

TANGERINE LIFE INSURANCE LIMITED
LIFE BUSINESS FINANCIAL CONDITION REPORT
AS AT 31 DECEMBER 2024



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Tangerine Life Insurance Limited
Life Business Financial Condition Report

19 February 2025

Becoda Consulting has prepared the financial condition report of the Life business portfolio of Tangerine Life Insurance Limited (“the Client” or “Tangerine Life”) as at 31 December 2024 and is addressed to the Managing Director of Tangerine Life Insurance Limited. The Report was prepared for our client's sole use and benefit and to meet our client's regulatory requirements under the Insurance Act of 2003. Becoda Consulting makes no representation or warranties to any other third party as to the accuracy or completeness of the Report.

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EXECUTIVE SUMMARY

- I. This report presents the findings of our analysis of the financial condition of the Life business of Tangerine Life Insurance Limited ("Tangerine Life") as at 31 December 2024.
- II. The analysis is based on data provided by Tangerine Life, including financial statements, actuarial valuation reports, and transactional data.

Key Findings:

- III. **Mixed Financial Performance:** Tangerine Life achieved substantial overall growth in gross premium written, increasing by 28.6% to ₦11,146 million in 2024. However, profit before tax of ₦2,390 million in 2024 was (5.7)% lower than 2023. The decline in profit was due a reduction in insurance service result and an increase in expenses.
- IV. **Strong Capital Position:** Shareholder equity has increased 17.1% to ₦9,819 million in 2024, with shareholders' funds exceeding the ₦2 billion minimum statutory capital requirement. The Capital Adequacy Ratio (CAR) has increased to 491.0% as of 31 December 2024.
- V. **Solvency:** Tangerine Life maintains a strong capital position and is solvent. However, the proposed increase in the minimum required statutory capital to ₦8 billion presents a potential challenge as the CAR would be 122.7% assessed against the higher capital at 2024.
- VI. **New Business Profitability:** All lines of business, except Credit Life, are projected to generate a Contractual Service Margin (CSM), indicating profitability at inception. No new business was written for retail Credit Life 2024.
- VII. **Declining Reinsurance Effectiveness:** While reinsurance has been effective in mitigating risk, the declining reinsurance recoveries ratio and the "Value for Money Ratio" suggest a need for further investigation and potential optimization of reinsurance arrangements.
- VIII. **Targets for 2025:** Tangerine Life's 2025 forecast presents ambitious targets, particularly in premium growth and expense reduction. The company aims to achieve a 61.5% increase in gross written premiums, reaching ₦18,000 million and expense ratio of 36.2%. This is a significant acceleration compared to the 29.5% growth and 46.5% expense ratio achieved in 2024.

1. INTRODUCTION

1.1 Purpose

The primary objective of this report is to present the findings of our analysis of the financial condition of the Life business of Tangerine Life Insurance Limited (“Tangerine Life”) as at December 31, 2024.

This report has been prepared exclusively for Tangerine Life and we understand it would form part of its submission to NAICOM. Its distribution is restricted to NAICOM, and it is not suitable for any purpose other than that stated herein.

1.2 Documents and Information Supplied

We were supplied with the following documents and information for this report by the Management of Tangerine Life.

- a) Audited financial statements as at 31 December 2023.
- b) Unaudited financial statements as at 31 December 2024.
- c) IFRS 17 financial disclosures as at 31 December 2024, as prepared by Becoda and Tangerine Life.
- d) Insurance liability valuation as at 31 December 2024 prepared by Becoda.
- e) Summary of actual transactional data and cashflows in the reporting period.
- f) Tangerine Life 2025 Strategy slides which included its forecasted profit and loss for the years 2025 - 2028.

1.3 Reliance and Limitations

The preparation and submission of this Financial Condition Report are the sole responsibility of Tangerine Life's management. Our role is limited to conducting an independent analysis, which does not constitute a review or audit. As such, we do not express any assurance concerning Tangerine Life's financial condition, its long-term sustainability, or its ability to operate as a going concern.

This report is based on information and data provided by Tangerine Life's management. While we have relied on this information, we have not conducted a full audit. Therefore, our analysis and conclusions are necessarily constrained by the accuracy and completeness of the provided data and the appropriateness of the underlying assumptions.

2. BUSINESS OVERVIEW

2.1 Activities of the Company

Tangerine Life's business is made up of the following the lines of business:

- Protection
- Endowment
- Investment-Linked
- Credit Life
- Group Life

There has been no change in the lines of business it underwrites in 2024 compared to 2023.

The financial highlights for the year ending 31 December 2024 compared to the year ending 31 December 2023 and 31 December 2022¹:

Statement of profit or loss	2024	2023	2022 restated
<i>Amounts in N'000</i>			
Insurance service result	620,154	709,052	(113,061)
Financial insurance result	4,215,715	4,201,367	172,141
Other expenses	(2,445,442)	(2,376,496)	(2,162,220)
Profit before tax	2,390,428	2,533,923	(2,103,140)
Income tax	(764,937)	(129,382)	(35,463)
Profit for the year	1,625,491	2,404,541	(2,138,603)

Statement of changes in equity	2024	2023	2022 restated
<i>Amounts in N'000</i>			
Opening equity	8,383,014	6,017,396	8,019,287
Profit for the year	1,625,491	2,404,541	(2,138,603)
Other comprehensive income for the year	(189,274)	(38,922)	136,712
Cash Dividend	0	0	0
Transfer to Contingency Reserve	0	0	0
Other changes in equity	0	0	0
Closing equity	9,819,232	8,383,015	6,017,396

Tangerine Life achieved a profit before tax of ₦2,390 million in 2024, a (5.7)% decrease compared to ₦2,534m made over 2023. The decline in performance in 2024 was driven by a reduction in insurance service result as a result of an increase in expenses compared to 2023.

