

DEVELOPMENTS IN THE INSURANCE INDUSTRY **IN NIGERIA IN 1997**

by

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Developments in the insurance industry in Nigeria in 1997 showed that the paid-up capital in the sector recorded an increase of 11.3 per cent owing largely to the additional equity capital injected by the joint-venture insurance companies. Similarly, both the income and expenditure profiles in the industry increased during the year under review. The report revealed also that the growth rate of income in the industry exceeded the expenditure rate, as income to expenditure ratio increased to 2.5 per cent from 1.97 per cent between 1996 and 1997. However, the loss and expenses ratio of the non-life insurance companies increased, indicating poor performance in the sub-sector during the year. The assets of the insurance companies increased by 31.4 per cent from its level in 1996. Assets' investment in government securities fell short of the statutory requirement.

Two new decrees were promulgated to address a number of fundamental issues in the insurance industry in 1997. The National Insurance Commission (NAICOM) Decree No. 1. of 1997 replaced the National Insurance Supervisory Board (NISB), while Insurance Decree No. 2 of 1997 replaced Insurance Decree No. 58 of 1991. The aim of the new decrees is to strengthen and guide the practice of insurance business in the country.

I. INTRODUCTION

The report contains an analysis of the data compiled from returns of the Central Bank of Nigeria's survey of activities of insurance companies in 1997. The survey covered 135 insurance companies which had full calendar year operations in Nigeria during the period. Out of this number, returns were made by 92 companies, indicating a response rate of 68.1 per cent. The environment under which insurance companies operated was significantly influenced by government action.

The Federal Government promulgated two new decrees in 1997 to strengthen the insurance industry. The National Insurance Commission (NAICOM) was established to replace National Insurance Supervisory Board (NISB) through

NAICOM Decree No. 1 of 1997. The NAICOM is mandated to ensure the effective administration, supervision, regulation and control of insurance business in Nigeria, conferring regulatory and supervisory power over insurance companies. As a result of changes and inadequacies in the insurance industry, the Insurance Decree No. 2 of 1997 was promulgated, which repealed the Insurance Decree No. 58 of 1991. The decree classifies insurance business into life and general insurance and further sub-divides life insurance into two categories for purposes of registration, capitalization and operations. The major issues the decree addressed are highlighted below:

1. The new decree increased the minimum paid-up capital from ₦5 million to ₦20 million for each of the life and general insurance business. However, where the general insurance business includes:

- i) oil and gas insurance business
- ii) credit insurance, bonds and suretyship business
- iii) contractors' all risk and engineering risk business
- iv) marine and aviation insurance business, other than goods-in-transit business by road, water, air and rail; an additional paid-up capital of not less than ₦50 million was required. In the case of reinsurance business a minimum capital of ₦150 million was required.

Any insurer intending to commence or continue to carry on insurance business in Nigeria was expected to deposit the share capital with the Central Bank of Nigeria after the commencement of the decree.

2. In furtherance of the desire to strengthen the financial position of the insurance companies, the decree mandated the establishment and maintenance of technical reserves in respect of each class of insurance in addition to solvency margin. An insurer shall in respect of its general insurance business other than marine cargo business, maintain 45 per cent of the total premium in reserves for unexpired risks and 25 per cent in the case of marine cargo insurance. In respect of life insurance business, the decree mandated a general reserve fund. The fund which should not be less than 50 per cent of the reinsurer's gross profit for the year, where the fund is less than the authorised capital, and not less than 25 per cent of the reinsurers gross profit for the year, where the fund is less than the authorised capital of the insurer.

