



NATIONAL INSURANCE COMMISSION

Insurance Market Performance
31ST DECEMBER, 2014

NIGERIAN INSURANCE MARKET PERFORMANCE

The Nigerian Insurance Industry was ranked sixty two (62) in the world (AXCO, 2014 Market Ranking) with a Gross Written Premium of over N281 billion and a growth rate of about two percent (2%) in 2014. The non-life business accounted for about 70% of the total gross premium.

The industry's gross claims settlement declined by 9% during the year. The non-Life gross claims constituted about 67% of the total claims paid by the market. This experience may be attributed to the growing risk management measures in the industry and improved underwriting standards.

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.

Market Performance

Gross Premium Income

The gross premium income recorded in 2014 was N281 billion which represented about 1.87% increase relative to the N276 billion recorded in 2013 as indicated in Table 1.

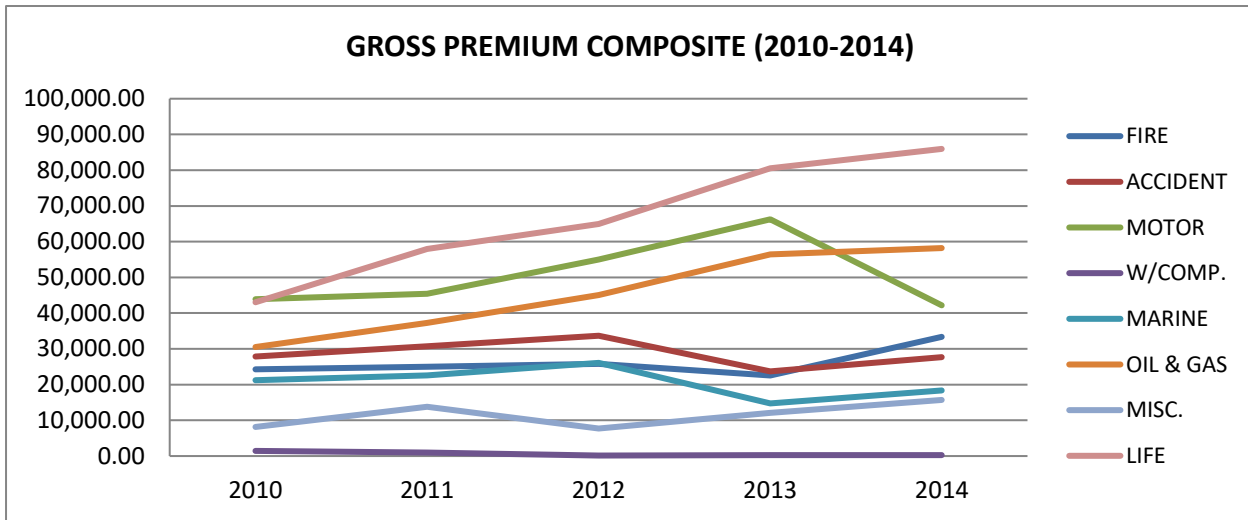
Table 1: GROSS PREMIUM INCOME: NON-LIFE & LIFE BUSINESSES: 2010 – 2014

N 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	33,353.18	27,700.15	42,175.69	277.13	18,342.52	58,200.55	15,699.68	85,952.58	281,701.48

The slowdown in growth, -36.76%, recorded by the Motor business, partly explains the drop in the total premium income booked in 2014. Since 2011, premium growth has been on the downward trend: 2011(16.6%), 2012(10.5%), 2013(7%) and 2014(1.87%). 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 N=Millions

