NATIONAL INSURANCE COMMISSION

NAICOM ANNUAL REPORT &
AUDITED ACCOUNTS
31ST DECEMBER, 2018

The Insurance Market

According to the UK based AXCO Market Ranking, the Nigerian Insurance sector stood at the seventy second (72th) position based on the industry gross premium income order of 2017, a two points improvement, up from its place of number seventy four (74^{th}) ranking in the previous period. This is despite the sluggish recovery mode of the Nigerian economy and, the disadvantaged place of the Nigerian Insurance Sector in Nigeria. The Insurance market in 2018, grew at about 14.46 per cent, representing a gross premium income of about N426 billion as against the production of N372 billion made in 2018 with a regular lead of the the non-life sector, accounting for about 57.58 per cent, while the Life sector despite its increasing and consistent closing-up drive, accounted for 42.42 per cent of the gross premium of the period. The life sector is massively driven by the surge in premiums from the Annuity business which is not necessarily or entirely new, but has summoned momentum in recent times due to its increasing demand with improved legislation and management efficiency. Share of the Life sector to 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 closing the period at record of ₦252billion, indicating 35.26 per cent increase compared to 186billion recorded in 2017 which had a relative growth rate of 28 per cent. This positive trajection could indicate a growing policyholder awareness and industry confidence with regards claims settlement. Whilst the non-Life gross claims constituted about 47.77 percent of the gross claims recorded during the period, a thirteen point drop from its position in 2017 of 61.11 percent, the life segment on the other hand improved by about 12 points to peak at ₦ 252billion, contributing 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 experience is a direct reflection of improved and consistent regulatory measures by the Commission with regards public and consumer awareness on matters of claims and claims settlement which is seen as a major determinant to industry confidence.

The industry assets size maintained a steady growth, noticeable since 2014 from about 828billion in 2014 t peak at about ₦1.3 trillion in 2018, representing fifty four per cent (54%) in growth rate. The industry total assets grew at about seventeen per cent (17%) in the current period alone, from a ₦1.1 trillion in previous period to ₦1.3 trillion in 2018. This growth rate is commendable despite its still relative small size to other financial sub sectors in the economy. It is highly expected that some regulatory guided, deliberate interruption including, recapitalisation would lead to the needed growth of the industry in relation to its peers. The

Commission during the year also sustained its regulatory powers including the management takeover of some ailing insurance companies to ensure for the re-engineering and financial stability of respective institutions.

THE INSURANCE MARKET PERFORMANCE

1.1Gross Premium Income

The gross premium income which is an essential indicator of growth in the Insurance sector grew in 2018 at about fifteen per cent (14.5%), closing at record total amount of N426 billion of gross premium income compared to the N372 billion made in 2017 when the market surged at a rather lower rate of fourteen (14.2%) per cent. This is rather commendable in relation to the macroeconomic behaviour recorded during the period with regards growth of the economy where it grew at 1.9 per cent. Table 1 represented the market behaviour of the Insurance sector growth over a five year period.

