NATIONAL INSURANCE COMMISSION

ANNUAL REPORT &
AUDITED ACCOUNTS
31ST DECEMBER, 2014

The Insurance Market Performance

1.3.2.1Gross Premium Income

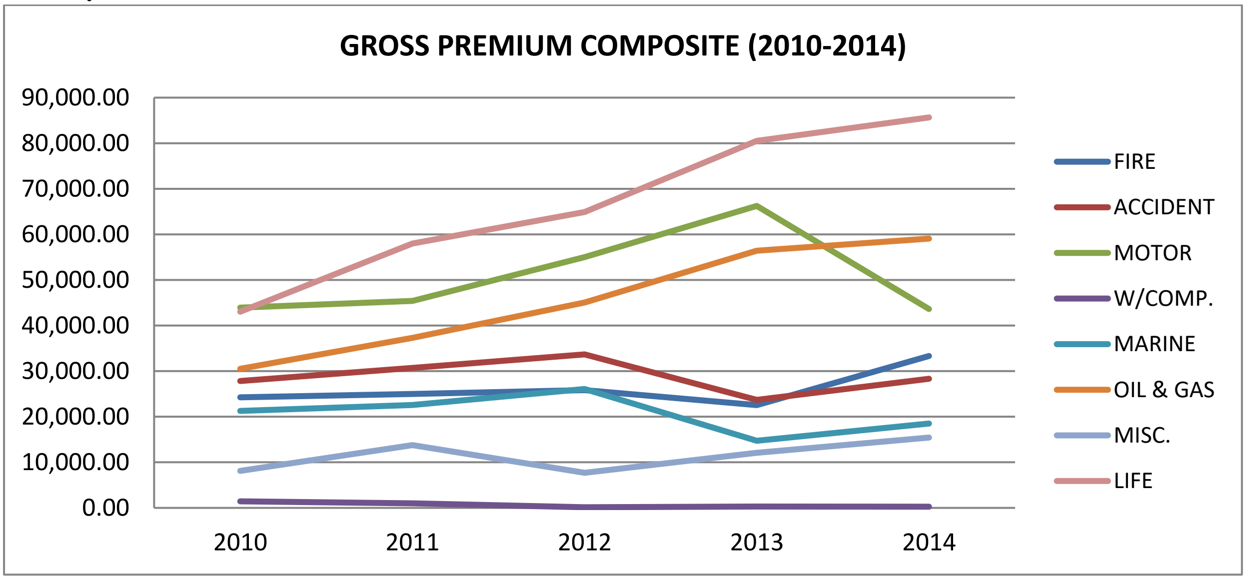
The gross premium income recorded in 2014, as indicated in Table 1, was N284 billion which represented about 3% increase relative to the N276 billion of the previous period. The performance during the year was however below expectation compared with previous years even though the industry premium income has been noticeably facing south since 2013 (7%), 2012 (10.5%) and 2011 (16.6%).

Table 1: GROSS PREMIUM INCOME: NON-LIFE & LIFE BUSINESSES: 2010 – 2014
Currency: ₦ Million

YEAR	FIRE	GENERAL ACCIDENT	MOTOR	W/COMP.	MARINE &AVIATION	OIL & GAS	MISC.	LIFE	TOTAL
2010	24,249.95	27,816.16	43,925.65	1,437.45	21,264.62	30,509.32	8,133.66	43,039.17	200,375.98
2011	24,990.02	30,706.67	45,421.77	1,008.87	22,558.84	37,289.39	13,781.19	57,996.13	233,752.89
2012	25,831.11	33,671.84	55,008.41	136.57	26,077.15	45,068.64	7,699.53	64,909.06	258,402.30
2013	22,544.79	23,691.75	66,691.75	294.94	14,726.61	56,428.48	12,075.83	80,520.24	276,529.00
2014	33,320.67	28,313.47	43,630.83	277.13	18,505.34	59,071.25	15,428.16	85,655.93	284,202.78

The contraction in growth rates recorded in workmen compensation and especially Motor businesses partly explains the drop in income recorded in 2014. These classes posted growth rates of -6.04% and -34.14% respectively during the year. The performances of the other classes were however commendable. Fire, General Accident, Marine & Aviation, Oil & Gas, Miscellaneous and the Life Insurance business recorded growth rates of 47.80%, 19.51%, 25.66%, 4.68 %, 27.76 and 6.38% respectively. The growth patterns of the various classes of business are indicated in chart 1.

