Sunu Assurances Nigeria Plc

Financial Condition Report as at 31st December 2025

Prepared by

Rear Wing, 4th Floor Oshopey Plaza, 17/19, Allen Avenue, Ikeja, Lagos.

February 2026

Executive Summary

This report discusses the adequacy of the company's resources (capital, reinsurance arrangements) in meeting its contracted obligations, especially if adverse situations arise.

The following are the key conclusions of the report.

- The company is in a sound Financial Condition as at report date.

- We estimate that the economic/risk-based capital required to support the business as of 31st December 2025 as N5.28billion. This is about 76% higher than the current minimum statutory requirement of N3billion. The business, however, has Shareholders' Fund of N13.72billion or 457% of the required Risk Based Capital. Hence, the business is well capitalized and is likely to meet all obligations as when due.

- The company's Capital Adequacy Ratio (CAR) has increased to 253% in 2025 from 238% in 2024; increase in Free Assets to ca N7.6bn in 2025 from ca N7bn in 2024. However, the recapitalization program by the insurance regulator requiring a minimum capital requirement of N15bn, still implies that the company requires an additional capital injection of ca N8bn to meet up with the new capital requirements.

- The company's combined ratio improved to 86% in 2025, compared with 89% in 2024, indicating a strengthening of overall underwriting performance. This improvement was primarily driven by a notable reduction in the claims ratio, which declined to 21% in 2025 from 31% in 2024, reflecting better claims experience and improved risk management across key lines of business.

- Despite this positive development, the expense ratio increased to 65% in 2025 from 57% in 2024, exerting pressure on underwriting margins. While the lower claims ratio offset the impact of higher expenses and supported the improved combined ratio, sustained profitability will depend on disciplined expense management going forward. The prior year's relatively elevated claims experience—particularly within the General Accident portfolio as a proportion of earned premiums—did not recur at the same magnitude in 2025, contributing to the improved technical result.

- Premium concentration remains notable, with Oil & Gas and Fire lines contributing over half of total premiums. While these lines continue to support overall performance, the company should remain mindful of concentration risk and ensure underwriting standards remain robust across all portfolios. Continued monitoring of loss trends, proactive claims management, and prudent pricing will be critical to sustaining current performance levels.

- In addition, although investment income performance remained strong in 2025, the moderation in market yields and normalization of foreign exchange gains highlight the importance of maintaining solid core underwriting profitability. We therefore recommend that management:

    - Closely monitor and control operating expenses to prevent margin erosion.
    - Maintain disciplined underwriting standards across all lines of business.
    - Regularly review reinsurance arrangements to ensure adequate protection against volatility.
    - Continue strengthening claims governance and reserving discipline.

- Overall, the company's 2025 results reflect improved technical performance under more normalized market conditions. Sustaining this trajectory will require a balanced focus on cost efficiency, underwriting discipline, and risk management.

- As the company looks to recapitalize, we advise an in-depth business planning exercise to be carried out to inform capital allocation into profitable business lines.

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Strictly Private and Confidential

February 22, 2026

The Board of Directors,
Sunu Assurances Nigeria Plc,
Plot 1196, Bishop Oluwole Street,
Victoria Island,
Lagos, Nigeria.

Attention: Mr. Samuel Ogbodu (Managing Director)

Dear Sir,

Financial Condition Report as at 31st December 2025 – Sunu Assurances Nigeria Plc

1. Introduction

1.1 We are pleased to present our Financial Condition Report ("FCR") for Sunu Assurances Nigeria Plc ('the Company") as at 31st December 2025.

1.2 The aim of the Financial Condition Report is to present a non-technical easy to read document detailing the recent business and operational trends, the current financial status as well as an assessment of the business remaining solvent in the near future basing the future projections on different risk scenarios.

1.3 The report, as well as meeting Management's need to continuously appraise themselves of the status of the business; will fulfill the requirement to submit a Financial Condition Report as stipulated by NAICOM in the roadmap to Risk Based Solvency regime issued in October 2018.

1.4 This report discusses the adequacy of the company's resources (capital, reinsurance arrangements) in meeting its contracted obligations, especially if adverse situations arise.

1 Business Overview

1.1 Premium History

1.1.1 The company realized about 30% growth in gross written premiums in 2025 when compared with 2024 performance. There is a general growth across all lines of business as presented below:

Table 1.0 – *Gross Written Premiums (2021 – 2025)*

Line of Business	2021		2022		2023		2024		2025	
	₦' 000	%	₦ '000	%	₦ '000	%	₦ '000	%	₦ '000	%
Bond	-	0%	-	0%	-	0%	-	0%	-	0%
Oil & Gas	1,293,134	27%	1,297,806	22%	2,180,115	27%	4,209,119	32%	4,802,599	28%
Engineering	176,382	4%	249,335	4%	426,730	5%	596,369	5%	745,967	4%
Motor	680,882	14%	949,952	16%	1,351,911	17%	1,801,769	14%	3,046,134	18%
Aviation	440,441	9%	365,332	6%	512,209	6%	1,087,509	8%	1,168,670	7%
Marine	530,661	11%	689,970	12%	724,756	9%	1,052,424	8%	1,709,295	10%
Fire	1,119,778	23%	1,444,996	25%	2,165,432	27%	3,104,017	24%	4,124,291	24%
General Accident	629,866	13%	776,514	13%	800,249	10%	1,176,669	9%	1,407,177	8%
Total	4,871,144	100%	5,773,905	100%	8,161,402	100%	13,027,875	100%	17,004,134	100%

1.1.2 From the table above, the following are observed:

- In 2025, Oil & Gas and Fire lines of business were the largest contributors to premium income, accounting for a combined total of approximately 52%. Motor followed as the next highest contributor, representing about 18% of total premiums.

