



NATIONAL INSURANCE COMMISSION

Insurance Market Performance
31ST DECEMBER, 2018

NIGERIAN INSURANCE MARKET PERFORMANCE

According to the UK-based AXCO Market Ranking, the Nigerian market ranks 72nd in the world based on the industry gross premium income for 2017, up two points from 74th in the previous period. This is remarkable considering that the Nigerian economy was just coming out of recession. The Insurance market in 2018 grew at about 14.46 percent, recording a gross premium income of about N426 billion as against the production of N372 billion made in 2017. The Non-life sector accounted for about 57.58 per cent, while the Life sector in its steady upward trajectory, accounted for 42.42 per cent of the gross premium of the period. The growth of the Life sector is largely driven by the surge in premiums from the Annuity business which, though not entirely novel, has newfound momentum in recent times due to increasing demand for it by newly-retired persons, and the attraction of new regulations. The percentage contribution of the Life sector gross premium grew from a 38.20 percent in 2016, to the present position in 2018.

The claims experience of the sector was similarly robust, growing 35.26% from N186 billion recorded in 2017 to N252 billion in 2018. This positive development can be attributed to a growing awareness among policyholders and industry confidence with regards claims settlement. Non-Life claims constituted about 47.77 percent of the gross claims recorded during the period, a 13point drop from the 61.11 percent recorded in 2017. The Life segment on the other hand improved by about 12 points to peak at N 252billion, making up about 52.23 per cent of the gross claims reported in the same period. Similar experience was reported in the case of paid or actual claims settlement during the year. This is a direct reflection of the consistent regulatory measures of the Commission to raise public and consumer awareness on matters of claims and claims settlement, a major determinant to industry confidence.

Industry asset size continued its steady growth since 2014 (from about 828billion) to peak at about N1.3 trillion in 2018, a 54% growth. The industry total assets grew at 13% to N1.3 trillion in 2018 from a N1.1 trillion in 2017. This growth rate is commendable despite its still relatively small size to other financial sub sectors in the economy. It is expected that recapitalization and other regulatory measures will spur further, much needed growth of the industry in coming years. The Commission in exercise of its regulatory powers intervened in some ailing insurance companies to ensure financial stability of the institutions.

1. MARKET PERFORMANCE

1.1 Gross Premium Income

The gross premium income is the essential indicator of growth in the Insurance sector and in 2018 it posted a 14.5% growth to N426 billion of gross premium income from N372 billion posted in 2017. This is rather commendable in relation to the macroeconomic behaviour recorded during the period with growth of the economy being only 1.9 per cent. Table 1 tracks Insurance sector growth over the past five years.

Table 1: Gross Premium Income: Non-Life & Life Businesses: 2014 - 2018

Currency: N-Million

Year	Fire	Gen. Accident	Motor	W/Comp	Marine	Oil & Gas	Misc.	Life	Total
2014	33,353.18	27,700.15	42,175.69	416.08	18,342.52	58,200.55	15,699.68	85,952.58	281,840.43
2015	31,720.25	29,106.58	40,287.30	0.00	16,582.31	65,918.54	14,774.18	90,952.32	289,341.48
2016	38,249.72	29,875.53	41,428.05	0.00	16,515.76	56,481.38	18,997.24	124,566.34	326,114.02
2017	41,432.58	27,678.31	45,083.60	0.00	16,916.21	67,520.53	21,167.38	152,559.81	372,358.42
2018	45,036.60	28,782.71	40,149.33	0.00	26,472.04	82,236.87	22,733.62	180,799.76	426,210.93

