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ACTIVITIES OF INSURANCE COMPANIES IN NIGERIA: 1983-1984

This report contains an analysis of data extracted from the returns lodged with the Federal Ministry of Finance by insurance companies operating in Nigeria during 1983-1984. In 1983 and 1984 about 92.9 and 98.9 per cent of the existing companies had filed their returns at the time the survey was conducted. Estimates were made for non-response in order

to provide a basis for consolidating for the entire insurance industry.

The report is divided into five parts: namely, the structure and performance of the insurance industry, life insurance business, non-life insurance business, assets and investment pattern of insurance companies; summary and conclusion.

PART I STRUCTURE AND PERFORMANCE OF INSURANCE INDUSTRY

I.1 Number and Type:

Insurance companies that operated in Nigeria during 1983-1984 fell into three categories: those that handled the underwriting of risks associated entirely with life policy; those engaged in casualty or non-life insurance; and those that combined both life and non-life businesses. Only 3 or 3.8 per cent of companies operating in 1982, transacted wholly life business. Following the merging of the United Insurance Company with United Nigeria Life Insurance Company, the number of companies underwriting life policy fell to 2 in 1983 and 1984, constituting 2.3 per cent of all the insurance companies operating in the country. The category of companies engaging in non-life rose from 55 in 1982 to 60 and 61 in 1983 and 1984 accounting for 70.6 and 70.1 per cent of the respective number of companies in the industry. Companies combining life and non-life numbered 21, 23 and 24 in 1982, 1983 and 1984, respectively and accounted for 26.6, 27.1 and 27.6 per cent of companies in the industry (see Table 1). The increase in the number of companies in this category was due to new entrants into the industry and also the re-emergence of City Union Insurance Company (formerly Roverton Insurance Company) which used to underwrite wholly non-life policy but had its licence revoked by Government in 1983.

I.2: Ownership Structure

As evident from the survey returns, indigenous participation in insurance business increased. This is reflected both in the number of companies owned entirely by Nigerians, and the amount and proportion of paid-up capital contributed by Nigerians. The number of companies owned completely by Nigerians rose from 62 in 1982 to 71 in 1983 and fell to 69 in 1984 representing 78.5, 83.5 and 79.7 per cent of companies in the industry. All the remaining companies existing during 1982-1984 are owned jointly by Nigerians and foreigners. However, none of the wholly indigenous companies specialised in underwriting life policy during the review period as all companies involved in life policy were jointly owned. The bulk of the wholly indigenous companies concentrated on non-life insurance. The number of such companies rose from 46 in 1982 to 53 in 1983 and fell marginally to 52 in 1984 (see Table 2).

The concentration of insurers on non-life business is attributable largely to a regulation by Government which discriminates between the amount of minimum paid-up capital in life and non-life insurance businesses in the country. The insurance Act of 1976 requires all insurers to have a minimum share capital of "not less than ₦500,000 in the case of life insurance business, and ₦300,000 in the case of non-life business." This regulation is likely to have facilitated the establishment of more non-life as against life insurance companies since its introduction in 1976. Another reason for

the dominance of non-life insurance companies is the fact that the demand for this class of insurance in the country is relatively greater than that of life.

I.3 Paid-Up Capital:

Paid-up capital of insurance companies, which stood at ₦62.5 million in 1982, increased to 112.0 and ₦127.6 million in 1983 and 1984, respectively. Companies wholly owned by Nigerians accounted for 100 and ₦103.2 million, contributing 89.7 and 80.9 per cent of the total capital employed in the industry in 1983 and 1984. Jointly owned companies contributed the remaining capital, which stood at 11.5 and ₦24.4 million or 10.3 and 19.1 per cent of the total paid-up capital held in the industry in 1983 and 1984 (see Table 3). However, indigenous participation (as defined by the share of paid-up capital originating from domestic sources in total paid up capital employed in the insurance industry) declined from 96.0 in 1983 to 92.5 per cent in 1984.

I.4 Income and Expenditure:

Table 4 contains data on aggregate income and expenditure of all categories of insurance companies. Aggregate income of the entire insurance industry, at ₦405.7 million in 1984, indicated an increase of 1.2 per cent over the 1983 level of ₦400.5 million. The increase contrasts with a decline of 0.4 per cent recorded in 1983. Income earned by wholly Nigerian owned companies declined from ₦264.7 million in 1983 to ₦216.7 million in 1984, and accounted for 66.1 and 53.4 per cent., respectively of total income of the industry. In 1983, income of this category of companies rose by 18.2 per cent. On the other hand, jointly owned companies enjoyed an increase of 39.2 per cent in their revenue in 1984 in contrast to a decline of 23.7 per cent a year earlier.

Total expenditure of insurance companies also declined remarkably in 1984. At ₦276.1 million in 1984, expenditure of insurance companies recorded a decline of 8.3 per cent from its 1983 level of ₦301.0 million. This represents a much improved position over the situation a year earlier when the industry's expenditure rose by 10.5 per cent. The decline in expenditure was accounted for by only the wholly indigenously owned companies. While the expenditure of wholly indigenous companies fell by 27.6 per cent, that of companies owned jointly by foreigners and Nigerians rose sharply by 32.5 per cent (see Table 4). This situation contrasts with that in the preceding year when expenditure rose by 28.5 per cent in the indigenously owned companies; while the jointly owned companies managed to keep their expenditure constant.

