

THE INSURANCE COMPANIES IN NIGERIA: SOURCES AND APPLICATION OF FUNDS 1979-1982

This report analyses insurance companies' sources and application of funds between 1979 and 1982 with a view to ascertaining the industry's performance. The companies discussed here are those whose annual returns were submitted to the insurance division of the Federal Ministry of Finance. Adjustments in form of estimates have been made for cases of non-response.

The report is divided into five parts. Part I briefly discusses the structure of the industry, that is, its number and type, ownership, paid-up capital and income and expenditure, while parts II and III examine in detail the sources and application of funds arising from the underwriting of life, and non-life insurance policies. Part IV analyses the assets and investment patterns of the industry, while part V contains the summary and conclusion.

PART I STRUCTURE OF INSURANCE BUSINESS

1. Number and Type

The analysis of the number and percentage distribution of insurance companies by type of business transacted is shown in Table I. Total number of reporting companies increased from 66 in 1979 to 70 in 1980 but fell to 66 in 1981 and rose to 79 in 1982. The fall in the number of insurance companies in 1981 was attributed among others to inability of some companies to meet the requirements of the legislations guiding the operations of insurance business in Nigeria¹.

The number of exclusively Life Insurance Companies fell continuously from 5 in 1979 to 4 in 1980 and to 3 in 1982. The fall in 1980 was due to a joint statement of Accounts submitted by United Nigeria Life Insurance company and its counterpart, United Nigeria Insurance company which writes only non-life² insurance policies. The fall in 1982 was due to non compliance by a company with the provisions of the insurance Act of 1976.

The number of wholly non-life insurance companies increased from 45 or 68.2 per cent. of total insurance companies in 1979 to 50 or 71.4 per cent. in 1980, but fell to 45 or 68.2 per cent. in 1981 and rose to 55 or 69.6 per cent. in 1982. The number of composite companies, that is, those underwriting both life and non-life policies increased from 16 in 1979 and 1980 to 17 in 1981 and to 21 in 1982. The table also shows that life insurance companies as a proportion of total insurance companies has fallen continuously from 7.6 per cent. in 1979 to 3.8 per cent. in 1982. This declining trend can be attributed to the risky and relatively less profitable nature of the business. Consequently most insurance companies, with long cherished aim of maximizing profit, engage more actively with selling non-life policies than life policies.

2. Ownership

The number of Nigerian owned reporting insurance companies rose from 49 or 74.2 per cent. of total insurance

companies in 1979 through the years to 62 or 78.5 per cent. in 1982. In the case of jointly-owned insurance companies, that is, those held by both Nigerians and expatriates, the number fell from 17 or 25.8 per cent. of total insurance companies in 1979 to 16 or 22.9 per cent. in 1980 and 1981 but increased to 17 or 21.5 per cent. in 1982. (See Table 2).

3. Paid-Up Capital

Paid-Up capital of wholly Nigerian owned companies increased from ₦32.1 million or 73.8 per cent. of total paid-up capital in 1979 to ₦46.3 million or 74.1 per cent. of total paid-up capital in 1982. Paid-up capital of jointly owned companies amounted to ₦11.4 million and accounted for 26.2 per cent. of total paid-up capital in 1979, but fell to ₦9.5 million or 22.6 per cent. of the total in 1980, and thereafter rose to ₦10.0 million and ₦16.2 million or 23.2 and 25.9 per cent. of total paid-up capital in 1981 and 1982 respectively. (See Table 3).

4. Income and Expenditure

Total income and expenditure of all insurance companies in Nigeria analysed by type of ownership is shown in Table 4. Total income of all insurance companies in Nigeria increased by 28.4 per cent. from ₦225.2 million in 1979 to ₦289.1 million in 1980 and by 27.1 per cent. and 9.4 per cent. to ₦367.6 million and ₦402.0 million in 1981 and 1982 respectively. Income of wholly Nigerian-owned companies increased by 40.5 per cent. to ₦160.3 million in 1980 and by 37.9 and 1.4 per cent. to 221.0 and ₦224.0 million in 1981 and 1982 respectively.

All categories of insurance companies recorded total expenditures of 159.2, 187.2, 232.0 and ₦272.4 million in 1979, 1980, 1981 and 1982 respectively. Total expenditure of wholly Nigerian owned companies rose from ₦85.3 million in 1979 to ₦106.2 million in 1980 and to 137.6 and ₦143.5 million in 1981 and 1982 respectively. Similarly, total expenditure of jointly owned companies increased from ₦73.9 million in 1979 to ₦81.0 million in 1980 and to 94.3 and ₦128.9 million in 1981 and 1982 respectively.

¹ For Insurance Act of 1976, see Federal Republic of Nigeria Official Gazette supplement Vol. 63. January-December 1976, pages A 261-A 291.

² Non-life insurance, often referred to as general insurance, underwrites policies for fire accident, motor vehicle, workman's compensation and marine aviation and miscellaneous.

PART II LIFE INSURANCE BUSINESS

1. Income

Total income of all companies underwriting life insurance policies increased from ₦81.8 million by ₦19.1 million or 23.3 per cent. in 1979 to ₦100.9 million in 1980 and by ₦26.0 million or 25.7 per cent. to ₦126.9 million in 1981. Total income further increased by ₦15.7 million or 12.4 per cent. to ₦142.6 million in 1982. These absolute increases occurred in both indigenously and jointly owned enterprises. Income of wholly Nigerian owned companies rose by 24.9 per cent. to ₦45.7 million in 1980 and by 52.7 per cent. to ₦69.8 million in 1981 but fell by 7.5 per cent. to ₦64.6 million in 1982. Total income of wholly Nigerian owned companies accounted for 44.7 per cent. of total income in 1979 and rose to 45.3 and 55.0 per cent. in 1980 and 1981 but fell to 45.3 per cent. in 1982. Jointly owned companies had a total income of ₦45.2 million, representing 55.3 per cent. of total income in 1979 and thereafter rose to 55.2, 57.1 and ₦78.0 million, accounting for 54.7, 45.0 and 54.7 per cent. of total income in 1980, 1981 and 1982 respectively.