3. Under the 1997 decrees, an advance insurance policy document (unstamped) which gives evidence to the contract of insurance shall be delivered to the insured not later than 30 days after payment of first premium and duly stamped not later

than 3 months after payment of first premium. An insurer who contravenes the provision is guilty of an offence and liable on conviction to a fine of ₦10,000. For business transacted through an insurance broker, he shall not be later than 30 days of collecting the premium, pay to the insurer any premium collected by him. A broker who contravenes the provision is liable on conviction for a first offence to a fine of ₦10,000, second offence ₦25,000 and a third offence ₦50,000 in addition to the cancellation of Certificate and disqualification from being again involved in the setting up of the business of insurance brokerage. This is intended to stop insurance brokers from keeping premiums with them without remitting them to the insurance companies to perform their statutory responsibilities.

The report is divided into six parts. Besides the introduction (Parts I), Part II reviews the structure and performance of the Nigerian insurance industry, while Parts III and IV discuss life and non-life insurance business, respectively. Part V analyses the composition of the industry's assets as well as the pattern of portfolio investment in the industry. The report is summarized in Part VI.

II. STRUCTURE AND PERFORMANCE OF THE INSURANCE INDUSTRY

The Number and Type of Insurance Companies

The total number of insurance companies operating in the country increased by one to 135 in 1997. The number of registered life and non-life companies, which constituted 44.4 per cent of the total insurance class in Nigeria, rose from 57 to 60, representing an increase of 5.3 per cent. However, the wholly non-life insurance companies, which constituted 54.1 per cent of the total, declined by 2.7 per cent to 73. The remaining 1.5 per cent is made up of companies in wholly life insurance business (Table 1).

TABLE 1
DISTRIBUTION OF INSURANCE COMPANIES IN NIGERIA
BY TYPE OF BUSINESS AND NUMBER

CLASS OF INSURANCE	1995		1996		1997	
	NO. OF COMPANIES	% OF TOTAL	NO. OF COMPANIES	% OF TOTAL	NO. OF COMPANIES	% OF TOTAL
WHOLLY LIFE	2	1.38	2	1.49	2	1.5
WHOLLY NON-LIFE	99	68.28	75	55.97	73	54.1
LIFE & NON-LIFE	44	30.34	57	42.54	60	44.4
TOTAL	145	100.00	134	100.00	135	100.00

Ownership Structure

Of the 135 companies operating in the country during the period under review, 118 were wholly Nigerian-owned, while the remaining 17 were joint-venture companies between Nigerian(s) and foreigner(s). Thus, the number of joint-venture companies increased by 54.5 per cent, while the indigenous firms declined by 4.1 per cent in 1997. Under the non-life, the wholly indigenous insurance firms fell from 73 in 1996 to 66, while the joint-venture companies rose from 2 to 7 in the reporting period. In the composite insurance business, both the indigenous and the joint-venture companies increased from 49 and 8 in 1996 to 51 and 9, respectively (Table 2).

TABLE 2
STRUCTURE OF INSURANCE INDUSTRY IN NIGERIA
BY TYPE OF BUSINESS AND OWNERSHIP

BUSINESS TYPE AND OWNERSHIP PATTERN	1995		1996		1997	
	NO. OF COMPANIES	% OF TOTAL	NO. OF COMPANIES	% OF TOTAL	NO. OF COMPANIES	% OF TOTAL
LIFE	2	100.00	2	100.00	2	100.0
a. Nigerian	1	50.00	1	50.00	1	50.00
b. Joint	1	50.00	1	50.00	1	50.00
NON-LIFE	99	100.00	75	100.00	73	100.0
a. Nigerian	88	88.89	73	97.33	66	90.4
b. Joint	11	11.11	2	2.67	7	9.6
LIFE & NON-LIFE	44	100.00	57	100.00	60	100.0
a. Nigerian	37	84.09	49	85.96	51	85.0
b. Joint	7	15.91	8	14.04	9	15.0
ALL COMPANIES	145	100.00	134	100.00	135	100.0
a. Nigerian	126	86.90	123	91.79	118	87.4
b. Joint	19	13.10	11	8.21	17	12.6