- Oil & Gas, and Fire account for 52% of total premiums written in 2025; in excess of ₦8bn in absolute terms.

- Other lines of business account for only about 40% of the premiums written in 2025.

- There is a general increase in the volume of business written on all classes of business, with a significant YoY growth on Motor at 69%, Marine at 62%, Marine at 50%, Fire at 33%.

1.1.3 With this distribution, in our view, the business needs to reconcile the performance with the planned product mix as Fire and Oil & Gas seem to be slightly higher than projected. There is, however, largely no undue concentration risk by business type over the review period.

1.1.4 Figure 1.1 illustrates the sources of new business by distribution channel. There is slightly more granularity in terms of distribution channel contribution. However, brokers remain the main source of new business acquired whilst new businesses written via Co-insurance & Direct business have a combined level of ca 18%. This continues to place a greater need to nurture the relationship with the brokers in order to keep new business volumes. However, the company should also consider targeted business development activities that aim to cover other distribution channels and consequently increase their contributions.

Fig 1.1 Gross Written Premium - 2025

2 Experience Analysis, Asset Mix and Capital Adequacy

2.1.1 We discuss in this section, some metrics that illustrate the profitability and investment returns on the portfolio.

Table 2.1 – *Definition of Key Metrics*

Metric	Definition
Claims Ratio	Net Claims Incurred/ Net Earned Premium
Expense Ratio	{Underwriting Expenses (excl claims expenses + Management Expenses – Commission Income}/ Net Written Premium
Combined Ratio	Claims Ratio + Expense Ratio
Capital Adequacy Ratio	Free Assets/Higher of 15% of Net written premiums or N3bn
Solvency Ratio	(Free Assets+ Policyholders Funds)/Technical Reserves

2.1.2 The table below shows recent experience of Claims, Expense and Combined Ratios.

Table 2.2 – *Key Performance Ratios (2015 – 2025)*

Year	Claims Ratio	Expense Ratio	Combined Ratio	Investment Income as a % of NWP
2015	24%	152%	176%	12%
2016	80%	184%	264%	11%
2017	30%	88%	118%	13%
2018	35%	118%	153%	27%
2019	20%	123%	143%	44%
2020	17%	107%	124%	14%
2021	27%	70%	99%	5%
2022	33%	65%	99%	6%
2023	34%	38%	72%	5%
2024	31%	58%	89%	15%
2025	21%	65%	86%	10%

2.1.3 Despite the increase in the expense ratio during the year, the combined ratio improved slightly in 2025 following deterioration in prior years. This improvement was driven by a significant reduction in the claims ratio. We also note that the company's strong investment income performance in 2024 was sustained in 2025.

2.1.4 The company's combined ratio improved to 86% in 2025, compared to 89% in 2024, reflecting enhanced underwriting performance and stronger overall technical results. While this represents a positive development, we recommend that management continue to monitor operating expenses closely to ensure that the recent increase in the expense ratio does not erode underwriting gains. Sustaining disciplined cost control, alongside prudent underwriting practices and effective claims management, will be key to maintaining and potentially further improving performance in the coming periods.

2.1.5 In addition, the company should continue to leverage on all efficiencies being realized in recent years to keep expenses low whilst continuing to scale up on premium income. As before, we continue to recommend a target expense ratio of 50% in order to enhance the returns to shareholders.

Table 2.3 – *PAT, UwP & Investment Income (2015 – 2025)*

Year	Profit After Tax	Underwriting Profit *	Investment Income
	₦'000	₦'000	₦'000
2015	(745,930)	1,061,134	409,581
2016	(251,785)	(124,029)	306,444
2017	(28,464)	850,910	444,082
2018	(60,212)	651,848	449,273
2019	(277,279)	781,507	661,934
2020	181,180	1,154,467	321,953
2021	126,775	1,480,402	222,160
2022	330,031	1,489,801	330,320
2023	2,504,826	1,823,342	571,255
2024	3,586,461	3,870,948	1,330,041
2025	1,372,058	4,692,613	1,486,132

**Excludes Management Expenses*

2.1.6 The company's return on equity turns remains high in 2025. The Company continues to maintain good expense discipline with an improved flow of both gross and net written premiums. Management should continue to monitor expenses and the overall underwriting performance in the short to medium term.

Table 2.4 – *Shareholders' Fund and Return on Equity (2016 – 2025)*

Year	Shareholders' Fund	Return on Equity
2016	4,921,015	-5.0%
2017	3,660,169	-1.0%
2018	3,757,942	-2.0%
2019	3,479,415	-8.0%
2020	3,660,596	5.0%
2021	6,722,327	2.0%
2022	7,052,201	5.0%
2023	9,703,869	26.0%
2024	12,928,325	27.7%
2025	13,721,132	10%

2.1.7 Return on Equity (ROE) declined in 2025 compared to the prior year, primarily due to the normalization of the foreign exchange (FX) regime. The previous year's results had benefited from significant FX revaluation gains, which were non-recurring in nature. In addition, the general decline in market yields during the review year reduced investment income returns, further moderating overall profitability. Consequently, the lower ROE in 2025 reflects a return to more normalized earnings conditions rather than a deterioration in core operating performance.