2. Expenditure

Total expenditure of all Life Assurance companies advanced progressively from ₦40.4 million in 1979 to 49.5, 64.3 and ₦80.9 million in 1980, 1981 and 1982 respectively.

At ₦15.4 million, expenditure of indigenous companies constituted 38.1 per cent. of total expenditure in 1979 while at 21.7, 32.0 and ₦31.2 million, expenditure of these companies represented 43.8, 49.8, and 38.6 per cent. of total expenditure in 1980, 1981 and 1982 respectively. Expenditure of jointly owned companies rose progressively from ₦25.1 million in 1979 to 27.8, 32.3 and ₦49.7 million and accounted for 61.9, 56.2, 50.2 and 61.4 per cent. of total expenditures in 1979, 1980, 1981 and 1982 respectively. (See Table 5).

3. Sources of Funds

Table 6 presents income, expenditure and fund of life insurance companies in Nigeria for the period 1979-1982.

Premium which was the main source of income for life insurance companies accounted on the average for 80.0 per cent. of total income during the review period. Investment income averaged 15.1 per cent. while miscellaneous receipts and profit on sale of assets accounted for 4.4 and 0.5 per cent. respectively.

Premium income rose progressively from ₦65.3 million in 1979 to 84.4, 105.5 and ₦106.6 million in 1980, 1981 and 1982 respectively. Investment income also increased from ₦12.4 million in 1979 to 15.2, 19.7 and ₦21.1 million in 1980, 1981 and 1982 respectively. The value of miscellaneous receipts declined from ₦3.7 million in 1979 to ₦1.3 million in 1980 but rose to ₦1.7 million in 1981 and ₦13.3 million in 1982.

4. Life Insurance Funds

Life Insurance Funds expanded by 18.5 per cent. from ₦199.1 million at the end of 1979 to ₦236.0 million in 1980 and by 27.3 and 21.0 per cent. to ₦300.3 million in 1981 and ₦363.4 million in 1982.

The Life Insurance Fund of indigenous companies stood at ₦87.8 million in 1979 and represented 44.1 per cent. of total funds while jointly owned companies funds totalled ₦111.3 million or 55.9 per cent. of total funds. The fund at the end of 1980 was ₦107.1 million or 45.4 per cent. and ₦128.8 million or 54.6 per cent. for indigenous and jointly owned companies respectively. By the end of 1981, the situation was reversed as indigenous companies' fund rose to ₦163.4 million or 54.4 per cent. of total funds while the share of jointly-owned at ₦137.0 million declined to 45.6 per cent.. However, at the end of 1982, the fund of jointly-owned companies rose to ₦187.1 million thus accounting for 51.5 per cent. of total funds while the share of indigenous companies at ₦176.2 million declined to 48.5 per cent. (See Table 6).

5. Application of Funds

For the purpose of this analysis, all expenditure items of Life Insurance companies are being grouped into six, viz., Net claims paid, Bonuses, Net commission, Surrenders and Outstanding claims, Management expenses and other expenditures.

Total outgoings increased from ₦40.4 million in 1979 to 49.5, 64.3 and ₦80.9 million in 1980, 1981 and 1982 respectively. Management expenses formed the bulk of the expenditure accounting for 41.2, 30.4, 32.3 and 26.8 per cent. in 1979, 1980, 1981 and 1982 respectively. These were followed by net commission which increased from ₦7.9 million in 1979 to 11.0, 13.3 and ₦12.9 million in 1980, 1981 and 1982 respectively and accounted for 19.6, 22.2, 20.7 and 15.9 per cent. of total expenditure in the respective years. Net commission represents the cost of securing new and maintaining old business (policies) for Life Insurance companies' agents. Next were surrenders and outstanding claims which rose from ₦6.8 million in 1979 to 10.4, 12.0 and ₦20.7 million and representing 16.8, 21.0, 18.7 and 25.6 per cent. of total expenditure in 1979, 1980, 1981 and 1982. At ₦10.3 million, net claim paid out in 1980 almost doubled its 1979 level of ₦5.4 million. Its value further increased by 22.5 per cent. to ₦12.6 million in 1981 and by 22.1 per cent. to ₦15.4 million in 1982. On the whole, the proportions of net claims paid to total outgoings were 13.3, 20.8, 19.6 and 19.0 per cent. in 1979, 1980, 1981 and 1982 respectively. Bonuses dropped from ₦1.7 million or 4.2 per cent. of total in 1979 to ₦0.6 million or 1.2 per cent. of total in 1980. Thereafter, bonuses rose rapidly to ₦3.3 million or 5.0 per cent. and ₦4.7 million or 5.8 per cent. of total claims in 1981 and 1982 respectively. (See Table 6.)

PART III NON-LIFE INSURANCE BUSINESS

1. Income

Non-life insurance companies (general insurance companies) derive their income from premiums they receive from the sale of policies against loss of property resulting from accident, fire, theft etc, and also from income derived from investments. Total income of general insurance companies increased progressively from ₦155.4 million in 1979 to 188.2, 240.7 and ₦259.4 million in 1980, 1981 and 1982 respectively. Income of wholly Nigerian owned companies rose by 28.0, 31.9 and 5.4 per cent. to 114.6, 151.2 and ₦159.4 million in the respective years while income of jointly owned enterprises increased by 11.8 per cent. to ₦73.7 million in 1980 and by 21.4 and 11.7 per cent. to 89.5 and ₦100.0 million in 1981 and 1982 respectively. Income of indigenously owned companies therefore grew at an average rate of 21.8 per cent. as against 15.0 per cent. for jointly owned companies during the period under review.