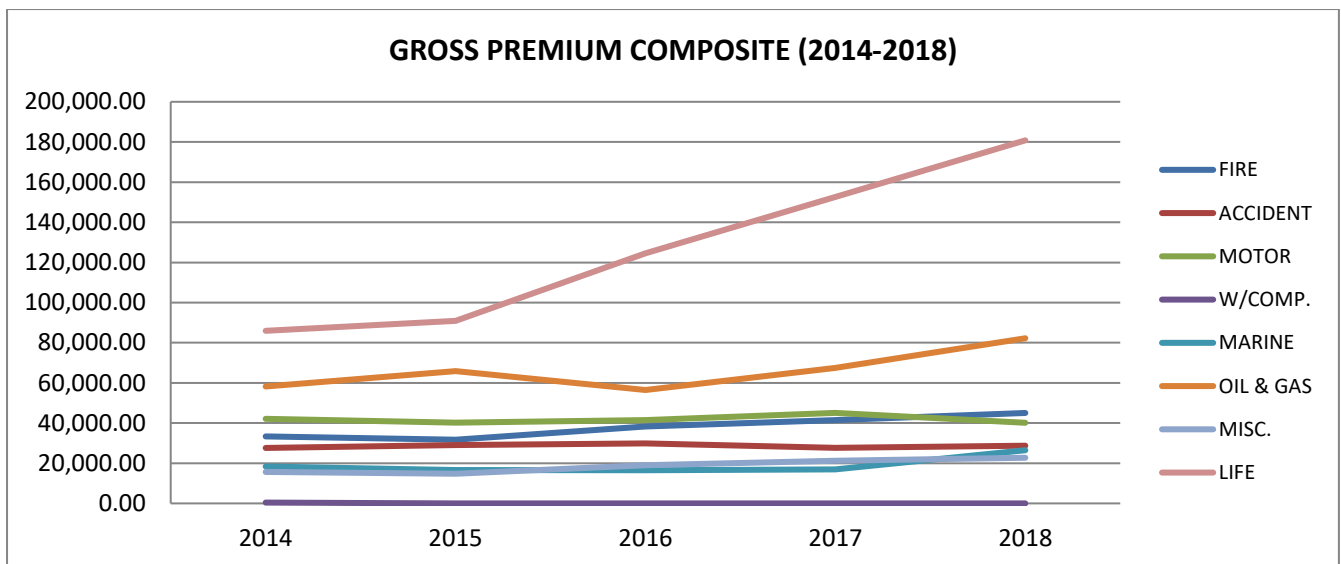
Gross premium grew 14.5% in 2018, driven mainly by developments in the special risks and Life segments of the industry. The Marine and Aviation businesses led the growth (56.5%), followed by Oil & Gas (21.8%) and Life (18.5) all three of which aggregated to 67.9% of the gross premium income generated during the year. Other, Non-Life, businesses contributed moderately, including Fire (8.7%), Miscellaneous (7.4%) and General Accident (3.9%), as displayed in the table.

Motor recorded negative growth (-10.9%) during the year, depicting a significant fall in its contribution to the growth of the sector. Motor Insurance business has endured headwinds in the form of the nefarious activities peddlers of fake Insurance certificates especially with regards to third party liability, as well as unprofessional behaviour in the market by Institutions by way of rate cutting and de-marketing by some institutions. The Commission continues to pursue regulatory measures to free the market of fake Insurance policies as well as instil professional and official practices capacity in the industry.

Chart 1 shows the growth patterns as recorded for various classes of Insurance business of five years.

