

NIGERIA

INSURANCE MARKET OVERVIEW

by Hussein Elsayed



Official Name: Federal Republic of Nigeria

Location: Nigeria is a country in West Africa, borders Niger in the north, Chad in the northeast, Cameroon in the east, and Benin in the west.

Surface Area: 923,769 km².

Time Zone: UTC+01:00.

Income Category: lower-middle-income

Religion: It is estimated that 50 percent of Nigerians are Muslim, 40 percent are Christian, and that the remaining 10 percent practice various indigenous.

Language: English (official)

Hausa, Igbo, Yoruba (National languages)

Government: Federal presidential constitutional republic.

Climate: Nigeria is characterized by three distinct climate zones, a tropical monsoon climate in the south, a tropical savannah climate for most of the central regions, and a Sahelian hot and semi-arid climate in the north of the country. This leads to a gradient of declining precipitation amounts from south to north.

The southern regions experience strong rainfall events during the rainy season from March to October with annual rainfall amounts, usually above 2,000 mm, and can reach 4,000 mm and more in the Niger Delta.

The central regions are governed by a well-defined single rainy season (April to September) and dry season (December to March). The dry season is influenced by the Harmattan wind from the Sahara. The rest of the year is hot and dry. Northern areas have a high degree of annual variation in its rainfall regime, which results in flooding and droughts.

Mean annual temperature for Nigeria is 26.9°C, with average monthly temperatures ranging between 24°C (December, January) and 30°C (April). Mean annual precipitation is 1,165.0 mm. Rainfall is experienced throughout the year in Nigeria, with most significant rainfall occurring from April to October and with minimal rainfall occurring November to March.

Highest temperatures occur during the dry season, and vary little from the coast to inland areas. Similar to rainfall, the relative humidity in Nigeria decreases from the south to the north, with an annual mean of 88% around Lagos.

Natural Hazards: River flood: High | Urban flood: High | Coastal flood: High | Water scarcity: High | Extreme heat: High | Wildfire: High | Landslide: Medium | Volcano: Medium | Tsunami: Low | Earthquake: Very low

(I) NIGERIA: Socio-Economic Information

Region	Western Africa		UN membership date	07 October 1960		
Population (000, 2023)	218 541 ^{a,b}		Surface area (km ²)	923 768 ^c		
Pop. density (per km ² , 2023)	240.0 ^{a,b}		Sex ratio (m per 100 f)	102.2 ^{a,b}		
Capital city	Abuja		National currency	Naira (NGN)		
Capital city pop. (000, 2023)	3 095.1 ^{d,e}		Exchange rate (per US\$)	460.0 ^b		
Economic indicators	2010	2015	2023			
GDP: Gross domestic product (million current US\$)	363 360	494 583	430 923 ^c			
GDP growth rate (annual %, const. 2015 prices)	8.0	2.7	3.6 ^c			
GDP per capita (current US\$)	2 257.6	2 688.0	2 019.3 ^c			
Economy: Agriculture (% of Gross Value Added) ^{f,g}	23.9	20.9	23.7 ^c			
Economy: Industry (% of Gross Value Added) ^{g,h}	25.3	20.4	31.9 ^c			
Economy: Services and other activity (% of GVA) ^g	50.8	58.8	44.4 ^c			
Employment in agriculture (% of employed) ⁱ	41.3	37.0	35.2 ^c			
Employment in industry (% of employed) ⁱ	10.2	12.2	12.7 ^c			
Employment in services & other sectors (% employed) ⁱ	48.4	50.9	52.2 ^c			
Unemployment rate (% of labour force) ⁱ	3.8	4.2	5.8			
Labour force participation rate (female/male pop. %) ⁱ	56.8 / 64.0	51.7 / 61.2	52.2 / 65.6			
CPI: Consumer Price Index (2010=100) ^j	100	159	421 ^{k,b}			
Agricultural production index (2014-2016=100)	87	99	108 ^c			
International trade: exports (million current US\$)	86 568	48 433	52 610 ^{i,b}			
International trade: imports (million current US\$)	44 235	33 831	55 148 ^{i,b}			
International trade: balance (million current US\$)	42 333	14 602	- 2 538 ^{i,b}			
Balance of payments, current account (million US\$)	13 111	- 15 439	1 019 ^b			
Major trading partners						2022
Export partners (% of exports) ⁱ	India	16.4	Spain	11.8	France	6.3
Import partners (% of imports) ⁱ	China	24.7	Netherlands	10.3	India	8.8
Social indicators	2010	2015	2023			
Population growth rate (average annual %)	2.8	2.5	2.4 ^{a,b}			
Urban population (% of total population)	43.5	47.8	51.2 ^e			
Urban population growth rate (average annual %) ^l	4.8	4.6	...			
Fertility rate, total (live births per woman)	6.0	5.6	5.1 ^{a,b}			
Life expectancy at birth (females/males, years)	51.4 / 50.5	52.2 / 51.5	54.0 / 53.3 ^{a,b}			
Population age distribution (0-14/60+ years old, %)	44.3 / 4.9	44.3 / 4.8	43.0 / 4.7 ^{a,b}			
International migrant stock (000/% of total pop.) ^{m,n}	990.5 / 0.6	1 199.1 / 0.7	1 308.6 / 0.6 ^o			
Refugees and others of concern to the UNHCR (000)	10.6 ^p	1 510.2	3 216.8 ^b			
Infant mortality rate (per 1 000 live births)	86.4	81.6	71.9 ^{a,b}			
Health: Current expenditure (% of GDP) ^q	3.3	3.6	3.4 ^o			
Health: Physicians (per 1 000 pop.)	0.4 ^r	0.4 ^s	0.4 ^c			
Education: Primary gross enrol. ratio (f/m per 100 pop.)	81.0 / 89.1 ⁱ	83.6 / 89.2	86.2 / 85.3 ^e			
Education: Lowr. sec. gross enrol. ratio (f/m per 100 pop.)	43.7 / 49.6	47.4 / 51.0	48.9 / 50.4 ^t			
Education: Upr. sec. gross enrol. ratio (f/m per 100 pop.)	38.4 / 44.5	41.6 / 46.3	35.2 / 38.1 ^t			
Intentional homicide rate (per 100 000 pop.)	21.7 ^e			
Seats held by women in the National Parliament (%)	7.0	6.7	3.6 ^u			
Environment and infrastructure indicators	2010	2015	2023			
Individuals using the Internet (per 100 inhabitants) ^l	11.5	24.5	55.4 ^c			
Research & Development expenditure (% of GDP)	0.1 ^{v,w}			
Threatened species (number)	297	333	461 ^b			
Forested area (% of land area)	25.5	24.6	23.7 ^o			
CO2 emission estimates (million tons/tons per capita)	89.0 / 0.4	121.8 / 0.5	128.5 / 0.4 ^o			
Energy production, primary (Petajoules)	10 591	10 636	9 932 ^o			
Energy supply per capita (Gigajoules)	33	33	32 ^o			
Tourist/visitor arrivals at national borders (000)	1 555	1 255	518 ^c			
Important sites for terrestrial biodiversity protected (%)	79.9	79.9	79.9 ^b			
Pop. using safely managed drinking water (urban/rural, %)	30.7 / 13.9	33.9 / 16.8	35.7 / 21.2 ^b			
Pop. using safely managed sanitation (urban/rural %)	25.6 / 24.1	30.0 / 25.2	36.6 / 26.6 ^b			
Net Official Development Assist. received (% of GNI)	0.60	0.51	0.83 ^c			
<p>a Projected estimate (medium fertility variant). b 2022. c 2021. d Data refers to the urban agglomeration. e 2019. f Excludes irrigation canals and landscaping care. g Data classified according to ISIC Rev. 4. h Excludes publishing activities, recycling. Includes irrigation canals. i Estimate. j Rural and urban areas. k Calculated by the UN Statistics Division from national indices. l Data refers to a 5-year period preceding the reference year. m Refers to foreign citizens. n Including refugees. o 2020. p Data as at the end of December. q Data based on calendar year (January 1 to December 31). r 2009. s 2013. t 2018. u Data are as at 1 January of reporting year. v Excluding business enterprise. w 2007.</p>						