Paid-Up Capital

The value of the paid-up capital of the insurance companies rose by 11.3 per cent to ₦3,844.7 million in 1997. The increased contribution of equity capital by joint-venture companies accounted for this development. While the paid-up capital of the joint-venture companies increased from ₦282.8 million in 1996 to ₦754.5 million that of the indigenous companies declined from ₦3,172.9 million in 1996 to ₦3,090.1 million. Consequently, the percentage share of the indigenous companies in the aggregate paid-up capital dropped to 80.4 per cent from 91.8 per cent in 1996. However, while the share of indigenous companies declined, that of the joint-venture companies rose from 8.2 per cent in 1996 to 19.6 per cent (Table 3.).

TABLE 3
PAID-UP CAPITAL OF INSURANCE COMPANIES IN NIGERIA BY VALUE
(₦'000)

	WHOLLY NIGERIA		JOINT		TOTAL	
	VALUE	% OF TOTAL	VALUE	% OF TOTAL	VALUE	% OF TOTAL
1995	2,711,774	93.3	194,051	6.7	2,905,825	100.0
1996	3,172,928	91.8	282,782.0	8.2	3,455,710	100.0
1997	3,090,135	80.4	754,545	19.6	3,844,680	100.0

Income and Expenditure

Aggregate income of the insurance companies increased by 26.4 per cent from the level in 1996 to ₦19,681.4 million, while total expenditure rose marginally by 1.5 per cent during the year from ₦7,867.8 million to ₦7,989.5 million. A breakdown of the income and expenditure by type of ownership showed that indigenous companies' overall income to ₦15,510.5 million from ₦12,578.9 million in 1996, representing an increase of 23.3 per cent, while expenditure declined by 2.2 per cent to ₦5,862.3 million. The aggregate income of the joint-venture firms stood at ₦4,170.9 million, indicating an increase of 39.6 per cent, compared with ₦2,988.6 million in 1996. Similarly, the total expenses of the joint-venture insurance companies increased by 13.6 per cent from ₦1,872.3 million in 1996 to ₦2,127.2 million in 1997 (Table 4).

TABLE 4
INCOME AND EXPENDITURE OF ALL INSURANCE
COMPANIES IN NIGERIA - SUMMARY BY TYPE
OF OWNERSHIP
(N '000)

TYPE OF OWNERSHIP	INCOME			EXPENDITURE		
	1995	1996	1997	1995	1996	1997
WHOLLY NIGERIAN	14,905,081	12,578,881	15,510,464	6,515,472	5,995,481	5,862,285
JOINT	2,495,589	2,988,574	4,170,935	2,267,882	1,872,311	2,127,191
TOTAL	17,400,670	15,567,455	19,681,399	8,783,354	7,867,792	7,989,476

As in previous years, the non-life class of insurance activities accounted for the bulk of the income which was ₦16,519.0 million, representing 83.9 per cent of the total revenue in the insurance industry. The life sub-sector accounted for the remaining 16.1 per cent. Expenditure of the non-life sub-sector amounted to ₦6,499.4 million or 81.3 per cent of total expenses incurred in the insurance sector in 1997, while life insurance companies contributed the remaining 18.7 per cent.

TABLE 5
INCOME AND EXPENDITURE OF ALL INSURANCE
COMPANIES IN NIGERIA - SUMMARY BY CLASS OF INSURANCE
(N'000)

TYPE OF OWNERSHIP	INCOME			EXPENDITURE		
	1995	1996	1997	1995	1996	1997
LIFE	2,813,021	2,416,892	3,162,381	3,418,294	1,951,653	1,490,077
NON-LIFE	14,587,649	13,150,563	16,519,018	5,365,060	5,916,139	6,499,399
TOTAL	17,400,670	15,567,455	19,681,399	8,783,354	7,867,792	7,989,476

Performance

Analysis of the performance of the insurance industry indicated that the income to expenditure ratio rose from 1.97 per cent in 1996 to 2.5 per cent, indicating that income grew faster than expenditure in 1997. Furthermore, performance by ownership structure showed that the ratio for indigenous companies increased to 2.7 per cent from 2.1 per cent in 1996, while that of the joint-venture companies rose to 2.0 per cent from 1.6 per cent in 1996. Relative performance of the two classes of insurance business (life and non-life) showed that the income to expenditure ratio in the life and non-life increased to 2.1 per cent and 2.5 per cent from 1.2 and 2.2 per cent, respectively in 1996.

