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NIGERIA'S INSURANCE INDUSTRY IN 1987

Abstract

Important highlights of the report include the fact that Insurance business was prosperous in 1987 as the income of insurers rose significantly faster than their expenditures. However, the prosperity affected the companies in the non-life business more as the premium income of life insurance companies declined sharply in 1987 during which period their expenditure also increased. In terms of ownership, the prosperity accrued mainly to wholly indigenous non-life companies most, as these companies dominated the more lucrative aspects of insurance business in 1987. Another important point in the report is the fact that minimum paid-up capital stipulated in the Insurance Decree of 1976 might, in the light of recent price developments have been rendered inadequate. The report therefore suggests that the Decree, which stipulated a minimum capital requirement of ₦300,000 for non-life and ₦500,000 for life insurance companies, will, in view of the above-mentioned fact, appear to be due for a review.

Introduction

This report analyses the activities of Nigeria's insurance companies during 1987. The analysis is based on data compiled from the insurance companies' annual returns to the Insurance Division of the Federal Ministry of Finance. Out of the 91 insurance companies that existed in 1987, 76 companies or 83.5 per cent had made returns to the Federal Ministry of Finance when the survey was conducted. However, estimates were made for non-response.

The report is divided into five parts. The first part deals with the structure and performance of the insurance industry as a whole while Parts II and III examine separately life and non-life insurance business respectively. Part IV discusses the assets and investment pattern of the insurance companies while Part V contains the summary and conclusion of the paper.

PART I

STRUCTURE AND PERFORMANCE OF THE INSURANCE INDUSTRY

1.1 Number and Type

The Nigeria insurance market witnessed a tremendous growth in terms of size in the past few years. As new insurers were being incorporated, ailing ones that could not meet the standard stipulated in the 1976 Insurance Decree were axed off by the controlling authority. Consequently the number of insurance companies that were actively in business in the industry in 1987 rose by three to 91 following the entry of six and the exit of three. All the new entrants were wholly indigenous companies. Five of them underwrite non-life or general insurance while one underwrites all classes of insurance policies (composite). All the three companies that left the industry were wholly indigenous and engaged in wholly non-life business. Two companies, each of which transacted solely life and non-life insurance separately, became composite in their bid to expand their areas of activities. The formerly life insurance company (British-American) was jointly owned while the formerly non-life underwriter (Amicable Assurance Co. Ltd.) was wholly indigenous.

As a result of these changes, the number of companies that handled only life insurance policies declined from 4 to 3 while those underwriting wholly non-life and composite insurance rose from 58 to 59, and 26 to 29 respectively in 1987. Thus life, non-life and composite insurance companies constituted 3.3, 64.8 and 31.9 per cent respectively of the insurance industry in 1987. (See Table 1).

1.2 Ownership Structure

Over the years, there had been increased indigenous participation in insurance business in Nigeria in consonance with the introduction of 1977 Indigenization Decree. Wholly indigenous companies which increased from 69 to 70 in 1986, rose further to 73 in 1987 representing 79.3, 79.5 and 80.2 per cent of the number of companies in the insurance industry in the respective years. The number of jointly owned companies remained at 18 since 1985. However, the jointly owned companies transacting wholly life business fell by 1 to 2 as a result of the switching of the British-American Insurance Company to composite insurance business. The share of jointly owned companies, which hitherto dominated life insurance business, reduced from 75 per cent in 1986 to 66.7 per cent of the number of insurance companies underwriting solely life policies in 1987.

The indigenous companies that engaged in wholly non-life insurance increased from 49 in 1986 to 50 in 1987 while those underwriting composite insurance increased by 2 to 22 during the review period. (See Table 2).

1.3 Paid-Up Capital

The paid-up capital of all the insurance companies in 1987 was ₦114.8 million representing an increase of 4.9 per cent above the level in 1986. While the jointly owned companies enhanced their paid-up capital significantly by 15.2 per cent to ₦37.0 million, the wholly indigenous companies improved theirs slightly by 0.6 per cent. The jointly owned companies' share of equity in the industry was 32.2 per cent compared with their share of 29.3 per cent in the preceding year. Thus, the proportion of shares held in the wholly indigenous companies fell from 70.7 in 1986 to 67.8 per cent during the review period. (See Table 3).

