



HARNESSING THE POTENTIALS FOR GROWTH AND DEVELOPMENT IN THE NIGERIAN INSURANCE MARKET

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IT CAN BE™



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Insurance Sector The Evolution

NIGERIA AT A GLANCE



Population	206.5 million (2020)
Unemployment Rate	33.3% (Dec 20)
GDP Growth	2% (2021 Forecast)
Debt: GDP	30% (2021 Forecast)
Debt Service: FGN Revenue	83% (2020)
Inflation	17.4% (Jul 2021)
Insurance Penetration	0.3% (2020)
Insurance Total Assets	N1.4 trillion (2019)

No. of Insurance Companies: 66

NIGERIAN INSURANCE SECTOR: THE EVOLUTION IN NIGERIA



Pre-Colonial Era



- Cooperatives
- extended family units,
 - age groups, occupational societies etc

Colonial Era



Modern insurance in Nigeria is connected to the advent of British Trading Companies and inter-regional trades. In 1918, the African and East Trading Company introduced the Royal Exchange Assurance Agency

Indigenous Players



- The first indigenous insurance company African Insurance Company Limited was established in 1958.
- By 1960, only 4 of 25 players were indigenous and by 1976, the foreign players were far outnumbered

Government Participation



- The National Insurance Corporation of Nigeria (NICON) was established in 1969
- To assist in the development of the Insurance industry in Nigeria
 - To ensure that Federal Government Assets were fully insured

NAICOM Regulation



The National Insurance Commission was established in 1997, to establish standards and conduct of insurance businesses in Nigeria, to protect insurance policy holders, beneficiaries and third parties to insurance contracts.

Present



Rapid changes in the sector

- increase in customer needs (e.g. Takaful), heightened competition and evolving technologies

Capital Adequacy needs



Oke Micheal Ojo, Insurance Sector Development and Economic Growth in Nigeria. African Journal of Business Management Vol. 6, 2012

Continuous evolution of the sector- catalyzed by client needs and technology



Insurance Sector Overview

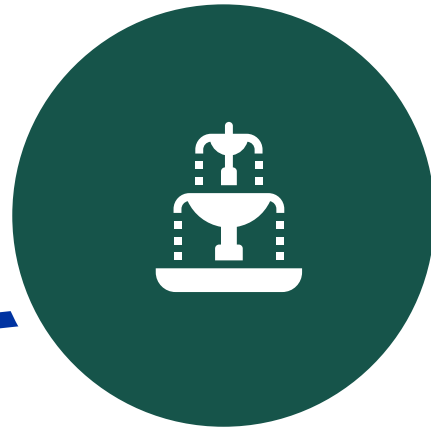


NIGERIAN INSURANCE SECTOR: ROLE IN THE FINANCIAL SERVICES SECTOR



Safety & Security

- Insurance stimulates business activities to operate in a cost-effective manner, by transferring risks associated with business activities
- Insurance and Re-insurance companies assume the risk



Financial Resources & Economic Growth

- Insurance generates funds by collecting premiums which are employed in areas with funding deficit i.e. government bonds, corporate bonds, stocks, real estate etc.
- It contributes to the economic growth of a country by fostering long term investment