We note that shareholder equity has increased over the last three years, going from ₦6,017 million in 2022 to ₦9,819 million in 2024. However, the growth is uneven, with a significant jump of 39.3% between 2022 and 2023, followed by slower growth, 17.1%, in 2024. Profit (after tax) for the year is the primary driver of equity growth in both 2023 and 2024. This is a positive sign, although, as noted before, the profit declined in 2024.

¹ The results are based on IFRS17 compliant calculations and disclosures

2.2 Company Structure and Changes during the Year

The table provides a profile of the shareholding as at 31 December 2024.

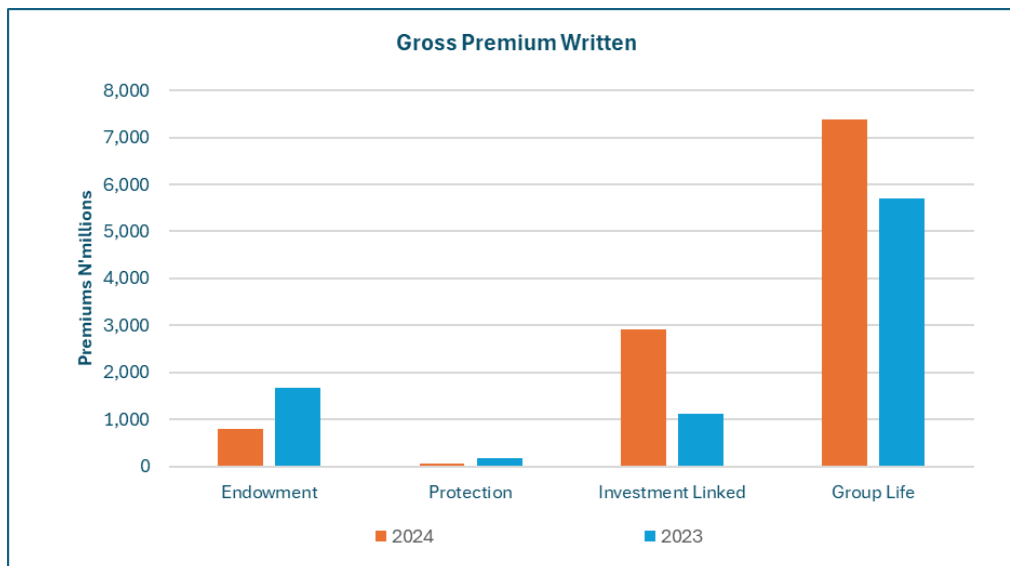
Shareholder	Shareholding	% Shareholding
Oreon LMS Limited	7,999,999,998	100.00
LOOYS Limited	2	0.00
TOTAL	8,000,000,000	100.00

We understand there were no changes in the holdings above compared to 2023.

2.3 Premium history

Tangerine Life has experienced substantial overall growth in gross premium written, increasing by 28.6% from ₦8,666 million in 2023 to ₦11,146 million in 2024.

Line of business	Gross Premium Written (N'000)		Change over the period
	2024	2023	
Endowment	788,788	1,671,047	-52.8%
Protection	58,564	163,892	-64.3%
Investment Linked	2,913,072	1,128,217	+158.2%
Group Life	7,386,028	5,702,682	+29.5%
Credit Life	0	0	-
Total	11,146,452	8,665,838	+28.6%



Over the period, there were substantial decreases in the premiums for Endowment and Protection business, which is more than offset by increases in premiums written for Investment Linked and Group Life business.

Group Life business accounts for the largest portion of Tangerine Life's premium in both years. No premiums were written for Retail Credit Life business over both years.

2.4 New Business Impact

IFRS 17 requires that the impact of new business is measured and disclosed to show whether new contracts written over the period are profitable or onerous at inception. The Standard IFRS 17 introduces the “contractual service margin” (CSM) for this, and it represents unearned profit for a group of insurance contracts. It is added to the balance sheet liability to eliminate day one profits and then controls the rate at which profits are recognised in profit or loss.

To calculate whether there is a CSM at inception, we compare:

(A) the present value of estimates of the future cash inflows, to

(B) the total of present value of estimates of the future cash outflows and the value of the risk margin

If (A) > (B), then we have a CSM, i.e. the contracts are profitable, otherwise the contracts are onerous.

The following tables present the contractual service margin for the contracts written in 2024, along with some analysis of the estimates of cash flows.

Insurance contracts recognized in the year ending 31 December 2024

	Endowment	Protection	Investment Linked	Credit Life
Estimates of future cash inflows	385,405,818	35,237,079	135,233,319	-
Estimates of future cash outflows				
- Claims	289,213,954	9,125,080	3,123,644	-
- Directly attributable expenses	5,299,237	13,132,311	89,960,175	-
- Acquisition cash flows	34,713,723	4,681,255	10,860,625	-
	329,226,914	26,938,646	103,944,443	-
Risk adjustment for non-financial risk	1,351,272	522,393	9,507,555	-
Contractual service margin	54,827,633	7,776,040	21,781,320	-
Total insurance contract liabilities at Inception	-	-	-	-
Claims as a % of future cash inflows	75.0%	25.9%	2.3%	-
Directly attributable exps as a % of future cash inflow	1.4%	37.3%	66.5%	-
Acquisition costs as a % of future cash inflows	9.0%	13.3%	8.0%	-
Risk adjustment as a % of future cash inflows	0.4%	1.5%	7.0%	-
CSM as a % of future cash inflows	14.2%	22.1%	16.1%	-

All lines of business are projected to generate a CSM. Endowment generates the highest absolute CSM at ₦54.8 million but relative to future cash inflows, this is 14.2%, the lowest above. This is because its expected claims burden is the highest at 75% of future cash inflows.