Chart1: Gross Premium Income By Class - Non-Life & Life Business: 2014 - 2018

₦ Millions

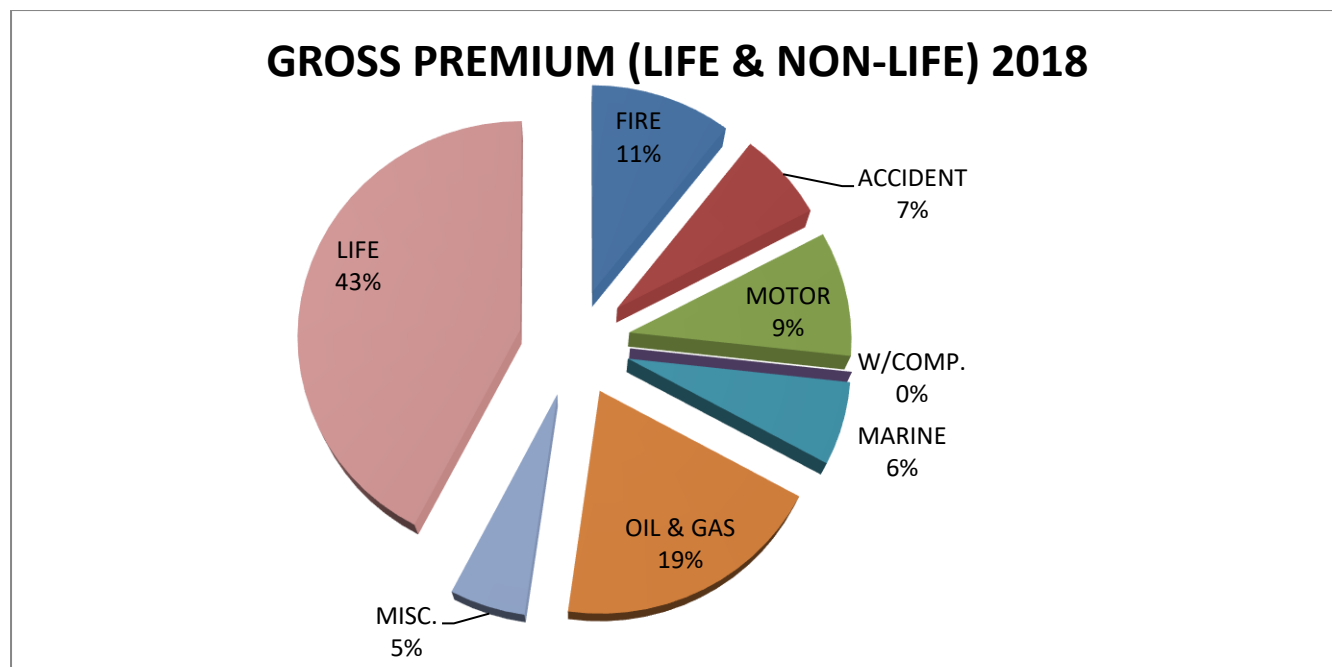


From the Data, the total Insurance gross premium Income has maintained a steady and positive movement from the beginning of 2014, with special risks and Life businesses as major drivers, recording a growth rate of 51.2%, from N282billion in 2014 to peak at N426billion in 2018. Foremost drivers include life insurance (110.4%), Miscellaneous Insurances (44.8%), Marine (44.3%) and, Fire (35.0%) over the five-year period. As stated, there was consistent decline of the figures posted by Motor Insurance (-4.8%) as well as an almost negligible growth rate for General Accident Insurance (3.9%) over the same period. It is expected that with increased levels of public enlightenment and stricter enforcement of genuine motor Insurance across the country, the prevalence of fake motor vehicle Insurances will abate.

1.2 Distribution of Gross Premium Income

Chart 2 captures the percentage contributions of the various Insurance classes to the total gross premium income generated in 2018.

Chart 2: Distribution of Gross Premium Income by Class of Business - 2018

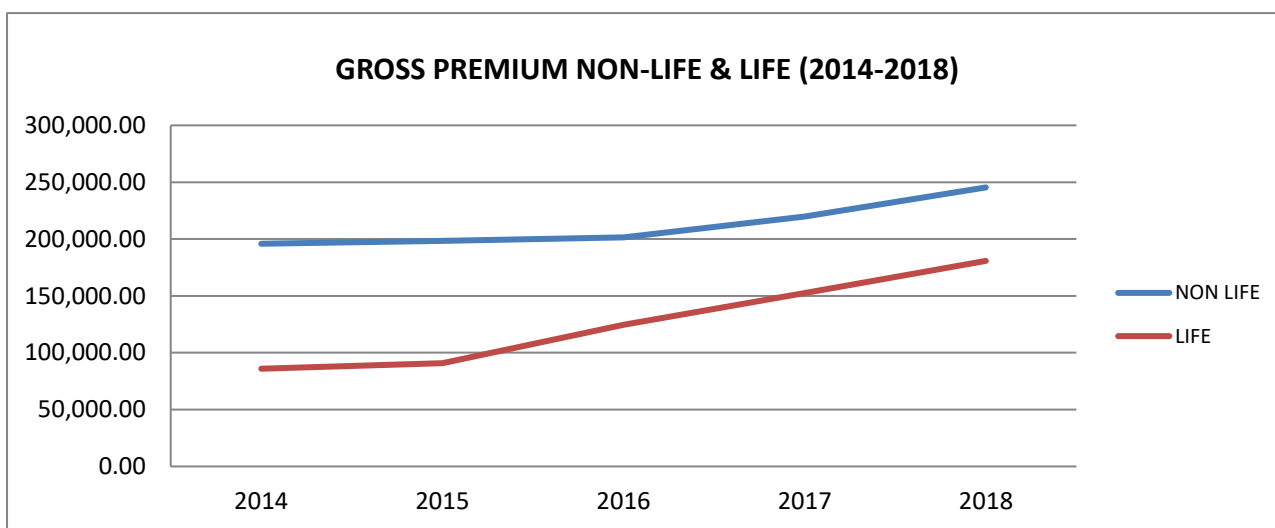


About 57.6% of the industry gross premium was generated from the non-life insurance business, a one-point decline compared to its contribution in the previous period. This continues a trend of steady decline over the past three years (2017: 59%; 2016: 62%; 2015: 69%), compared to 2014 when it recorded a percentage share of 70%. This is attributable to the exponential growth of life business, the negative impacts of challenges confronting the motor business and the excision by statute of the Workmen compensation Insurance from the purview mainstream insurance. By contrast, Life insurance segment in 2018 recorded a contribution of forty-two per cent (42.2%), up by one point on the preceding period. Life Insurance, especially with the growing Annuity business has been on an upward trajectory in its contribution, posting 30% in 2014, 31% in 2015, 38% in 2016 41% in 2017 and 42% in 2018. The growth pattern of the life account is encouraging, particularly because it is essential to the Nigerian economy due to its role in generating much-needed long term investible funds for the overall financial system growth and stability; it also reflects continued efforts being made by the Commission to develop this branch of the industry.