(II) NIGERIA: Insurance Market

KEY HIGHLIGHTS

- *The Nigerian insurance industry is regulated by NAICOM.*
- *Workers' compensation insurance, motor third-party liability, healthcare professional liability insurance, and builder's liability insurance are compulsory.*
- *The government of Nigeria allows 100% foreign direct investments in the insurance industry.*
- *Composite insurance is permitted in Nigeria.*
- *Non-admitted insurance is not permitted.*

(A) Historical Landmarks and Regulatory Environment

- Early 20th c Insurance was introduced into Nigeria by British merchants acting as agents for UK insurers.
- 1920 The Royal Exchange established the first full branch.
- 1949 Three other British companies joined the market.
- 1950s Joint venture companies were started.
- 1963 American International (later AIICO) started a collection centre.
- 1969 National Insurance Corporation of Nigeria (NICON) was formed by Federal Government Decree, No 22.
- 1970s The first locally owned companies were registered.
- The insurance Decree of 1976 was the first effective legislation promulgated to regulate insurance business in Nigeria.
- 1977 The Nigeria Reinsurance Corporation was established by Federal Government Decree, No 49 in order to receive obligatory cessions from the local market.
- 1980s to date Over 100 new companies were formed.
- 1997 Insurance Decree, No 2 of 1997 was issued to incorporate all previous legislation and to substantially increase capital requirements.
- The National Insurance Commission was established in the country through the National Insurance Commission (NAICOM) Act 1997. The commission was set up to address the issue of ineffective regulation, supervision and control of insurance business in the economy which were largely in the hands of indigenous investors since the enactment of the Nigerian Enterprises Promotion Decree, 1977.
- 1999 Privatisation Decree was introduced.
- 2003 Insurance Act, No 1 of 2003 repealed and replaced Insurance Decree, No 2 of 1997.
- 2007 Radically increased capital requirements in February 2007 reduced the number of insurers from 103 to 53 by January 2008.
- 2010 The Employee's Compensation Act, No 13 of 2010 created a state-run workers' compensation scheme run by the Nigeria Social Insurance Trust Fund (NSITF) management board.
- Banking regulations came into effect requiring banks to divest non-banking business including insurance. For those wishing to maintain an interest in the insurance sector it became necessary to set up a holding company structure.
- 2013 Microinsurance and takaful were both acknowledged by supervisory guidelines.
- A new Pension Reform Act came into effect on July 1 2014. The new Act replaced the Pension Reform Act of 2004
- 2015 The incoming government appointed a new commissioner of insurance, the first since 2007.
- Regulatory changes were adopted in 2017, after the National Pension Commission (Pencom) directed NAICOM to bring annuity assets under the custodianship of Pension Fund Custodians (PFCs) in October 2016.

