NIGERIA'S INSURANCE INDUSTRY IN 1988*

Abstract

The ownership structure of the insurance companies remained as it was in the preceding year despite a marginal increase in the number of companies that existed in 1987. The paid-up capital of insurance companies increased substantially arising from fresh capital injection mainly by wholly indigenous companies. The fresh capital injection, by the insurance companies is justified under the present economic dispensation where cost of properties has escalated with consequent high claim provisions. The minimum capital requirement of ₦300,000 prescribed for non-life insurance business is grossly inadequate in the light of their risk exposures. This calls for a review of the Insurance Act of 1976 which stipulates the minimum paid-up capital for insurance companies. In addition, the relative performance by type of ownership revealed that jointly owned companies performed better than their wholly indigenous counterparts. Also, life insurance business was more prosperous in 1988 than non-life business. The loss ratio of life insurance declined during the year under review due to an increase in gross premium while that of non-life insurance declined as claims rose sharply.

The total value of assets held by all insurance companies increased by 60.5 per cent compared to 6.6 per cent that was recorded in the preceding year. The bulk of the assets for life insurance were in mortgages and loans while most of the assets held by non-life insurers were in government securities and miscellaneous assets. It was observed that the insurance companies as a whole complied with the statutory requirement that a minimum of 25 per cent of their assets should be held in government and quasi-government securities in 1988 as they did in 1987.

Introduction

This report analyses the activities of Nigeria's insurance companies during 1988. The analysis is based on data compiled from the insurance companies' annual returns to the Insurance Division of the Federal Ministry of Finance. Out of the 91 insurance companies that existed in 1987, 76 companies or 83.5 per cent had made returns to the Federal Ministry of Finance when the survey was conducted. However, estimates were made for non-response.

The report is divided into five parts. The first part deals with the structure and performance of the insurance industry as a whole while Parts II and III examine separately life and non-life insurance businesses respectively. Part IV discusses the assets and investment pattern of the insurance companies while Part V contains the summary and conclusion of the paper.

PART I
STRUCTURE AND PERFORMANCE OF THE INSURANCE INDUSTRY

1.1 Number and Type

The Nigeria insurance market witnessed a tremendous growth in terms of size in the past few years. As new insurers were being incorporated, ailing ones that could not meet the standard stipulated in the 1976 Insurance Decree were axed off by the controlling authority. Consequently, the number of insurance companies that were actively in business in the industry in 1987 rose by three to 91 following the entry of six and the exit of three. All the new entrants were wholly indigenous companies. Five of them underwrite non-life or general insurance while one underwrites all classes of insurance policies (composite). All the three companies that left the industry were wholly indigenous and engaged in wholly non-life business. (See Table 1).

1.2 Ownership Structure

The numbers of jointly owned companies were 2, 9, 18 operating life, non-life and composite insurance businesses, respectively and constituting 66.7, 15.0 and 24.1 per cent of the industry in these classes of insurance business. Wholly indigenous companies rose by 1 to 74 and accounted for 33.3, 85.5 and 80.4 per cent of the companies that operated wholly life, wholly non-life and composite insurance, respectively (see Table 2).

1.3 Paid-up Capital

The paid-up capital of all insurance companies rose substantially from ₦114.8 million in 1987 to ₦140.3 million in 1988 representing an increase of 22.2 percent. The remarkable increase in the paid-up capital during the review period is attributable to the substantial increase of 29.5 per cent in the paid-up capital of wholly indigenous companies. The jointly owned companies also increased their paid-up capital by 7.0 per cent during the same period. In 1987, the jointly owned companies increased their paid-up capital by 15.2 per cent while the wholly indigenous companies recorded an increase of 0.6 per cent during the same period. (See Table 3).

The paid-up capital of new companies amounted to ₦7.1 million while the ailing one had a total paid-up capital of ₦1.2 million. Thus, the marginal increase in the number of insurance companies in 1988 accounted for an increase of ₦5.9 million in the paid-up capital of the industry. The fresh capital injection by the insurance companies amounted to ₦19.6 million and accounted for 76.9 per cent of the increase in paid-up capital for the industry during the review period.

The provision in the Insurance Act of 1976 on capital requirement stipulates that a minimum paid-up share capital of ₦500,000 in the case of life insurance business and a minimum of ₦300,000 in the case of non-life insurance business must be maintained at all times by an insurer. The minimum capital requirement need to be reviewed to conform with the present economic realities. For instance, the minimum capital requirement of ₦300,000 prescribed for non-life insurers is grossly inadequate in the light of

*The maiden report of the insurance survey which explained the terminologies and methodologies adapted is contained in EFR Vol. 23, No. 2, June 1985. Subsequent reports appeared in Volumes 24, No. 2; 25, No. 2; 26, No. 2; and 27, No. 2. (i.e. June editions of EFR 1986 – 1989).

their risk exposures as evidenced from the current level of prices of items covered under this class of insurance.