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**

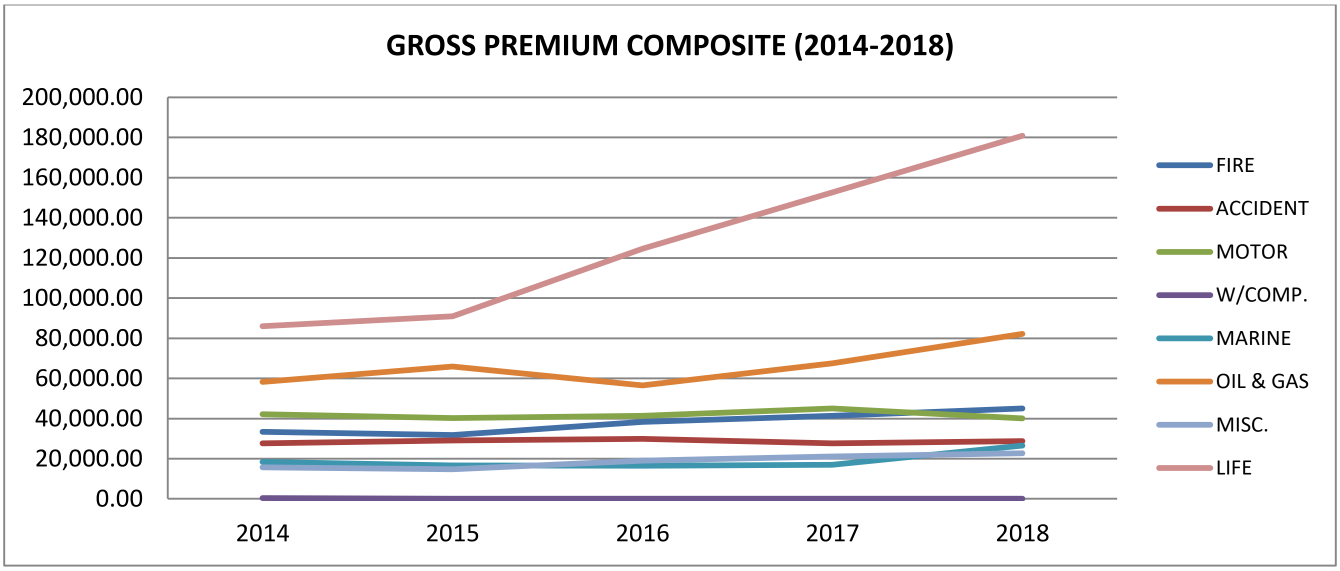
Table 1 indicates that the insurance market grew at about fifteen per cent (14.5%) in 2018, driven mainly by obvious developments in the special risks Insurance businesses and Life segment of the industry. The Marine and Aviation businesses led in the growth (56.5%), to be followed by Oil & Gas (21.8%) and Life (18.5%). Three of those aggregates contributed about sixty eight percent (67.9%) of the gross premium income generated during the year. It is noteworthy that other Non-Life businesses made also some moderate contribution including, Fire (8.7%), Miscellaneous (7.4%) and General Accident (3.9%0, as displayed in the table.

Motor however, declined (-10.9%) during the year depicting a significant fall in its contribution to the growth of the sector. Motor Insurance business has been militated against by numerous illegal activities of third parties in fake Insurance issuance with regards third party liability as well as unprofessional behaviour in the market by Institutions in terms of rate cutting and de-marketing by some institutions. The Commission will continue to strengthen its regulatory measures to free the market of fake Insurance policies as well as instil professional underwriting 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