2.2 Asset Mix

2.2.1 We illustrate below the assets mix backing the technical provisions in the periods 2022 – 2025 as follows:

Table 2.5 – *Assets Backing Technical Liabilities (2022 – 2025)*

Assets ₦'000	Insurance Funds							
	2022	%	2023	%	2024	%	2025	%
Cash and Cash Equivalent	3,732,292	66%	7,744,591	76%	1,331,147	81%	9,595,588	74%
Financial Assets	37,184	1%	315,000	3%	-	0%	-	0%
Investment Properties	354,969	6%	355,875	3%	465,000	3%	567,809	4%
Reinsurance Assets	1,526,736	27%	1,794,449	18%	2,113,142	15%	2,744,043	21%
Total	**5,651,181**	**100%**	**10,209,915**	**100%**	**3,909,289**	**100%**	**12,907,440**	**100%**

2.2.2 The company continues to hold mainly cash and cash equivalent to back its liability pool. Cash or cash-like investments help with liquidity.

2.2.3 Financial assets are now an insignificant part of the assets backing liabilities due to the continued disposal of FBN Bonds and CBN Special Bills. The company advised the movement in the financial assets & cash was because of arrangements in the land and building assets. The company reallocated part of the assets into shareholders fund during year.

2.2.4 We recommend this continue to be monitored closely and the correct categorisation of assets be reported accompanied by adequate narrative describing the asset position.

2.3 Capital Adequacy

2.3.1 Balance Sheet Solvency

2.3.1.1 We illustrate in the table below that for most years, the company had sufficient buffer to meet technical liabilities.

Table 2.6 – *Balance Sheet Solvency (2018 – 2025)*

₦'000	2019	2020	2021	2022	2023	2024	2025
Technical Liabilities	2,883,079	2,584,605	3,460,109	3,116,444	4,960,022	6,531,610	7,000,648
Shareholders Fund (Free Assets)	3,479,415	3,660,595	6,722,327	7,721,221	9,703,869	10,349,695	13,721,131
Balance Sheet Solvency Ratio	**121%**	**142%**	**194%**	**248%**	**196%**	**158%**	**196%**

2.3.1.2 The last 3 years have had reasonably healthy solvency ratios which gives comfort that ordinarily, liabilities are expected to be met as and when due. We highlight regulatory solvency below and discuss risk-based solvency in section 4.

2.4 Regulatory Solvency

2.4.1 We illustrate below that the company met its regulatory solvency requirements in all the years under review.

Table 2.7 – *Regulatory Solvency (2019 – 2025)*

Year	2019	2020	2021	2022	2023	2024	2025
Technical Liabilities	2,883,079	2,584,605	3,460,109	3,116,444	4,960,022	6,531,609	7,000,648
Free Assets (allowing for admissible rules)	3,117,273	3,239,632	3,803,817	4,482,497	6,877,588	7,131,070	7,577,759
Maximum of 15% Net premium and N3billion	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Capital Adequacy	**104%**	**108%**	**127%**	**149%**	**229%**	**109%**	**108%**
Regulatory Solvency Ratio	**108%**	**125%**	**110%**	**144%**	**139%**	**238%**	**253%**

2.4.2 The company met statutory capital requirements in all years, and at the review date had 253%, the minimum required capital level, which currently stood at N3bn.

2.4.3 We note that the Free Assets has increased to ca N7.5bn during the financial year. However, in December 2025, the Nigerian Senate passed the Nigeria Insurance Industry Reform Act, 2025, introducing significant changes to the minimum capital requirements for insurance businesses in the country. The proposed capital requirement for General is business is N15bn, which means the company requires an additional capital injection of about N8bn to meet up with the regulation.

2.5 Reinsurance

2.5.1 We note from the schedule of latest reinsurance arrangements (shown in Appendix 2), that in 2021, the company reviewed retention limits to the reinsurance arrangements which is sensible if more capital is to be available to retain those risks. These limits as at 2021 remains in 2025. This needs to be monitored in line with any future capital injections and linked to the risk appetite.

2.5.2 We however illustrate in the tables below, the cash flows arising from reinsurance transactions in the last few years.

Table 2.8.a – *VFM of 2021 Reinsurance Business*

₦' million

Class of Business	Bond	Oil & Gas	Engineering	Motor	Aviation	Marine	Fire	General Accident	Total
Outflow									
Reinsurance Cost	-	375,981	132,489	26,146	98,070	132,647	365,108	198,835	1,329,275
Inflow	-	-	-	-	-	-	-	-	-
Reinsurance Commission	-	3,411	33,720	7,073	-	34,785	84,034	54,341	217,364
Reinsurance Recoveries (Incl IBNR)	-	8,964	129,107	80,626	-	96,876	144,583	228,815	688,970
Total Inflow	-	12,375	162,827	87,699	-	131,661	228,617	283,156	906,335
Value for Money Ratio (VFM)	**0%**	**3%**	**123%**	**335%**	**0%**	**99%**	**63%**	**142%**	**68%**

Table 2.8.b – *VFM of 2022 Reinsurance Business*

₦' million

Class of Business	Bond	Oil & Gas	Engineering	Motor	Aviation	Marine	Fire	General Accident	Total
Outflow									
Reinsurance Cost	-	429,878	91,325	62,285	121,836	182,561	605,481	235,303	1,728,670
Inflow	-	-	-	-	-	-	-	-	-
Reinsurance Commission	-	1,067	30,954	8,135	-	55,980	131,245	(76,298)	151,083
Reinsurance Recoveries (Incl IBNR)	-	-	79,172	254,217	-	173,710	531,991	216,053	1,255,143
Total Inflow	-	1,067	110,126	262,352	-	229,690	663,237	139,755	1,406,225
Value for Money Ratio (VFM)	**0%**	**0%**	**121%**	**421%**	**0%**	**126%**	**110%**	**59%**	**81%**