Protection exhibits the strongest expected performance, with a CSM representing 22.1% of projected cash inflows. This suggests that Protection business may be the most profitable per unit of premium or policy.

Investment Linked business has a low expected claims burden at 2.3% but the highest direct expense burden of 66.5%. The low claims burden is due to the fact that the risk element of the product are not material and are mostly investment driven. Its CSM per unit of inflow lies between Protection and Endowment.

2.5 Experience Analysis – Group Life Insurance Contracts

We have carried out analysis of the experience of Tangerine Life's Group Life insurance contracts over the period 2023 - 2024 in the table below.

	2024	2023	Change over the period
<i>Amounts in N'000</i>			
INSURANCE CONTRACT EXPERIENCE RATIOS			
Premiums received	7,386,028	5,702,682	+29.5%
Insurance revenue	6,080,592	5,578,288	+9.0%
Incurred claims	(3,620,381)	(3,275,810)	+10.5%
Acquisition costs	(648,535)	(537,128)	+20.7%
Fulfilment expenses	(976,309)	(786,687)	+24.1%
Other (management) expenses	(1,348,237)	(1,172,064)	+15.0%
Investment income	1,680,750	1,392,819	+20.7%
Profit before tax	1,033,670	1,914,740	-46.0%
<i>As a % of premium received:</i>			
Insurance Revenue	82.3%	97.8%	-15.5%
Incurred Claims [A]	(49.0)%	(57.4)%	+8.4%
Acquisition costs [B]	(8.8)%	(9.4)%	+0.6%
Fulfilment expenses [C]	(13.2)%	(13.8)%	+0.6%
Other (management) expenses [D]	(18.3)%	(20.6)%	+2.3%
Investment Income	22.8%	24.4%	-1.7%
Profit before tax	14.0%	33.6%	-19.6%
Combined ratio on Insurance Services = [A] + [B] + [C] + [D]	(89.3)%	(101.2)%	+11.9%

- Premiums received for Group Life business saw substantial growth of 29.5% in 2024, reaching ~~N~~7,386 million. However, this impressive growth did not translate into improved profitability, as profit before tax declined sharply by 46.0% to ~~N~~1,034 million.
- While claims and expenses increased in absolute terms, their ratios relative to premium received showed improvement. The claims ratio improved from 57.4% to 49.0%, but acquisition costs, fulfilment expenses and other management expenses, only improved slightly as a percentage of premium. Hence an improvement in the

combined ratio from 101.2% in 2023 to 89.3% in 2024, driven mainly by the reduction in claims ratio and indicates a significant improvement in underwriting performance.

- Although investment income increases in absolute terms over the period, its contribution relative to premiums received decreased from 24.4% to 22.8% over the period.

2.6 Experience Analysis – Group Life Reinsurance Contracts

The table below provides an overview of Tangerine Life's Group Life reinsurance contracts over the same period.

	2024	2023	Change over the period
<i>Amounts in N'000</i>			
REINSURANCE CONTRACT EXPERIENCE RATIOS			
Reinsurance premiums paid	(2,488,405)	(1,355,792)	+83.5%
Inward commissions & fees	721,939	367,277	+96.6%
Reinsurance recoveries	1,090,752	700,156	+55.8%
Reinsurance contract remeasurements	1,255,891	1,090,507	+15.2%
Net income or (expense) on reinsurance	580,178	802,149	-27.7%
<i>As a % of reinsurance premium paid:</i>			
Inward commissions & fees	29.0%	27.1%	+1.9%
Reinsurance recoveries	43.8%	51.6%	-7.8%
Reinsurance contract remeasurements	50.5%	80.4%	-30.0%
Net income or (expense) on reinsurance	23.3%	59.2%	-35.8%

Despite an 83.5% increase in reinsurance premiums paid, significantly outpacing the growth in insurance contract premiums, net reinsurance income declined substantially in 2024. This indicates more expected future reinsurance expense cashflows compared to expected reinsurance recovery cashflows in 2024 than in 2023.

Analysis of the ratios relative to reinsurance premiums paid reveals that the reinsurance recoveries ratio decreased from 51.6% in 2023 to 43.8% in 2024, indicating lower recoveries relative to premiums ceded and suggests a potential misalignment between the cost of reinsurance and the actual recoveries achieved. Further investigation is crucial to understand the reasons behind this decline.

2.7 Reinsurance Effectiveness – Group Life

The table below provides a general assessment of the value derived from reinsurance arrangements over the last three years.

	2024	2023	2022 restated	Total
<i>Amounts in N'000</i>				
Reinsurance expense	(2,488,405)	(1,355,792)	(753,454)	(4,597,650)
Inward commission & fees	721,939	367,277	172,854	1,262,071
Reinsurance recoveries	1,090,752	700,156	480,204	2,271,112
Reinsurance Income	1,812,691	1,067,433	653,058	3,533,183
Value for Money Ratio	72.8%	78.7%	86.7%	76.8%

A three-year target of around 80% would normally be advised for the Value for Money ratio. Over the three-year period, we see around 77% of reinsurance premium was recovered by Tangerine Life, with around 64% from recoveries and 36% from commission and fees on average over the three years.

