



NATIONAL INSURANCE COMMISSION

**NAICOM ANNUAL REPORT &
AUDITED ACCOUNTS
31ST DECEMBER, 2017**

The Insurance Market

The Nigerian Insurance sector was ranked at seventy four (74) in 2017, by the AXCO Market Ranking, UK, based on the industry gross premium income down from number 61 ranking in the previous period. This is despite the economic recovery mode of the Nigerian economy and, its impressive relative growth during the period. In 2017 the gross premium income which is a major factor determinant of the industry growth, grew at about 14 percent (14.2%) signifying an excess of N372 billion as against N326 billion in 2016. The non-life sector led the contribution by accounting for 59% indicating a decline in its dominance at 62% it accounted for in 2016 of the gross premium generated, as against 41% contributed by the life business, growing three points above its previous juncture in the same period. This indicates a continued growth of the sector relative to non-line in gross premium generation, where it also grew by seven points in 2015.

The gross claims as well recorded a positive increase in growth, at 28%, nonetheless at a slower pace relative to 2016 boost of 31%. Whilst the non-Life gross claims constituted 61% of the total claims paid by the market which is seven points higher from its 54% contribution in the previous period, the Life business side was 39% during the year. This experience of fall in gross claims also means that less claims was reported during the period relative to previous period, closely attributable to the continued increased in regulatory measures carried out by the Commission with regards to professionalism and increased underwriting capacity in the industry.

Towards further re-strengthening the sector, for the achievement of market deepening, better contribution to gross domestic product, the Commission during the year sustained its regulatory powers including the management takeover of ailing insurance companies to ensure for the re-engineering and financial stability of respective institutions.

THE MARKET PERFORMANCE

1.1Gross Premium Income

The Nigerian Insurance sector grew in 2017 at about fourteen percent (14.2%), recording a gross premium income of N372 billion as against the N326 billion recorded in the preceding period, as represented in Table 1.

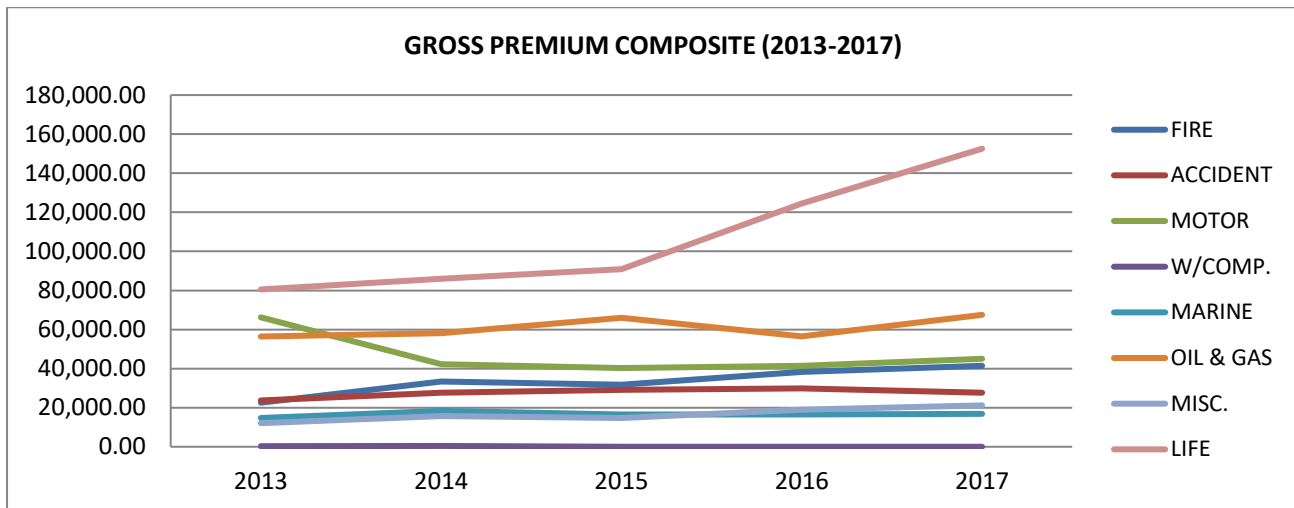
Table 1: Gross Premium Income: Non-Life & Life Businesses: 2013 - 2017