Encourages Savings

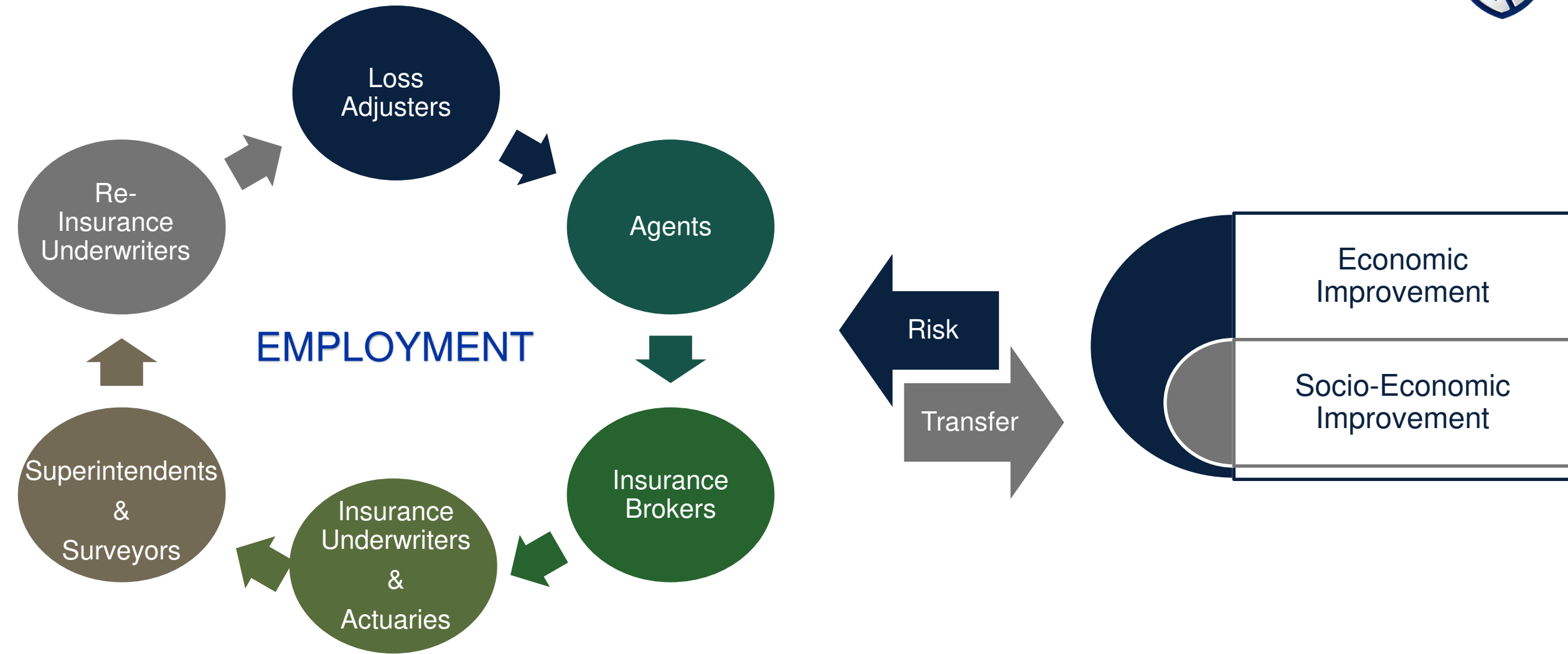
- Regular premium payments to life insurers enable systematic savings
- Serves as an alternative investment channel
- The insured gets a lumpsum at maturity of the contract which is generally tax free



Medical Support & Socio-Economic Development

- Health Insurance promotes socio-economic wellbeing of the populace
- Critical illnesses are unexpected and medical expenses are typically high
- The insured gets medical support in the event of illnesses

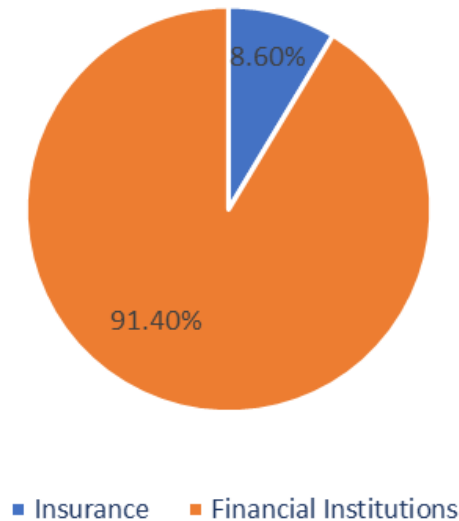
NIGERIAN INSURANCE SECTOR: BENEFITS TO THE ECONOMY AND HOUSEHOLDS





NIGERIAN INSURANCE SECTOR: CONTRIBUTIONS TO THE ECONOMY

Contribution to Financial Services GDP



Contribution to economy

- 8.6% to the financial service sector in Nigeria
- Less than 1% to overall economy – (NBS)

Insurance penetration

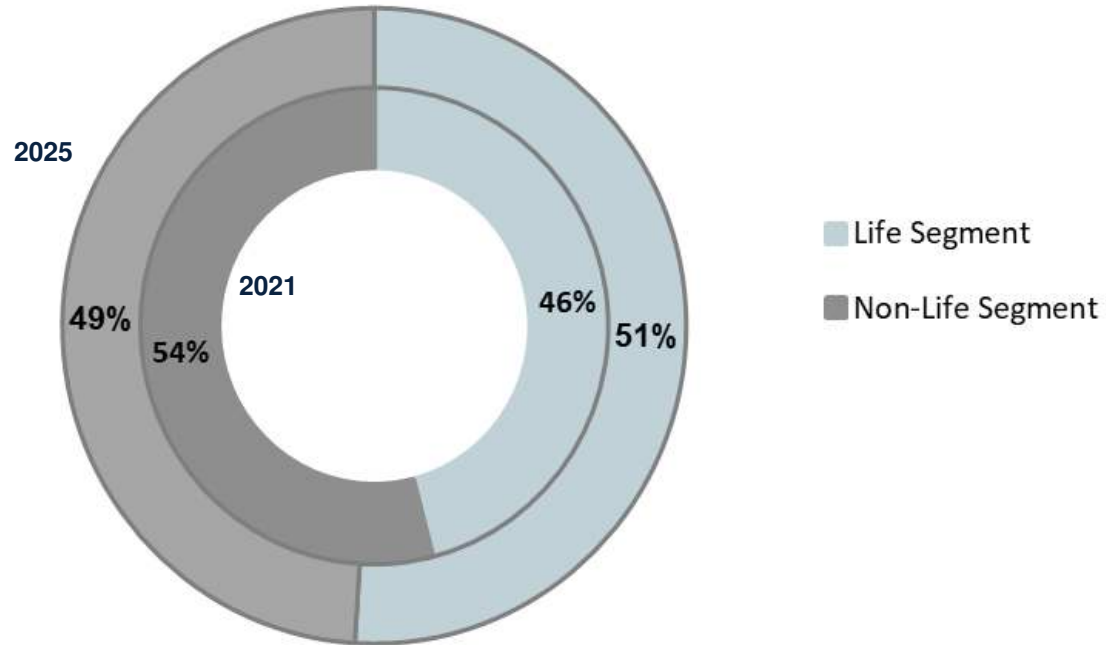
- Relatively, Nigeria has an insurance density of \$6 per capita, thus less than 10% of the EMEA average of \$85 per capita, and
- The insurance penetration is low at 0.30%, compared to an EMEA average of 1.94%