CHART1: GROSS PREMIUM INCOME BY CLASS- NON-LIFE & LIFE BUSINESS: 2010 – 2014
Currency: ₦ Millions

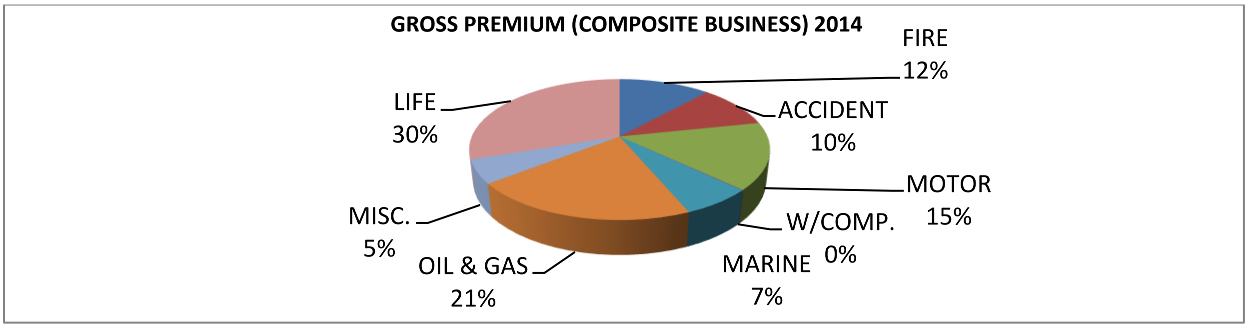


The modest increases in gross premium in 2014 are attributable to the significant volumes of income generated by the Marine & Aviation and Fire branches.

1.3.2.2Distribution of gross premium income

The contributions of the various classes to the total gross premium income are indicated in chart 2.

CHART 2: DISTRIBUTION OF GROSS PREMIUM INCOME BY CLASS OF BUSINESS – 2014



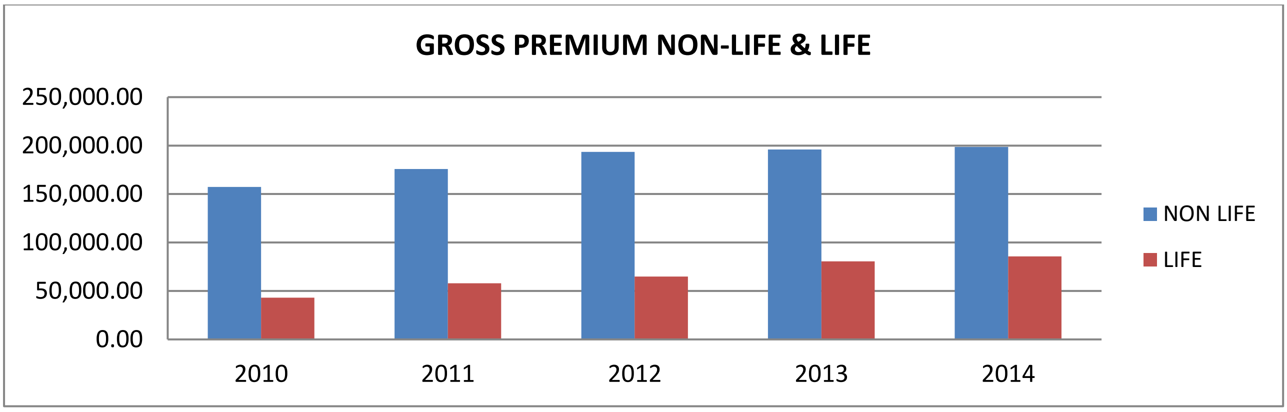
As would be observed, the non-life sector accounted for about 70 % of the total Premium Income generated in 2014 while the Life sector contributed about 30%, against 29% in 2013 and 25% in 2012. Life business is really coming up strong and this is not surprising given the efforts that are being made to develop this branch of business by insurance companies and the great encouragement and the support from NAICOM to ensure that this long-term class plays the role it ought to in supporting the growth and development of the economy. In this connection, the thrust of the Commission as regards the promotion of Takaful and Micro-insurance products is quite appropriate and commendable.

