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The Growth of Insurance Business in Nigeria 1969 - 1978

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Introduction

Given the complexity of the business of modern insurance, no single definition can cover all its many aspects. We would, nevertheless consider it sufficient for our present purposes, to define insurance as a devise for the transfer of some risks of economic loss from the insured who otherwise would have borne the risk, to an insurer in return for a premium.[1] In mixed economies, insurance companies are important financial intermediaries, capable of influencing the effectiveness of a nation's monetary policy. It is thus little wonder that many monetary authorities in market-oriented economies exercise some control over the credit operations of insurance companies. The purpose of this paper is to analyse the growth of insurance business in Nigeria, with a view to highlighting the dimension of funds mobilised and channelled into investment outlets in the economy by the insurance industry in the period 1969—1978.

The paper is divided into five parts. Part I discusses the structure of the industry, while Part II gives a brief summary of its legislative and administrative controls. Part III outlines the sources and application of funds arising from the underwriting and investment operations of insurance companies in Nigeria while Part IV analyses their investment patterns. Part V highlights the problems and prospects of the industry and rounds up the paper with a brief summary and conclusion.

Data for the Study

The analysis that follows is based on a ten-year data series (1969—1978) compiled from the insurance companies' annual returns to the Federal Ministry of Finance, Insurance Division. The choice of 1969 as the point of departure for the analysis stems from the consideration that insurance business became significantly regularised as from that year, following the enactment of the Companies Act 1968. Unavailability of data does not permit the extension of the time profile for the analysis beyond 1978.

PART I

STRUCTURE OF INSURANCE BUSINESS

Number and Type

From 27 companies in 1969, the number of insurance companies operating in Nigeria rose persistently to 70 in 1973. The number fell to 69 and 59 in 1975 and 1976, respectively, and rose again to 63 in 1978, a number which was still seven short of the 1973 position. The decline in the number of insurance companies in the second quinquennium of the review period may be attributed to the liquidation of companies that could not meet the provisions of the Insurance Act of 1976.[2] (See Table I).

1 See Irukwu, J. O. *Insurance Management in Africa*, Caxton Press (West Africa) Limited, Ibadan. Page 4. For definition of further insurance terms see Appendix 1.

2 See Part II below for a summary of these provisions.

Three categories of insurance companies have been identified, namely, those that engaged solely in the underwriting of life insurance policies, those dealing in casualty or non-life insurance, and those that operate both life and non-life business.

The proportion of insurance companies that restricted their operations solely to non-life[1] insurance business rose from 48.2 per cent in 1969 to 74.6 per cent in 1978. The proportion of companies engaged solely in life and in the combined life and non-life business averaged 12.3 and 24.5 per cent, respectively.

The preponderant position of non-life insurance companies in the insurance sector reflected the early preoccupation of insurers with selling non-life policies. Most of the earlier insurance companies considered life insurance business unprofitable because of the widespread notion that African life was sub-standard, involving great risks.[2] However, it may be observed that this notion no longer holds very strong sway and hence a growing number of insurers are diversifying into life insurance business. The development of multiple-line underwriting, whereby a single company underwrites several classes of insurance, is a reflection of the anxiety of insurers to spread their risks and maximise profit.

Ownership Structure

In 1969, 63 per cent of the insurance companies operating in the country was owned entirely by foreigners. The position was however, reversed towards the end of the first quinquennium, following the introduction of Nigerian Enterprises Promotion Act in 1972, designed to increase the ownership and control of scheduled Nigerian enterprises. As a result of this indigenisation effort, 62.8 per cent of the number of insurance companies were owned by Nigerians while foreign ownership accounted for 17.2 per cent. The balance 20 per cent was jointly owned by Nigerians and foreigners. This ownership configuration was maintained until 1977 when the exclusive ownership of insurance companies in Nigeria by foreigners was disallowed.[3] Following this development, wholly-Nigerian owned companies rose to 44 (or 69.8 per cent) while the joint companies rose to 19 (or 30.2 per cent) in 1978.

Life business was transacted predominantly by foreign-owned insurance companies in the first quinquennium of the review period. However, in the last five years of the period jointly owned companies largely sold life policies Nigerians dominated the writing of non-life policies in the entire review period. This reflects the less exacting sophistication required to write out non-life business. (See Table 2).

1 Non-life insurance, often referred to as general insurance includes policy coverage for fire, accident, motor vehicle, workmen's compensation and marine aviation and miscellaneous. For details, see Insurance Decree No. 59, Section 2(1).

2 Irukwu, J. O. op. cit.

3 The Act enjoined expatriate insurance companies to give at least 40 per cent of the equity capital of their business to Nigerians.

Paid-Up Capital

The paid-up capital of all categories of insurance companies in Nigeria rose from ₦3.8 million in 1969 to ₦31.3 million in 1978, reflecting a compound growth rate of 12.6 per cent over the ten-year period. (See Table 3). The phenomenal growth is traceable to a number of factors:-

(a) the growth in the number of insurance companies;
(b) fresh injection of capital arising from new offers for subscriptions, rather than sale of existing shares by existing companies in their effort to comply with the indigenisation act which required the expatriate companies to ensure that 40 per cent of their equity capital was held by Nigerians;
(c) the provision in the Insurance Act of 1976 which stipulates that 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 insurance business must-be maintained at all times by an insurer.[1]

Of the total paid-up capital, indigenous companies accounted for 20.3 per cent in 1969. This rose to 64.4 per cent in 1978 while those with joint ownership accounted for between 18.6 and 35.6 per cent during the review period. The proportion attributable to expatriate companies fell dramatically from 61.1 in 1969 to 3.6 per cent in 1976 and zero per cent in 1977 in line with the requirements of the indigenisation policy.

PART II

REGULATION AND CONTROL OF INSURANCE BUSINESS

Legislative Control

The current legislations guiding the operations of insurance and reinsurance business in Nigeria are the Insurance Act of 1976[2] and the Nigerian Reinsurance Corporation Act of 1977[3]. The major provisions of the Insurance Act of 1976 may be highlighted as follows:-

A limited liability company, duly registered as an insurer by the Director of Insurance is allowed to carry on the business of insurance provided:

(a) that the class of insurance business will be conducted in accordance with sound insurance principles;
(b) that the applicant insurer has and maintains at all times, a paid-up share 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 insurance business; the corresponding figures in the case of re-insurance business are ₦5 and ₦3 million, respectively;
(c) that adequate arrangements relating to re-insurance treaties in respect of the classes of insurance business to be transacted, are in order and acceptable;
(d) that the applicant deposits the paid-up capital with the Central Bank before commencing insurance business; however, where an insurer suffers a substantial loss that it cannot meet from its own resources, the Director may approve the withdrawal from the statutory deposit of an amount not more than 25 per cent of the deposit and any amount so withdrawn shall be replaced by the insurer not later than 30 days after the date of such withdrawal;
(e) that the insurer shall set up and maintain the following technical reserves:

    (i) reserves for unexpired risks;
    (ii) reserves for outstanding claims; and
    (iii) contingency reserves to cover fluctuations insecurities and variations in statistical estimates.

With respect to non-life insurance business (other than marine insurance business) reserves for unexpired risks shall not be less than 45 per cent of the total net premiums, and in the case of marine insurance business, not less than 75 per cent of the net premium. Reserves for outstanding claims shall include total estimated amount of all outstanding claims together with a further amount representing 20 per cent of estimated figure for outstanding claims incurred but not reported at the end of the preceding year. Contingency reserves shall not be less than 3 per cent of total premiums or 20 per cent of net profits, whichever is greater, and the amount shall accumulate until it reaches the minimum paid-up capital or 50 per cent of the net premium, whichever is greater.