Table 2.8.c – *VFM of 2023 Reinsurance Business*

₦' million

Class of Business	Bond	Oil & Gas	Engineering	Motor	Aviation	Marine	Fire	General Accident	Total
Outflow									
Reinsurance Cost	-	513,327	199,247	77,044	188,144	229,724	994,229	292,674	2,494,388
Inflow	-	-	-	-	-	-	-	-	-
Reinsurance Commission	-	137	46,173	10,090	175	48,564	199,807	60,065	365,011
Reinsurance Recoveries (Incl IBNR)	-	-	52,602	308,856	-	92,852	555,501	346,675	1,356,485
Total Inflow	-	137	98,774	318,946	175	141,416	755,308	406,740	1,721,496
Value for Money Ratio (VFM)	**0%**	**0%**	**50%**	**414%**	**0%**	**62%**	**76%**	**139%**	**69%**

Table 2.8.d – *VFM of 2025 Reinsurance Business*

₦' million

Class of Business	Bond	Oil & Gas	Engineering	Motor	Aviation	Marine	Fire	General Accident	Total
Outflow									
Reinsurance Cost	-	928	240	173	299	330	1,771	339	4,081
Inflow	-	-	-	-	-	-	-	-	-
Reinsurance Commission	-	3	79	20	-	104	383	132	720
Reinsurance Recoveries (Incl IBNR)	-	672	267	124	-	128	604	77	1,872
Total Inflow	-	675	347	144	-	232	987	209	2,592
Value for Money Ratio (VFM)	**0%**	**73%**	**144%**	**83%**	**0%**	**70%**	**56%**	**62%**	**64%**

2.5.3 The tables indicate that the overall value for money ratio averaged about 69% (a decrease compared to 2023) in the period under consideration. Oil & Gas did not provide any value for money in the current reporting period.

2.5.4 We also note that the overall reinsurance cost increased in 2025 in line with the increased gross written premiums whilst there is no material difference in recoveries for 2025 when compared with 2024 in line with the lower gross incurred claims. Therefore, the lower value for money in 2025 is potentially reflective of the lower claims in the year.

2.6 Stress Scenario for 2025 Results

2.6.1 We applied a 20% stress on the current ultimate loss ratio for each line of business to derive the stressed estimate of outstanding claim reserves. This resulted in total additional outstanding claim reserves of about ₦1.4 billion.

2.6.2 We illustrate the revised solvency margin for 2025 in the table below

Table 2.9 – *Stressed Solvency Margin*

Year	2025 - Stressed	2025
Technical Liabilities	8,400,778	7,000,648
Shareholders Fund (Free Assets)	10,976,905	13,721,131
Balance Sheet Solvency Ratio	**131%**	**196%**

2.6.3 The table 2.9 demonstrates that the solvency ratio is expected to remain healthy above 100% should the claims ratio increase by 20%.

3 Financial Condition as at 31st December 2025

3.1. Based on our discussions above we are of the view that;

- The business is in a sound financial condition. We have demonstrated that the solvency ratio exceeded 100% of technical liabilities on both the regulatory admissibility basis and IFRS balance sheet basis.

- We have further demonstrated that on a stressed basis, the balance sheet solvency ratio at the review date exceeds 100% of the liabilities.

3.2. We continue to advise that the company should:

- reduce its high expense ratio through continued expansion of new business premiums written and/or business rationalization and leveraging any efficiency gains realized in the recent years.

- needs to inject an additional capital of at least ₦8bn to meet with the new statutory minimum capital requirements. The company could also consider merging with another company.

- monitor closely claims ratios for all lines of business and continue to check reinsurance protection adequacy.

- as the company prepares to recapitalize/merge, it is important to consider developing a quantitative Risk Appetite Statement incorporating its broad objective e.g.

    - Conducting your business in such a way that no more than 20% of your capital is at risk.
    - Probability of Profits being zero or worse $\leq 5\%$ (1 year in 20).
    - Risk Adjusted Returns on capital will always exceed 5% etc.
    - (Credit) Rating – Conduct your affairs to achieve/maintain an international credit rating of B etc.

4 Economic Capital

4.1. The technical figures (technical liabilities, reinsurance assets, etc.) estimated for balance sheet purposes are our 'best' estimate and broadly reflect the 'mean' of possible outcomes. However, in the course of time these estimates may fluctuate adversely as a result of unexpected realities.

4.2. It is prudent and best practice to estimate the extent to which the best estimate can be exceeded due to possible adverse situations and establish on the corresponding risk capital, called ECONOMIC CAPITAL.

4.3. The key risks the company is exposed to are underwriting risk, market risk, counterparty risk and operational risk, they are described and discussed in appendix 6 of the report.

4.4. We have calculated for each of the risks, the amount of capital required as at year end 2025 at 95% and 99.5% level of confidence.

4.5. This report discusses in detail capital requirements at 99.5%, which is equivalent to a 1-in-200 event. Put differently, this is the capital required to sustain the company should extreme events that are expected to occur once every 200 years, occur in 2025. Such events would typically lead to large 'unexpected' losses that could significantly affect the fortunes of the company. The results at 95% (1 in a 20-year event) are shown in appendix 5 of the report.

4.6. We have adopted the following methods in calculating the Economic capital:

- Value at Risk →this was applied to Market risk and Credit risk
- Stochastic approach using bootstrapping → this was applied to Non-Life reserving and premium risks.
- Solvency II standard formula approach was adopted for operational risk

4.7. Detailed explanation of each of the risks including derivation of the stresses applied is given in appendix 6 of the report

4.8. In order to recognize that each individual risk event is unlikely to occur in the same year, aggregation of capital requirements was done. This has the effect of reducing the total required capital – technically called a diversification. The assumed correlation matrix is shown in appendix.