Currency: ~~N~~Million

Year	Fire	Gen. Accident	Motor	W/Comp	Marine	Oil &Gas	Misc.	Life	Total
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
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

From table 1, it is noteworthy that the market grew at 14.2% in 2017, attributable to the developments in the Life sector of the industry whose development has been impressive over the years, stood at 22.5% and, Oil & Gas (19.5%), Miscellaneous (11.4%) and Motor (8.8%) during the year. Motor Insurance (8.8%) also grew relative to its rate of change in the previous period (2.8%). It is remarkable that Fire Insurance which grew at about 20.6% in 2016 had actually fallen to about 8.3% depicting a serious fall in its contribution to the total premium income in 2017, a direct reflection of the macro-economic environment of 2017. Chart 1 indicates the growth patterns as recorded for various classes of insurance business.

Chart1: Gross Premium Income By Class - Non-Life & Life Business: 2013 - 2017 N Millions

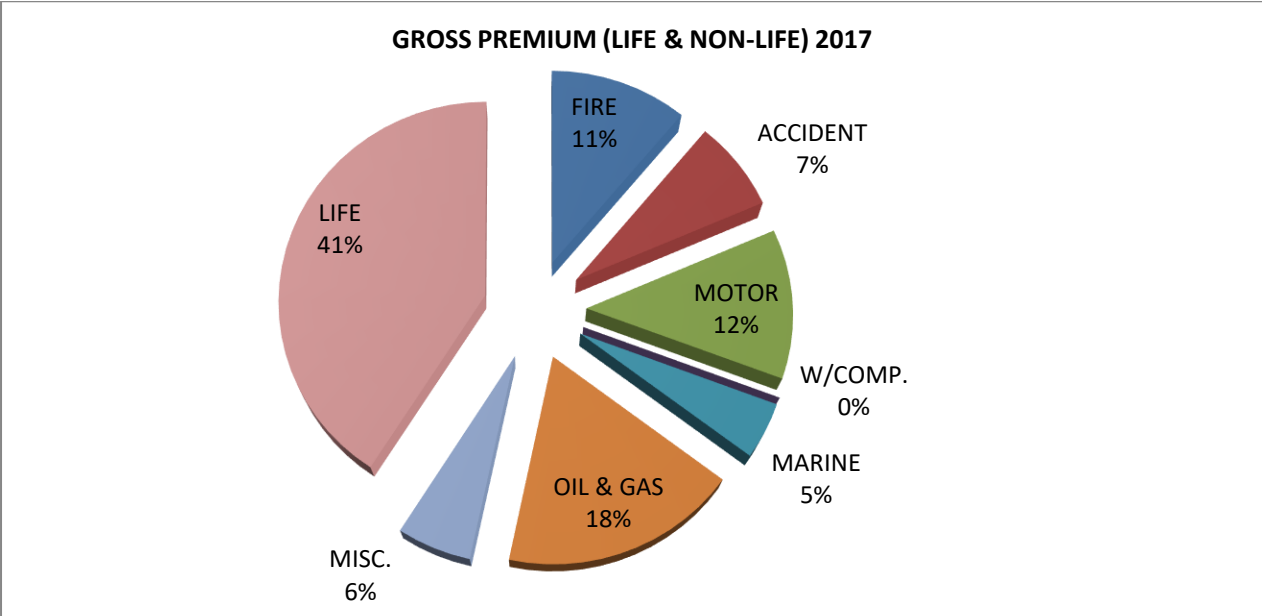


As observed from the Data, the total Insurance gross premium income has maintained a positive trend since 2013 due to mainly the effect of life insurance increase, from N276billion in 2013 to N372billion in 2018, indicating a 34.7% growth rate over the period. Major drivers includes; the life insurance business (89.5%), fire (83.8%), and Miscellaneous Insurances (75.3%) over the five years period. The huge decline in the Motor Insurance (-31.9%) as well as the less significance of Marine (14.9%) and General Accident (16.8%) Insurances, over the period, could be indicative of huge loss of Marine businesses meant for local insurance institutions and, the less abated fake motor insurances in Nigeria, this called for the need for increased interest in the implementation of the local content act by stakeholders, increased focus in local capacity of indigenous institutions as well as proper enforcement of genuine motor insurance, across the country.

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 - 2017



The non life insurance business contributed about 59% of the industry gross premium as indicated in chart 2, a further fall from its 2016 contribution which stood at 62%, 69% in 2015 and 70% in 2014. This is indicative of the continuity in the relative life business growth as well as the effect in the fall in Fire and Motor as well as the dragging of the Marine Insurances. Life insurance on the other hand, maintained a positive trend of 31.4% in 2015, 38.2% in 2016 to peak at 41.0% in the present period. The positive growth pattern of the life account is particularly essential to the Nigerian economy due to role in the much needed long term investible funds for overall financial system growth and stability; it also signifies continued efforts being made by the Commission to develop this branch of the industry. This trend is common in most developed and emerging financial markets where insurance is much relevant.

With respect to market shares of various classes in the non-life section, Oil & Gas business sustained its second position lead with a share of 18.0%, at one point above the previous share of 17% in 2016. Followed by Motor insurance (12%), Fire (11%), General Accident, (7%), Miscellaneous (6%) and Marine Insurance (5%) in this order.

The steady positive trend in the performance of the life and non-life Insurance businesses for five year period is further illustrated by Chart 3.