2. Expenditure

Expenditure of non-life insurance companies rose from ₦121.2 million in 1979 to 137.7, in 1980 and 167.7 and ₦191.5 million in 1981 and 1982 respectively. This represented annual growth rates of 13.6, 21.8 and 14.2 per cent. in 1980, 1981 and 1982. Expenditure of Nigerian owned companies stood at ₦72.4 million in 1979 and accounted for 59.7 per cent. of total expenditure in that year while at 84.5, 105.7 and ₦112.3 million in 1980, 1981 and 1982, expenditure of Nigerian owned companies contributed 61.4, 63.0 and 58.6 per cent. to total expenditure in the respective years. Expenditure of jointly owned companies rose from ₦48.8 million in 1979 to 53.2, 62.0 and ₦79.2 million and accounted for 40.3, 38.6, 37.0 and 41.4 per cent. of total expenditure in 1979, 1980, 1981 and 1982 respectively.

3. Sources of Funds

Analysis of sources of income of non-life insurance business is presented in Table 8. All categories of non-life insurance companies collected total premium of ₦148.6 million in 1979 and ₦179.6, ₦234.1, and ₦248.6 million in 1980, 1981 and 1982 respectively. Premium income accounted on the average for 96.1 per cent. of aggregate income of non-life companies during the period under review. The indigenous companies were responsible for 61.1 per cent. of total premiums while joint enterprises accounted for the remaining 38.9 per cent..

The bulk of this premium came from earnings on insurance policies on motor vehicles and marine, aviation and transit business which on the average accounted for 51.5 and 15.1 per cent. respectively during the review period. Premium from motor vehicle insurance rose by 10.3 per cent. to ₦92.1 million in 1980 and by 26.4 and 4.3 per cent. to 116.4 and ₦121.4 million in 1981 and 1982 respectively. Thus, premium from motor vehicles recorded an average growth rate of 13.7 per cent. during the review period.

Premium from marine, aviation and transit business insurance amounted to ₦16.1 million in 1979 and thereafter rose by 83.3 per cent. to ₦29.6 million in 1980 and by 40.3 and 2.6 per cent. to 42.1 and ₦43.2 million in 1981 and 1982 respectively. Thus, premium from this source accounted for 10.1, 16.8, 18.0 and 17.4 per cent. of total premium in 1979,

1980, 1981 and 1982 respectively. During the period under review, this source of income was responsible on the average for 15.1 per cent. of total premium.

The insurance of property against loss by fire has assumed some significance following the frequent incidents of fire outbreak in the country³. Premium from this category of insurance stood at ₦17.1 million in 1979 but declined by 3.9 per cent. to ₦16.5 million in 1980 and after that rose by 29.2 and 24.4 per cent. to 22.1 and ₦27.5 million in 1981 and 1982 respectively. On the average premium from insurance against fire accounted for 10.3 per cent. of total premium of non-life insurance companies during the period. There is great scope for expansion in the fire insurance business in the future with the continued construction and renovation of high-rise building with the attendant risks of fire and allied perils.

Premiums from accident, employers' liability and miscellaneous categories of insurance altogether amounted to ₦31.8 million and constituted 21.4 per cent. of total premium in 1979, ₦41.4 million or 23.0 per cent. in 1980, ₦53.4 million or 22.8 per cent. in 1981 and ₦56.5 million or 22.7 per cent. in 1982. Employers' liability insurance scheme contributed on the average 4.3 per cent. of total premium income during the period under review. This contribution is very insignificant in view of the fact that the scheme is compulsory for employers of labour employing more than 10 workers⁴. This low level of contribution is attributed to the inapplicability of the workman's compensation Act of 1942 to a wide range of workers. In section 2 of the Act, the following categories of workers are excluded from the definition of the 'workman'

- (a) A workman earning in excess of £800 or ₦1,600 per annum unless he earns such money from manual labour;
- (b) A member of the employer's family living in his house;
- (c) Anyone working for an agricultural or handicraft establishment employing less than 10 workers.

When consideration is given to the purchasing value of £800 in 1958 and ₦1,600 now and the growing number of small-scale industries and business in the country, the number of workers kept out of any benefit from the Act will be very large. And this means loss of premium to the insurance industry. Consequently, there is a great need to up-date the Act to conform with the changing social status of our working-class group.

Incomes from interest, dividends and rents were under ₦4.0 million throughout the period under review with the highest amount of ₦4.0 million or 1.5 per cent. of total income recorded in 1982. On the average income from interest, dividends and rents accounted for 1.5 per cent. of total income during the review period. Income from other receipts amounted to 4.1, 6.0, 3.4 and ₦6.8 million

³ The Accounts section of P&T (Headquarters, Marina) was razed down by fire in December, 1977, while the multi-storey building of Ministry of Education was engulfed by fire in 1980, etc.

⁴ Workmen's compensation Act 1942 cap. 222, Laws of Nigeria 1958.

representing 2.6, 3.2, 1.4 and 2.6 per cent. of total income in 1979, 1980, 1981 and 1982 respectively. (See Table 8.)

4. Application of Funds

An analysis of expenditure of non-life insurance companies is shown in Table 9. All claims amounted to ₦59.1 million and constituted 48.8 per cent. of total claims in 1979, ₦59.4 million or 43.1 per cent. in 1980, ₦74.2 million or 44.3 per cent. in 1981 and ₦79.2 million or 41.3 per cent. in 1982.