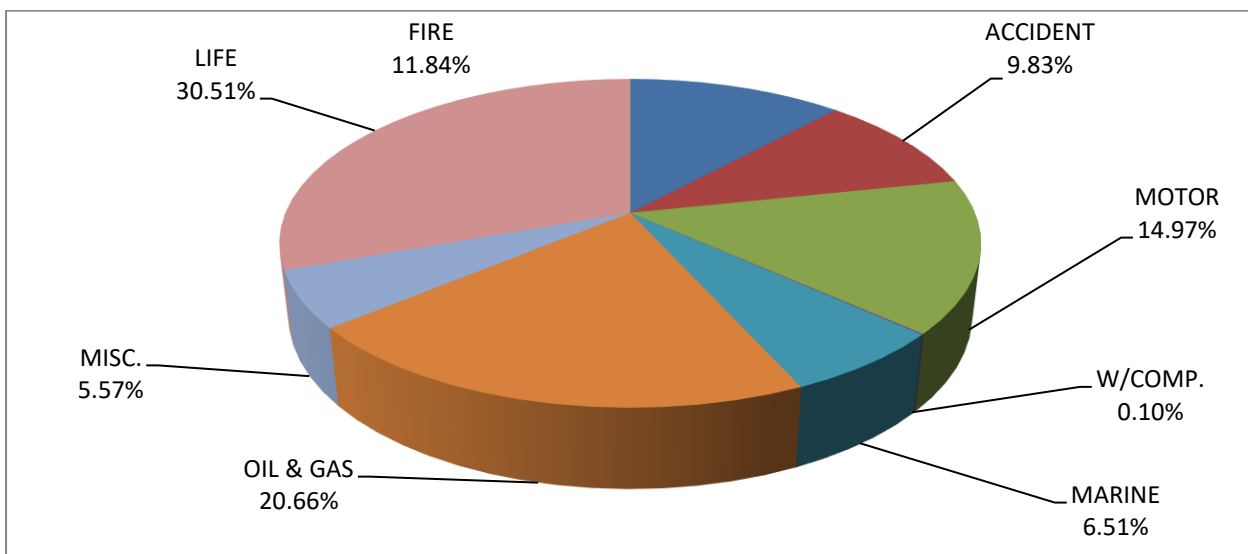


The total gross premium income recorded in 2014 would have fallen below N281 billion, by a wider margin, but for the consistent growth recorded by the life and oil/gas business. The recovery, in 2014, of the Fire, General accident, Marine and Aviation branches all of which dropped in 2013 and the sustained growth of the Miscellaneous class, after slowing down in 2012, also went a long way to support the modest growth achieved in 2014.

Distribution 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

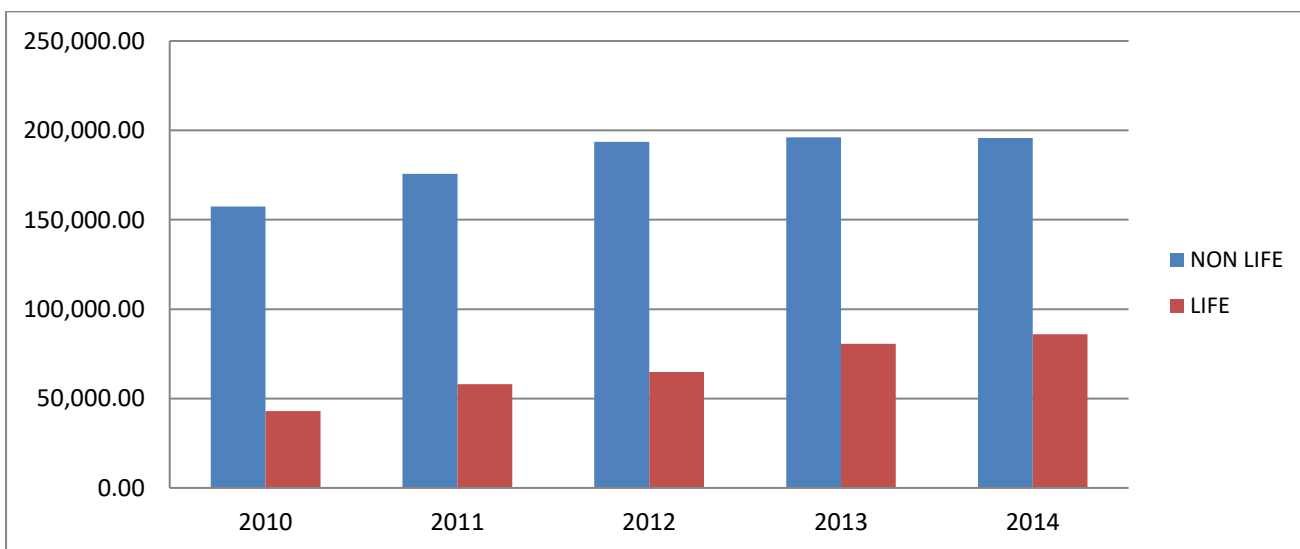


The non-life sector accounted for about 70 % of the total Premium Income generated in 2014 while the Life sector contributed about 30%, against 29% in 2013 and 25% in 2012 respectively. The growing contribution of the life account to the overall premium income may be attributed to the efforts being made to develop this branch of business by insurance companies and the great encouragement and support from NAICOM to ensure that this long-term class and indeed the insurance sector remains a veritable support of the financial service sector.

