



NATIONAL INSURANCE COMMISSION

**ANNUAL REPORT &
AUDITED ACCOUNTS
31ST DECEMBER, 2015**

The Insurance Market

According to the AXCO 2015 world insurance industry ranking, the Nigerian market was sixty one (61) in the world based on the Gross Written Premium, up from its 62th position in the previous year. The industry gross premium for 2015 was over N289 billion with a growth rate of about three percent (2.7%). The non-life business accounted for about 69% of the total gross premium in correspondence with the Life business, accounting for about 31%.

The industry's gross claims settlement also grew 15% during the year in converse with a major decline of over 9% in the previous period of 2015. While the non-Life gross claims constituted about 59% of the total claims paid by the market, the Life business side attributed about 41% during the year. This occurrence means that more claims was also settled by insurance companies during the period, an experience directly attributable to increased regulatory measures carried out by the National Insurance Commission with regards to genuine claims settlement.

The Insurance Committee was also established in 2015 by the industry stakeholders to serve as an enabler and platform for closer cooperation amongst them. The Commission also continued, as enabled by law, to oversee and manage some insurance companies with failure symptoms with a view to stabilizing them and bringing them back to a healthy business operation.

The Insurance Market Performance

1.1 Gross Premium Income

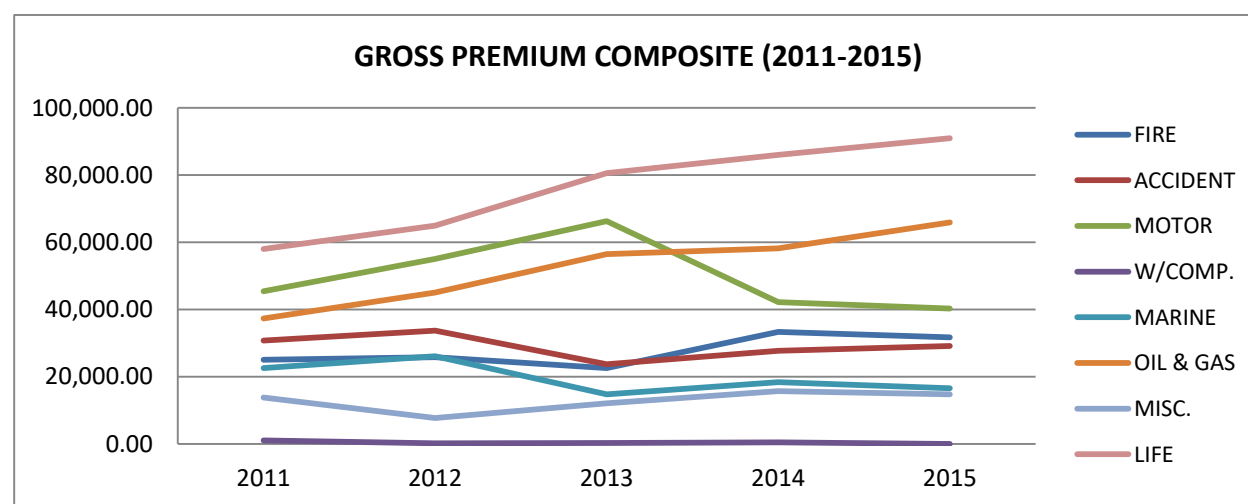
The 2015 gross premium income stood at N289 billion which is about 3% boost relative to the N281 billion recorded in 2014 as shown in Table 1.

Table 1: GROSS PREMIUM INCOME: NON-LIFE & LIFE BUSINESSES: 2011 – 2015 N Million

YEA R	FIRE	GENERAL ACCIDEN T	MOTOR	W/COMP .	MARINE &AVIATIO N	OIL & GAS	MISC.	LIFE	TOTAL
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	33,353.18	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

The positive growth of the gross premium, 2.6%, recorded in 2015 is explained mainly by the growth in the total premium income in Oil & Gas, General Accident and Life insurance businesses during the year. The premium growth has been on the downward trend since 2011(16.6%), 2012(10.6%), 2013(7.0%) and 2014(1.9%), until in 2015 (2.7%) when the trend changed to an upward movement from the drift. The growth patterns of the various classes of business are indicated in Chart 1.