Great opportunities and room for growth for the sector in the medium term



NIGERIAN INSURANCE SECTOR: MEDIUM TERM VIEW

Medium term projection of insurance segments



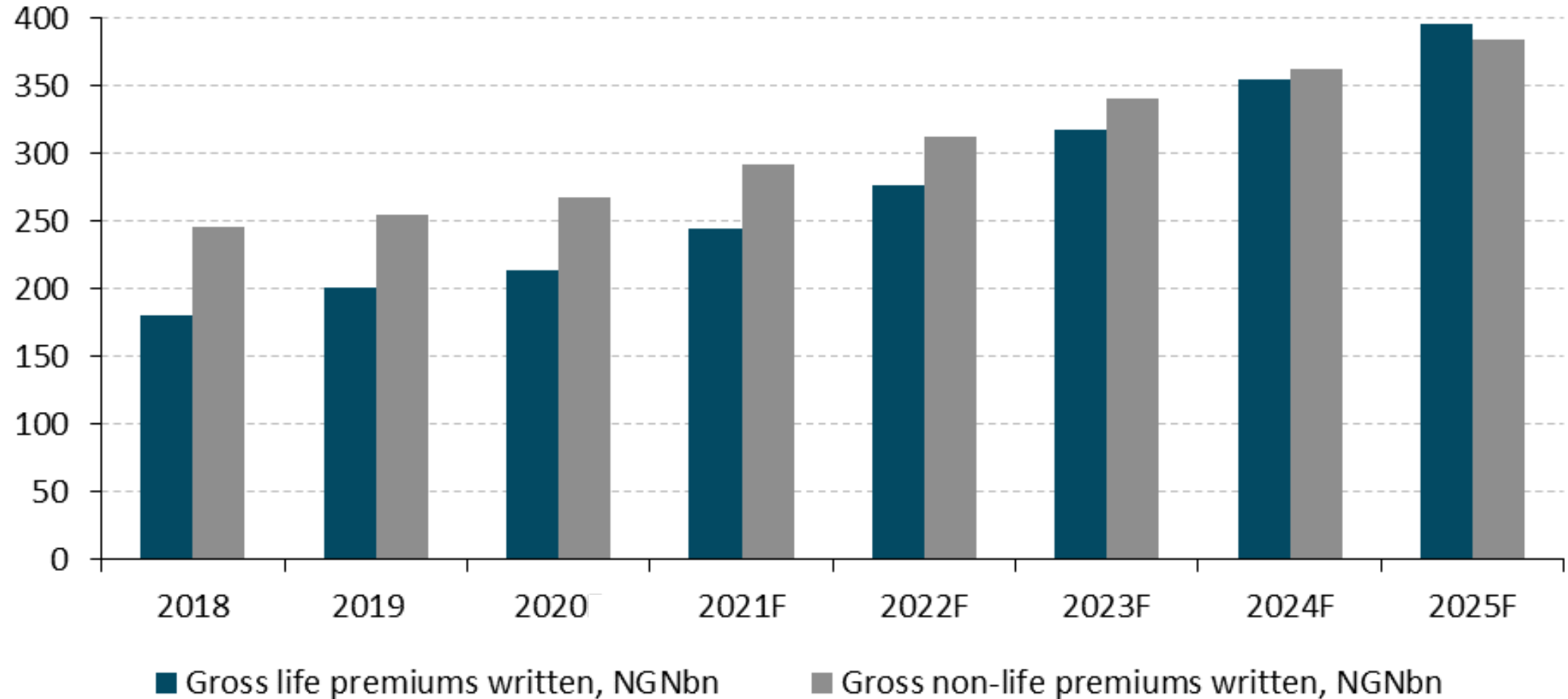
- Growth to be driven largely by the non-life segment, in the short term, as this major segment is set to account for roughly 54% of the overall market in 2021
- By the end of 2025, life insurance is forecasted to overtake non-life insurance by market size, when life insurance will account for almost 51% of total written premiums