A breakdown of total claims into its components shows that motor vehicle claims at annual average of ₦42.8 million and accounting for 63.4 per cent. of all claims during the period under review was the highest. This was followed by claims on marine insurance with an average of ₦9.0 million or 13.3 per cent.. Fire, accident, employers liability and miscellaneous claims had 5.6, 3.6, 1.4 and ₦5.6 million and constituted 8.3, 5.1, 2.1 and 7.9 per cent. respectively of total claims during the period under review.

On yearly basis, motor vehicle claims stood at ₦38.9 million in 1979 and thereafter rose to 40.5 and ₦47.0 million in 1980 and 1981 but fell by 4.9 per cent. to ₦44.7 million in 1982. Marine insurance claims amounted to ₦9.0 million in 1979 but fell by 25.6 per cent. to ₦6.7 million in 1980 and after that rose to 10.0 and ₦10.4 million in 1981 and 1982

respectively. Claims on fire policies increased from ₦3.8 million in 1979 to 5.6, 6.3 and ₦6.8 million in 1980, 1981 and 1982 respectively. Claims on accident policies increased from ₦2.9 million in 1979, with the exception of a fall to ₦2.2 million in 1980, to 3.7 and ₦5.5 million in 1981 and 1982.

Total claims on employer's policies increased by 2.2 per cent. to ₦1.4 million in 1980, fell by 6.2 per cent. to ₦1.3 million in 1981 and rose by 12.1 per cent. to ₦1.5 million in 1982. Miscellaneous policies stood at ₦3.2 million in 1979, but declined by 10.4 per cent. to ₦2.8 million in 1980 and thereafter rose sharply by 111.5 and 72.9 per cent. to 6.0 and ₦10.4 million in 1981 and 1982 respectively. The upsurge in these claims in 1981 and 1982 was due to large payments of claims on its oil and contractors all risks (C.A.R.) policies by the National Insurance Corporation of Nigeria.

Other underwriting expenditures of non-life insurance companies rose from ₦62.1 million in 1979 to 78.3, 93.5 and ₦112.3 million in 1980, 1981 and 1982 respectively. Other expenditures accounted for 51.2, 56.9, 55.8 and 58.6 per cent. of total expenditures during the respective years. Management expenses formed a bulk of these expenses, accounting on the average for 92.0 per cent. while net commission and other expenses were responsible for 6.7 and 1.3 per cent. respectively during the period under review.

PART IV ASSETS AND INVESTMENT PATTERN OF INSURANCE COMPANIES

In Nigeria, the pattern of assets and investments of insurance companies are guided by government regulations. For instance, the Insurance Act of 1976 stipulated that not less than 25.0 per cent. of total assets should be invested in government and quasi-government securities. This section of the report reviews the assets and investments pattern of the insurance companies with a view to highlighting the importance and compliance with government policies as stipulated in the Insurance Act of 1976.

1. Assets

The analysis of assets of insurance companies by type of assets is shown in Table 10 while the percentage distribution of these assets is in Table 11. Assets of all insurance companies stood at ₦648.2 million in 1979, and thereafter rose to ₦948.9 million in 1980, ₦1.0 billion in 1981 and reached ₦1.1 billion in 1982. Assets in government securities amounted to ₦91.9 million in 1979, accounting for 14.2 per cent. of total assets in that year, while at ₦110.0 million in 1980, ₦133.9 million in 1981 and ₦131.1 million in 1982, these assets contributed 11.6, 13.2 and 11.6 per cent. to total assets in the respective years. Assets in stocks, shares and bonds increased progressively from ₦70.7 million in 1979 to 121.9, 145.5 and ₦190.4 million in 1980, 1981 and 1982, thus accounting for 10.9, 12.9, 14.3 and 16.7 per cent. of total assets in the respective years. Although assets in mortgages and loans increased in absolute values throughout the four year period from ₦93.5 million in 1979 and ₦217.6 million in 1982, its share in total assets fluctuated between 14.4 per cent. in 1979 and 19.1 per cent. in 1982. Cash and bills receivable and miscellaneous assets which are largely liquid assets were

worth ₦392.0 million, accounting for 60.5 per cent. of total assets in 1979, ₦536.0 million or 56.5 per cent. in 1980, ₦587.6 million or 57.9 per cent. in 1981 and ₦598.7 million or 52.6 per cent. in 1982.

A further breakdown of assets into life and non-life insurance companies shows that the share of assets of life insurance companies averaged 40.3 per cent. of total assets during the period under review while the assets of non-life insurance companies accounted for the balance of 59.7 per cent..

In case of assets of life insurance companies, these rose from ₦274.3 million in 1979 to ₦436.0 million in 1980 but fell to ₦374.8 million in 1981 and increased to ₦426.3 million in 1982. A breakdown by type of assets shows gradual increases in absolute values of these assets during the four year period.

A percentage distribution of the assets indicates that assets in stocks, shares and bonds accounted on the average for 19.9 per cent. of total assets during the period under review, while assets in mortgages and loans, Cash and bills receivables; miscellaneous and assets in government securities contributed 27.3, 15.5, 20.3 and 17.1 per cent. respectively. Thus, as regards assets in government securities, the life insurance companies have failed to comply with the 1976 Act which stipulated that not less than 25.0 per cent. of their assets be invested in government securities.

Assets of non-life insurance companies increased by 37.2 per cent. from ₦373.9 million in 1979 to ₦512.9 million in 1980, by 24.7 per cent. to ₦639.5 million in 1981 and by 11.4 per cent. to ₦712.1 million in 1982. The distribution of these assets shows that assets in government securities averaged 9.7

per cent. of total assets as against the minimum of 25.0 per cent. as stipulated in the Insurance Act of 1976. Much of the assets were, however, concentrated in miscellaneous and cash and bills receivables which were responsible for 51.0 and 20.4 per cent. respectively compared with 9.6 and 9.2 per cent. for stocks, shares and bonds and mortgages and loans. Overall, both life and non-life insurance companies succeeded in investing on the average only 12.7 per cent. of their total assets, in government securities as against the stipulated minimum of 25.0 per cent. The insurance companies low response to government regulations in this regard may be due to the relatively low yield to government securities compared with other securities, therefore making the former less attractive for investment.