Oil & Gas business came on top from the third place in the previous year with a share of about 21% and followed second by Motor Insurance with about 15% in 2014. Fire insurance remained in the third place with a share of 12%, as against 8 % in 2013. The increases recorded were at the expense of Workmen Compensation and especially Motor whose share dropped from 24% in 2013 to about 15%.

The chart below indicates a continued and steady growth trend of the life and non-life classes. One can only expect that the trend would be sustained, given the efforts of all stakeholders in promoting the growth.

CHART 3: GROSS PREMIUM INCOME: NON-LIFE & LIFE BUSINESS: 2010 – 2014

Currency: ₦ Million



The year 2014 was not a very favourable year in terms of economic growth and same is also relevant in terms of the insurance premium growth. However, with increasing efforts of NAICOM in the areas of micro insurance and Takaful as well as it's 'no premium, no cover' policy, the growth potentials of the industry is highly positive. Effective and sustainable implementation of the local content law as well as the passage of the Petroleum Industry Bill is also expected to positively impact on the growth of the oil and gas business.

Life business almost doubled over the five year period from about 43 billion in 2010 to over 85 billion naira in 2014 which is pretty significant besides the fact that the business is still underdeveloped and remains a growth area.

1.3.3 Retained Premium Income

TABLE 2: EVOLUTION OF NET PREMIUM INCOME: NON-LIFE & LIFE BUSINESSES 2010-2014:
Currency: ₦ MILLION

YEAR	FIRE	GENERAL ACCIDENT	MOTOR	W/COMP.	MARINE & AVIATION	OIL & GAS	MISC. ACCIDENT	LIFE	TOTAL
2010	16,796.18	23,028.98	41,599.28	1,238.56	15,071.67	12,852.21	6,541.95	37,976.85	**155,105.68**
2011	17,366.19	25,281.78	42,735.82	875.73	16,680.44	15,643.54	10,303.06	52,508.18	**181,394.74**
2012	18,607.72	27,957.38	45,618.60	135.53	16,636.39	24,240.47	5,295.17	50,264.48	**188,755.73**
2013	12,545.89	18,831.11	58,502.21	181.18	9,561.03	23,478.33	7,724.36	73,697.32	**204,503.43**
2014	19,855.33	21,378.54	41,015.33	41.61	12,930.84	20,398.67	9,871.91	77,849.52	203,341.75

As would be observed, the total net premium income declined from around ₦205 billion in 2013 to ₦203 billion representing about 0.57% fall in 2014.

The Annual Growth Rates are provided for the various classes in Table 3.

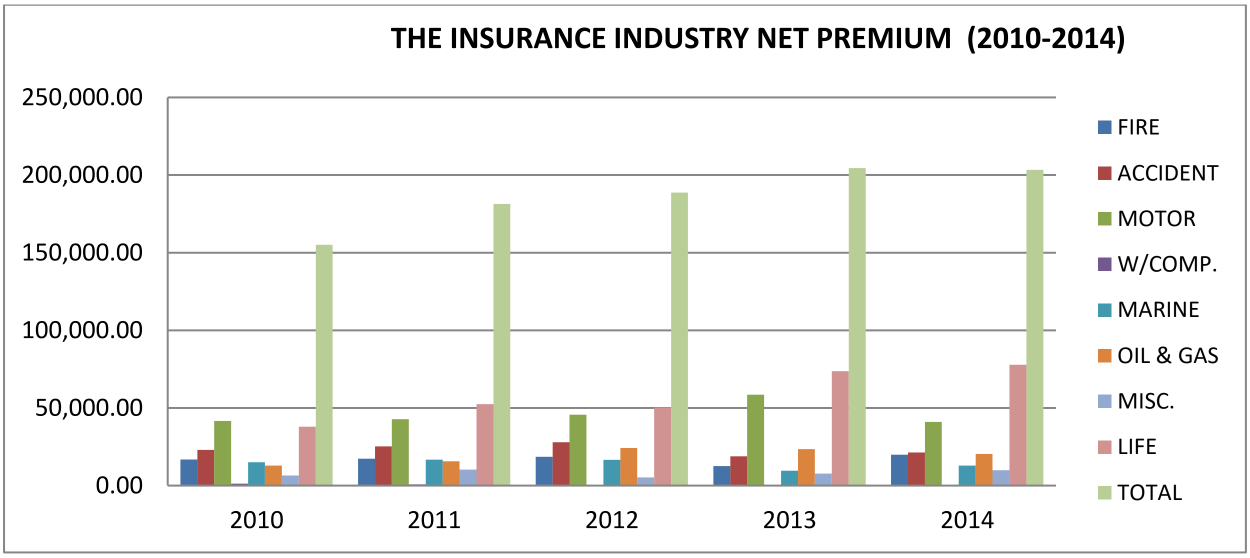
TABLE 3: ANNUAL GROWTH RATES OF NET PREMIUM INCOME (%)

