39.077.796		29.490.446
Cash and Cash Equivalents	4.433.568		5.416.681
Invested Assets	64.807.963		53.049.083
Reinsurance Assets	4.143.338		5.571.208
Other Balance Sheet Assets	7.947.794		7.057.009
Total Assets	**76.899.095**		**65.677.300**
Insurance Liabilities	18.277.740		17.386.988
Other Liabilities	11.935.103		5.445.483
Total Liabilities	30.212.843		22.832.471
Net Assets	**46.686.252**		**42.844.829**

Valuation of Assets

7.3 The company's assets were valued with the use of market consistent methods at fair value and in line with applicable IFRSs standards. The impaired assets were assessed with expected credit loss approach asset out in IFRS9

7.4 The total assets as presented in the audited financial statements was NGN76.90bn as at 31 December 2025. The company's net asset value increased by 8.96% from NGN22.83bn in year 2024 to NGN46.69bn as at 31.12.2025 despite the increase in insurance contract liabilities over the year from NGN17.39bn to NGN18.28bn. This development is due to significant increase in insurance contract liabilities as a direct consequence of the impact of huge claims that hit the insurance market, and partly due to the company's reviewing the outstanding claims from oil and gas and aviation

CONFIDENTIAL REPORT

classes for currency volatility during the year and impact of investment income amongst others.

Asset Admissibility

7.5 The total amount of the admissible assets are set out below.

Table 9:2025 Distribution of the Admissible Assets Backing the Company's Liabilities

	2025		2024	
	N'000s	Proportion invested	N'000s	Proportion invested
Cash - deposits with banks	2.174.244	6,00%	3.567.443	10,07%
Reinsurance Assets	4.143.338	11,43%	5.571.208	15,72%
Treasury Bills	6.466.011	17,84%	5.382.227	15,19%
Placement with Financial Institutions	2.259.324	6,23%	1.849.238	5,22%
Government Bonds	10.310.748	28,45%	8.216.561	23,19%
Corporate bond-Quoted	160.520	0,44%	473.072	1,33%
Mutual funds	365.813	1,01%	1.598.301	4,51%
Quoted shares	3.696.515	10,20%	1.897.830	5,36%
Unquoted Shares	190.298	0,53%	190.298	0,54%
- Loan to staff	253.983	0,70%	150.570	0,42%
- Other loans and invested assets (Investment notes and Loans to Financial companies)	289.033	0,80%	710.163	2,00%
Premium receivable	251.333	0,69%	948.117	2,68%
Commercial paper	2.296.402	6,34%	1.523.965	4,30%
Investment Properties	340.000	0,94%	340.000	0,96%
Property, plant and equipment (Others)	940.077	2,59%	1.177.661	3,32%
Land and Building	1.000.000	2,76%	1.000.000	2,82%
Other receivables and prepayments	332.004	0,92%	141.749	0,40%
Statutory deposit	770.000	2,12%	700.000	1,98%
Deferred Acquisition Cost		0,00%		0,00%
Trade Receivables		0,00%		0,00%
Total Assets	**36.239.643**	**100%**	**35.438.401**	**100%**

7.6 The following assets held by LAP are inadmissible for the purposes of demonstrating regulatory solvency:

- Right of use assets

7.7 Following the adoption of the IFRS 17(Insurance contracts) Standard, the approach used in the determination of the Capital Adequacy Requirement is anticipated to be consistent with the IFRS 17 balances and would include other items such as considerations on the risk adjustment computed for the best estimate incurred liabilities and the aggregation of the insurance and reinsurance contracts issued or held carrying amounts in the balance sheet

7.8 The assets are of appropriate quality to match the insurance contract liabilities. There does not appear to some concentration risk with the current distribution of the type of assets and at the least the company should be aware of concentration risks within sector and /or allocation on holding the assets. There could be risks specific to each asset type, for example, valuation of property-related investment which form 3.69% of the asset types might be subjective; property could suffer from void periods leading to reduced or no rent income and the market value could be affected by the larger economic performance; income could be low initially.

7.9 LAP appears to have very liquid asset NGN8.95bn (around52.23%) [2024: NGN17.17bn] Cash and Cash Equivalents, Treasury Bills and Government Bonds considered relatively more secured, easily convertible to cash and risk free depending on the holding bank's credit rating and sovereign credit rating of the country and capacity raise taxes or borrowing powers but might be expected to yield lower returns than other asset types. The high liquidity supports the ability of the company to meet its obligations by nature and term of the liabilities-short tail liabilities-arising from short term insurance contracts that constitute greater portion of the insurance contracts the company sells.

7.10 Placement with Financial Institutions of NGN2.26bn around 6.23% should be reviewed regularly along with those funds in cash and bank deposits to ensure that at least the principal money invested returns to the company when needed.

7.11 Quoted and unquoted shares constituting 12.22% [2024:8.32%] may present higher volatilities in income and capital growth but in the long term might be expected to yield higher returns than other asset types, and could be used to match real liabilities, e.g. liability claims that may be expected to increase in line with consumer price or some other future inflation rate.

7.12 The reinsurance assets constitute almost a quarter (about 11.43% of the admissible assets. It's important for LAP to review the solvency and credit rating of the reinsurers especially there are Llyod syndicates and partners on a regular basis to be sure they continue to hold the ability and willingness to meet recoveries of reinsurance claims due to her.

7.13 No form of hedging instruments has been held by LAP to hedge against currency fluctuations to which it may be susceptible. The company might want to consider how to employ non-speculative approach to hedging that may exist in the market which it can effectively and efficiently use for hedging against exchange rate fluctuations.

CONFIDENTIAL REPORT

The Company's Liabilities

Currency of liabilities:

7.14 LAP is a non-life insurance company that accepts insurance risks on the following classes of General Insurance contracts: Bonds, Engineering, Fire, General Accident, Liability, Marine and Aviation, Oil & Gas.

7.15 The company operates in Nigeria and therefore, premiums and claims are mostly received and paid in Nigerian Naira (NGN), except Aviation, Oil and Gas which are transacted in United States of America Dollars.

7.16 All the liabilities reported in the accounts are stated in the Nigerian currency in values equivalent to currencies in which those liabilities were incurred as at the measurement date.

Nature and term of liabilities

7.17 The currency, nature and term of the liabilities impact the assets held to back the liabilities are expected would be expected to be invested in matching assets to reduce mismatching risks between assets and liabilities.

For example:

- General Accident, Motor damage and Bonds claims are generally reported and settled soon after occurrence and thus are considered short-tailed. The liability component of the claims might be long tailed and subject to aggravated awards from court
- Oil and Energy businesses are conducted in foreign currency thus subject to exchange rate fluctuations and claims settlement may be long tailed
- Aviation, Marine and Engineering class claims are generally long tailed and may take more than 3 years to settle.
- Aviation, Marine and Engineering class claims may increase with inflation, specifically court awards and price inflation.
- Motor liability claims are generally may be subject to court awards and may be affected by inflation from occurrence to settlement.

CONFIDENTIAL REPORT

The Company's Investment Policy

7.18 The Company has provided its statement of investment principles document, which sets out its investment strategy, including:

- LAP has a draft investment policy document that sets out its investment principles, guidelines and responsibilities of the different parties involved in investing its assets. The Investment Policy is based on the Insurance Act and the Prudential Guidelines for insurers and reinsurers and in accordance with the Company's risk appetite. The investment policy outlines the short/long term objectives of the company's financial asset management strategy and approach to managing its investment portfolio, ensuring safety, diversification, liquidity, adequate returns, and regulatory compliance while delegating specific responsibilities to various roles within the company.

- The investment policy is subject periodic reviews by the Board of Directors. However, we recommend that the review be done annually and ad-hoc reviews be conducted by the Board and management when the need arises, to ensure the investment policy remains relevant and effective in addressing the evolving market conditions, regulatory changes, and the company's strategic objectives.

Investment objectives:

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

- to ensure that as an insurance company, LAP is able to meet current and future claim obligations

- maximizing total return and,

- reducing exposure to investment risks to preserve its capital.

- to meet regulatory standards

7.20 These objectives are further explained to include:

- **Safety:** The foremost objective is the preservation of capital within the overall portfolio, ensuring the protection of policyholders' funds such that it maintains sufficient assets are available to meet the insurance liabilities as they fall due
- **Liquidity:** The investment portfolio remains sufficiently liquid to meet future claims liabilities, ensuring the ability to sell securities on short notice near their purchase price
- **Compliance:** Adherence to the Insurance Act 2003 and other regulatory prudential guidelines is maintained.

CONFIDENTIAL REPORT

- **Matching:** Select investments that are appropriate to the nature, term and currency of the liabilities having regards to company's risk appetite. We noted that the company recognises transactions done in foreign currencies are converted to the Nigerian Naira for recognition in the financial reporting. However, it is not clear if the company has any arrangement to hedge exchange rates against fluctuations. The exchange gains or losses are recognised in the profit or loss accounts, whilst non-monetary available-for-sale financial assets are recognised in other comprehensive income.

- **Returns:** Subject to the above two principles investments be selected so as to maximise the return on the fund. The overall investment performance objective is stated as "All investments shall be made with the goal to achieve an attractive rate-of-return and maintain a strict control on risks exposure". No specific benchmark is referenced.