Key growth catalysts are (1) Nigeria's large and growing population, (2) technology and (3) awareness



NIGERIAN INSURANCE SECTOR: MEDIUM TERM VIEW

Medium term projection of insurance segments



The non-life segment is set to account for roughly 54% of the market in 2021



NIGERIAN INSURANCE SECTOR: LIFE BUSINESS

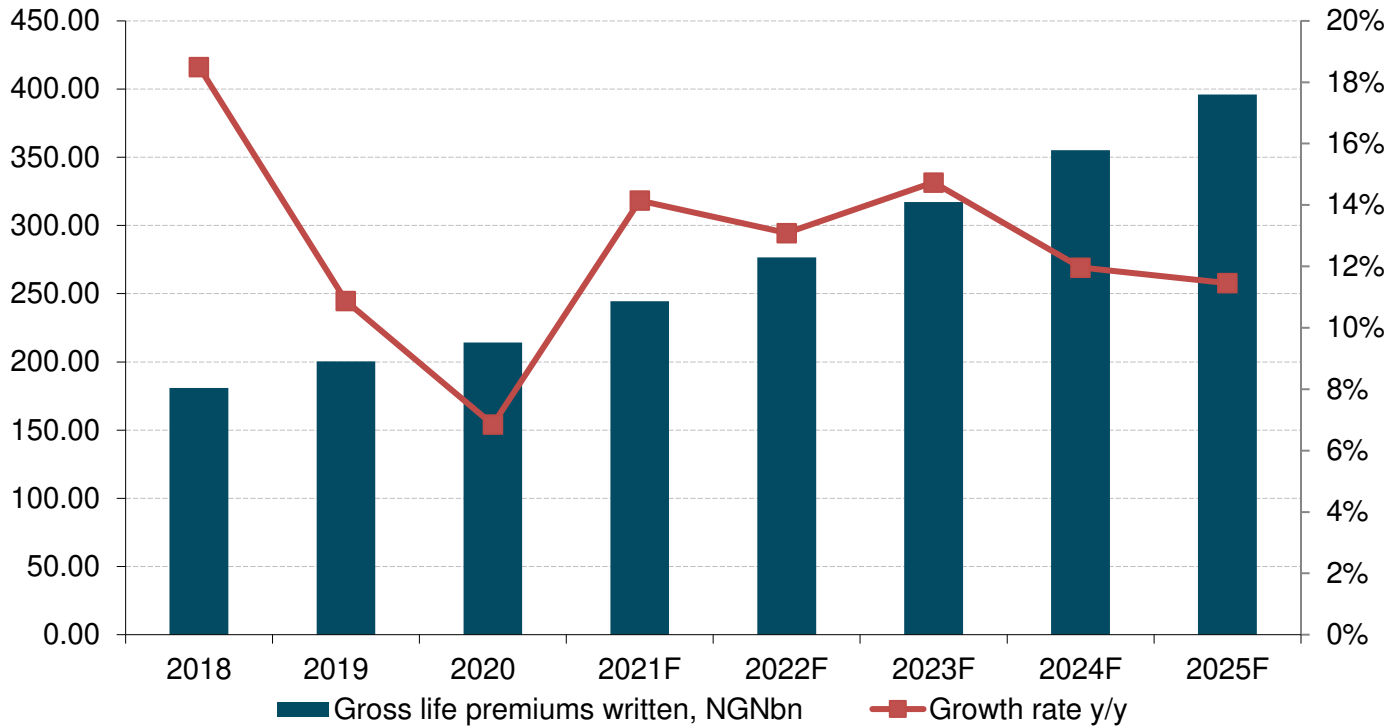
- Life premiums currently account for 46% of overall insurance spend in the country
- The life market will overtake the non-life sector by 2025
- Despite being compulsory, compliance in group life insurance is low versus potential
- Penetration is projected to remain extremely low, at under 1% of GDP or just under USD3.5 per capita in 2025
- With projected economic growth the underlying trends for the life insurance market remain positive

In spite of Nigeria's large population, only a small portion purchase life insurance