In non-life business, market share figures recorded are interesting. Oil & Gas business was in the lead with 34%, a remarkable improvement on 2017 when its contribution was 18.0%, followed by Fire insurance (18%), Motor (16%), General Accident, (12%), Marine & Aviation Insurance (11%) and Miscellaneous (9%) in descending order.

Overall, though, both Life and Non-life are on a growth trajectory as illustrated by Chart 3 for the five year period up to 2018.

Chart 3: Gross Premium Income: Non-Life & Life Insurance Businesses: 2014 - 2018



As shown, non-life GPI grew steadily from N196 billion in 2014 to peak at N245 billion in 2018. The Life sector grew at a more robust rate to post N181 billion in gross premium in 2018 from N86 billion in 2014. Premium income posted a 110% growth rate relative to 25% in the Non-life sector, in the period 2014 - 2015. Marine & Aviation Insurance also posted an impressive overall growth rate in 2018, followed by Oil & Gas, at fifty-six per cent (56%) compared to 2017 and twenty-two per cent (22%) respectively. Fire business grew at almost 9% (8.7%) compared to previous year which, is a unit increase in its rate of growth recorded in 2017. The General Accident business despite its negative growth in 2017 relative to the previous period still grew at almost 4% (3.9%) in the current year and, almost at the same pace (3.9%) over the entire five year period, standing at about N29 billion in 2018 from a starting point of N28 billion.

At the other end of the growth spectrum, Motor Insurance business continued to nosedive over the period with a growth result of -11% in 2018 as compared to 2017. The business recorded an

overall negative growth of -5% over the five-year period from about N42billion in 2014 to close at N40billion at the end of period.

Still, the overall performance of the sector is laudable given the national economic performance during the period under review. However, if the needed insurance deepening is to be achieved, market development focused measures, including micro-insurance and Takaful Insurances must be promoted and strengthened in order to exploit the enormous potential of the market.

1.3 Retained Premium Income

The Industry Net Premium Income (NPI) provided at Table 2 reveals the figures of N204 billion to N315 billion, indicative of about fifty-five per cent (54.6%) growth rate over the five-year period.

Table 2: Sequence of Net Premium Income: Non-Life & Life Businesses 2014- 2018

Currency: N-Million

Year	Fire	Gen Accident	Motor	W/Comp	Marine	Oil &Gas	Misc.	Life	Total
2014	19,966.01	20,765.20	39,746.01	277.13	12,987.83	20,508.83	10,103.95	79,700.84	204,055.80
2015	17,295.63	22,218.83	38,296.66	0.00	10,242.06	24,958.04	8,899.34	83,707.60	205,618.16
2016	20,397.43	21,516.01	38,720.06	0.00	10,851.24	19,063.49	10,481.84	117,204.69	238,234.76
2017	19,638.84	19,979.03	40,190.71	0.00	10,568.12	25,584.08	10,652.53	138,885.31	265,498.62
2018	23,233.37	19,498.10	36,875.09	0.00	14,740.78	40,200.31	14,421.85	166,526.37	315,495.87

Table 3 provides the Annual growth rates for the period of 2014 - 2018 of the various classes of insurance business.