Governance, Duties and Responsibilities

7.21 The Board of Directors. led by the Chairman of the Board, oversees the management and evaluation of investment performance of the company. The board will from time-to-time review and approve the investment policy, and monitor compliance with the policy

7.22 The Board of LAP shall have the sole prerogative to engage and discharge external advisers. Discharge can be expiration of termed agreement or poor performance or violation of agreement and others that the Board may deem fit. We have not seen a typical agreement of the company with any of is having with investment analysts or selected managers.

7.23 The company places the portfolio design, supervision, monitoring and management of the company's investment under the Chief Finance Officer (CFO).

7.24 The SIP does about the investment committee of the Board of Directors who approves transactions with counterparties and who should monitor and work with the CFO and the Investment Unit. It does refer to the CFO setting limits on quantum of investment with any counter parties and seek approval on investment decisions from the Board of Directors through the Managing Director/CEO. In addition to a Bord Investment Committee we recommend an Executive Management Investment Committee (EMIC) that would have oversight of the day-to-day investment activities, including, implementing business investment strategies, investments, monitor investment performance, reviewing and advising on suitability of investments, and ensuring compliance with regulatory guidelines. The committee includes:

- Chief Executive Officer (CEO)
- Executive Director - Technical
- Chief Finance Officer (CFO)
- Internal Auditor
- Chief Compliance and Risk Officer
- Investment Manager

7.25 In the arrangement the investment manager should report to the CFO.

CONFIDENTIAL REPORT

7.26 The listed assets type fall within the regulatory requirements for investments of insurance funds and are viewed as admissible.
7.27 There is no breach of admissibility observed in the limits of assets held or type of assets held.
7.28 No use of derivatives for either speculation or hedging of risks was observed.

7.29 The technical reserves have increased considerably due to a change in approach to reserving for outstanding claims, due to increased business sales and change in reserving assumptions to reflect market conditions.

Asset Allocation

7.30 LAP choses the policy of investing in various asset classes ranging from the traditional asset classes to the alternative investment asset classes as follows:

Investment Allocation of the Policy holders' Funds

	Asset Class	Expected Limits: SIP Allocation	Actual Allocation as at 31.12.2025:
1.	Cash and cash equivalent: Fixed Deposit, Mutual Funds, Cash Bank,	20%	6,00%
2.	Equity Investment:	10%	10,73%
	Quoted equity		
	Unquoted Equities		
3.	Fixed Income Securities: Government & Corporate	25%	28,89%
4.	Money Market: FGN Treasury Bills, Commercial paper, Banker's Acceptances, Placements, Loans	45%	31%
7.	Statutory deposit		2%
	Reinsurance Asset		11,43%
8.	Premium receivable		0,69%
9	Others		9,01%
Total		100%	100%
Total	Admissible Assets	36.239.643	47,13%
Total	Non-Admissible Assets	40.659.452	52,87%
Total Asset		76.899.095	100%

CONFIDENTIAL REPORT

Comment

- In the investment policy document, the asset allocation of investment of the policyholder's funds appear to give more consideration to safety of funds by being heavily weighted in near cash and cash equivalents instruments, money market and bonds at 90% of total assets appears to be within the permitted asset allocation limits set in the LAP's SIP. The actual asset allocated to those assets of 66.01% is below the limit of 90 set in the Statement of investment principles of LAP.

- There has be improvement in the Investment policy documentation following our recommendations on the asset types appear that were previously not well defined to be consistent with the actual implemented asset types invested in as appeared in the accounts for proper interpretation. For example, the asset type allocation has now indicated clearly the category the Treasury bills, Placement with Financial Institutions and Corporate bonds which appear as line items in the accounts would be part of on the asset allocation table. Such explicit split of asset types and allocations limits would make for easy monitoring for compliance with regulatory requirements.
- Investment in fixed income securities of 28.89% appears to breach the set limit of allocation of this asset of 25% but is not of much concern and can be restructure in the next period.
- The excess asset capacity of 52.87% of total assets that falls in inadmissible assets would suggest that LAP has high ability to expand its risk appetite and restructure its asset holding to increase admissibility if necessary. We recommend that LAP considers a strategic business model that may consider combination of the following:
  - that could involve holding a stake in life insurance company
  - expanding its share of strategic risks in the market either through direct or facultative inward coverage
  - expanding its corporate marketing spending in a drive for new spending.
  - training and retraining its underwriters to build on their knowledge and underwriting skill.

7.31 The investment performance of the general business fund was examined by considering the investment return, including changes in fair value of assets and exchange gains but excluding other income achieved as a ratio of the average asset value exposure during the year. The resulting ratio gives an indication of the investment performance of LAP's assets. The Table 10 below set out the results of our analysis.

Table 10: Investment Performance of the General Business Fund

Investment Performance				
Table 19: Estimated yield on non-life fund assets				
	2022	**2023**	**2024**	**2025**
Total investment income plus net gains	5.037.736	9.067.151	9.479.026	8.010.444
Opening Net asset value	24.684.240	23.591.708	33.032.487	42.844.828
Closing Net asset value	23.591.708	33.032.487	42.844.828	46.686.252
Mean fund	21.619.106	23.778.522	33.199.145	40.760.318
Actual rate of return from investments	23,30%	38,13%	28,55%	19,65%
Valuation rate of interest	9,14%	11,00%	28,20%	19,90%
Actual rate	27,41%			
Valuation rate	17,06%			

CONFIDENTIAL REPORT

7.32 The company's return on assets has consistently outperform in each of the most recent 4 years and might reflect underlying active investment strategy and marketing drive to increase its risk appetite to ensure optimal utilisation of capacity.

7.33 Taken the valuation discount rate set by the actuary as a benchmark, LAP's investments would have outperformed between years 2022 to 2025. The actual annual average investment return calculated has been around 27.41% [2022-2024:30%] a year which is higher than average of 17.06% anticipated on the discounted value of the reserves as per the actuary's assumptions in the valuation reports. Looking at recent individual years, the returns achieved in years 2024 and 2025 have achieved investment returns consistent with the expected investment returns in the valuation report than achieved in prior years. The company should consider a regular review of its investment strategy to include:

- The company might benefit from an investment review that includes an asset - liability matching, using an asset- liability model. This would assist to achieve a balance in distribution and avoid overconcentration of asset in any particular asset type.

- conducting a strategic capital allocation by lines of business and set limits and ranges for rebalancing and aggressively target matching risk adjusted returns and set liquidity plan for each line.

- The need to include in the investment committee with members who have professional expertise in insurance funds' investments and an actuary to offer advice on strategic asset allocation by line of business, sector and monitoring of the activities of the CFO's investment unit for compliance with extant laws and Board requirements.

- Specify the Limits and range of Fees and charges agreed with investment managers and analysts

CONFIDENTIAL REPORT

Suite 24, 1st Floor, Motorways Centre1 Motorways Avenue

Alausa, Ikeja, Lagos, Nigeria

Reg. No.:BN2262019 ***Tel: +234(0)9079471359***

FRC/2016/PRO/DIR/003/00000015764 **Email: layemoabraham.oahac@gmail.com**

8. Capital Management and capital adequacy

8.1 LAP has computed its Capital Adequacy Ratio ('CAR') as at 31 December 2025 and as at 31 December 2024 in line with the requirements of the prudential regulatory Guidelines.

8.2 In determining the Company's CAR, the Insurance (Capital Adequacy) The Insurance Act 2003 and extant Guidelines require a general insurance company carrying on business in Nigeria to maintain a minimum capital requirement that is the higher of:

a) NGN15.0bn [2024: NGN3.0b] (the minimum capital requirement (MCR) for companies carrying on general insurance business) and,
b) 15% of the net earned premiums of the preceding financial year.

8.3 The table 11 below sets out the Capital Adequacy Ratio (CAR) relating to the company's general business at the valuation date, and at the end of the previous year.

Table 11: Capital Adequacy Ratio

Capital Management	2025	2024
GWP	27.252.019	24.736.095
Reinsurance Premium	12.850.031	11.136.055
Net Premium Income	**14.401.988**	**13.600.040**
Amounts in N'000		
Total Admissible Assets	36.239.643	35.438.401
Total Liabilities	21.209.604	20.795.613
Solvency Margin	**15.030.039**	**14.642.788**
Minimum Regulatory Capital	15.000.000	3.000.000
15% of Net Premium Income	2.160.298	2.040.006
Statutory CAR cover	100,2%	488%

8.4 As at 31 December 2025, LAP is required to hold minimum capital of NGN 15.0 billion i.e., the higher of NGN15.0billion and approximately NGN2.16billion representing 15% of the Gross insurance revenue less Allocated Reinsurance premium during the preceding financial year and the solvency margin [NGN15,03 billion].

8.5 There is 388% deterioration from 488% in 2024 to 100.2% in 2025 in the Solvency Capital Requirement (CAR). This might be reflective of the change in insurance contract liabilities relative to the change in the level of admissible assets.