The fresh capital injection by the insurance companies is therefore justified under the present economic dispensation where cost of properties has escalated with consequent high claim provisions. The provision of adequate financial base is essential for covering risk exposure.

1.4 Income and Expenditure

Table 4 contains the aggregate income and expenditure of all insurance companies in Nigeria by type of ownership. During the year under review both aggregate income and expenditure increased, however, income rose faster than expenditure. The aggregate income of the insurance companies increased by 22.4 per cent in 1988 compared with an increase of 34.3 per cent in the preceding year. Income rose in both wholly indigenous and jointly owned companies. While the jointly owned companies enhanced their income by 36.6 per cent, the income of the wholly indigenous companies increased by 12.2 per cent. In the preceding year, the wholly indigenous companies recorded a higher increase of 56.8 per cent in their income while the jointly owned companies had an increase of 11.5 per cent. The total expenditure of the insurance companies rose by 21.3 per cent to ₦501.9 million. The expenditure of wholly indigenous companies rose by 25.0 per cent accounting for 59.3 per cent of the industry total; while that of jointly owned companies rose by 16.3 per cent and represented 40.7 per cent of the total.

Analysis of income and expenditure by class of insurance revealed that, while companies underwriting life insurance enhanced their income by 25.6 per cent, non-life insurance recorded an increase of 20.6 per cent. The increases compared with the situation in 1987 when non-life insurance companies improved their earnings by 59.3 per cent and life insurance companies raised their income marginally by 3.3 per cent. The remarkable improvement in the earnings of life insurance companies reflected largely an increase of 27.6 per cent in the premium income of the companies in this class of business.

The expenditure of all the insurance companies increased by 21.3 per cent almost equal to the 22.4 per cent increase in income. While the expenditure of life insurance companies rose by 4.2 per cent that of non-life insurers recorded an increase of 30.7 per cent. In the preceding year, the income of all classes of insurance companies increased by 33.6 per cent while that of expenditure increased by 17.6 per cent (see Table 5).

1.5 Relative Performance By Type of Ownership

Data on the aggregate income and expenditure in table 4 reveal that the performance of the insurance industry in 1988 was not significantly different from what obtained in 1987. The ratio of the industry's income to expenditure increased marginally from 1.55 in 1987 to 1.56 in 1988.

The wholly indigenous companies earnings per unit of naira expended which rose from 1.24 in 1986 to 1.58 in 1987 fell to 1.42 in 1988. On the other hand, the jointly owned companies increased their earnings per unit of naira expended successively during the three-year period. The ratio rose from 1.35 in 1986 to 1.50 in 1987. It then rose by 17.3 per cent to 1.76 in 1988 indicating that the jointly owned companies performed better than the wholly indigenous companies during the review period. This performance contrasted with the situation in the preceding year when the wholly indigenous companies fared better than the jointly owned companies.

1.6 Relative Performance By Class of Insurance

The data on aggregate income and expenditure analysed by class of insurance are contained in Table 5. The data revealed that unlike in the preceding year, the marginal improvement in the performance of the insurance industry in 1988 was attributable to the increased efficiency of life insurance companies where the ratio of income to expenditure increased from 1.51 to 1.82 in 1988. This was attributable to improved earnings and relatively lower increase in expenditure of the companies. The ratio for non-life insurance which rose from 1.20 in 1986 to 1.57 in 1987 fell by 7.6 per cent to 1.45 in 1988.

Thus, life insurance business was more prosperous in 1988 than non-life insurance.

PART II

LIFE INSURANCE BUSINESS

2.1 Income and Expenditure

The aggregate income of all life insurance companies operating in Nigeria increased by 25.6 per cent to ₦276.2 million in 1988. The increase compared with a marginal rise of 3.3 per cent recorded in the preceding year. The remarkable improvement in 1988 was attributable to the 48.9 per cent increase in the income of jointly owned companies. The indigenous companies increased their earnings by 5.0 per cent compared with an improvement of 27.8 per cent in 1987. Consequently, the wholly indigenous companies' share of aggregate income fell from 53.0 per cent in 1987 to 44.3 per cent in 1988.

The total expenditure of life insurance increased by 4.2 per cent to ₦151.8 million in 1988. The increase in expenditure was attributable to the jointly owned companies whose expenditure rose by 9.0 per cent. The wholly indigenous companies reduced their expenditure by 0.4 per cent during the review period (see Table 6).

Life insurance business improved significantly in 1988. The income per unit of naira expended which was 1.60 and 1.51 in 1986 and 1987 respectively rose to 1.82 in 1988. As earlier revealed, life insurance was more lucrative than non-life insurance as evidenced from the lower income per naira expended of 1.45 recorded by non-life insurers during the review period. Analysis by type of ownership of companies in the life insurance business revealed that the income per unit of naira expended was 1.65 for wholly indigenous companies and 1.98 for jointly owned companies.