Chart 3: Gross Premium Income: Non-Life & Life Insurance Businesses: 2013 - 2017

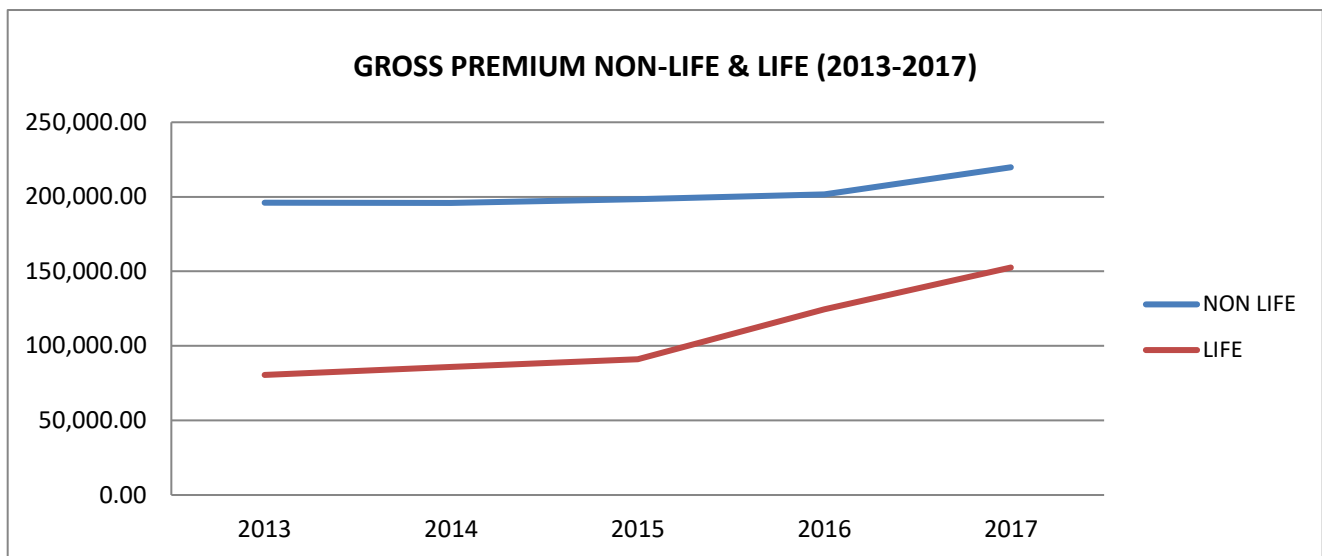


Chart 3 depicts that the non-life business maintained a positive upward movement throughout the period, from N196billion to about N220billion over the five year period. The life sector relatively, sustain a more robust ascendant growth right through, from about N81billion to peak at 153billion in 2017 which is about 89.5% growth rate relative to 12.1% in the Non-life sector, over the five year period. The General Accident business despite its negative growth in 2017 relative to its previous period grew at, 16.8% over the entire five year era, from about N24 billion in 2013 to about N28 billion in the current year. Correspondingly, Fire business grew at 83.8%, Miscellaneous at 75.3%, Oil & Gas and Marine businesses at 17.7% and 14.9% accordingly, over the five year period.

Conversely, the insurance business of Motor had a diving trend over the period with a growth result of -31.9% as at the end of period, despite its positive appreciable growth behaviour of 8.8% in 2017 relative to the preceding year.

Despite the commendable overall growth of the industry, a more robust expansion is greatly required if the much needed insurance deepening is to be achieved. It is expected that numerous measures being carried out by NAICOM including; initiatives with regards to Micro and, Takaful insurances, would drive the necessary growth required at a much faster pace as the overall Nigerian economy continue to recover from recession.

1.3 Retained Premium Income

With respect to the 2017 insurance industry total Net Premium Income (NPI), Table 2 reveals the Statistics of about N205 billion to N265 billion, representing an increase of about 29.8% over the five years period.

Table 2: Evolution of Net Premium Income: Non-Life & Life Businesses 2013- 2017

Currency: N-Million

Year	Fire	Gen Accident	Motor	W/Comp	Marine	Oil &Gas	Misc.	Life	Total
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	20,508.83	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

Table 3 indicates the Annual growth rates for the period of 2013 - 2017 based on the respective various classes of business.

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

Year	Fire	Gen Accident	Motor	Marine	Oil &Gas	Misc.	Life
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
2017	(3.7)	(7.1)	3.8	(2.6)	34.2	1.6	18.5

It is noteworthy that despite the off-putting experience with regards General Accident, Fire and in Oil & Gas classes, most of other businesses had a positive expansion in terms of premium retention in 2017, most especially the life insurance business which grew at 18.5%, laudable given its multiplier effect in capital accumulation drive and investments needs of the economy.