The observed increase in the paid-up capital of the insurance companies could have been motivated by the realisation of the inadequacy of ther capital base and therefore the need for capital injection. The Government regulation guiding the establishment of insurance companies in Nigeria is the

Insurance Decree of 1976. Section 8(1) of the Decree stipulates that insurers should have and maintain at all times a paid-up capital of not less than ₦500,000 in the case of life insurance business and not less than ₦300,000 in the case of non-life business. However, of recent, there have been agitations from several quarters calling for a review of the insurance Decree especially the minimum capital base for non-life business. For this class of business, it is being suggested that the minimum capital requirement of ₦300,000 has been rendered inadequate by the high cost of insurable items covered under the business. This suggestion is reinforced by similar opinion expressed in the "Bullion"[1] which emphasized the point that the stipulated minimum capital is "hardly enough to cover the price of five Peugeot 505, thus making a ridicule of the limit in the light of their risks exposures." An upward review of the minimum capital requirement for new entrants and capital injection by existing ones therefore appear necessary to protect the insuring public against the inability of the insurance companies to pay claims.

1.4 **Income and Expenditure**

The aggregate income of all insurance companies from premium and other sources increased substantially by 34.3 per cent compared with a similar increase of 23.1 per cent in the preceding year. Income rose faster than expenditure for all the companies taken together, indicating an improvement in overall industrial performance. The improved performance was largely due to the indigenous companies whose total income increased by 56.8 per cent compared with 11.5 per cent recorded by jointly owned companies during the same period.

The total expenditure of all insurance companies rose by 17.5 per cent to ₦413.6 million in 1987. While expenditure rose by 23.3 per cent in the indigenous companies, it rose by only 10.6 per cent in the jointly owned companies. This situation was a reversal of that a year earlier when increases of 4.7 and 14.6 per cent were recorded in the expenditures in the indigenous and jointly owned companies respectively (See Table 4).

Companies underwriting wholly non-life insurance business enhanced their income by 59.3 per cent reflecting the tremendous improvement in the income of indigenous companies in this class of insurance. However, companies that engaged in life insurance business had a marginal increase of 3.3 per cent in their income over the level in 1986. The low margin was due to the difficult economic situation which affected personal incomes.

Considering the expenses by class of insurance business, both life and non-life underwriters increased their expenditure in 1987. While non-life insurers recorded an increase of 22.2 per cent, those in life insurance business registered an increase of 9.8 per cent (See Table 5).

1.5 **Relative Performance by Type of Ownership**

Table 4 contains the data on income and expenditure of all insurance companies in Nigeria by type of ownership. The insurance industry performed better in 1987 than in the last two years as indicated by the industry income per naira expenditure. The ratio, which rose from 1.20 in 1985 to 1.35 in 1986, increased further to 1.55 during the review period. Available data show that the prosperity affected the wholly indigenous companies more. Receipts per naira expenditure in these companies increased by 27.4 per cent from 1.24 in 1986 to 1.58 in 1987. This compared with an increase of 18.1 per cent in 1986. The jointly owned companies which had an increase of 7.2 per cent in 1986 recorded a marginal increase of 0.7 per cent. The improved performance of the indigenous companies was due to increased earnings in some classes of non-life insurance business which they dominate especially marine, aviation and transit; fire and motor insurance business.

1.6 **Relative Performance by Class of Insurance**

The improved performance of the insurance industry in 1987 was attributable to the increased efficiency of non-life insurers. The ratio of income to expenditure for life insurance business fell from 1.60 in 1986 to 1.51 in 1987. On the other hand, non-life insurance companies improved their ratio from 1.20 to 1.57. These developments contrasted with the situation in 1986 when both life and non-life insurance companies enhanced their earnings per unit of naira expended by 15.1 and 12.1 per cent respectively. Thus, non-life business was more prosperous in 1987 than life insurance business (See Table 5). Available data of life insurance business suggest that the Structural Adjustment Programme introduced in July, 1986 adversely affected personal incomes to the extent that most Nigerian residents were unable to purchase life insurance.

LIFE INSURANCE BUSINESS

2.1 **Income and Expenditure**

Total earnings from life insurance business increased by 3.3 per cent compared with a higher increase of 17.0 per cent in 1986. This marginal improvement was attributable to the wholly indigenous companies whose total income increased by 27.8 per cent to ₦116.6 million in 1987. The earnings of the jointly owned companies fell from ₦121.6 million to ₦103.3 million, representing a decline of 15.0 per cent over the level in 1986. This contrasted with the situation in 1986 when the indigenous and jointly owned companies improved their earnings by 21.9 and 13.5 per cent respectively.

At ₦145.7 million, the total expenditure of life insurers increased by 9.8 per cent over its level in 1986. The increase was shared by all companies irrespective of their ownership structure. However, while the jointly owned companies recorded an increase of 5.2 per cent, the wholly indigenous life insurers registered an increase of 14.6 per cent.

Life insurance business was not as lucrative as it was in the preceding year. This was evident from the earnings per unit of naira expended by life insurers. This ratio fell from 1.60 in 1986 to 1.51 in 1987. the decline was as a result of a decline of 19.0 per cent in the receipt per naira expenditure in jointly owned companies. The wholly indigenous life insurers improved their ratio of income per naira expenditure by 11.3 per cent during the review period.