2.2 Sources and Application of Funds

Since the operations of insurance companies involve underwriting of risks in return for premium income, business is predicated by the belief that not all the insured will sustain losses at the same time, hence only a fraction of the premium income received will be used to defray claims.

The balance is invested to earn additional income. Thus, apart from premium income, other sources of income for life' insurers consists of investment income (interest, dividends and rents), profit and sale of assets and miscellaneous receipts.

As in the previous years, premium income continued to be the most important source of income for life insurers in 1988. Premiums paid by policy-holders constituted 72.1, 70.2 and 71.2 per cent of total income for life insurance business in 1986, 1987 and 1988, respectively.

Earnings from premium rose by 27.6 per cent to ₦196.7 million in 1988. The improved performance is attributable to jointly owned companies whose premium income increased by 48.6 per cent. The wholly indigenous companies enhanced their premium income by 8.4 per cent. This contrasted with the situation in the preceding year when the indigenous companies recorded an impressive 26.1 per cent increase in premium income while the jointly owned companies had a decline of 17.8 per cent.

The other important source of income for life insurance was investment (interest, dividends and rents) which constituted 24.2, 24.6 and 26.2 per cent of total income in 1986, 1987 and 1988 respectively. Income from this source rose by 33.6 per cent over its level in the preceding year. Other sources of income for this class of insurance included profit on sales of assets and miscellaneous receipts which together accounted for 2.6 per cent of total income. While profit on sales of assets rose by 174.7 per cent, miscellaneous receipts fell by 51.9 per cent during the review period.

With regard to the application of funds, management expenses, net claims, miscellaneous expenditure and net commission were the dominant items. These four items absorbed 87.4 per cent of the total expenditure during the review period. Management expenses amounted to ₦51.5 million and accounted for 33.9 per cent of total expenditure while net claims accounted for 24.4 per cent. Miscellaneous expenditure accounted for 14.7 per cent while net commission constituted 14.4 per cent. Although miscellaneous expenditure, bonuses, net commission and management expenses increased, net claims, surrenders and outstanding claims declined during the review period. Both indigenous and jointly owned companies contributed to the decline in surrenders and outstanding claims while the indigenous companies were responsible for the decline in the net claims paid (see Table 7).

2.3 Loss Ratio

The loss ratio, defined as the ratio of total claims to gross premium income expressed in percentage declined from 49.4 per cent in 1987 to 26.1 per cent in 1988. This indicates improved efficiency of the life insurers as gross premium income rose while total claims declined during the period. Gross premium income rose by 27.6 per cent while total claims fell by 32.6 per cent. Both wholly indigenous and jointly owned companies contributed to the improved efficiency. Wholly indigenous companies' loss ratio fell from 49.1 to 37.1 per cent while that of jointly owned companies fell from 49.7 to 17.3 per cent. The observed reduction in total claims could have been motivated by the realisation of the need for insurers to intensify their risk control under the present economic situation.

2.4 Expense Ratio

The expense ratio which is the percentage of management expenses to gross premium income fell from 29.1 to 26.2 per cent during the review period. Thus life insurers recorded higher management efficiency in 1988 than in the preceding year. Both indigenous and jointly owned companies recorded declines in their expense ratios. While the expense ratio for the wholly indigenous companies fell from 27.1 to 25.5 per cent representing a decline of 5.5 per cent, that of jointly owned companies fell by 15.0 per cent to 26.7 per cent in 1988. It is remarkable that the expense ratio of wholly indigenous companies declined in both 1987 and 1988 reflecting increases in their management proficiency over the years.

PART III
NON–LIFE INSURANCE BUSINESS

3.1 Income and Expenditure

Most insurance companies in Nigeria engaged in non-life otherwise known as general insurance business either wholly or in combination with life insurance. The insurance companies underwriting non-life insurance constituted 96.7 per cent of total number of companies that existed in both 1987 and 1988.

The aggregate income of non-life insurers rose by 20.6 per cent to ₦506.7 million in 1988. The increase compared with a rise of 59.3 per cent a year earlier. The enhanced income was achieved by both indigenous and jointly owned companies. While income rose by 28.7 per cent in the jointly owned companies, it rose by 15.7 per cent in the wholly indigenous companies. At ₦350.1 million, the total expenditure of non-life insurance companies rose by 30.7 per cent over the level in 1987. The wholly indigenous companies were responsible for the increase in expenditure as the jointly owned companies recorded a decline of 9.8 per cent in their expenditure in 1988 (see Table 8).