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

Chart 5: Net Premium Income for Non-Life Insurance Business: 2013-2017

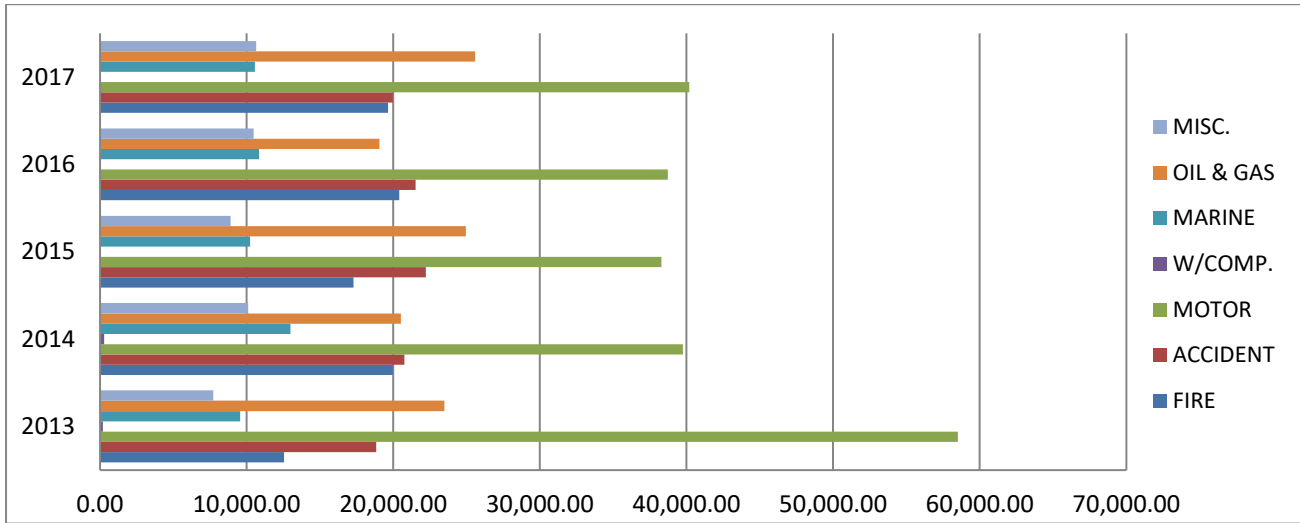


Chart 5 reveals the leaning growth behaviour of the non life net premium income which is also consistent with the growth profile of their respective gross premium accounts.

The relativities of retained premiums levels are specified in the next section.

1.4 Retention Ratios

The scale of percentages in premiums retention for 2013 to 2017 is further detailed in table 4.

Table 4: Retention Ratios for Life and Non Life Business; 2013 To 2017

Year	Non Life Insurance (%)	Life Insurance (%)
2013	69.5	68.8
2014	63.6	92.7
2015	61.5	92.0
2016	60.1	94.1
2017	57.6	91.0

The Management and operations of the sector continued to be challenging, owing to its peculiarities vis a vis the realities of macro-economic environment within which it operates.