III. LIFE INSURANCE BUSINESS

Income and Expenditure

Revenue of companies in life insurance business in 1997 stood at ₦3,162.4 million, representing an increase of 30.8 per cent over the level in the preceding period. Of this amount, the indigenous firms in the life underwriting business accounted for ₦ 2,104.7 million or 66.6 per cent of the total, while the joint-venture companies accounted for the remaining 33.4 per cent. This compares with the respective revenue shares of 56.9 and 43.1 per cent for the two classes of insurance companies in the preceding year. Total expenditure of companies in life insurance business decreased to ₦1,490.1 million in 1997 from ₦1,951.7 million in 1996, representing a decline of 23.7 per cent below the 1996 level. The expenditure of wholly Nigeria companies in life business fell by 32.2 per cent from ₦1,461.5 million in 1996 to ₦991.6 million, while the jointly-owned companies' share of the expenditure rose by 1.7 per cent to ₦498.5 million from ₦490.1 million in 1996 (Table 6).

TABLE 6
INCOME AND EXPENDITURE OF LIFE INSURANCE
COMPANIES IN NIGERIA - SUMMARY BY TYPE OF OWNERSHIP
(₦'000)

TYPE OF OWNERSHIP	INCOME			EXPENDITURE		
	1995	1996	1997	1995	1996	1997
WHOLLY NIGERIAN	1,384,160	1,376,413	2,104,676	2,209,463	1,461,533	991,597
JOINT	1,428,861	1,040,479	1,057,705	1,208,831	490,120	498,480
TOTAL	2,813,021	2,416,892	3,162,381	3,418,294	1,951,653	1,490,077

Sources and Application of Funds

The two main sources of income for life insurance companies are premium paid by policy-holders and earnings on investments in form of interests, dividends and rents, profit on sale of assets and other miscellaneous income. The expenditure components consist of net claims paid, bonuses, net commission, surrender and annuities. management expenses as well as other expenses.

The income of life underwriting companies, which stood at ₦2,416.9 million in 1996, rose to ₦3,162.4 million during the period under review, representing an increase of 30.8 per cent, but their expenditure fell by 23.7 per cent to ₦1,490.1 million. The indigenous companies accounted for ₦2,104.7 million of the income or 66.6 per cent, while the balance, ₦1,057.7 million or 33.4 per cent was earned by

the joint-venture companies. All the sources of income increased in 1997 over their levels in 1996 and premium income accounted for 55.8 per cent of the total income. However, total expenses of indigenous companies accounted for ₦991.6 million or 66.5 per cent of the total in the life business subsector. Out of the six items under expenditure, management expenses and net claims paid registered ₦302.4 and ₦241.3 million or 30.5 and 24.3 per cent, respectively (Table 7).

Loss Ratio

As a measure of the efficiency of the insurance companies, the loss ratio is computed. This ratio is computed with the premium received in relation to the amount expended on claims (net claims paid plus surrender and outstanding claims) from their customers. The loss ratio fell to 24.4 per cent from 36.9 per cent in 1996, indicating a better performance in the sub-sector. However, the increasing efficiency was more pronounced with the indigenous companies which recorded a loss ratio of 20.4 per cent compared with 42.1 per cent registered by the joint-venture companies.