The Oil & Gas business came second with share of 20.66% to push down the motor account, whose share fell from 2013(24%) to 2014(14.97%), to the third position. Fire Business remained in the third place with a share of 11.84%, as against 8% in 2013. The Accident Business, whose share rose from 2013(9%) to 2014(9.83%), came fourth ahead of the Miscellaneous and Workmen’s compensation classes.

The chart below indicates a continued and steady growth trend of the life and non-life classes.

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



Although both the life and non-life premiums have been trending upward, the growth rates recorded by both classes have not been impressive. In fact, the rates recorded by the non-life branch have spiralled downwards since 2012, when it fell to 10.1%, from 11.2% in 2011. Thereafter, growth dropped by a wide margin to 1.3% in 2013 and then to just about the same rate in 2014. The life business also could not sustain the high growth rate of 34.5% recorded in 2011. The rate dropped to 11.9% in 2012 but moved up to 24.1% only to slow down to 6.3% in 2014.

A number of developments are however expected to drive the growth of the industry at a much faster pace in the years to come. These include NAICOM’s initiatives in the promotion of micro insurance and Takaful, the ‘no premium, no cover’ policy, the local content law and effective implementation of the laws on compulsory insurance. The Petroleum Industry Bill (yet to be passed) would also impact positively on the growth of the oil and gas business.

Retained Premium Income

As would be observed from Table 2, the total net premium income recorded in 2014 was about N203 billion which translated to a shortfall of about 0.57% below the income of about N205 billion recorded in 2013.

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

YEAR	FIRE	GENERAL ACCIDENT	MOTOR	W/COMP.	MARINE & AVIATION	OIL & GAS	MISC.	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	19,966.01	20,765.21	39,746.01	416.08	12,987.83	20,508.50	10,103.95	79,700.84	204,194.43

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

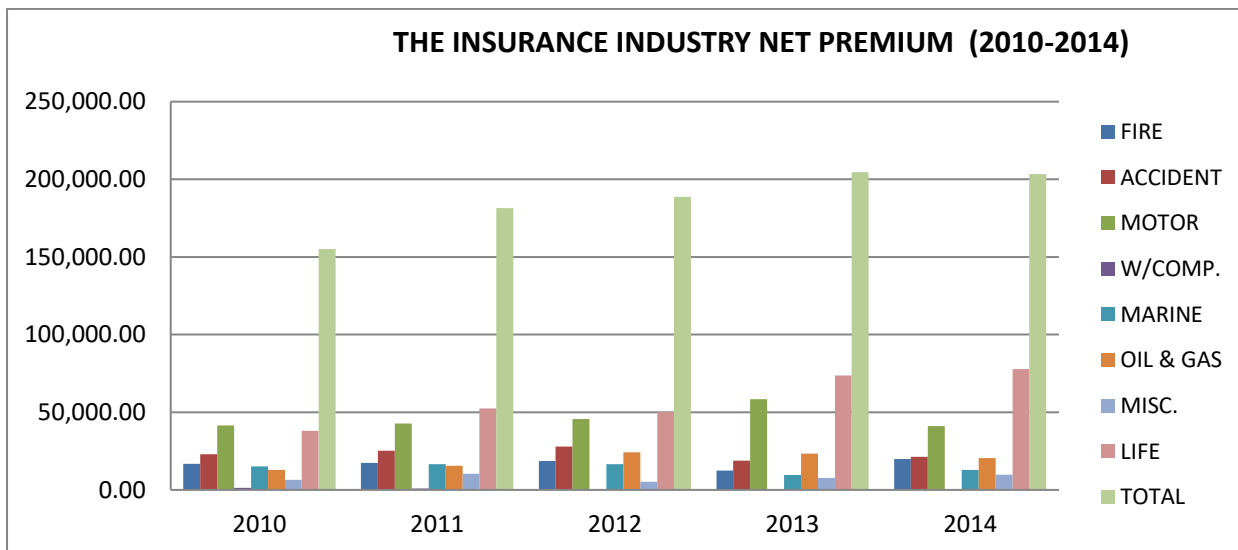
TABLE 3: ANNUAL GROWTH RATES OF NET PREMIUM INCOME (%)

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	59.14	10.27	(32.06)	35.84	(12.64)	30.80	8.14

While it is important to grow the net account, given that it has a significant influence on the volume of investible funds, it must be appreciated that the change in net premium must remain within acceptable range. The growth profile indicated in the table reflects changes in reinsurance policy, product lines and to some extent the after effect of consolidation in the market.