CHART1: GROSS PREMIUM INCOME BY CLASS- NON-LIFE & LIFE BUSINESS: 2011 – 2015 N=Millions



The total gross premium income have been on a positive trend since 2011 due to mainly the consistent growth recorded by the life and oil/gas businesses, growing from about N234 billion to over N289 billion in 2015. The continued decline in the Motor Insurance business since 2014 however, is a negative development in the industry signifying the increase in fake

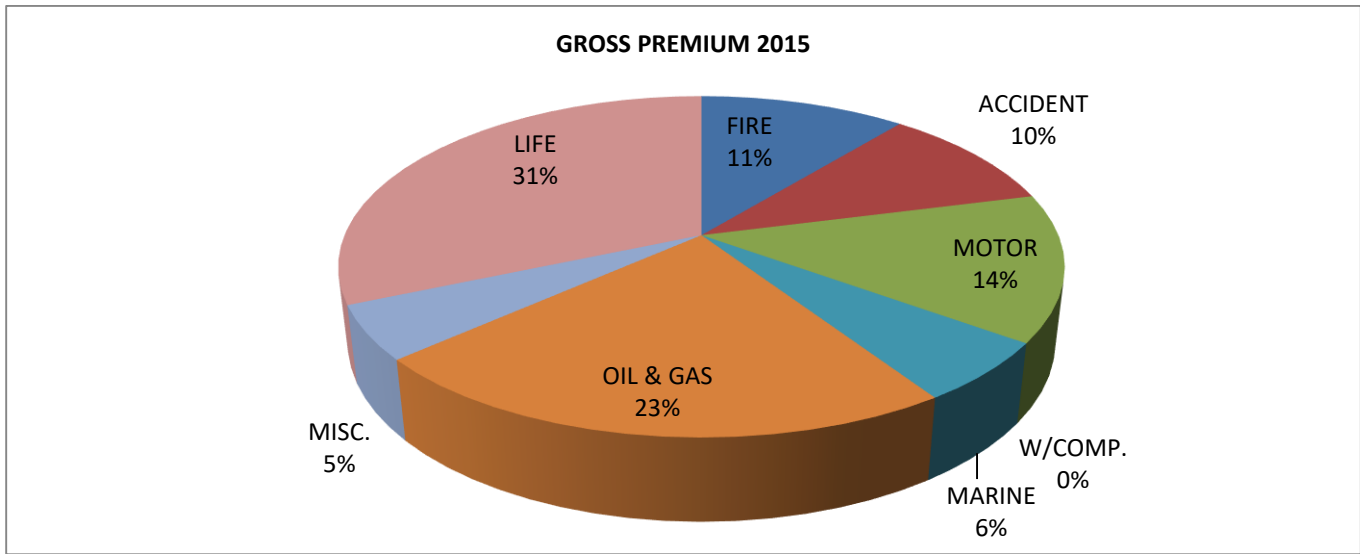
motor Insurance in Nigeria, resulting to a significant decline in the level of underwriting of such an important product by genuine insurance companies.

The Marine, Fire, and Miscellaneous Insurances are other branches all of which dropped in 2015 and, the gross fall in demand for workmen compensation insurance and its discontinuation of by most underwriters, resulted to a stumpy growth of about 2.7% recorded in 2015.