I.5 Relative Performance by Types of Ownership:

The average income per naira expenditure of the industry as a whole indicates that 1984 was a more prosperous year for

insurance business compared with 1983. Receipts per unit of naira expenditure rose from 1.33 in 1983 to 1.47 in 1984 indicating an increase of 10.5 per cent. This contrasts with a decline of 10.1 per cent in the average receipt recorded in 1983. The improvement in the earnings of insurance companies in 1984 was due largely to wholly Nigerian owned companies which enhanced their average income per naira expenditure by 13.1 per cent as against an increase of 5.7 per cent in the average revenue recorded for jointly owned companies. This situation was a sharp contrast to that in 1983 when wholly indigenous companies registered a decline of 16.7 per cent in the average receipt and jointly owned companies enhanced theirs by 1.4 per cent (see Table 4).

I.6 Relative Performance by Class of Insurance:

Data on aggregate income and expenditure during the period under review reveal that prospects were brighter for life insurance than for non-life business. This could be inferred

from the average receipt per naira expenditure earned in the two classes of insurance. Throughout the three-year-period 1982 to 1984, the average revenue earned on a naira expenditure computed for life insurance was substantially higher than in non-life insurance. In 1982, 1983 and 1984, the averages for life insurance stood at 1.76, 1.91, and 1.86, registering 30.4, 76.9 and 45.3 per cent over the respective figures of 1.35, 1.08, and 1.28 calculated for non-life insurance. This implies that the enhancement in the industry's prospects reported above was attributable to higher profitability of life insurance in 1984. However, average receipt per naira expenditure rose by 18.5 per cent in 1984 for non-life insurance but declined by 2.6 per cent for life insurance. This contrasts with the situation in the preceding year when average revenue per naira expenditure rose by 8.5 per cent in respect of life insurance as against a decline of 20 per cent in respect of non-life insurance (see Table 5).

PART II LIFE INSURANCE BUSINESS

II.1 Income and Expenditure:

Data on income and expenditure of companies transacting life insurance business show that, in 1984, income earned per unit of naira expenditure declined below its level in 1983 indicating that life insurance business was less lucrative in 1984 compared with the preceding year. The decline was attributable to the reduction in the average earning per naira unit in the indigenously owned companies as against the moderate increase achieved by jointly owned companies. The situation in 1983 was different when average earnings per naira unit of expenditure rose in the two categories of companies (see Table 6).

The value of life insurance business transacted declined by 2.2 per cent from ₦171.8 million in 1983 to ₦168.1 million in 1984. The decline contrasts with an increase of 20.5 per cent in the aggregate income earned in the industry for this type of insurance in the preceding year. The decline in income in 1984 was due to a substantial decrease of 17.9 per cent in the income of wholly indigenous companies which fell from ₦92.7 million in 1983 to ₦76.1 million in 1984. Income by this group of companies, however, rose remarkably by 43.5 per cent in 1983. Income earned by companies owned jointly by foreigners and Nigerians on life insurance increased by 16.3 per cent, thus raising the share of this category of companies in total earnings from life insurance from 46.0 per cent in 1983 to 54.7 per cent in 1984.

Aggregate expenditure incurred on life insurance by the industry almost stagnated in 1984, recording a marginal increase of 0.5 per cent. The expenditure of indigenously owned companies declined by 10 per cent from ₦40.1 million in 1983 to ₦36.1 million in 1984. In contrast, expenditure rose in jointly owned companies from ₦49.9 million in 1983 to ₦54.5 million in 1984, implying a rise of 9.2 per cent. However, this increase in the cost incurred by jointly owned companies was still less than the increase of 16.3 per cent in the income of this category of companies.

¹Total claims are defined as net claims plus surrenders and outstanding claims.

II.2 Sources and Application of Funds:

Earnings through premium collected on life policy represented the most important source of income of life insurance business during 1982 to 1984. As a proportion of total income, premium earnings constituted 80.8 and 78.3 per cent of income in 1983 and 1984, respectively. In 1984, the premium income earned on life insurance declined by 5.2 per cent. This decline contrasts with an increase of 30.3 per cent in earnings from this source in 1983. The premium income from life insurance transacted by indigenously owned companies fell by 21.4 per cent from ₦74.9 million in 1983 to ₦58.9 million in 1984, accounting for a decline in the industry's total earning from this source. On the other hand, jointly owned companies enhanced their premium income on life insurance by 13.4 per cent from ₦64.0 million in 1983 to ₦72.7 million in 1984.

Interest, dividends and rents also represented another significant source of income, jointly contributing 21.1, 27.3 and ₦31.0 million in each successive year 1982 to 1984, and comprising 14.8, 15.9 and 18.4 per cent of the industry's income from life business. These sources of earnings totalled 6.8, 12.3 and 12.1 million in wholly indigenous companies and accounted for 10.5, 13.3 and 16.3 per cent of their earnings in 1982, 1983 and 1984, respectively. In the jointly owned companies, interest, dividends and rents stood at 14.3, 15.0 and ₦18.9 million in 1982, 1983 and 1984, providing 18.3, 19.0 and 20.5 per cent of their respective total income from life insurance.