With respect to life insurance business, the insurer shall maintain a general reserve fund which shall be credited with an amount equal to the net liabilities on policies in force and a contingency reserve fund which shall be credited with an amount equal to one per cent of premiums or 10 per cent of profits whichever is greater and the reserve shall accumulate until it reaches the amount of minimum paid-up capital.

(f) that: (i) the insurer invests not less than 25 per cent of its total assets in the securities specified under the Government and other securities (Local Trustees Powers) Act and the Trustee Investment Act 1962.
    (ii) the insurer, in respect of non-life insurance business invests at least 10 per cent of the assets in real property, or in respect of life insurance business, at least 25 per cent in real property.

The Nigerian Reinsurance Corporation Act of 1977 came into effect retro-actively on 1st July 1976. A major objective of the Corporation is to stem the outflow of funds associated with the payment of reinsurance premiums to overseas reinsurance companies by Nigerian registered insurers. Under the Act, the Nigerian Reinsurance Corporation (NRC) is empowered to:

1 Prior to 1976, there was no requirement as to the minimum paid-up share capital for an insurance company.
2 See Federal Republic of Nigeria Official Gazette Supplement Vol. 63, January–December 1976 Pages A261–A291
3 See Supplementary to official Gazette No. 29, Vol. 64, 23rd June, 1977 Part A Pages 227–235.

(a) reinsure "any class of insurance business, including life insurance business, and to reinsure against loss of any kind arising from any risk or contingency in respect of any matter whatsoever";

(b) acquire any undertaking of any registered insurer or acquire, hold or have any shares or stocks in, or any financial interest in any such undertaking;

(c) acquire and invest in any other profitable business;

(d) assist in organising training schemes for employees of any registered insurer.

A registered insurer is required to reinsure with NRC, 20 per cent of the sum insured in every policy written or renewed in the period not earlier than 1st January 1978. Consequent on this, the insurer shall transfer to the NRC an amount equivalent to 20 per cent of the premium received on all policies written or renewed since 1978.

The Board of Director of NRC is responsible for the overall policy and general management of the Corporation but subject to the general direction of the Commissioner (Minister) of the Federal Ministry of Finance. In fact, the Minister may with the approval of the Federal Executive Council (President-in-Council) restrict the powers of the Corporation if he considers such a course to be in the overall interest of the national economy.

Control Through Central Bank Credit Guidelines

With effect from April 1978, the lending operations of insurance companies were brought under the control of the Central Bank. From then, all insurance companies are required to render monthly returns of their operations to the Bank within 30 days from the end of each month. The Central Bank's control of the lending operations of insurance companies is broadly similar to that exercised over bank lending. In terms of the availability, distribution and cost of credit, the Bank's credit guidelines are designed to ensure that preferential treatment is given to the priority sectors of the economy. In the Central Bank credit guidelines for 1981 fiscal year, for instance, insurance companies were enjoined to ensure that loans for residential building construction should be for a minimum period of fifteen years. The interest charges by insurance companies in 1981 for different categories of loans were fixed as follows;-

	Percent
Lending Rates	6–11½
Preferred Sectors - manufacturing, agriculture marketing, mining, building and construction	7½–9½
Most-Favoured Sectors - residential housing (owner-occupier) and agricultural production	6
Less Preferred Sectors	8½–11½

PART III

SOURCES AND APPLICATION OF INSURANCE COMPANIES' FUNDS

The operations of an insurance company, life, non-life or mixed, consist of underwriting risks in return for income (premiums) and the application of the accumulated premium income to maximise profits. The profitable operation of insurance business, therefore depends upon the receipt of income which should not only be sufficient to pay claims by policy holders, but also leave a satisfactory margin for investment. In this section, an attempt is made to highlight the results of underwriting/investment of life and non-life insurance companies, focusing mainly on their sources and application of funds.

LIFE INSURANCE BUSINESS

Sources of Funds

Aggregate income accruing to all life insurance companies operating in Nigeria rose from ₦6.4 million in 1969 to ₦64.7 million in 1978 - a more than ten-fold increase over the ten-year period. Premiums[1] paid by policy-holders constituted the main source of funds for the life insurers. From ₦5.3 million, representing 82.8 per cent of total income in 1969, such funds rose to ₦55.3 million or 85.6 per cent in 1978. The proportion of total income accounted for by interest on loans, rent from properties and dividends from investment of life insurance funds averaged only 13.3 per cent in the decade under reference. Profit on sale of assets and other miscellaneous receipts[2] contributed an average of less than 3 per cent in the period. (See Table 6).

In the three-year period (1969-1971) preceding the formulation and implementation of the indigenisation programme referred to earlier in the paper foreign life insurance companies earned a disproportionately large share of all life insurance premiums. In that period, they accounted for an average of 85.4 per cent of total premium income – a reflection of their long-standing experience and expertise in transacting life insurance business. But since the pursuit of active indigenisation policy, the ownership of the bulk of premiums has shifted to jointly-owned insurance companies. The joint companies accounted for an average of 49.2 per cent of aggregate premiums in the 1972-1978 period. The corresponding figures for the wholly Nigerian-owned and wholly foreign-owned companies were 30.7 and 20.1 per cent, respectively.

A similar trend to that of premiums was evident in the ownership distribution of investment income (interest, dividends and rents). The proportion which investment income of foreign insurance companies bore to total investment income of insurance industry averaged 84.6 per cent in the 1969-1971 period. Indigenisation shifted the observed asymmetry in the ownership distribution of investment income in favour of joint companies. The joint companies absorbed an average of 62.3 per cent of

1 Include premiums for direct business and reinsurances accepted and exclude those for reinsurances ceded to other companies, hence premiums in the paper are net premiums.

2 These include registration and other fees, appreciation of investments, etc.

aggregate industry investment income in the 1972-78 period. The corresponding figures for the wholly Nigerian-owned and wholly-foreign companies were 18.9 and 18.8 per cent, respectively. The movement in the other income receipts followed the same sweep and pattern of premiums and investment income.

Application of Funds

Total payments or "outgoings" of life insurance companies increased substantially during the review period. (See Tables 5 and 7). From ₦2.1 million in 1969, total outgoings rose to ₦28.8 million in 1978, reflecting a compound growth rate of 13.4 per cent over the reference decade. The expenditure growth was influenced largely by the remarkable yearly increase in expenditures on management expenses[1], net commission and net claims paid in that order, especially in the second half of the review period.

On an annual average basis, management expenses absorbed 37.0 per cent of total outgoings during the review period. The corresponding figures for net commission and net claims paid were 23.9 and 19.7 per cent, respectively. Bonuses,[2] surrenders[3] and other miscellaneous expenditure accounted for an average of 19.4 per cent of total outgoings.

The remarkable increase in management expenses, especially in the 1975-1978 period was due largely to the Udoji salary awards which sought to harmonise wages/salaries in both the public and private sectors of the economy. Salaries alone absorbed an average of 21.8 per cent of total outgoings in the last three years of the review period. However, other components of management expenses such as directors' fees, medical and legal expenses and rents for offices, etc. recorded large increases averaging 16.2 per cent in the period since 1975. The expansion in the volume of business led to the growth in net commission and net claims paid. But the relatively low growth rate recorded for net claims paid, averaging 19.7 per cent in the decade under review, suggests a very favourable and profitable business environment for life insurance companies operating in Nigeria.