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

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



The growth patterns of the major classes of business are consistent with the growth profile of the gross account. The fact is that, as companies strive to justify the capital at their disposal, they are likely to take on businesses which may alter the risk profile of their portfolio and this naturally would affect the development of the net account.

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

Retention 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	63.6	92.7

The decline in the retention levels in respect of the non-life business is largely due to the contraction in the retentions recorded in the fire, general accident and oil & gas branches, as indicated in Table 4 above.

RETENTION (%) BY CLASS

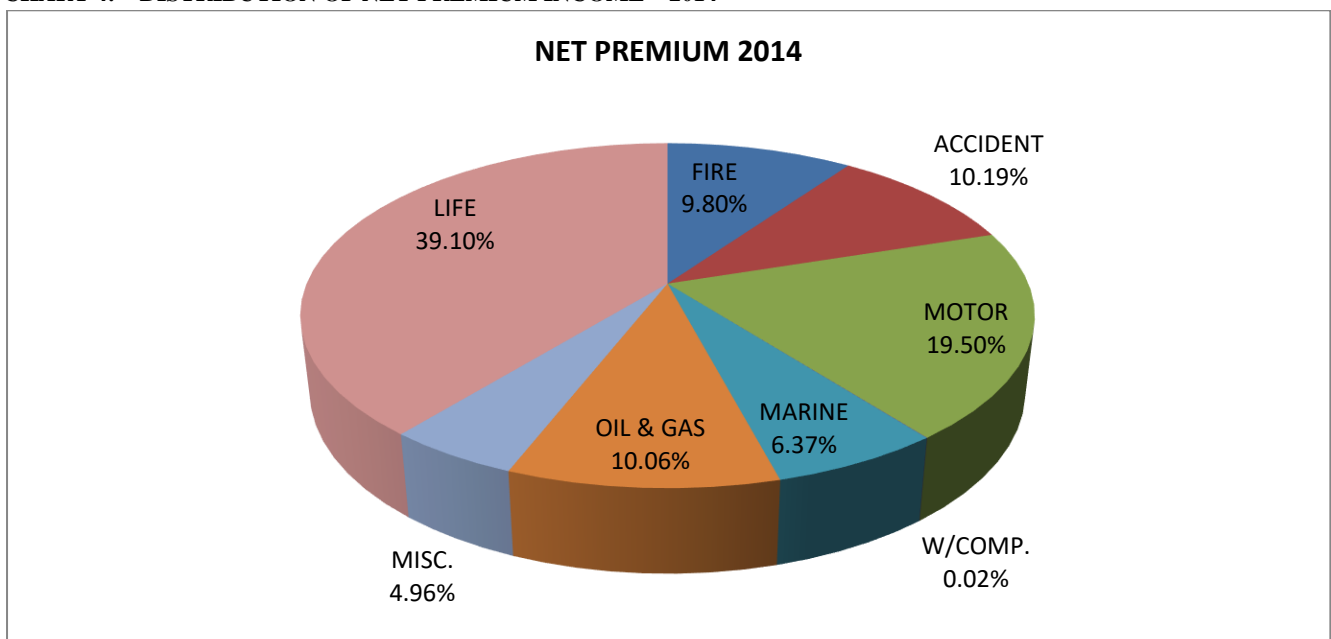
YEAR	FIRE	GENERAL ACCIDENT	MOTOR	MARINE & AVIATION	OIL & GAS
2010	69	82	95	71	42
2011	70	82	94	74	42
2012	72	83	83	64	54
2013	56	79	88	64	41
2014	60	73	94	70	34

The impact of the oil account on retention levels was particularly significant. In 2014 for instance, the non-life portfolio would have recorded retention of 75% but for the inclusion of Oil and Gas business which weighed down the retention to a level 63%. It is quite clear that the increases in the business written in the Oil and gas business were not matched by corresponding growth in market capacity.

Breakdown 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



Life business contributed a significant volume of the retained premium income which is good for the industry and the economy at large, as funds from this long term class of business are usually required to support economic growth and development. The retained account needs to grow and 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.

Claims Experience

Gross Claims

The total gross claims paid in 2014 was about N99 billion, representing a decrease of about -7.59% from the level of N107 billion recorded in 2013, as indicated in Table 5.