Expenses Ratio

Apart from the loss ratio, expenses ratio also indicates efficiency of the insurance companies. The ratio compares the premium received with the amount expended on management. The ratio also indicated better performance in the sub-sector in 1997 as it dropped to 29.1 per cent from 39.1 per cent in 1996.

TABLE 7
INCOME AND EXPENDITURE OF LIFE INSURANCE
BUSINESS IN NIGERIA
(N'000)

	WHOLLY NIGERIAN			JOINT			ALL COMPANIES		
	1995	1996	1997	1995	1996	1997	1995	1996	1997
INCOME									
a. Premium	639,996	1,162,746	1,441,042	270,493	488,939	322,301	910,489	1,651,685	1,763,343
b. Interest, Dividends&Rents	62,904	147,267	140,988	132,378	175,796	213,421	195,282	323,063	354,409
c. Profit on sale of Assets	5,110	4,903	1,430	88	1,379	169,749	5,198	6,282	171,179
d. Other Receipts	676,150	61,497	521,216	1,025,902	374,365	352,234	1,702,052	435,862	873,450
TOTAL	1,384,160	1,376,413	2,104,676	1,428,861	1,040,479	1,057,705	2,813,021	2,416,892	3,162,381
EXPENDITURE									
a. Net Claims Paid	148,870	365,848	241,333	50,050	75,753	56,669	198,920	441,601	298,002
b. Bonuses	1,164	49,618	115,489	41,868	(119,609)	(81,938)	43,032	(69,991)	33,551
c. Net Commission	49,491	95,099	100,299	41,877	26,701	91,565	91,368	121,800	191,864
d. Surrenders&Annuities	4,072	74,064	52,585	53,652	94,631	79,027	57,724	168,695	131,612
e. Management Expenses	307,770	360,818	302,398	227,403	284,889	210,154	535,173	645,707	512,552
f. Other Expenditure	1,698,096	516,086	179,493	793,981	127,755	143,003	2,492,077	643,841	322,496
TOTAL	2,209,463	1,461,533	991,597	1,208,831	490,120	498,480	3,418,294	1,951,653	1,490,077

IV. NON-LIFE INSURANCE BUSINESS

Income and Expenditure

The income earned by insurance companies engaged in non-life business stood at ₦16,519.0 million, representing 83.9 per cent of the aggregate income realized by all the insurance companies in 1997. At ₦3,405.8 million, the income generated by the indigenous companies in the sub-sector accounted for 81.2 per cent, while the joint-venture companies contributed the remaining 9.8 per cent in the review period. The overall income and expenditure ratio for the non-life insurance business operating in Nigeria increased to 2.5 from 2.2 in 1996 (Table 8).

TABLE 8
INCOME AND EXPENDITURE OF NON-LIFE INSURANCE
BUSINESS IN NIGERIA - SUMMARY BY TYPE OF OWNERSHIP
(₦'000)

TYPE OF OWNERSHIP	INCOME			EXPENDITURE		
	1995	1996	1997	1995	1996	1997
WHOLLY NIGERIAN	13,520,921	11,202,468	13,405,788	4,306,009	4,533,948	4,870,688
JOINT	1,066,728	1,948,095	3,113,230	1,059,051	1,382,191	1,628,711
TOTAL	14,587,549	13,150,563	16,519,018	5,365,060	5,916,139	6,499,399

Sources of Income

Premium income amounted to ₦10,941.6 million or 66.2 per cent of the total income of non-life insurance companies in 1997, indicating a decline of 1.3 per cent, compared with the level in 1996. However, all classes of business recorded increased premium income, except Accident and Marine, Aviation and Transit which registered declines below their 1996 levels. Premium income generated from Motor Vehicle and Fire stood at ₦3,771.2 and ₦2,068.1 million, respectively, which together accounted for 53.4 per cent of the aggregate non-life insurance companies' income in 1997 (Table 9).