4.9. The following results at 99.5% confidence level were obtained.

Table 6.1 - *Economic Capital: SCR at 99.5% Confidence level*

Risk Sub-module	Risk Type	Capital Requirement (N) - 2025
Non-Life Underwriting Risk	Reserve Risk	5,187,238,128
	Premium Risk	900,902,479
	Catastrophe Risk	1,154,230,167
	Lapse Risk	-
	SCRnl Pre-Div	7,242,370,774
	SCRnl Div Credit	2,432,414,338
	SCRnl Post Div	**4,809,956,436**
Market Risk	Interest Rate Risk	-
	Equity Risk	-
	Property Risk	205,696,212
	Spread Risk	-
	Currency Risk	-
	Concentration Risk	-
	SCRmkt Pre-Div	205,696,212
	SCRmkt Div Credit	-
	SCRmkt Post Div	**205,696,212**
Counterparty Default Risk	Reinsurance credit	22,102,001
	Investment credit & Debtors	140,799,144
	SCRdef Pre-Div	162,901,145
	SCRdef Div Credit	-
	SCRdef Post Div	**162,901,145**
UnDiversified BSCR		5,178,553,792
Diversification Credit		234,869,334
Basic SCR		**4,943,684,458**
Operational Risk		**335,235,524**
		-
Solvency Capital Requirement		**5,278,919,982**
Shareholders' Funds		13,721,131,641
as a % of Shareholder's Fund		**38.5%**

4.10. As shown in the table above, the total estimated Economic Capital required in connection with the business profile at 31st December 2025 was ₦5.28billion. This represents 39% of the total shareholders' fund and implies that the company was well capitalized at the review date to meet

liabilities (in respect of business on the books) as and at when they arise. Shareholders' fund has continued to increase in the last few years creating a buffer against increased liabilities due to potential adverse impacts.

5 Conclusion and Recommendations

5.1. The company is in a sound Financial Condition as at report date.

We estimate that the economic/risk-based capital required to support the business as of 31st December 2025 as ₦5.28billion. This is about 76% higher than the current minimum statutory requirement of ₦3billion. The business, however, has Shareholders' Fund of ₦13.72billion or 457% of the required Risk Based Capital.

Hence, the business is well capitalized and is likely to meet all obligations as when due.

5.2. The company's Capital Adequacy Ratio (CAR) has increased to 253% in 2025 from 238% in 2024; increase in Free Assets to ca N7.6bn in 2025 from ca N7bn in 2024. However, the recapitalization program by the insurance regulator requiring a minimum capital requirement of ₦15bn, still implies that the company requires an additional capital injection of ca ₦8bn to meet up with the new capital requirements.

5.3. The company's combined ratio improved to **86% in 2025**, compared with **89% in 2024**, indicating a strengthening of overall underwriting performance. This improvement was primarily driven by a notable reduction in the claims ratio, which declined to **21% in 2025** from **31% in 2024**, reflecting better claims experience and improved risk management across key lines of business.

5.4. Despite this positive development, the **expense ratio increased to 65% in 2025**, exerting pressure on underwriting margins. While the lower claims ratio offset the impact of higher expenses and supported the improved combined ratio, sustained profitability will depend on disciplined expense management going forward. The prior year's relatively elevated claims experience—particularly within the General Accident portfolio as a proportion of earned premiums—did not recur at the same magnitude in 2025, contributing to the improved technical result.

5.5. Premium concentration remains notable, with Oil & Gas and Fire lines contributing over half of total premiums. While these lines continue to support overall performance, the company should remain mindful of concentration risk and ensure underwriting standards remain robust across all

portfolios. Continued monitoring of loss trends, proactive claims management, and prudent pricing will be critical to sustaining current performance levels.

5.6. In addition, although investment income performance remained strong in 2025, the moderation in market yields and normalization of foreign exchange gains highlight the importance of maintaining solid core underwriting profitability. We therefore recommend that management:

5.7. Closely monitor and control operating expenses to prevent margin erosion.

- Maintain disciplined underwriting standards across all lines of business.
- Regularly review reinsurance arrangements to ensure adequate protection against volatility.
- Continue strengthening claims governance and reserving discipline.
- Overall, the company's 2025 results reflect improved technical performance under more normalized market conditions. Sustaining this trajectory will require a balanced focus on cost efficiency, underwriting discipline, and risk management.

5.8. As the company looks to recapitalize, we advise an in-depth business planning exercise to be carried out to inform capital allocation into profitable business lines.

5.9. We thank you for the opportunity to perform a financial condition assessment for the company leading to the production of this report. We hope you will find the report helpful. We would be happy to discuss the results of these findings and any aspects of the report that might require clarification.

Yours sincerely,

Jonathan Ben Phiri
Fellow, Institute and Faculty of Actuaries, UK

For: Logic Professional Services.

APPENDIX 1 – RELIANCE & LIMITATION

Reliance

In carrying out this work we have relied upon the financial statements, business plans and other information (including discussions with the Management) provided by Sunu Assurances Nigeria Plc. The liability information used was the same as that used in the IFRS actuarial valuation. Where stated in this report we have reviewed this data for reasonableness.

This report takes into account data made available as at 31 December 2025.

In some instances, we were unable to obtain granular information so had to make approximations in certain instances about the composition given knowledge of certain details during the normal end of year valuation process.

Limitations

Our understanding is that this is a Board report that could be used to demonstrate regulatory compliance with NAICOM, when requested.