1.2Distribution of gross premium income

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

CHART 2: DISTRIBUTION OF GROSS PREMIUM INCOME BY CLASS OF BUSINESS – 2015



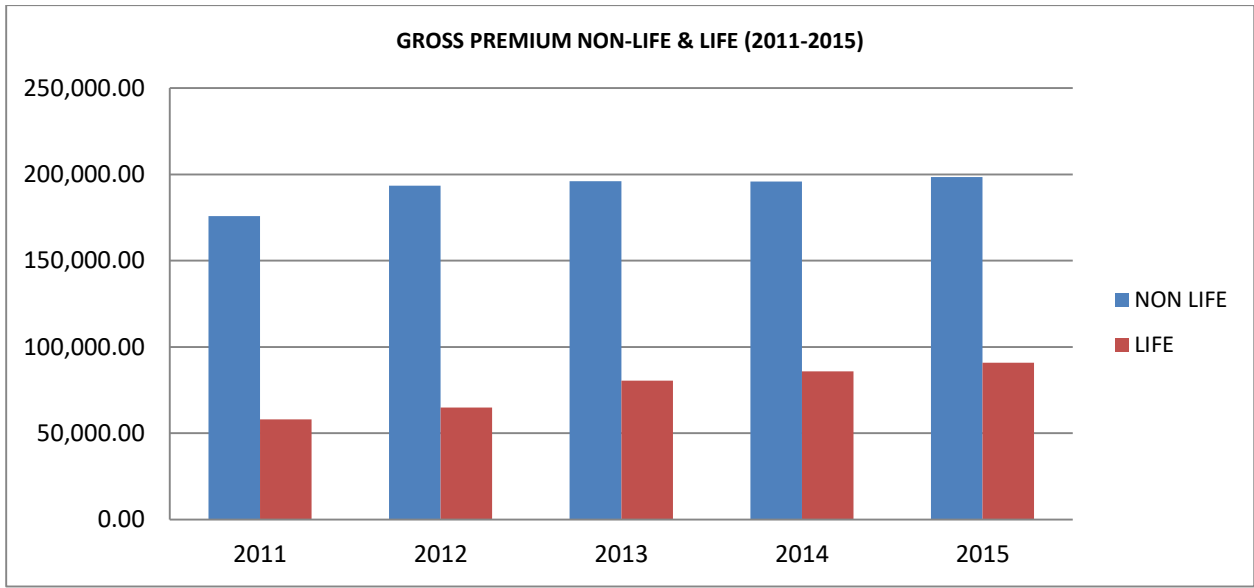
From the distribution above, non-life sector accounted for about 69% of the total Premium Income generated in 2015, a drop from the 70% recorded in the previous period. The Life sector on the other hand contributed about 31%, as against 30% in 2014 and 29% in 2013 in the same order. The growing contribution of the life account to the overall premium income is simply attributable to the continued efforts being made by the Commission to develop this branch as well as increased number of Life business insurance companies and the great marketing drive on the part of underwriters. This market behaviour is good for the over-all economic system growth, as it increases the level of needed national long-term investable funds.

The Oil & Gas business maintained its second position in terms of market share with 22.8%, up from the 20.7% from the previous period. Motor insurance also accounted for 13.9% to be followed by Fire (10.9), General Accident (10.1), Marine (5.7) and Miscellaneous

Insurance businesses (5.1). The workmen compensation business accounted for zero percentage share, owing to its absolute decline from the businesses carried out by insurance companies.

The chart below shows a continued positive trend of the life and non-life Insurance businesses.

CHART 3: GROSS PREMIUM INCOME: NON-LIFE & LIFE BUSINESS: 2011 – 2015 ₦ Million



Despite the continued upward trend of both the life and non-life premiums, it can be observed that only the Oil & Gas and Life insurance businesses maintained a consistent upward review throughout the five year period of 2011 to 2015. While the Oil & Gas business grew from N37.3 billion in 2011 to N65.9 billion in 2015, representing a 76.8% growth during the period. Similarly, Life business increased steadily from N57.9 billion in 2011 to over N90.5 billion in 2015, signifying 56.8% growth.

Conversely, businesses such as Fire, General Accident, Motor, Marine and Miscellaneous businesses maintained an oscillative trend over the period. While Fire (26.9%) and Miscellaneous (7.2%) had an overall positive growth, a negative overall growth was recorded for General Accident (-5.2%), Motor (-11.3%), and Marine (-26.5%).

A number of continued measures being carried out by NAICOM are however expected to drive the growth of the industry at a much faster pace despite the overall behaviour of the Nigerian economy. These include NAICOM’s initiatives with regards to micro insurance, Takaful insurance, the ‘no premium, no cover’ policy, the local content law, effective

implementation of the laws on compulsory insurance and the existence of the Insurance Committee platform.

1.3 Retained Premium Income

Table 2 below, indicates the 2015 total Net Premium Income (NPI) of about N206 billion signifying an increase of about 1.0% from the income of about N204 billion recorded in the preceding period.

TABLE 2: EVOLUTION OF NET PREMIUM INCOME: NON-LIFE & LIFE BUSINESSES 2011- 2015 N MILLION

YEAR	FIRE	GENERAL ACCIDENT	MOTOR	W/COMP.	MARINE & AVIATION	OIL & GAS	MISC.	LIFE	TOTAL
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	19,966.01	20,765.21	39,746.01	277.13	12,987.83	20,508.50	10,103.95	79,700.84	204,055.47
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

The annual growth rates are provided for the various classes of business in Table 3 below.