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[1] *See Central Bank of Nigeria;* Insurance Industry and National Development Bullion Vol. 12 No. 4 October 1988 pp. 3.

2.2 Sources and Application of Funds

Premium income continued to be the most important single source of income for life insurers. This source alone constituted 72.1 and 70.2 per cent of total income derived from life insurance in 1986 and 1987 respectively. At ₦154.2 million, premium income for life insurance in 1987 improved slightly by 0.5 per cent over its level in preceding year. The slight improvement in premium income is attributable to an impressive 26.1 per cent increase in gross premium income by the indigenous companies during the year. The jointly owned companies recorded a decline from ₦89.4 million in 1986 to ₦73.5 million in 1987 representing a fall of 17.8 per cent.

Other sources of income for life insurers consisted of interest, dividends and rents; profit on sale of assets and miscellaneous receipts. However, the most important of these was the interest, dividends and rents which constituted 24.2 and 24.6 per cent of total income from life insurance in 1986 and 1987 respectively. All other sources accounted for 3.7 and 5.2 per cent in the respective years.

With regard to the application of funds, the most dominant items were management expenses, net claims, and surrenders and outstanding claims. These items absorbed 30.8, 25.5 and 26.8 per cent of total expenditure on life insurance business in 1987. While management expenses, net claims and bonuses increased, surrenders and outstanding claims declined in 1987. Net commission and miscellaneous expenses also registered declines during the review period, producing a sharp contrast to the situation in the preceding year when increases were registered in management expenses, net commission, surrenders and outstanding claims. Both indigenous and jointly owned companies contributed to the increase in expenditure on bonuses. While the indigenous companies were responsible for the overall increase in net claims paid, the jointly owned companies accounted for the overall increase in management expenses. The increases in these three items accounted for the bulk of the 9.8 per cent increase in expenditure fof life insurance business in 1987. (See Table 7).

2.3 Loss Ratio

The loss ratio, expressed in percentage, and defined as the ratio of total claims to gross premium income increased from 46.3 to 49.4 per cent in 1987. This indicates that claims increased faster than premium income in 1987. While premium income increased marginally by 0.5 per cent; total claims increased by 19.2 per cent over their levels in 1986. The declining efficiency was due to the increase of 15.9 per cent in loss ratio computed for the jointly owned companies since the loss ratio for wholly Nigerian companies in this class of insurance fell by 4.1 per cent. The reduced performance of life insurance business during the first year of SAP reflected the inability of most Nigerians to purchase life insurance policy as a result of declining real income.

Expense Ratio

The expense ratio defined as the percentage of management expenses to gross premium income, followed a similar trend as the loss ratio reported above. It rose from 23.3 per cent to 29.1 per cent in 1987, indicating an increase of 24.9 per cent. However, data on the indigenous companies, whose expense ratio fell by 26.6 per cent in 1986 suggest that there was an increase in the management proficiency of indigenous companies as the expense ratio computed for them fell from 37.1 per cent in 1986 to 27.1 per cent in 1987. In contrast, the jointly owned companies that recorded a decline in their expense ratio in 1986 recorded a higher ratio of 31.4 per cent in 1987. Thus, the reduced efficiency in life insurance business suggested by data on life insurance during the review period may be attributable largely to the jointly owned companies.

PART III

NON-LIFE INSURANCE BUSINESS

3.1 Income and Expenditure

A large proportion of the insurance companies in Nigeria underwrite non-life business. This class constituted 95.5 and 96.7 per cent of the number of companies within the insurance industry in 1986 and 1987 respectively. As in the previous year, non-life business performed satisfactorily in terms of increased income during the review period. At ₦420.0 million, total income earned from non-life business increased by 59.3 per cent over its level in the preceding year. This improved performance was achieved by both wholly indigenous and jointly owned companies which enhanced their respective income by 74.5 and 39.5 per cent above the levels in 1987.

Total expenditure on non-life business increased from ₦219.2 million in 1986 to ₦267.9 million in 1987, indicating an increase of 22.2 per cent compared with an increase of 14.0 per cent in the preceding year. The indigenous companies registered an increase of 27.7 per cent while the jointly owned companies had an increase of 54.1 per cent during the review period. (See Table 8).

Income per unit of naira expended increased from 1.20 in 1986 to 1.57 in 1987, representing a significant increase of 30.8 per cent. This indicated that income rose faster than expenditure during 1987. This improved performance occurred in both wholly indigenous and jointly owned companies. The income per unit of naira expenditure in the wholly indigenous companies rose by 37.1 per cent while that of jointly owned companies rose by 22.2 per cent.