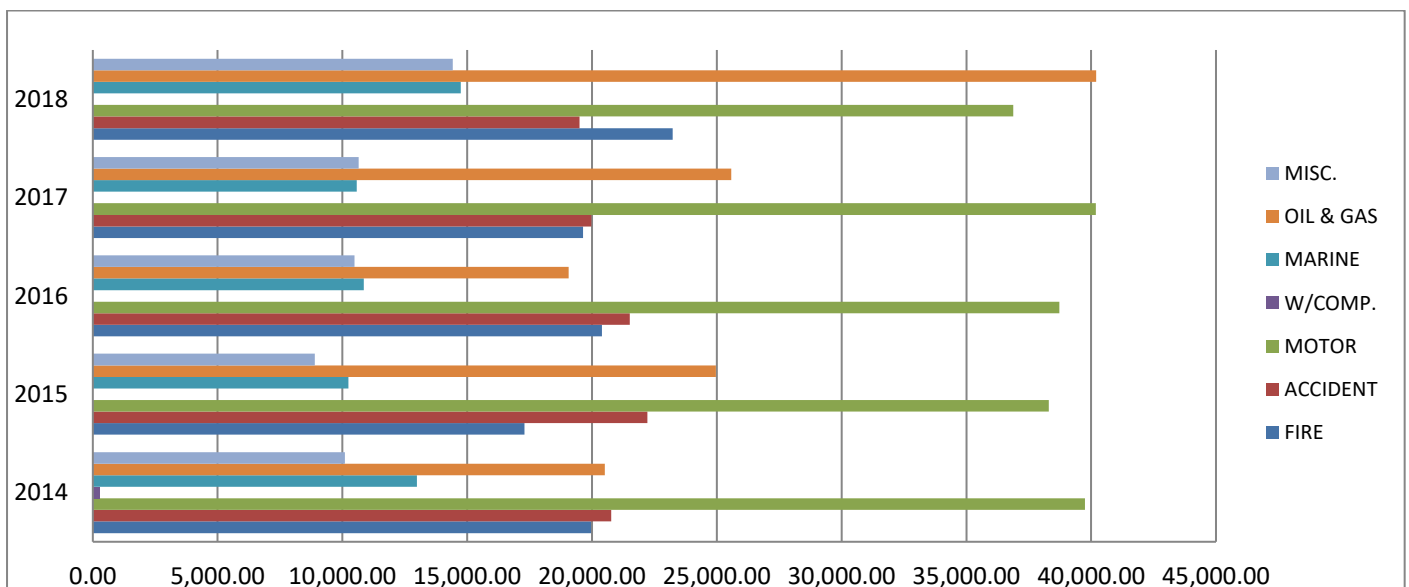
Table 3: Annual Growth Rates of Net Premium Income (%)

Year	Fire	Gen Accident	Motor	Marine	Oil & Gas	Misc.	Life
2014	59.1	10.3	(32.1)	35.8	(12.6)	30.8	8.1
2015	(13.4)	7.0	(3.7)	(21.1)	21.7	(11.9)	5.0
2016	17.9	(3.2)	1.1	5.9	(23.6)	17.8	40.0
2017	(3.7)	(7.1)	3.8	(2.6)	34.2	1.6	18.5
2018	18.3	(2.4)	(8.3)	39.5	57.1	35.4	19.9

It is significant that apart from Motor and General Accident Insurances, other classes registered remarkable levels of growth in retention capacity of the industry during the current period, especially the special risks portfolios of Oil & Gas and Marine & Aviation. This is important as it indicates the growing retention capacity of the sector in hitherto difficult terrains. Growth of life was the most impressive at about twenty per cent (19.9%) rate, highlighting the positive outlook for the savings required for long term investment needs in the Nigerian economy.

The net premium income of various non-life insurance classes for the five-year period is further illustrated by Chart 5.

Chart 5: Net Premium Income for Non-Life Insurance Business: 2014-2018



From Chart 5, it is abundantly clear that the net premium growth patterns of respective classes of Insurance are consistent with the growth profile of their recorded gross premium accounts.

Relativities of the retained Insurance premium levels are specified in the next segment of this report.

1.4 Retention Ratios

Table 4 provides the percentage scales in Insurance premium retentions for the period 2014 to 2018.

Table 4: Retention Ratios for Non-Life and Life Insurance Business; 2014 To 2018

Year	Non-Life Insurance (%)	Life Insurance (%)
2014	63.6	92.7
2015	61.5	92.0
2016	60.1	94.1
2017	57.6	91.0
2018	60.7	92.1

The retention capacity of the sector in the current period in contrast to the previous year is remarkable. Retention scales increased significantly across all the reported accounts. This could be reflective of the growing underwriting and risk-bearing capacities of the market as well as the local content policy of government. The rate of change in retention ratios is commendable especially for both the non-Life (5%) and Life (1%) accounts. This is particularly so for the non-life section which has declined steadily since 2015 as detailed in the table 4.1 on classes of non-life business.