Except with the consent of Logic Professional Services, the report and any written or oral information or advice provided by Logic Professional Services must not be reproduced, distributed or communicated in whole or in part to any other person or relied upon by any other person. The report may be distributed to a third party where there is a legal requirement to do so.

The report may be distributed to the Senior Management of Sunu Assurances Nigeria Plc for the purpose of discussing its contents.

Actuarial estimates are subject to uncertainty from various sources, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, and economic conditions. It should therefore be expected that the actual emergence of profits will vary, perhaps materially, from any estimates.

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

The report is subject to the terms and limitations, including limitation of liability, agreed when commencing this exercise.

APPENDIX 2 – REINSURANCE TREATY PROGRAM

CLASS OF BUSINESS	TYPE OF TREATY	RETENTION =N=	NO. OF LINES	TREATY LIMIT =N=
Fire	Proportional Treaty/Surplus	200,000,000	25	5,000,000,000
Fire	(1st Surplus on a 50% MPL Basis)	400,000,000	25	10,000,000,000
Terrorism Risk	Proportional Treaty/Surplus	40,000,000	15	600,000,000
Fire Working Excess of Loss	Non-Proportional Treaty	100,000,000		100,000,000
Engineering	Proportional Treaty/Surplus	100,000,000	30	3,000,000,000
Marine Cargo Surplus	Proportional Treaty	50,000,000	30	1,500,000,000
Marine Cargo Catastrophe XL	Non-Proportional Treaty	60,000,000		300,000,000
General Accident Surplus	Proportional Treaty	25,000,000	25/35	875,000,000
PA/GPA Catastrophe Excess of Loss	Non-Proportional Treaty	25,000,000		40,000,000
Marine Hull Surplus	Proportional Treaty	35,000,000	27	945,000,000
Quota Share Treaty	Proportional Treaty	40,000,000		60,000,000
Motor Excess of Loss	Non-Proportional Treaty:			
	1st Layer	5,000,000		15,000,000
	2nd Layer	20,000,000		30,000,000
Motor/WC/EL/TPL/PL		40,000,000		500,000,000
Aviation Excess of Loss	Non-Proportional Treaty:			
	Hull:1st Layer	USD250,000		USD750,000
	:2nd Layer	USD1,000,000		USD2,000,000
	Liability:	USD250,000		USD14,750,000
Oil & Gas XL	Non-Proportional Treaty	USD500,000		USD2,750,000
	LINE SLIP - MERIDIAN RE	USD500,000		USD357,000,000
	LINE SLIP - GALLAGHER RE	USD500,000		USD510,000,000
	LINE SLIP - MKE RE	USD500,000		USD350,000,000
	LINE SLIP - HOWDEN RE	USD500,000		USD515,000,000
	LINE STLIP -AHJ BROKERS	USD500,000		USD257,500,000
	LINE STLIP -ES RISKS	USD500,000		USD150,000,000

APPENDIX 3 – ECONOMIC CAPITAL RESULTS AT 95% CONFIDENCE LEVEL

At a lower confidence level of 95%, the total economic capital requirement reduces to ₦2.59billion which represents 18.4% of the shareholder funds as at December 31 2025.

Table 3.1 - *Economic Capital: SCR at 99.5% Confidence level*

Risk Sub-module	Risk Type	Capital Requirement (N) - 2025
Non-Life Underwriting Risk	Reserve Risk	3,743,538,188
	Premium Risk	650,165,415
	Catastrophe Risk	832,987,536
	Lapse Risk	-
	SCRnl Pre-Div	5,226,691,140
	SCRnl Div Credit	1,755,430,489
	SCRnl Post Div	**3,471,260,650**
Market Risk	Interest Rate Risk	-
	Equity Risk	-
	Property Risk	148,447,325
	Spread Risk	-
	Currency Risk	-
	Concentration Risk	-
	SCRmkt Pre-Div	148,447,325
	SCRmkt Div Credit	-
	SCRmkt Post Div	**148,447,325**
Counterparty Default Risk	Reinsurance credit	25,820,324
	Investment credit & Debtors	164,486,449
	SCRdef Pre-Div	190,306,773
	SCRdef Div Credit	-
	SCRdef Post Div	**190,306,773**
Undiversified BSCR		3,810,014,749
Diversification Credit		172,800,296
Basic SCR		**3,637,214,453**
Operational Risk		**241,933,560**
Solvency Capital Requirement		**2,529,565,084**
Shareholders'Funds		13,721,131,641
as a % of Shareholder's Fund		**18.4%**

APPENDIX 4 – ECONOMIC CAPITAL METHODOLOGY & STRESS LEVEL DERIVATION.

This appendix provides a detailed explanation on how each of the risks were modelled including stress levels derivation. Worthy to note that these comprehensive explanations are provided whether or not SUNU is exposed to these risks.

Market Risks

Market risk is defined as the potential for adverse change in the net assets (Market value of assets less Market value of liabilities) due to movements in market factors such as equity prices, interest rates, property prices and foreign exchange.

The company's insurance funds are mainly invested in money market instruments and hence have a very low exposure to market risks.

Credit spread and liquidity risks have not been explicitly calculated for the following reasons:

- Credit spread – the company has no corporate bond holdings as part of assets backing technical provisions and hence no credit risk exposure.

- Liquidity risk – this is a difficult risk to quantify within the economic calculations. The Company is recommended to ensure that a robust Liquidity management policy is in place in order to be able to monitor this risk (not sure this has been executed as previously advised).