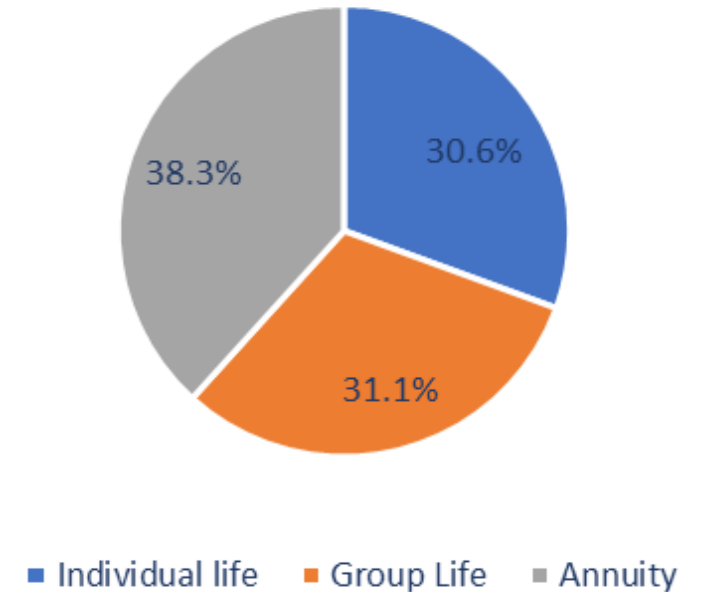


NIGERIAN INSURANCE SECTOR: LIFE BUSINESS

Medium term expected trend for Life Insurance premiums (N'Bn)



Distribution of Life Premium
2019 (%)

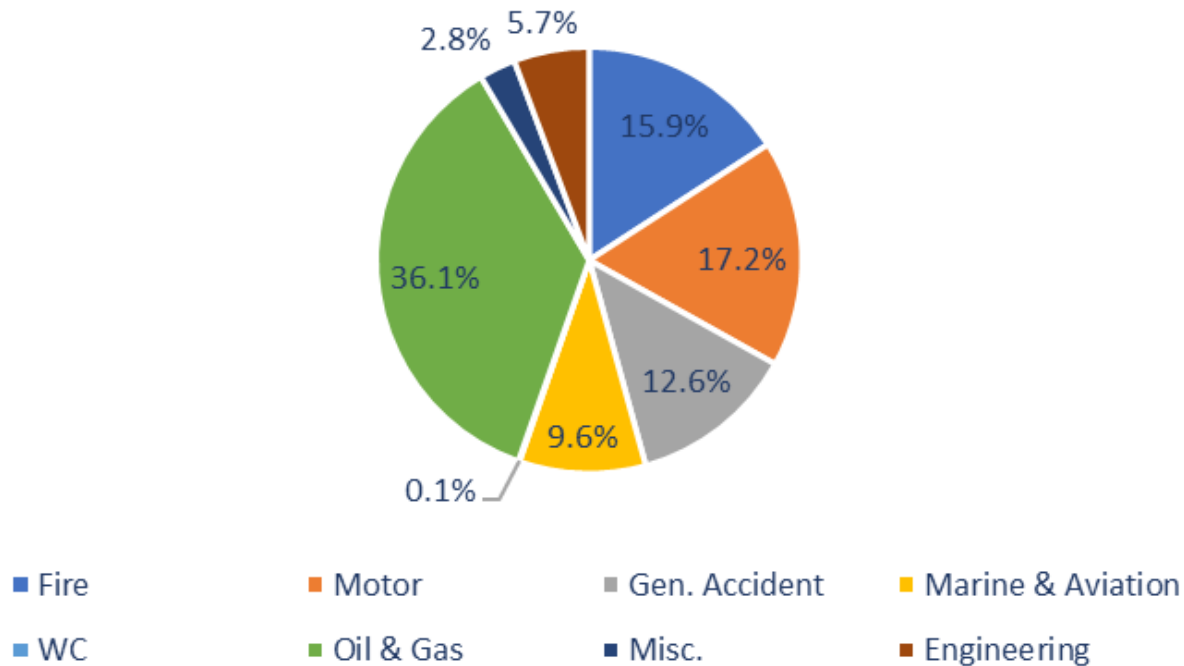


In spite of Nigeria's large population, only a small portion purchase life insurance



NIGERIAN INSURANCE SECTOR: NON-LIFE BUSINESS

Gross Premium Written 2019 (%)