In terms of the expenditure incurred by the industry on life insurance, the most dominant items consisted of claims and management expenses. In 1984, total claims¹ rose by 7.8 per cent from ₦35.7 million in 1983 to ₦38.5 million in 1984. This increase contrasts with a decline of 0.8 per cent in 1983. Claims on the indigenously owned companies increased from ₦14.9 million in 1982 to 15.6 and ₦16.6 million in 1983 and 1984, indicating increases of 4.7 and 6.4 per cent in the respective years. Similarly, claims on jointly owned companies on life policy rose by 9 per cent in 1984. However, claims on this group of companies in 1983 fell by 4.7 per cent.

Management expenses on life insurance increased throughout the period from ₦21.7 million in 1982 to ₦28.5 and ₦30.9 million in 1983 and 1984 respectively. While this item of expenditure increased throughout the period of the review in jointly owned companies, it fluctuated with regard to indigenous companies during the period. In 1984, for example, management expenses declined by 7.9 per cent in indigenous companies but rose by 24.0 per cent in the jointly owned companies (see Table 7).

II.3 Loss Ratio:

During the period under review, the loss ratio prevailing in the industry for transacting life insurance fluctuated from 33.8 per cent in 1982 to 25.7 and 29.2 per cent in 1983 and 1984.¹ The fluctuation reflects the pattern shown by the loss ratio computed for indigenous companies. In 1982, this category of companies had a loss ratio of 28.5 per cent which declined to 20.8 per cent and subsequently rose to 28.2 per cent. On the other hand, the loss ratio of jointly owned companies declined steadily from 38.8 per cent in 1982 to 31.4 and 30.1 per cent in 1983 and 1984. These ratios imply that during the review period, while the claims per naira receipt of premium income in jointly owned companies declined persistently, the figure for

indigenous companies fluctuated. In particular, claims out of every naira of premium receipt on indigenous companies rose by 35.6 per cent in 1984 while it fell by 4.1 per cent in jointly owned companies during the same period.

II.4 Expense Ratio:

The movement in the management expenses described above was reflected in the expense ratio² derived for life insurance. The ratio remained almost constant between 1982 and 1983 but increased from 20.5 to 23.5 per cent between 1983 and 1984, respectively. The ratio rose by 8.6 and 9.2 per cent in 1983 and 1984, respectively in the case of jointly owned companies indicating that cost per naira receipt of premium increased for this group of companies during the period. As for the indigenous companies, the ratio declined by 5.6 per cent in 1983 and rose by 16.7 per cent in 1984. This implies that although cost rose in the industry as a whole for companies transacting life insurance business, the indigenous companies were worst hit in 1984 since management expenses rose faster in this group than in the other. The ability of companies to keep cost increases as moderate as possible, however, depends on the efficiency of the management of those companies.

PART III NON-LIFE INSURANCE BUSINESS

III.1 Income and Expenditure:

As in the past, non-life insurance business continued to provide the highest proportion of the income earned in the insurance industry in Nigeria. At ₦228.6 and ₦237.6 million, income of insurance companies derived from non-life business in 1983 and 1984 constituted 57.1 and 58.6 per cent of aggregate income of the industry. These proportions were, however, less than 64.5 per cent attained in 1982.

In 1984, income derived from non-life insurance by the industry rose by 3.9 per cent above its level in 1983. This contrasts with a decline of 11.9 per cent in 1983 compared with 1982. The increase in revenue from this class of insurance in 1984 was due to a rise of 71.1 per cent in the income of jointly owned companies. Income by wholly Nigerian companies, constituting the bulk of the industry's earnings from this type of insurance, declined by 18.3 per cent from the level recorded in 1983.

While income increased in 1984, expenditure on non-life business declined. At ₦185.5 million in 1984, aggregate expenditure of insurance companies on non-life insurance declined by 12.1 per cent. from ₦211.0 million in 1983. This contrasts with an increase of 10.2 per cent. in the expenditure incurred in providing this class of insurance in the preceding year. The decline in expenditure in 1984 reflected the large decline in the cost incurred by the indigenous companies whose expenditures fell from ₦164.2 million in 1983 to ₦111.8 million. On the other hand, costs rose sharply in jointly owned companies by 57.3 per cent in 1984 in contrast to a remarkable reduction of 40.9 per cent achieved in 1983.

Average income per unit of naira expenditure on non-life insurance business increased by 18.5 per cent in 1984 as against a decline of 41.6 per cent in 1983. This shows that non-life

insurance business was more profitable in 1984 than in 1983. The favourable position was felt more by indigenous companies where average receipt per naira expenditure rose by 20 per cent compared with an increase of 9.1 per cent in jointly owned companies (see Table 8).

