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DEVELOPMENTS IN THE INSURANCE INDUSTRY IN NIGERIA IN 1992

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Statistical Services Division

Developments in the insurance industry in Nigeria in 1992 showed that the industry expanded from 107 companies in 1991 to 121 in 1992. The paid-up capital in the sector recorded an increase. Similarly, both the income and expenditure profiles in the industry increased during the year under review. In all the sub-sectors of the industry, management expenses escalated. The investment pattern showed that the overall compliance with government regulations was mixed in 1992. However, as in the previous year, equity and loan investments were the major investment outlets.

Introduction

The developments in the insurance industry in Nigeria in 1992 are presented in this report. The 1992 assessment was conducted through a census of the insurance companies operating in Nigeria. The exercise was different from the approach in previous years. In the past years, information were sourced from the returns of the insurance companies to the Insurance Department of the Federal Ministry of Finance (now National Insurance Supervisory Board, NISB). Our inability to obtain the required data from this body for 1992 necessitated the conduct of the 1992 insurance survey. During the survey, 121 insurance companies were contacted. Out of this, 62 responded, indicating a response rate of 51.2 per cent. Adjustments were made for non- responding companies. The report is divided into five parts. In Part I, the structure and performance of the Nigerian insurance industry is reviewed. Developments in Life insurance business are discussed in Part II. Activities in the non-life insurance business are examined in Part III. Part IV analyses the composition of the industry's assets as well as the pattern of the portfolio investments of the industry. The report is summarised in Part V.

PART I
STRUCTURE AND PERFORMANCE OF THE INSURANCE INDUSTRY

The Number and Type of Insurance Companies

The number of registered insurance companies that operated a full calendar year trading increased from 107 in 1991 to 121 in 1992, representing an increase of 13.1 per cent. The increase observed in the number of companies in the industry was accounted for mainly by the wholly non-life companies which rose from 67 to 87, indicating an increase of 29.9 per cent. The number of wholly life insurance companies reduced by 1 to 2 from 3 in the previous year. Similarly, the number of life and non- life (composite) policy companies dropped from 37 in 1991 to 32. Based on the present aggregate number, those companies in wholly life, wholly non-life and composite businesses represent 1.65, 71.9 and 26.45 per cent respectively of the total number of insurance companies. In 1991, the comparative figures were 2.8, 62.6 and 34.6 per cent respectively (See Table 1).

Ownership Structure

Of the 121 companies that operated in the country in 1992, 103 were wholly Nigerian owned while 18 were joint venture companies between Nigerian(s) and foreigner(s). In 1991, the figures were 87 for wholly Nigerian and 20 for joint ventures. Under the life policy category, the reduction by 1 company from last year's level of 3 was accounted for by a joint interest company which changed its line of business to wholly non-life. For the non-life category, the number of Nigerian owned companies rose from 58 in 1991 to 76, while the joint ones also increased from 9 in 1991 to 11. In the case of the companies engaged in the business of both life and non-life policies, the number of both the Nigerian owned and joint companies dropped by 7.1 and 33.3 per cent respectively from 28 and 9 establishments in the previous year (See Tables 1 and 2).

Paid-Up Capital

The insurance decree no. 58 of 1991 promulgated in December 1991 contained provisions for the increase in paid up capital for existing companies, while new companies are to meet the minimum paid up capital requirement before registration. The decree mandates all life and non-life insurance companies to increase their paid up capital from the former prescribed level of between ₦300,000 - ₦500,000 to a minimum of ₦5 million. Companies engaged in Re-insurance businesses were to observe a minimum paid-up capital of ₦50 million.

In compliance with this statutory requirement and the number of new entrants into the industry, the paid-up capital of the companies increased dramatically from ₦277.1 million in 1991 to ₦863.1 million in 1992. While the share of Nigerian owned companies in the total paid-up capital improved from 66.6 per cent in the past year to 86.7 per cent, that of the joint enterprises declined from 33.4 per cent to 13.3 per cent. The equity value of the latter, however, rose by 22.2 per cent from ₦92.6 million in 1991 to ₦113.5 million. The development displayed by the Nigerian owned companies reversed the trend observed in the last couple of years (See Table 3).