8.6 LAP meets the minimum capital requirement and holds a surplus equivalent to a Capital Adequacy Ratio (CAR)of 100.2% in relation to the regulatory minimum capital requirement (MCR). The company has excessive amount in inadmissible assets that it can restructure to have more admissible assets to improve its solvency position.

CONFIDENTIAL REPORT

9. Pricing and Premium adequacy

Table 12: Pricing and Premium

	2025	2024
Insurance Service		
Insurance Service Revenue	27.630.687	22.229.099
Insurance Service Expense	(15.082.454)	(14.971.588)
Insurance Service Result Before Reinsurance (a)	**12.548.233**	**7.257.511**
Reinsurance		
Reinsurance Costs	9.707.848	9.794.692
Reinsurance Recoveries	617.521	1.551.342
Reinsurance Service Result Before Reinsurance (b)	9.090.327	8.243.350
Insurance Service Result after Reinsurance (c= a-b)	3.457.906	- 985.839
Ratios		
Reinsurance Cost/Insurance Service Revenue	35%	44%
Reinsurance Recoveries/Insurance Service Expense	4%	10%

9.1 Although the bulk of the insurance service expense would relate to past service, Table 12 above gives an indication of the adequacy of the premium charged to the policyholders and recoveries from reinsurers.

9.2 A further review of the premium adequacy on a gross basis using the undiscounted IFRS 17 balances. The table below indicates the values of key gross financial ratios for the company for the financial year ended 31 December 2025 and in comparison, with ratios from the previous year.

Table 13: Key Gross Financial Ratios as at 31st Dec 2025 and 31st December 2024

Key Financial Ratios	**31-Dec-24**	**31-Dec-23**
Gross loss ratio	42%	74%
Underwriting expense ratio	25%	27%
Gross combined ratio	67%	101%

9.3 The above key financial ratios indicate that the overall mix of exposure for LAP resulted in an improved gross combined ratio of 67% for year 2025, compared with 101% in year 2024. The combined ratio improved in year 2025 due to reduction in the change in liability for incurred claims, underwriting and other expenses ratio as a proportion of gross insurance revenue.

9.4 The overall combined ratio cannot, however, be relied upon to give useful information on the appropriateness of premium rates for individual classes of

CONFIDENTIAL REPORT

business. Significant changes in the future mix of business underwritten by LAP can have a material impact on the overall combined ratio and the overall profitability of the company's business.

9.5 Below is our assessment of the appropriateness of the premiums charged per class of business by LAP using the gross combined ratios. The incurred claims ratio considers the best estimate balances.

9.6 The table 14 below shows key financial ratios for LAP the financial year ended 31 December 2025.

Table 14: Key Ratios 31 Dec 2025

Portfolio	Key Ratios 31 Dec 2025		
	Gross Loss Ratio	Expense Ratio	Combined Ratio
Motor	44%	28%	72%
General Accident	89%	27%	116%
Fire	45%	15%	61%
Engineering	60%	27%	87%
Marine	72%	27%	99%
Oil & Gas	4%	26%	30%
Bond	9%	26%	35%
Aviation	312%	21%	333%
Agriculture	0%	27%	27%

9.7 From the results of the key financial ratios, it can be observed that the portfolios of insurance contracts (General Accident, Marine and Aviation) that exhibit combined ratios that are near or above 100% may indicate of inadequate pricing in year 2025.

CONFIDENTIAL REPORT

Table 15: Key Ratios 31 Dec 2024

9.8 The table 15 below shows key financial ratios for LAP the financial year ended 31 December 2024.

Key Ratios 31 Dec 2024			
Portfolio	**Key Ratios 31 Dec 2024**		
	Gross Loss Ratio	**Expense Ratio**	**Combined Ratio**
Motor	43%	36%	79%
General Accident	131%	34%	165%
Fire	94%	33%	127%
Engineering	63%	48%	111%
Marine	193%	46%	240%
Oil & Gas	21%	54%	75%
Bond	51%	45%	96%
Aviation	213%	66%	279%
Agriculture	0%	8%	8%

9.9 From the results of the key financial ratios, it can be observed that the portfolios of insurance contracts (Marine, Aviation, Bond and General Accident) that exhibit combined ratios that are near or above 100% may indicate inadequate pricing. This is reiterated by the consecutive higher than 100% gross combined ratio over the 2 last years. We recommend that the Company continues to review and ensure its premiums achieve its target profitability whilst keeping its expenses low. The General Accident, Fire, Engineering, Marine businesses appear to have consecutively produced combined ratio experience above or near 100%.

CONFIDENTIAL REPORT

10. Reinsurance Management Strategy

10.1 We have investigated the reinsurance strategy and associated cost and the amount of recoveries in relation to the insurance revenue of the company.

The primary objective when placing reinsurance:

10.2 LAP's primary objective when placing reinsurance is to use it as a method and tool of risk transfer to achieve increased underwriting capacity while at the same time using it to reduce the negative impact of financial losses on the company's financial results. In compliance with regulatory provisions LAP maintains adequate and valid Reinsurance Treaty Cover, including facultative arrangement in respect of the class or category of insurance business transacted.

10.3 In summary the company uses the following reinsurance arrangement with key objectives which includes:

- Catastrophe Exposure Management which helps us to limit exposure to high-severity, low-frequency events such as natural disasters that may impact level of profitability.
- To meet regulatory capital requirement.
- Reinsurance frees capital; hence this enables us to write more businesses
- For smoothing of our financial results across underwriting years.
- It allows the company to participate in large placements without bearing the entire exposure

CONFIDENTIAL REPORT

Suite 24, 1st Floor, Motorways Centre1 Motorways Avenue
Alausa, Ikeja, Lagos, Nigeria
Reg. No.:BN2262019 Tel: +234(0)9079471359
FRC/2016/PRO/DIR/003/00000015764 Email: layemoabraham.oahac@gmail.com

Type of Reinsurance arraignment used by LAP and Purpose and strategy for implementation

Type of Reinsurance		Strategy for implementation
Proportional		For its proportional reinsurance arrangement LAP enters into agreement on risks sharing and transfer with the reinsurer in a treaty which may be binding on both parties if drawn up on an obligatory basis. The agreement may be flexible or non-obligatory. The parties to the treaty agreement share risk on pro rata basis such that LAP retain risk up to a specified limit in percentage whilst the excess over the retention are Ceded as a percentage to the reinsurance insurer. Losses are shared in the same proportion as the ceded per centum. LAP also uses Surplus Treaty which enables LAP to retain a specified an amount out of the risk and cedes excess above the retention limit to the reinsurance insurers. The risk may be arranged in multiples of the retention limit in form of lines up to a maximum limit per policy. LAP 's treaty agreement may specify maximum event limit or aggregate amount of loss per event. The treaty agreements have exclusions. The treaty agreement receives ceding and profit commissions on the reinsurance ceded premiums. Conditions for claims settlements are stated.
Non-Proportional Reinsurance:		For LAP, this type of reinsurance kicks in when the losses surpass a predetermined threshold, and the reinsurer covers the excess amount. Losses that exceed a specified limit are covered. The arrangement is usually layered. Thus, an excess of loss reinsurance. There is an be event limit. LAP's excess of loss treaty has limits of losses per occurrence and per event. There are rooms for reinstatements. LAP pays minimum deposit premium for operating the excess of loss treaty at the start of the cession period and accounts are reconciled later in the year to determine of additional premium is required. LAP has catastrophe excess of loss to provide protection against large losses that can threaten the solvency position of the company. The treaty agreements have exclusions. The treaty agreement pays ceding and profit commissions on the reinsurance premiums. Conditions for claims settlements are stated.
Facultative Reinsurance:		LAP approaches insurers or fellow direct insurers to enter agreement to cede outwards part of its risks for payment of premium for the coverage in either an obligatory or non-obligatory acceptance by the receiving party. The treaty agreements have exclusions. The treaty agreement pays ceding and profit commissions on the reinsurance premiums. Conditions for claims settlements are stated.

CONFIDENTIAL REPORT

Process for selecting reinsurance partners:

10.4 Selection of Treaty Reinsurers is in accordance with the NAICOM Regulation for insurance operators taking full cognizance for Local Content directive. Except where the Local content directive is exhausted before overseas Reinsurers will be approached to participate on the LAP's reinsurance treaties taking the following steps:

- **Define Reinsurance Objectives**: clearly defining the objectives of reinsurance, which will guide the determination of the type and structure of covers required (e.g., risk, catastrophe, aggregate, or quota share).
- **Portfolio Analysis:** Conduct an in-depth analysis of the underwriting portfolio to assess exposure by line of business, geography, and peril. This informs the design and structure of the reinsurance program.
- **Set Selection Criteria for Reinsurance Partners:** Establish specific criteria for evaluating reinsurance partners, including

- Status of authorization to operate reinsurance business in Nigeria as provided for under the various National Insurance Commission's relevant guidelines and regulations.
- Financial strength and credit rating (e.g., AM Best, S&P).
- Underwriting expertise in the relevant classes of business. The reinsurer's risk appetite in terms of cover required (e.g. not all reinsurers do Aviation business) and level of capacity support that can be provided
- Flexibility in structuring coverage and responsiveness to terms.
- Geographical diversification of the reinsurance's portfolio.
- Experience and familiarity with the African reinsurance market.
- The claims paying history/record
- Where a facultative business is to be placed abroad due to exhausting of local capacity, the company always ensures that Approval-In-Principle is obtained from the National Insurance Commission (NAICOM) before final placement and subsequently submits Post Placement Reports for issuance of Certificate for Offshore Reinsurance (COR) within the timeline required.