The market risk capital requirement $\boldsymbol{C_{Mkt}}$ for each risk was calculated using the following formula:

$$C_{Mkt} = (A_{Mkt} - A_0)$$

where,

C_{Mkt} – capital calculation for market risk

A_{Mkt}– stressed assets value

A_0– base market value of assets

The stresses applied for the market risk module were as follows:

Table 4.1 – *Stress Levels by Asset Class*

Asset class	Stress level @ 95%	Stress level @ 99.5%
Equity	29.10%	41.50%
Property	30.60%	39.50%
Interest rate	24.00%	35.00%
Currency	29.00%	13.00%

The above stresses were obtained by using a combination of fitting historical data of various market indices (were available) to find the appropriate stress level and benchmarking against Solvency II widely used stress levels.

The details of the derivation and computation are contained below for each sub-risk module.

Equity Risk

This is the sensitivity of assets, liabilities and financial investments to fluctuations in the level or volatility of the market prices for equities.

The company is invested in both quoted and unquoted equities. Both types of equities were stress tested.

The level of stress was derived by considering the historical distribution of the total return Nigerian Stock Exchange ("NSE") index and fitting a distribution to determine the stress level at the various confidence levels.

We fitted the NSE historical index values from January 1985 to December 2020. The normal distribution was a good fit for the data. Using the normal distribution, we determined stress levels of 29% and 41% for Confidence levels of 95% and 99.5% respectively.

We also checked how frequently historical annual returns have fallen or been close to the 29.1% and 41.5% levels. In 2008, the stock index fell by about 46% and in 2011 also fell by about 23%.

Both the quoted and unquoted equities were assumed to be similarly affected by any declines in stock market. This assumption would need to be revisited in the next assessment.

Property Risk

This is the sensitivity of assets, liabilities and financial investments to fluctuations in the level or volatility of the market prices for properties.

The main downside risk is the fall in property values.

The local market level of stress for this risk was difficult to obtain given the non-existence of property indices or well defined historical property values in the local market.

In order to derive an appropriate stress, we assumed the property returns would follow closely equity returns but slightly better and less risky. This is a unique feature of the local market. The recent past has shown m positive performance of property investments whilst equity returns have been negative in some instances.

We then assumed annual property returns of 15% with standard deviation of 9.5%. Assuming a normal distribution of returns, we then calculated the relevant stress levels at 95%, 99.5%, 99.75% and 99.95% confidence levels as shown in the table 3 above respectively.

To support the notion of better property returns is the fact that the company is invested in properties mainly in the Lagos State. Property values have been on an increase over the last 20

years, so it is hoped that the trend will continue in the near to medium term. However, this assumption will continue to be monitored in the future computation of economic capital.

Interest Rate Risk

Interest rate risk is caused by the sensitivity of the value of any assets, liabilities and financial investments to fluctuations in the term structure of interest rates or interest rate volatility, whether valued by mark-to-model or mark-to-market techniques.

Stresses were determined by constructing the term structure of interest rates by referencing the 12 month, 3 year, 5 year, 7 year, 10 year and 20 year yields from the Federal Government Bonds.

The historical returns were fitted to distributions to determine the best fit distribution. The Uniform and Normal distributions were both good fit. The normal distribution was used instead in order to apply some consistency with the other market risk stresses.

As the local term structure of interest rates show a flat yield curve; a flat stress level was applied to bonds of varying durations.

The stresses used are shown in table 3 above at various confidence levels to all bond yields of varying duration according to the Company bond holdings.

The stressed yields were applied using the formula: current yield x (1+Upward stress) OR current yield x (1+Downward stress).

The capital requirement was then determined by adopting the stress level (between the upward and the downward stress) that resulted in a higher capital requirement i.e. Interest Rate capital requirement = Max {0; Upward stress capital; Downward stress capital}

Overall Market Risk Capital

The overall market risk capital was then derived by combining the equity, property and interest rate risk capital using the suggested correlation matrix below.

$$C_{Mkt} = \sqrt{\sum CorrMkt_{ij} * C_{Mkt_i} * C_{Mkt_j}}$$

where C_{Mkt}– overall market risk capital calculation including equity, property and interest rate

C_{Mkt_i}– capital for i-th risk (i could be any of the three risks)

C_{Mkt_j}– capital for j-th risk (j could be any of the three risks)

The correlation matrix used is shown in Appendix 7

Non-Life Insurance Risks

The non-life insurance risks modelled were:

- Reserving risk
- Premium risk
- Catastrophe risk

Reserving Risk

This is one of the sources of underwriting risk for general insurance.

Reserve risk results from fluctuations in the timing and amount of claim settlements.

The reserve risk methodology was as follows:

- We fitted a log-normal distribution (best fit) to the historical link ratios for each claims development year

- For each accident year, claims were projected to the ultimate position using a factor derived from the parameters of the fitted model and randomly generated numbers
- We then used the bootstrap approach to derive a distribution of ultimate claims
- Reserve capital is the difference between the 95th-percentile of the distribution and the 50th -percentile (Best estimate)
- Because the volume of data available was not credible enough for the bootstrap approach, capital values for Bond and Oil & Gas were calculated using the expected ultimate loss ratio method. The VaR approach was used in calculating the required capital at various confidence levels.

Premium Risk

This is another source of underwriting risk for general insurance.

Premium risk results from fluctuations in the timing, frequency and severity of insured events. It relates to the unexpired risks on existing contracts. Premium risk includes the risk that premium provisions turn out to be insufficient to compensate claims or need to be increased.

The premium risk methodology was as follows:

- Average loss ratios were derived from the expected loss ratio in the business plan (pricing)
- Historical loss ratios were investigated and deviations from the mean studied.
- The normal distribution was fit (which was the best fit) to the deviations
- The VaR approach was then used to compute the capital requirement at 95% confidence level.

Catastrophe risk

This is Catastrophe for the general insurance business.