Income And Expenditure

The government's approval on rating commission's recommendations which came into effect in 1991, allowed insurance companies to increase their premium and other commissions between 15 and 20 per cent. This resulted in the expansion of incomes in the industry in 1991 and 1992. Income in the sector rose by 83.9 per cent from ₦1,822.1 million in 1991 to ₦3,349.9 million in 1992. Out of the total income generated, ₦1,984.6 million or 59.2 per cent was, however, spent in the operations of the companies. The amount expended showed an increase of 48.5 per cent over the expenses incurred in 1991. While the income of wholly Nigerian owned companies in the review year doubled the preceding year's revenue, the jointly owned establishments income increased by only 61.1 per cent in the same period. The expenditure by the two classes of ownership, however, indicated a mixed pattern in 1992. While the expenses incurred by the joint venture companies dropped by 20.0 per cent from ₦556.7 million in 1991 to ₦445.2 million, those reported by the wholly Nigerian owned companies almost doubled from ₦780.0 million to ₦1,539.4 million in the same period (See Table 4). These developments could be attributable to the drop in the number of joint venture firms operating in the industry and the increase in the number of wholly Nigerian owned firms. Also, the spate of automation, particularly among the new entrants, could have contributed to the surging expenses observed in the industry. A re-arrangement of the income and expenditure data for all the insurance companies according to two major classes of insurance, life and non-life, is presented in Table 5. The life insurance class refers to companies engaged in the underwriting of only life policies, while the latter is composed of insurance companies involved in the underwriting of non-life policies and those that issue the two classes of insurance policies. The survey revealed that the non-life class accounted for 78.1 per cent of the ₦3,349.9 million generated as revenue, by the industry in 1992, while the life insurance sub-sector accounted for the remaining 21.9 per cent. Similarly, out of the ₦1,984.6 million incurred as expenditure in the entire sector, the non- life group recorded ₦1,771.5 million, representing 90.0 per cent of the total amount spent. Compared with their levels of income in the previous year, the two major classes of insurance registered significant increases. While the life group enjoyed a rise of 50 per cent, the non-life soared by 96.2 per cent. The income growth rates experienced by the two groups of insurance policies were, however, more impressive than those recorded in 1991 over 1990. The expenditure trends displayed by the classes of insurance in the review year were similar to those exhibited by their revenue trends. However in the life group there was a drop in expenditure by 43.8 per cent, from ₦379.0 million in 1991 to ₦213.1 million.

Performance

The performance in the industry as measured by the ratio of income to expenditure indicated that the industry recorded an improvement from 1.36 in 1991 to 1.7 in 1992. However, in 1991, a drop was experienced from the level of 1.58 registered in 1990. The performances according to type of ownership showed that the wholly Nigerian owned insurance companies reported a marginal rise in the income – expenditure ratio from 1.3 in 1991 to 1.4. As regards the jointly owned companies, the performance ratio exhibited a substantial increase from 1.4 in 1991 to 2.8 in 1992. By class of insurance business, the life policy sub-sector recorded a substantial improvement at 3.4 in 1992 from 1.3 in the previous year. The non-life group recorded a marginal improvement from 1.4 in 1991 to 1.5 in 1992

PART II
LIFE INSURANCE BUSINESS

In spite of the reduction in the number of companies engaged in wholly life insurance businensses from three in 1991 to two in 1992, the sub-sector reported some substantial growth in the review period.

Income And Expenditure

Revenue of all wholly life insurance companies in 1992 was ₦732.0 million, representing an increase of 50.1 per cent 3 over the preceding year's level. Of this amount, the only wholly Nigerian company operating in the sub-sector contributed ₦494.6 million, while the joint venture company accounted for ₦237.4 million or 32.4 per cent. This trend reversed the pattern indicated by this ownership structure in their contributions to the total income in 1991. Due to reduction in general overhead costs in 1992 by the companies in the industry sub-class, their total expenditure dropped by 43.8 per cent from ₦379.0 million (1991) to ₦213.1 million (1992). While spending by the wholly Nigerian owned companies fell by 54.4 per cent below the level in 1991, the joint venture company's dipped by 34.8 per cent in the same period (See Table 6).

