



NATIONAL INSURANCE COMMISSION

**NAICOM ANNUAL REPORT &
AUDITED ACCOUNTS
31ST DECEMBER, 2016**

Insurance Sector

NAICOM..... For a healthier Insurance Industry in Nigeria.

The Insurance Market

The Insurance industry had a glowing year in 2016 despite the reduced economic performance at the national level. The industry gross premium which is a major indicator of industry growth, grew at about 13 percent (13%) during the period to stand at over N326 billion as against N289 billion in 2015. The non-life business continued its dominance of the market as usual, accounting for about 62% of the total gross premium as against Life business which was 38%. This indicates that Life business grew by seven points in its share of the total industry gross premium with a positive shift from 31% contribution in the previous year.

The gross claims also grew at 31% during the period, more than double its growth in the previous period of 15%. While the non-Life gross claims constituted 54% of the total claims paid by the market, the Life business side was 46% during the year. This occurrence means that more claims was also settled by insurance companies during the period, an experience directly attributable to the continued increased regulatory measures carried out by the Commission with regards to genuine claims settlement as well as the growing public awareness.

The Insurance industry in its drive towards better market deepening, contribution to gross domestic product and financial inclusion, added two new stand alone Takaful Insurance companies, namely; JAIZ Takaful and Noor Takaful Insurance companies that were registered to operate in line with Islamic principles, making the total number of registered Insurance and Reinsurance institutions to sixty (60). The Nigerian Insurance industry was ranked at sixty one (62) in the world by the AXCO (UK) report based on the Gross Premium Income, a decline in relation to its 61th position in the previous year.

1. MARKET PERFORMANCE

1.1 Gross Premium Income

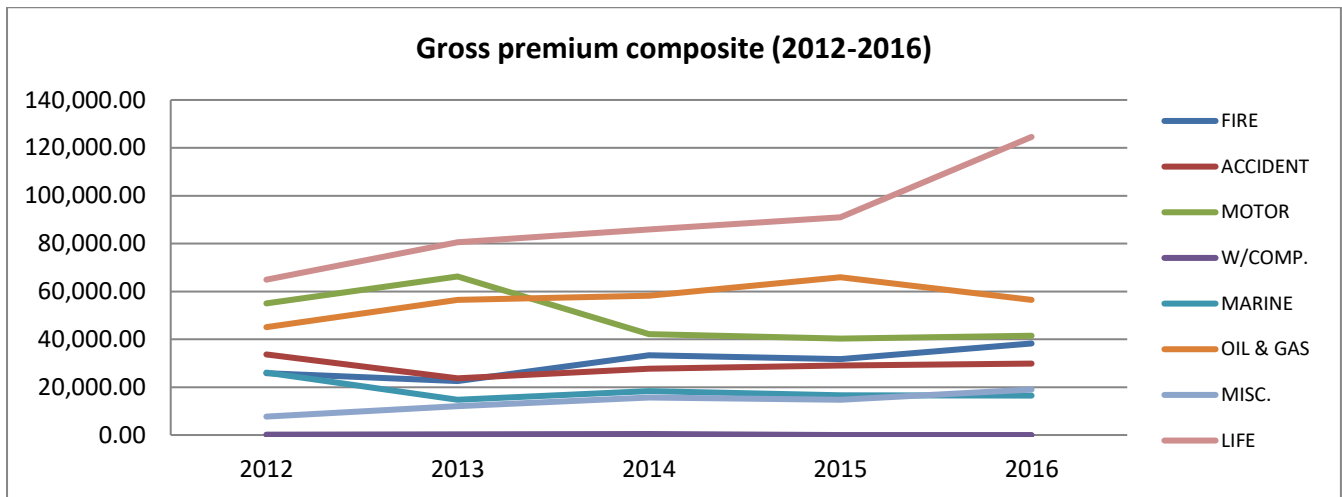
In 2016, the Nigerian Insurance market grew at about thirteen percent (13%), recording a gross premium income of N326 billion as against the N289 billion recorded in 2015 as shown in Table 1.