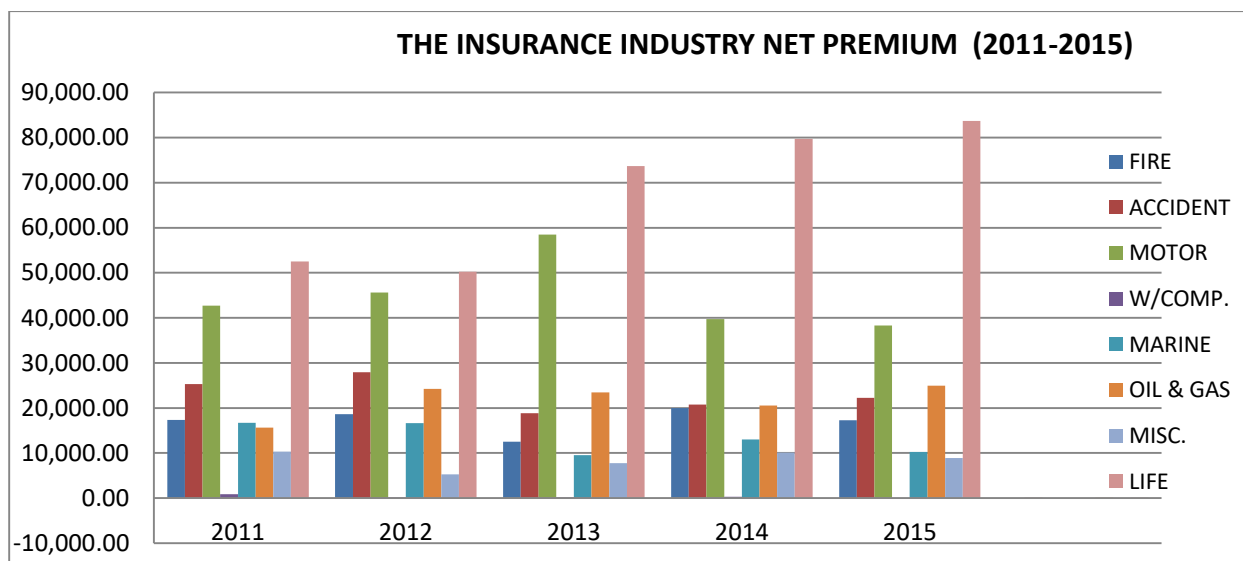
TABLE 3: ANNUAL GROWTH RATES OF NET PREMIUM INCOME (%)

YEAR	FIRE	GENERAL ACCIDENT	MOTOR	MARINE & AVIATION	OIL & GAS	MISC. ACCIDENT	LIFE
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	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

It is pertinent to note that most of the classes had a negative growth in terms of premium retention during the period; though this is reflective of the changes in reinsurance policy in the industry and, to some extent the dwindling industry capacity to retain risk. Nonetheless the it noteworthy that retention levels remained within acceptable range over the period.

Further insight is provided into growth patterns of net premium income in Chart 5

CHART 5: NET PREMIUM INCOME FOR NON-LIFE INSURANCE BUSINESS: 2011-2015



From the chart 5 above, net premium income in both Life and Non Life growth trends are observed to be consistent with the growth profile of their respective gross accounts.

The levels of retained premiums are indicated in the next section.

1.4 Retention Ratios

The percentage magnitude of premiums retained for 2011 to 2015 are indicated in table 4.

TABLE 4: RETENTION RATIOS FOR LIFE AND NON LIFE BUSINESS; 2011 TO 2015

YEAR	NON-LIFE INSURANCE (%)	LIFE INSURANCE (%)
2011	73.3	65.0
2012	71.6	77.0
2013	69.5	68.8
2014	63.6	92.7
2015	61.5	92.0

The continued decline in the non life business retention levels since 2011 is largely due to the dwindling carrying capacity of the underwriters coupled with the business environment

challenges. The major classes of business responsible for the key decline includes the Marine (-21.1) and Fire (-13.4) Insurance businesses as depicted in Table 4 above.