Sources And Application of Funds

The income and expenditure pattern of the group of companies explained in Table 6 is broken down into the different components of income and expenditure in Table 7. Under revenue, four items viz: premium income; interest, dividend and rents; profits on sale of assets and other receipts are involved. For the expenditure, this comprises of six components. These are net claims paid, bonuses, net commission, and surrenders and annuities. Others are management expenses and other expenditure. The substantial increase recorded by the revenue of life insurance companies in the country in 1992 was observed to be singularly contributed by premium income, as other sources of income dropped from their levels in 1991. While premium revenue rose by 106.0 per cent from ₦333.3 million in 1991 to ₦686.7 million, the other revenue components exhibited drops of between 66.4 per cent for interest, dividend and rents and 96.1 per cent for profit on sales of assets. The wholly Nigerian owned enterprise in the insurance sub-sector accounted for 67.6 per cent of the total income, while the only joint establishment was responsible for the balance of ₦237.4 million. Both categories, however, reported significant appreciations in their premium income levels during the review period against their preceding year's positions. On the other hand, the trends in the other sources of income displayed similar patterns reported for all the companies combined.

The reduction in the life insurance sub-sector's total expenditure in 1992 from ₦379.0 million in 1991 to ₦213.1 million resulted from the cuts experienced by all the expenditure items. However, net claims paid to policy holders in the review period increased only marginally by 1.8 per cent from ₦77.2 million in 1991. While net claims paid by the only wholly Nigerian life insurance company reported a decline from ₦58.9 million in 1991 to ₦37.4 million in 1992, the joint company's expenses on net claims increased by 125.1 per cent. As in the previous years, management expenses continued to account for the largest share of the sub-sector's total expenses. At about ₦88.0 million, the component represented 41.3 per cent of other total expenses incurred. In 1991 and 1990, it accounted for 41.3 and 45.8 per cent respectively (See Table 7).

Loss Ratio

This ratio measures net claims paid plus surrender and annuities as a proportion of the premium income generated within a year. The ratio in essence reflects the efficiency in the industry or the sub-sectors. According to the survey, the industry loss ratio improved in the review period from 46.3 per cent in 1991 to 14.0 per cent. Among the jointly owned enterprises, the ratio, however, increased from 36.6 per cent in the preceding year to 41.0 per cent; implying an erosion of efficiency in the sub-sector. A substantial efficiency level was registered by the indigenous company as the ratio reduced to 9 per cent from 57.8 per cent in 1991.

Expenses Ratio

Another indicator of efficiency in the industry is the expense ratio. This is the ratio or proportion of management expenses to the gross premium in a year. In 1992, the industry recorded a substantial improvement by indicating an efficiency level of 12.8 per cent against 46.9 per cent in 1991. A decomposition shows that both, the joint venture and indigenous firms registered improvements in their efficiency levels from 56.3 per cent and 35.8 per cent respectively in 1991 to 28.6 and 6.0 per cent in 1992.

PART III
NON-LIFE INSURANCE BUSINESS

Income And Expenditure

The income and expenditure data for 1992 for insurance companies in the wholly non-life and joint policies businesses are shown in Table 8. With the increase in the number of these establishments in 1992 to 119 from 104 in 1991, the revenue of the sub-sector rose sharply from ₦1,334.2 million in 1991 to ₦2,606.2 million in the review period. This represents an increase of 95.3 per cent. Analysed by ownership structure of the companies, all the groups reported substantial increases. While wholly owned Nigerian companies income shot up by 90.1 per cent in the review period above the preceding year's level, the jointly owned companies reported a rise of 106.7 per cent in the same period.