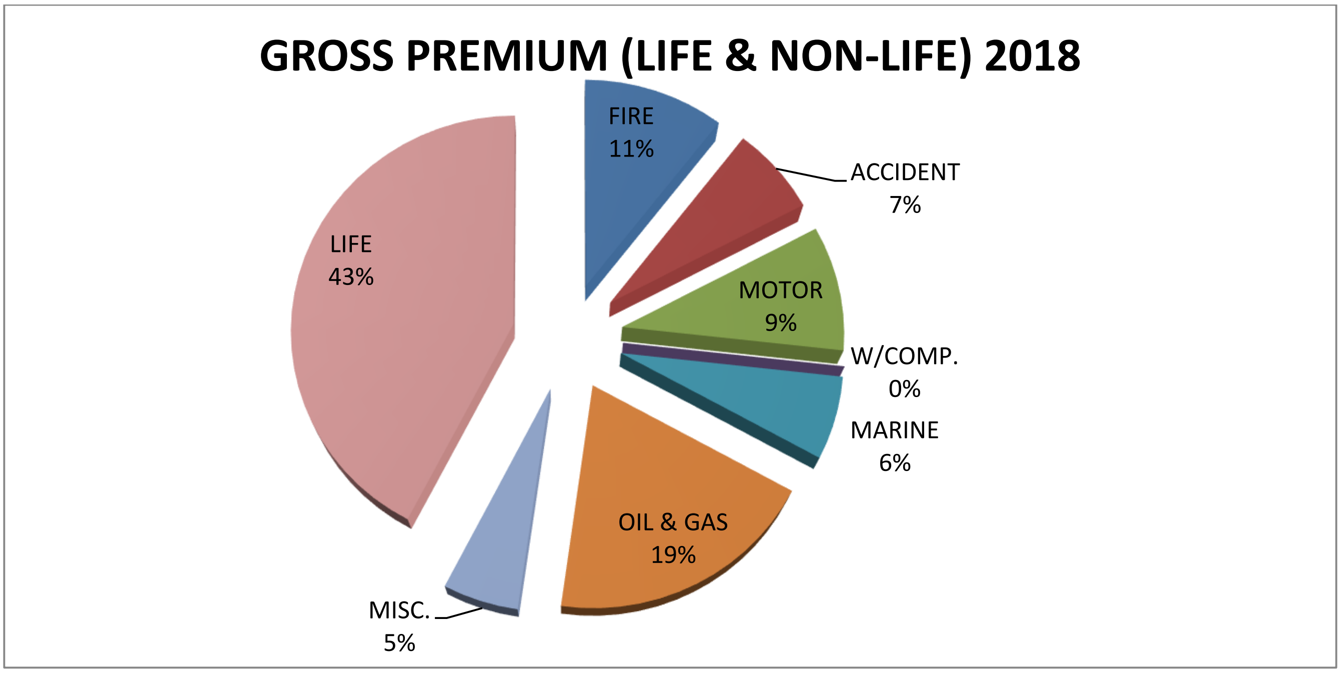


From the Data, the total Insurance gross premium Income has sustained a steady and positive movement from the beginning of period, 2014 with special risks and Life businesses as major drivers, indicating a growth rate of fifty one per cent (51.2%), from N282billion in 2014 to peak at N426billion in 2018. Foremost drivers includes; the life insurance business (110.4%), Miscellaneous Insurances (44.8%), Marine (44.3%) and, Fire (35.0%) over the five years period. The huge and consistent decline in the Motor Insurance (-4.8%) as well as the less significant growth rate of General Accident Insurance (3.9%) over the same period, is attributable to the rather un-abated fake motor insurances prevalent in Nigeria and, other unprofessional sharp activities by Institutions in third party Motor Insurance. It is expected that with increased measures on public enlightenment and enforcement of genuine motor Insurance across the country, demand for fake Insurances will be defeated in a near future.

1.2 Distribution of Gross Premium Income

Chart 2 provides 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



From chart 2, about fifty eight percent (57.6%) of the industry gross premium was contributed by the non life insurance business, a one point decline compared to its contribution in the previous period. This is a further fall in its relevance compared to Life insurance business as recorded from its share of gross premium income in 2017 (59%), 2016 (62%), 2015 (69%) and 2014 when it percentage share was 70%. This experience is attributable to the relative life business growth as well as the effects of continued decline of non life portfolio of Motor and, the total withdrawal of the Workmen compensation Insurance. In the contrast, Life insurance segment in 2018 shared a contribution of forty two per cent (42.2%), up from a point lower in the preceding period. Life Insurance, especially with the growing Annuity business has been on a positive surge, recorded a percentage share of the contribution of 30% in 2014, 31%, 38% 41% and 42% in 2015, 2016, 2017 and 2018 respectively. The growth pattern of the life account is particularly essential to the Nigerian economy due to its role in the much needed long term investible funds for the overall financial system growth and stability; it also signifies continued efforts being made by the Commission to develop this branch of the industry.

Market shares of the respective non-life section shows a not exactly a consistent pattern compared to the previous, with the Oil & Gas business securing the lead position (34%) as against its previous second position when it held an 18.0% contribution in 2017. Followed by Fire insurance (18%), Motor (16%), General Accident, (12%), Marine & Aviation Insurance (11%) and Miscellaneous (9%) in this order.

The positive trajectory of the Sector for life and non-life businesses is further illustrated by Chart 3 of the five year period.