Both the sections experience some decline in retention capacity relative to 2016, especially the non line section which sustained a steady downward slope since 2013. Detailed ratios based on the classes of non-life business are further revealed by table 4.1

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

Year	Fire	Gen Accident	Motor	Marine & Aviation	Oil & Gas
2013	56	79	88	64	41
2014	60	73	94	70	34
2015	55	76	95	62	38
2016	53	72	94	66	34
2017	47	72	89	63	38

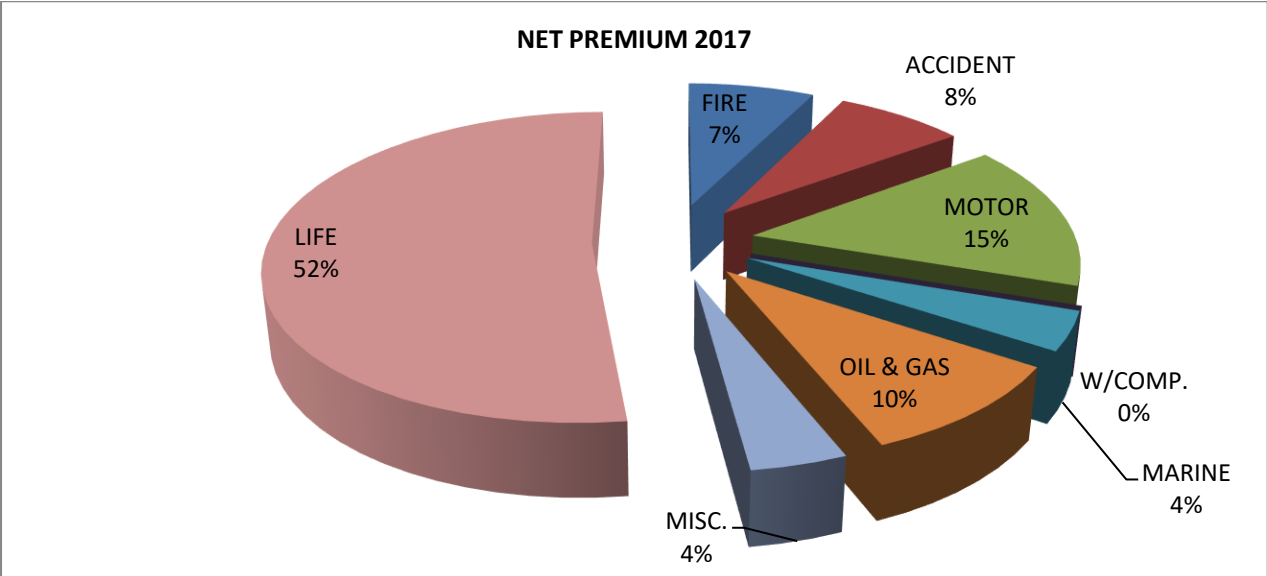
From table 4.1, it is clear that the Oil & Gas account recorded the lowest retention figures relative to others; this is identified mainly due the specialty of this kind of risk whereby, not much of it can be adequately carried by our indigenous insurance institutions in view of their carriage capacities when the risk crystallizes. However, beyond the economic need of capital and professional enhancements in the industry, the local content law must also be strictly adhered to in order to achieve the justifiable retention levels of all special risks insurances.