The expenditure profile of this group of companies increased from ₦957.8 million in 1991 to ₦1,771.5 million in the review period. The joint companies expenses actually dropped from ₦352.1 million in 1991 to ₦311.7 million. Conversely, at ₦1,459.8 million, the expenses incurred by the indigenous companies in the sub-sectors during 1992 was higher than ₦605,646 million recorded in 1991. While the overall income-expenditure ratio for these classes of insurance companies improved in 1992 to 1.47 from 1.39 in 1991, the wholly owned Nigerian establishments' ratio deteriorated from 1.39 to 1.10 in the same period. However, the jointly owned companies income-expenditure ratio rose to 3.26 from 1.39 in 1991 (See Tables 8).

Sources of Income

The income data reported above in Table 8 is broken down into two major sources premium and other income in Table 9. The table shows that revenue from premium income sources continued to account for over 90 per cent of the insurance companies earnings. In 1992, this accounted for 97.6 per cent of the total revenue of ₦2,606.2 million. Revenue under motor vehicle insurance was ₦906.3 million, representing 35.6 per cent of the total income accruing from premium sources. Other major sources of income were fire insurance (₦839.2 million); Marine, Aviation and Transit insurance (₦363.5 million) and Accident policy (₦249.8 million). Miscellaneous and employees compensation policies generated revenues of only ₦162.7 and ₦24.2 million respectively during the review period. Analysed according to ownership structure, the jointly owned companies recorded higher revenues than the wholly owned Nigerian companies in the fire, accident and employer's liability sub-items. When other sources of income such as motor vehicle, marine, aviation and transit and miscellaneous are considered, the inidigenous firms out-performed the foreign affiliated establishments. Income occurring from other avenues apart from the premium sources recorded an increase of 59.2 per cent from ₦37.99 million in 1991 to ₦60.5 million in the reported period. A greater proportion of it, however, was accounted for by interest, dividends and rents earnings, while receipts from other sources represented only a meagre sum of ₦2.2 million for all the non-life insurance companies in Nigeria. The development maintained the trend displayed in the last three years, but the difference in the two sources of income was more pronounced in the review period (See Table 9).

Expenditure On Non-Life Business

The expenses incurred by non-life insurance companies in 1992 was ₦1,771.5 million, up from ₦957.8 million in 1991 with other underwriting expenses accounting for ₦1,157.6 million. Expenditure due to claims paid to customers, on the other hand, was only ₦613.9 million. Of the other underwriting expenses, management fees took the largest chunk of about ₦863.6 million, while claims settled on motor vehicle losses accounted for ₦267.4 million or 15.1 per cent of total expenditure. Other expenses incurred by non- life insurance business in 1992 were: Net commissions (₦267.9 million), claims on fire losses (₦114.8 million), Marine, Aviation and Transit settlements (₦81.2 million) and accident policies (₦66.8 million) (See Table 10). On ownership structure basis, expenses incurred by wholly owned Nigerian companies exceeded those recorded by the jointly owned companies for the two classes of expenditure with management fees accounting for over 50 per cent of other underwriting expenses.

Loss Ratio

As a means of capturing the efficiency of the non- life insurance cub-sector, the total claims paid out by this class of insurance business is considered against the premium income generated by the companies. The calculations showed that the loss ratio fell from 29.8 per cent in 1991 to 24.1 per cent in the review period, implying better controls at claims settlements. Furthermore, the improved performance could largely due traced to the substantial growth rate recorded by the overall premium compared with the total claims registered during the review year. Similarly, loss ratio of the jointly owned companies which fell from 38.7 per cent in 1991 to 14.5 per cent in 1992 contributed to the improved performance observed.

Expenses Ratio

Though efficiency in the non-life insurance sub- sector improved in the expense ratio during the review year, as depicted by management expenses as proportions of gross premium, management expenditure amount in real terms was more than the entire amount spent on claims settlements and more than 50 per cent of total expenses incurred. The expense ratio dropped from 40.3 per cent in 1991 to 33.9 per cent in 1992.

PART IV
ASSETS AND INVESTMENTS OF INSURANCE COMPANIES

For better returns on the liabilities of insurance policy holders, risk funds are best invested in a mix of portfolio for the benefits of the policy holders with fixed interest returns and the insurance underwriters. Usually these are done with the official financial guidelines on the industry in Nigeria in focus.