3.2 Sources of Income

A substantial proportion of the income received from non-life insurance business came from premium income earned from underwriting various types of policies under this class of insurance. Premium income alone from non-life business accounted for 95.2, 96.4 and 96.8 per cent of total income received from non-life insurance business in 1985, 1986 and 1987 respectively. Other sources of income included interest, dividend and rents and miscellaneous receipts.

Gross premium income for non-life business increased from ₦254.2 million in 1986 to ₦406.5 million in 1987, representing an increase of 59.9 per cent. While the jointly owned companies enhanced their premium income by 39.1 per cent, the wholly indigenous companies improved theirs by 75.8 per cent during the review period.

Premium from motor insurance continued to dominate premium income for non-life business in Nigeria in 1987. It rose from ₦104.7 million in 1986 to ₦126.8 million in 1987 accounting for 41.2 and 31.2 per cent of total premium collected in the respective years. The decline in the share of premium income on motor vehicles was attributable to the faster growth of premiums from other sources. For example, premium on fire insurance rose from ₦41.6 million in 1986 to ₦75.1 million in 1987 indicating an increase of 80.5 per cent. The premium on marine insurance rose from ₦34.7 million to ₦95.1 million representing an increase of 173.7 per cent having been largely boosted by marked increase in the value of merchandise trade due to the large exchange rate depreciation in the review period. Also, other premium from other insurances such as accident, employer's liability and miscellanous insurances which jointly accounted for 26.9 per cent of gross premium income in 1989 rose respectively by 58.4, 14.3 and 48.6 per cent.

Apart from premium income, other sources of revenue for non-life insurance included interest, dividend and rents; and miscellaneous receipts. These sources together contributed 3.6 and 3.2 per cent of total income for non-life business in 1986 and 1987 respectively. (See Table 9).

3.3 Expenditure on Non-life Business

Management expenses on non-life business continued to dominate the expenditure of this class of insurance companies. They comprised 58.3 and 56.2 per cent of total expenses of non-life insurers in 1986 and 1987 respectively. This expenditure item alone constituted 96.3 and 95.0 of other underwriting expenses apart from claims in 1986 and 1987 respectively. Management expenses rose in indigenous and jointly owned companies during 1986 and 1987.

Total claims rose from ₦86.4 million in 1986 to ₦109.4 million in 1987 representing an increase of 26.7 per cent. They also accounted for 39.4 and 40.8 per cent of expenditure on non-life business in 1986 and 1987 respectively. The only components of claims that declined in 1987 were those on marine, aviation and transit which jointly declined by 71.4 per cent. Claims on employers' liability, miscellaneous and fire insurance rose significantly during the review period. The indigenous companies were responsible for the sharp increase in claims in these classes of non-life insurance business. They recorded an increase of 41.6 per cent in their total claims in 1987 as against the 12.6 per cent registered by jointly owned companies during the same period.

3.4 Loss Radio

The loss ratio computed for non-life insurance in 1989 was 26.9 per cent, indicating a decline from the 34.0 per cent computed for this class of insurance in 1986. This contrasted with the situation in 1986 when the loss ratio for non-life insurance rose. Despite the increase in total claims in 1987, the loss ratio declined due to higher increase in the premium income earned by non-life insurers during the period. The improvement reflected the decline in loss ratio for both wholly indigenous and jointly owned companies. While the wholly indigenous non-life insurers recorded a decline of 19.6 per cent in the loss ratio in 1987, the jointly owned companies registered a decrease of 19.1 per cent during the same period.

3.5 Expense Ratio

The expense ratio for non-life insurance business fell from 50.3 per cent in 1986 to 37.1 per cent in 1987. Both wholly Nigerian firms and jointly owned companies recorded declines in their expense ratios during the year under review. The wholly Nigerian firms reduced their expense ratio by 32.7 per cent while the jointly owned companies registered a decline of 16.2 per cent. The reduction in the expense ratio showed an improvement in the management of non-life insurance companies in 1987.

PART IV

ASSETS AND INVESTMENT PATTERN OF INSURANCE COMPANIES

4.1 Assets

At ₦2,651.5 million, total assets of insurance companies increased by 6.6 per cent in 1987 compared with an increase of 28.6 per cent in the preceding year. Except mortgages and loans; cash and bills receivable, all components of assets increased during the year under review. These two types of assets declined by 2.9 and 3.0 per cent respectively compared with their levels in 1986. While the decline in mortgages and loans was attributable to the decline in the holding of the asset by life insurers, that of cash and bills receivable was as a result of the decline in holding of the asset by non-life insurers. In the previous year, only mortgages and loans declined for the entire insurance industry due to a decline in the holding by non-life insurers.