Analysis of Life Insurance Fund [4]

The size of life insurance fund expanded from ₦18.8 million at the end of 1969 to ₦152.1 million at end December 1978, reflecting an increase of 709 per cent over the ten-year period. The rapid growth resulted from the fast rate at which life insurers expanded their activities.The annual average of life insurance fund available for investment in the capital market was N63.9 million during the decade. The amount of additional savings entrusted by the insuring public to life insurance companies, increased yearly, averaging ₦12.4 million in the reference decade (See Table 8).

1 Include salaries, directors' fees contribution to staff pension fund, rent for office, medical expenses, etc.

2 Exclude re-insurance recoveries, if any. Bonuses are paid to participating shareholders out of the profits of the companies.

3 Include surrenders of bonus, less reinsurance recoveries, if any.

4 Insurance fund of a life insurance company constitutes its principal reserve which is made up of the company's assets plus premiums and net investment income.

The generation of life insurance fund by type of ownership also followed the pattern of premium and investment income. Following the introduction of indigenisation policy, foreign-owned insurance companies which accounted for the bulk of the fund in the first half of the review period were displaced in the second half by joint companies, not only in terms of the size of accretion to the fund but also in the annual stock levels.

NON-LIFE INSURANCE BUSINESS

Sources of Funds

The non-life insurance companies, conventionally referred to as "general insurance" companies, sell protection against loss of property resulting from accident, fire, theft, negligence and other predictable hazards. Premiums are paid to insurance companies in return for their promise of an indemnity if the specified contingency occurs during a given year. Besides premiums paid by policy holders, general insurance companies also derive some of their income from return on their investments.

Total income of general insurance companies rose from ₦8.1 million in 1969 to ₦166.9 million in 1978, reflecting a compound growth rate of 14.0 per cent (see Table 10). Of the aggregate income, premiums accounted for an average of 95.5 per cent. Income from investment and other receipts accounted for the remaining 4.5 per cent. The indigenous companies accounted for an average of 49.3 per cent of total premiums in the period. The corresponding figures for the joint and foreign companies were 31.3 and 19.6 per cent, respectively.

Total premiums collected by all categories of non-life insurance business, at ₦8.0 million in 1969, rose to ₦159.6 million in 1978. The substantial expansion in premiums, particularly in the second half of the review period was traceable to the big boost in transactions on motor vehicle insurance. The Udoji awards of 1975 raised the income levels of many workers, thereby increasing the number qualified to benefit from employers' vehicle loan scheme. At ₦94.7 million, premiums generated from motor vehicle insurance alone accounted for 59.4 per cent of total premiums in 1978.

An important contributor to the growth of premiums of non-life insurance business has been the insurance of property against loss by fire. In terms of premium generation, fire insurance was second to motor vehicle insurance and accounted for an average of 11.6 per cent of total premium in the review decade. Premiums on fire insurance increased from ₦1.2 million in 1969 to ₦14.1 million in 1978 - a twelve-fold increase over the period. There is a wide scope for expansion in view of the fact that this class of insurance is currently transacted with the relatively wealthy and informed socio-economic segment - a currently small proportion of the total population. Also, given the huge development projects under implementation and the growing incidence of fire outbreak coupled with the inadequate fire extinguishing facilities, it is clear that the prospects for substantial expansion are very bright.

Marine insurance business has been growing with the increase in imports and exports in recent years. The premium income from marine insurance business rose from

₦0.7 million in 1969 to ₦23.7 million in 1978. Thus, during the period, 1969-78, premiums on marine insurance policies accounted for an average of 9.1 per cent of total premium for all categories of non-life insurance business. In particular, between 1976 and 1978, premiums on marine insurance expanded by 281.4 per cent, following the introduction of the Insurance Act of 1976 which requires, *inter alia,* the insurance of imports by Nigerian Registered Importers.

Premiums on accident, employers' liability and miscellaneous classes of insurance averaged 19.4 per cent of aggregate premiums of non-life business yearly in the review period.

Application of Funds

Total outgoings also reflected a remarkable increase though at a slower rate than that of income. From N6.8 million in 1969, expenditures of non-life insurance companies rose to ₦112.6 million in 1978 representing a compound annual growth rate of 13.8 per cent. A breakdown of total outgoings shows that expenditure on settling reported claims accounted for an average of 43.8 per cent of aggregate annual outgoings, while underwriting and management expenses such as commission, legal and medical expenses, salaries, etc., averaged 56.2 per cent during the period under review. (See Table II).

PART IV

INVESTMENT PATTERNS OF INSURANCE COMPANIES

In the decade under review, the operations of insurance companies led to the accumulation of funds for investment in the capital market. The pattern of such investments was dictated not only by the nature/category of insurance companies but also by the requirements of the Insurance Miscellaneous Provisions Acts 1964 and recently the Insurance Act 1976. The former Act stipulates that insurance companies must invest not less than 40 per cent of their policy reserves in securities while the latter Act provides for a minimum investment of 25 per cent of total assets in securities of government and semi-governmental bodies. It further stipulates that non-life insurance companies should invest not more than 10 per cent of their total assets in real property while the permissible limit on the asset for life companies was fixed at 25 per cent.

The total assets of insurance companies grew substantially in the review period. At ₦38.2 million in 1969, the assets rose to N523.3 million in 1978, reflecting about a fourteen-fold increase in the period. Although all the items in the investment portfolio increased in absolute value, changes in the relative importance of the assets occurred during the review period. There was strong indication of a greater investor preference for government securities over private stocks, shares and bonds. Investment in government securities ranged between 20.9 per cent in 1973 and 14.1 per cent in 1974. The slump in 1974 was a result of the increased liquidity in the public sector traceable to oil boom. Consequently, investment by insurance companies in government securities declined relatively. It should be observed therefore, that the insurance companies have so far failed to comply with the 1976 requirement that they should hold 25 per cent of their total assets in government and quasi-government securities. Investment in private stock, shares and bonds declined from 19.2 per cent of total in 1969 to 10.3 per cent in 1978. The percentage share of mortgage and loan assets fluctuated between 11.9 and 16.5 per cent in the review period (See Table 12).

In compliance with the solvency requirement that at least 40 per cent of insurance companies' assets portfolio should be in the form of liquid assets, insurance companies held cash and bills to the tune of N16.9 million or 44.4 per cent of total assets in 1969. However, in terms of this requirement, the position in 1978 was unsatisfactory - ₦144.6 million or 27.6 per cent.

Traditionally, life insurance companies invest mainly in long-term securities such as government bonds, mortgages, and secured loans because of the long-term nature of their liabilities. Contrary to this tradition, such companies in Nigeria invested largely in short-term government securities, bills of exchange and other short-term securities such as bills receivable. A plausible explanation for this investment behaviour may be traceable to the long-term inflationary expectations prevailing in the country and the general business atmosphere of a strong risk aversion. Thus, cash and bills receivable constituted an average of 32.2 per cent of total life assurance assets during the review period. (See Tables 12 and 13).

Life companies' investment in government securities rose from N4 million or 20.2 per cent of total life assets, in 1969 to ₦39.6 million or 26.6 million or 26.4 per cent in 1978. Such investment averaged 23.8 per cent of total life assets in the period. Private stocks, shares and bonds constituted an annual average of 13.2 per cent of life assets while the corresponding figure for mortgages and loans was 21.6 per cent. The boom in the building and construction industry particularly since 1973 gave fillip to substantial investments on mortgages and loans by life companies.