4.1 Retention (%) of Non-Life Insurance by Class of Business

Year	Fire	Gen Accident	Motor	Marine & Aviation	Oil & Gas
2014	60	73	94	70	34
2015	55	76	95	62	38
2016	53	72	94	66	34
2017	47	72	89	63	38
2018	52	68	92	56	49

Table 4.1 clearly represents the retention ratios of the non-life Insurance. The Motor account recorded the highest (92%) retention figures mainly due to the fact that most premiums generated in this account are of third-party motor Insurance which is mostly retained by Insurance Institutions. On the other hand, the Oil & Gas Insurance account posted the least (49%) compared to other accounts, ascribable to its specialty nature vis-a-vis the sector's underwriting and carriage capacity with regards to this kind of risk. However, beyond the economic need of capital and professional enhancements in the industry, the urgent need for local content law enforcement cannot be over emphasized, to ensure for justifiable retention levels for all kinds of special risk Insurances including Oil & Gas.

The class of Fire Insurance also increased substantially, 52% against the 47% it attained in 2017 and a reversal of the negative trend it recorded since the beginning of the five-year period. Other classes recorded some downturn relative to the previous year. Marine & Aviation stood at 56% and General Accident 68% as against 63% and 72% respectively, indicative of a challenging operating environment and, the need for an enhanced carriage capacity development in the sector.

1.5 Distribution of 2018 Net Premium Income

Chart 4 illustrates the proportion of retained premium income recorded in 2018 in line with various classes of Life and Non-Life Insurances.