Holdings of government securities; stocks, shares and bonds by companies in the industry rose by 3.4 and 11.6 per cent respectively in 1987. Miscellaneous assets also increased by 14.7 per cent during the review period. These rates of increases compared with their corresponding values in 1986 which for Government securities; stocks, shares and bonds were 78.6 and 4.7 per cent respectively and for cash and bills receivable and miscellaneous assets were 22.4 and 21.6 per cent (See Table 11).

The percentage distribution of assets in 1987 was similar to that of 1986. Most of the assets were held in Government securities and miscellaneous assets. These two components constituted 32.1 and 34.9 per cent of the respective total assets in 1987 compared with 33.1 and 32.4 per cent in 1986.

Analysis by class of insurance business showed the life insurers increased their assets in only two types of assets namely; stocks, shares and bonds; and cash and bills receivable. Nonetheless, their total assets increased from ₦806.4 million in 1986 to ₦814.5 million in 1987. Their asset holdings in the form of Government securities; mortgages and loans; and miscellaneous assets declined by 6.6, 5.3 and 8.0 per cent respectively during the review period. This contrasted with the situation in the preceding year when they increased all asset holdings.

For non-life insurers, there were increases in all their asset holding with the exception of cash and bills receivable that declined by 23.8 per cent in 1987. This contrasted with an increase of 35.7 per cent in cash and bills receivable recorded a year earlier. As in the preceding year, they recorded increases in both Government securities and miscellaneous assets. Unlike 1986 when non-life insurers' assets in the form of stocks, shares and bonds; and mortgages and loans declined, their holdings of the assets increased by 29.8 and 0.9 per cent respectively during the review period. On the whole, non-life insurers' assets increased from ₦1,681.5 million in 1986 to ₦1,837.0 million in 1987 representing an increase of 9.2 per cent.

An interesting feature of the asset holdings by class of insurance business was that the life insurers assets were more evenly distributed among the various types of assets than the non-life insurance. For non-life insurance business, larger proportions of their assets were in the form of government securities which constituted 38.5 per cent of total asset, and miscellaneous assets which accounted for 41.9 per cent of total assets during the review period. This pattern is similar to what obtained in 1986 (See Table 12).

Distribution of Assets and Investment

Section 18 of the 1976 Insurance Decree constraints the investment behaviour of insurers in Nigeria. Among other provisions, the Decree stipulates that 25 per cent of total assets must be held in government and quasi-government securities. In the case of non-life insurers, not more than 10 per cent of their assets must be invested in real property, while life insurers are required to invest a maximum of 25 per cent of their assets in real property.

Data from the survey revealed that the insurance companies all together complied with the statutory requirement as they did in 1986 as regards the requirement of holding at least 25 per cent of assets in government and quasi-government securities. In 1987, the insurers held 32.1 per cent of their assets in the form of government securities. The industry as a whole was able to meet the legal requirement because the non-life insurers invested 38.5 per cent of their assets in government securities as against 17.7 per cent by life insurers. This followed similar trend in 1986 when non-life insurers invested 39.7 per cent of assets in government securities and life insurers invested only 19.1 per cent.

The requirement that a maximum of 10 per cent of assets on non-life insurers be invested in real property was also met as in the preceding year. The non-life insurers invested 6.0 per cent of their assets in mortgages and loans in the year under review.

The life insurers also complied with the legal requirement stipulating a maximum of 25 per cent of the assets should be invested in real property. They invested 21.0 and 19.7 per cent of their assets in mortgages and loans in 1986 and 1987 respectively (See Table 12).

PART V

SUMMARY AND CONCLUSION

The Nigerian insurance industry witnessed tremendous growth in terms of size in the past few years. The number of insurance companies rose by three (3) to 91 in 1987. In terms of ownership structure, indigenous participation increased in the industry. The number of wholly indigenous companies rose from 70 in 1986 to 73 in 1987 while the number of jointly owned companies remain at 18 since 1985. In terms of the class of insurance, non-life business predominate.

The paid-up capital of all the insurance companies rose by 4.9 per cent to ₦114.8 million. Despite this slight increase, it appears there is urgent need for an upward review of their minimum capital requirement in line with increasing risk exposures arising from higher cost of insurable items. The review in paid-up capital requirement is more compelling in the case of non-life insurance business which provides a wide range of insurance cover for physical goods.

The total income of the industry increased substantially in 1987. As in the preceding year, income rose faster than expenditure in the insurance industry during the review period. The wholly indigenous companies enhanced their income by 56.8 per cent while the jointly owned companies increased theirs by 11.5 per cent. Total expenditure of the insurance industry rose by 17.5 per cent to ₦413.6 million in 1987. The indigenous companies incurred higher expenses than the jointly owned companies although their income too was substantially higher. On the whole, receipts per naira expended in the industry rose from 1.35 to 1.55 indicating an improvement in efficiency.