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

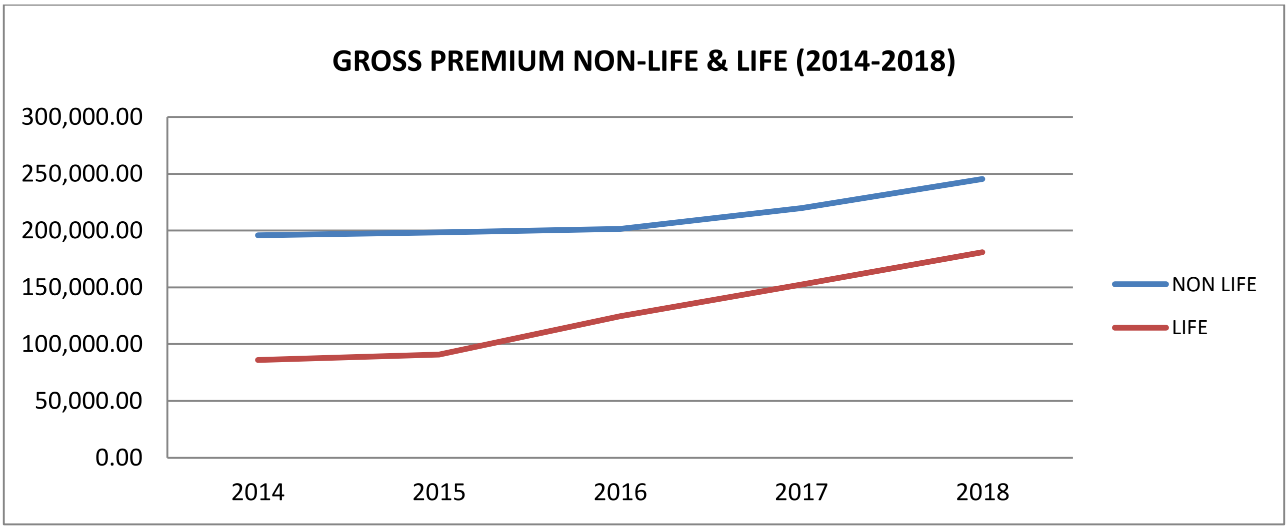


Chart 3 shows that the sector maintained a steady upward trend, non life since the beginning of the period, N196 billion in 2014 to peak at N245billion in the current period. Similarly, the Life sector grew at a more robust rate to tip at about N181 billion in 2018 from a relative gross premium of N86billion at the beginning of the period, at 110% growth rate relative to 25% in the Non-life sector, over the study period. Marine & Aviation Insurances had an impressive overall growth rate in 2018 to be followed by Oil & Gas, at fifty six per cent (56%) compared to 2017 and twenty two per cent (22%) respectively. In the same order, Fire business grew at about nine per cent (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 its previous period grew at about four per cent (3.9%) in current year and, almost at the same pace (3.9%) over the entire five year period, stood at about N29 billion in 2018 from a N28 billion starting point.

On the low side, Motor Insurance business had continued to dive over the period with a growth result of -11% in 2018 as compared to 2017. The business recorded an all through negative growth of -5% over the five year period from about N42billion in 2014 to close at N40billion at the end of period.

Laudable is the overall performance of the sector compared to the national economic performance during the period under review. However, if the needed insurance deepening is to be achieved, market development focused measures including, of Micro and Takaful Insurances must be enshrined and re-strengthened in order to expand and deepened the unexploited potential market.

1.3 Retained Premium Income

The Insurance industry Net Premium Income (NPI) provided in 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 years period.

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

Currency: ₦ 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 based on the respective various classes of business.