YEAR	FIRE	GENERAL ACCIDENT	MOTOR	MARINE& AVIATION	OIL & GAS	MISC. ACCIDENT	LIFE
2010	22.8	8.7	10.0	16.9	53.1	(0.58)	12.4
2011	3.3	9.8	2.7	10.7	21.7	57.5	38.3
2012	7.1	10.6	6.7	(2.6)	55.0	(48.6)	(4.3)
2013	(28.9)	(13.8)	28.7	(33.2)	3.1	64.9	8.3
2014	58.26	13.53	(29.89)	35.25	(13.12)	27.80	5.66

As observed above, the growth rates for Marine & Aviation (35%) and more specifically Fire (58%) are commendable relative to the previous period. However, it is pertinent to note that 2014 was not quite an impressive year in terms of premium retention in the industry; however it is notable that aside from Motor, the oscillations are within acceptable limits in all other classes of business.

Chart 5 provides further insights into growth patterns of net premium income.

CHART 5: NET PREMIUM INCOME FOR NON-LIFE INSURANCE BUSINESS: 2010-2014



Fire, Oil & Gas and Marine & Aviation all remained within about N20 billion mark throughout the period under review just as Motor which fall to the range of N40 billion. Life business maintained a steady growth in premium retention capacity throughout the period, indication of an increased awareness and industry retention capacity in this regard. Net premiums in life reach a peak of about N78 billion in 2014.

The levels of retained premiums are indicated in the next section. The ratios reflect the impact of the current levels of capitalization.

1.3.3.1Retention Ratios

The proportions of premiums retained are indicated in table 4.

TABLE 4: RETENTION RATIOS

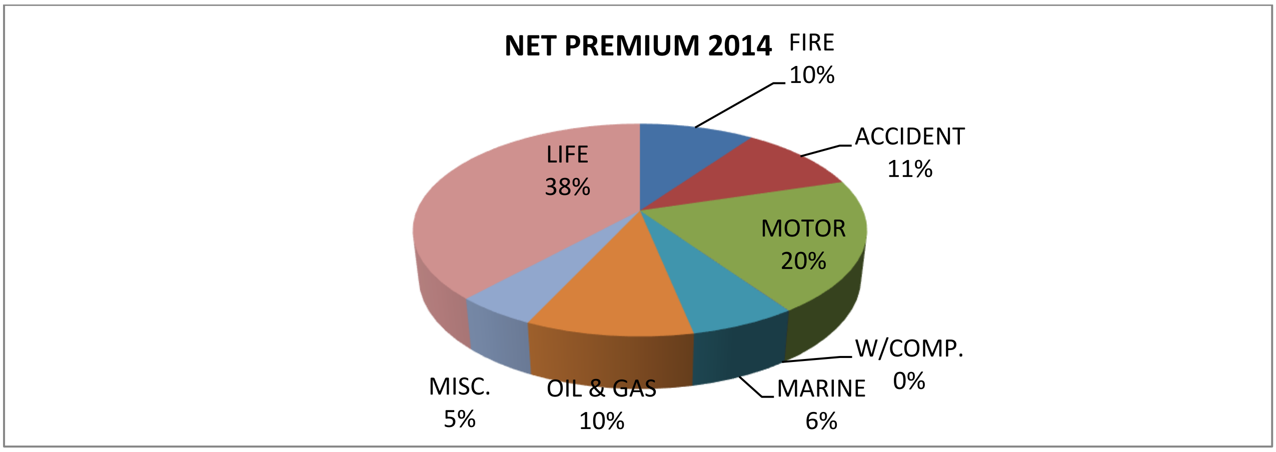
YEAR	NON-LIFE INSURANCE (%)	LIFE INSURANCE (%)
2010	74.4	78.0
2011	73.3	65.0
2012	71.6	77.0
2013	69.5	68.8
2014	63.2	90.9

The noticeable growth in premium retention capacity in Life business from below 80% mark in 2010 to over 90% in 2014 is attributable to increased growth in the market as well as improvement in the industry's technical and material capacity to retain businesses. On the other hand, the drop in the levels of retained premium income from about 74% in 2010 to just above 63 % in 2014 in non-life business may partly be explained by the fact that the increases in the gross written premium income in oil and gas business were not matched by corresponding growth in market capacity.