2. Investments

Table 12 shows the pattern of insurance companies investment by type of investment portfolio, that is, investment portfolio on which insurance companies earn interest in the capital market. The percentage distribution of these investments is analysed in Table 13.

Total funds available for investment by both life and non-life insurance companies in the capital market amounted to ₦256.2 million in 1979, representing 39.5 per cent. of total insurance assets in that year. In 1980 total funds rose to ₦412.9 million or constituted 43.5 per cent. of total assets while in 1981 and 1982 total funds advanced to 426.6 and ₦539.7 million, thus representing 42.1 and 47.4 per cent. of total insurance assets in the respective years. Investment in government securities by both life and non-life insurance companies averaged 116.9 million, accounting for 29.6 per cent. of total investment while investment in stocks, shares and bonds, real estates and mortgages and other loans amounted on the average to ₦132.1, ₦92.3 and ₦67.5 million, constituting 31.6, 22.8 and 16.0 per cent. of total investments during the four year period.

Unlike industrial and commercial companies whose assets are largely in land, equipment, merchandise and accounts receivable, life insurance companies hold the great bulk of their assets in the form of investments viz, government securities, stocks, shares and bonds, real estates and mortgages and other loans. Upon the safety of the investments of a life insurance company depends the security of policy holder's money for the payment of future claims. Moreover, investment in these portfolios satisfies life insurance investment needs for high yield ratio, marketability and stability, thus de-emphasising the need for cash holdings. As can be seen from Table 12, life insurance investments in these portfolios rose by 78.7 per cent. from ₦160.2 million in 1979 to ₦286.2 million in 1980, declined by 15.4 per cent. to ₦242.2 million in 1981 and increased by 20.1 per cent. to ₦291.0 million in 1982.

Investment of these companies in government securities stood at ₦47.0 million in 1979, contributing 29.3 per cent. to total investment in that year. This rose to 63.6 and ₦72.8 million, accounting for 22.2 and 30.0 per cent. in 1980 and 1981 but fell to ₦72.1 million or 25.0 per cent. in 1982. Investment in stocks, shares and bonds increased by 70.1 per

cent. to ₦73.0 million in 1980, by 10.2 and 37.0 per cent. to 80.4 and ₦110.2 million in 1981 and 1982 respectively. These investments were responsible for 26.8, 25.5, 33.2 and 37.9 per cent. of life insurance investments in 1979, 1980, 1981 and 1982 respectively. At ₦47.9 million, life insurance investment in real estates and mortgages accounted for 29.9 per cent. of total investments in 1979 while at ₦60.1 million in 1980, ₦58.2 million in 1981 and ₦71.9 million in 1982, these investments contributed 21.0, 24.0 and 24.7 per cent. to total investments in the respective years. Investment in other policy loans increased substantially by 298.5 per cent. from ₦22.5 million or 14.0 per cent. of total investment in 1979, to ₦89.5 million or 31.3 per cent. in 1980. Investments in other policy loans however declined by 65.5 per cent. to ₦30.9 million or 12.8 per cent. of total investments in 1981 and increased by 17.3 per cent. to ₦36.2 million representing 12.4 per cent. of total investments in 1982.

Non-life insurance companies investment is determined by the unpredictable nature of their liabilities. The possibility of making unexpected payments to policy holders as claims arising from accidents, fire outbreaks, rainstorms etc necessitates the holding of large amounts of liquid assets in form of cash and easily convertible bills. Hence non-life investments in non-liquid assets form an insignificant proportion of their assets.

Investment by non-life insurance companies in government securities, stocks, share and bonds, real estates and mortgages and other policy loans totalled ₦95.9 million, representing 25.7 per cent. of their total assets in 1979 compared with 58.4 per cent. for life insurance companies. Total investment rose by 32.0 per cent. to ₦126.6 million in 1980, by 45.6 and 34.9 per cent. to 184.4 and ₦248.7 million in 1981 and 1982 respectively. At these levels, investments constituted 24.7, 28.8 and 34.9 per cent. of total non-life assets in 1980, 1981 and 1982 respectively as against 65.7, 64.6 and 68.3 per cent. for life insurance companies.

Non-life insurance investment in government securities, although rose progressively in absolute values from ₦44.9 million in 1979 to ₦59.0 million in 1982 its share in total non-life investment has, however, declined continuously from 46.8 per cent. in 1979 to 23.7 per cent. in 1982. This declining trend is attributable, as mentioned earlier on, to the relatively low yield of government securities as compared with other securities. Investment in stocks, shares, and bonds have been on the rise in absolute value from ₦27.8 million in 1979 to ₦80.2 million in 1982. Apart from the increase in the share of these investments from 29.0 per cent. in 1979 to 38.7 per cent. in 1981, the share has declined progressively thereafter to 32.3 per cent. in 1982. The same is applicable to investment in real estates and mortgages whose absolute values have risen throughout the period under review but whose share has fluctuated between 16.5 per cent. in 1979 and 23.3 per cent. in 1981 but falling to 19.5 per cent. in 1982. Except with the substantial increase of 301.5 per cent. from ₦15.2 million in 1981 to ₦60.9 million in 1982, thus accounting for 24.5 per cent. of total investments in that year, the share of other policy loans in total investment has been very insignificant, averaging 7.3 per cent. between 1979 and 1981.