- The National Insurance Commission (NAICOM) introduced specific microinsurance guidelines effective from 1 January 2018. Their main objectives are to regulate market entry and exit, set up minimum operating standards and ensure consumer protection in the area of microinsurance. The guidelines replace previous regulation, apply to all operators, including intermediaries and loss adjusters, within the microinsurance market and require a specific licences and qualifications.
- In mid 2019, firms had to gear up for additional potential regulatory changes as the NAICOM announcement that insurance companies needed to further increase their capital bases, in line with the introduction of the Minimum Paid-up Share Capital Policy. This indicated that life insurance companies have to raise their minimum capital base to NGN8.0bn (from NGN2.0bn in 2017).
- As part of its drive to enforce the application of compulsory classes and increase insurance penetration, NAICOM then issued draft operational guidelines for the introduction of state insurance producers (SIP) in November 2018. Effective 1 January 2019 the SIPs would have been a new type of insurance intermediary, under the jurisdiction of the country's 36 states, with a focus on the placement and management of compulsory covers within those states. The proposal was immediately challenged by the Nigerian Council of Registered Insurance Brokers (NCRIB) and withdrawn by NAICOM on 20 December 2018. Commenting on these developments some sources felt that NAICOM did not sufficiently involve market players in what would have been major structural changes to the market.
- In April 2020, Tremendoc and AXA Mansard Health Limited announced a strategic partnership to provide AXA Mansard customers 24/7 access to licenced doctors on its mobile application through chat, audio and video calls.
- In February 2020, Tangerine Life (formerly Metropolitan Life Insurance Nigeria) acquired a majority stake in ARM Life Insurance.
- In August 2020, Verod Capital Management Limited announced that it completed the acquisition of 100% of Nigeria's AXA Mansard Pensions Limited.
- In response to a lockdown caused by the Covid-19 pandemic, in 2020, companies such as Old Mutual launched electronic channels to ensure customers can make claims through digital e-commerce web portals.
- In February 2022, FSD Africa and Nigeria's NAICOM partnered to launch BimaLab, which is an accelerator programme aimed to boost development and adoption of digital solutions in the insurance sector, with the aim of increasing the coverage of insurance in the country.
- In May 2022, Nigeria passed the National Health Insurance Authority Bill 2022, a new insurance law aimed at expanding coverage for 89.0mn vulnerable citizens unable to afford the costs of health care.
- At least 16 insurance companies have been given approval by the National Insurance Commission (NAICOM), to underwrite agricultural insurance across the country.
- In December 2022, Regulator eases rules to allow insurers to partner with more than 1 bank according to the revised bancassurance guidelines released by NAICOM.
- In 2023, The National Insurance Commission (NAICOM) has revealed that it has drawn up a 10-year strategic roadmap for the insurance market to elevate the industry.
- The National Insurance Commission (NAICOM) has licensed eight microinsurers and four takaful companies in a bid to improve financial inclusion gap.
- The National Insurance Commission (NAICOM) has released regulatory sandbox operating guidelines, that came into effect on 1 May 2023.
- The National Economic Council has strongly advised Nigeria to implement a national insurance policy against disasters, Minister of Budget and Economic Planning, Atiku Bagudu, said at a media briefing after the 137th council's meeting.
- The National Insurance Commission (NAICOM) is encouraging insurance companies to reduce their environmental footprint in their internal operations and business activities.
- The insurance industry is at the finalisation stage of the risk-based supervision (RBS) system, according to head of corporate communications and market development at NAICOM.

- The federal government and the National Insurance Commission (NAICOM) have started discussions to establish new guidelines for the insurance of government assets.
- Insurance companies in Nigeria have yet to implement International Finance Reporting Standard 17 (IFRS 17), although insurers in several other countries around the world started to adopt the standard from 1 January 2023. Several insurance companies operating in Nigeria have missed the deadline set by NAICOM for the full implementation of the new IFRS 17 accounting standard. Insurers were required to adopt the new accounting framework by 31 December 2023.
- In February 2024, members of the House of Representatives called for review of the current disaster policy framework for national development to put in place a new national disaster insurance scheme to ensure public confidence.

Insurance Regulator

National Insurance Commission (NICOM) <http://naicom.gov.ng> .

It is part of the Federal Ministry of Finance and was formed in accordance with National Insurance Commission Decree, No 1 of 1997.

- *The functions of NAICOM include establishing standards for the conduct of insurance businesses, approving rates for insurance premiums and commissions, as well as standards and warranties, and regulating transactions between insurers and reinsurers inside and outside Nigeria. NAICOM also ensures adequate protection of strategic government assets and other properties, and protects insurance policyholders, beneficiaries and third parties to insurance contracts.*
- *The inspectorate department of NAICOM carries out routine and special investigations of operators to ensure that they operate according to the provisions of the relevant Regulation and Policy Guidelines set out in the 2003 Insurance Act. In serious cases of breach of the provisions of the law and insolvency, the Commission has powers to suspend an operator from carrying on business, withdraw licences, take over the management, or liquidate the company or firm.*



Key Insurance Legislations & Regulations:

The following regulatory provisions govern the insurance sector in Nigeria:

- 1997 NAICOM Act: Established the Committee and outlined its objectives and functions, as well as dealing with failed and failing insurers.
- 2003 Insurance Act of 2003: Defined different types of insurance, set penalties for individuals not having insurance and regulated the process of obtaining insurance protection. It also laid out the process for registration of insurers and stipulated the types of investments they can hold.
- the Code of Corporate Governance for Licensed Pension Fund Operators 2008;
- PenCom's Regulation for Compliance Officers (April 2009);
- 2010 Local Content Act: Aimed to increase the participation of Nigerian insurance companies in the insurance of oil and gas risks. The law requires that all life insurance, 70.0% of non-life insurance and 40.0% of marine insurance businesses are underwritten locally.
- Basic of solvency margin operational Guidelines, 2011.
- the Code of Corporate Governance for Public Companies 2011;
- the Central Bank of Nigeria (Anti-Money Laundering and Combating the Financing of Terrorism in Banks and Other Financial Institutions in Nigeria) Regulations 2013;
- the National Insurance Commission (Anti-Money Laundering and Combating the Financing of Terrorism in Banks and Other Financial Institutions in Nigeria) Regulations 2013;