III.2 Sources of Income:

Premium income continued to represent the most important component of total income of non-life insurance. It is earned from various classes of insurance such as fire, accident, motor vehicle, employers liability, marine, aviation and trust, and other types of insurance. Gross premium income derived from these non-life businesses declined from ₦248.6 million in 1982 to ₦191.8 and ₦205.7 million in 1983 and 1984, respectively. At these levels, they constituted 95.8, 83.9 and 86.6 per cent of the industry's aggregate income from non-life insurance.

The gross premium income earned by wholly indigenous companies on non-life insurance declined throughout the three year period 1982-1984 while that of jointly owned companies declined in 1983 by 44.1 per cent. but rose in 1984 by 70.2 per cent (see Table 9).

As in previous years, motor vehicle insurance yielded the highest level of premium income throughout the review period. Premium income from this source, however, declined in each year of the review period, standing at ₦121.4, ₦115.7 and ₦94.2 million during the consecutive years 1982, 1983 and 1984. These levels of receipt represented 46.8, 50.6 and 39.6 per cent of total earnings on non-life business; 48.8, 60.3 and 45.8 per cent of the respective gross premium income derived from all categories of non-life insurance business in the three years. The successive decline in premium earned from motor vehicle insurance reflects a drastic decline in the purchase of motor vehicles during the review period.

¹Loss ratio is the quotient of claims and premium income expressed in percentage. A decline in this ratio represents an improvement while an increase indicates a deterioration.

²Expenses ratio is the quotient of total management expenses and premium income expressed in percentage.

Premium income from fire insurance, at ₦27.5, ₦26.4 and ₦28.3 million, accounted for 11.1, 13.8 and 13.6 per cent of gross premium incomes earned on non-life in the three consecutive years 1982-1984. Accident insurance also yielded premium income amounting to ₦28.3, ₦24.9 and ₦28.7 million in 1982, 1983 and 1984 thus accounting for 11.4, 13.0 and 14.0 per cent of the industry's total non-life premium income.

III.3 Expenditure on Non-Life Insurance Business:

Aggregate expenditure of insurance companies on non-life business comprising largely claims, management expenses and commission paid to agents stood at ₦191.5, ₦211.0 and ₦185.5 million in 1982, 1983 and 1984, respectively. At these levels, they represented 70.3, 71.1 and 67.2 per cent of the industry's total expenditure in 1982 to 1984. Management expenses constituted the largest component of total expenditure. During the review period, it stood at ₦99.7, ₦106.2 and ₦84.5 million, or 52.1, 50.3 and 45.6 per cent of the respective aggregate expenditures in 1982, 1983 and 1984. Claims stood at ₦79.2, ₦78.6 and ₦77.7 million in 1982, 1983 and 1984, accounting for 41.4, 37.3 and 41.9 per cent of aggregate expenditures in those years. Total claims declined marginally throughout the period, falling by 0.8 and 1.0 per cent in 1983 and 1984 respectively.

Management expenses fell sharply in wholly indigenous companies by 39.3 per cent. in 1984 in contrast to an increase of 29.0 per cent in 1983. On the other hand, management expenses of jointly owned companies in 1984 rose by 31.3 per cent as against a decline of 27.9 per cent in 1983. Claims on this group of companies also reflected a similar pattern, rising by 91.1 per cent in 1984 and declining by 48.5 per cent in 1983. Indigenous companies, however, entertained reduced claims

in 1984. Claims on them fell by 33.3 per cent in 1984 but rose by 46.9 per cent in 1983 (see Table 10).

III.4 Loss Ratio:

As a result of these movements, the loss ratio computed for the industry for its non-life transactions declined from 41.0 per cent in 1983 to 37.8 per cent in 1984, indicating an improvement of 7.8 per cent in average claims on a naira premium income. This contrasts with a deterioration of 28.5 per cent in 1983. The improvement achieved in 1984 accrued largely to indigenously owned companies whose loss ratio declined by 19.1 per cent in the year while that of the jointly owned companies rose by 12.3 per cent. This situation was in contrast with that in the preceding year when the improvement accrued mainly to jointly owned companies and the indigenously owned companies entertained higher claims per naira premium income.

III.5 Expense Ratio:

The amounts recorded for the management expenses on non-life business imply that the industry saved on its cost of transacting this class of insurance in 1984. This was indicated by a decline of 25.8 per cent in 1984 in the expense ratio computed for non-life insurance. The ratio fell from 55.4 per cent in 1983 to 41.1 per cent. in 1984. The cost-saving was reflected in the expense ratios calculated separately for both indigenous and jointly owned companies. In 1984, the ratio fell by 26.5 per cent in indigenous companies and declined by 22.9 per cent in jointly owned companies. The improvement contrasts with the situation in the previous year when costs rose in both groups of companies.