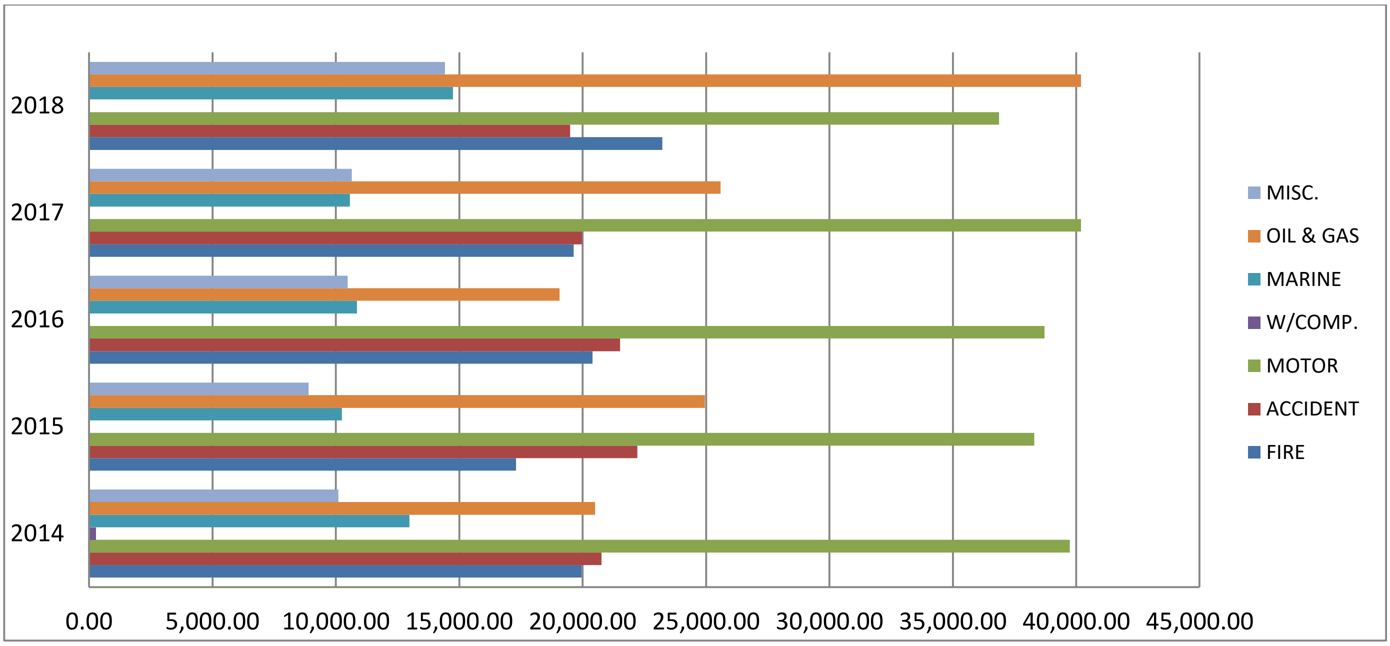
Table 3: Annual Growth Rates of Net Premium Income (%)

Year	Fire	Gen Accident	Motor	Marine	Oil &Gas	Misc.	Life
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 besides Motor and General Accident Insurances, other classes sustained commendable levels of growth in retention capacity of the industry during the current period, interestingly of the special risks portfolios of Oil & Gas and Marine & Aviation. This is important as it reveals the growing retention capacity of the sector in the hitherto most difficult terrains. Growth of life is also most essential at about twenty per cent (19.9%) rate, it signifies 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 years period is further illustrated by Chart 5.

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



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

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 contrast to the previous year is remarkable for the current period, wherein retention scales increased significantly across all the reported accounts. This could be reflective to the growing underwriting capacity, local content policy effect as well as institutional carriage capacity during the period. The rate of change in retention ratios is also commendable especially for the non Life segment (5%) and even for the Life (1%) business account. This experience is particularly essential 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 provides a clear experience on the retention ratios of respective classes of non life Insurance business wherein, the Motor account recorded the highest (92%) retention figures relative to others; this is acknowledged mainly due the fact that most premiums generated in this account are of third party motor Insurance of which mostly is retained by Insurance Institutions. On the other hand, the Oil & Gas Insurance accounted for the least (49%) compared to other accounts, ascribable to its specialty nature vis a viz the sector’s underwriting and carriage capacity with regards 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 increase substantially (52%) as against the below half mark (47%) it attained in 2017, a reverse from the negative trend it maintained since the beginning of the five year period. Other classes recorded some turn down relative to the previous year. Marine & Aviation stood at 56% and General Accident 68% as against 63% and 72% respectively, indicative of a challenging macro 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