However, looking at the year-on-year trend, we see that the “Value for Money Ratio” is on a downward trajectory over the period above. As such, it is instructive for Tangerine Life to investigate drivers whilst also looking to review its reinsurance arrangements and optimise them.

3. FINANCIAL POSITION AND MANAGEMENT

3.1 Statement of financial position

The table below presents Tangerine Life's statement of financial position for the year ending 31 December 2024 compared to 2023.

Statement of financial position

<i>Amounts in N'000</i>	2024	2023	% change
Financial Assets	19,981,401	13,334,896	+49.8%
Property	700,000	544,000	+28.7%
Cash and cash equivalents	2,646,753	5,857,410	-54.8%
Invested Assets	23,328,154	19,736,306	+18.2%
Reinsurance Assets	1,975,257	748,879	+163.8%
Other balance sheet assets	3,534,431	4,245,683	-16.8%
Total Assets	28,837,842	24,730,868	+16.6%
Insurance liabilities	16,269,306	13,488,754	+20.6%
Other liabilities	2,749,305	2,859,099	-3.8%
Total Liabilities	19,018,611	16,347,853	+16.3%
Net Assets	9,819,232	8,383,015	+17.1%

The Company's total assets have increased by 16.6% from ₦24,731 million in 2023 to ₦28,837 million in 2024. This growth is primarily attributable to a substantial increase in financial assets, which have grown by 49.8% to reach ₦19,981 million in 2024. Financial assets now represent 69.3% of total assets, up from 53.9% in 2023. Cash and cash equivalents have decreased significantly by 54.8%.

Total liabilities have increased by 16.6%, but at a slower pace than assets in absolute terms. This has resulted in a 17.1% growth in net assets, which now stand at ₦9,819 million.

3.2 Results of the Insurance Liability Valuation

The following table provides a reconciliation of the insurance contract liabilities and assets as at 31st December 2024.

Reconciliation of Insurance Contract Liabilities <i>N'm</i>	Total	Endowment	Protection	Investment Linked	Group Life	Credit Life
Opening insurance contract assets	-	-	-	-	-	-
Opening insurance contract liabilities	13,488.8	6,863.2	45.0	2,451.3	4,082.5	46.8
Net opening balance	13,488.8	6,863.2	45.0	2,451.3	4,082.5	46.8
Insurance revenue	(6,768.8)	(144.4)	(65.2)	(460.8)	(6,080.6)	(17.8)
Insurance service expenses		-	-	-	-	-
Incurred claims and other expenses	5,290.0	528.3	33.8	131.2	4,596.7	(0.1)
Acquisition expenses	961.4	65.6	4.9	242.3	648.5	-
Changes related to future service	270.9	41.9	8.4	225.5	-	(5.0)
Changes related to past service	200.7	-	-	-	200.7	-
Total Insurance service expenses	6,722.9	635.8	47.1	599.1	5,445.9	(5.1)
Investment components	-	-	-	-	-	-
Insurance service result	(45.9)	491.4	(18.1)	138.3	(634.7)	(22.8)
Insurance finance expenses	21.8	(438.3)	8.4	447.2	-	4.6
Total change in comprehensive income	(24.0)	53.1	(9.7)	585.5	(634.7)	(18.2)
Premiums received	11,146.5	788.8	58.6	2,913.1	7,386.0	-
Claims and expenses paid	(7,380.5)	(1,315.5)	(33.8)	(1,721.8)	(4,309.0)	(0.3)
Acquisition costs paid	(961.4)	(65.6)	(4.9)	(242.3)	(648.5)	-
Total cash flows	2,804.6	(592.3)	19.8	948.9	2,428.5	(0.3)
Closing insurance contract assets	-	-	-	-	-	-
Closing insurance contract liabilities	16,269.3	6,324.0	55.1	3,985.7	5,876.3	28.2
Net closing balance	16,269.3	6,324.0	55.1	3,985.7	5,876.3	28.2

The next table provides a reconciliation of the risk adjustment element of the insurance contract liabilities as at 31st December 2024 as stated in the previous table.

Reconciliation of Risk Adjustment on Insurance Contract Liabilities N'm	Total	Endowment	Protection	Investment Linked	Group Life	Credit Life
Opening insurance contract assets	-	-	-	-	-	-
Opening insurance contract liabilities	202.1	154.2	0.5	1.1	45.3	1.1
Net opening balance	202.1	154.2	0.5	1.1	45.3	1.1
Changes related to current services	-	-	-	-	-	-
CSM for service provided	-	-	-	-	-	-
Risk Adjustment release for expired risks	(11.2)	(24.9)	(0.6)	(6.2)	20.9	(0.4)
Experience adjustments	-	-	-	-	-	-
Total changes related to current services	(11.2)	(24.9)	(0.6)	(6.2)	20.9	(0.4)
Changes related to future services	-	-	-	-	-	-
New contracts recognised	11.4	1.4	0.5	9.5	-	-
Changes in estimates reflected in CSM	7.2	7.4	(0.0)	0.1	-	(0.3)
Changes in estimates resulting in contract losses	12.5	11.5	0.1	0.9	-	(0.1)
Total changes related to future services	31.1	20.2	0.6	10.6	-	(0.4)
Changes that relate to past service	-	-	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	-	-	-	-
Total changes that relate to past service	-	-	-	-	-	-
Insurance service result	(19.9)	4.7	(0.1)	(4.4)	(20.9)	0.7
Insurance finance expenses	-	-	-	-	-	-
Total change in comprehensive income	(19.9)	4.7	(0.1)	(4.4)	(20.9)	0.7
Total cash flows	-	-	-	-	-	-
Closing insurance contract assets	-	-	-	-	-	-
Closing insurance contract liabilities	222.0	149.5	0.6	5.5	66.1	0.3
Net closing balance	222.0	149.5	0.6	5.5	66.1	0.3

Similar to the insurance contract liabilities, the following table provides a reconciliation of the reinsurance contract assets as at 31st December 2024.