Table 1: Gross Premium Income: Non-Life & Life Businesses: 2012 - 2016 N Million

YEAR	FIRE	ACCIDENT	MOTOR	W/COMP.	MARINE	OIL & GAS	MISC.	LIFE	TOTAL
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	66,246.36	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
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

The impressive growth in the market, 12.7%, recorded in 2016 is driven mainly by the growth recorded in the total premium income in mostly Life business (36.9%) and, Fire (20.6%) and Miscellaneous (28.6%). The Life Insurance premium growth has been on the upward trend since 2013 (24.1%), 2014 (6.8%), 2015 (5.8%) and indeed 2016 (36.9%), significantly depicting a continued importance in the deepening of Life business in the economy. This is good for the economy, given the huge deficit of long term investible funds in Nigeria. The Non-life Insurance business attributed 61.8% of the total gross premium income with life accounting for 38.2% of the total contribution. The growth patterns of the various classes of business are indicated in Chart 1.

Chart1: Gross Premium Income By Class - Non-Life & Life Business: 2012 - 2016 N Millions

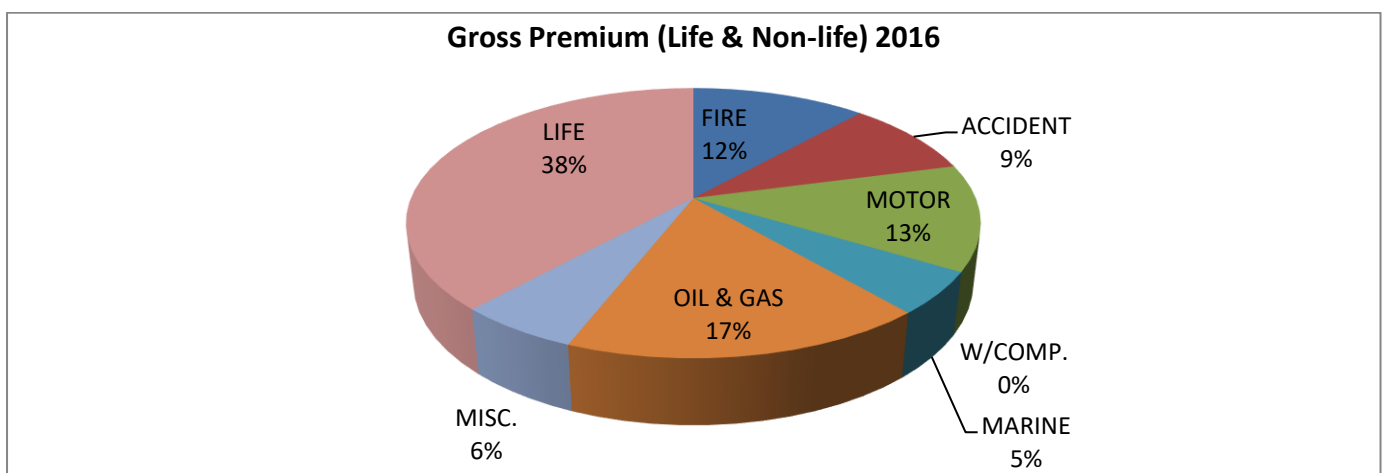


In fact the total gross premium income have been on a positive trend since 2014 due to mainly the consistent growth recorded by the life, fire and general accident insurance businesses, a positive market trend from about N258 billion in 2012 to over N326 billion in 2016 indicating a 26.2% over the five year period. The decline in the Marine Insurance (-0.4%) as well as in the Oil & Gas Insurance (-14.3%) in 2016, is a negative development in the industry, could be indicative of huge loss of businesses meant for local insurance institutions in Nigeria, this called for the need for increased interest in the implementation of the local content act by stakeholders, as well as increased focus in local capacity of indigenous insurance companies.