The maturity pattern of investments of general insurance funds differs from that of life funds. Such investments are largely of short-term nature because their liabilities are generally of short-term. Besides, claims from them fluctuate much more erratically than those for life assurance. In addition to technical reserves for unexpired risks and for outstanding claims, contingency reserves plus interest earned are mobilised for short-term investments by general insurance companies.—Since claims are liable to vary unpredictably, investment managers of general insurance prefer to hold cash and/or extremely liquid assets on their accounts. This is well illustrated by table 14 where cash and bills receivable in the investment portfolio of non-life insurance companies accounted for 42.4 per cent of the total, on the average, as against 32.2 per cent for life insurance companies.

Miscellaneous assets which are themselves short-term in nature rank next to cash and bills in investment priorities of general insurers, particularly in the latter half of the period. They constituted only 2.1 per cent of total general insurance assets in 1969 but rose sharply to 40.7 per cent in 1978. The remaining three classes of assets, namely, government securities; stocks, shares and bonds; mortgages and loans accounted for an annual average of 33.7 per cent of total non-life companies' investments.

PART V
PROBLEMS AND PROSPECTS OF THE INDUSTRY

In the course of discharging their functions as underwriters of insurable risks and as mobilisers and channellers of internally-generated funds into investment outlets, insurance companies have had to grapple with problems and/or constraints. Of particular importance is the manpower problem. The absence of adequate and well-qualified personnel, particularly in the field of actuarial science was one of the main reasons why indigenous insurance companies concentrated their business on general or non-life insurance instead of on life business. Indigenous actuaries are few and far between. Consequently, life insurance business was initially concentrated in the hands of the foreign-owned insurance companies, until Government indigenisation policy introduced the joint venture approach and defined an acceptable level of Nigerian participation in the insurance business.

There is also the problem of limited investment outlets. Although there is legislative stipulation of the minimum proportion of the insurers funds that should be invested in government securities, this does not guarantee adequate profitable and safe investment outlets. Usually after complying with such minimum requirement, the insurer is left with a substantial amount of funds which must be invested profitably. But given the under-developed nature of the capital market in Nigeria, the investment of such surplus funds is difficult. As of now, relatively few shares are listed on the Nigerian Stock Exchange and the majority of these shares were offered to the public only since 1972. Since the demand for these shares far exceeds the supply, they are generally over-subscribed. In the absence of sufficient securities quoted on the stock exchange, the alternative is to invest in unquoted securities, which are generally more risky. Even such shares are not readily available owing to the fact that most private companies do not want to dilute the equity participation in their companies.[1]

Inflationary pressures constitute a deterence to the growth of insurance, particularly life insurance business. Many who would have taken out life policies are discouraged from doing so by discounting the time value of the future returns on their life policies at maturity. Consequently, taking out life policies is looked upon as a luxury which only the richer people in the society can afford.

Despite these problems, the insurance industry in Nigeria has a great future. This is so because as the economy develops, the need for insurance protection increases. The problems which inhibit the growth of the existing forms of insurance are more or less teething in nature and soluble in the long-run as insurance consciousness permeates the society.

A closer look at the classes or forms of insurance cover may corroborate this optimism. Life assurance will continue to develop with better marketing/advertising techniques and increased standard of living. More people may consequently take advantage of life assurance as a means of providing for their dependants in the event of premature death, and also as a means of saving for old age and unforeseen contingencies. In the area of general insurance, marine insurance has bright prospects since the volume of marine insurance business handled by any country increases with the volume of that country's international trade. Again, the fear of major fire disasters will increasingly induce more and more people and companies to take up fire insurance covers. Public and employers' liability insurances will develop considerably as citizens become more conscious of their legal rights. The same growth potentials exist for motor insurance. The law enjoins every car owner to take out a motor insurance policy.

Indeed, other than motor vehicle insurance, available insurance services in the country cannot be described as being widespread as yet. This is because the importance of other classes of insurance like fire, accident, burglary and life assurance has not been fully appreciated by a large proportion of the people because of insufficient awareness of the benefits that accrue from insurance. Therefore, with adequate publicity through all media of communication, insurance transaction should become, in the future, a regular feature of life of the generality of gainfully-employed members of the population.

The problem of executive capacity, particularly in areas needing the services of actuaries, is not insurmountable. An obvious solution lies in training and retraining of staff on the job. With many Nigerians qualifying as actuaries, indigenous insurance companies should be able to increase the volume of their transactions on life business.

Summary and Conclusion

This paper has discussed the growth of insurance industry in Nigeria during 1969-1978 period, focussing largely on the dimension of funds flows in the sector.

Aggregate premiums paid by policy-holders constituted the main source of funds for the life insurers. From ₦5.3 million, representing 82.8 per cent of total income in 1969 such funds rose to ₦55.3 million or 85.6 per cent in 1978. The annual average of life insurance fund available for investment in the capital market was ₦63.9 million during the reference decade. The amount of additional savings entrusted by the insuring public to life insurance companies, increased yearly, averaging ₦12.4 million in the period. Premiums also accounted for the bulk of income of general or non-life insurance companies, averaging 95.5 per cent. Investment income accounted for a small proportion of income of general insurance companies, averaging 1.8 per cent in the period. The corresponding figure in the case of life insurance companies was 13.3 per cent.

1. J. O. Irukwu, op. cit.

The investment pattern showed that insurance companies had the highest preference for cash and bills receivable which averaged 37.9 per cent during the review period. This was followed by investments in miscellaneous items which averaged 17.8 per cent. Government securities which ranked third with an average of 16.6 per cent failed to satisfy the requirement that a minimum of 25 per cent of total assets be invested in government and semi-governmental securities.

Insurance industry in Nigeria has considerable growth potential as insurance consciousness tends to grow *pari-passu* with economic development. With time, most of the rigidities which now constrain the rapid development of most classes of insurance would have relaxed and insurance would become a way of life for the majority of Nigerians.

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4. Supplementary to *Official Gazette* No. 29 Vol. 64, 23rd June, 1977

TABLE 1

DISTRIBUTION OF INSURANCE COMPANIES BY TYPE OF BUSINESS UNDERTAKEN

Type of Business	1969		1970		1971		1972		1973		1974		1975		1976		1977		1978	
	Number	% Distribution	Number	% Distribution	Number	% Distribution	Number	% Distribution	Number	% Distribution	Number	% Distribution	Number	% Distribution	Number	% Distribution	Number	% Distribution	Number	% Distribution
Wholly Life	6	22.2	7	16.3	6	11.3	8	12.3	9	12.8	9	12.8	9	13.1	6	10.2	6	10.2	6	9.5
Wholly Non-Life	13	48.2	26	60.5	38	71.7	43	66.2	44	62.8	41	58.6	43	62.3	37	62.7	38	64.4	42	66.7
Life and Non-Life	8	29.6	10	23.2	9	17.0	14	21.5	17	24.4	20	28.6	17	24.6	16	27.1	15	25.4	15	23.8
TOTAL	27	100	43	100	53	100	65	100	70	100	70	100	69	100	59	100	59	100	63	100

Source of data for this and the other thirteen tables:– Federal Ministry of Finance, Insurance Division