1.3.3.2Breakdown of net premium income

Chart 4 indicates the percentages of retained premium income recorded by the various classes.

CHART 4: DISTRIBUTION OF NET PREMIUM INCOME – 2014



As can be seen from the chart 4 above, Life business contributed the highest volume at 38% which is good for the industry and the Nigerian economy at large, given that funds from this class of business are usually retained locally by the industry and of course constitutes the needed long term investable funds for economic growth and development. Similarly the net premium income generated by the Motor business comes second at 20%, which is also mainly retained locally.

The retained account needs to grow and NAICOM would continue to monitor the reinsurance programmes of underwriters with a view of ensuring that companies do retain as much as is financially and technically feasible.

1.4.4 Claims Experience

1.4.4.1 Gross Claims Paid

The total gross claims paid in 2014 regarding the non-life business declined from almost N72 billion in 2013 to about N65 billion during the year, as indicated in Table 5, representing a fall of -9%.

TABLE 5: GROSS CLAIMS PAID – NON-LIFE INSURANCE IN: 2010-2014
Currency: ₦ Million

YEAR	FIRE	GENERAL ACCIDENT	MOTOR	WORKMEN COMP.	MARINE AND AVIATION	OIL & GAS	MISC.	LIFE	TOTAL
2010	7,794.06	6,444.45	13,219.03	281.03	2,965.17	3,713.64	3,172.18	16,225.79	**53,815.35**
2011	4,029.03	5,643.91	11,721.66	160.70	1,534.44	1,456.38	2,246.01	20,815.60	**47,607.74**
2012	13,398.70	10,387.18	16,080.83	83.84	8,042.04	5,370.26	2,438.14	23,405.43	**79,206.42**
2013	11,815.14	9,024.90	25,935.58	615.11	6,288.55	13,525.05	4,398.45	35,701.76	**107,304.54**
2014	15,805.58	9,810.38	14,518.10	218.63	5,102.20	14,788.49	4,724.96	31,795.47	**96,763.81**

At about four classes registered significant increases in claims costs in 2014 as in the table 5, with Fire claims constituting the highest non-life claims expenditure in that year. This is not surprising given the fact that, apart from being the biggest non-life portfolio, the Fire class recorded an above-average loss. The Life business gross claims however declined by about -11% in 2014.

The total overall industry decline in amount of claims paid of -10% may be partly attributable to the overall decline in business during the year as is evidenced by the gross premium growth of just less than 3% as well as the improving underwriting capacity in the industry which eliminates unnecessary and rampant risks that eats up the industry funds.

1.4.4.2Net Claims Paid: NON-LIFE Insurance Business

The net claims paid in respect of non-life business rose from about N25 billion in 2010 to over N53 billion in 2014 which is over 110% over the period. Table 6 provides the relevant data.

TABLE 6: NET CLAIMS PAID: NON-LIFE BUSINESS: 2010-2014
Currency: ~~N~~ Million

YEAR	FIRE	ACCIDENT	MOTOR	W/COMP.	MARINE	OIL & GAS	MISC.
2010	4,176.38	4,841.85	11,889.22	864.81	2,217.64	-872.75	1,847.69
2011	4,029.03	5,643.91	11,721.66	160.70	1,534.44	1,456.38	2,246.01
2012	10,168.35	8,906.28	14,853.84	67.38	5,204.59	11,899.45	2,502.94
2013	8231.68	7,290.17	22,342.93	584.84	4,046.65	10,634.25	2,529.67
2014	10,277.36	8,244.55	13,348.41	167.13	3,999.01	13,497.67	3,724.01

Table 7 which provides the amounts of net claims paid in life business also indicates that payments increased significantly during the period under review, rising from N14 billion in 2010 to N24 billion in 2014, which represents a growth rate of about 67% .

TABLE 7: GROSS CLAIMS PAID: LIFE BUSINESS
Currency: ~~N~~ Million

Year	2010	2011	2012	2013	2014
Amount (Naira million)	14,758.13	19,416.20	21,457.85	26,281.93	24,697.77

The increase in the volume of business and policyholders' awareness of their rights also impacted on the observed trend. Furthermore, the increase in the average sum insured also had some influence in shaping the life claims curve.