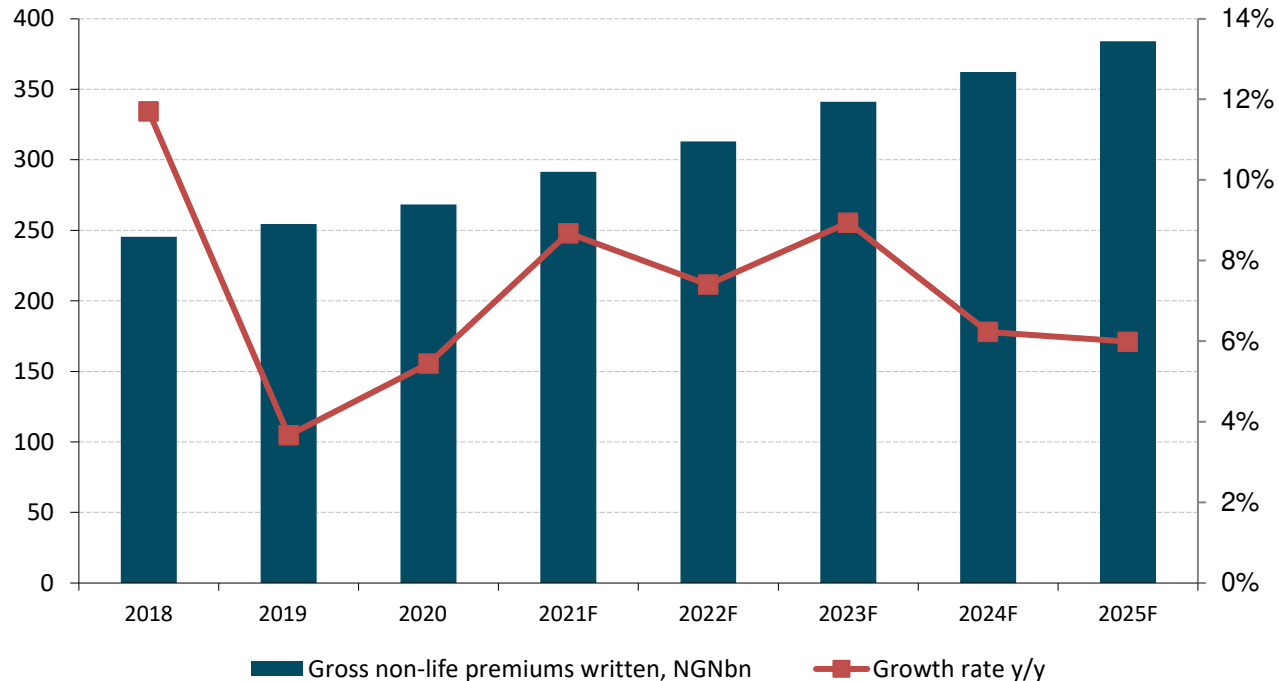


- The segment is dominated by five sub-sectors:
 - oil and gas
 - motor vehicle
 - fire
 - general accident, and
 - marine & aviation
- The outlook for all the major sectors is quite subdued overall, and Fitch Solutions forecast overall growth in non-life premiums to average 7.4% annually over the medium term, in local currency terms