The wholly indigenous companies performed better in 1987 than the jointly owned companies. This was due to improved earnings in some classes of non-life business which they dominate especially marine, aviation and transit; and motor insurance business.

Analysis by class of insurance revealed that non-life business was more prosperous in 1987 than life insurance. The ratio of income per unit of expenditure fell for life insurance while it rose for non-life insurance business.

As usual, most of the earnings of insurance companies came from premium income. While premium income constituted 70.2 per cent of total income for life insurance, it constituted 96.8 per cent of total income receivable from non-life insurance in 1987. Premium income increased by 0.5 per cent for life insurance, during the review period while it rose by 59.9 per cent for non-life insurance business during the same period.

The loss ratio for the insurance industry increased from 46.3 to 49.4 per cent in 1987. This was due to significant increase in the loss ratio for life insurance as non-life insurance registered a lower loss ratio of 26.9 per cent in

1987 compared with its level of 34.0 per cent in 1986. Thus, claims rose faster than gross premium income for life insurance while the reverse was the case for non-life insurance during the review period.

For the expense ratio, defined as management expenses expressed as percentage of gross premium income, the life insurers recorded an increase of 24.9 per cent. The increase was attributable to the jointly owned companies whose expense ratio rose from 13.4 per cent in 1986 to 31.4 per cent in 1987. The expense ratio for non-life insurance fell from 50.3 per cent in 1986 to 37.1 per cent in 1987. Both indigenous and jointly owned companies registered declines in this ratio for this class of insurance business. Despite this improvement, management expenses still constituted a major expenditure item for non-life business. It consumed 58.3 and 56.2 per cent of total expenditure for non-life in 1986 and 1987 respectively.

For life insurance business, the most dominant expenditure items were management expenses; net claims; and surrenders and outstanding claims. The items absorbed 83.2 per cent of total expenditure for life insurance business in 1987.

The total assets of the insurance industry increased by 6.6 per cent to ₦2,651.5 million in 1987. Life insurers increased their assets in only stocks, shares and bonds; and cash and bills receivable. On the other hand, non-life insurers increased theirs in all types of asset holdings with the exception of cash and bills receivable that declined by 23.8 per cent in 1987.

The insurance companies as a whole complied with the statutory requirement as they did in 1986 as regards holding at least 25 per cent of their assets in government and quasi-government securities. Both life and non-life insurers also met the legal requirement as to the proportion of their assets to be invested in real property.

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Table 1

DISTRIBUTION OF INSURANCE COMPANIES BY TYPE OF BUSINESS AND NUMBER

Class of Insurance	1985		1986		1987	
	Number of Companies	Percentage of Total	Number of Companies	Percentage of Total	Number of Companies	Percentage of Total
Wholly Life	4	4.6	4	4.5	3	3.3
Wholly Non-Life	60	69.0	58	65.9	59	64.8
Life and Non-Life (Mixed)	23	26.4	26	29.6	29	31.9
TOTAL	87	100.0	88	100.0	91	100.0

Table 2

STRUCTURE OF INSURANCE INDUSTRY BY TYPE OF BUSINESS AND OWNERSHIP

BUSINESS TYPE AND OWNERSHIP PATTERN	1985		1986		1987	
	Number of Companies	Percentage Share of Total	Number of Companies	Percentage Share of Total	Number of Companies	Percentage Share of Total
I. LIFE	4	100.0	4	100.0	3	100.0
(a) Nigerian	1	25.0	1	25.0	1	33.3
(b) Joint	3	75.0	3	75.0	2	66.7
II. NON-LIFE	60	100.0	58	100.0	59	100.0
(a) Nigerian	51	85.0	49	84.5	50	84.7
(b) Joint	9	15.0	9	15.5	9	15.3
III. LIFE AND NON-LIFE (MIXED)	23	100.0	26	100.0	29	100.0
(a) Nigerian	17	73.9	20	76.9	22	75.9
(b) Joint	6	26.1	6	23.1	7	24.1
IV. ALL COMPANIES	87	100.0	88	100.0	91	100.0
(a) Nigerian	69	79.3	70	79.5	73	80.2
(b) Joint	18	20.7	18	20.5	18	19.8

Table 3

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

YEAR	WHOLLY NIGERIAN		JOINT		TOTAL	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
1985	60,516	70.3	25,591	29.7	86,107	100.0
1986	77,275	70.7	32,101	29.3	109,376	100.0
1987	77,776	67.8	36,974	32.2	114,750	100.0

Table 4

INCOME AND EXPENDITURE OF ALL INSURANCE COMPANIES IN NIGERIA

SUMMARY BY TYPE OF OWNERSHIP

(₦'000)