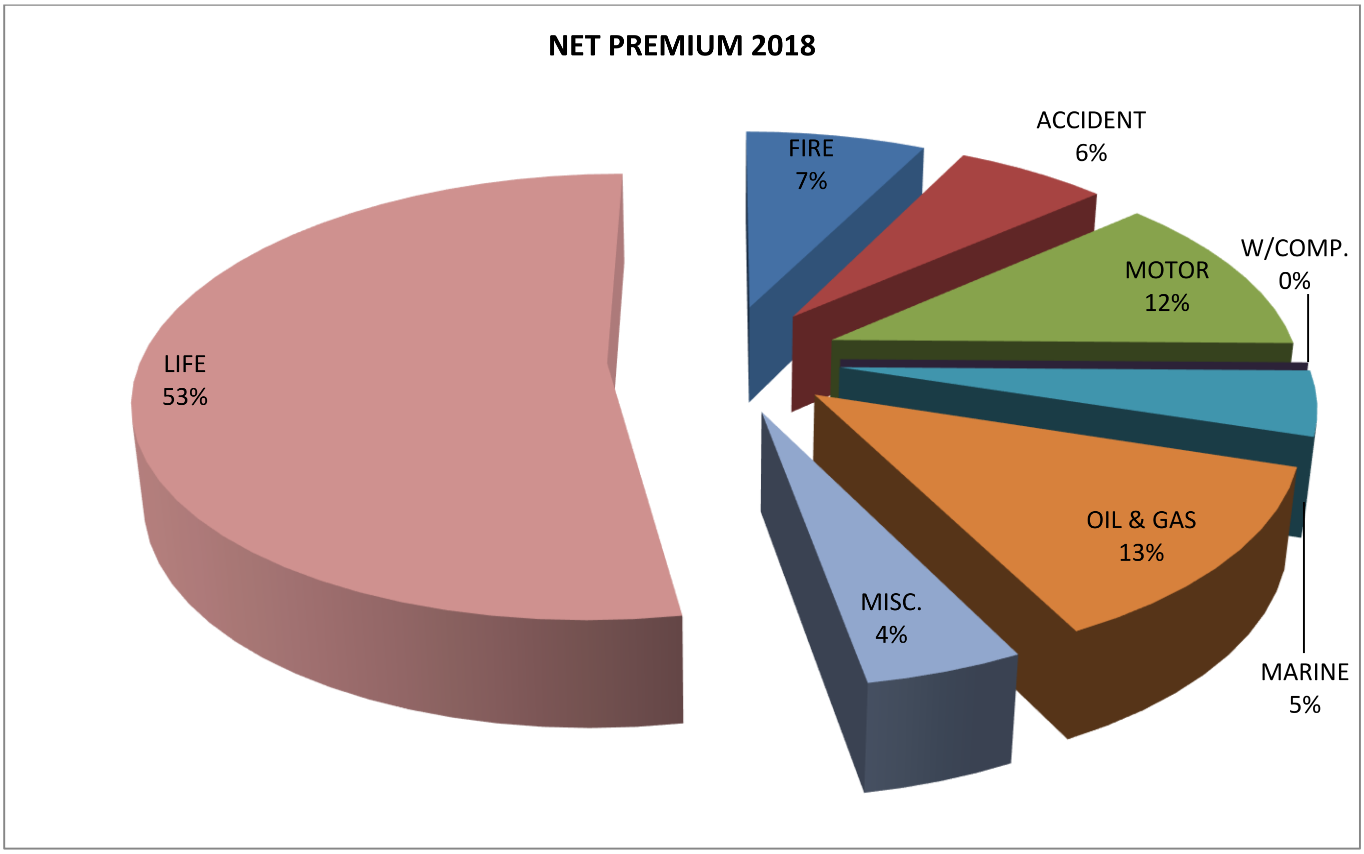


Figure 4 shows the notable percentage contribution of Life insurance section to the total net premium income, fifty three percent (53%), a point higher than in the previous 52% in 2017. This indicates the growing development of the sector as it's a common phenomenon with developed insurance markets across the world. The long term investable fund conceivable through this segment of the sector is notably the catalyst for the financial sector development and, indeed the national economic growth and development.