The non-life segment is set to account for roughly 54% of the market in 2021



NIGERIAN INSURANCE SECTOR: NON-LIFE BUSINESS

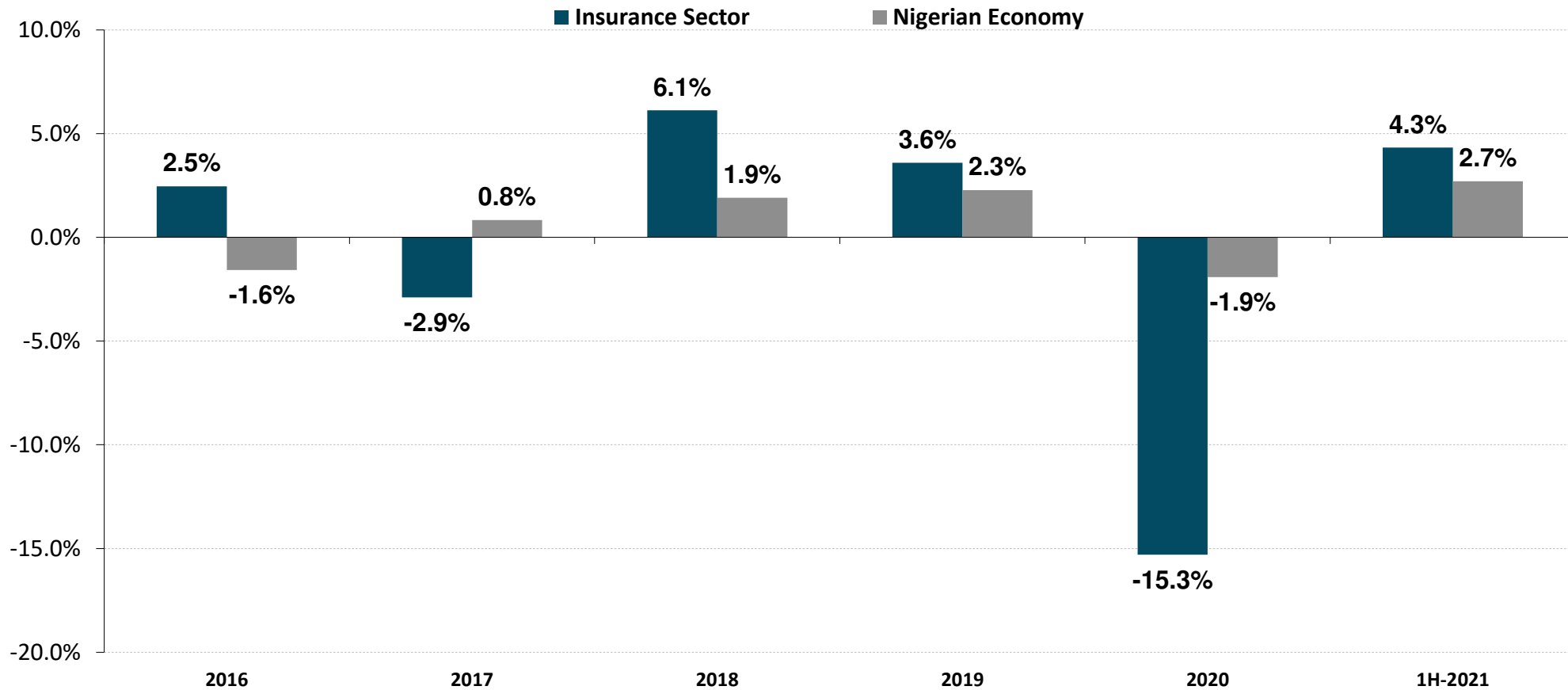


- The dominant feature of the segment is the “destruction” of premiums written by high inflation, at least in recent years
- In real terms, premiums have been falling and it is expected that premiums will take many years to reverse the negative cumulative effect of the negative growth

Medium term expected trend for Non-Life Insurance premiums (N’Bn),

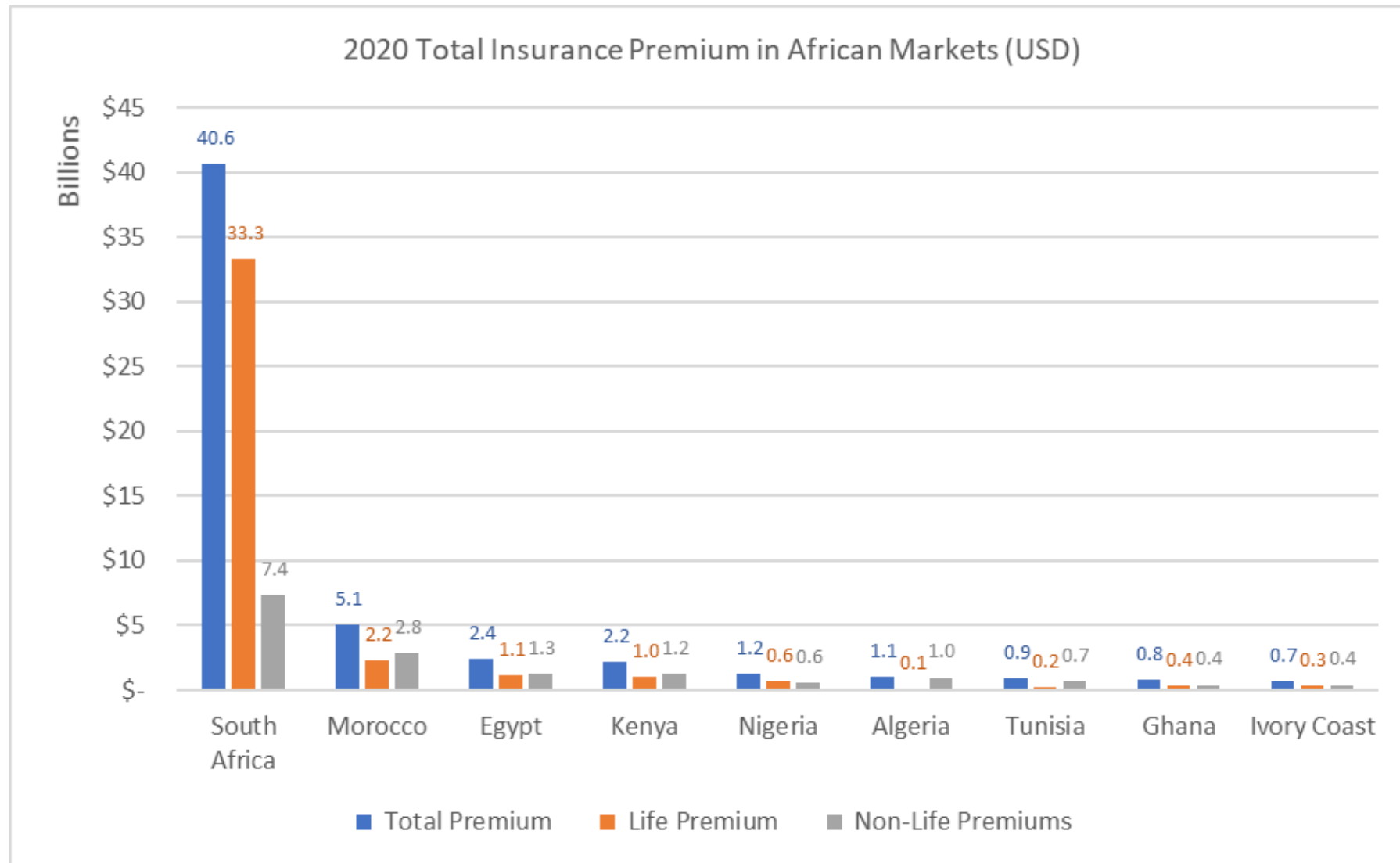
A missed opportunity given size, scale and the importance of Nigeria as an oil producer