TABLE 2

DISTRIBUTION OF INSURANCE COMPANIES BY TYPE OF BUSINESS AND OWNERSHIP

	1969		1970		1971		1972		1973		1974		1975		1976		1977		1978	
	NUM-BER	%	NUM-BER	%	NUM-BER	%	NUM-BER	%	NUM-BER	%	NUM-BER	%	NUM-BER	%	NUM-BER	%	NUM-BER	%	NUM-BER	%
A. LIFE																				
(a) NIGERIAN	1	16.7	1	14.3	1	16.7	1	12.5	1	11.1	2	22.2	2	22.2	2	33.3	2	33.3	2	33.3
(b) JOINT	1	16.7	1	14.3	1	16.7	2	25.0	3	33.3	4	44.5	4	44.5	3	50.0	4	66.7	4	66.7
(c) FOREIGN	4	66.6	5	71.4	4	66.6	5	62.5	5	55.6	3	33.3	3	33.3	1	16.7	–	–	–	–
Total A	6	100.0	7	100.0	6	100.0	8	100.0	9	100.0	9	100.0	9	100.0	6	100.0	6	100.0	6	100.0
B. Non–LIFE																				
(a) Nigerian	3	23.1	16	61.5	28	73.7	33	76.7	34	77.3	31	75.6	32	74.4	25	67.6	25	65.8	30	71.4
(b) Joint	3	23.1	3	11.6	3	7.9	4	9.3	4	9.1	16	14.6	7	16.3	9	24.3	13	34.2	12	28.6
(c) Foreign	7	53.8	7	26.9	7	18.4	6	14.0	6	13.6	4	9.8	4	9.3	3	8.1	–	–	–	–
Total B	13	100.0	26	100.0	38	100.0	43	100.0	44	100.0	41	100.0	43	100.0	37	100.0	38	100.0	42	100.0
C. LIFE AND NON-LIFE (Mixed)																				
(a) Nigerian	1	12.5	5	50.0	4	44.4	7	50.0	9	52.9	14	70	12	70.6	13	81.2	12	80.0	12	80.0
(b) Joint	1	12.5	1	10.0	1	11.2	7	50.0	7	41.2	6	30	5	29.4	3	18.8	3	20.0	3	20.0
(c) Foreign	6	75.0	4	40.0	4	44.4	–	–	1	5.9	–	–	–	–	–	–	–	–	–	–
Total C	8	100.0	10	100.0	9	100.0	14	100.0	17	100.0	20	100.0	17	100.0	16	100.0	15	100.0	15	100.0
D. ALL COMPANIES																				
(a) Nigerian	5	18.5	22	51.2	33	62.3	41	63.1	44	62.8	47	67.1	46	65.7	40	67.8	39	66.1	44	69.8
(b) Joint	5	18.5	5	11.6	5	9.4	13	20.0	14	20.0	16	22.9	16	22.9	15	25.4	20	33.9	19	30.2
(c) Foreign	17	63.0	16	37.2	15	28.3	11	16.9	12	17.2	7	10.0	7	11.4	4	6.8	–	–	–	–
GRAND TOTAL	27	100.0	43	100.0	53	100.0	65	100.0	70	100.0	70	100.0	69	100.0	59	100.0	59	100.0	63	100.0

TABLE 3

PAID–UP CAPITAL OF INSURANCE COMPANIES BY VALUE

Year	Wholly Nigerian		Joint		Foreign		Total	
	Amount	Percentage Share	Amount	Percentage Share	Amount	Percentage Share	Amount	Percentage Share
1969	764	20.3	700	18.6	2,294	61.1	3,758	100.0
1970	2,480	45.2	700	12.8	2,308	42.0	5,488	100.0
1971	3,558	53.3	750	11.3	2,358	35.4	6,666	100.0
1972	6,264	61.7	2,886	28.4	1,005	9.9	10,155	100.0
1973	6,451	61.4	3,068	29.2	987	9.4	10,506	100.0
1974	7,423	63.1	3,794	32.3	545	4.6	11,762	100.0
1975	8,129	62.6	3,855	29.7	1,000	7.7	12,984	100.0
1976	11,124	67.4	4,786	29.0	600	3.6	16,510	100.0
1977	16,774	62.9	9,907	37.1	–	–	26,681	100.0
1978	20,145	64.4	11,157	35.6	–	–	31,302	100.0

TABLE 4

INCOME AND EXPENDITURE OF ALL INSURANCE COMPANIES IN NIGERIA:

1969 – 1978

SUMMARY BY TYPE OF BUSINESS OWNERSHIP (₦'000)

TYPE OF OWNERSHIP	INCOME										EXPENDITURE									
	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
WHOLLY NIGERIAN	116	644	786	14,146	13,628	25,311	41,327	70,508	129,519	127,669	58	272	424	8,846	11,184	17,241	25,426	40,635	62,534	78,985
JOINT	712	770	1,188	15,076	18,185	28,058	44,425	65,164	84,474	106,362	830	1,146	2,152	9,354	11,251	16,995	22,940	36,450	45,863	62,485
FOREIGN	5,576	5,438	10,610	10,238	14,001	9,972	14,639	9,205	–	–	1,222	1,252	2,314	6,606	9,265	6,511	6,176	4,115	–	--
TOTAL	6,404	6,852	12,584	39,463	45,814	63,341	100,391	144,877	213,993	234,031	2,110	2,670	4,890	24,806	31,700	40,747	54,542	81,200	108,397	141,470

TABLE 5

INCOME AND EXPENDITURE OF LIFE INSURANCE COMPANIES IN NIGERIA

SUMMARY BY TYPE OF OWNERSHIP (₦'000)

TYPE OF OWNERSHIP	INCOME										Average Income 1969-78	OUTGOINGS										Average out-goings 1969-78
	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978		1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1969–78
WHOLLY NIGERIAN	116	644	786	4,073	1,009	6,441	7,464	15,698	20,386	25,414	8,203	58	272	424	1,384	608	2,509	3,012	5,629	6,289	7,975	2,816
JOINT	712	770	1,188	6,022	8,233	10,451	13,182	20,777	29,299	39,248	12,988	830	1,146	2,152	1,546	2,412	3,392	5,547	11,658	14,648	20,854	5,936
FOREIGN	5,576	5,438	10,610	3,783	6,226	6,700	9,060	3,434	–	–	5,083	1,222	1,252	2,314	2,106	2,789	4,007	3,234	1,234	–	–	1,816
Total	6,406	6,852	12,584	13,878	15,468	23,592	29,706	39,909	49,685	64,662	26,274	2,110	2,670	4,890	5,036	5,808	9,908	11,793	18,521	20,937	28,829	10,568

TABLE 6

SOURCES OF INCOME OF LIFE INSURANCE COMPANIES IN NIGERIA 1969–78

(₦ 000)