Non-life insurance business was less lucrative in 1988 as income per unit of naira expended on this class of insurance fell from 1.57 to 1.45 during the period. While the jointly owned companies improved their earnings per naira expended, the ratio fell in wholly indigenous companies from 1.59 to 1.34.

3.2 Sources of Income

As indicated earlier, a large proportion of insurance income comes from premiums paid by policy holders. Premium income for non-life insurance constituted 96.8 and 96.0 per cent of the total earnings in 1987 and 1988 respectively. Another source of income for non-life insurance was financial investments in various assets as well as miscellaneous receipts. At ₦486.6 million, gross premium income of non-life insurance companies increased by 19.7 per cent over the preceding year's level. Both the wholly indigenous and jointly owned companies in non-life insurance business increased their premium income in 1988. The wholly indigenous companies improved their income from this source by 14.4 per cent while jointly owned companies increased theirs by 28.5 per cent.

As in the previous years, premium collected from motor vehicle insurance which rose from ₦127.0 million in 1987 to ₦151.5 million and accounted for 29.9 per cent of total income from non-life insurance was the highest source of income for non-life insurance. However, the share of premium income on motor vehicles declined due to the fall in the share of jointly owned companies from 41.6 per cent in 1987 to 34.0 per cent. In the wholly indigenous companies, the proportion of premium on motor vehicles in total receipts rose from 23.3 per cent in 1987 to 27.1 per cent. The premium income on marine, aviation and transit accounted for 20.4 per cent of total earnings while income from fire insurance constituted 16.3 per cent of total. Gross premium income on miscellaneous and general accident insurances were ₦79.7 million and ₦58.4 million, respectively and constituted 15.7 and 11.5 per cent of total earnings. At ₦10.8 million the premium on employer's liability rose by 62.9 per cent and was only 2.1 per cent of total income.

Interest, dividends and rents and other receipts increased substantially from ₦13.5 million in 1987 to ₦20.0 million in 1988, representing an increase of 48.8 per cent. These sources of income contributed 4.0 per cent of total income for non-life insurance compared with its contribution of 3.2 per cent a year earlier (see Table 9).

3.3 Expenditure on Non-life Business

As in the previous years, management expenses was the most dominant expenditure item. At ₦184.2 million, management expenses increased by 22.3 per cent over the preceding year's level and accounted for 52.6 per cent of total expenditure. The management expenses rose by 27.7 per cent in wholly indigenous companies while jointly owned companies recorded an increase of 13.4 per cent during the review period.

The total claims on non-life insurance business amounted to ₦151.1 million, representing an increase of 38.1 per cent compared with an increase of 36.3 recorded a year earlier. Claims rose for all classes of non-life insurance except on employer's liability which declined by 89.6 per cent. As usual, the most dominant item of claims was on motor vehicles which absorbed 19.4 per cent of total expenditure and accounted for 44.9 per cent of total non-life claims. In the preceding year, claims on motor vehicle constituted 20.8 per cent of total expenditure and 50.8 per cent of total claims on non-life insurance business. Claims on motor vehicles increased by 41.0 and 9.6 per cent in wholly indigenous and jointly owned companies respectively. Claims on marine, aviation and transit; miscellaneous insurances, and general accident also recorded significant increases in 1988.

Other underwriting expenses totalled ₦198.9 million representing an increase of 25.5 per cent over the level in the preceding year, reflecting the substantial increases in all its components (see Table 10.)

3.4 Loss Ratio

In 1988, the non-life insurance companies recorded a loss ratio of 31.1 per cent. This represented an increase of 15.6 per cent over that of 1987. It contrasted with the situation in 1987 when the loss ratio declined. The deterioration reflected the higher increase of 38.1 per cent in claims relative to the increase of 19.7 per cent in the gross premium income. All the companies, irrespective of their ownership structure, recorded increases in their loss ratio. While the wholly indigenous companies recorded an increase of 22.2 per cent, the jointly owned companies recorded an increase of 6.1 per cent. In the preceding year, both groups of insurance companies registered declines in their loss ratios.

3.5 Expense Ratio

The expense ratio computed for non-life insurance business increased marginally from 37.1 per cent in 1987 to 37.8 per cent in 1988. The slight increase in the cost of managing non-life insurance business was attributable to wholly indigenous companies whose expense ratio rose from 36.9 to 41.2 per cent during the period under review. By contrast, the expense ratio fell in both groups of insurance companies in 1987.