Assets

The assets structure of the Nigerian insurance industry in 1992 is shown in Table 11. In 1992, the total value of the assets held by the industry was ₦9,820.2 million as against ₦6,628.4 million in 1991. All the five assets components, contributed to the increase recorded, with the exception of mortgages and loans which declined from ₦1,203.9 million 1991 to ₦695.5 million in 1992. While the proportional shares of government securities and mortgages and loans components in the total assets dropped from 8.5 and 18.2 per cent to 6.4 and 7.1 per cent respectively in the review period, those of stocks, shares and bonds, cash and bills receivable and miscellaneous improved from 8.6, 15.6 and 49.1 per cent to 10.0, 17.6 and 58.9 per cent respectively. The analyses of the assets mix, according to the line of policy business showed that, while the non-life insurance companies recorded a drop only in its government securities asset, the life insurance sub-sector recorded declines on two fronts, the mortgages and loans and government securities. According to the survey, the total amount of assets held by non-life insurance companies continued to exceed those held by the life insurance counterparts (See Tables 11 and 12).

Distribution of Assets and Investment

According to the 1991 Insurance Decree, life insurers are expected to commit as much as 25 per cent of their investments into mortgages and loans, all insurance companies are to invest 25 per cent of their assets in government and semi- government securities and 10 per cent of all non-life insurance assets to be placed in real estate property. With these official stipulations, the 25 per cent requirement for investment in government securities was not met in the review period, as only 20.5 per cent of investible funds was placed on gilt-edged securities. The real estate for non-life accounted for 23.3 per cent of the total assets, thus satisfying the government requirement of 10 per cent share. However, the stipulation of 25 per cent commitment of the investible funds on real estate property by life insurers was not met in the reported year, as only 21.9 per cent of such funds was invested in the reported year, as only 21.9 per cent of such funds was invested in the property sector. Stock, shares and bonds and other loans together accounted for about 56.8 per cent of the total investible funds in the insurance industry in 1992 (See Tables 13 and 14).

PART V
SUMMARY AND CONCLUSION

The survey conducted on the activities of insurance companies in Nigeria in 1992 showed that the number of companies that operated a full calendar year trading increased from 107 in 1991 to 121. The exercise revealed that while the number of companies that operated in the wholly non-life sector increased from 67 to 87, the number of wholly life insurance companies reduced from 3 to 2. Similarly, the number of companies that engaged in the composite policies dropped from 37 to 32.

The industry's income rose by 83.9 per cent from ₦1,822.1 million in 1991 to ₦3,349.9 million in the assessed period. Total expenses, in similar vein, reported an increase of 48.5 per cent over the preceding year's level. In the life insurance business, the loss ratio in the review year was 14 per cent, while expense ratio in the sub-sector was 12.8 per cent. These two ratios indicated substantial drops from the preceding year's levels, as they reflected improved efficiency and prudency in the sub-sector. In the non-life category, efficiency and prudency also prevailed in the review year, as both ratios (loss and expense) improved over last year's positions. However, management expenses in the non-life sector continued to exhibit a high growth rate.

Compliance with government regulations by the insurance companies with regard to investment pattern was mixed in the review period. The least preferred areas, that is equities and other loans of investment, according to regulations together utilised over 56.8 per cent of the industry's total investible funds.

Distribution of Insurance Companies by type of business and number

CLASS OF INSURANCE	1990		1991		1992	
	NO. OF COMPANIES	% OF TOTAL	NO. OF COMPANIES	% OF TOTAL	NO. OF COMPANIES	% OF TOTAL
Wholly Life	3	2.9	3	2.8	2	1.65
Wholly Non-Life	70	68	67	62.6	87	71.9
Life & Non-Life	30	29.1	37	34.6	32	26.45
Total	103	100	107	100	121	100