PART IV ASSETS AND INVESTMENT PATTERN OF INSURANCE COMPANIES

IV.1 Assets:

The value of assets held by insurance companies in respect of both life and non-life insurance in 1984 stood at ₦1,333.9 million, 20.6 per cent higher than the 1983 level of ₦1,106.1 million. The increase in the value of assets contrasts with a decline of 2.8 per cent recorded in the preceding year. The assets were held in government securities, stocks, shares and bonds, mortgages and loans, cash and bills receivable and miscellaneous instruments. At ₦131.7 million in 1982, the value of government securities rose to 204.7 and ₦212.2 million in 1983 and 1984, accounting for the respective shares of 11.5 and 15.9 per cent of the total values of assets held in those years. Stocks, shares and bonds stood at ₦190.4, ₦169.5 and ₦199.5 million in 1982, 1983 and 1984 representing 16.7, 15.3 and 15.0 per cent of the aggregate assets held in the respective years. Other assets held by the entire industry included mortgages and loans, cash and bills receivable whose values in 1984 stood at ₦197.6 and ₦196.6 million, respectively. In 1984, the balance of assets held in miscellaneous instruments rose by 38.2 per cent from ₦381.7 million in 1983 to ₦527 million in 1984 (see Tables 10 and 11).

Assets were disaggregated into those held against life and non-life insurance. In 1984, the values of government securities, mortgages and loans held in respect of life insurance declined by 10.8 and 1.5 per cent, respectively. These declines

contrasted with the respective increases of 40.0 and 25.1 per cent recorded a year earlier. On the other hand, stocks, shares and bonds and, cash and bills receivable increased by 15.5 and 25.5 per cent in 1984. Similarly, assets held in miscellaneous instruments against life policy increased by 22.6 per cent from ₦120.8 million in 1983 to ₦148.1 million in 1984. On the whole, the value of assets held under life policy rose by 28.5 and 9.3 per cent in 1983 and 1984 respectively. The persistent increase in the values of assets held in mortgages and loans; stocks, shares and bonds; and miscellaneous instruments; coupled with the decline in government securities reflect the disparities in the rates of return to these assets during the period under review.

Asset holdings under non-life operations showed a different trend from those under life. While the values of government securities held in respect of non-life insurance increased persistently during the period under review, in the case of life insurance, they rose in 1983 but declined in 1984. In 1983 and 1984 respectively, government securities held under non-life operations amounted to ₦102.9 and ₦121.4 million showing increases of 74.4 and 18 per cent. Mortgages and loans, cash and bills receivable, stocks, shares and bonds all recorded increases in value in 1984.

IV.2 Distribution of Assets and Investment

Except cash and bills receivable, and miscellaneous instruments, the proportion of other assets held in the industry declined in 1984. While the shares of cash and bills receivable, and miscellaneous assets increased from 13.2 and 34.5 per cent in 1983 to 14.7 and 39.6 per cent in 1984, those of government securities, stocks, shares and bonds, mortgages and loans declined by 18.5, 15.3 and 18.5 per cent in 1983 to 15.9, 15.0 and 14.8 per cent in 1984, respectively.

Under the country's insurance regulations, insurers are requested to invest not less than 25 per cent. of their total assets in specified government securities and other securities. Each insurer is also expected to invest at least 10 per cent. of its assets in real property in respect of non-life insurance; or at least 25 per cent of the assets in respect of life insurance.¹ However, insurance companies as a group invested 8.3, 18.4

and 16.5 per cent of their assets in government securities in 1982, 1983, and 1984, respectively under non-life insurance; and held 17.0, 18.5 and 15.2 per cent under life insurance in the corresponding periods. Hence aggregate holdings of government securities in the entire industry, at 11.5, 18.5 and 15.9 per cent in each successive year of the period 1982 to 1984, remained permanently below the stipulated 25 per cent. Also, the components of assets in mortgages and loans stood at 15.4, 12.4, and 8.8 per cent for non-life; and 25.4, 24.7 and 22.3 per cent of life insurance during the respective years 1982, 1983 and 1984. These proportions indicate that in 1983 and 1984 the stipulated minimum proportion of 25 per cent of total assets in respect of life insurance was not met. The minimum requirement of 10 per cent of total assets to be invested in real property in respect of non-life insurance was also violated in 1984 (see Tables 11 to 14).

¹(Local Trustees Powers) Act and the Trustee Investment Act 1962.

PART V SUMMARY AND CONCLUSION

During 1982-1984, the number of insurance companies grew moderately. Most of the new entrants into the industry concentrated on wholly non-life insurance as the increase in the number of companies combining both life and non-life insurance remained small and the number of companies specialising in life insurance remained constant in 1983 and 1984. Companies specialising in non-life dominated the industry reflecting the effect of the Insurance Act of 1976 which discriminated in favour of non-life insurance in terms of the minimum paid-up capital in respect of life and non-life insurance. The other factors explaining the concentration of insurance companies on non-life insurance included the strong state of demand in the country for non-life insurance and the ease with which risk can be spread over various classes of insurance.

The survey indicates that indigenous participation in the insurance industry during the review period increased. This is shown in the number of companies owned entirely by Nigerians. However, indigenous participation was limited to a mixture of life and non-life insurance where opportunity for risk diversification over numerous types of insurance existed and demand for insurance services continued to be guaranteed through government regulation compelling the insurance of certain private properties. In 1984, however, indigenous participation in the industry which was substantially high up to 1983, declined.

In contrast to a marginal decline in the aggregate income of companies in the insurance industry in 1983, there was a modest increase of 1.2 per cent in the total income of the industry in 1984. The increase in income contrasts with a decline of 8.3 per cent in aggregate expenditure during the same period. The share of wholly indigenous companies in the aggregate income of the industry declined in 1984.