PART IV
ASSETS AND INVESTMENT OF INSURANCE COMPANIES

4.1 Assets

The value of all the assets held by all insurance companies increased by 60.5 per cent to ₦4,255.9 million. The increase was much higher than the 6.6 per cent achieved in the preceding year. All components of assets contributed to the increase which was achieved through increases of 154.9 and 18.7 per cent in the assets life and non-life insurance companies respectively. Mortgages and loans of the insurance companies rose by almost three-folds due to a substantial increase in this component of assets of life insurers. Holdings of government securities, cash and bills receivables rose by 53.0 and 90.4 per cent, respectively. Assets in stocks, shares and bonds; and miscellaneous assets increased by 0.6 and 13.5 per cent, respectively. The increase in the assets of life insurance companies brought the share of assets owned by life insurers to 48.8 per cent of total assets of the industry as against the 30.7 per cent held in 1987. Mortgages and loans; and miscellaneous assets dominated the increase in asset holdings increasing by 484.2 and 218.6 per cent, respectively. Holdings of government securities by life insurers rose by 95.4 per cent while stocks, shares and bonds rose by 87.3 per cent. Assets in cash and bills receivable also increased by 24.8 per cent. Most of the assets were in mortgages and loans which accounted for 45.1 per cent of their total assets. Miscellaneous assets accounted for 23.5 per cent.

The value of assets held by non-life insurance companies rose from ₦1,837.0 million in 1987 to ₦2,179.9 million in 1988, accounting for 69.3 and 51.2 per cent of the industry holding of assets. The companies recorded increases in all components of assets except miscellaneous assets which declined by 27.7 per cent. The rise in the value of assets was largely due to cash and bills receivable which rose by 161.8 per cent. Most of the assets held by non-life insurers were in government securities and miscellaneous assets. These two asset components accounted for 72.3 per cent of total assets of the non-life insurers (see Table 12).

Distribution of Assets and Investment

The pattern of investments should normally be dictated by the nature of insurance companies and also by the requirements of the Insurance Decree 1976. The Insurance

Act 1976 stipulates that a minimum of 25 per cent of total assets of all insurance companies should be held in securities of government and semi-governmental bodies. It also provides for a maximum of 10 per cent of total assets of non-life insurance to be held in real property while the permissible limit for life insurers was fixed at 25 per cent. Traditionally, life insurance companies invest mainly in long term securities because of the long-term nature of their liabilities while non-life insurers invest mainly in short-term securities because of the nature of claims on the companies.

Accordingly, life insurance companies invested mainly in mortgages and loans which are long-term in nature while non-life insurers invested mostly in short-term government securities. However, the two classes of insurers invested almost equal proportion of their assets in miscellaneous assets which are short-term in nature. While non-life insurers invested 25.5 per cent of their assets in this asset component, life insurers invested 23.8 per cent.

The insurance companies as a whole complied with the requirement that a minimum of 25 per cent of their assets should be held in government and quasi-government securities in 1988 as they did in 1987. During the year under review, the insurers invested 30.6 per cent of their assets in government securities. As in the preceding years, the industry was able to meet the statutory requirement in 1988 because the non-life insurers invested 46.8 per cent of their assets in government securities as against the 13.5 per cent invested by life insurers.

The requirement that a maximum of 10 per cent of assets of non-life insurance should be held in real property was met as this class of insurers invested 5.0 per cent of the assets in mortgages and loans in 1988. The life insurers on the other hand failed to keep to the statutory requirement with regard to the proportion of their assets to be held in real property. Life insurers held 45.1 per cent of their assets in mortgages and loans in 1988 a proportion that far exceeded the permissible limit of 25.0 per cent. This contrasted with the situation in 1987 when they kept within the legal requirement (see Table 12).

PART V
SUMMARY AND CONCLUSION

The number of companies operating in the insurance industry rose by one following the exit of four and the establishment of five new companies in 1988 bringing the total number of companies in the industry to 92. The number of wholly indigenous companies rose by 1 to 74, preserving the ownership structure existing a year earlier.

The paid-up capital of the insurance companies as a whole rose significantly from ₦114.8 million in 1987 to ₦140.3 million in 1988. The dominant factor for this increase was fresh capital injection which amounted to ₦19.6 million and constituted 76.9 per cent of the increase in paid-up capital for the industry in 1988. However, the minimum capital requirement stipulated in the Insurance Act of 1976 needs to be reviewed to conform with the present economic realities. Due to escalated cost of properties, the present minimum paid-up capital requirement is grossly inadequate.

Both aggregate income and expenditure increased, although income rose slightly faster than expenditure. The total income of all insurance companies rose by 22.4 per cent while expenditure increased by 21.3 per cent. Aggregate income and expenditure were ₦782.9 and ₦501.9 million respectively indicating income per unit of naira expended of 1.56 compared with 1.55 in 1987. Thus, the performance of the insurance companies as whole was not significantly different from what obtained in the preceding year. Analysis by type of ownership revealed that unlike the preceding year, jointly owned companies performed better than the wholly indigenous companies. The jointly owned companies increased their earnings per unit of naira expended from 1.50 to 1.76 in 1988 while the wholly indigenous companies recorded a decline from 1.58 to 1.42.