- the Operational Guidelines 2013 – Takaful Insurance Operators;
- the Prudential Guidelines for Insurers and Reinsurers (July 2015);
- 2014 Pension Reform Act: Stipulated that Nigerian employers must contribute to employees' pensions if they employ more than 15 staff members. This act also repealed the 2004 Pension Reform Act.
- the Central Bank of Nigeria's Revised Guideline for Finance Companies in Nigeria 2014;
- Microinsurance guidelines 2018: Their main objectives are to regulate market entry and exit, set up minimum operating standards and ensure consumer protection in the area of microinsurance.
- the Amended Investment Regulations – February 2018;
- the Nigerian Code of Corporate Governance 2018;
- the National Pension Commission (PenCom) Data Privacy Policy;
- the Federal Competition and Consumer Protection Act Merger Review Regulations 2020;
- the Corporate Governance Guidelines for Insurance and Reinsurance Companies in Nigeria 2021;
- National Health Insurance Authority Bill 2022, a new insurance law aimed at expanding coverage for 89.0mn vulnerable citizens unable to afford the costs of health care.
- Bancassurance guidelines 2017 and its recent modification to bancassurance practices came in December 2022, when NAICOM published new guidelines for the distribution channel.
- the Nigerian Insurance Industry ICT Guideline (N3IG) Version 1.0;

■ Compulsory Insurances

List of Compulsory Insurances

- Workers' compensation (state scheme).
- Motor third party bodily injury.
- Nigerian waters.
- Property owners' liability cover against collapse, fire, earthquake, storm and flood for buildings to which the public have access.
- Third party liability for construction projects of more than two floors.
- Marine cargo imports.
- Liability for vessel and tanker owners against oil pollution of
- Aviation liability insurance.
- Professional indemnity for insurance brokers.
- Professional indemnity for healthcare providers.
- Fidelity guarantee insurance for banks.
- Liability insurance in respect of clinical trials.
- Shipowners' liability against marine oil pollution (financial guarantee or insurance).



■ Pools:

The pools operating in the Nigerian market are as below.

- **The National Liability Pool:** deals with risks such as third party motor liability, directors' and officers' liability, product liability and other more specialist liability covers.
- **The African Aviation Pool:** is managed by Africa Re. Membership is taken from companies across Africa.
- **The African Oil and Energy Pool:** is managed by Africa Re. Membership is taken from companies across Africa.
- **The Energy and Allied Risks Insurance Pool of Nigeria (EAIPN)** was inaugurated in January 2015. The pool managed by Africa Re, was set up with the assistance of NAICOM .

Insurance Professional Bodies:

- **The Nigerian Insurers Association (NIA)** represents the majority of Nigerian insurers and reinsurers. This organization is involved in setting standards for the industry, protecting the interests of its members and liaising with the government and NAICOM. A major NIA project is currently establishing an industry-wide database to reduce fraud including the use of false motor and marine insurance certificates.
- **The Nigerian Council of Registered Insurance Brokers (NCRIB)** was established in 1962 to advance the interests of the broking sector of the industry. It is associated with the NIA and NAICOM. The NCRIB arbitrates between the individual organizations within its own membership and also between its members and third parties.
- **The Institute of Loss Adjusters of Nigeria (ILAN).**
- **Risk Managers Association of Nigeria (RMAN).**
- **The Chartered Insurance Institute of Nigeria (CIIN)** founded in 1959 closely liaises with the CII of the UK on examination matters.
- **The Professional Insurance Ladies Association of Nigeria (PILA)**



Form, Company Registration and Licences

- A license is required to operate in the Nigerian insurance industry. Since the establishment of insurance companies in the country is supervised and regulated by the NAICOM, an application for registration as an insurer should be made to them in a prescribed form, accompanied by a business plan and such other documents as the NAICOM may direct from time to time.
- Separate licences are issued in respect of life, non-life and reinsurance business. Composite companies are permissible; life and non-life insurances are, however, subject to separate licensing applications. If the NAICOM is satisfied that the applicant is meeting the stipulated conditions, it will register the applicant as an insurer and will issue a certificate of registration.
Where such company is incorporated or established, approval for new products must first be sought and obtained before they may be introduced into any class or category of insurance.

Foreign Ownership:

There are currently no restrictions on foreign investment in insurance sector organizations, which may be up to 100%.

Capital Requirements

In order to solidify Nigerian insurers, NAICOM moved to increase the minimum capital requirements. In May 2019 it published a circular increasing the minimum capital for companies across the market. Life insurance underwriting firms would have to raise their minimum capital from N2bn (\$4.8m) to N8bn (\$19.1m), while general or non-life insurance underwriting firms were expected to increase theirs from N3bn (\$7.1m) to N10bn (\$23.8m).

Nigerian insurers were expected to be in compliance with the change as of June 30, 2020, although this deadline was later pushed back to December 31, 2020. The pandemic led NAICOM to extend the deadline further for insurers, stating that capital increases could be done in two phases and would have to be fully completed by December 2021. However, in July 2022 the Federal High Court of Lagos ruled that NAICOM did not have the authority to unilaterally raise the minimum capital requirements for insurers without first amending the Insurance Act of 2003.



As of May 2023 the new minimum capital requirements for insurance companies had yet to be implemented. If enacted, the new limits would help insurance companies be more financially stable and increase public trust in the sector. Smaller operators would likely merge or be absorbed by competitors.

▪ **Position of Non-Admitted Insurers:**

Non-admitted insurance is not permitted in Nigerian insurance industry. However, exceptional risks can be insured with unauthorized insurer, provided prior approval is obtained from NAICOM.

▪ **Risk Based Capital –insurers:**

In furtherance of the Commission's commitment towards the transition to Risk-Based Supervision (RBS), beyond the rudimentary observance of rules in the compliance-based supervision, a comprehensive Framework for risk-based supervision is approved for the regulation of the industry as well as the RBS Inspection Manual covering the pre and post inspection activities. In the same vein, several regulatory guidelines and circulars including the code of corporate governance were issued by the Commission to ensure strong and efficient governance, internal control and good market conduct practices in the sector.