10.5 **Market Approach:** Reach out to selected reinsurance either directly or through a reputable reinsurance broker to gauge interest and capacity.

10.6 Slip Issuance: Prepare and issue slips containing detailed information on the desired terms, limits, exposures, and historical data.

10.7 **Approvals and Final Negotiation:** Obtain necessary approvals before proceeding to final negotiations and placement of the cover with chosen reinsurance partners.

10.8 LAP takes into account the professional cum agency role of reinsurance placement through professional intermediaries including involvement of international Reinsurance Brokers, namely:

Suite 24, 1st Floor, Motorways Centre1 Motorways Avenue
Alausa, Ikeja, Lagos, Nigeria
Reg. No.:BN2262019 ***Tel: +234(0)9079471359***
FRC/2016/PRO/DIR/003/00000015764 **Email: layemoabraham.oahac@gmail.com**

The Process of Establishing the Type and Level of Reinsurance (reinsurance) required.

10.9 LAP carries out a portfolio analysis to understand the profile, concentration, and distribution of risks. This is followed by identification of potential risk exposures across various lines of business, perils, and geographies that may warrant reinsurance protection.

10.10 Next, LAP conducts a review of the existing reinsurance program to assess its adequacy and determine the type of reinsurance cover needed (e.g., risk excess of loss, catastrophe excess, stop loss, or quota share). Furthermore, LAP would establish appropriate retention and limit levels (proportional) cover and deductible (non-proportional) based on factors such as capital base, solvency margin, our risk appetite, etc

10.11 Management and Board approvals are obtained for the reinsurance strategy and structure before proceeding to engage the brokers who then initiates placement

10.12 All reinsurance/retrocession arrangements are in line with the annual Reinsurance programme of the company as approved by the Board of Directors

The methodology used to calculate the maximum loss per risk and per event:

10.13 The company involves a consideration of the risk appetite that LAP can accommodate per year such as:

- Recommendation from the risk survey report submitted.
- Top location or target risk where the insured has multiple locations.
- Limit of liability, where the limit of liability is provided.
- CSL- Combined Single Limit, where CSL is provided in the policy

10.14 The methodology used to calculate the maximum loss per risk and per event by the company is based on the background of the fact that "no two insurance risks are the same". Consequently, the company set out to look at this in three different ways.

1. To reach understanding and agree on the maximum loss amount per risk and per event with the client at the inception of the insurance policy. This method is most suitable for some insurance risks where values or sum insureds are based on estimated amount or extent of damage could not be readily statistically arrived at.
2. To be guided by the National Insurance Commission guidelines on keeping retention /loss limit at not more than 5% of company's shareholders' fund.
3. To mathematically calculate the maximum loss per risk and per event based on the following factors:

- Identification of subject matter of insurance and the perils it is susceptible to.
- Comprehensive analysis of identified risks/perils mitigating factors.
- Comprehensive analysis of risk factors that increase the potential for catastrophic losses or otherwise by any of the risks/perils identified.

CONFIDENTIAL REPORT

Suite 24, 1st Floor, Motorways Centre1 Motorways Avenue
Alausa, Ikeja, Lagos, Nigeria
Reg. No.:BN2262019 Tel: +234(0)9079471359
FRC/2016/PRO/DIR/003/00000015764 Email: layemoabraham.oahac@gmail.com

- Classify level of risk factors into different degrees of hazard occurrence, propagation, frequency and severity.
- Compute what maximum probable loss or estimated maximum loss should be considering all the relevant factors to determine this. Also, considered is the margin of error to be built into the MPL. Also, the company takes following further factors into consideration in its reinsurance(reinsurance) strategy and risk management.

Impact of The Reinsurance Strategy on the overall Capital Model

10.15 The table below shows the results for financial period ended on to 31 December 2025 and 31 December 2024. The results are as follows:

Table 16: Result for financial period of 2024 & 2025

	2025	2024
Insurance Service		
Insurance Service Revenue	27.630.687	22.229.099
Insurance Service Expense	(15.082.454)	(14.971.588)
Insurance Service Result Before Reinsurance (a)	**12.548.233**	**7.257.511**
Reinsurance		
Reinsurance Costs	9.707.848	9.794.692
Reinsurance Recoveries	617.521	1.551.342
Reinsurance Service Result Before Reinsurance (b)	9.090.327	8.243.350
Insurance Service Result after Reinsurance (c= a-b)	3.457.906	(985.8390
Ratios		
Reinsurance Cost/Insurance Service Revenue	35%	44%
Reinsurance Recoveries/Insurance Service Expense	4%	10%

- The Table 16 above gives an indication of the impact of reinsurance ceding risks on the insurance result in year 2025: NGN9.09bn [2024: NGN 0.99bn (negative result)]. The recovery appears to be low possibly and might suggest high company retention in relation to reinsurance cost outlay, or inefficient and adequate reinsurance strategy. However, compared with 2024: NGN0.99bn (negative insurance result after reinsurance), the increased revenues retained in combination with reduction in liability for claims incurred might have improved the reinsurance result of year 2025.
- For stabilisation of capital LAP is advised to continue to review its reinsurance strategy with a view to improve its level of claim recoveries to be commensurate to its cost outlay. This would involve an investigation into its reinsurance optimisation strategy.

CONFIDENTIAL REPORT.

Table 17: Highlights of Reinsurance Strategy in year 2025

2025 Reinsurance Arrangement		Class of Insurance						
	Motor	Bond	Engineering	Fire/Terrorism	- Marine Cargo -Marine Hull & Liability -	General Accident	Oil & Gas	Agriculture
Type of Reinsurance Cover Purchased	Working Excess of Loss	- Quota Share treaty	- Surplus/Facultative treaty - Facultative Obligatory	- Surplus treaty - Facultative - Facultative Obligatory - Working Excess of Loss	- Marine Cargo Surplus/Facultative treaty - Marine Cargo Excess of Loss - Marine Hull Surplus/Facultative	Surplus/Facultative Treaty	- Quota Share - Excess of Loss	Quota Share
Period of Cover	1/1/2025-31/12/2025	1/1/2025-31/12/2025	1/1/2025-31/12/2025	1/1/2025-31/12/2025	1/1/2025-31/12/2025	1/1/2025-31/12/2025	1/1/2025-31/12/2025	1/1/2025-31/12/2025
Net Retention (NGN'000s)	Layer 1: 2mn Layer 2: 12mn Layer 3: 52mn	99,999,900 (35%)	Surplus: 300mn Fac Oblig: 200mn	Fire Surplus: 750mn Fac Oblig: 750mn Working Excess of Loss: 375mn	- Marine Cargo Excess of Loss: 250mn - Marine Cargo Surplus: 350mn - Marine Hull: 100mn	-Burglary: 60mn - Cash: 60mn - Fidelity Guarantee:50mn (Any one person) - Guarantee:100mn(Firm) -Personal Accident:60mn; Accumulation: 100mn - Public Liability:50mn - Glass: 30mn Building Liability: 40mn -	- Excess of Loss: USD 1mn	60mn (30%) on each risk ceded Named Peril and Multi-Peril Crop, AREA Yield Index: 180mn (30%)
Terrorism Net Retention	Nil	Nil	Nil	Terrorism:175mn	Nil	Nil	Nil	Nil
Net Retention as Proportion of Shareholders Funds	0,18%	1,95%	0,49%	1,32%	1,38%	1.95%		
Maximum Cession Limit	XOL: 48mn	185,714,100 (65%)	Surplus Treaty: 6bn Fac Oblig: 1bn	Fire Surplus: 12bn Terrorism: 875mn XOL: 400mn Fac Oblig: 2.25bn	Marine Cargo Surplus Treaty: 5.25bn Cargo XOL: 1bn Marine Hull Surplus Treaty: 2.5bn	Various (As high as 3.5bn)	USD 250mn	140mn (70%)
Event Limit	N/A	N/A	10% of aggregate exposure	Fire Surplus: 30bn Terrorism: 1.75bn	N/A		N/A	N/A
Facultatice Acceptance	N/A		Facultative Acceptance: 90mn (50% of limit)	Fire: 225mn (30% of limit) Terrorism: 52.5mn (30% of limit)	Cargo Surplus: 50% Cargo XOL: 50% Hull Surplus: 30%	Fac acceptance: 50% of gross line	N/A	Fac Acceptance: 25%
Lead Reinsurer	Africa Re (54%)	Africa Re (54%)	Africa Re (40%)	Africa Re (40%)	Marine Cargo: Swiss Reinsurance (46.5%) Marine Hull: African Reinsurance: (50%)	Africa Re (50%)	America International Group UK Ltd (20%)	Africa Re (60%)