Chart 4: Distribution of Net Premium Income - 2018

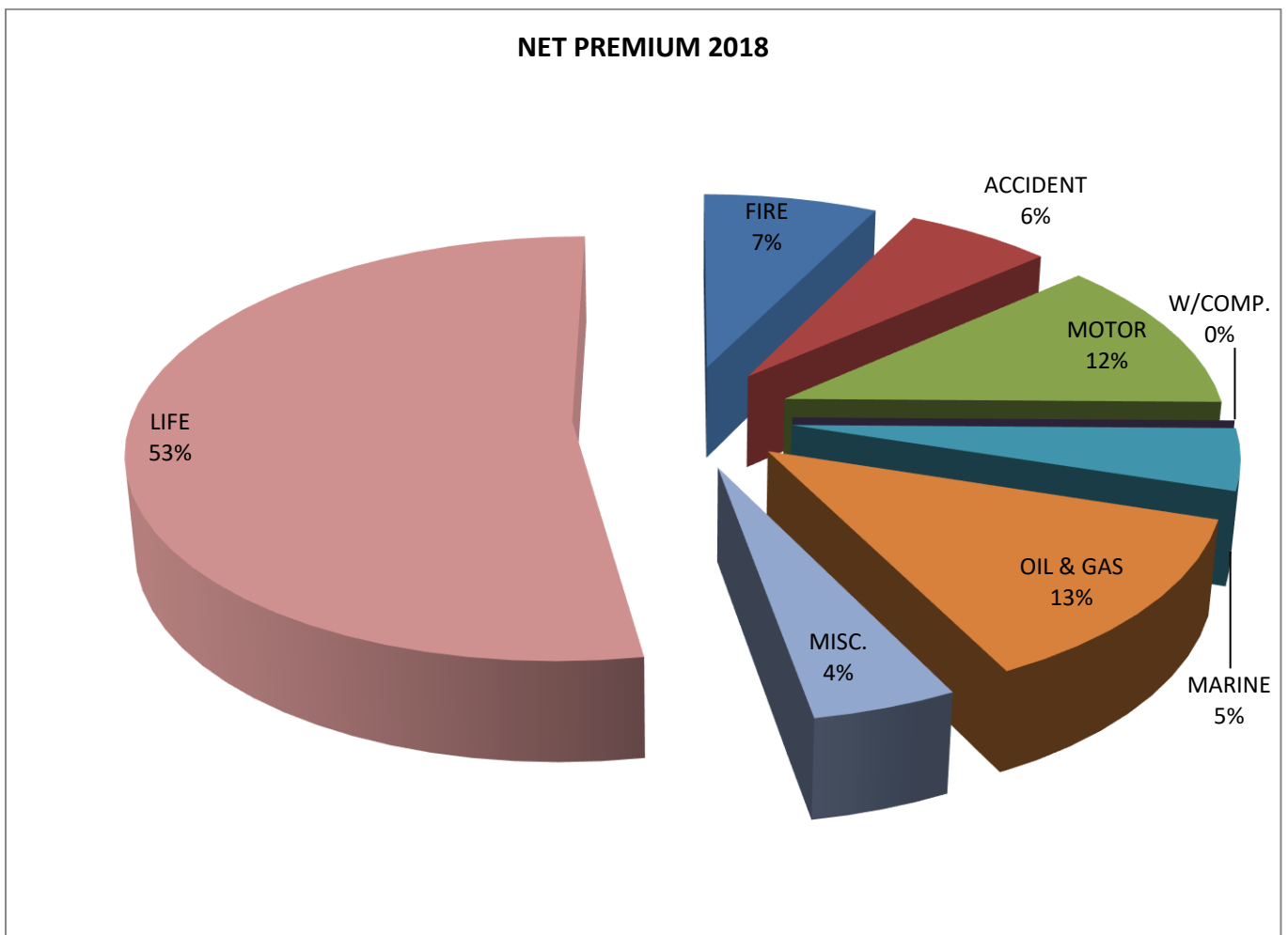


Figure 4 shows the notable percentage contribution of Life insurance section to net premium income, which at 53% was a point higher than the 52% posted in 2017. This indicates the growing development of the sector in line with global trends, it being a common feature of developed insurance markets across the world. The long-term investable funds conceivable through this segment of the sector are a veritable catalyst for the financial sector development and national economic growth and development.

1.6 Claims Experience

1.6.1 Gross Claims

The Nigerian Insurance Sector recorded a gross claim of N252 billion in 2018, a 35.3% growth rate on the 2017 gross claims of N186 billion, which in itself was a 28% growth on 2016 figures. This is attributable to a host of factors, including increased public awareness and policy holder confidence.

Table 5 provides an insight into the gross claims recorded for various classes and periods of Insurance business.

Table 5: Gross Claims Paid - Non-Life & Life Insurance In: 2014 -2018

Currency: N-Million

Year	Gen								Total
	Fire	Accident	Motor	W/Comp	Marine	Oil & Gas	Misc.	Life	
2014	15,347.46	10,050.14	14,512.03	218.62	5,437.56	14,836.49	5,153.40	33,601.11	99,156.81
2015	17,676.02	10,550.36	17,254.58	0.00	7,015.32	8,661.17	4,814.47	45,197.37	111,169.29
2016	22,927.54	10,397.97	18,137.15	0.00	6,879.16	13,158.83	7,073.91	67,263.78	145,838.34
2017	23,636.03	9,994.79	20,849.42	0.00	5,570.08	44,174.34	9,717.26	72,506.11	186,448.03
2018	20,348.49	11,175.70	17,455.64	0.00	13,303.84	51,141.10	7,052.83	131,712.61	252,190.21

The developments in Gross claims of the sector as represented in table 5 shows a consistent positive slope all through the five-year period, from about N99 billion in 2014 to peak at N252 billion in the current period. In 2018, aside from Miscellaneous (-27%), Motor (-16%) and Fire (-14%) Insurances, all other classes including the Life business section reported positive growth rates compared to 2017. General Accident, Marine & Aviation, Oil & Gas and Life grew at about 12%, 139%, 16% and 82% respectively. In the entire five-year period, the Life business held the lead on growth at 292% over the period, followed by Oil & Gas (245%), Marine (145%), Fire (33%), Motor (20%) and General Accident (11%). This development sign posts growing policy holder awareness and confidence with regards claims settlement in the industry.

1.6.2 Net Claims: NON-LIFE Insurance Business

The net claims in 2018 as provided in table 6, was reflective of the pattern of the gross claims reported during the year, except that it occurred at different scales: Fire (-6%) and Motor (-3%), Miscellaneous (-11%) compared to the preceding year. On the other hand, the net claims for the special risks grew massively for the current period relative to 2017, with Marine & Aviation (133%), Oil & Gas (28%) performing positively. In the same vein, General Accident account also grew at 23% during the same period.

The non-life sector grew over the entire period from N52 billion recorded in 2014 to N64 billion in the current period, signifying a 23% growth rate in the net claims account.

Relevant net claims Data on the Non-Life business is provided by Table 6.

Table 6: Net Claims: Non-Life Business: 2014-2018

Currency: N-Million

Year	Gen							Total
	Fire	Accident	Motor	W/Comp	Marine	Oil & Gas	Misc.	
2014	10,277.36	8,244.55	13,348.41	167.13	4,227.14	11,575.68	4,181.34	52,021.61
2015	11,066.03	7,700.97	15,530.32	0.00	4,366.97	6,806.52	3,605.49	49,076.30
2016	11,381.10	7,113.23	16,136.77	0.00	4,249.81	10,313.60	4,566.97	53,761.48
2017	9,811.94	6,835.37	17,903.95	0.00	3,053.27	13,408.07	5,389.04	56,401.64
2018	9,266.50	8,428.10	17,344.02	0.00	7,128.17	17,122.68	4,773.46	64,062.93

Table 7 reveals the net claims on Life business segment for the period of 2014 to 2018, indicating the steady and positive growth trend from N26 billion in 2014 to peak at N117 billion over the period. The jump in the current year is reflective to the policy holder enlightenment and surge in the Annuity business of the Life Insurance portion of the industry.