Judged by an increase of 10.5 per cent in the average income earned per unit of expenditure in the insurance industry, insurance service was more lucrative in 1984 than in 1983 when the average income declined by 10.1 per cent. The improvement in earnings, however, accrued to both wholly indigenous and jointly owned companies where average income per unit of naira expenditure rose by 13.1 and 5.7 per cent, respectively. Analysed by class of insurance, data on income and expenditure during the review period reveal that prospects were brighter for life insurance than for non-life business throughout the period reviewed.

Although average income per unit of naira expenditure on life insurance declined in 1984, life insurance continued to be more lucrative than non-life insurance as the average naira income per unit of expenditure remained substantially higher for this class of insurance than it was for non-life during the review period. However, compared to 1983, when the rise in income derived from life insurance exceeded that of expenditure of the industry on this class of insurance, life insurance was less prosperous in 1984 due largely to higher increases in claims and management expenses. Thus, the enhancement in the industry's prospects in 1984 reported

earlier accrued largely from non-life operations of the companies in the industry.

Earnings through premium income continued to dominate all other sources of income of insurance companies for both life and non-life operations. For life insurance, premium receipts declined by 5.2 per cent in 1984 and constituted 80.8 and 78.3 per cent of the respective total income in 1983 and 1984 while for non-life insurance they rose by 7.2 per cent in 1984 and represented 83.9 and 86.6 per cent of total income in the corresponding years. The decline in premium receipts may be attributable to the low level of economic activities which persisted during the review period.

Data on loss ratio computed for the life insurance business in 1982, 1983 and 1984 reveal that gross claims stood at 33.8, 25.7 and 29.2 per cent of total premium income during the corresponding years. The decline in the ratio in 1983 was traceable to reductions in the ratio computed separately for both wholly indigenous and jointly owned companies. The ratio rose in 1984 due to a corresponding increase in the ratio computed for indigenously owned companies.

The expense ratio for life insurance business remained almost constant in 1983 but rose by 14.6 per cent in 1984, indicating an increase in the proportion of premium income devoted to management expenses during that year. The increase in this proportion was due to higher management expenses in the completely indigenous companies.

Claims per naira of premium fell by 7.8 per cent in 1984 for non-life insurance. This improvement accrued mainly to the indigenous companies whose loss ratio declined by 19.1 per cent. The situation was different from the position recorded a year earlier when the indigenous companies entertained higher claims.

As revealed by the expense ratio computed for non-life insurance during 1983 and 1984, the insurance industry saved on management expenses in 1984 as the ratio declined in that year. The cost-saving accrued to both the indigenously and jointly owned companies.

There was a remarkable increase in the value of assets held by insurance companies in 1984. This contrasts with a decline in aggregate value of assets held in the industry in 1983. However, indications were that, in 1983 and 1984, the statutory requirement that 25 per cent of the assets should be held in government securities was not met throughout the entire period reviewed. Also, the requirement that at least 10 per cent of their assets in respect of non-life should be held in mortgages and loans was violated in 1984.

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Table 1

DISTRIBUTION OF INSURANCE COMPANIES BY TYPE OF BUSINESS AND NUMBER

	1982		1983		1984	
	Number of Companies	Percentage Share of Total	Number of Companies	Percentage Share of Total	Number of Companies	Percentage Share of Total
1. Wholly Life	3	3.8	2	2.3	2	2.3
2. Wholly Non-Life	55	69.6	60	70.6	61	70.1
3. Life and Non-Life (Mixed)	21	26.6	23	27.1	24	27.6
Total	79	100.0	85	100.0	87	100.0

Table 2

STRUCTURE OF INSURANCE INDUSTRY BY TYPE OF BUSINESS AND OWNERSHIP

Business Type and Ownership Pattern	1982		1983		1984	
	Number of Companies	Percentage Share	Number of Companies	Percentage Share	Number of Companies	Percentage Share
I. Life	3	100.0	2	100.0	2	100.0
(a) Nigerian	—	—	—	—	—	—
(b) Joint	3	100.0	2	100.0	2	100.0
II. Non-Life	55	100.0	60	100.00	61	100.0
(a) Nigerian	46	83.6	53	88.3	52	85.2
(b) Joint	9	16.4	7	11.7	9	14.8
III. Life and Non-Life (Mixed)	21	100.0	23	100.0	24	100.0
(a) Nigerian	16	76.2	18	78.3	17	70.8
(b) Joint	5	23.8	5	21.7	7	29.2
IV. All Companies	79	100.0	85	100.0	87	100.0
(a) Nigerian	62	78.5	71	83.5	69	79.7
(b) Joint	17	21.5	14	16.5	18	20.7

Table 3

PAID-UP CAPITAL OF INSURANCE COMPANIES BY VALUE (N'000)

Year	Wholly Nigerian		Joint		Total	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
1982	46,334	74.1	16,176	25.9	62,510	100.0
1983	100,452	89.7	11,526	10.3	111,978	100.0
1984	103,172	80.9	24,426	19.1	127,598	100.0