Structure of Insurance Industry by type of business & ownership

S TYPE ERSHIP ERN	1990		1991		1	
	NO. OF COMPANIES	% SHARE OF TOTAL	NO. OF COMPANIES	% SHARE OF TOTAL	NO. OF COMPANIES	% SHARE
	3	100	3	100	2	
ia	1	33.3	1	33.3	1	
	2	66 7	2	66.7	1	
	70	100	67	100	87	
ia	60	85 7	58	86 6	76	
	10	14.3	9	13.4	11	
N-LIFE	30	100	37	100	32	
ia	23	76.7	28	76 7	26	
	7	23.3	9	24.3	6	
ANIES	103	100	107	100	121	
a	84	81.5	87	81 3	103	
	19	18.4	20	18 7	8	

aid-Up Capital of Insurance Companies by Value (₦000)

	WHOLLY NIGERIAN		JOINT		TOTAL	
	AMOUNT	% SHARE	AMOUNT	% SHARE	AMOUNT	% SHARE
	194,785	76.4	60,088	23.6	254,873	100.0
	184,506	66.6	92,624	33.4	277,130	100.0
	739,942	86.7	113,159	13.3	853,101	100.0

4: **Income and Expenditure of all Insurance Companies in Nigeria Summary by type of ownership (₦000)**

TYPE OF OWNERSHIP	INCOME			EXPENDITURE	
	1990	1991	1992	1990	1991
lly Nigerian	866,327	1043367	2,095,795	562960	780,057
	596,185	778706	1,254,109	361546	556,743
	1,462,512	1,822,073	3,349,904	924,506	1,336,800

Income and Expenditure of all Insurance Companies in Nigeria
Summary by class of insurance (₦000)

INSURANCE	INCOME			EXPENDITURE		
	1990	1991	1992	1990	1991	1992
	414,068	487,836	732,003	229,383	379,026	213,060
	1,048,444	1,334,237	2,617,901	695,123	957,774	1,771,515
	1,462,512	1,822,073	3,349,904	924,506	1,336,800	1,984,575

Income and Expenditure of Life Insurance Companies in Nigeria
Summary by type of ownership (₦000)

S OF OWNERSHIP	INCOME			EXPENDITURE		
	1990	1991	1992	1990	1991	1992
gerian	209,171	201,003	494,564	123,383	174,411	79,610
	204,897	286,833	237,439	106,000	204,615	133,45
	414,068	487,836	732,003	229,383	379,026	213,06

Income and Expenditure of Life Insurance Business in Nigeria (₦000)

	WHOLLY NIGERIAN			JOINT			ALL COMPANIES		
	1990	1991	1992	1990	1991	1992	1990	1991	1992
	149,419	152,054	478,414	144,235	181,218	208,253	292,654	333,272	68
ividend & Rents	55,393	46,740	14,377	55,768	82,670	29,161	111,161	129,410	4
Sales of Assets	197	1,029	99	2,796	2,123	25	2,993	3,152	
eipts	4,163	1,180	1,674	1,097	20,822	0	6,260	22,002	
	209,172	201,003	494,564	203,896	286,833	237,439	413,068	487,836	73
E									
s Paid	30,500	58,948	37,366	24,251	18,251	18,251	54,698	77,199	7
	50	6,885	1,415	2,548	7,415	7,415	2,598	14,300	
nission	15,813	22,274	7,323	177,492	21,402	1,402	33,305	43,676	1
s & Annuities	13,646	28,907	4,267	15,340	48,044	48,044	28,986	76,951	2
ent Expenses	60,546	54,443	28,480	44,404	101,987	101,987	104,950	156,430	8
enditure	2,829	2,954	759	2,017	7,516	7,516	4,846	10,470	
	123,384	174,411	79,610	265,999	204,615	133,450	229,383	379,026	21

Income and Expenditure of Non-Life Insurance Business
Summary by type of ownership (₦000)

OF INSURANCE	INCOME			EXPENDITURE	
	1990	1991	1992	1990	1991
gerian	657,156	842,364	1,601,231	439,577	605,646
	391,288	491,873	1,016,670	255,546	352,128
nies	1,048,444	1,334,237	2,606,225	695,123	957,774