1.2 Distribution 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 - 2016



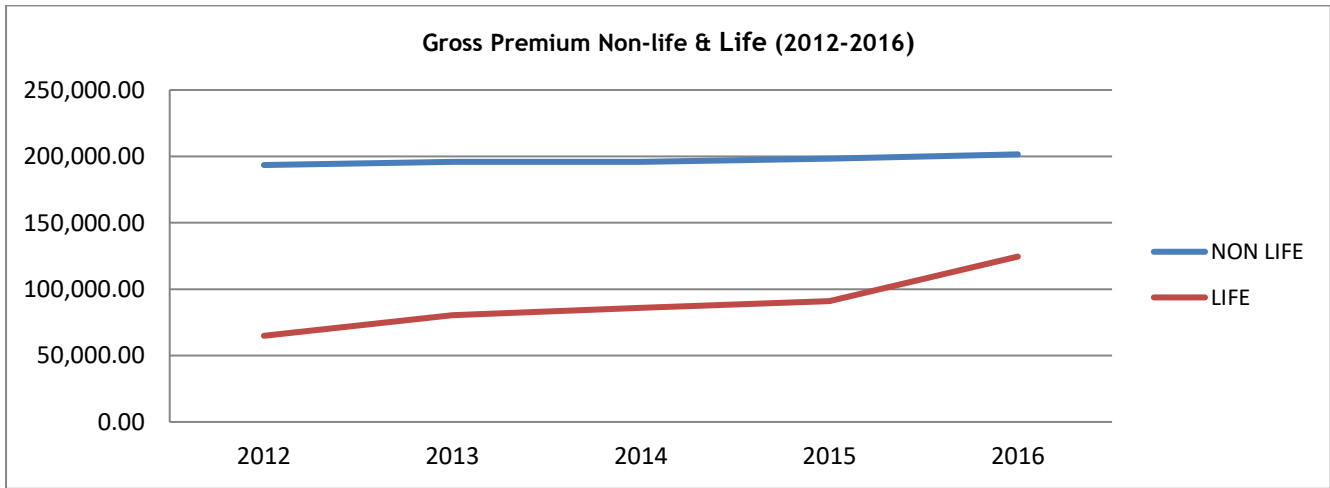
From chart 2, non-life insurance business accounted for about 62% of the total industry Premium Income in 2016, a continued drop from the 69% and 70% recorded in the 2015 and 2014 respectively. On the other hand, Life business accounted for 38%, as against 31% recorded in 2015 and 30% in 2014 in the 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 marketing drive on the part of market players. This market conduct in positive to the industry and the economy as Life funds play a vital role in the needed economic long term investible funds for overall financial system growth and stability. This trend is common in most developed and emerging financial markets in the world.

In terms of the respective market shares of non-life insurance various classes, Oil & Gas business continued to maintain its second position in terms of market share with 17.0%, a noticeable decline from its 22.8% in 2015. Motor insurance retained the third place with 13.0% with Fire accounting for 12.0%, General Accident, 9.0%, Marine at 5.0% and, Miscellaneous Insurance businesses accounting for 6%.

Chart 3 indicates the steady positive trend in the performance of the life and non-life Insurance businesses for five year period.

Chart 3: gross premium income: non-life & life business: 2012 - 2016

₦ million



From chart 3, it can be observed that even though non-life business maintained a positive upward trend throughout the period, the life sector relatively maintained a more robust upward growth behaviour right through, from about N65billion to peak at 125billion in 2016 which is

about 91.1% growth rate relative to 4.2% in the Non-life sector, over the five year period. The Oil & Gas business despite its negative growth in 2016 relative to its previous period grew at 25.3% over the entire five year era, from N45 billion in 2012 to about N57 billion in 2016. Similarly, miscellaneous and fire business increased steadily from N8 billion in 2012 to over N18 billion in 2016, signifying a huge growth of 146.7%. Fire also grew from N25 billion in 2012 to N38 billion at the end of the period, indicating a 48.1% growth.

On the contrary, businesses such as General Accident, Motor, Marine businesses continued in a diving trend over the period. A negative result was recorded by General Accident (-11.3%), Motor (-24.7%), and Marine (-36.7%).

A number of 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, indicates the 2016 insurance industry total Net Premium Income (NPI) of about N189 billion to N238 billion, signifying an increase of about 26.2% over the period.

Table 2: Evolution Of Net Premium Income: Non-Life & Life Businesses 2012- 2016 N Million

YEAR	FIRE	ACCIDENT	MOTOR	W/COMP	MARINE	OIL & GAS	MISC.	LIFE	TOTAL
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	73,679.32	204,503.43
2014	19,966.01	20,765.20	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
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

Annual growth rates for the period 2012 - 2016 are provided for the various classes of business in Table 3.