TABLE 5: GROSS CLAIMS PAID – NON-LIFE & LIFE INSURANCE IN: 2010-2014 N-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	15,347.46	10,050.14	14,512.03	218.62	5,437.56	14,836.49	5,153.40	33,601.11	99,156.81

The decline is due to the fall in claims payment in motor business which recorded a significant decrease in the business written in 2014. It is expected that the deployment of effective risk management instruments, efficient claims administration policies and disciplined underwriting practices would continue to impact positively on the levels of losses and claims payment.

Net Claims: NON-LIFE Insurance Business

The total net claims paid in respect of non-life business rose from N55,660.19 billion in 2013 to N53,258.14 billion in 2014 which represents a decrease of about -4.31%. 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.	Total
2010	4,176.38	4,841.85	11,889.22	864.81	2,217.64	872.75	1,847.69	25,837.59
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	3,999.01	13,497.67	3,724.01	53,258.14

Table 7 which provides the amounts of net claims paid in life business indicates that payments increased significantly during the period under review, rising from N14 billion in 2010 to N26 billion in 2014.

TABLE 7: NET CLAIMS PAID: LIFE BUSINESS

Currency: N-Million

Year	2010	2011	2012	2013	2014
Amount	14,758.13	19,416.20	21,457.85	26,281.93	26,278.46

The increase in the volume of business written and policyholders’ awareness of their rights impacted on the observed trend. Furthermore, the rise in the average sum insured of life policies had some influence in defining the trend of life claims payments.

Claims Ratios

The tables below provide claims ratios in respect of claims paid.

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

YEAR	2010	2011	2012	2013	2014
Gross Claims(Naira M)	53,815.35	47,607.74	79,122.58	107,304.54	99,156.81
Gross Premium(Naira M)	200,375.98	233,752.89	258,402.30	276,384.77	281,701.48
Claims ratio (%)	26.9	20.4	30.6	38.8	35.2

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

YEAR	2010	2011	2012	2013	2014
Gross Claims(Naira M)	37,589.56	26,792.14	55,717.15	71,602.78	64,968.34
Gross Premium(Naira M)	157,336.81	175,756.76	193,493.25	196,008.76	195,748.90
Claims ratio (%)	23.9	15.2	28.8	36.5	33.2

TABL : GROSS CLAIMS/GROSS PREMIUM INCOME - LIFE

YEAR	2010	2011	2012	2013	2014
Gross Claims(Naira M)	16,225.79	20,815.60	23,405.43	35,701.76	32,659.99
Gross Premium(Naira M)	43,039.17	57,996.13	64,909.06	80,520.24	85,952.58
Claims ratio (%)	37.7	35.9	36.1	44.3	37.9

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. Needless to add that the ratios only give rough indications of the loss experience of the portfolios and do not provide the insights obtainable from claims ratios computed on incurred basis.

Claims and Expenses: 2014

Table 9 provides figures in respect of premiums, claims and the expenses recorded in 2014.

TABLE 9: PREMIUMS, CLAIMS AND EXPENSES: 2014

Currency: N-Million

Description	Gross premium	Net premium	Gross claims	Net claims
NON-LIFE Ins. Business	119,646.85	78,622.09	36,618.57	27,013.21
Life	85,952.58	79,700.84	32,659.99	26,278.46
Composite	76,102.09	45,497.04	28,937.16	25,068.50

The insurance companies operating pure non-life business had a claims ratio, on net incurred basis, of 33.% in 2014, while the corresponding expense ratio was 46%. Life

business operating companies similarly recorded a claims ratio of 33% and expense ratio of 13% during the same year. The composite insurance companies on the other hand, had 46% as claims ratio and an expense ratio of 40%. The combined ratios for the 2014 of non-life, life and composite companies were, 79%, 46% and 86% respectively which were all below 100% thus leaving room for reasonable profit margins.

The industry's total life and non-life assets amounted to N976 billion in 2014 which represents an increase of about 23% over the total assets of N794 billion recorded in 2013.

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	568,626.95
LIFE	193,274.19	213,662.92	212,827.81	267,601.93	118,393.55
COMPOSITE					289,617.45
TOTAL	585,015.79	621,095.14	710,627.24	793,879.74	976,637.95

The slowdown in the growth of the industry's assets in 2014 partly reflects the performance of the capital market and price vulnerability of the industry's investments which constitute an essential element in the Insurance business model.