Data on relative performance by class of insurance indicated that life insurance business was more prosperous than non-life insurance in 1988. The marginal improvement in the performance of the insurance industry in 1988 was attributable to increased efficiency of the life insurers.

As in the previous years, a large proportion of insurance income was derived from premiums paid by policy holders. Premium income constituted 71.2 per cent of total income for life insurance business while it accounted for 96.0 per cent of the total earnings for non-life insurance in 1988. Other sources of income included investment income, profit on sale of assets and miscellaneous receipts. With regard to the application of funds, management expenses, net claims, miscellaneous expenditure and net commission were the dominant items for life insurance business in 1988 when they accounted for 87.4 per cent of the total expenditure. In the case of non-life, management expenses and claims were the most dominant items. They absorbed 95.8 per cent of total expenditure on non-life insurance business in 1988.

The loss ratio for life insurance declined from 49.4 per cent in 1987 to 26.1 per cent in 1988 reflecting improved efficiency of the life insurers as gross premium increased. In the case of non-life insurance business the loss ratio rose by 15.6 per cent over that of the preceding year as claims rose sharply. The expense ratio for life insurance fell from 29.1 in 1987 to 26.2 per cent while that of non-life insurance business increased marginally from 37.1 per cent in 1987 to 37.8 per cent in 1988. The marginal increase in the cost of managing non-life insurance business was attributable to wholly indigenous companies whose expense ratio rose from 36.9 to 41.2 per cent in 1988.

The value of all the assets held by all insurance companies increased substantially from ₦2,651.5 million in 1987 to ₦4,255.9 million in 1988. The increase in total assets was attributable more to the life insurers whose asset holdings rose by 154.9 per cent compared to an increase of 18.7 per cent recorded by the non-life insurance companies. All the components of assets held by life insurers increased substantially, especially mortgages and loans and miscellaneous assets. Non-life insurers also recorded increases in all components of assets held except miscellaneous assets which declined by 27.7 per cent in 1988.

The pattern of investment in the insurance industry during the year under review conformed with the nature of the companies as well as the statutory requirements. During the year under review, life insurers invested mainly in mortgages and loans which are long-term in nature while non-life insurers invested mainly in short-term government securities. However, life insurers invested 23.8 per cent of their assets in miscellaneous assets which are short-term in nature.

As in the preceding year, the insurance companies as a whole in 1988, complied with the requirement that a minimum of 25 per cent of their assets should be held in government and quasi-government securities. The legal requirement that a maximum of 10 per cent of assets of non-life insurance should be held in real property was met by this class of insurers while the life insurance companies failed to keep to the statutory requirement that a maximum of 25 per cent of their assets must be held in real property. This class of insurers held 45.1 per cent of their assets in mortgages and loans in 1988.

Statistical Surveys Office
Statistical Services Division
Research Department

Table 1

DISTRIBUTION OF INSURANCE COMPANIES BY TYPE OF BUSINESS AND NUMBER

Class of Insurance	1986		1987		1988	
	No. of Companies	% of Total	No. of Companies	% of Total	No. of Companies	% of Total
Wholly Life	4	4.5	3	3.3	3	3.3
Wholly Non-Life	58	65.9	59	64.8	60	65.2
Life And Non-Life (Mixed)	26	29.6	29	31.9	29	31.5
Total	88	100	91	100	92	100

Table 2

STRUCTURE OF INSURANCE INDUSTRY BY TYPE OF BUSINESS AND OWNERSHIP

Business Type and Ownership Pattern	1986		1987		1988	
	No. of Companies	% Share of Total	No. of Companies	% Share of Total	No. of Companies	% Share of Total
I. Life	4	100.0	3	100.0	3	100.0
(a) Nigerian	1	25.0	1	33.3	1	33.3
(b) Joint	3	75.0	2	66.7	2	66.7
II. Non-Life	58	100.0	59	100.0	60	100.0
(a) Nigerian	49	84.5	50	84.7	51	85.0
(b) Joint	9	15.5	9	15.3	9	15.0
III. Life And Non-Life (Mixed)	26	100.0	29	100.0	29	100.0
(a) Nigerian	20	76.9	22	75.9	22	75.9
(b) Joint	6	23.1	7	24.1	7	24.1
IV. All Companies	88	100.0	91	100.0	92	100.0
(a) Nigerian	70	79.5	73	80.2	74	80.4
(b) Joint	18	20.5	18	19.8	18	19.6

Table 3

PAID-UP CAPITAL OF INSURANCE COMPANIES BY VALUE (₦'000)

Year	Wholly Nigerian		Joint		Total	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
1986	77,275	70.7	32,101	29.3	109,376	100.0
1987	77,776	67.8	36,974	32.2	114,750	100.0
1988	100,739	71.8	39,574	28.2	140,313	100.0