Reconciliation of Reinsurance Contract Assets <i>N'm</i>	Total	Endowment	Protection	Investment Linked	Group Life	Credit Life
Opening insurance contract assets	748.9	-	-	-	748.9	-
Opening insurance contract liabilities	-	-	-	-	-	-
Net opening balance	748.9	-	-	-	748.9	-
Insurance revenue	(938.6)	-	-	-	(938.6)	-
Insurance service expenses	-	-	-	-	-	-
Incurred claims and other expenses	1,316.1	-	-	-	1,316.1	-
Acquisition expenses	-	-	-	-	-	-
Changes related to future service	-	-	-	-	-	-
Changes related to past service	202.7	-	-	-	202.7	-
Total Insurance service expenses	1,518.8	-	-	-	1,518.8	-
Investment components	-	-	-	-	-	-
Insurance service result	580.2	-	-	-	580.2	-
Insurance finance expenses	(29.5)	-	-	-	(29.5)	-
Total change in comprehensive income	550.7	-	-	-	550.7	-
Premiums received	1,766.5	-	-	-	1,766.5	-
Claims and expenses paid	(1,090.8)	-	-	-	(1,090.8)	-
Acquisition costs paid	-	-	-	-	-	-
Total cash flows	675.7	-	-	-	675.7	-
Closing insurance contract assets	1,975.3	-	-	-	1,975.3	-
Closing insurance contract liabilities	-	-	-	-	-	-
Net closing balance	1,975.3	-	-	-	1,975.3	-

The table below provides a reconciliation of the risk adjustment element of the reinsurance contract assets as at 31st December 2024.

Reconciliation of Risk Adjustment on Reassurance Contract Assets N'm	Total	Endowment	Protection	Investment Linked	Group Life	Credit Life
Opening insurance contract assets	9.8	-	-	-	9.8	-
Opening insurance contract liabilities	-	-	-	-	-	-
Net opening balance	9.8	-	-	-	9.8	-
Changes related to current services	-	-	-	-	-	-
CSM for service provided	-	-	-	-	-	-
Risk Adjustment release for expired risks	8.4	-	-	-	8.4	-
Experience adjustments	-	-	-	-	-	-
Total changes related to current services	8.4	-	-	-	8.4	-
Changes related to future services	-	-	-	-	-	-
New contracts recognised	-	-	-	-	-	-
Changes in estimates reflected in CSM	-	-	-	-	-	-
Changes in estimates resulting in contract losses	-	-	-	-	-	-
Total changes related to future services	-	-	-	-	-	-
Changes that relate to past service	-	-	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	-	-	-	-
Total changes that relate to past service	-	-	-	-	-	-
Insurance service result	(8.4)	-	-	-	(8.4)	-
Insurance finance expenses	-	-	-	-	-	-
Total change in comprehensive income	(8.4)	-	-	-	(8.4)	-
Total cash flows	-	-	-	-	-	-
Closing insurance contract assets	18.2	-	-	-	18.2	-
Closing insurance contract liabilities	-	-	-	-	-	-
Net closing balance	18.2	-	-	-	18.2	-

Please see the Appendix for more detailed reconciliation tables.

3.3 Solvency

The table below provides Tangerine Life's balance sheet solvency margin and capital adequacy ratio over the years 2023 - 2024.

<i>Amounts in N'000</i>	2024	2023
Insurance contract liabilities	16,269,306	13,488,754
Shareholders' Funds	9,819,232	8,383,015
Balance Sheet Solvency Margin	60.4%	62.1%
Minimum Required Statutory Capital	2,000,000	2,000,000
Capital Adequacy Ratio	491.0%	419.2%

Tangerine Life currently maintains a strong capital position, with shareholders' funds exceeding the ₦2 billion minimum statutory capital requirement throughout 2023-2024. The Capital Adequacy Ratio (CAR) has increased to 491.0% as of 31 December 2024, significantly above regulatory requirements. However, the proposed increase in minimum required statutory capital to ₦8 billion presents a potential challenge. Under this scenario, the company's 2024 CAR would have been 122.7%.

Furthermore, while the company is solvent, the Balance Sheet Solvency Margin (ratio of shareholders fund to insurance contract liabilities) has decreased slightly to 60.1% in 2024 and is considered low compared to peers.

The following tables show how sensitive the balance sheet solvency margin and CAR are to changes in the confidence interval used to set the Risk Adjustment.

Balance Sheet Solvency Margin Sensitivity to Risk Adjustment Confidence Level

	2024	2023
50% confidence interval	+2.0%	+2.4%
60% confidence interval	+0.5%	+0.6%
Base (70% confidence interval)	60.1%	62.1%
80% confidence interval	-0.3%	-0.4%
90% confidence interval	-1.2%	-1.5%
99.5% confidence interval	-2.6%	-3.1%

Capital Adequacy Ratio Sensitivity to Risk Adjustment Confidence Level

	2024	2023
50% confidence interval	+9.9%	+9.9%
60% confidence interval	+2.7%	+2.7%
Base (70% confidence interval)	491.0%	436.7%
80% confidence interval	-4.1%	-1.6%
90% confidence interval	-8.6%	-6.2%
99.5% confidence interval	-15.6%	-13.2%

3.4 Business Plan

Tangerine Life's forecast for all its business for the year ending 31 December 2024 is shown in the tables below.