It covers mainly high severity and low frequency catastrophic events e.g. floods, hurricanes, large accidents impacting on all general insurance lines of business insured by the Company.

There have been no major catastrophic events in Nigeria recently hence the data to use in determining the risk capital was scarce.
The catastrophe risk methodology was therefore as follows:

- The 2018 loss ratios were increased by 500% for all lines of business to resemble a catastrophic-like event
- A 0.5% probability of occurrence was applied to determine the final capital requirement.

Credit Risk

Credit risk arises as a result of the unexpected default, or deterioration in credit standing, of an insurer's counterparties or debtors.

The scope of the calculation under this risk module covered possible defaults by banks; where cash and cash equivalents are held by the Company, defaults by reinsurers compromising reinsurance recoveries and the inability by debtors to pay their dues.

The following exposures to counterparties were used:

- Banks → cash and cash equivalent holdings
- Reinsurers → estimated reinsurance recoveries over the next 12 months
- Debtor → amounts owed.

The expected losses given default were calculated using the latest credit ratings and associated probabilities of default for the different counterparties. A combination of local ratings agencies' and the S&P default rates were used for the bank holdings as per the following table:

Table 4.4 – *Default Probability by Counterparty's Rating*

Rating Scale	Default Probability
AAA	0.01%
AA+	0.01%
AA	0.02%

AA-	0.03%
A+	0.06%
A	0.09%
A-	0.11%
BBB+	0.16%
BBB	0.22%
BBB-	0.39%
BB+	0.54%
BB	0.81%
BB-	1.39%
B+	2.54%
B	5.37%
B-	8.72%
Unrated	26.53%

The above default rates were applied to both the banks and reinsurers' counterparties to the Company.

The formula used was: Estimated exposure x Probability of Default.

Operational Risk

This is the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events.

Operational risk is generally a material risk and one of the major causes of organizational failure.

There are several approaches used to assess Operational risk namely;

- Basic indicators or some Standard Formula – this is a simpler approach and largely defined by regulatory bodies. It is transparent and a well-known approach.
- Scenario approach – qualitative scenario assessments of the operational risks as defined by management through the risk heat map are transformed into quantitative assessments to determine the overall operational risk capital
- Statistical or Loss Distribution Approach – this uses a lot of statistics. The amount of possible losses and frequency of losses are modelled separately and then combined to

determine the overall capital requirement. This approach relies on the availability of credible historical and forward-looking data.

- The Structural or Causal approach – this is the most complex and recently researched approach. It also relies on understanding the interdependencies across risks in addition to the data availability.

We adopted the standard formula approach due to limited quantity of data available. The approach took into account the earned premium, technical provisions and Base capital calculated before operational risk.

The formula used to compute the capital requirement was as follows:

$$C_{op} = \text{Min}\{0.3 * CR_{OP},\ BOp\} + 0.25 \times Exp_{nl}$$

Exp_{nl} is the amount of annual expenses incurred during the previous 12 months in respect of non-linked business

CR_{op} is the preliminary capital required before allowing operational risk and, for the risk requirements it is defined as:

CR Op $= \sum(C_{ins} + C_{Mkt} + C_{Credit})$

Bop is the basic operational risk requirement for all business and is determined as follows:

BOp$= Max\ \{Op_{premiums};\ Op_{provisions}\}$

where,

$$Op_{premiums} = 0.04 \times Earn_{nl} + Max\ \{0, 0.04 \times [Earn_{nl} - 1.1 \times pEarn_{nl}]\}$$

and

$$Op_{provisions} = 0.0045 \times Max\ \{0, Tp_{nl}\}$$

$Earn_{nl}$are the gross premiums earned during the previous 12 months.

$pEarn_{nl}$are the gross premiums earned during the 12 months prior to the previous 12 months.

$TP_{nl}$are the technical provisions

In the future, we recommend the following be recorded at granular level:

Frequency of occurrence of all risk scenarios captured in the Risk Heat Map

Identification of new exposures and new likelihood percentages after mitigation efforts have been applied.

This would improve how operational risk is quantified.

APPENDIX 5 – CORRELATION MATRICES

Correlations for Market risks have been derived using actuarial judgment and referencing correlations being used in other jurisdictions for new solvency regimes.

Local market relevance was taken into account before applying these correlations.

As a rule of thumb, the following thought process was applied:

Correlation coefficient	Interpretation
0%	Independent
25%	Weakly correlated
50%	Moderately correlated
75%	Strongly correlated
100%	Dependent

The correlation matrices used for diversification are shown below.

Market Risk Correlations

Parameters						
$Corr_{ij}$	Mkt_{int}	Mkt_{eq}	Mkt_{prop}	Mkt_{sp}	Mkt_{conc}	Mkt_{fx}
Mkt_{int}	100%	0%	0%	0%	0%	25%
Mkt_{eq}	0%	100%	25%	75%	0%	25%
Mkt_{prop}	0%	25%	100%	50%	0%	25%
Mkt_{sp}	0%	75%	50%	100%	0%	25%
Mkt_{conc}	0%	0%	0%	0%	100%	0%
Mkt_{fx}	25%	25%	25%	25%	0%	100%

Comments:

- Equity vs Property – the local stock and property markets have seen low correlations.

- The drops in equity values seem not to affect the property values, hence a weak correlation assumption.
- Interest rate vs Equity/Property – no correlation was assumed if under the interest rate stress an increase in interest rates triggered a capital requirement (as opposed to a decrease in interest rates). 50% correlation was assumed if the decrease in interest rates would trigger a capital requirement under the interest rate stress.
- Spread, concentration and foreign exchange risks were not modelled.