1.4.4.3 Claims Ratios

1.4.4.3.1 Claims Ratios – Composite

Table 8 provides the composite claims ratios for the market.

TABLE8: GROSS CLAIMS/GROSS PREMIUM INCOME

YEAR	2010	2011	2012	2013	2014
Gross Claims(Naira M)	53,815.35	47,607.74	79,122.58	107,304.54	96,763.81
Gross Premium(Naira M)	200,375.98	233,752.89	258,402.30	276,384.77	284,202.78
Claims ratio (%)	26.9	20.4	30.6	38.8	34.0

The ratios are market averages and, as would be expected, there were a few companies that had higher ratios while others returned lower figures than the mean values. Apart from this observation, one needs to add that there are significant differences between the qualities of the non-life and life portfolios which are not indicated in the table. The next section provides the necessary insights.

1.4.4.3.2 Claims and Expenses: 2014

Table 9 provides figures in respect of premiums, claims and the expenses recorded in 2014 while Table 10 contains the relevant claims and expense ratios.

TABLE 9: PREMIUMS, CLAIMS AND EXPENSES: 2014
Currency: ~~N~~ Million

Description	Gross premium	Net premium	Net earned premium	Gross claims	Net claims	Net claims incurred	Total Mgt exp
NON-LIFE Ins. Business	120,963.69	79,642.22	77,106.30	34,939.75	26,282.11	24,299.55	36,903.58
Life	36,001.27	32,287.50	32,287.50	16,272.68	10,727.87	9,131.51	4,157.70
Composite	127,501.83	91,412.02	37,669.85	45,773.96	42,011.99	33,937.64	36,964.60

TABLE 10: CLAIMS AND EXPENSE RATIOS: 2014

Description	Gross claims/gross premium%	Net claims/net premium%	Net Claims incurred/net earned premium%	Total Mgt exp/ gross premium %	Total mgt expense/ net premium %	Total mgt expense/net earned premium %
Non-life	28.88	33.00	31.51	30.51	46.34	47.86
Life	45.20	33.23	28.28	11.55	12.88	12.88
Composite	35.90	45.96	90.09	28.99	40.44	98.13

The Tables provide the following indications:

- **Claims Experience-2014**

The net claims ratio for life and non-life businesses both of which were below 35% in 2014 is reflective of a competitively high underwriting capacity in the industry as well as a relative friendly competition in the market. The competition however had a pronounced impact on companies operating as composite leaving where the net claims ration is found to be over 45% in 2014.

- **Expense Ratio-2014**

The net expense ratio for life business is satisfactorily favourable at just about 13%. However, at over 46% for non-life business and over 40% for composite business the net expense ratios are considered too high. Companies would have to rationalize their expenses in the various areas of their operations with a view of rationality in relation to the levels of their premiums and investments income.

- **Combined Ratio-2014**

The average combined ratios for the market were 86%, 79% and 46% for composite, non-life and life businesses respectively. These indicators, which are the sums of net incurred loss ratio and net incurred expense ratios, truly reflect the dynamics of the net accounts. As high as the ratios appear, they still leave enough room for reasonable profit margins especially for life business which was below the average of 50%. In fact, a combined ratio of 95% is still considered satisfactory as it is still below 100% given as a good sign of profitability.

1.4.5 Assets of Life and Non-life Companies

The increase in assets in 2014, as indicated in Table 9, came mainly from the additional investments during the year. Significant amounts of assets were in fact deployed for investment in 2014. The industry assets grew by about 5% during the year which is slip of -56% relative to the previous period of 2013 that had a growth level of 12%.

TABLE9: TOTAL ASSETS IN MILLIONS OF NAIRA 2010-2014

YEAR	2010	2011	2012	2013	2014
Non-Life	391.741.60	407,432.22	497,799.43	526,277.81	289,617.45
Life	193,274.19	213,662.92	212,827.81	267,601.93	127,231.64
Composite					418,128.82
TOTAL	585,015.79	621,095.14	710,627.24	793,879.74	834,977.91

The slowdown effect in the industry assets growth rate since 2012 is partly reflective of the capital market and price vulnerabilities of the industry investments which constitute an essential element in the Insurance business model.