Table 4

INCOME & EXPENDITURE OF ALL INSURANCE COMPANIES IN NIGERIA SUMMARY BY TYPE OF OWNERSHIP (N'000)

Type of Ownership	Income			Expenditure		
	1982	1983	1984	1982	1983	1984
Wholly Nigerian	224,010	264,662	216,708	143,542	204,312	147,916
Joint	177,977	135,798	188,970	128,906	96,706	128,140
Total	401,987	400,460	405,678	272,448	301,018	276,056

Table 5

**INCOME & EXPENDITURE OF ALL INSURANCE COMPANIES IN NIGERIA
SUMMARY BY CLASS OF INSURANCE
(N'000)**

Class of Insurance	Income			Expenditure		
	1982	1983	1984	1982	1983	1984
Life	142,613	171,827	168,083	80,942	90,013	90,576
Non-Life	259,374	228,633	237,595	191,506	211,005	185,480
Total	401,987	400,460	405,678	272,448	301,018	276,056

Table 6

**INCOME & EXPENDITURE OF LIFE INSURANCE COMPANIES IN NIGERIA
SUMMARY BY TYPE OF OWNERSHIP
(N'000)**

	Income			Expenditure		
	1982	1983	1984	1982	1983	1984
Wholly Nigerian	64,586	92,703	76,115	31,246	40,065	36,080
Joint	78,027	79,124	91,968	49,696	49,948	54,496
Total	142,613	171,827	168,083	80,942	90,013	90,576

Table 7

**INCOME, EXPENDITURE AND FUND OF LIFE INSURANCE BUSINESS IN NIGERIA
(N'000)**

	Wholly-Nigerian			Joint			All Companies		
	1982	1983	1984	1982	1983	1984	1982	1983	1984
(1) Income									
(a) Premium	52,166	74,902	58,932	54,390	63,984	72,723	106,556	138,886	131,655
(b) Interest, Dividends and Rents	6,757	12,288	12,108	14,341	14,968	18,901	21,098	27,256	31,009
(c) Profit on sale of Assets	1,335	—	275	370	8	16	1,705	8	291
(d) Other Receipts	4,328	5,513	4,800	8,926	164	328	13,254	5,677	5,128
Total	64,586	92,703	76,115	78,027	79,124	91,968	142,613	171,827	168,083
(2) Expenditure									
(a) Net Claims Paid	9,347	12,069	13,479	6,031	6,486	9,752	15,378	18,555	23,231
(b) Bonuses	—	415	15	4,702	1,222	1,414	4,702	1,637	1,429
(c) Net Commission	5,342	5,618	3,678	7,564	7,946	9,839	12,906	13,564	13,517
(d) Surrenders and Outstanding Claims	5,590	3,481	3,111	15,107	13,574	12,191	20,697	17,055	15,302
(e) Management Expenses	10,323	13,952	12,773	11,396	14,577	18,120	21,719	28,529	30,893
(f) Other Expenditure	644	4,530	3,024	4,896	6,143	3,180	5,540	10,673	6,204
Total	31,246	40,065	36,080	49,696	49,948	54,496	80,942	90,013	90,576
(3) Life Insurance Fund									
(a) Amount at the beginning of the year	149,725	198,233	236,234	162,881	184,485	230,485	312,606	383,073	466,719
(b) Amount at the end of the year	176,211	247,159	267,206	187,143	206,787	260,279	363,354	453,946	527,485
(c) Expansion during the year	26,486	48,926	30,972	24,262	21,947	29,794	50,748	70,873	60,766

Table 8

**INCOME & EXPENDITURE OF NON-LIFE INSURANCE BUSINESS
SUMMARY BY TYPE OF OWNERSHIP
(N'000)**

Type of Ownership	Income			Expenditure		
	1982	1983	1984	1982	1983	1984
Wholly Nigerian	159,424	171,959	140,593	112,296	164,247	111,836
Joint	99,950	56,674	97,002	79,210	46,758	73,644
All Companies	259,374	228,633	237,595	191,506	211,005	185,480

Table 9

**SOURCES OF INCOME OF NON-LIFE INSURANCE BUSINESS IN NIGERIA
(N'000)**

	Wholly-Nigerian			Joint			All Companies		
	1982	1983	1984	1982	1983	1984	1982	1983	1984
A. Premium	151,876	137,707	113,593	96,753	54,094	92,101	248,629	191,801	205,694
(1) Fire	17,792	21,386	17,014	9,715	4,973	11,323	27,507	26,359	28,337
(2) Accident	17,018	18,215	16,353	11,276	6,718	12,367	28,294	24,933	28,720
(3) Motor Vehicle	71,154	84,719	49,911	50,247	31,018	44,274	121,401	115,737	94,185
(4) Employer's Liability	4,163	3,791	1,792	6,839	2,866	4,309	11,002	6,657	6,101
(5) Marine, Aviation and Trust	30,331	(7,458)	14,615	12,916	4,561	10,001	43,247	(2,897)	24,616
(6) Miscellaneous	11,418	17,054	13,908	5,760	3,958	9,827	17,178	21,012	23,735
B. Other Income	7,548	34,252	27,000	3,197	2,580	4,901	10,745	36,601	31,901
(1) Interest, Dividends and Rents	757	3,821	37	3,197	257	4,713	3,954	4,078	4,750
(2) Other Receipts	6,791	30,431	26,963	—	2,323	188	6,791	32,754	27,151
Total	159,424	171,959	140,593	99,950	56,674	97,002	259,374	228,633	237,595