Analysis by type of ownership showed that wholly-owned Nigerian insurance companies continued to account for the bulk of the income of sub-sector as in the previous years. At ₦3,405.8 million, the group was responsible for 81.2 per cent of the total income, while the joint venture companies contributed the remaining 9.8 per cent or ₦3,113.2 million in 1997.

TABLE 9
SOURCES OF INCOME OF NON-LIFE INSURANCE BUSINESS IN NIGERIA
 (N'000)

	WHOLLY NIGERIAN			JOINT			ALL COMPANIES		
	1995	1996	1997	1995	1996	1997	1995	1996	1997
A. PREMIUM	12,479,955	9,256,676	9,075,398	1,045,170	1,834,655	1,866,181	13,525,125	11,091,331	10,941,579
a. Fire	586,351	1,543,609	1,806,927	195,612	278,589	261,189	781,963	1,822,198	2,068,116
b. Accident	625,645	1,649,653	1,048,476	137,455	182,964	237,839	763,100	1,832,617	1,286,315
c. Motor Vehicle	1,848,654	2,689,817	3,000,355	498,152	694,891	770,890	2,346,806	3,384,708	3,771,245
d. Employer's Liability	88,647	86,780	520,362	10,824	73,624	45,234	99,471	160,404	565,596
e. Marine, Aviation & Transit	8,966,231	2,219,926	1,619,868	117,191	552,028	166,536	9,083,422	2,771,954	1,786,404
f. Miscellaneous	364,427	1,066,891	1,079,410	85,936	52,559	384,493	450,363	1,119,450	1,463,903
B. OTHER INCOME	1,040,966	1,945,792	4,330,390	21,558	113,440	1,247,049	1,062,524	2,059,232	5,577,439
a. Interest, Dividend & Rents	870,973	491,590	153,061	13,797	74,567	6,547	884,770	566,157	159,608
b. Other Receipts	169,993	1,454,202	4,177,329	7,761	38,873	1,240,502	177,754	1,493,075	5,417,831
TOTAL	13,520,921	11,202,468	13,405,788	1,066,728	1,948,095	3,113,230	14,587,649	13,150,563	16,519,018

Expenditure On Non-Life Business

Expenses of the non-life business companies were divided into two main categories; expenses on claims from clients and other underwriting expenditures. In 1997, the amount expended to settle claims from customers was ₦1,677.3 million, while other underwriting expenses stood at ₦ 4,822.1 million. Thus, aggregate expenditure of the non-life insurance business in Nigeria amount to ₦ 6,499.4 million, compared with ₦5,916.1 million in 1996 (Table 10).

Expenses incurred by indigenous non-life insurance companies was ₦4,870.7 million in 1997, compared with aggregate expenditure of ₦4,533.9 million in 1996. Of this amount, the share of underwriting expenses, which stood at ₦3,782.6 million, accounted for 77.7 per cent of the total indigenous non-life companies' expenditure, while ₦1,088.1 million in net claims, accounted for the remaining 22.3 per cent of the total. In the case of the joint venture non-life companies, aggregate

expenditure rose to ₦ 1,628.7 million or 17.8 per cent over the 1996 level. Of this amount, net claims and underwriting expenses accounted for ₦ 589.2 and ₦ 1,039.5 million, respectively (Table 10).

TABLE 10
BREAK-DOWN OF EXPENDITURE FOR NON-LIFE
INSURANCE BUSINESS IN NIGERIA
(N 000')