CONFIDENTIAL REPORT

Changes to Reinsurance Strategy between 2024 to 2025

10.16 Year 2025 reinsurance strategy is very much the same as that of year 2024 except the following observed changes:

1. There appears to be no changes in the quota share treaty management for **Agriculture**
2. **Summary of Changes in the Current and Previous Bond Quota Share Reinsurance Arrangements**

- None to structure and limits/deductibles
- Removal of WAICA Re from cover in 2025 and increased shares of the remaining reinsurance management companies

3. **Summary of Changes in the current and previous reinsurance arrangements: Fire/Property Class**

Fire Surplus:

• Increased Cash loss Limit from NGN675mn in 2024 to NGN750mnn in 2025
• Loss notification increased from NGN500mn in 2024 to NGN750mn in 2025
• Estimated Premium Income increased from NGN1.2bn in 2024 toNGN1.5bn in 2025
• In the terrorism surplus the Loss notification for 2025 not stated • Profit commission was added in 2025 terrorism surplus treaty
• Estimated Premium Income increased from NGN1.2bn in 2024 toNGN1.5bn in 2025

Fire Facultative Obligatory treaty:

• Estimated Premium Income increased from NGN75mn in 2024 toNGN100mn in 2025
• Reduced profit commission from 20% in 2024 treaty in 2025 to 18.5% in 2025
• Summary of changes and defects in Commercial Fire Automatic Facultative Treaty
• The current 2025 treaty incorporates 25% facultative acceptance, while the previous year treaty has no such provision.
• The treaty has no reference to authenticate its credibility for both previous year and current year • The treaty provided only sub-headings of the exclusions without the detailed wording for verification as to how such qualifications impact the transactions of the treaty.
• Commission payment is on the basis of sliding scale, which is ancient, obsolete and extinct way of calculating commission. The reinsurer should consider and adopt modern simple, clear and direct method of calculating commission. By this way, the operatives will find it easier to apply and interpret the commission rate to avoid mistakes.
• The treaty indicates that if loss experienced exceeds 90% of the premium earned by the reinsurer, the reinsured shall bear 30% of the surplus. Claims attributed to natural perils shall be shared in the same percentage. This regulation ignores the retention which the reinsured bears as well as the reinsurance premium paid. Accordingly, this regulation is skewed towards the protection of only the reinsurer's interest and should therefore be removed. Summary of Changes on the Property XLs treaty

CONFIDENTIAL REPORT

Fire Working &MPL Error XLs

• Estimated Premium Income increased from NGN1bn in 2024 toNGN1.5bn in 2025 Security Company Financial Rating 2025 AM Best: A(Excellent) GCR: A-Stable AM Best: B+

• M&D Premium increased for each layer as well as the level of adjustment and loading factors **Changes in Reinsurance Management – Fire class**

• Removal of WAICA Re from cover in 2025 and increased shares of the remaining reinsurance companies

• Credit rating of the Reinsurance Companies remains strong with good outlook except WAICA Re, NCA Re

• All treaty slips are duly signed by each participant.

4. **Summary of Changes in the Current and Previous General Accident Reinsurance Arrangement and Management**

• None to structure and limits/deductibles

• Removal of WAICA Re from cover in 2025 and increased shares of the remaining reinsurance companies

• Credit rating of the Reinsurance Companies remains strong with good outlook, except WAICA Re and Nigeria Re that are relatively weak by comparison.

5. **Changes in Reinsurance Arrangement and Management – Engineering Class**

• Removal of WAICA Re from cover in 2025 and increased shares of the remaining reinsurance companies

• Credit rating of the Reinsurance Company remains strong with good outlook

• All treaty slips are duly signed by each participant.

Current and Previous Reinsurance Arrangements CAR/Engineering:

• Estimated Premium Income increased from NGN300mn in 2024 toNGN450mnn in 2025

• Profit commission was added for 2025 Engineering surplus treaty Engineering Facultative Obligatory treaty

• Estimated Premium Income increased from NGN75mn in 2024 toNGN100mn in 2025

• Reduced profit commission from 20% in 2024 treaty in 2025 to 18.5% in 2025

6. Summary of Changes in the Current and Previous Marine Hull Reinsurance Management:

• Removal of WAICA Re and Swiss Re from cover in 2025 and increased shares of the remaining reinsurance companies • African Re's share increased from 45% in 2024 to 50% in 2025

7. Summary of Changes in the Current and Previous Motor Excess of Loss Reinsurance Arrangements:

• M&D premium increased for each layer as well as the level of adjustment and loading factor Considering the recent high repair costs, purchase price of motor and increasing awareness to claim by the participants it is recommended that limits of the treaty be improved or be indexed

8. **Summary of Changes in the Current and Previous Oil and Gas Reinsurance Arrangements**

• Retention for operational risks reduced significantly from USD5mn in year 2024 to USD1mn in year 2025 for the same level of exposure of 477,375,00.

• Retention for construction risks reduced significantly from USD2.5mn in year 2024 to USD0.5mn in year 2025 for the same level of exposure of 477,375,00.

CONFIDENTIAL REPORT

- Multiplicity of Premium rates for segregated exposures which increased significantly over year 2025. The numerous premium rates for risks whose anticipated maximum exposures were fixed might pose much administrative complexities to the reinsured and may be errors in application...

Summary of changes: Oil and Gas (Power Plant Excess of Loss):

- Estimated Premium Income increased from NGN300mn in 2024 to NGN800mn in 2025
- Minimum and Deposit Premium for Layer 1 and 2 for section A has increased from NGN27.6mn and NGN16.56mn in 2024 to NGN48mn and NGN24mn in 2025 respectively, while for Section B, it increased from NGN6.6mn in 2024 to NGN15.84mn in 2025

CONFIDENTIAL REPORT

Table Highlights of Reinsurance Strategy in year 2024

2024 Reinsurance Arrangement		**Class of Insurance**						
	Motor	Bond	Engineering	Fire	- Marine Cargo -Marine Hull & Liability -	General Accident	Oil & Gas	Agriculture
Type of Reinsurance Cover Purchased	Liability Xls	- Quota Share treaty (65%/ 35%) - Facultative (25%)	- Surplus Treaty - Facultative (25%) Working - Excess of Loss	- Surplus Treaty - Facultative (25%) - Working Excess of Loss	- Marine Cargo Surplus Treaty - Marine Cargo XLS: - Marine Cargo Facultative (50%) - Marine Hull Facultative (30%)	Surplus Treaty		
Period of Cover	1/1/2023-31/12/2023	1/1/2023-31/12/2023	1/1/2023-31/12/2023	1/1/2023-31/12/2023	1/1/2023 - 31/12/2023			

Net Retention (NGN'000s)	Liability: 5,000 Damage: 40,000	99,999	Surplus: 200.0 Fac.: 50,000 - Working Excess of Loss: 250,000	Fire Surplus: 500,000 Working Excess of Loss: 250,000	- Marine Cargo XLS: 240,000 - Marine Cargo Surplus: 250,000 - Marine Hull: 100,000	- -Burglary:60,000 - Cash: 60,000 - Fidelity Guarantee:50,000(Any one person) - Guarantee:100,000(Firm) -Personal Accident:60,000; Accumulation: 100,000 - Public Liability:50,000 - Glass: 30,000 Building Liability: 40,000 -		
Terrorism Net Retention	Nil	Nil	Nil	Terrorism:175.000	Nil	Nil	Nil	Nil
Net Retention as Proportion of Shareholders Funds	0.18%	1,95%	0,49%	1.32%	1.38%	1.95%		
Maximum Cession Limit **(NGN'000s)**	N/A	285,714 per one risk	Surplus Treaty: 6.000.000 Third-party: 5,000,000	Fire Surplus: 12.000.000 Terrorism: 875,000,000	Marine Cargo Surplus Treaty: 5,000,000 '- Marine Hull Surplus Treaty: 2,500,000,	40,000,000		
Event Limit **(NGN'000s)**	N/A	N/A	10% of maximum exposure	Fire Surplus: 25.000.000 Terrorism: 1,750,000	N/A			
Lead Reinsurer	Africa Re (45%)	Africa Re (45%)	Africa Re (40%)	Africa Re (40%)	Africa Re (40%)	Africa Re (45%)		

CONFIDENTIAL REPORT

Suite 24, 1st Floor, Motorways Centre1 Motorways Avenue

Alausa, Ikeja, Lagos, Nigeria

Reg. No.:BN2262019 ***Tel: +234(0)9079471359***

FRC/2016/PRO/DIR/003/00000015764 **Email: layemoabraham.oahac@gmail.com**

10.17 LAP's Insurance Strategy over year 2025

10.18 A table for the exposure to the company's five largest reinsurance partners

Table 17: The company's five largest reinsurance partners: the name of the reinsurer, country of Operation in