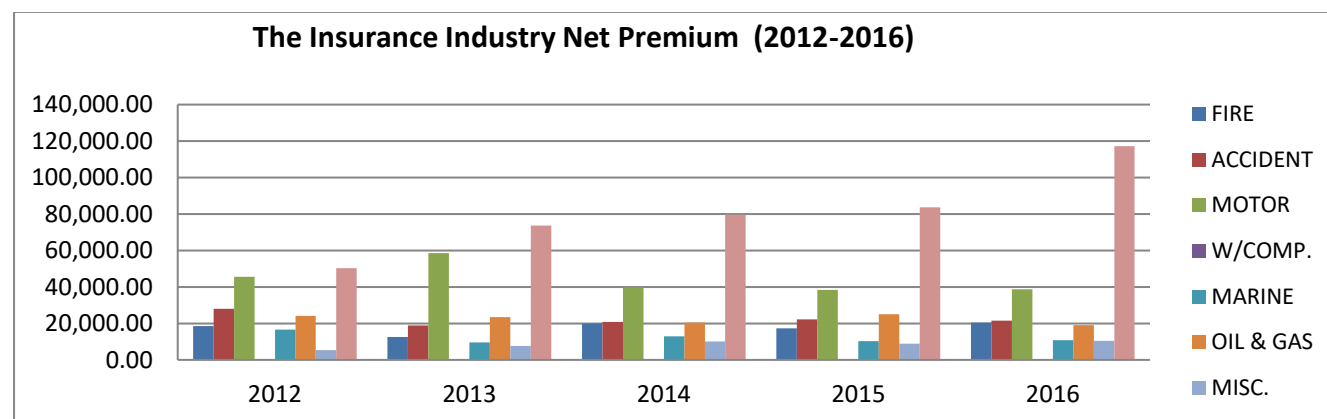
Table 3: Annual Growth Rates of Net Premium Income (%)

YEAR	FIRE	GENERAL ACCIDENT	MOTOR	MARINE& AVIATION	OIL & GAS	MISC. ACCIDENT	LIFE
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
2016	17.9	(3.2)	1.1	5.9	(23.6)	17.8	40.0

It is significant that most of the classes had a positive growth in terms of premium retention during the period with exception of Oil & Gas and General Accident; this is attributable to increased industry retention capacity which is a good market omen.

Chart 5 provides further insight into growth patterns of net premium income of various insurance classes for the period of five years.

Chart 5: Net Premium Income for Non-Life Insurance Business: 2012-2016



From chart 5, it is observed that net premium income in both Life and Non Life growth trends maintained a consistent pattern with the growth profile of their respective gross premium accounts.

The retained premiums levels are indicated in the next section.

1.4 Retention Ratios

The percentage magnitude of premiums retained for 2012 to 2016 are indicated in table 4.

Table 4: Retention Ratios for Life And Non Life Business; 2012 To 2016

YEAR	NON-LIFE INSURANCE (%)	LIFE INSURANCE (%)
2012	71.6	77.0
2013	69.5	68.8
2014	63.6	92.7
2015	61.5	92.0
2016	60.1	94.1

The challenging market environment is principally responsible for the continued decline in the non life business retention levels since 2012. Various non-life business classes based retention ratios are depicted in table 4.

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

YEAR	FIRE	GENERAL ACCIDENT	MOTOR	MARINE & AVIATION	OIL & GAS
2012	72	83	83	64	54
2013	56	79	88	64	41
2014	60	73	94	70	34
2015	55	76	95	62	38
2016	53	72	94	66	34