▪ **Statutory Tariffs**

Other than for compulsory motor liability cover, there are no statutory tariffs.

▪ **Reinsurance Business:**

- Reinsurance in Nigeria is governed by the Insurance Act, No 1 of 2003. This act specifically states that no person may transact insurance or reinsurance business with an insurer or reinsurer not registered in terms of the act.
- Circular No NAICOM/DPR/CIR/25/2019 titled Minimum Paid-up Share Capital Policy for Insurance and Reinsurance Companies in Nigeria was issued by NAICOM on 20 May 2019. It increased the minimum paid-up share capital for reinsurance companies from NGN 10bn (USD 31.74mn) to NGN 20bn (USD 63.47mn).
The legislation states that for new companies 50% of the minimum prescribed paid-up share capital must be deposited with the central bank on application. On registration 80% is returned with interest. Existing companies had to deposit 10% of the minimum prescribed paid-up share capital with the central bank.
- Section 4 of the Prudential Guidelines for Insurers and Reinsurers in Nigeria, 2015 regulates the requirements of reinsurance and the process to be followed for reinsurance placements abroad.
International Reinsurance (Inwards): A lot of foreign business is derived from the various African pooling arrangements. Africa Re accepts a lot of inwards business from outside of Nigeria, but is not strictly speaking a Nigerian company given its special status. The local reinsurance companies, especially Continental Re, accept international inwards business, but there are no market statistics to indicate the amounts involved.
- It is mandatory for 5% of the treaty programme to go to Africa Re.
- Under the terms of the Nigeria Oil and Gas Industry Content Development Act, signed into law on 23 April 2010, non-life insurances, with the exception of marine insurance, in respect of the local hydrocarbons industry must be placed 70% with the local insurance industry. Marine insurance is required to be placed 40% in the local market. A local broker must be used.
- There are no specific requirements in respect of reinsurer security or financial rating for reinsurers, other than for oil and gas reinsurances where capacity is provided by a foreign reinsurer, in which case it shall be with a company having a minimum financial strength rating of "A-" (Standard and Poor's) or "A" (AM Best).
- Reinsurance programmes are, however, subject to scrutiny by the supervisory authorities. Reinsurance programmes are also subject to the standard foreign currency controls.
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- Catastrophe excess of loss covers are available to the market but are not universally used. Catastrophe programmes cover the standard range of perils including earthquake, windstorm and flood.
- Non-admitted reinsurance is not permitted.
- Alternative risk transfer does not play a significant role in local insurance arrangements.



(B) Insurance Market Statistics & Performance



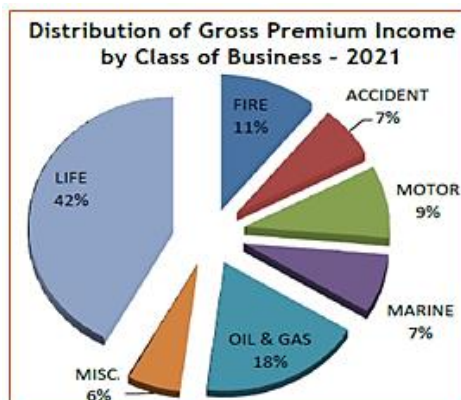
Number of insurance companies:

The latest figures published by the National Insurance Commission (NAICOM) indicate that the number of licensed insurance operators in Nigeria has gone up from 54 to 67 in 2023. The Nigerian insurance market now comprises.

12 composite companies, 27 non-life entities, 13 life companies,
3 reinsurers, 8 microinsurance companies 4 takaful companies

Life and Non-Life main indicators

Gross Premium Income: Non-Life & Life Businesses: 2017 - 2021								
Currency: ₦ Million								
Year	Fire	Gen. Accident	Motor	Marine & Aviation	Oil & Gas	Miscellaneous	Life Business	Industry Total
2017	41,432.58	27,678.31	45,083.60	16,916.21	67,520.53	21,167.38	152,559.81	372,358.42
2018	45,036.60	28,782.71	40,149.33	26,472.04	82,236.87	22,733.62	180,799.76	426,210.93
2019	52,968.16	34,878.19	43,878.79	27,927.89	94,705.48	26,988.11	226,883.43	508,230.05
2020	47,888.27	36,587.63	47,515.23	33,107.78	91,877.70	25,735.09	231,876.15	514,587.85
2021	68,116.52	41,088.72	57,297.24	47,326.82	114,416.82	37,550.96	265,618.64	631,415.72



Annual Growth Rates of Net Premium Income (%)							
Year	Fire	Gen Accident	Motor	Marine & Aviation	Oil & Gas	Miscellaneous	Life Business
2017	(3.7)	(7.1)	3.8	(2.6)	34.2	1.6	18.5
2018	18.3	(2.4)	(8.3)	39.5	57.1	35.4	19.9
2019	16.7	11.1	12.4	12.7	(6.5)	(2.9)	24.9
2020	(21.0)	15.4	8.7	(3.5)	(13.2)	14.3	2.2
2021	66.1	7.4	18.2	68.6	24.7	26.8	12.3

Source: NAICOM Annual Insurance Report 2021

• **Retention Ratios:**

Retention Ratios for Non-Life and Life Insurance Business; 2017 To 2021			Retention (%) of Non-Life Insurance by Class of Business						
Year	Non-Life Insurance (%)	Life Insurance (%)	Year	Fire	Gen Accident	Motor	Marine & Aviation	Oil & Gas	Miscellaneous
2017	57.6	91.0	2017	47.4	72.2	89.1	62.5	37.9	50.3
2018	60.7	92.1	2018	51.6	67.7	91.8	55.7	48.9	63.4
2019	56.3	91.7	2019	51.2	62.1	94.5	59.5	39.7	51.8
2020	55.2	91.6	2020	45.1	68.3	94.9	48.4	35.5	62.1
2021	55.7	89.8	2021	52.2	65.3	93.0	57.1	35.6	54.0