Sources of Income of Non-Life Insurance Business in Nigeria (₦000)

	WHOLLY NIGERIAN			JOINT			ALL COMPANIES		
	1990	1991	1992	1990	1991	1992	1990	1991	199
	645,722	821,142	1,541,837	367,952	475,101	1,003	1,013,674	1,296,243	2,5
	151,840	166,152	277,409	42,595	67,266	561,839	194,435	233,418	8
t	96,223	122,840	200,334	27,950	53,791	49,444	124,173	176,271	2
/ehicle	203,917	279,498	634,857	139,947	222,262	271,425	343,864	501,760	9
er's Liability	7,896	30,187	10,317	3,783	7,963	13,861	11,679	38,150	
Aviation & Transit	147,970	141,734	307,335	71,474	71,474	54,149	188,580	213,208	3
neous	37,876	81,091	111,585	52,345	52,345	51,136	150,943	133,436	1
ME	11,433	21,222	59,394	23,336	16,772	12,816	34,769	37,994	
Dividend & Rents	500	4,253	48,477	23,274	16,656	9,820	23,774	20,009	
eceipts	10,933	16,969	10,917	62	116	2,996	10,995	17,085	
	657,155	842,364	1,601,231	391,288	491,873	1,016,670	1,048,443	1,334,237	2,6

Breakdown of Expenditure for Non-Life Insurance Business in Nigeria (₦000)

	WHOLLY NIGERIAN			JOINT			ALL COMPANIES		
	1990	1991	1992	1990	1991	1992	1990	1991	199
	1[illegible],252	203,221	468,347	146,260	183,651	145,512	306,512	306,512	6
	47,274	49,439	103,634	14,239	30,976	11,161	61,513	80,[illegible]15	1
t	23,079	27,976	49,944	7,716	14,807	16,824	30,795	42,783	
Vehicle	53,613	65,310	188,516	60,873	99,525	78,925	114,4[illegible]	164,[illegible]35	2
er's Liability	986	4,349	2,243	1,298	1,263	6,061	2,2[illegible]4	5,612	
Aviation & Transit	26,609	42,205	67,488	10,735	15,821	13,726	37,3[illegible]4	58,026	
aneous	8,691	13,942	56,522	51,399	21,259	18,843	60,[illegible]90	35,201	
ERWRITING	279,325	402,425	991,467	116,143	166,477	166,161	388,610	570,902	1,1
	224,463	368,810	718,149	111,998	153,387	145,409	336,461	522,197	8
ement Expenses	52,984	31,179	259,419	3,429	9,395	8,443	49,565	40,574	2
mmission	1,878	2,436	13,899	716	5,695	12,309	2,594	8,131	
xpenses									
	439,577	605,646	1,459,814	262,403	352,128	311,701	695,122	957,774	1,7

Assets of Insurance Companies in Nigeria (₦000)

ASSET	WHOLLY NIGERIAN			JOINT			ALL COMPANIES		
	1990	1991	1992	1990	1991	1992	1990	1991	1992
rities	275,609	398,691	357,629	1,576,537	164,232	271,253	1,852,146	562,923	628,882
onds	339,156	281,922	525,813	159,004	286,981	461,624	498,460	568,903	987,437
ns	290,002	885,757	273,214	221,638	318,124	422,301	511,640	1,203,881	695,515
ivable	176,304	227,008	910,196	518,209	807,544	817,879	694,513	1,034,552	1,728,075
	701,252	1,191,876	1,792,888	2,076,031	2,066,240	3,987,441	2,777,283	3,258,116	5,780,329
	1,782,323	2,985,254	3,859,740	4,551,419	3643121	5960498	6,334,042	6,628,375	9,820,238

Percentage Distribution of Assets

ES OF ASSET	LIFE			NON-LIFE			ALL COMPANIES		
	1990	1991	1992	1990	1991	1992	1990	1991	19
Securities	15.5	13.4	9.3	34 6	4.5	4.6	19.2	8.5	6.4
es & Bonds	19 0	9.4	13 6	3.5	7.9	7.7	7.9	8.6	10
& Loans	16 3	29.7	7 1	4 9	8.7	7.1	8.1	18.2	7.1
s Receivable	9 9	7.6	23 6	11.4	22.2	13 7	11.0	15.6	17
us	39 3	39.9	46 4	45 6	56.7	66.9	53 8	49.1	58
	100	100 0	100 0	100 0	100 0	100 0	100.0	100.0	10