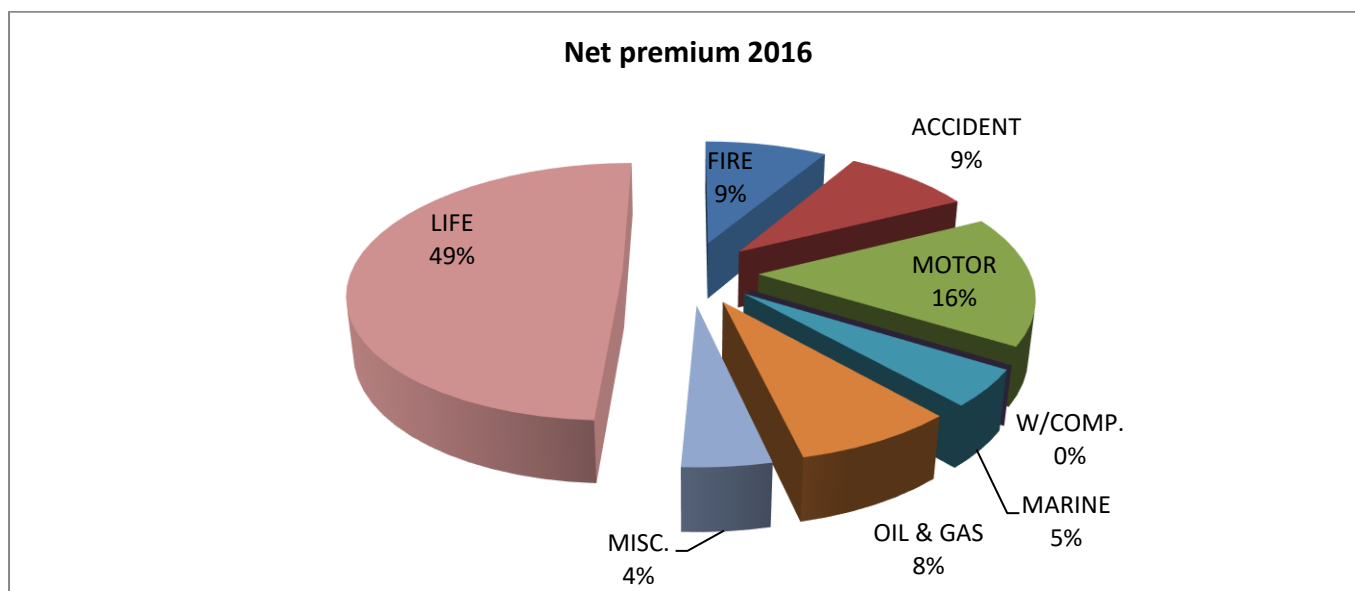
The account of oil & gas account retention level consistently remained lower relative to other classes, this is identified mainly due the specialty of this kind of risk whereby, not much of it can be adequately carried by insurance companies in view of their capacities and the in terms of volatility when the risk crystallizes. It is also indicative that besides the economic reasons including the business environment challenge, the local content law must be strictly adhered to in order to achieve the justifiable retention levels of all special risks insurances including in the Oil & Gas.

In the same vein, other businesses recorded some decline relative to previous period, Motor 94%, General Accident 72%, and Fire 53% from the retention levels of 95%, 76% and 55% respectively, signifying in unecouraging business environment and carriage capacity issues in the industry. Marine business however, posted an encouraging retention ratio of 66% up from 62% in 2015.

1.5 Distribution of 2016 net premium income

The percentages of retained premium income recorded in 2016 by the various classes of Life and Non Life Insurance are presented in Chart 4.

Chart 4: Distribution of Net Premium Income - 2016



The Life insurance business maintained a continuous brilliant contribution to the total net premium income, in 2016 at 49% share which is good for the industry and Nigerian economy at large. Long term funds from life class of business is identified as a major catalyst to long term investments required in physical infrastructures needed for economic breakthrough, growth and development.

1.6 Claims Experience

1.6.1 Gross Claims

The gross claims recorded in 2016 stood at N146 billion, a far significant growth of about 31% from the 10% growth recorded in the previous period of 2015 with about N111billion gross claims.

Table 5 provides a detailed breakdown of gross claims recorded for various classes of insurance business

Table 5: Gross Claims Paid - Non-Life & Life Insurance In: 2012-2016 ₦ Million

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

Table 5 depicts that despite a relative fall in the gross claims of General Accident and in Marine businesses, the entire market still grew abundantly, signifying positive policy holder awareness and indeed attributable to increased consumer confidence in the market. The results show that Fire business grew by 29.7%, Motor at 5.1%, Oil & Gas, 51.9% and in miscellaneous insurance business the gross claims stood at 46.9% growth during the period. Insurers are basically in business to redeem policy holders when and if risks crystallises, however, for sustainability, underwriters should deployment effective risk management instruments and measures, proficient and prudent underwriting capacity to positively impact on the levels of losses and claims payment.

1.6.2 Net Claims: NON-LIFE Insurance Business

The net claims paid followed same pattern of the gross claims trend in 2016, whereby with the exception of General Accident and Marine businesses, all other classes followed a positive trend of growth relative to the preceding period. The non-life sector grew from N49 billion recorded in 2015 to N53 billion in 2016, signifying 9.6% growth. Table 6 provides the relevant data.