Aside the General Accident class whose account sustained stability at 72% as in the previous year, all other classes recorded some turn down relative to previous period. Motor Insurance stood at 89%, Marine & Aviation 63% and Fire 47% from previously the retention intensities of 94%, 66% and 53% respectively, indicative of operational and macro environmental challenges facing the industry.

1.5 Distribution of 2017 Net Premium Income

Chart 4 reveals the proportion of retained premium income recorded in 2017 in line with various classes of Life and Non Life Insurances.

Chart 4: Distribution of Net Premium Income - 2017



The contribution of Life insurance section to the industry total net premium income remained impressive over the years, at 52% in 2017 relative to 49% it did in the previous year. This indicates the growing maturity of the sector as it’s a common phenomenon with developed insurance markets world over. It is also good for the Nigerian economy for its contribution as a reliable source and catalyst for long term investments required for economic recovery and growth, in line with the Economic Recovery and Growth Plan (ERGP) of the Nigerian federal government.

1.6 Claims Experience

1.6.1 Gross Claims

In 2017, the industry recorded total gross claims of N186billion, an impressive 28% growth despite the fact that, in sluggish mode relative to its 31% acceleration in the previous period posting total gross claims of about N146billion.

Detailed breakdown of gross claims recorded for various classes of insurance business is provided for in Table 5

Table 5: Gross Claims Paid - Non-Life & Life Insurance In: 2013-2017

Currency: ₦ Million

Year	Fire	Gen Accident	Motor	W/Comp	Marine	Oil & Gas	Misc.	Life	Total
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
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

Gross claims experience of the industry is revealed by table 5, showing evidently its positive trend movement since 2015, from about N111billion to peak at N186 in the current period. Aside in the case of General accident and Marine that declines at 3.1% and 19.0% respectively, all others increased substantially, particularly Oil and Gas which grew at 235.7%, signifying positive policy holder awareness and indeed attributable to increased consumer confidence in the market. The results also show that Fire business grew by 3.1%, Motor at 14.9%, Miscellaneous 37.4% and indeed the Life business at 7.8% in that order.

1.6.2 Net Claims: NON-LIFE Insurance Business

The tendency pattern of the industry gross claims in 2017 was not exactly replicated by net claims paid during the year, whereby Fire insurance (-13.8%) took a dive in the case of net claims in converse to the former. Others such as General Accident (-3.9%) and Marine (-28.2%) businesses declined just as Motor (10.9%), Oil & Gas (30.0%) and Miscellaneous (24.9%) all trended in an expansionary path relative to the Gross Claims recorded during the year. The non-life sector grew from N54 billion recorded in 2016 to N56billion in 2017, representing 4.9% growth rate in the net claims account. Relevant Data is provided by Table 6.