Amounts in N'000	2025 Forecast	2024 Actual	2023 Actual	2025 Forecast vs. 2024 Actual
INSURANCE CONTRACTS				
Premiums received	18,000,000	11,146,452	8,019,541	+61.5%
Insurance revenue	11,857,061	6,768,771	6,189,328	+75.2%
Incurred claims	(5,455,343)	(3,647,805)	(3,313,145)	+49.6%
Acquisition costs	(1,260,051)	(961,359)	(774,188)	+31.1%
Fulfilment expenses	(2,319,491)	(1,775,108)	(1,423,833)	+30.7%
Other (management) expenses	(2,928,539)	(2,451,339)	(2,094,513)	+19.5%
Investment income	3,913,999	4,267,055	5,133,831	-8.3%
Profit before tax	3,787,859	2,390,428	2,495,261	+58.5%
<i>As a % of premium received:</i>				
Insurance Revenue	65.9%	60.7%	77.2%	+5.1%
Incurred claims [A]	(30.3)%	(32.7)%	(41.3)%	+2.4%
Acquisition costs [B]	(7.0)%	(8.6)%	(9.7)%	+1.6%
Fulfilment expenses [C]	(12.9)%	(15.9)%	(17.8)%	+3.0%
Other (management) expenses [D]	(16.3)%	(22.0)%	(26.1)%	+5.7%
Investment Income	21.7%	38.3%	64.0%	-16.5%
Profit before tax	21.0%	21.4%	31.1%	-0.4%
Combined ratio on Insurance Services = [A] + [B] + [C] + [D]	(66.5)%	(79.3)%	(94.8)%	+12.8%

Tangerine Life's 2025 forecast presents ambitious targets, particularly in premium growth and expense reduction.

- **Accelerated premium growth:** The company aims to achieve a 61.5% increase in gross written premiums, reaching ₦18 billion. This is a significant acceleration compared to the 29.5% growth achieved in 2024.
- **Overall reduction in expense profile:** The forecast also anticipates a substantial reduction in the company's expense profile. Specifically, the ratios of acquisition costs, fulfilment expenses, and other management expenses to premium received are all projected to decrease. Combined, these expense ratios are expected to fall from 46.5% in 2024 to 36.2% in 2025. Achieving this level of expense reduction may prove challenging, especially considering the economic headwinds and inflationary pressures in the Nigerian market.
- **Robust underwriting performance:** On the underwriting side, the forecast assumes a modest reduction in the incurred claims ratio, from 32.7% to 30.3%. This suggests an expectation of maintaining robust underwriting performance, keeping claims relatively stable as a proportion of the premium despite the significant premium growth.

- *Substantial improvement in profitability:* Driven by these projections, Tangerine Life forecasts a profit before tax of ₦3,788 million in 2025. This represents a 58.5% improvement over the ₦2,390 million achieved in 2024.

It is important to note that this profit projection is heavily reliant on the successful execution of the ambitious premium growth and expense reduction strategies, as well as the continued strong underwriting performance.

3.5 Sensitivity Analysis

This section presents the results of sensitivity analysis on the best estimate liability as at 31 December 2024.

Sensitivities on Best Estimate Liabilities - December 2024 (Excludes Group Life)											
Amounts in N'000	Stress Factor	Credit Life		Endowment		Protection		Investment Linked		Total	
Base		12,314		6,028,081		22,710		3,639,656		9,702,761	
Interest_Up	10%	-944	-7.7%	-1,076,819	-17.9%	-1,818	-8.0%	-26,043	-0.7%	-1,105,624	-11.4%
Interest_Down	10%	+1,171	+9.5%	+1,624,280	+26.9%	+2,739	+12.1%	+181,881	+5.0%	+1,810,071	+18.7%
Inflation_Up	10%	+914	+7.4%	+30,839	+0.5%	+2,375	+10.5%	+15,143	+0.4%	+49,272	+0.5%
Inflation_Down	10%	-160	-1.3%	-4,889	-0.1%	-367	-1.6%	-2,490	-0.1%	-7,906	-0.1%
Lapse_Up	10%	+0	-	+14,947	+0.2%	+0	-	-1,903	-0.1%	+13,044	+0.1%
Lapse_Down	10%	+0	-	-15,032	-0.2%	+0	-	+1,939	+0.1%	-13,094	-0.1%
Mortality_Up	10%	+231	+1.9%	+1,533	+0.0%	+511	+2.2%	+249	+0.0%	+2,523	+0.0%
Mortality_Down	10%	-231	-1.9%	-4,053	-0.1%	-492	-2.2%	-245	-0.0%	-5,021	-0.1%
Expenses_Up	10%	+984	+8.0%	+15,277	+0.3%	+1,978	+8.7%	+13,359	+0.4%	+31,597	+0.3%
Expenses_Down	10%	-984	-8.0%	-15,263	-0.3%	-1,971	-8.7%	-12,583	-0.3%	-30,801	-0.3%
Morbidity_Up	10%	+0	-	+0	-	+0	-	+23	+0.0%	+23	+0.0%
Morbidity_Down	10%	+0	-	+0	-	+0	-	-23	-0.0%	-23	-0.0%

The sensitivity analysis reveals that the total best estimate liability (BEL) is most sensitive to changes in interest rates. Specifically, a 10% decrease in interest rates leads to a 18.7% increase in the BEL, equivalent to ₦1,810 million. This sensitivity is primarily driven by the endowment business, which accounts for the largest portion of the interest rate risk exposure.