	WHOLLY NIGERIAN			JOINT			ALL COMPANIES		
	1995	1996	1997	1995	1996	1997	1995	1996	1997
A. NET CLAIMS	1,002,973	1,197,811	1,088,053	505,909	456,258	589,229	1,508,882	1,654,069	1,677,282
a. Fire	141,316	279,193	307,284	53,216	63,508	41,822	194,532	342,701	349,106
b. Accident	164,327	227,946	294,400	42,812	48,931	82,220	207,139	276,877	376,620
c. Motor Vehicle	395,840	497,393	542,725	167,804	214,936	238,163	563,644	712,329	780,888
d. Employer's Liability	7,080	25,047	26,069	2,492	29,498	15,899	9,572	54,545	41,968
e. Marine, Aviation & Transit	163,223	136,888	37,604	21,163	54,892	68,486	184,386	191,780	106,090
f. Miscellaneous	131,187	31,344	(120,029)	218,422	44,493	142,639	349,609	75,837	22,610
B. OTHER UNDERWRITING EXPENSES	3,303,036	3,336,137	3,782,635	553,142	925,933	1,039,482	3,856,178	4,262,070	4,822,117
a. Management Expenses	2,034,288	3,160,156	2,667,997	365,431	753,180	905,526	2,399,719	3,913,336	3,573,523
b. Net Commission	1,236,783	1,422	786,470	173,654	110,654	67,149	1,410,437	112,076	853,619
c. Other Expenses	31,965	174,559	328,168	14,057	62,099	66,807	46,022	236,658	394,975
TOTAL	4,306,009	4,533,948	4,870,688	1,059,051	1,382,191	1,628,711	5,365,060	5,916,139	6,499,399

Loss Ratio

The relative performance of the non-life insurance companies showed that the loss ratio increased to 15.3 per cent from 14.9 per cent in 1996, indicating poor performance in the sub-sector during the period under review. The joint venture companies' loss ratio rose to 31.6 per cent from 24.9 per cent in 1996, while that of the indigenous companies fell to 12.0 per cent from 12.9 per cent in 1996.

Expenses Ratio

With respect to expense ratio, wholly-indigenous companies performed poorly as the ratio rose from 34.2 per cent in 1996 to 38.1 per cent in 1997, while that of the joint venture companies also increased to 52.1 per cent from 47.1 per cent in 1996.

V. ASSETS AND INVESTMENT OF INSURANCE COMPANIES

Assets

The distribution of various assets held by insurance companies operating in Nigeria is presented in Table 11. The Table shows that the value of assets held by the industry in 1997 increased by 31.4 per cent to ₦20,079.6 million from ₦15,276.9 million in 1996. All the components of assets portfolio contributed to the increase, except cash and bills receivable which fell by 19.9 per cent to ₦2,846.2 million in 1997. Investments in stocks, bonds and shares; government securities; and miscellaneous items together accounted for ₦16,177.3 million or 80.6 per cent of the total assets. A disaggregation by type of insurance business revealed that assets held by life companies increased by 65.7 per cent to ₦8,711.7 million in 1997. All the components of assets contributed to the increase, especially assets in stocks, bonds and shares; and miscellaneous assets which rose by 43.9 and 62.4 per cent, respectively.

The value of total assets held by the non-life firms stood at ₦11,367.9 million in 1997, compared with ₦10,018.1 million in 1996. Assets in stocks, bonds and shares; cash and bills receivable; and miscellaneous assets were ₦2,092.7, ₦1,861.4 and ₦5,445.6 million and accounted, respectively, for 18.4, 16.4 and 47.9 per cent of the total assets of the group (Tables 11 and 12).

TABLE 11
ASSETS OF INSURANCE COMPANIES IN NIGERIA
(₦ 000')

TYPE OF ASSET	LIFE			NON-LIFE			ALL COMPANIES		
	1995	1996	1997	1995	1996	1997	1995	1996	1997
a. Government Securities	391,493	526,005	859,813	589,845	1,136,087	1,465,189	981,338	1,662,092	2,325,002
b. Stocks, Bonds & Shares	926,798	2,152,784	3,098,611	890,882	2,079,341	2,092,724	1,817,680	4,232,125	5,191,335
c. Mortgage & Loans	759,348	66,897	553,078	1,036,862	226,402	503,014	1,796,210	293,299	1,056,092
d. Cash & Bills Receivable	666,800	533,782	984,860	2,491,394	3,017,708	1,861,371	3,158,194	3,551,490	2,846,231
e. Miscellaneous	1,269,478	1,979,304	3,215,348	8,132,297	3,558,609	5,445,624	9,401,775	5,537,913	8,660,972
TOTAL	4,013,917	5,258,772	8,711,710	13,141,280	10,018,147	11,367,922	17,155,197	15,276,919	20,079,632