PART V SUMMARY AND CONCLUSION

This paper has examined the performance of insurance companies in Nigeria during 1979 to 1982, focussing to a large extent on the sources and uses of funds.

The number of reporting insurance companies increased from 66 in 1979 to 79 in 1982. Indigenous companies still concentrated more in general insurance business, constituting 77.8 and 83.6 percentage shares in 1979 and 1982 respectively.

Premium still constituted the main source of funds for the general or non-life insurance companies. From ₦148.6 million in 1979, representing 95.6 per cent. of total, premium income of non-life insurance companies rose to ₦179.6 million or 95.4 per cent. in 1980. In 1981, it increased to ₦234.1 million or 97.3 per cent. and further increased to ₦248.6 million or 95.9 per cent. of total in 1982.

In the same vein, aggregate premium paid by policy-holders formed the main source of funds for life insurers. From ₦65.3 million or 79.8 per cent. of total income in 1979, premium increased to ₦84.4 million or 83.7 per cent. in 1980. In 1981, and 1982, premium income increased to ₦105.5 million or 83.1 per cent. and ₦106.6 million or 74.7 per cent. respectively. Generally, there was an increase in the industry's income from ₦225.2 million in 1979 to ₦402.0 million in 1982. This was as a result of the improved business atmosphere that prevailed in the insurance industry after the 1979 slow-down which was due partly to the effect of the stringent economic measures on importation. In particular the measures had very adverse effect on the Motor and Marine divisions. The situation, however, improved in subsequent years.

Life companies, because of the relatively long-term nature of their policies, significantly diversified their investment into real estate, mortgages and loans. However, preference for government securities was relatively low. There is need for

the companies to invest more of their funds in government securities at least to meet the minimum statutory requirement. Such investment will provide the companies with safe and liquid investments to meet emergency claims apart from providing a channel whereby private savings are channelled into government development projects. Relatively, life companies behaved better in their investment pattern than general companies in terms of compliance with investment guidelines. This derives from the structure of life companies' holdings which differ from that of the general insurance companies, reflecting the difference in the nature of their liabilities. While life insurers are able to invest in long-term assets, the investment pattern of general insurance business, which is tilted in favour of cash and miscellaneous assets, largely liquid, has probably been influenced by the short-term nature of their liabilities. It is therefore, necessary to reflect these differences in the investment requirements of these two classes of insurance by stipulating different percentage levels of investment for them in the Act.

In order to further bring out the benefits which make insurance an effective tool in the financial intermediation of the economy, there is more need now than before to: (a) amend the workmen's compensation Act of 1942 to conform with the changing social status of today's workman, and (b) have a machinery capable of administering effective control on the insurance companies (industry) when they deviate from the provisions of the Insurance Act and regulations as laid down by the government.

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Table 1

DISTRIBUTION OF INSURANCE COMPANIES BY TYPE OF BUSINESS AND NUMBER OF COMPANIES

	1979		1980		1981		1982	
	Number of Companies	Percentage Share of Total	Number of Companies	Percentage Share of Total	Number of Companies	Percentage Share of Total	Number of Companies	Percentage Share of Total
Wholly Life	5	7.6	4	6.7	4	6.1	3	3.8
Wholly Non-Life	45	68.2	50	71.4	45	68.2	55	69.6
Life & Non-Life (Mixed)	16	24.2	16	22.9	17	25.7	21	26.6
Total	66	100.0	70	100.0	66	100.0	79	100.0

Table 2

DISTRIBUTION OF INSURANCE COMPANIES BY TYPE OF BUSINESS AND OWNERSHIP

Business Type and Ownership Pattern	1979		1980		1981		1982	
	Number of Companies	Percentage Share	Number of Companies	Percentage Share	Number of Companies	Percentage Share	Number of Companies	Percentage Share
I Life	5	100.0	4	100.0	4	100.0	3	100.0
a. Nigerian	1	20.0	1	25.0	1	25.0	—	—
b. Joint	4	80.0	3	75.0	3	75.0	3	100.0
II Non-Life	45	100.0	50	100.0	45	100.0	55	100.0
a. Nigerian	35	77.8	41	82.0	35	77.8	46	83.6
b. Joint	10	22.2	9	18.0	10	22.2	9	16.4
III Non-Life & Life (Mixed)	16	100.0	16	100.0	17	100.0	21	100.0
a. Nigerian	13	81.2	12	75.0	14	82.4	16	76.2
b. Joint	3	18.8	4	25.0	3	17.6	5	23.8
IV All Companies	66	100.0	70	100.0	66	100.0	79	100.0
a. Nigerian	49	74.2	54	77.1	50	75.8	62	78.5
b. Joint	17	25.8	16	22.9	16	24.2	17	21.5

Table 3

PAID-UP CAPITAL OF INSURANCE COMPANIES BY VALUE

(N,000)

Year	Wholly Nigerian		Joint		Total	
	Amount	% of Total	Amount	% of Total	Amount	%
1979	32,141	73.8	11,423	26.2	43,564	100.0
1980	32,547	77.4	9,494	22.6	42,041	100.0
1981	32,973	76.8	9,976	23.2	42,949	100.0
1982	46,334	74.1	16,176	25.9	62,510	100.0

Table 4

**INCOME AND EXPENDITURE OF ALL INSURANCE COMPANIES IN NIGERIA
SUMMARY BY TYPE OF OWNERSHIP**

(N,000)

Type of Ownership	Income				Expenditure			
	1979	1980	1981	1982	1979	1980	1981	1982
Wholly Nigerian.....	114,127	160,277	220,981	224,010	85,326	106,205	137,637	143,542
Joint.....	111,081	128,871	146,602	177,977	73,911	80,965	94,327	128,906
Total.....	225,208	289,148	367,583	401,987	159,237	187,170	231,964	272,448