1.4.1 Retention (%) of Non Life Insurance by Class of Business

YEAR	FIRE	GENERAL ACCIDENT	MOTOR	MARINE & AVIATION	OIL & GAS
2011	70	82	94	74	42
2012	72	83	83	64	54
2013	56	79	88	64	41
2014	60	73	94	70	34
2015	55	76	95	62	38

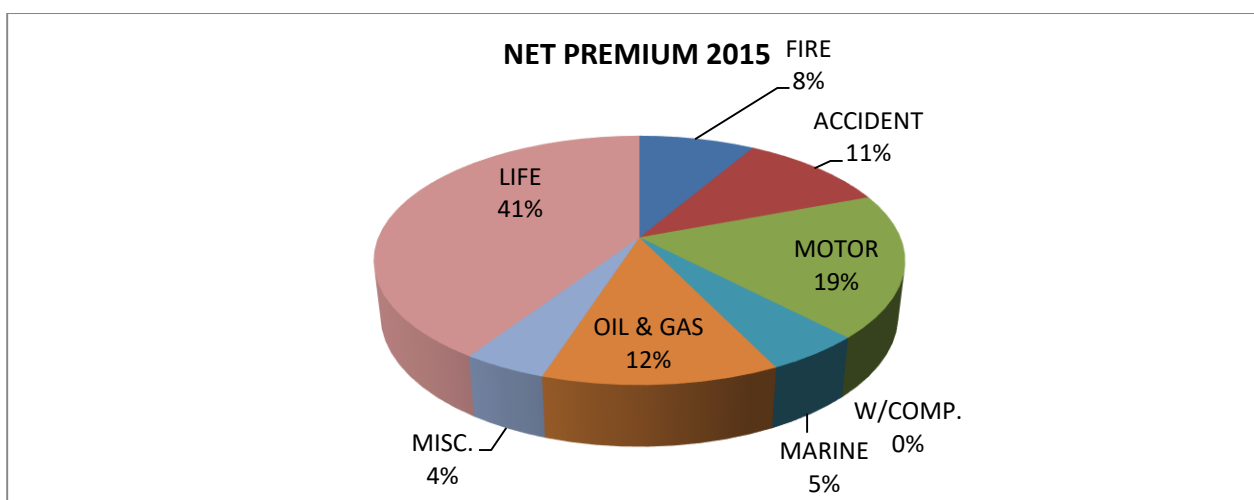
The retention level of the oil & gas account was particularly lower relative to other classes even as it leads in terms of growth rate, this is significant due the specialty of this kind of risk whereby, not much of it can be adequately carried by insurance companies in view of their capacities and the in terms of volatility when the risk crystallizes. The fact remains that despite the continued growth in the Oil and gas business, the industry is unable to match it with a corresponding growth in market capacity.

On the other hand, Motor (95%) and General Accident (76%) classes maintained a steady positive growth in their retention levels. These are major drivers to the over 61% retention level achieved by the non life sector of the insurance market in Nigeria.

1.5 Distribution of 2015 net premium income

Chart 4 indicates the percentages of retained premium income recorded by the various classes of Life and Non Life Insurance.

CHART 4: DISTRIBUTION OF NET PREMIUM INCOME – 2015



The Life insurance business contributed a momentous degree of the net premium income which is good for the Nigerian economy, as long term funds from life class of business forms the long term needed investable funds. NAICOM would, among other things, 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.

1.6 Claims Experience

1.6.1 Gross Claims

The 2015 industry gross claims paid stood at over N111 billion, signifying a significant increase of about 15% from the negative growth recorded in the previous period of 2014 with about N99 billion gross claims. This is indicated in Table 5.

TABLE 5: GROSS CLAIMS PAID – NON-LIFE & LIFE INSURANCE IN: 2011-2015 N-Million

YEAR	FIRE	GENERAL ACCIDENT	MOTOR	WORKMEN COMP.	MARINE AND AVIATION	OIL & GAS	MISC.	LIFE	TOTAL
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	15,347.46	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

From table 5 above, despite the absence of workmen compensation business, drastic fall in the Oil & Gas business and, the fall in miscellaneous business, the industry gross claims grew by over 15% rate, from about N99billion in 2014 to over N110billion in the period under review. This could be a direct consequence of a combination of factors such as increased policy holders' awareness in pressing for rightful and guinea claims, increased regulatory measures with regards to claims settlement and industry confidence building and, underwriters' increasing business professionalism. It is expected that the deployment of effective risk management instruments, proficient and prudent underwriting capacity would continue to impact positively on the levels of losses and claims payment.

1.6.2 Net Claims: NON-LIFE Insurance Business

The net claims paid in respect of non-life business by insurance companies continued in a declining trend during the current period, from N52 billion in 2014 to N49 billion in 2015,

representing a further decrease of -6%. This experience is indicative of a sustained prudence on the side of the policy underwriters in the industry. Table 6 provides the relevant data.