Year 2025

Class	Treaty Type	Security	Country	Proportion	Reinsurance Premium Paid N'000
Fire &, Terrorism & Facultative	Surplus, Working & MPL Error XL	African Re	Cameroon	40%	642,004.00
		WAICA Re	Sierra Leone	14%	224,701.40
		Continental Re	Nigeria	15%	240,751.50
		FBS Re	Nigeria	20%	321,002.00
		Zep Re	Kenya	7.5%	120,375.75
Engineering & Terrorism &Facultative	Surplus	African Re	Cameroon	40%	404,558.00
		WAICA Re	Sierra Leone	14%	141,595.30
		Continental Re	Nigeria	15%	151,709.25
		FBS Re	Nigeria	20%	202,279.00
		Nigeria Re	Nigeria	7.5%	75,854.63
GENERAL ACCIDENT	Surplus	African re	Cameroon	50.0%	426,058.50
		Continental Re,	Nigeria	22.5%	191,726.33
		WAICA Re	Sierra Leone		-
		FBS Re	Nigeria	25.0%	213,029.25
		Nigeria Re	Nigeria	2.5%	21,302.93
BOND (QUOTA SHARE)	Quota Share	African re	Cameroon	50.0%	450
		Continental Re,	Nigeria	22.5%	202.5
		WAICA Re	Sierra Leone		0
		FBS Re	Nigeria	25.0%	225
		Nigeria Re	Nigeria	2.5%	22.5
MOTOR	Xls	African re	Cameroon	50.0%	134,001.50
		Continental Re,	Nigeria	22.5%	60,300.68
		WAICA Re	Sierra Leone		-
		FBS Re	Nigeria	25.0%	67,000.75
		Nigeria Re	Nigeria	2.5%	6,700.08
Marine Cargo	Surplus/ XLs	African Re	Cameroon	40%	99,172.53
		WAICA Re	Sierra Leone	14%	34,710.39
		Contiential Re	Nigeria	15%	37,189.70
		NCA Re	Nigeria	20%	49,586.27
		Niigerian Re	Nigeria	7.5%	18,594.85
Marine Hull	Surplus	African Re	Cameroon	50.0%	251,281.57
		WAICA Re	Sierra Leone	22.5%	113,076.71
		Contiential Re	Nigeria		-
		FBS Re	Nigeria	25.0%	125,640.79
		Niigerian Re	Nigeria	2.5%	12,564.08
Total					**4,387,667.71**

CONFIDENTIAL REPORT

The total reinsurance premiums paid to top 5 reinsurers representing 16% of the total insurance revenue for all the classes of Business increased by 54% over 2025.

Year 2024

2024

Class	Treaty Type	Security	Country	Proportion	Reinsurance Premium Paid N'000
Fire &, Terrorism & Facultative	Surplus, Working & MPL Error XL	African Re	Cameroon	40.0%	432,577.60
		WAICA Re	Sierra Leone	22.5%	243,324.90
		Continental Re	Nigeria	17.5%	189,252.70
		FBS Re	Nigeria	7.5%	81,108.30
		Zep Re	Kenya	5.0%	54,072.20
Engineering & Terrorism &Facultative	Surplus	African Re	Cameroon	40.0%	205,420.80
		WAICA Re	Sierra Leone	22.5%	115,549.20
		Continental Re	Nigeria	17.5%	89,871.60
		FBS Re	Nigeria	7.5%	38,516.40
		Nigeria Re	Nigeria	5.0%	25,677.60
GENERAL ACCIDENT	Surplus	African re	Cameroon	45.0%	272,357.10
		Continental Re,	Nigeria	22.5%	136,178.55
		WAICA Re	Sierra Leone	25.0%	151,309.50
		FBS Re	Nigeria	5.0%	30,261.90
		Nigeria Re	Nigeria	2.5%	15,130.95
BOND (QUOTA SHARE)	Quota Share	African re	Cameroon	45.0%	2,282.85
		Continental Re,	Nigeria	22.5%	1,141.43
		WAICA Re	Sierra Leone	25.0%	1,268.25
		FBS Re	Nigeria	5.0%	253.65
		Nigeria Re	Nigeria	2.5%	126.83
MOTOR	Xls	African re	Cameroon	45.0%	90,263.70
		Continental Re,	Nigeria	22.5%	45,131.85
		WAICA Re	Sierra Leone	25.0%	50,146.50
		FBS Re	Nigeria	5.0%	10,029.30
		Nigeria Re	Nigeria	2.5%	5,014.65
Marine Cargo	Surplus/ XLs	African Re	Cameroon	40%	108,753.22
		WAICA Re	Sierra Leone	22.5%	61,173.69
		Contiential Re	Nigeria	17.5%	47,579.53
		NCA Re	Nigeria	2.5%	6,797.08
		Niigerian Re	Nigeria	5.0%	13,594.15
Marine Hull	Surplus	African Re	Cameroon	45%	146,070.79
		WAICA Re	Sierra Leone	25%	81,150.44
		Contiential Re	Nigeria	22.5%	73,035.39
		FBS Re	Nigeria	5%	16,230.09
		Niigerian Re	Nigeria	2.5%	8,115.04
Total					2,848,767.72

CONFIDENTIAL REP

11. Risk management

Risk Management Strategy

11.1 This section provides a detailed description of the Company's risk management framework, including the risk management process. This section should be read with reference to the signed Company's Enterprise Risk Management ("ERM") Framework, which LAP has been provided in line with NAICOM's guidelines.

11.2 LAP has complied with the NAICOM's developed minimum standards for risk management frameworks within insurance companies to provide stakeholders with assurance that the risks they are exposed to are adequately managed. As part of the risk management guidelines all insurers who are required to have:

a) Documented company's Risk Management Strategy:

b) Documented Risk Management Policies, Procedures and Controls

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

d) Up-to-date Risk Registers

e) An Enterprise Risk Management Committee

f) A Chief Risk Officer

g) A Review Process

h) A well-defined Risk Governance and Responsibilities

i) Defined Risk Appetite, Ris k Tolerance and Risk limits

j) A system for Independent Review

k) Address all material risk (at a minimum covering market risk, credit risk, operational risk, liquidity risk, reinsurance risk, underwriting risk, reserving risk, claims management risk, group risk, reputational risk and legal risk.

Adequacy of the Risk Management Framework of LAP

11.3 We have reviewed the signed document on ERM outlining the company's risk management and concluded as follows:

- The NAICOM's guidelines require that the risk management framework address all material risks including, credit risk, operational risk, liquidity risk, reinsurance risk, underwriting risk, reserving risk, claims management risk, reputational risk, group risk and legal risk have been complied with. However, we encourage that the company put permitted risk exposures and limits or triggers. The document needs to be approved by the Board.

CONFIDENTIAL REPORT

Suite 24, 1st Floor, Motorways Centre1 Motorways Avenue
Alausa, Ikeja, Lagos, Nigeria
Reg. No.:BN2262019 *Tel: +234(0)9079471359*
FRC/2016/PRO/DIR/003/00000015764 Email: layemoabraham.oahac@gmail.com

Risk Management Framework

11.4 The major focus of the Company's ERM Framework is to ensure that the Company complies with the NAICOM prudential guidelines in achieving its strategic and operational objectives, as well as ensuring that material risks are focused on while pursuing opportunities to enhance value for the Company.

11.5 The Company's ERM framework aims to enable the Company to:

l) Provide stakeholders especially shareholders and policyholders with level of certainty on the objectives and strategies on how protection of their funds will be realized through integrated risk management approach by how critical risks would be addressed and outcomes communicated.

m) Establish the required culture of everyone being involved in Risk management.

n) Empower employees to make informed decisions.

o) Enhance performance and organizational resilience.

p) Assist in making risk-informed decisions while defining goals, choosing and managing the best course of action and evaluating outcomes.

q) Encourage well-planned and well-managed risk-taking that ensures proactive rather than reactive risk management methodology, which aims at achieving sustainable business growth and stability

r) Assist in the transformation of organizational culture to improve risk management techniques, and ensuring systems are in place for managing and monitoring risks.

CONFIDENTIAL REPORT

ERM Governance Structure

11.6 LAP has adopted 3 lines of defence governance model on risk management. This is depicted below

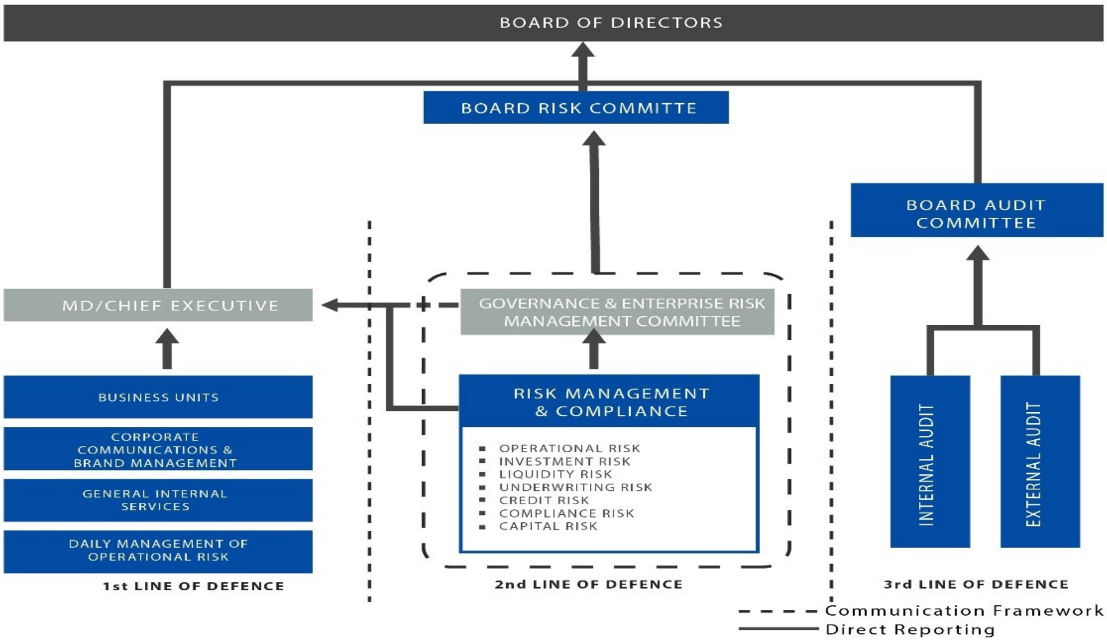
Table 38: Defence Governance Model on Risk Management.