Table 6: Net Claims Paid: Non-Life Business: 2012-2016

Currency: ₦-Million

YEAR	FIRE	ACCIDENT	MOTOR	W/COMP.	MARINE	OIL & GAS	MISC.	Total
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
2016	11,381.10	7,113.23	16,136.77	0.00	4,249.81	10,313.60	4,566.97	53,761.48

The Life business net claims portion paid for period of 2012 to 2016 is provided in Table 7, showing the steady positive trend from N21 billion in 2012 to about N55 billion in 2016.

Table 7: Net Claims Paid: Life Business**Currency: ₦-Million**

Year	2012	2013	2014	2015	2016
Amount	21,457.85	26,281.93	26,278.46	43,011.55	54,628.35

The continued positive growth recorded in the life business net claims over years is a resultant effect of the NAICOM's sustained awareness campaign and other measures aimed at addressing the claims settlement issues in the industry, as well as the observed growth in the business over the years.

1.4.4.3 The Claims Ratios

Tables 8, 8.1 and 8.2, provide Statistics of the claims ratios in respect of claims paid to policyholders for the period 2012 to 2016

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

YEAR	2012	2013	2014	2015	2016
Gross Claims(Naira M)	79,122.58	107,304.54	99,156.81	111,169.29	145,838.34
Gross Premium(Naira M)	258,402.30	276,384.77	281,840.43	289,341.48	326,114.02
Claims ratio (%)	30.6	38.8	35.2	38.4	44.7

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

YEAR	2012	2013	2014	2015	2016
Gross Claims(Naira M)	55,717.15	71,602.78	65,555.70	65,971.92	78,574.56
Gross Premium(Naira M)	193,493.25	196,008.76	195,887.85	198,389.16	201,547.68
Claims ratio (%)	28.8	36.5	33.5	33.3	38.9

Table 8.2 Gross Claims/Gross Premium Income - Life

YEAR	2012	2013	2014	2015	2016
Gross Claims (Naira M)	23,405.43	35,701.76	33,601.11	45,197.37	67,263.78
Gross Premium (Naira M)	64,909.06	80,520.24	85,952.58	90,952.32	124,566.34
Claims ratio (%)	36.1	44.3	37.9	49.7	53.9

The ratios presented in tables 8, 8.1 and 8.2, are market averages in 2016 and, therefore not institution specific as individual insurers could carry be higher or lower ratios depending on its explicit circumstance. Furthermore, the ratios are not founded on the incurred loss basis as can be observed in the Statistics.

1.4.4.3.2 Claims and Expenses in 2016

Statistics of the Gross and Net of Premiums and Claims recorded in 2016 are accordingly provided in table 9.

Table 9: Premiums and Claims Statistics, 2016

Currency: ₦-Million

Description	Gross premium	Net premium	Gross claims	Net claims
Non-Life Ins. Business	201,547.68	121,030.07	78,574.56	53,761.48
Life	124,566.34	117,204.69	67,263.78	54,628.35

From table 9, the ratio of non life business claims ratio on net incurred losses was recorded as 44.4% during the period. Similarly, for the life business, the net incurred claims ratio stood at 46.6% in 2016 as against 51% recorded in 2015.

The total assets of the industry consisting of both Life and Non Life businesses amounted to over a trillion naira signifying an increase of 11.0% sustaining a stable same growth rate relative to 2015. The Insurance industry assets grew by 43.1% through the period 2012 to 2016. Detailed Statistical insight into the industry assets is provided in Table 9 for the period 2012 to 2016.

Table 10: Total Assets In Millions of Naira 2012-2016

YEAR	2011	2012	2013	2014	2015
Non - Life	497,799.43	526,277.81	286,357.81	647,504.12	702,969.29
Life	212,827.81	267,601.93	127,231.64	269,748.01	313,906.63
Composite			413,940.67		
Total	710,627.24	793,879.74	827,530.12	917,252.13	1,016,875.92

The insurance industry given its present size relative to other sub-sectors in the Nigerian financial sector, continue to remain in dare need for growth. The 2016 total assets despite hitting a trillion naira point, represents just about a 3.03% of the total Nigerian banking sector assets.