Investment Pattern of Insurance Companies in Nigeria by category (₦000)

OF ASSET	LIFE			NON-LIFE			ALL COMPANIES		
	1990	1991	1992	1990	1991	1992	1990	1991	1992
curities	275,609	398,691	357,691	1,576,537	164232	271,253	1,852,146	562,923	62888
Bonds	339,156	281,922	525,813	159,004	286,981	461,624	498,160	568,903	987,4
rgage & Loans	186,361	654,581	73,214	165,593	259100	422,301	351,954	913,681	69551
	103,641	231,176	100,796	56,045	59024	654,265	159,686	290,200	75506
	904,767	1,566,370	1,257,452	1,957,179	769,337	1809443	2,861,946	2,335,707	3,066

Percentage Distribution of Insurance Investment Portfolio

S OF ASSET	LIFE			NON-LIFE			ALL COMPANIES		
	1990	1991	1992	1990	1991	1992	1990	1991	199
ecurities	30.5	25.4	28.4	80.5	21.3	15.0	64.7	24.1	20.5
& Bonds	37.5	18.0	41.8	8.1	37.3	25.5	17.4	24.4	32.2
lortgage & Loans	20.6	41.8	14.8	8.5	33.7	23.3	12.3	39.1	22.7
	11.4	14.8	14.8	2.9	7.7	36.2	5.6	12.4	24.6
	100	100	100	100	100	100	100	100	100

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COMMUNICATION/REVIEW

COST-BENEFIT ANALYSIS OF CAPTIVE POWER GENERATION BY MANUFACTURING INDUSTRIES IN NIGERIA BY DR. G.K. AJAYI: A REVIEW

I. INTRODUCTION

The problem of electricity outages and supply inadequacies in Nigeria, and the accompanying economic losses have been well commented on in popular press and documented in professional journals.[1] The study that is being reviewed is a doctoral dissertation providing yet another concrete evidence of the loss arising from the inefficient electricity supply by NEPA. The focus this time is on the analysis of captive generation by manufacturing firms in Nigeria using the technique of cost and benefit analysis. Captive generation is the electricity produced by individual consumers mainly for their personal consumption. This review follows the five part presentation format of the study, namely General Introduction, General Supply – Demand Situation of Electricity in Nigeria, Cost-Benefit Analysis, Cost-Benefit Analysis of Captive Generation and Summary and Policy Implications. A comment concludes the review.

II. SUMMARY OF STUDY

Chapter 1 introduces the concept and importance of infrastructure in economic development. Electric power, which is publicly provided in Nigeria, is shown to be inadequately supplied. In response, many consumers provide their own electricity through captive generation. The Chapter also states the central theme of the study which is basically that the benefits of auto generation outweights the high investment costs. The literature review on industrial demand for electricity, methodology for the study and sources of data concluded the chapter.

Chapter 2 examines the demand for and supply of electricity in Nigeria and identifies low connection rate, suppressed demand, high level of illegal connections, high number of residential consumers and low per-capita consumption of electricity as the main features. Other peculiarities of the system are frequent and long power outages and build-up of captive capacity to forestall the resultant economic losses. The author suggests that empirical estimates of demand for electricity in Nigeria could be between 30 - 35 per cent of the actual needs of the total population. When compared to the demand for electricity in other countries and the widening gap between electricity demand and supply in Nigeria, the potential for captive generation of electricity, especially by manufacturing firms,

1 See, for instance, O.A. Uchendu: "Economic Cost of Electricity Outages: Evidence from a Sample Study of Industrial and Commercial Firms in the Lagos Area of Nigeria". CBN Economic and Financial Review, Vol. 31, No. 3, September 1993, pp. 183 - 195