Table 5

**INCOME AND EXPENDITURE OF LIFE INSURANCE COMPANIES IN NIGERIA
SUMMARY BY TYPE OF COMPANIES**

(N,000)

	Income				Expenditure			
	1979	1980	1981	1982	1979	1980	1981	1982
Wholly Nigerian.....	36,606	45,702	69,794	64,586	15,355	21,706	31,977	31,246
Joint.....	45,228	55,213	57,095	78,027	25,069	27,795	32,296	49,696
Total.....	81,834	100,915	126,889	142,613	40,424	49,501	64,273	80,942

Table 6

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

	Wholly Nigerian				Joint				All Companies			
	1979	1980	1981	1982	1979	1980	1981	1982	1979	1980	1981	1982
I INCOME												
a. Premium	29,707	39,221	59,005	52,166	35,628	45,196	46,460	54,390	65,334	84,417	105,465	106,556
b. Interest, Dividends & Rents	4,219	5,231	9,112	6,757	8,175	9,990	10,586	14,341	12,394	15,221	19,698	21,098
c. Profit on sale of assets	43	—	—	1,335	401	—	4	370	443	—	4	1,705
d. Other receipts	2,637	1,250	1,677	4,328	1,024	27	45	8,926	3,661	1,277	1,722	13,254
Total	36,606	45,702	69,794	64,586	45,228	55,213	57,095	78,027	81,834	100,915	126,889	142,613
II OUTGOINGS												
a. Net Claims paid	2,434	6,054	8,011	9,347	2,924	4,228	4,580	6,031	5,358	10,282	12,591	15,378
b. Bonuses	249	55	911	—	1,454	437	2,344	4,702	1,703	592	3,255	4,702
c. Net Commission	2,906	5,038	6,870	5,342	4,971	6,008	6,454	7,564	7,877	11,046	13,324	12,906
d. Surrenders & Outstanding Claims	2,461	3,893	5,479	5,590	4,342	6,475	6,517	15,107	6,803	10,368	11,996	20,697
e. Management expenses	6,653	5,865	9,331	10,323	10,006	9,157	11,411	11,396	16,659	15,022	20,742	21,719
f. Other expenditure	652	801	1,375	644	1,372	1,390	990	4,896	2,024	2,191	2,365	5,540
Total	15,355	21,706	31,977	31,246	25,069	27,795	32,296	49,696	40,424	49,501	64,273	80,942
III LIFE INSURANCE FUND												
a. Amount at the beginning of the year	68,296	83,420	129,072	149,725	88,566	106,123	115,878	162,881	156,862	189,543	244,950	312,606
b. Amount at end of the year	87,797	107,142	163,360	176,211	111,318	128,834	136,967	187,143	199,115	235,976	300,337	363,354
c. Expansion during the year	19,501	23,722	34,288	26,486	22,752	22,711	21,089	24,262	42,253	46,433	55,377	50,748

Table 7

INCOME AND EXPENDITURE OF NON-LIFE INSURANCE BUSINESS SUMMARY
BY TYPE OF OWNERSHIP
(₦,000)

Type of Ownership	Income				Expenditure			
	1979	1980	1981	1982	1979	1980	1981	1982
Wholly Nigerian	89,517	114,575	151,187	159,424	72,357	84,499	105,660	112,296
Joint	65,855	73,658	89,507	99,950	48,842	53,170	62,031	79,210
All companies	155,372	188,233	240,694	259,374	121,199	137,669	167,691	191,506

Table 8

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

	Wholly Nigerian				Joint				All Companies			
	1979	1980	1981	1982	1979	1980	1981	1982	1979	1980	1981	1982
A PREMIUM	86,026	110,314	147,569	151,876	62,529	69,249	86,509	96,753	148,555	179,563	234,078	248,629
1. Fire	11,631	9,932	14,685	17,792	5,484	6,517	7,424	9,715	17,115	16,449	22,109	27,507
2. Accident	7,740	10,375	17,745	17,018	4,288	6,259	10,163	11,276	12,028	16,634	29,908	28,294
3. Motor Vehicle	49,046	56,840	71,459	71,154	35,455	35,282	44,959	50,247	83,501	92,122	116,418	121,401
4. Employer's Liability	1,336	1,894	3,889	4,163	4,725	5,667	6,096	6,839	6,061	7,561	9,985	11,002
5. Marine, Aviation & Transit	9,837	19,111	29,808	30,331	6,308	10,480	12,303	12,916	16,145	29,591	42,111	43,247
6. Miscellaneous	6,436	12,162	9,983	11,418	7,269	5,044	5,564	5,760	13,705	17,206	15,547	17,178
B OTHER INCOME	3,491	4,261	3,618	7,548	3,326	4,409	2,998	3,197	6,817	8,670	6,616	10,745
1. Interest, Dividends & Rents	87	125	239	757	2,667	2,521	2,977	3,197	2,754	2,646	3,126	3,954
2. Other Receipts	3,404	4,136	3,379	6,791	657	1,888	21	—	4,063	6,024	3,400	6,791
Total	89,517	114,575	151,187	159,424	65,855	73,658	89,507	99,950	155,372	188,233	240,694	259,374

Table 9

BREAKDOWN OF EXPENDITURES FOR NON-LIFE INSURANCE BUSINESS IN NIGERIA
(₦,000)