TYPE OF OWNERSHIP	INCOME			EXPENDITURE		
	1985	1986	1987	1985	1986	1987
Wholly Nigerian	193,462	240,010	376,230	184,501	193,191	238,141
Joint	193,525	236,463	263,615	138,482	158,692	175,447
Total	386,987	476,473	639,845	322,983	351,883	413,588

Table 5

INCOME AND EXPENDITURE OF ALL INSURANCE COMPANIES IN NIGERIA

SUMMARY BY CLASS OF INSURANCE

(₦'000)

CLASS OF INSURANCE	INCOME			EXPENDITURE		
	1985	1986	1987	1985	1986	1987
Life	181,901	212,783	219,887	130,629	132,673	145,671
Non-Life	205,086	263,690	419,958	192,354	219,210	267,917
Total	386,987	476,473	639,845	322,983	351,883	413,588

Table 6

INCOME AND EXPENDITURE OF LIFE INSURANCE COMPANIES IN NIGERIA

SUMMARY BY TYPE OF OWNERSHIP

(₦'000)

TYPE OF OWNERSHIP	INCOME			EXPENDITURE		
	1985	1986	1987	1985	1986	1987
Wholly Nigerian	74,840	91,220	116,561	65,702	64,873	74,333
Joint	107,061	121,563	103,326	64,927	67,800	71,338
Total	186,901	212,783	219,887	130,629	132,673	145,671

Table 7

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

	Wholly Nigerian			Joint			All Companies		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
1. INCOME									
(a) Premium	50,661	64,059	80,763	81,825	89,393	73,460	132,486	153,452	154,223
(b) Interest, Dividends and Rents	21,861	23,876	27,220	20,514	27,696	26,880	42,375	51,572	54,100
(c) Profit on sales of Assets	1	13	98	585	328	628	586	341	726
(d) Other Receipts	2,317	3,272	8,480	4,137	4,146	2,358	6,454	7,418	10,838
TOTAL	74,846	91,220	116,561	107,061	121,563	103,326	181,901	212,783	219,887
2. EXPENDITURE									
(a) Net Claims paid	19,918	17,189	24,642	10,810	12,778	12,553	30,728	29,967	37,195
(b) Bonuses	29	102	196	2,335	1,381	2,665	2,364	1,483	2,861
(c) Net Commission	3,867	7,141	8,536	11,127	10,919	8,448	14,994	18,060	16,984
(d) Surrenders and Outstanding Claims	19,786	15,599	15,020	21,056	25,528	23,993	40,842	41,127	39,013
(e) Management Expenses	14,831	23,751	21,902	18,571	11,953	23,044	33,402	35,704	44,946
(f) Other Expenditure	7,271	1,091	4,037	1,028	5,241	635	8,299	6,332	4,672
TOTAL	65,702	64,873	74,333	64,927	67,800	71,338	130,629	132,673	145,671

Table 8

INCOME AND EXPENDITURE OF NON-LIFE INSURANCE BUSINESS

SUMMARY BY TYPE OF OWNERSHIP
(₦'000)

TYPE OF OWNERSHIP	INCOME			EXPENDITURE		
	1985	1986	1987	1985	1986	1987
Wholly Nigerian	118,622	148,790	259,669	118,799	128,318	163,808
Joint	86,464	114,900	160,289	73,555	90,892	140,109
All Companies	205,086	263,690	419,958	192,354	219,210	267,917

Table 9

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

	WHOLLY NIGERIAN			JOINT			ALL COMPANIES		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
A. PREMIUM	113,807	144,330	253,794	81,483	109,826	152,706	195,290	254,156	406,500
(a) Fire	26,351	23,145	51,810	9,298	18,491	23,277	35,649	41,636	75,087
(b) Accident	20,668	22,025	28,517	8,752	8,149	19,291	29,420	30,174	47,808
(c) Motor Vehicle	58,226	55,467	60,508	41,030	49,255	66,287	99,256	104,722	126,795
(d) Employer's Liability	2,190	2,089	2,681	3,920	3,717	3,955	6,110	5,806	6,636
(e) Marine, Aviation and Transit	2,804	21,867	73,326	9,414	12,875	21,764	12,218	34,742	95,090
(f) Miscellaneous	3,568	19,737	36,952	9,069	17,339	18,132	12,637	37,076	55,084
B. OTHER INCOME	4,815	4,460	5,875	4,981	5,074	7,583	9,796	9,534	13,458
(a) Interest Dividends and Rents	1	332	303	4,583	4,808	6,614	4,584	5,140	6,917
(b) Other Receipts	4,814	4,128	5,572	398	266	969	5,212	4,394	6,541
TOTAL	118,622	148,790	259,669	86,464	114,900	160,289	205,086	236,690	419,858