1.6 Claims Experience

1.6.1 Gross Claims

The Nigerian Insurance Sector recorded a total gross claim of N252billion in 2018, at thirty five per cent (35.3%) growth rate compared to the 2017 gross claims of N186billion when it increased at 28%. This is attributable to a multi-dimensional factors including; increased public awareness, relative policy holder confidence and, effects of underwriting and the operating environment.

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	Fire	Gen Accident	Motor	W/Comp	Marine	Oil &Gas	Misc.	Life	Total
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 experience of the sector as represented in table 5 shows a consistent positive slope all through the five year period, from about N99billion in 2014 to peak at N252billion in the current period. In 2018, aside for Miscellaneous (-27%), Motor (-16%) and Fire (-14%) Insurances, all other classes including the Life business section reported some positive growth rates compared to 2017 such that, General Accident, Marine & Aviation, Oil & Gas and Life grew at about 12%, 139%, 16% and 82% respectively. On the scale of the entire five year period, the Life business held the lead at about two hundred and ninety two per cent (292%) growth rate over the period, followed by Oil & Gas (245%), Marine (145%), Fire (33%), Motor (20%) and General Accident (11%). This development could indicate 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 paid in 2018 as provided for in table 6, was mostly reflective of the pattern of the gross claims reported during the year, except for it occurred at different scales, Fire (-6%) and Motor (-3%), Miscellaneous (-11%) compared to the preceding year. On the other hand, the net claims paid for the special risks grew massively for the current period relative to 2017 such that, Marine & Aviation (133%), Oil & Gas (28%) sour up positively. In the same direction, general Accident account also grew at about twenty three (23%) during the same period.

The non-life sector of the industry grew over the entire period from N52 billion recorded in 2014 to N64billion in 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 Paid: Non-Life Business: 2014-2018

Currency: ₦ Million

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

Similarly, Table 7 reveals the net claims paid on Life business segment for the period of 2014 to 2018, signifying the steady and positive growth trend from N26 billion in 2014 to peak at N117billion 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 is much explained by the sustained awareness campaign, expansion in Annuity business, extended marketing drive by operators and, NAICOM regulatory measures such as the claims settlement enforcement drive through its Complaint Bureau window. It is expected that with increased efficiency of the Bureau, poly 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 gave insights into 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 an entire industry gross reported which reflects the sector experience and mirrors the industry circumstance.

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

Statistics from table 9 exposes that, the non life section of the industry incurred losses in 2018 of forty three per cent (43%) during the period, a decline compared to the previous period when it stood at about 45%. In a contrasting development, Life business incurred a net claims ratio of 70%, quite higher that its level in 2017. This experience from the Life Insurance section, even though net incurred losses remains within sufficiently tolerable levels, should call for a more prudent underwriting posture, as the demand for this kind of portfolio increases over time.

The Insurance industry total assets for both Life and Non Life businesses stood at ₦1.3 trillion in 2018 which indicates a thirteen per cent (17%) growth rate compared to 2017 assets when it was ₦1.1 trillion, maintaining a regular steady increase over the recent years. The assets grew by about sixty per cent (60%) 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	730,360.18
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, despite its relative small size compared to other sectors of the Nigerian economy, has remained one of the fastest growing sectors and the most resilient even during the economic slump period and, indeed among the most promising in terms of future expansion.

The industry assets grew at notably as observed in table 10 from 2014 to 2018 with an impressively increasing Life section contribution to the industry whereby it shared a forty seven per cent (45%) of the total assets as against its contribution share of thirty seven per cent (37%) in the previous year.