SOURCES	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
A. ALL COMPANIES										
(a) Premium	5,300	5,462	10,956	11,699	13,107	19,693	24,890	34,122	42,056	55,329
(b) Interest, Dividends and Rents	902	1,208	1,404	1,396	1,926	3,365	4,247	4,845	6,744	8,395
(c) Profit on Sale of Assets	2	18	46	25	229	21	287	14	1	4
(d) Other receipts	200	164	178	758	205	513	282	928	886	934
TOTAL	6,404	6,852	12,584	13,878	15,467	23,592	29,706	39,909	49,685	64,662
B. WHOLLY NIGERIAN										
(a) Premium	100	550	680	3,332	926	5,488	6,391	13,928	18,225	23,188
(b) Interest, Dividends and Rents	–	68	92	40	81	822	932	1,358	1,732	2,109
(c) Profit on Sale of Assets	16	–	–	–	–	120	1	10	–	3
(d) Other Receipts	–	26	14	701	2	10	137	401	429	114
TOTAL	116	644	786	4,073	1,009	6,440	7,461	15,697	20,386	25,414
C. JOINT										
(a) Premium	464	512	820	5,148	6,750	8,209	10,411	17,158	23,829	32,141
(b) Interest, Dividends and Rents	100	122	182	804	1,058	1,858	2,340	3,096	5,012	6,286
(c) Profit on Sale of Assets	2	–	26	13	229	373	286	3	1	1
(d) Other receipts	146	136	160	57	196	11	145	520	457	820
TOTAL	712	770	1,188	6,022	8,233	10,451	13,182	20,777	29,299	39,248
D. FOREIGN										
(a) Premium	4,736	4,400	9,456	3,219	5,431	5,996	8,089	3,036	–	–
(b) Interest, Dividends and Rents	802	1,018	1,132	552	787	685	971	391	–	–
(c) Profit on Sale of Assets	–	18	20	12	–	19	–	1	–	–
(d) Other receipts	38	2	2	–	7	–	–	6	–	–
TOTAL	5,576	5,438	10,610	3,783	6,225	6,700	9,060	3,434	–	–

TABLE 7

EXPENDITURE OF LIFE INSURANCE COMPANIES IN NIGERIA, 1969 – 78

(₦ 000)

EXPENDITURE ITEMS	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
A. ALL COMPANIES										
(a) Net claims paid	558	700	928	1,619	1,104	1,877	1,681	2,368	2,837	4,342
(b) Bonuses	236	218	200	31	209	500	619	2,149	1,055	1,011
(c) Net Commission	472	184	1,666	1,083	1,623	2,827	2,236	4,847	5,637	7,241
(d) Surrenders and Outstanding claims	–	–	–	–	–	–	–	–	2,575	3,791
(e) Management Expenses	570	1,196	1,530	2,013	2,345	2,667	4,559	8,267	7,800	11,194
(f) Other Expenditure	274	370	566	292	528	2,037	2,698	890	1,034	1,249
TOTAL	2,110	2,668	4,890	5,036	5,809	9,908	11,793	18,521	20,937	28,828
B. WHOLLY NIGERIAN										
(a) Net claims paid	10	14	38	782	52	574	496	1,057	978	1,845
(b) Bonuses	10	–	2	1	53	366	79	420	492	257
(c) Net Commission	–	74	132	150	113	578	756	1,482	1,661	2,345
(d) Surrenders and Outstanding claims	–	–	–	–	–	–	–	–	481	392
(e) Management Expenses	24	144	170	411	341	576	1,525	2,308	2,553	2,969
(f) Other Expenses	14	40	82	40	49	91	157	363	124	167
TOTAL	58	272	424	1,384	608	2,185	3,013	5,630	6,289	7,975
C. JOINT										
(a) Net claims paid	156	298	282	350	537	614	627	1,115	1,860	2,497
(b) Bonuses	26	108	30	2	82	121	344	1,571	563	754
(c) Net Commission	266	2	844	452	577	855	1,246	3,014	3,975	4,897
(d) Surrenders and Outstanding claims	–	–	–	–	–	–	–	–	2,093	3,399
(e) Management Expenses	262	532	698	525	906	1,605	2,169	5,438	5,247	8,225
(f) Other Expenditure	120	206	298	218	310	161	1,163	521	910	1,085
TOTAL	830	1,146	2,152	1,546	2,412	3,356	5,546	11,659	14,648	20,854
D. FOREIGN										
(a) Net claims paid	392	388	608	487	515	690	559	196	–	–
(b) Bonuses	200	112	168	28	74	13	196	158	–	–
(c) Net Commission	204	108	690	481	933	1,357	235	352	–	–
(d) Surrenders and Outstanding claims	–	–	–	–	–	–	–	–	–	–
(e) Management Expenditure	286	520	664	1,077	1,098	1,945	2,244	522	–	–
(f) Other Expenditure	140	124	184	34	169	1	1,085	6	–	–
TOTAL	1,222	1,252	2,314	2,106	2,789	4,006	3,234	1,234	–	–

TABLE 8

ANALYSIS OF INSURANCE COMPANIES' LIFE FUNDS, 1969 – 78

(₦ Thousand)

LIFE FUNDS	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
ALL COMPANIES										
Amount at the beginning of the year	14,894	20,284	22,092	26,122	35,318	47,200	58,345	71,261	96,054	123,046
Amount at end	18,846	21,910	26,784	33,654	44,745	57,829	72,034	90,904	120,080	152,056
Expansion during the year	3,952	1,626	4,692	7,532	9,427	10,629	13,689	19,643	24,026	29,010
WHOLLY NIGERIAN										
Amount at beginning of the year	62	1,132	1,382	532	760	15,888	19,312	27,239	36,527	51,092
Amount at end	126	1,426	1,668	1,332	1,802	19,400	23,457	37,212	46,049	63,923
Expansion during the year	64	294	286	800	1,041	3,572	4,145	9,973	9,522	12,831
JOINT										
Amount at beginning of the year	2,204	2,574	2,866	12,008	16,094	24,380	30,116	39,015	59,527	71,954
Amount at end	2,574	2,866	3,392	15,880	20,272	29,633	36,289	46,639	74,031	88,133
Expansion during the year	370	292	526	3,872	4,179	5,253	6,173	7,624	14,504	16,180
FOREIGN										
Amount at beginning of the year	12,626	16,578	17,844	13,583	18,463	6,932	8,916	5,007	–	–
Amount at end	16,146	17,618	21,724	16,442	22,670	8,796	12,287	7,053	–	–
Expansion during the year	3,520	1,040	3,880	2,859	4,207	1,864	3,371	2,046	–	–

TABLE 9

INCOME AND EXPENDITURE OF NON-LIFE INSURANCE COMPANIES IN NIGERIA

1969 – 78

SUMMARY BY TYPE OF OWNERSHIP (₦Thousand)

TYPE OF OWNERSHIP	INCOME										EXPENDITURE									
	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
WHOLLY NIGERIAN	3,124	4,948	9,770	10,073	12.619	18,870	33,863	54,810	109,133	102,255	2,525	4,386	7,572	7,462	10,576	14,732	22,414	35,006	56,245	71,010
JOINT	1,162	1,038	1,428	9,057	9,952	17,607	31,243	44,387	55,175	67,113	1,122	1,138	1,126	7,808	8,839	13,603	17,393	24,792	31,215	41,631
FOREIGN	3,722	3,982	4,666	6,455	7,775	3,272	5,579	5,771	–	–	3,132	3,506	4,096	4,500	6,476	2,504	2,942	2,881	–	–
ALL COMPANIES	7,244	8,144	11,042	25,585	30,346	39,749	70,685	104,968	164,308	169,368	6,776	9,030	12,794	19,770	25,891	30,839	42,749	62,679	87,460	112,641

TABLE 10

SOURCES OF INCOME OF NON-LIFE INSURANCE COMPANIES, 1969 – 78

(₦ THOUSAND)