• **Claims Paid:**

Gross Claims Paid - Non-Life & Life Insurance In: 2017 -2021								
Currency: ₦-Million								
Year	Fire	General Accident	Motor	Marine & Aviation	Oil & Gas	Miscellaneous	Life Business	Industry Total
2017	23,636.03	9,994.79	20,849.42	5,570.08	44,174.34	9,717.26	72,506.11	186,448.03
2018	20,348.49	11,175.70	17,455.64	13,303.84	51,141.10	7,052.83	131,712.61	252,190.21
2019	30,967.18	13,246.25	19,764.95	11,349.68	20,148.05	5,919.15	123,776.03	225,171.29
2020	33,626.45	14,945.24	19,068.71	12,922.09	35,182.12	8,182.53	123,307.79	247,234.93
2021	54,742.44	17,829.65	26,752.70	10,743.18	40,048.72	14,424.71	159,263.25	323,804.65

Premiums and Claims Statistics, 2021				
Currency: ₦-Million				
Description	Gross premium	Net premium	Gross claims	Net claims
Non-Life Insurance Business	365,797.1	203,680.3	164,541.4	91,817.4
Life Insurance Business	265,618.6	238,622.9	159,263.3	150,361.7

• **Total Assets:**

Total Assets 2017 - 2021					
Currency: ₦-Million					
Year	2017	2018	2019	2020	2021
Non-Life Business	709,357.5	730,360.2	691,641.5	850,940.7	1,132,170.2
Life Business	419,116.3	599,585.9	833,461.0	1,201,282.3	1,089,577.2
Total	1,128,473.9	1,329,946.0	1,525,102.4	2,052,223.0	2,221,747.4

Source: NAICOM Annual Insurance Report 2021

Top Nigerian Insurance Companies

		2015	2016	2017	2018	2019	2020
Top 10 Life Insurance Companies in 2020	AIICO	126.0	87.5	37.3	87.0	121.4	131.9
	FBN Life	50.5	39.1	63.4	84.9	122.6	108.9
	Custodian Life	36.8	47.9	40.4	44.7	71.7	72.6
	Leadway Assurance	162.2	124.6	200.4	181.5	181.2	64.4
	Mutual Benefit Life	17.9	16.3	15.2	19.3	27.6	30.0
	AXA Mansard	18.9	14.1	11.6	15.5	25.8	20.8
	Capital Express	7.9	11.4	7.7	11.1	14.4	17.6
	Lasaco	9.8	8.8	7.4	11.0	18.4	17.4
	African Alliance	73.8	51.1	20.6	16.9	23.7	16.6
	Cornerstone	11.3	7.1	5.4	8.6	12.5	15.5

		2015	2016	2017	2018	2019	2020
Top 10 Non-Life Insurance Companies in 2020	Custodian And Allied	85.9	64.0	64.3	77.8	83.6	89.4
	Leadway	101.4	85.0	76.6	98.8	114.2	85.7
	NEM	55.6	41.9	43.0	46.9	62.7	60.4
	AXA Mansard	63.6	56.4	57.9	59.6	65.3	55.9
	AIICO	39.1	28.9	27.1	33.9	39.7	39.0
	Zenith General	41.7	33.7	34.2	35.8	42.2	38.6
	Royal Exchange Assurance	36.2	35.5	33.4	37.3	36.4	32.9
	WAPIC	25.4	20.6	21.2	33.9	34.9	32.4
	Sovereign Trust	37.0	26.7	27.1	34.3	35.4	31.0
	Cornerstone	25.8	22.8	19.5	24.9	25.2	28.5

Source: NAICOM Company Annual Report, Fitch Solutions

Top 20 Nigerian insurance companies in 2022	Rank	Companies	Figures in thousands				2021-2022 Evolution ⁽²⁾
			2022 Turnover ⁽¹⁾		2021 Turnover		
			NGN	USD	NGN	USD	
	1	Leadway Assurance	92 529 579	206 341	70 624 353	171 617	30.97%
	2	AIICO Insurance	88 323 333	196 961	71 646 427	174 101	23.28%
	3	Custodian and Allied Insurance	74 032 988	165 094	66 228 179	160 934	11.78%
	4	AXA Mansard Insurance	68 980 044	153 826	60 197 851	146 281	14.59%
	5	Mutual Benefits Assurance	33 785 822	75 342	29 299 247	71 197	15.31%
	6	N.E.M. Insurance	33 369 049	74 413	27 875 088	67 736	19.71%
	7	Cornerstone Insurance	22 281 791	49 688	20 920 553	50 837	6.51%
	8	Coronation Insurance	19 835 299	44 233	14 130 020	34 336	40.38%
	9	Sovereign Trust Insurance	15 228 771	33 960	12 718 526	30 906	19.74%
	10	Lasaco Assurance	13 908 476	31 016	13 282 516	32 276	4.71%
	11	Linkage Assurance	12 979 789	28 945	11 161 499	27 122	16.29%
	12	Consolidated Hallmark Insurance	12 815 006	28 577	10 500 388	25 516	22.04%
	13	Prestige Assurance	12 443 817	27 750	9 274 005	22 536	34.18%
	14	Sunu Assurances Nigeria	6 687 387	14 913	6 146 093	14 935	8.81%
	15	Universal Insurance	5 666 321	12 636	3 701 938	8 996	53.06%
	16	Regency Alliance Insurance	5 572 455	12 427	5 118 468	12 438	8.87%
	17	Veritas Kapital Assurance	4 668 741	10 411	6 318 949	15 355	-26.12%
	18	Guinea Insurance	1 359 246	3 031	2 125 000	5 164	-36.04%
	19	International Energy Insurance	870 981	1 942	687 076	1 670	26.77%
	20	Royal Exchange Assurance Nigeria	-650 477	-1 451	2 843 067	6 909	-122.88%
		Total	524 688 418	1 170 055	444 799 243	1 080 862	17.95%
		Rest of the market ⁽³⁾	201 511 582	449 371	171 800 757	417 476	17.31%
		Grand total	726 200 000	1 619 426	616 600 000	1 498 338	17.77%

* This ranking covers the main Nigerian insurance companies listed on the stock exchange.