Table 10

BREAK DOWN OF EXPENDITURE FOR NON-LIFE INSURANCE BUSINESS IN NIGERIA
(₦'000)

	WHOLLY NIGERIAN			JOINT			ALL COMPANIES		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
A. CLAIMS	29,615	41,967	59,429	34,360	44,423	50,001	63,975	86,390	109,430
(a) Fire	(2,590)	4,344	10,474	2,576	2,532	5,947	(14)	6,876	16,421
(b) Accident	4,021	2,998	3,628	2,387	2,886	4,746	6,408	5,884	8,374
(c) Motor Vehicle	28,815	22,912	21,827	25,337	31,308	33,810	54,152	54,220	55,637
(d) Employer's Liability	265	161	7,405	598	671	600	863	832	8,005
(e) Marine, Aviation and Transit	(1,781)	8,616	993	1,771	2,784	2,268	(10)	11,400	3,261
(f) Miscellaneous	885	2,936	15,102	1,691	4,242	2,630	2,576	7,178	17,732
B. OTHER UNDERWRITING EXPENSES	89,184	86,351	104,378	39,195	46,469	54,109	128,379	132,820	158,487
(a) Management Expenses	75,893	79,032	93,711	38,388	48,828	56,914	114,281	127,860	150,625
(b) Net Commission	12,672	6,871	10,185	521	(2,967)	(3,311)	13,193	3,904	6,874
(c) Other Expenses	619	448	482	286	608	506	905	1,055	988
TOTAL	118,799	128,318	163,808	73,555	90,892	104,109	192,354	219,210	267,917

Table 11

ASSETS OF INSURANCE COMPANIES IN NIGERIA
(₦'000)

TYPE OF ASSETS	LIFE			NON-LIFE			ALL COMPANIES		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
Government Securities	126,582	154,167	144,069	334,055	668,477	706,397	460,637	822,644	850,466
Stocks, Shares & Bonds	178,807	202,072	209,272	98,874	88,554	114,953	277,681	290,626	324,225
Mortgages and Loans	161,072	169,275	160,255	136,147	110,282	111,299	297,219	279,557	271,554
Cash & Bills Receivable	106,076	112,595	146,097	130,002	176,423	134,388	236,078	289,018	280,485
Miscellaneous	135,435	168,338	154,820	527,429	637,806	769,947	662,864	806,144	924,767
TOTAL	707,972	806,447	814,513	1,226,707	1,681,542	1,836,984	1,934,481	2,487,989	2,651,497

Table 12

PERCENTAGE DISTRIBUTION OF ASSETS

TYPE OF ASSETS	LIFE			NON-LIFE			ALL COMPANIES		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
Government Securities	17.9	19.1	17.7	27.2	39.7	38.5	23.8	33.1	32.1
Stocks, Shares & Bonds	25.3	25.0	25.7	8.1	5.3	6.3	14.3	11.7	12.2
Mortgages and Loans	22.7	21.0	19.7	11.1	6.6	6.0	15.4	11.2	10.2
Cash & Bills Receivable	15.0	14.0	17.9	10.6	10.5	7.3	12.2	11.6	10.6
Miscellaneous	19.1	20.9	19.0	43.0	37.9	41.9	34.3	32.4	34.9
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 13

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

TYPE OF ASSETS	LIFE			NON-LIFE			ALL COMPANIES		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
Government Securities	126,582	154,167	144,069	334,055	668,477	706,397	460,637	822,644	850,466
Stocks, Shares & Bonds	178,807	202,072	209,272	98,874	88,554	114,953	277,681	290,626	324,225
Real Estate, Mortgages and Loans	91,264	96,307	104,903	116,455	84,131	89,638	207,719	180,438	194,541
Other Loans	69,808	72,968	55,352	19,691	26,151	21,661	89,499	99,119	77,013
TOTAL	466,461	525,514	513,596	569,075	867,313	932,649	1,035,536	1,392,827	1,446,245

Table 14

PERCENTAGE DISTRIBUTION OF INSURANCE INVESTMENT PORTFOLIO BY CATEGORY

TYPE OF ASSETS	LIFE			NON-LIFE			ALL COMPANIES		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
Government Securities	27.1	29.3	28.1	58.7	77.1	75.8	44.5	59.1	58.8
Stocks, Shares & Bonds	38.3	38.5	40.7	17.4	10.2	12.3	26.8	20.9	22.4
Real Estate, Mortgages and Loans	19.6	18.3	20.4	20.5	9.7	9.6	20.1	12.9	13.5
Other Loans	15.0	13.9	10.8	3.4	3.0	2.3	8.6	7.1	5.3
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0