Table 6: Net Claims Paid: Non-Life Business: 2013-2017

Currency: ₦ Million

Year	Fire	Gen Accident	Motor	W/Comp	Marine	Oil & Gas	Misc.	Total
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
2017	9,811.94	6,835.37	17,903.95	0.00	3,053.27	13,408.07	5,389.04	56,401.64

Table 7 provides the net claims paid on Life business portion for period of 2013 to 2017, indicating a mostly steady positive trend from N26 billion in 2013 to peak at about N68 billion over the period.

Table 7: Net Claims Paid: Life Business

Currency: N-Million

Year	2013	2014	2015	2016	2017
Amount	26,281.93	26,278.46	43,011.55	54,628.35	68,231.66

The growth in net claims of life business over the years is much attributable to the sustained awareness campaign and other measures such as the complaint bureau window of NAICOM, aimed at addressing the claims settlement issues in the industry. It is expected that as more enforcement of such measures continue, coupled with better enlightenment on the side of policy holders, genuine claims settlement will continue to be enhanced.

1.4.4.3 The Claims Ratios

With respect to Statistics of the claims ratios on claims paid to policyholders for the period 2013 to 2017, Tables 8, 8.1 and 8.2, gives provides a further insight

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

YEAR	2013	2014	2015	2016	2017
Gross Claims(Naira M)	107,304.54	99,156.81	111,169.29	145,838.34	186,448.03
Gross Premium(Naira M)	276,384.77	281,840.43	289,341.48	326,114.02	372,358.42
Claims ratio (%)	38.8	35.2	38.4	44.7	50.1

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

YEAR	2013	2014	2015	2016	2017
Gross Claims(Naira M)	71,602.78	65,555.70	65,971.92	78,574.56	113,941.92
Gross Premium(Naira M)	196,008.76	195,887.85	198,389.16	201,547.68	219,798.61
Claims ratio (%)	36.5	33.5	33.3	38.9	51.8

Table 8.2 Gross Claims/Gross Premium Income - Life

YEAR	2013	2014	2015	2016	2017
Gross Claims(Naira M)	35,701.76	33,601.11	45,197.37	67,263.78	72,506.11
Gross Premium(Naira M)	80,520.24	85,952.58	90,952.32	124,566.34	152,559.81
Claims ratio (%)	44.3	37.9	49.7	53.9	47.53

Tables 8, 8.1 and 8.2 presented the average market ratios and thus are not individual institutions' specific, insurers could carry present higher or lower ratios than the industry average depending on company explicit circumstances. Furthermore, the ratios are not founded on the actual incurred loss basis but industry gross reported.

1.4.4.3.2 Claims and Expenses in 2017

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, 2017

Currency: ₦ Million

Description	Gross premium	Net premium	Gross claims	Net claims
Non-Life Insurance Business	219,798.61	126,613.31	113,941.92	56,401.64
Life Insurance Business	152,559.81	137,623.18	72,506.11	68,261.66

The representation from table 9 reveals that, the net incurred losses stood at 44.5% during the year, maintaining stability as against the 44.4% recorded in the previous period. Similarly, life business incurred a net claims ratio of 49.6%, slightly at a higher level in relation to 46.6% incurred in 2016.

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 2013-2017

YEAR	2013	2014	2015	2016	2017
Non-Life Insurance Business	526,277.81	286,357.81	647,504.12	702,969.29	709,357.52
Life Insurance Business	267,601.93	127,231.64	269,748.01	313,906.63	419,116.34
Composite		413,940.67			
Total	793,879.74	827,530.12	917,252.13	1,016,875.92	1,128,473.86

The insurance industry had an impressive growth in total assets in 2017 against all the odds of its operational environment recording an 11.0% expansion, relative to the 10.9% growth rate recorded in the preceding year. The growth recorded was mainly led by the non life section of the business which stood at 33.5% with the life business segment only at 0.9% accordingly.