Defence Line	Responsibilities	Risk Ownership
First Line of Defence	Responsible for identifying and assessing risks in line with the set risk appetite and ensuring that appropriate day-to-day risk controls are established and maintained for decision making	Board, Senior Management, Frontline Management and Staff
Risk Control Second Line of Defence (independent from business operations)	Responsible for designing risk framework, mythologies and tools which supports the business in analysing and managing risks and providing early warnings of adverse trends. Responsible for consulting and advising the Board, Management and Staff on identification, control and mitigation of the risks, facilitating, and monitoring an effective risk and control framework	Risk Management Department, Compliance Department, Internal Control, Finance (incl. Internal Financial Control)
Risk Assurance Third Line of Defence	Responsible for providing independent and objective assurance on the Effectiveness, adequacy of internal control system and risk governance process	Internal Audit

CONFIDENTIAL REPORT

a. The risk governance relationship between the board, board committees and senior management:

11.7 The picture below depicts the relationship that exist among the Board, Board Committees, and Senior Management



11.8 In LAP, the risk governance relationship between the Board, Board Committees, and Senior Management is structured to ensure effective oversight and implementation of the risk management strategy of avoidance, transfer, reduction and retention.

11.9 The Board of Directors has ultimate responsibility for risk governance. It sets the risk appetite, approves the risk management policy and framework, ensures its alignment with the company's strategic goals, reviews the status, progress of the risk management system on quarterly basis and risk management policy periodically.

11.10 Board Committees (e.g. Enterprise Risk Management Committee, Statutory Audit and Compliance Committee) support the Board by providing detailed oversight, reviewing risk reports, recommendations and ensuring compliance with regulatory requirements including those from NAICOM.

11.11 Senior Management which includes the Managing Director/CEO, and the Chief Risk Officer is responsible for implementing the risk strategy in accordance with the Board-approved policy, identifying, assessing, aggregating, prioritizing, managing day-to-day risks, reporting key and emerging risk exposures to the Committees and Board as well as monitoring risks profile to be within the acceptable limits. This risk organization structure ensures a clear line of accountability and promotes a risk-awareness culture across all levels of the company.

b. **The processes for identifying and assessing risks are clearly stated in the risk management policy and framework:**

11.12 LAP adopts standardized steps to managing risks as outlined below:

- Establish the context
- Identify the risks
- Analyse the risks
- Evaluate the risks
- **Use of the Risk Registers:** These are tools and repositories for recording and documenting identified risks and how those risks will be actioned, treated, and managed.
- **Department Risk Registers:** Each department in LAP is said to manage operational and other risks in day-to-day activities within their department or processes. The risk champions within each department will maintain the department's risk register. The register will include operational risks, Insurance and Reinsurance risks, fraud risks, health, and safety risks, strategic, financial, legal, compliance, and regulatory risks amongst others impacting the department. The Company's Risk Management function is said to provide guidance and support in this regard.

  The Department Risk Registers are to be updated as the need arises but at a minimum annually by each department, reviewed by the Chief Risk Officer, and approved by the Executive Management of the Company. Senior Management will review the treatment plans for risks identified in their respective areas (with a focus on medium, high and extreme risks). Any extreme risks within a department will be escalated by Senior Management to the executive management and copied to the CRO.
- **The Company Risk Register:** The Manager of Risk and Business Continuity will consolidate the risks included in the Departmental Risk Registers in the Company Risk Register. The high and extreme

CONFIDENTIAL REPORT

risks from the Department Risk Registers, as well as any strategic, emerging, trending, unique or other relevant risks, provide the basis for the information to be included in the Company Risk Register. The Company Risk Register will be updated as the need arises but at minimum annually and will be reviewed by the Chief Risk Officer and approved by the executive management. Once approved, the Company Risk Register shall be communicated to the Finance, Risk Management Committee, and relevant Board committees.

- **The Company Risk Report**: LAP's Risk Report will be collated and prepared quarterly by the Risk Manager and reviewed by the Chief Risk Officer. The report shall be shared with the Risk Management Committee for review and the Board Risk Committee.

c. Business continuity plan

- Forward-looking research, surveys, projections, etc.
- Internal and external sources of risks such as key business processes, personnel and technology, competitor activities, economic forecasts, political environment, macroeconomic trends, and natural disasters.
- Potential risks may also be identified at any time by any individual within the company and formally communicated to the CRO who is responsible for ensuring that appropriate action is taken.

Risk Assessment: The Risk Assessment process provides a standard and consistent approach to understand and evaluate risks impacting goals across all the departments/Units of the Company. It provides a portfolio view of risks (risk profile).

Processes for Assessing Risk Appetite

11.13 LAP's Insurance risk appetite is the highest level of residual risk it is willing to accept to meet its business goals. LAP has created a framework for expressing risk appetite across the enterprise. The board establishes the business risk appetite parameters by providing a strategic risk governance structure, based on financial analysis, and forecasting for each business unit under normal and stressed conditions; and a commitment to support regular reviews and monitoring of risk performance

CONFIDENTIAL REPORT

through quarterly board reports. To ensure that risk appetite is aligned with the corporate strategy and the intended risk-reward balance, the Board delegated risk appetite setting to its ERM committee through Management ERM Committee. LAP's risk appetite statements are defined by 10 broad headings. These are:

- Strategy Risk
- Capital Management Risk
- Business Continuity Risk
- Information Technology
- Market/ Investment, Credit & Liquidity Risk
- Insurance/Reinsurance Risk
- Operational Risk
- Reputational Risk
- Regulatory/Legal & Compliance Risk
- Human Capital/Environmental & Social Risks

11.14 During assessment process, events with a potential of negatively impacting objectives are examined at the departmental level. Events which represent opportunities are channelled back to the strategy and goal setting process.
Risks are assessed from two perspectives – combination of likelihood of occurrence and impact to derive an overall risk profile.

11.15 The company's risk management policy defines and sets out performance measures, including impact and costs of risks that will help to achieve strategic objectives. Operational plans are then created and implemented based on these measures. Risks are uncertain events - be they can present opportunities or threats - that impact on performance. The process of forecasting the potential for risks, assessing their impact, and putting in place measures to manage that impact is essential to operations of LAP.
Factors that help to define the impact rating include financial effect, reputation impacts, ability to achieve key objectives, etc. Likelihood – the probability of a risk occurring over a pre-defined period which aligns with the Company's planning horizon.
In assessing risks, the likelihood of occurrence and the impact of the risks are considered on an inherent basis i.e. without considering the influence of existing management actions and related controls, and on a residual basis i.e. after taking into account management actions and related controls.

11.16 The final activity in the risk assessment process is to validate the results with executives and participants of the enterprise wide and respective Units risk assessments. Validation of the risk assessment is undertaken to gain acceptance and to confirm the prioritization of events. The results of the risk assessment are documented in the ERM risk register while the outputs of the risk assessment are communicated to the Risk Committee and Board together with the action plans to mitigate these risks.

CONFIDENTIAL REPORT

Suite 24, 1st Floor, Motorways Centre1 Motorways Avenue

Alausa, Ikeja, Lagos, Nigeria

Reg. No.:BN2262019 ***Tel: +234(0)9079471359***
FRC/2016/PRO/DIR/003/00000015764 **Email: layemoabraham.oahac@gmail.com**

d. The process for establishing mitigation and control mechanisms for individual risks:

11.17 This is based on risk tolerances, the effect which the mitigation will have on the impact and likelihood ratings and the results of the cost versus benefit analysis. Various control mechanisms are available for responding to any given risk. These mitigations are broadly divided into the following four categories in the risk management policy:

- Avoidance - taking action to exit the activities that give rise to the risks
- Reduction - reducing the event likelihood, impact, or both
- Sharing - reducing event likelihood or impact by transferring or otherwise sharing a portion of the risk
- Acceptance - taking no action to affect frequency or impact

11.18 Control activities are procedures that help ensure risk management strategies are properly executed in a timely manner at all levels and in all functions in the Company. Once a risk control is selected, the Company will appoint a risk owner who will be responsible to ensure the implementation and monitoring of the effectiveness.