(1) Unaudited financial statements

(2) Evolution in current currency

(3) 31 companies

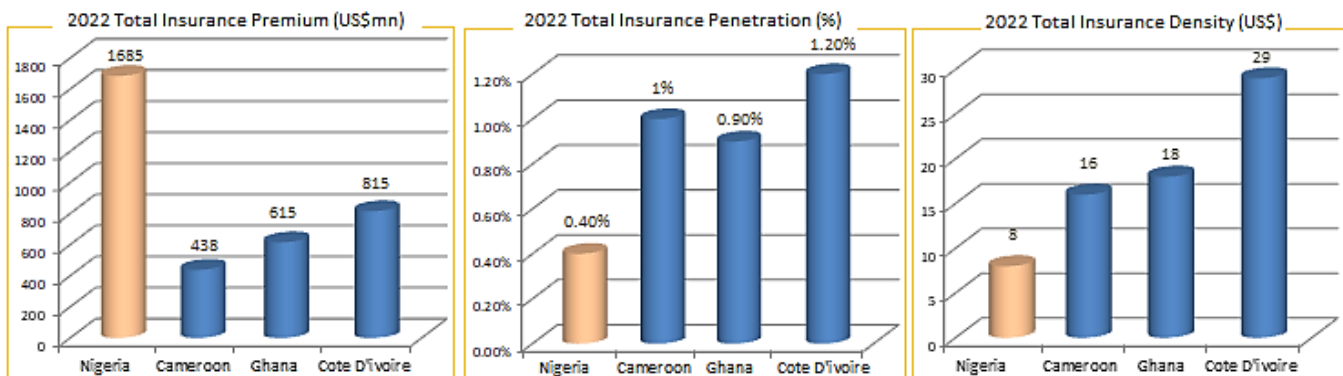
Exchange rate as at 31/12/2018: 1 NGN = 0.00274 USD ; at 31/12/2019: 1 NGN = 0.00274 USD ; at 31/12/2020: 1 NGN = 0.00261 USD ; 31/12/2021: 1 NGN = 0.00243 USD ; at 31/12/2022: 1 NGN = 0.00223 USD

Sources : Companies Reports, African Financials

Nigerian Insurance Market Key highlights 2022 & 2023

- The insurance sector had in the past 8 years witnessed 15 per cent annual growth from N282.9 billion in 2015 to N726 billion in 2022 with 33.9% increase in premium income according Nigerian Insurers Association (NIA). The market is expected to achieve a CAGR of more than 10% during 2023-2027.
- Leading insurance companies in Nigeria paid a total of N129.93 billion in net claims in the full year of 2022 as against N109.63 billion recorded during the comparable period in 2021. This means the insurance companies paid 39% of their premium income as claims expenses compared to 41% in 2021, a marginal decrease of 2%.
- Agents contribute 51% of the gross premiums generated in the insurance market, according to the national president of the Association of Registered Insurance Agents of Nigeria (ARIAN).
- NAICOM in its 3rd quarter 2023 Insurance market report, titled "*Nigeria Insurance Market At A Glance – Q3, 2023*" stated that Insurance companies generated N729.1 billion in premiums during the first 3 quarters of 2023, marking a substantial increase of N196 billion compared to the N532.7 billion generated in the corresponding period of 2022. According to NAICOM, the collected N729.1 billion falls short of the N1 trillion target set for the year by approximately N279 billion.
- The NAICOM report highlighted that insurance firms reported gross claims of N365.5 billion in the first 3 quarters of the year 2023, with net claims paid amounting to N259 billion. This represents a 24.9% increase compared to the N207 billion paid during the same period in 2022. The industry's claims ratios during the period under review showed that total claims to total premium was 59.1% ratio of claims paid to industry was 70.9% ratio of claims paid to non-life was 55.0% and ratio of claims paid to life was 94.9%.
- NAICOM identified key growth drivers in the industry during this period, citing individual life insurance (36.4% growth contribution) and group life insurance (34.5% growth contribution). Additionally, oil and gas contributed 28.9%, fire contributed 23.6%, and motor insurance contributed 18.1% to the overall growth.
- The total size of the industry, in the first 3 quarters of the year 2023, reached the N2.8 trillion mark, with non-life insurance accounting for N1.74 trillion in total assets and life insurance comprising N1.07 trillion in total assets.
- The industry's paid-up capital amounted to N422.3 billion.
- Total industry capital stood at N848.9 billion, and the statutory deposit was N26.7 billion. NAICOM also reported a 1.5% change in capital on a quarter-on-quarter basis and a 19.9% change in the months under review between 2022 and 2023.