Sources	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
A ALL COMPANIES										
Premiums	7,982	10,622	15,742	24,666	28,417	36,518	67,849	102,893	154,541	159,593
(1) Fire	1,240	1,644	2,212	3,086	3,224	4,365	7,288	8,184	12,333	14,003
(2) Accident	502	914	1,048	1,502	1,832	2,236	3,209	5,522	9,750	12,135
(3) Motor Vehicle	4,318	5,700	8,940	15,673	17,410	21,489	43,632	68,757	91,853	94,739
(4) Employers' Liability	668	696	1,004	1,601	1,714	1,149	3,399	5,002	7,031	8,281
(5) Marine	726	942	1,280	1,795	2,145	3,153	5,030	6,203	21,224	23,661
(6) Miscellaneous	528	726	1,258	1,549	2,029	3,326	5,321	9,225	12,350	6,774
OTHER INCOME	162	420	1,076	918	1,928	2,646	2,806	2,076	9,766	7,318
(7) Interest Dividends & Rents	128	238	288	423	402	1,178	144	1,022	6,691	3,218
(8) Other receipts	34	182	788	495	526	1,468	2,662	1,054	3,075	5,100
Total All Income	8,144	11,042	16,818	25,584	30,345	39,164	70,685	104,969	164,307	166,851
B WHOLLY NIGERIAN										
Premium	3,108	4,710	8,912	9,619	11,332	17,271	32,617	53,816	102,501	96,493
(1) Fire	472	634	968	825	942	1,965	2,848	3,988	7,775	8,401
(2) Accident	182	438	650	489	877	1,274	1,718	3,556	7,631	9,697
(3) Motor Vehicle	1,700	2,760	5,486	7,227	8,458	11,102	23,667	38,131	60,474	58,155
(4) Employers' Liability	264	304	498	399	267	528	1,062	1,269	2,874	2,285
(5) Marine	246	438	654	285	428	843	1,343	2,000	15,398	14,866
(6) Miscellaneous	244	350	784	394	360	1,559	1,979	4,892	8,679	3,089
OTHER INCOME	16	238	858	453	1,288	1,016	1,246	995	6,632	3,304
(7) Interest Dividends & Rents	–	92	120	81	15	504	88	22	5,104	77
(8) Other Receipts	16	146	738	371	1,273	512	1,158	973	1,528	3,227
Total	3,124	4,948	9,770	10,072	12,620	18,237	33,863	54,811	109,133	99,797
C Premiums	1,034	1,424	1,664	8,959	9,666	16,120	29,874	43,330	52,041	63,099
(1) Fire	280	310	402	1,408	1,305	2,083	4,115	4,091	4,758	5,602
(2) Accident	34	282	76	718	536	670	940	1,772	2,248	2,438
(3) Motor Vehicle	568	622	840	4,575	4,930	8,827	17,208	27,238	31,379	36,584
(4) Employers' Liability	76	70	122	529	719	1,046	1,747	2,629	4,157	5,995
(5) Marine	32	66	110	832	1,053	1,759	2,582	3,272	5,826	8,795
(6) Miscellaneous	44	74	114	897	1,089	1,735	3,282	4,328	3,673	3,685
Other Incomes	4	4	6	98	286	1,486	1,368	1,057	3,134	4,014
(7) Interest Dividends & Rents	4	4	6	6	34	631	37	976	1,587	2,141
(8) Other Receipts	–	–	–	92	252	855	1,331	81	1,547	1,873
Total All Incomes	1,038	1,428	1,670	9,057	9,952	17,606	31,242	44,387	55,175	67,113
D FOREIGN										
Premiums	3,840	4,488	5,166	6,088	7,420	3,127	5,388	5,747	–	–
(1) Fire	488	700	842	853	977	317	326	104	–	–
(2) Accident	286	194	322	355	419	292	551	194	–	–
(3) Motor Vehicle	2,050	2,318	2,614	3,271	4,091	1,560	2,757	3,388	–	–
(4) Employers' Liability	328	322	384	673	698	375	589	1,105	–	–
(5) Marine	448	652	644	678	655	551	1,105	931	–	–
(6) Miscellaneous	240	302	360	258	580	32	60	25	–	–
Other Incomes	142	178	212	367	355	145	191	24	–	–
(7) Interest Dividends & Rents	124	142	162	335	354	44	19	24	–	–
(8) Other Receipts	18	36	50	32	1	101	172	–	–	–
Total All Incomes	3,982	4,666	5,378	6,455	7,778	3,272	5,579	5,771	–	–

TABLE 11

BREAKDOWN OF EXPENDITURES OF NON-LIFE INSURANCE COMPANIES 1969 – 78

(₦ THOUSAND)

Types of Expenditures	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
A ALL COMPANIES CLAIMS	3,010	3,760	4,698	7,467	11,391	13,329	18,800	27,627	45,993	55,517
1. Fire	384	528	720	886	1,504	970	1,200	2,302	4,287	4,536
2. Accident	156	358	226	430	543	421	713	770	1,668	2,149
3. Motor Vehicle	1,896	2,168	2,848	4,552	7,761	9,387	12,516	20,357	32,607	37,698
4. Employers' Liability	242	248	358	417	607	747	862	1,067	1,325	1,424
5. Marine	186	282	330	865	983	1,212	1,662	1,706	3,820	6,377
6. Miscellaneous	146	176	216	317	593	592	1,847	1,423	2,286	3,333
Other Expenditure	3,766	5,270	8,096	12,374	14,500	17,363	23,949	35,052	41,467	57,124
7. Management expenses	2,834	3,934	5,570	7,944	9,085	12,293	16,095	22,127	25,099	42,964
8. Net Commission	762	892	2,298	3,767	4,612	3,799	6,382	11,412	12,933	10,475
9. Other expenses	170	444	228	723	803	1,271	1,472	1,513	2,435	3,685
Total All Expenditure	6,776	9,030	12,794	19,841	25,891	30,692	42,749	62,679	87,460	112,641
B WHOLLY NIGERIAN										
Claims	1,040	1,546	2,282	2,196	3,688	5,114	8,719	12,696	27,236	30,385
1. Fire	110	172	372	183	350	325	408	984	2,880	2,153
2. Accident	50	138	104	118	178	125	296	293	1,142	1,347
3. Motor Vehicle	684	958	1,428	1,639	2,872	4,184	6,168	10,343	19,975	21,616
4. Employers' Liability	86	112	174	895	94	182	249	235	491	252
5. Marine	52	76	76	71	107	177	569	416	1,297	3,243
6. Miscellaneous	58	90	124	90	87	121	1,029	425	1,451	1,775
Other Expenditure	1,482	2,840	5,290	5,265	6,887	9,619	13,694	22,310	29,009	40,625
7. Management Expenses	1,194	2,008	3,638	3,189	4,035	6,628	8,865	12,986	16,320	25,633
8. Net Commission	250	438	1,482	1,506	2,091	2,443	4,113	9,250	10,448	12,541
9. Other Expenses	38	394	170	570	761	548	716	74	2,241	2,451
Total All Expenditure	2,522	4,386	7,572	7,461	10,575	14,733	22,413	35,006	56,245	71,011
C JOINT										
Claims	560	500	466	3,355	4,222	6,916	8,236	12,842	18,757	25,132
1. Fire	130	98	82	433	605	617	648	1,283	1,407	2,383
2. Accident	28	86	14	228	206	216	269	436	526	802
3. Motor Vehicle	314	248	292	1,918	2,250	4,399	5,414	8,742	12,632	16,082
4. Employers' Liability	46	28	36	220	235	425	444	596	834	1,173
5. Marine	6	18	26	395	548	801	667	796	2,523	3,134
6. Miscellaneous	36	22	16	161	278	458	794	989	835	1,558
Other Expenditure	562	638	660	4,453	4,757	6,686	9,155	11,950	12,458	16,499
7. Management Expenses	432	618	452	2,957	3,106	4,762	6,159	8,209	8,780	17,330
8. Net Commission	60	20	208	1,347	1,612	1,209	2,246	2,319	3,484	(2,066)
9. Other Expenses	70	–	–	149	39	715	750	1,422	194	1,235
Total All Expenditure	1,122	1,138	1,126	7,808	8,979	13,602	17,391	24,792	31,215	41,631
D FOREIGN										
Claims	1,410	1,714	1,950	1,844	3,480	1,298	1,843	2,089	–	–
1. Fire	144	258	266	270	349	28	143	35	–	–
2. Accident	78	134	108	40	159	80	148	40	–	–
3. Motor Vehicle	898	962	1,128	995	1,939	805	934	1,271	–	–
4. Employers' Liability	110	108	148	102	278	139	169	239	–	–
5. Marine	128	188	224	371	327	234	425	494	–	–
6. Miscellaneous	52	64	76	66	228	12	24	10	–	–
Other Expenditure	1,722	1,792	2,146	2,656	2,996	1,058	1,100	792	–	–
7. Management Expenses	1,208	1,308	1,480	1,798	1,944	903	1,071	933	–	–
8. Net Commission	452	434	608	854	1,049	147	23	157	–	–
9. Other Expenses	62	50	58	4	3	8	6	16	–	–
Total All Expenditure	3,132	3,506	4,096	4,500	6,476	2,356	2,943	2,881	–	–