To a lesser extent, the BEL is also sensitive to increases in inflation and expenses. A 10% increase in inflation results in a 0.5% rise in the BEL, while a 10% increase in expenses leads to a 0.3% increase. These sensitivities are mainly attributable to the endowment and investment-linked business lines.

The analysis also highlights the varying levels of sensitivity across different lines of business. Endowment and protection products are most sensitive to interest rate changes in relative terms, while investment-linked products show a greater sensitivity to lapse rate changes.

Overall, the sensitivity analysis underscores the importance of actively managing interest rate risk, particularly for the endowment business. Monitoring and mitigating the impact of potential changes in interest rates, inflation, and expenses is crucial for maintaining the accuracy and reliability of the BEL.

3.6 Material Risks

Economic Risk

This specifically relates to the impact of market conditions, specifically, fiscal measures and inflationary pressures on the operations of Tangerine Life. As shown in the sensitivity analysis above, the key market risk for Life business are the interest rates at which liabilities are valued and, to a lesser extent, inflation rates particularly where claims take longer to settle or are subject to litigation.

Expense Risk

Tangerine Life achieved an expense ratio² of 46.5% in 2024 which is an improvement on the 53.5% achieved in 2023. We see that the target for 2025 is 36.2%, which will be an improvement on 2024 and will require robust reduction and control of expenses in the face of inflationary headwinds.

Pricing Risk

This is the risk that the premiums charged do not adequately reflect the underlying risks being written. Our analysis of new business in 2024 (in section 2.4) suggest these generate healthy contractual service margins and so premiums charged could be considered adequate on a projected future cashflows basis. We also note that the combined ratio for the Group Life business improved significantly from 101.2% in 2023 to 89.3% in 2024 based on actual incurred claims.

Insurance Risk

In assessing this we considered the incurred claims ratio at an aggregate level for the year ending 31 December 2023. This ratio improved over 2024 from 38.2% in 2023 to 32.7%. For the 2025 projected business plan, this target is 30.3% which is not unreasonable and would depend on Tangerine's Life management of the business and the emerging experience from its core lines of business.

Catastrophe Risk

This is the risk of high-severity and low-frequency loss events is a risk that mostly affects the Group Life business. This can be mitigated by diversifying the spread of risks covered, by geography and industry, through its underwriting procedures. Reinsurance can also be used to mitigate this risk.

² This is the sum of the acquisition cost ratio, fulfilment expense ratio and other (management) expense ratio

Currency Risk

Tangerine Life holds assets in US Dollars, as such is exposed to currency risk. The company functional currency is the Nigerian Naira and has such, there is a mismatch that should be monitored and managed to ensure any residual exposure is within the Company's risk appetite.

4. PRICING AND PREMIUM ADEQUACY

To assess pricing and premium adequacy, we looked at the projected cashflows and considered whether cohorts of policies were profitable (i.e. resulting in a positive CSM), non-onerous (i.e. resulting in a zero CSM) or onerous (i.e. resulting in a negative CSM).

The table below provides an overview of the CSM by portfolio.

Portfolio	CSM
Credit Life	15,588,427
Endowment	146,393,322
Investment Linked	340,551,471
Protection	31,847,247
TOTAL	534,380,467

Tangerine Life has a total CSM of ~~N~~534 million, with the investment linked business contributing 64% of this, followed by endowment business 27%, protection business 6% and finally credit life business 3%.

5. ACTUARIAL STANDARDS

Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work, including the information and advice contained in this report.

The following Technical Actuarial Standards are applicable in relation to this report and have been complied with where material:

- TAS 100: Generic TAS - Principles for Technical Actuarial Work, which applies to all technical actuarial work and promotes high-quality technical actuarial work.
- TAS 200: Insurance - Insurance (TAS 200) promotes high-quality technical actuarial work in insurance on matters where there is a high degree of risk to the public interest.



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FRC/2015/PRO/NAS/004/00000012946

6. APPENDIX: Aggregate Reconciliation of Insurance Contract Liabilities and Reinsurance Contract Assets

Reconciliation of the liability for remaining coverage and the liability for incurred claims for insurance contracts -

Reconciliation of carrying amounts by LRC/LIC: insurance	Liability for Remaining Coverage (LRC)		Liability for Incurred Claims	Insurance Contract Liabilities (ICL)
	Non-onerous	Onerous	LIC	
Opening insurance contract assets	-	-	-	-
Opening insurance contract liabilities	10,041,595,224	786,524,471	2,660,634,397	13,488,754,091
Net opening balance	10,041,595,224	786,524,471	2,660,634,397	13,488,754,091
Insurance revenue	(6,768,770,630)	-	-	(6,768,770,630)
Insurance service expenses				
Incurred claims and other expenses	-	(132,938,777)	5,422,913,215	5,289,974,438
Acquisition expenses	961,358,641	-	-	961,358,641
Changes related to future service	-	270,879,329	-	270,879,329
Changes related to past service	-	-	200,683,700	200,683,700
Total Insurance service expenses	961,358,641	137,940,552	5,623,596,915	6,722,896,109
Investment components	(2,245,254,777)	-	2,245,254,777	-
Insurance service result	(8,052,666,766)	137,940,552	7,868,851,692	(45,874,521)
Insurance finance expenses	21,827,533	-	-	21,827,533
Total change in comprehensive income	(8,030,839,233)	137,940,552	7,868,851,692	(24,046,988)
Premiums received	11,146,451,885	-	-	11,146,451,885
Claims and expenses paid	-	-	(7,380,494,571)	(7,380,494,571)
Acquisition costs paid	(961,358,641)	-	-	(961,358,641)
Total cash flows	10,185,093,244	-	(7,380,494,571)	2,804,598,673
Closing insurance contract assets	-	-	-	-
Closing insurance contract liabilities	12,195,849,235	924,465,023	3,148,991,518	16,269,305,776
Net closing balance	12,195,849,235	924,465,023	3,148,991,518	16,269,305,776