➤ NIGERIAN Insurance Market: Regional Comparison



Source: SwissRe Sigma Explorer (<http://www.sigma-explorer.com>)



Strengths	<ul style="list-style-type: none"> ▪ Nigeria's population is the largest population in Africa and will grow quickly over the medium term, increasing demand for banking services and insurance products. The increase in demand will also be supported by rising household incomes. ▪ The banking system is stable, in aggregate. Since the global financial crisis in 2009, the regulator has instituted reforms to promote financial stability, and increased the powers of the central bank. ▪ Nigeria is home to the continent's first digital currency. The country also has the largest instant payments service in Africa, and the sixth largest globally. This is all helping increase financial inclusion. ▪ The country's sovereign wealth fund had total assets worth NGN1.2trn, as of end-2021, a 25.1% y-o-y increase, making it an impressive fund in the region.
Weaknesses	<ul style="list-style-type: none"> ▪ Competition in the banking and insurance sectors is limited. The banking sector is highly concentrated in the hands of a few domestic banks, with the top three banks holding around 55% of total assets. For some of the top banks, solvency is a concern. This is also the case for the insurance sector, specifically the life segment, with the top three insurers accounting for 39.8% of the total market share. ▪ Banking security is weak, and even the country's largest banks are at risk from hacking and fraud loss. Eight banks lost NGN1.9bn to fraudulent activities in 2020. This is becoming an increasing issue, as electronic banking becomes more popular, but there is inefficient supervision, a lack of KYC, and poor oversight by banks and regulators. ▪ Low household incomes, with 40% of households living below the poverty line, currently limits the capacity for spending on non-compulsory insurance or financial planning products. ▪ The economy is overly dependent on the oil sector, which means that any downturn in oil prices negatively affects growth in lending and insurance underwriting, because some of the country's key borrowers and consumers of insurance are oil and gas companies. Nigeria lost USD1.0bn in Q122 due to oil theft and vandalism.
Opportunities	<ul style="list-style-type: none"> ▪ Fintech may promote the adoption of financial services among an underbanked population. Nigeria is currently home to five out of a total seven unicorns in Africa, and we expect further investment in the country's fintech industry over the coming years. ▪ Educating the young and growing population about the value of financial services provides growth opportunities in the medium term since their incomes are rising and life expectancy is higher. ▪ Compulsory group cover for employers provides potential for growth in corporate business and gradually improves knowledge of insurance in the population. ▪ The pandemic showed that the diversification of the economy away from the oil sector may reduce the volatility in the growth caused by the fortunes of that industry. ▪ The redesigning of the bank notes at the end of 2022 will help bring more into the formal banking sector, will mop up excess cash in circulation, improve money laundering and terrorist financing monitoring and increase mobile and digital banking transactions.
Threats	<ul style="list-style-type: none"> ▪ The unstable security situation in Nigeria limits both economic and income growth, which ultimately drive the demand for financial services. In 2021, 2,600 civilians were killed by armed groups, an increase of 250.0% y-o-y. ▪ The recent grey listing of Nigeria by FAFT, as the country failed to comply with money laundering and terrorist financing standards, will increase the cost of local bank transactions with the rest of the world given their higher risk profile. ▪ Economic growth is expected to slow this year and inflation will remain elevated. This will reduce household disposable incomes and weigh on corporations' profits, which will reduce demand for financial services. ▪ Nigeria's human capital development ranks among the worst globally, according to the World Bank, estimating children will grow up to achieve just 36.0% of productivity they could achieve with full health and education, the seventh lowest in the world. This will weigh on all sectors of the economy, including banking and financial services.

➤ NIGERIA: Insurance Market Forecast:



- We forecast growth of 20.6% y-o-y for total gross premiums written in Nigeria in 2023, up from growth of 15.0% in 2022, before slowing to 19.7% in 2024. This will be boosted by high inflation and depreciation of the naira in 2023.
- For the life sector, we forecast growth in premiums written of 26.5% in 2023, up from 16.4% recorded in 2022, before slowing slightly to 24.5% in 2024. We forecast premiums written to average 12.7% for the period 2025-2032, below the pre-pandemic five-year average of 21.5%. This will largely be driven by rising levels of disposable incomes, which in turn will drive up demand in investment life products.
- Meanwhile, we forecast premium growth in the slightly larger non-life insurance sector of 16.3% in 2023 and 15.8% in 2024, following growth of 14.1% in 2022. We forecast premiums written to average 12.3% for the period 2025-2032, above the pre-pandemic five-year average of 7.4%. Non-life insurance will see its markets share of total gross premiums written continue to fall slightly, down from an estimated 55.4% in 2023.

Gross Insurance Premiums Written (Nigeria 2021-2026)

Indicator	2021e	2022e	2023f	2024f	2025f	2026f
Gross life premiums written, NGNbn	273.87	302.48	334.70	375.71	419.56	467.66
Gross life premiums written, NGN, % y-o-y	8.4	10.4	10.7	12.3	11.7	11.5
Gross non-life premiums written, NGNbn	330.17	353.22	377.25	403.57	431.81	461.68
Gross non-life premiums written, NGN, % y-o-y	6.7	7.0	6.8	7.0	7.0	6.9
Total gross premiums written, NGNbn	604.04	655.70	711.96	779.28	851.38	929.34
Total gross premiums written, NGN, % y-o-y	7.5	8.6	8.6	9.5	9.3	9.2

Fitch Solutions/NAICOM

Gross Insurance Premiums Written (Nigeria 2027-2032)

Indicator	2027f	2028f	2029f	2030f	2031f	2032f
Gross life premiums written, NGNbn	521.52	583.60	660.82	735.86	824.62	923.10
Gross life premiums written, NGN, % y-o-y	11.5	11.9	13.2	11.4	12.1	11.9
Gross non-life premiums written, NGNbn	493.15	529.64	571.86	610.93	657.90	709.68
Gross non-life premiums written, NGN, % y-o-y	6.8	7.4	8.0	6.8	7.7	7.9
Total gross premiums written, NGNbn	1,014.66	1,113.24	1,232.68	1,346.79	1,482.52	1,632.78
Total gross premiums written, NGN, % y-o-y	9.2	9.7	10.7	9.3	10.1	10.1

f = Fitch Solutions forecast. Source: NAICO, Fitch Solutions