TABLE 6: NET CLAIMS PAID: NON-LIFE BUSINESS: 2011-2015

Currency: N-Million

YEAR	FIRE	ACCIDENT	MOTOR	W/COMP.	MARINE	OIL & GAS	MISC.	Total
2011	4,029.03	5,643.91	11,721.66	160.70	1,534.44	1,456.38	2,246.01	26,792.13
2012	10,168.35	8,906.28	14,853.84	67.38	5,204.59	11,899.45	2,502.94	53,602.83
2013	8231.68	7,290.17	22,342.93	584.84	4,046.65	10,634.25	2,529.67	55,660.19
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

Net Claims paid in Life business for the period 2011 to 2015 is provided in Table 7, indicating the steady and significant positive growth from N19 billion in 2011 to N43billion in 2015.

TABLE 7: NET CLAIMS PAID: LIFE BUSINESS

Currency: N-Million

Year	2011	2012	2013	2014	2015
Amount	19,416.20	21,457.85	26,281.93	26,278.46	43,011.55

The sustained increase in the net claims paid in life business is a direct reflection of the steady astronomical growth in volume of business written as well as the rise on the total sum insured over the years and, an increasing policyholders' awareness of their rights with regards to claims.

1.4.4.3 The Claims Ratios

The tables below provide claims ratios in respect of claims paid to policyholders

TABLE8: GROSS CLAIMS/GROSS PREMIUM INCOME-LIFE AND NON-LIFE

YEAR	2011	2012	2013	2014	2015
Gross Claims(Naira M)	47,607.74	79,122.58	107,304.54	99,156.81	111,169.29
Gross Premium(Naira M)	233,752.89	258,402.30	276,384.77	281,840.43	289,341.48
Claims ratio (%)	20.4	30.6	38.8	35.2	38.4

TABLE 8.1 GROSS CLAIMS/GROSS PREMIUM INCOME: NON-LIFE

YEAR	2011	2012	2013	2014	2015
Gross Claims(Naira M)	26,792.14	55,717.15	71,602.78	65,555.70	65,971.92
Gross Premium(Naira M)	175,756.76	193,493.25	196,008.76	195,887.85	198,389.16
Claims ratio (%)	15.2	28.8	36.5	33.5	33.3

TABLE 8.2 GROSS CLAIMS/GROSS PREMIUM INCOME – LIFE

YEAR	2011	2012	2013	2014	2015
Gross Claims(Naira M)	20,815.60	23,405.43	35,701.76	33,601.11	45,197.37
Gross Premium(Naira M)	57,996.13	64,909.06	80,520.24	85,952.58	90,952.32
Claims ratio (%)	35.9	36.1	44.3	37.9	49.7

The table 8, 8.1 and 8.2 above, indicates only the market averages that indicates the behaviour of 2015 loss experience of the portfolios, hence there were a few companies that had higher ratios while others returned lower figures than the mean values. Furthermore, the ratios do not provide the insights obtainable from claims ratios computed on incurred basis.

1.4.4.3.2 Claims and Expenses in 2015

Table 9 below provides the summary of premiums and claims recorded in 2015

Table 9: Premiums and Claims Figures

Currency: N-Million

Description	Gross premium	Net premium	Gross claims	Net claims
NON-LIFE Ins. Business	198,389.16	121,910.56	65,971.92	49,076.30
Life	90,952.32	83,707.60	45,197.37	43,011.55

The Non Life business Claims ratio on net incurred basis stood at 40% in 2015, a fall from the previous period, while the corresponding life business claims ratio increased steeply from 33% in 2014 to over 51% in 2015.

The Life and Non Life businesses total assets in 2015 amounted to about N917 billion representing an increase of 11% over the total assets of N827 billion recorded in the previous period as specified indicated in Table 9.

TABLE9: TOTAL ASSETS IN MILLIONS OF NAIRA 2011-2015

YEAR	2011	2012	2013	2014	2015
NON - LIFE	407,432.22	497,799.43	526,277.81	286,357.81	647,504.12
LIFE	213,662.92	212,827.81	267,601.93	127,231.64	269,748.01
COMPOSITE				413,940.67	
TOTAL	621,095.14	710,627.24	793,879.74	827,530.12	917,252.13

The 2015 assets growth deceleration was reflective of the macroeconomic performance as evidenced by the capital market behaviour and price vulnerabilities during the year, thus the industry's total assets would have hit the trillion point.