Table 4

INCOME AND EXPENDITURE OF ALL INSURANCE COMPANIES IN NIGERIA SUMMARY BY TYPE OF OWNERSHIP (₦' 000)

Type of Ownership	Income			Expenditure		
	1986	1987	1988	1986	1987	1988
Wholly Nigerian	240,010	376,230	422,692	193,191	238,141	297,768
Joint	236,463	263,615	360,211	158,692	175,447	204,118
Total	476,473	639,845	782,903	351,883	413,588	501,886

Table 5

INCOME AND EXPENDITURE OF ALL INSURANCE COMPANIES IN NIGERIA SUMMARY BY CLASS OF INSURANCE (₦' 000)

Class of Insurance	Income			Expenditure		
	1986	1987	1988	1986	1987	1988
Life	212,783	219,887	276,228	132,673	145,671	151,801
Non Life	263,690	419,958	506,675	219,210	267,917	350,085
Total	476,473	639,845	782,903	351,883	413,588	501,886

Table 6

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

Type of Ownership	Income			Expenditure		
	1986	1987	1988	1986	1987	1988
Wholly Nigeria	91,220	116,561	122,341	64,873	74,333	74,031
Joint	121,563	103,326	153,887	67,800	71,338	77,770
Total	212,783	219,887	276,228	132,673	145,671	151,801

Table 7

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

	Wholly Nigerian			Joint			All Companies		
	1986	1987	1988	1986	1987	1988	1986	1987	1988
1. INCOME									
(a) Premium	64,059	80,763	87,572	89,393	73,460	109,173	153,452	154,223	196,745
(b) Interest, Dividend and Rents	23,876	27,220	30,180	27,696	26,880	42,099	51,572	54,100	72,279
(c) Profit on Sales of Assets	13	98	817	328	628	1,117	341	726	1,994
(d) Other Receipts	3,272	8,480	3,772	4,146	2,358	1,438	7,418	10,838	5,210
Total	91,220	116,561	122,341	121,563	103,326	153,887	212,783	219,887	276,228
2. EXPENDITURE									
(a) Net claims paid	17,189	24,642	23,506	12,778	12,553	13,524	29,967	37,195	37,030
(b) Bonuses	102	196	4,395	1,381	2,665	331	1,483	2,861	4,726
(c) Net Commission	7,141	8,536	10,956	10,919	8,448	10,911	18,060	16,984	21,867
(d) Surrenders and Outstanding claims	15,599	15,020	8,961	25,528	23,993	5,344	41,127	39,013	14,305
(e) Management Expenses	23,751	21,902	22,337	11,953	23,044	29,164	35,704	44,946	51,501
(f) Other Expenditure	1,091	4,037	7,615	5,241	635	14,757	6,332	4,672	22,372
TOTAL	64,873	74,333	77,770	67,800	71,338	74,031	132,673	145,671	151,801

Table 8

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

Type of Ownership	Income			Expenditure		
	1986	1987	1988	1986	1987	1988
wholly Nigerian	148,790	259,669	300,351	128,318	163,808	223,737
Joint	114,900	160,289	206,324	90,892	140,109	126,348
All Companies	263,690	419,958	506,675	219,210	267,917	350,085

Table 9

SOURCES OF INCOME OF NON–LIFE INSURANCE BUSINESS IN NIGERIA (₦' 000)

	Wholly Nigerian			Joint			All Companies		
	1986	1987	1988	1986	1987	1988	1986	1987	1988
A. PREMIUM	144,330	253,794	290,365	109,826	152,706	196,283	254,156	406,500	486,648
(a) Fire	23,145	51,810	55,124	18,491	23,277	27,588	41,636	75,087	82,712
(b) Accident	22,025	28,217	32,583	8,149	19,291	25,802	30,174	47,808	58,385
(c) Motor Vehicle	55,467	60,508	81,350	49,255	66,287	70,189	104,722	126,795	151,539
(d) Employer's Liability	2,089	2,681	5,504	3,717	3,955	5,305	5,806	6,636	10,809
(e) Marine, Aviation and Transit	21,867	73,326	71,761	12,875	21,764	31,760	34,742	95,090	103,521
(f) Miscellaneous	19,737	36,952	44,043	17,339	18,132	35,639	37,076	55,084	79,682
OTHER INCOME	4,460	5,875	9,986	5,074	7,583	10,041	9,534	13,458	20,027
(a) Interest, Dividends and Rents	332	303	1,049	4,808	6,614	10,270	5,140	6,917	11,319
(b) Other Receipts	4,128	5,572	8,937	266	969	(229)	4,394	6,541	8,708
TOTAL	148,790	259,669	300,351	114,990	160,289	206,324	263,690	419,958	506,675