Reconciliation of the components of insurance contract liabilities

	Estimates of present value of future cashflows	Risk Adjustment	CSM	Total
Reconciliation of carrying amounts by BEL/RA/CSM: insurance				
Opening insurance contract assets	-	-	-	-
Opening insurance contract liabilities	13,017,802,185	202,121,376	268,830,530	13,488,754,091
Net opening balance	13,017,802,185	202,121,376	268,830,530	13,488,754,091
Changes related to current services				
CSM for service provided	0	0	(251,629,744)	(251,629,744)
Risk Adjustment release for expired risks	0	(11,195,379)	0	(11,195,379)
Experience adjustments	(254,612,428)	-	-	(254,612,428)
Total changes related to current services	(254,612,428)	(11,195,379)	(251,629,744)	(517,437,551)
Changes related to future services				
New contracts recognised	(95,766,213)	11,381,220	84,384,993	-
Changes in estimates reflected in CSM	(386,423,668)	7,222,325	379,201,343	-
Changes in estimates resulting in contract losses	258,419,067	12,460,262		270,879,329
Total changes related to future services	(223,770,814)	31,063,807	463,586,336	270,879,329
Changes that relate to past service				
Adjustments to liabilities for incurred claims	200,683,700	-	-	200,683,700
Total changes that relate to past service	200,683,700	0	-	200,683,700
Insurance service result	277,699,541	(19,868,429)	(211,956,592)	45,874,521
Insurance finance expenses	(31,765,813)	-	53,593,346	21,827,533
Total change in comprehensive income	309,465,354	(19,868,429)	(265,549,937)	24,046,988
Total cash flows	2,804,598,673			2,804,598,673
Closing insurance contract assets	-	-	-	-
Closing insurance contract liabilities	15,512,935,504	221,989,805	534,380,467	16,269,305,776
Net closing balance	15,512,935,504	221,989,805	534,380,467	16,269,305,776

Reconciliation of the liability for remaining coverage and the liability for incurred claims for reinsurance contracts

	Liability for Remaining Coverage (LRC)		Liability for Incurred Claims	Insurance Contract Liabilities (ICL)
	Non-onerous	Onerous	LIC	
Reconciliation of carrying amounts by LRC/LIC: reinsurance				
Opening insurance contract assets	258,356,214	-	490,522,706	748,878,920
Opening insurance contract liabilities	-	-	-	-
Net opening balance	258,356,214	-	490,522,706	748,878,920
Insurance revenue	(938,584,024)	-	-	(938,584,024)
Insurance service expenses				
Incurred claims and other expenses	-	-	1,316,059,953	1,316,059,953
Acquisition expenses	-	-	-	-
Changes related to future service	-	-	-	-
Changes related to past service	-	-	202,701,716	202,701,716
Total Insurance service expenses	-	-	1,518,761,669	1,518,761,669
Investment components	-	-	-	-
Insurance service result	(938,584,024)	-	1,518,761,669	580,177,645
Insurance finance expenses	-	-	(29,512,464)	(29,512,464)
Total change in comprehensive income	(938,584,024)	-	1,489,249,205	550,665,181
Premiums received	1,766,465,214	-	-	1,766,465,214
Claims and expenses paid	-	-	(1,090,751,974)	(1,090,751,974)
Acquisition costs paid	-	-	-	-
Total cash flows	1,766,465,214	-	(1,090,751,974)	675,713,239
Closing insurance contract assets	1,086,237,404	-	889,019,937	1,975,257,341
Closing insurance contract liabilities	-	-	-	-
Net closing balance	1,086,237,404	-	889,019,937	1,975,257,341

Reconciliation of the components of reinsurance contract assets
Assets with positive sign, liabilities with negative sign

	Estimates of present value of future cashflows	Risk Adjustment	CSM	Total
Reconciliation of carrying amounts by BEL/RA/CSM: reinsurance				
Opening insurance contract assets	739,068,466	9,810,454	-	748,878,920
Opening insurance contract liabilities	-	-	-	-
Net opening balance	739,068,466	9,810,454	-	748,878,920
Changes related to current services				
CSM for service provided	0	0	-	-
Risk Adjustment release for expired risks	0	8,368,442	0	8,368,442
Experience adjustments	369,107,488	-	-	369,107,488
Total changes related to current services	369,107,488	8,368,442	-	377,475,929
Changes related to future services				
New contracts recognised	-	-	-	-
Changes in estimates reflected in CSM	-	-	-	-
Changes in estimates resulting in contract losses	-	-	-	-
Total changes related to future services	-	-	-	-
Changes that relate to past service				
Adjustments to liabilities for incurred claims	202,701,716	-	-	202,701,716
Total changes that relate to past service	202,701,716	0	-	202,701,716
Insurance service result	(571,809,204)	(8,368,442)	-	(580,177,645)
Insurance finance expenses	(29,512,464)	-	-	(29,512,464)
Total change in comprehensive income	(542,296,739)	(8,368,442)	-	(550,665,181)
Total cash flows	675,713,239			675,713,239
Closing insurance contract assets	1,957,078,445	18,178,896	-	1,975,257,341
Closing insurance contract liabilities	-	-	-	-
Net closing balance	1,957,078,445	18,178,896	-	1,975,257,341