TABLE 12
PERCENTAGE DISTRIBUTION OF ASSETS OF INSURANCE
COMPANIES IN NIGERIA

TYPE OF ASSET	LIFE			NON-LIFE			ALL COMPANIES		
	1995	1996	1997	1995	1996	1997	1995	1996	1997
a. Government Securities	2.8	10.0	9.9	4.5	11.3	12.9	3.6	10.9	11.6
b. Stocks, Bonds & Shares	6.6	41.0	35.6	6.8	20.8	18.4	6.7	27.7	25.9
c. Mortgage & Loans	5.4	1.3	6.3	7.9	2.3	4.4	6.6	2.0	5.3
d. Cash & Bills Receivable	4.8	10.1	11.3	19.0	30.1	16.4	11.6	23.2	14.2
e. Miscellaneous	80.4	37.6	36.9	61.9	35.5	47.9	71.4	36.2	43.1
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 13
INVESTMENT PATTERN OF INSURANCE COMPANIES
BY CATEGORY
(N 000')

TYPE OF ASSET	LIFE			NON-LIFE			ALL COMPANIES		
	1995	1996	1997	1995	1996	1997	1995	1996	1997
a. Government Securities	391,493	526,005	859,813	589,845	1,136,087	1,465,189	981,338	1,662,092	2,325,002
b. Stocks, Bonds & Shares	926,798	2,152,784	3,098,611	890,882	2,079,341	2,092,724	1,817,680	4,232,125	5,191,335
c. Real Estate & Mortgage Loan	562,383	1,106,081	1,140,852	794,676	1,135,959	1,203,069	1,357,059	2,242,040	2,343,921
d. Other Loans	196,965	84,302	86,193	242,186	240,944	297,632	439,151	325,246	383,825
TOTAL	2,077,639	3,869,172	5,185,469	2,517,589	4,592,331	5,058,614	4,595,225	8,461,503	10,244,083

Distribution of Assets and Investment

Insurance companies are required under the insurance Decree No. 58 of 1991 to hold at least 25 per cent of their funds in government and semi-government securities. The life insurance companies are expected to commit as much as 25 per cent of their investment in mortgages and loans, while 10 per cent of all non-life insurance assets are to be placed in real estate property. The investment pattern of both the life and non-life insurance sub-sector during the review period was concentrated on stocks, bonds and shares which accounted for 59.8 and 41.4 per cent of their total investment in the sector.

Although investment in government securities increased by 39.9 per cent over the 1996 level, it accounted for 22.7 per cent of the total investment in the industry during the year, indicating non-compliance with statutory requirement. The life insurance companies, which committed 22.0 per cent of their investment into real estate and mortgage, also failed to meet statutory requirement.

VI. SUMMARY AND CONCLUSION

The report shows that 135 insurance companies operated full calendar year in 1997. The number of joint venture companies increased by 54.5 per cent, while the indigenous firms decline by 4.1 per cent in the review period. Aggregate income of the insurance companies increased to ₦19,681.4 million from ₦15,567.5 million in 1996, while expenditure also rose to ₦7,989.5 million from ₦7,867.8 million in 1996. The performance of the two classes of insurance companies (life and non-life) improved during the period under review as depicted by the reduction in the loss ratio, while the expenses ratio dropped below the level in 1996. Assets of all the insurance companies in 1997 increased by 31.4 per cent to ₦20,079.6 million. The 22.7 per cent invested in government securities by all the insurance companies fell short of the statutory requirement of 25 per cent in the sector.