	Wholly Nigerian				Joint				All Companies			
	1979	1980	1981	1982	1979	1980	1981	1982	1979	1980	1981	1982
A CLAIMS	29,752	30,752	39,987	39,750	29,389	28,580	34,221	39,423	59,141	59,363	74,208	79,173
1. Fire	1,062	2,893	2,102	2,402	2,779	2,749	4,169	4,378	3,839	5,642	6,271	6,780
2. Accident	1,472	573	1,581	2,639	1,383	1,665	2,074	2,843	2,855	2,238	3,655	5,482
3. Motor Vehicle	20,211	20,961	24,694	20,070	18,700	19,560	22,257	24,581	38,911	40,521	46,951	44,651
4. Employer's Liability	210	339	436	487	1,166	1,068	884	993	1,376	1,407	1,320	1,480
5. Marine, Aviation & Transit	5,811	4,224	6,543	6,175	3,178	2,491	3,461	4,217	8,989	6,715	10,004	10,392
6. Miscellaneous	988	1,793	4,631	7,977	2,183	1,047	1,376	2,411	3,171	2,840	6,007	10,388
B OTHER UNDERWRITING EXPENSES	42,605	53,716	65,673	72,546	19,453	24,590	27,810	39,787	62,058	78,306	93,483	112,333
1. Management Expenses	36,736	44,926	52,325	60,252	22,755	27,909	34,056	39,421	59,491	72,835	86,381	99,673
2. Net Commission	5,366	8,365	12,647	11,328	(3,091)	(3,501)	(7,005)	(935)	2,275	4,864	5,642	10,393
3. Other Expenses	503	425	701	966	(211)	182	759	1,301	292	607	1,460	2,267
Total	72,357	84,499	105,660	112,296	48,842	53,170	62,031	79,210	121,199	137,669	167,691	191,506

ASSETS OF INSURANCE COMPANIES IN NIGERIA, 1979-1982

(₦ '000)

TYPE OF ASSETS	LIFE				NON-LIFE				ALL COMPANIES			
	1979	1980	1981	1982	1979	1980	1981	1982	1979	1980	1981	1982
Government securities.....	46,961	63,567	72,767	72,688	44,934	46,396	61,116	59,034	91,895	109,963	133,883	131,722
Stocks, Shares & Bonds.....	42,900	72,992	80,412	110,178	27,836	48,934	65,041	80,211	70,736	121,926	145,453	190,389
Mortgages and Loans.....	70,369	149,672	89,057	108,111	23,166	31,314	58,209	109,476	93,535	180,986	147,266	217,587
Cash and Bills Receivable.....	47,053	72,502	55,301	56,978	91,316	123,017	104,006	120,195	138,369	195,519	159,307	177,173
Miscellaneous.....	66,987	77,234	77,214	78,355	186,678	263,262	351,125	343,196	253,665	340,496	428,339	421,551
TOTAL.....	274,270	435,967	374,751	426,310	373,930	512,923	639,497	712,112	648,200	948,890	1,014,248	1,138,422

Table 11

PERCENTAGE DISTRIBUTION OF ASSETS

(₦ '000)

TYPE OF ASSETS	LIFE				NON-LIFE				ALL COMPANIES			
	1979	1980	1981	1982	1979	1980	1981	1982	1979	1980	1981	1982
Government securities.....	17.1	14.6	19.4	17.0	12.0	9.1	9.5	8.3	14.2	11.6	13.2	11.6
Stocks, Shares & Bonds.....	15.6	16.8	21.5	25.8	7.5	9.5	10.2	11.2	10.9	12.9	14.3	16.7
Mortgages and Loans.....	25.7	34.3	23.7	25.4	6.2	6.1	9.1	15.4	14.4	19.0	14.6	19.1
Cash and Bills Receivable.....	17.2	16.6	14.8	13.4	24.0	24.0	16.3	16.9	21.4	20.6	15.7	15.6
Miscellaneous.....	24.4	17.7	20.6	18.4	49.9	51.3	54.9	48.2	39.1	35.9	42.2	37.0
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

**INVESTMENT PATTERN OF INSURANCE COMPANIES IN NIGERIA
BY CATEGORY 1979-82**

(N '000)

TYPE OF INVESTMENT PORTFOLIO	LIFE				NON-LIFE				ALL COMPANIES			
	1979	1980	1981	1982	1979	1980	1981	1982	1979	1980	1981	1982
Government securities.....	46,961	63,567	72,767	72,688	44,934	46,396	61,116	59,034	91,895	109,963	133,883	131,722
Stocks, Shares & Bonds.....	42,900	72,992	80,412	110,178	27,836	48,934	65,041	80,211	70,736	121,926	145,453	190,389
Real Estate and Mortgage-Loans.....	47,904	60,145	58,156	71,862	15,825	23,806	43,032	48,540	63,729	83,951	101,188	120,402
Other Loans.....	22,465	89,527	30,901	36,249	7,341	7,505	15,177	60,936	29,806	97,035	46,078	97,185
TOTAL	160,230	286,231	242,236	290,977	95,936	126,641	184,366	248,721	256,166	412,875	426,602	539,698

**PERCENTAGE DISTRIBUTION OF INSURANCE INVESTMENT PORTFOLIO
BY CATEGORY**

TYPE OF INVESTMENT PORTFOLIO	LIFE				NON-LIFE				ALL COMPANIES			
	1979	1980	1981	1982	1979	1980	1981	1982	1979	1980	1981	1982
Government securities.....	29.3	22.2	30.0	25.0	46.8	36.6	33.2	23.7	35.9	26.7	31.4	24.4
Stocks, Shares & Bonds.....	26.8	25.5	33.2	37.9	29.0	38.7	35.3	32.3	27.6	29.5	34.1	35.3
Real Estate & Mortgage-Loans.....	29.9	21.0	24.0	24.7	16.5	18.8	23.3	19.5	24.9	20.3	23.7	22.3
Other Loans.....	14.0	31.3	12.8	12.4	7.7	5.9	8.2	24.5	11.6	23.5	10.8	18.0
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