11.19 The effectiveness of the control is evaluated to determine whether the response needs to be enhanced or replaced. The goal is to bring the residual risk (after management actions and/or controls) to a level that is at or below the acceptable risk tolerance levels.

e. **The process for monitoring and reporting risk issue (including communication and escalation *mechanisms)* in the Company takes two distinct forms:**

11.20 This process takes two distinct forms in the Company. On-going monitoring activities that are embedded in the normal, recurring operating activities across the organization. Employees are responsible for identifying and escalating potential risk management weaknesses or enhancements.

11.21 Independent or Separate risk management evaluations performed by individuals (Audit) not involved with the Enterprise Risk Management processes to provide an independent appraisal of the effectiveness of the Risk Management process.

11.22 The Risk Management department is responsible for coordinating the enterprise-wide risk reporting through leveraging existing management reporting channels.

11.23 At all times, the Company's management, the Risk Committee and the Board are kept abreast with key risks and the actions resulting from risk management activities. This component of the ERM Framework outlines the process to report risk management information to the Company's management and the Board on a consistent and timely basis.

CONFIDENTIAL REPORT

Suite 24, 1st Floor, Motorways Centre1 Motorways Avenue
Alausa, Ikeja, Lagos, Nigeria
Reg. No.:BN2262019 ***Tel: +234(0)9079471359***
FRC/2016/PRO/DIR/003/00000015764 **Email: layemoabraham.oahac@gmail.com**

11.24 The Company's risk reporting and communication structure from bottom to up can be represented as follows:

Risk management Champions: Risk manager reports to Chief Risk Officer reports to Risk management Committee reports to the Board of Directors.
While the MD/CEO communicates with the Committee, the departmental Managers/Heads communicate with the Risk manager; and the departmental staff communicate with the Risk Champions.

f. **Those expert persons in the company with managerial responsibility for the risk management framework, their position, roles and responsibilities:**

i. The Board reviews the risk management policies and system periodically.
ii. The Risk Committee assist the Board with preliminary reviews and recommendations.
iii. The Managing Director/CEO is responsible for ensuring that the risk management system is established, implemented and maintained in accordance with the policy.
iv. Assignment of responsibilities in relation to risk management is the prerogative of the Chief Risk Officer.
v. The Risk Manager is accountable to the Chief Risk Officer and reports to the Chief Risk Officer for the implementation of Risk Policy within the respective areas of responsibility. The Risk Manager is also accountable to the Chief Risk Officer for identification, assessment, aggregation, prioritizing, reporting and monitoring of the risk related to the respective areas.
vi. Risk Officers are responsible for identification, preliminary assessment, reporting and monitoring the risks related to their areas and reporting to the Risk Manager.

g. **The process by which the risk management framework is reviewed:**

- Review Team is constituted, aligned with the material risk areas defined in the framework. The team is made up of all Heads of Departments.
- Members the enterprise risk management committee participate in more than one subgroup, depending on their respective functional areas.
- The ERM Team facilitates the entire process by organizing a series of review sessions, during which they validate the contents of each document against best practices, regulatory requirements, and emerging issues.
- Revisions and improvements to the documents are made as necessary based on feedback from these sessions.
- Once the review process is complete, the ERM Team consolidates the documents for Management and Board approval.
- Upon approval, the finalized document is communicated to all staff to guide their day-to-day activities.

- A follow-up round of review sessions is scheduled in 12 months to ensure continued relevance and effectiveness.

11.25 To ensure continuous improvement, periodic reviews, involving evaluation, control and monitoring of risk management processes are carried out to identify opportunities for improvement and increased risk management maturity. LAP places the implementation of the risk management process in the hands of Risk managers who report to the company's appointed Chief Risk Officer (CRO). The CRO works with the Enterprise Risk Committee of the Board a)Information, Communication and Reporting

11.26 Good communication is essential to effective risk management. It involves the constant sharing of information sourced from both inside and outside the Company. A timely, considered, and targeted approach to informing key stakeholders helps to foster a stronger risk management culture and informed risk responses The policy and framework is the guiding document for risk management in the company and is reviewed as and when required as appropriate to maintain its effectiveness. Therefore, the Board monitors the compliance, approves the Risk Management Policy and any amendments thereto from time to time.

h. **The mechanisms in place for monitoring and ensuring continual compliance with the capital Adequacy Requirement (CAR).**

i. This includes:
   - Regular review of type and amount of investments and assets held are are within admissibility and are sufficient to meet the capital to cover statutory requirements and additional amounts required by the regulator,
   - Review would include actuarial investigation into the emerging and outstanding liabilities using actuarial and statistical models
   - Regular review of management and other expenses, including to control impact on profitability and hence capital adequacy
   - Review of underwriting and Claims management and use of reinsurance management to stabilize results
   - Conducting asset liability matching by nature, currency and term and using the results to monitor the solvency margin model which is the difference between the admissible assets and liabilities and shall not be less than 15% of the net premium income (gross income less reinsurance premium paid) or the minimum capital base (N3 billion) whichever is higher. Monitoring the solvency ratio as well as compliance with the requirements of the solvency control and intervention framework.

j. **The processes and controls in place for ensuring compliance with all other prudential requirements:**

- The creation of compliance dashboard or Rule Book by risk management department and compliance unit, constant emails from compliance unit to remind risk owners the necessity to fulfil the dictates of the prudential guidelines while Internal control reviews the activities of the risk owners to ensure excellent performance.

- Reminders are issued to the Heads of Departments at least three times, on different dates leading up to the deadline
- The Compliance Department also ensures enforcement of submission of all required returns no later than three days before the official submission deadlines.

....

Layemo B Abraham, MSc.(Kent, UK), ACIIN, DAT, CFI, ANAS, ASA
Chief Consulting Actuary & Chartered Insurer
Associate Nigeria Actuarial Society (ANAS), NGA
Associate Society of Actuaries (ASA), USA
Member, Institute & Faculty of Actuaries, United Kingdom
Associate, Chartered Insurance Institute of Nigeria

CONFIDENTIAL REPORT

Suite 24, 1st Floor, Motorways Centre1 Motorways Avenue

Alausa, Ikeja, Lagos, Nigeria

Reg. No.:BN2262019 ***Tel: +234(0)9079471359***

FRC/2016/PRO/DIR/003/00000015764 **Email: layemoabraham.oahac@gmail.com**

LINKAGE ASSURANCE PLC (LAP)

CERTIFICATE OF DATA ACCURACY

I certify that accurate and complete data has been submitted to O & A Hedge Actuarial Consulting for the purpose of producing the Financial Condition report for Linkage Assurance Plc.

This information consists of each relevant policy premiums received, claims paid and outstanding. data together with the 2025 LAP's Financial Condition Report and audited account and relevant past data and information.

Also, any material post-valuation event may not have been reflected in the FCR report unless those reported to the actuary, and this should be considered by any allowed interested party who are advised to contact the company's management before making any significant financial decision based on this FCR report.

I also undertake to inform the consulting actuary of any material event emerging between the date of signing this certificate and submitting our company's FCR to NAICOM.

....

Daniel Braie,
Managing Director/CEO
Linkage Assurance Plc
May 2026

CONFIDENTIAL REPORT

12. Appendix A: Reliance and limitations

13.1 This report had been prepared under the agreed scope of work and terms specified by the Linkage Assurance Plc in compliance with the directives from the National Insurance Commission (NAICOM).

13.2 The purpose and scope of this report is as set out in section 1 of the report, and the report is not intended to be used for any other purpose. In particular, although we have commented in general terms on the statutory solvency position of the company at the year ended 31 December 2025, nothing in this report should be taken as a definitive statement or certificate of solvency.

13.3 This report is not subject to and does not comply with, the Technical Standards on Reporting Actuarial Information (TAS R) issued by the Board for Actuarial Standards. However, we have followed the principles of TAS R to a reasonable extent.

13.4 This report is prepared for use by persons financially knowledgeable to the technical issues explained.

13.5 This report must be considered in its entirety, as individual sections, if considered in isolation, may be misleading.

13.6 This report does not represent investment advice or opinion on whether any transactions carried out by the parties were fair.

13.7 This report is concerned with actuarial and regulatory issues that are considered relevant to understanding the financial condition of the company.

13.8 This report relies on the data and other information supplied by the LAP on the companies in its group as described in section 1. The checks which were carried out are limited to those described in the report. Based on these checks, this report has relied on general completeness and accuracy of the information provided, which have not been independently verified. The checks should not be taken as an audit or a restructuring of the Company's annual financial statements. However, the checks are to ensure consistency and reasonableness in the light of the rules in the relevant market.

13.9 This report is for the exclusive use of the LAP. This report must not be reproduced orally or in written form, distributed or communicated either in whole or in part to any person, or be used by any other person, without the prior agreement of the company.

13.10 This report is not intended for use by a third party. Anyone who uses this report is agreeing to bear any untoward liability.

We have reviewed the signed document on ERM outlining the company's risk management and concluded as follows:

The NAICOM's guidelines require that the risk management framework address all material risks including, credit risk, operational risk, liquidity risk, reinsurance risk, underwriting risk, reserving risk, claims management risk, reputational risk, group risk and legal risk have been complied with. However, we encourage that the company

CONFIDENTIAL REPORT

put permitted risk exposures and limits or triggers. The document needs to be approved by the Board.

CONFIDENTIAL REPORT