Table 7: Net Claims Paid: Life Business

Currency: ₦ Million

Year	2014	2015	2016	2017	2018
Amount	26,278.46	43,011.55	54,628.35	68,231.66	117,322.09

The notable growth in net claims of life business over the years can be explained by the sustained awareness campaign, expansion in Annuity business, extended marketing drive by operators and, NAICOM’s regulatory measures such as the claims settlement enforcement drive through its Complaint Bureau window. It is expected that with increased efficiency of the Bureau, policy holder enlightenment, industry stability and claims settlement capacity, genuine claims settlement will continue to be enhanced.

1.4.4.3 The Claims Ratios

The Claims ratios Statistics of the claims paid to policy holders for the 2014 to 2018 era is provided for in Tables 8, 8.1 and 8.2

Table8: Gross Claims/Gross Premium Income-Life and Non-Life

YEAR	2014	2015	2016	2017	2018
Gross Claims(Naira M)	99,156.81	111,169.29	145,838.34	186,448.03	252,190.21
Gross Premium(Naira M)	281,840.43	289,341.48	326,114.02	372,358.42	426,210.93
Claims ratio (%)	35.2	38.4	44.7	50.1	59.2

Table 8.1 Gross Claims/Gross Premium Income: Non-Life

YEAR	2014	2015	2016	2017	2018
Gross Claims(Naira M)	65,555.70	65,971.92	78,574.56	113,941.92	120,477.60
Gross Premium(Naira M)	195,887.85	198,389.16	201,547.68	219,798.61	245,411.17
Claims ratio (%)	33.5	33.3	38.9	51.8	49.1

Table 8.2 Gross Claims/Gross Premium Income - Life

YEAR	2014	2015	2016	2017	2018
Gross Claims(Naira M)	33,601.11	45,197.37	67,263.78	72,506.11	131,712.61
Gross Premium(Naira M)	85,952.58	90,952.32	124,566.34	152,559.81	180,799.76
Claims ratio (%)	37.9	49.7	53.9	47.53	72.8

Tables 8, 8.1 and 8.2 give insights into the average market ratios. They are not individual institution-specific because individual insurers could carry present higher or lower ratios than the industry average depending on their particular circumstances. Furthermore, the ratios are not founded on the actual incurred loss basis but on entire industry gross reported which mirrors the sectors' experience and performance.

1.4.4.3.2 Summary of Insurance Industry Claims and Expenses in 2018

Table 9 provides the Summary of Statistics on the Gross and Net of Premiums and Claims recorded in 2017 accordingly.

Table 9: Premiums and Claims Statistics, 2018

Currency: ₦-Million

Description	Gross premium	Net premium	Gross claims	Net claims
Non-Life Insurance Business	245,411.17	148,969.50	120,477.60	64,062.93
Life Insurance Business	180,799.76	166,526.37	131,712.61	117,322.09

It can be gleaned from Table 9 that the non-life section of the industry incurred losses of 43% in 2018 as against the previous period when it was about 45%. By contrast, Life business incurred a net claims ratio of 70%, quite higher than its level in 2017. This showing from the Life Insurance section, even if net incurred losses remain within tolerable levels, highlights the need for more prudent underwriting as the demand for this portfolio increases over time.

The Insurance industry total assets for both Life and Non-Life businesses stood at ₦1.3 trillion in 2018, a thirteen per cent (13%) growth rate compared to 2017 assets when it was ₦1.1 trillion, continuing a steady increase over the recent years. The assets grew by 54% through the five-year period of 2014 to 2018. Detailed Data in table 10 provides a Statistical insight into the industry assets evolution over the period.

Table 10: Total Assets in Millions of Naira 2014 -2018

YEAR	2014	2015	2016	2017	2018
Non-Life Insurance Business	286,357.81	647,504.12	702,969.29	709,357.52	675,713.49
Life Insurance Business	127,231.64	269,748.01	313,906.63	419,116.34	599,585.86
Composite	413,940.67				
Total	827,530.12	917,252.13	1,016,875.92	1,128,473.86	1,275,299.35

The insurance sector, though small as a segment of the financial services sector of the Nigerian economy, has a capacity and potential for exponential growth. Indeed, it remains one of the fastest growing sectors and has been quite resilient even during the recent economic recession. It continues to post impressively positive figures in almost all its facets. Given the available room for growth and expansion the outlook for Nigeria's insurance sector is without any doubt, promising.