Table 10

BREAKDOWN OF EXPENDITURE FOR NON-LIFE INSURANCE BUSINESS IN NIGERIA
(N'000)

	Wholly Nigerian			Joint			All Companies		
	1982	1983	1984	1982	1983	1984	1982	1983	1984
A. Claims	39,750	58,263	38,930	39,423	20,317	38,774	79,173	78,580	77,704
1. Fire	2,402	4,963	3,173	4,378	1,071	2,161	6,780	6,034	5,334
2. Accident	2,639	3,645	2,338	2,843	1,941	3,938	5,482	5,586	6,276
3. Motor Vehicle	20,070	41,242	26,399	24,581	14,399	27,311	44,651	55,641	53,710
4. Employer's Liability	487	597	202	993	554	955	1,480	1,151	1,157
5. Marine, Aviation and Transit.....	6,175	4,099	6,247	4,217	1,319	1,760	10,392	5,418	8,007
6. Miscellaneous	7,977	3,717	571	2,411	1,033	2,649	10,388	4,750	3,220
B. Other Underwriting Expenses.....	72,546	105,984	72,906	39,787	26,441	34,870	112,333	132,425	107,776
1. Management Expenses	60,252	77,826	47,204	39,421	28,361	37,316	99,673	106,187	84,520
2. Net Commission.....	11,328	23,794	25,239	(935)	(2,334)	(2,571)	10,393	21,460	22,668
3. Other Expenses	966	4,364	463	1,301	414	125	2,267	4,778	588
Total	112,296	164,247	111,836	79,210	46,758	73,644	191,506	211,005	185,480

Table 11

ASSETS OF INSURANCE COMPANIES IN NIGERIA
(N'000)

Type of Assets	Life			Non-Life			All Companies		
	1982	1983	1984	1982	1983	1984	1982	1983	1984
Government Securities	72,688	101,795	90,807	59,034	102,883	121,427	131,722	204,678	212,234
Stocks, Shares and Bonds.....	110,178	119,353	137,842	80,211	50,143	61,677	190,389	169,496	199,519
Mortgages and Loans	108,111	135,187	133,228	109,476	69,438	64,691	217,587	204,615	197,919
Cash and Bills Receivable.....	56,978	70,673	88,720	120,195	74,925	107,888	177,173	145,598	196,608
Miscellaneous.....	78,355	120,831	148,132	343,196	260,905	379,472	421,551	381,736	527,604
Total.....	426,310	547,839	598,729	712,112	558,284	735,155	1,138,422	1,106,123	1,333,884

Table 12

PERCENTAGE DISTRIBUTION OF ASSETS

Type of Assets	Life			Non-Life			All Companies		
	1982	1983	1984	1982	1983	1984	1982	1983	1984
Government Securities	17.0	18.5	15.2	8.3	18.4	16.5	11.6	18.5	15.9
Stocks, Shares and Bonds.....	25.8	21.8	23.0	11.2	9.0	8.4	16.7	15.3	15.0
Mortgages and Loans	25.4	24.7	22.3	15.4	12.4	8.8	19.1	18.5	14.8
Cash and Bills Receivable.....	13.4	12.9	14.8	16.9	13.4	14.7	15.6	13.2	14.7
Miscellaneous.....	18.4	22.1	24.7	48.2	46.8	51.6	37.0	34.5	39.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

INVESTMENT PATTERN OF INSURANCE COMPANIES IN NIGERIA BY CATEGORY
(N'000)

	Life			Non-Life			All Companies		
	1982	1983	1984	1982	1983	1984	1982	1983	1984
Government Securities	72,688	101,795	90,807	59,034	102,883	121,427	131,722	204,678	212,234
Stocks, Shares and Bonds	110,178	119,353	137,842	80,211	50,143	61,677	190,389	169,496	199,519
Real Estate and Mortgage Loans	71,862	82,079	82,350	48,540	29,563	51,683	120,402	11,642	134,033
Other Loans	36,249	53,108	50,879	60,936	39,865	13,008	97,185	92,973	63,887
Total	290,977	356,335	361,878	248,721	222,454	247,795	539,698	578,789	609,673

Table 14

PERCENTAGE DISTRIBUTION OF INSURANCE INVESTMENT PORTFOLIO BY CATEGORY

	Life			Non-Life			All Companies		
	1982	1983	1984	1982	1983	1984	1982	1983	1984
Government Securities	25.0	28.6	25.1	23.7	46.3	49.0	24.4	35.4	34.8
Stocks, Shares and Bonds	37.9	33.5	38.1	32.3	22.5	24.9	35.3	29.3	32.7
Real Estate and Mortgage Loans	24.7	23.0	22.7	19.5	13.3	20.9	22.3	19.3	22.0
Other Loans	12.4	14.9	14.1	24.5	17.9	5.2	18.0	16.0	10.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0