TABLE 12

INVESTMENT STRUCTURE OF INSURANCE COMPANIES NIGERIA, 1969 – 78

	1969		1970		1971		1972		1973		1974		1975		1976		1977		1978			
	Value (₦'000)	% of Total	Value (₦'000)	% of Total	Value (₦'000)	% of Total	Value ₦'000)	% of Total	Value (₦'000)	% of Total	Value (₦'000)	% of Total	Value (₦'000)	% of Total	Value (₦'000)	% of Total	Value (₦'000)	% of Total	Value (₦'000)	% of Total	Value	%
Government Securities	6,575	17.2	6,733	14.5	10,840	17.7	16,922	20.1	22,635	20.9	19,660	14.1	29,105	15.5	22,438	16.3	61,422	15.0	78,092	14.9		
Stocks Shares & Bonds	7,332	19.2	9,503	20.5	9,239	15.1	11,853	14.1	13,386	12.3	18,072	13.0	20,668	11.0	30,572	11.7	37,235	9.1	53,620	10.3		
Mortgages and Loans	6,299	16.5	7,573	16.3	7,404	12.1	11,647	13.9	12,942	11.9	20.087	14.4	23,889	12.8	38,093	14.6	58,137	14.2	72,937	13.9		
Cash and Bills Receivable	16,947	44.4	20,424	43.9	30,063	49.1	33,915	40.4	44,982	41.3	47,830	34.4	64,893	34.7	82,532	31.6	129,678	31.8	144,612	27.6		
Miscellaneous	1,007	2.7	2,206	4.8	3,687	6.0	9,677	11.5	14,847	13.6	33,597	24.1	48,716	26.0	67,187	25.8	121,880	29.9	174,054	33.3		
Total	38,160	100.0	46,439	100.0	61,233	100.0	84,014	100.0	108,792	100.0	139,246	100.0	187,271	100.0	260,822	100.0	408,352	100.0	523,315	100.0		

TABLE 13

INVESTMENT PATTERN OF INSURANCE COMPANIES IN NIGERIA BY CATEGORY

1969 – 78 (₦1 MILLION)

ASSETS	1969		1970		1971		1972		1973		1974		1975		1976		1977		1978	
	Life	Non Life	Life	Non Life	Life	Non Life	Life	Non Life	Life	Non Life	Life	Non Life	Life	Non Life	Life	Non Life	Life	Non Life	Life	Non Life
Government Securities	4,021	2,554	4,481	2,252	7,860	2,980	7,897	8,935	15,278	7,357	15,447	4,213	18,630	10,475	29,370	13,064	33,910	27,512	39,591	38,501
Stocks, Shares and Bonds	2,472	4,860	4,124	5,393	2,971	6,268	5,082	6,771	6,988	6,398	7,977	10,095	8,693	11,975	15,990	14,582	18,687	18,549	22,950	30,670
Mortgages and Loans	4,735	1,564	5,682	1,891	4,962	2,442	5,410	6,237	9,510	3,433	15,579	4,508	18,178	5,711	27,949	10,144	35,543	22,594	36,139	36,798
Cash and Bills Receivable	8,051	8,896	8,790	11,634	12,434	17,629	9,565	24,350	19,392	25,590	25,914	21,916	29,460	35,433	25,680	56,851	33,977	95,700	29,375	115,237
Miscellaneous	622	385	921	1,285	1,398	2,289	3,372	6,305	5,720	9,127	6,961	26,636	6,701	42,015	12,456	54,731	23,096	98,784	21,907	152,147
Total	19,901	18,259	23,998	22,441	29,625	31,608	31,416	52,598	56,887	51,905	71,878	67,368	81,662	105,609	111,445	149,377	145,213	263,139	149,862	373,353

TABLE 14

PERCENTAGE DISTRIBUTION OF INVESTMENTS BY CATEGORY, 1969 – 78

	1969		1970		1971		1972		1973		1974		1975		1976		1977		1978	
	Life	Non Life	Life	Non Life	Life	Non Life	Life	Non Life	Life	Non Life	Life	Non Life	Life	Non Life	Life	Non Life	Life	Non Life	Life	Non Life
Government Securities	20.2	14.0	18.7	10.0	26.5	9.4	25.4	17.0	26.9	14.2	21.5	6.3	22.8	9.9	26.4	8.7	23.3	10.5	26.4	10.3
Stock Shares & Bonds	12.4	26.6	17.2	24.0	10.0	19.8	16.2	12.9	12.3	12.3	11.1	15.0	10.6	11.3	14.3	9.8	12.9	7.0	15.3	8.2
Mortgage and Loans	23.8	8.6	23.7	8.4	16.8	7.7	17.2	11.8	16.7	6.6	21.7	6.7	22.3	5.4	25.1	6.8	24.5	8.6	24.1	9.9
Cash and Bills Receivable	40.5	48.7	36.6	51.9	42.0	55.8	30.5	46.3	34.1	49.3	36.0	32.5	36.1	33.6	23.6	38.1	23.4	36.4	19.6	30.9
Miscellaneous	3.1	2.1	3.8	5.7	4.7	7.3	10.7	12.0	10.0	17.6	9.7	39.5	8.2	39.8	11.2	36.6	15.9	37.5	14.6	40.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

APPENDIX I

GLOSSARY OF SOME INSURANCE TERMS[1]

Net Premiums written represent the aggregate amount of premiums on all policies issued during a given period of time, plus re-insurance accepted from other companies, less reinsurance ceded to other companies. It, therefore indicates the net amount of business obtained by the company during the year.
Returned premiums are the premiums returned to policy-holders on cancelled policies.
Reinsurance consists of insurance assumed from or ceded to other insurance companies so as to limit the loss on a large risk or effect greater diversification of the company's risks.
Reinsurance premiums represent the net cost to the company of distributing the risk on large policies through reinsurance with other companies.
Net underwriting income represents balance of the premiums earned after the deduction of underwriting expenses and of losses incurred during the year.

1 J. H. Prime, *Investment Analysis* Prentice-Hull, Inc. 3rd Edition, Englewood Cliffs, N. J. 1961.