Table 10

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

	Wholly Nigerian			Joint			All Companies		
	1986	1987	1988	1986	1987	1988	1986	1987	1988
A CLAIMS	41,967	59,429	82,981	44,423	50,001	68,162	86,390	109,430	151,143
(a) Fire	4,344	10,474	7,342	2,532	5,947	9,185	6,876	16,421	16,527
(b) Accident	2,998	3,628	6,383	2,886	4,746	4,859	5,889	8,374	11,242
(c) Motor Vehicle	22,912	21,827	30,780	31,308	33,810	37,045	54,220	55,637	67,825
(d) Employer's Liability	161	7,405	273	671	600	558	832	8,005	831
(c) Marine, Aviation and Transit	8,616	993	25,207	2,784	2,268	4,943	11,400	3,261	30,150
(f) Miscellaneous	2,936	15,102	12,996	4,242	2,630	11,572	7,178	17,732	24,568
OTHER UNDERWRITING EXPENSES	86,351	104,378	140,756	46,469	54,109	58,186	132,820	158,487	198,942
(a) Management Expenses	79,032	93,711	119,639	48,828	56,914	64,537	127,860	150,625	184,176
(b) Net Commission	6,871	10,185	20,473	(2,967)	(3,311)	(7,463)	3,904	6,874	13,010
(c) Other Expenses	448	482	644	608	(506)	1,112	1,055	988	1,756
TOTAL	128,318	163,808	223,737	90,892	104,109	126,348	219,210	267,917	350,085

Table 11

ASSETS OF INSURANCE COMPANIES IN NIGERIA
(₦' 000)

Type of Assets	Life			Non-Life			All Companies		
	1986	1987	1988	1986	1987	1988	1986	1987	1988
Government Securities	154,167	144,069	281,450	668,477	706,397	1,019,699	822,644	850,466	1,301,149
Stocks, Shares & Bonds	202,072	209,272	182,718	88,544	114,953	143,331	290,626	324,225	326,049
Mortgages and Loans	169,275	160,255	936,212	110,282	111,299	108,408	279,557	271,554	1,044,620
Cash & Bills Receivable	112,595	146,097	182,377	176,423	134,388	351,761	289,018	280,485	534,138
Miscellaneous	168,338	154,820	493,205	637,806	769,947	556,735	806,144	924,767	1,049,940
TOTAL	806,447	814,513	2,075,962	1,681,542	1,836,984	2,179,934	2,487,989	2,651,497	4,255,896

Table 12

PERCENTAGE DISTRIBUTION OF ASSETS

Type of Assets	Life			Non-Life			All Companies		
	1986	1987	1988	1986	1987	1988	1986	1987	1988
Government Securities	19.1	17.7	13.5	39.7	38.5	46.8	33.1	32.1	30.6
Stocks, Shares & Bonds	25.0	25.7	8.8	5.3	6.3	6.6	11.7	12.2	7.7
Mortgages and Loans	21.0	19.7	45.1	6.6	6.0	5.0	11.2	10.2	24.5
Cash & Bills Receivable	14.0	17.9	8.8	10.5	7.3	16.1	11.6	10.6	12.5
Miscellaneous	20.9	19.0	23.8	37.9	41.9	25.5	32.4	34.9	24.7
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 IN NIGERIA BY CATEGORY (₦' 000)

Type of Assets	Life			Non-Life			All Companies		
	1986	1987	1988	1986	1987	1988	1986	1987	1988
Government Securities	154,167	144,069	281,450	668.477	706,397	1,019,699	822,644	850,466	1,301,149
Stocks, Shares & Bonds	202,072	209,272	182,718	88,554	114,953	143,331	290,626	324,225	326,049
Real Estate, Mortgages and Loans	96,307	104,903	851,418	84,131	89,638	85,814	180,438	194,541	937,232
Other Loans	72,968	55,352	84,794	26,151	21,661	22,594	99,119	77,015	107,388
TOTAL	525,514	513,596	1,400,380	867,313	932,649	1,271,438	1,392,827	1,446,245	2,671,818

Table 14

PERCENTAGE DISTRIBUTION OF INSURANCE INVESTMENT PORTFOLIO BY CATEGORY

Type of Assets	Life			Non-Life			All Companies		
	1986	1987	1988	1986	1987	1988	1986	1987	1988
Government Securities	29.3	28.1	20.1	77.1	75.8	80.2	59.1	58.8	48.7
Stocks, Shares & Bonds	38.5	40.7	13.0	10.2	12.3	11.3	20.9	22.4	12.2
Real Estate, Mortgages and Loans	18.3	20.4	60.8	9.7	9.6	6.7	12.9	13.5	35.1
Other Loans	13.9	10.8	6.1	3.0	2.3	1.8	7.1	5.3	4.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0