NIGERIAN INSURANCE SECTOR: GROWTH RATE VS THE NIGERIAN ECONOMY



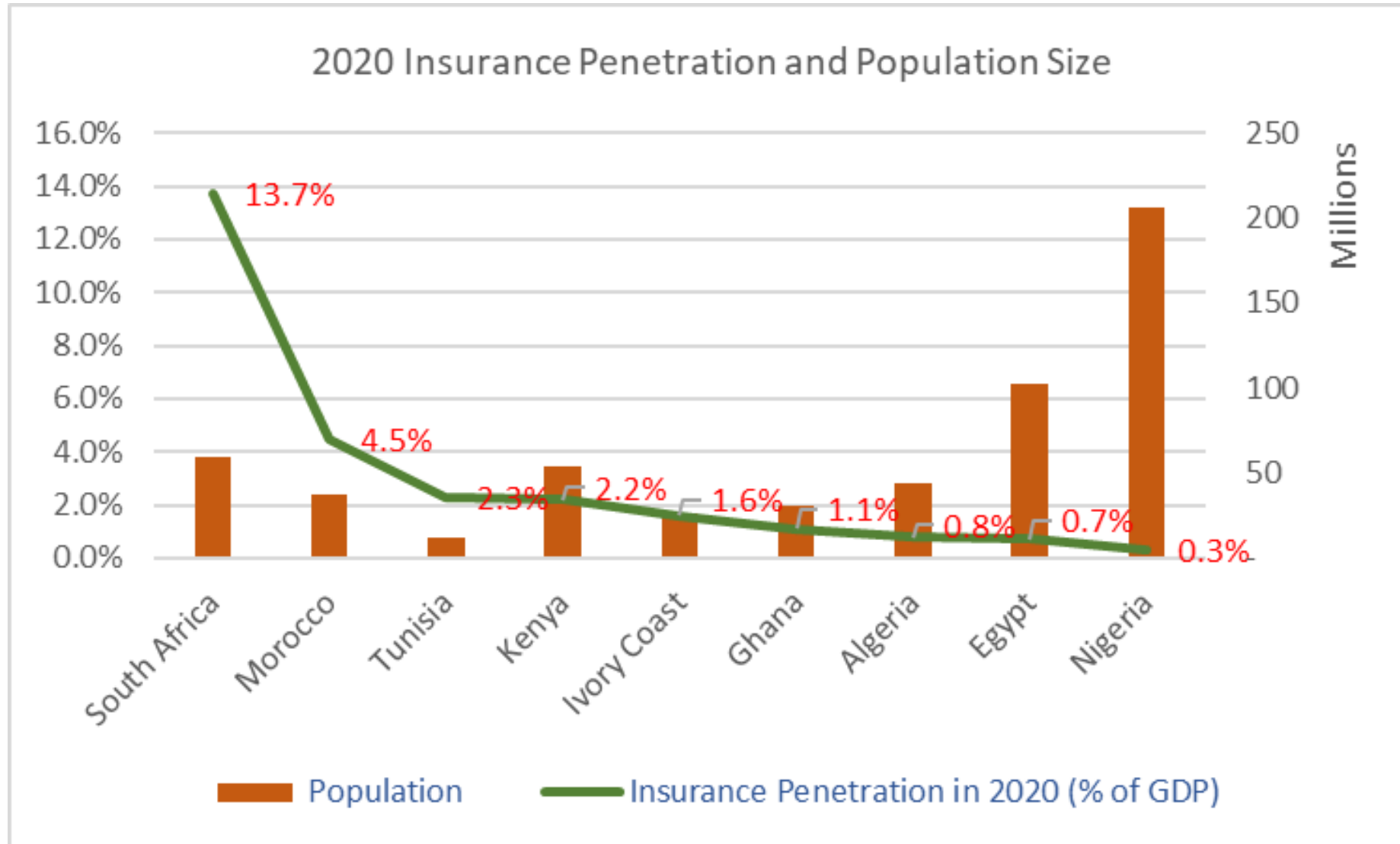


NIGERIAN INSURANCE SECTOR: CROSS-COUNTRY COMPARATIVE ANALYSIS





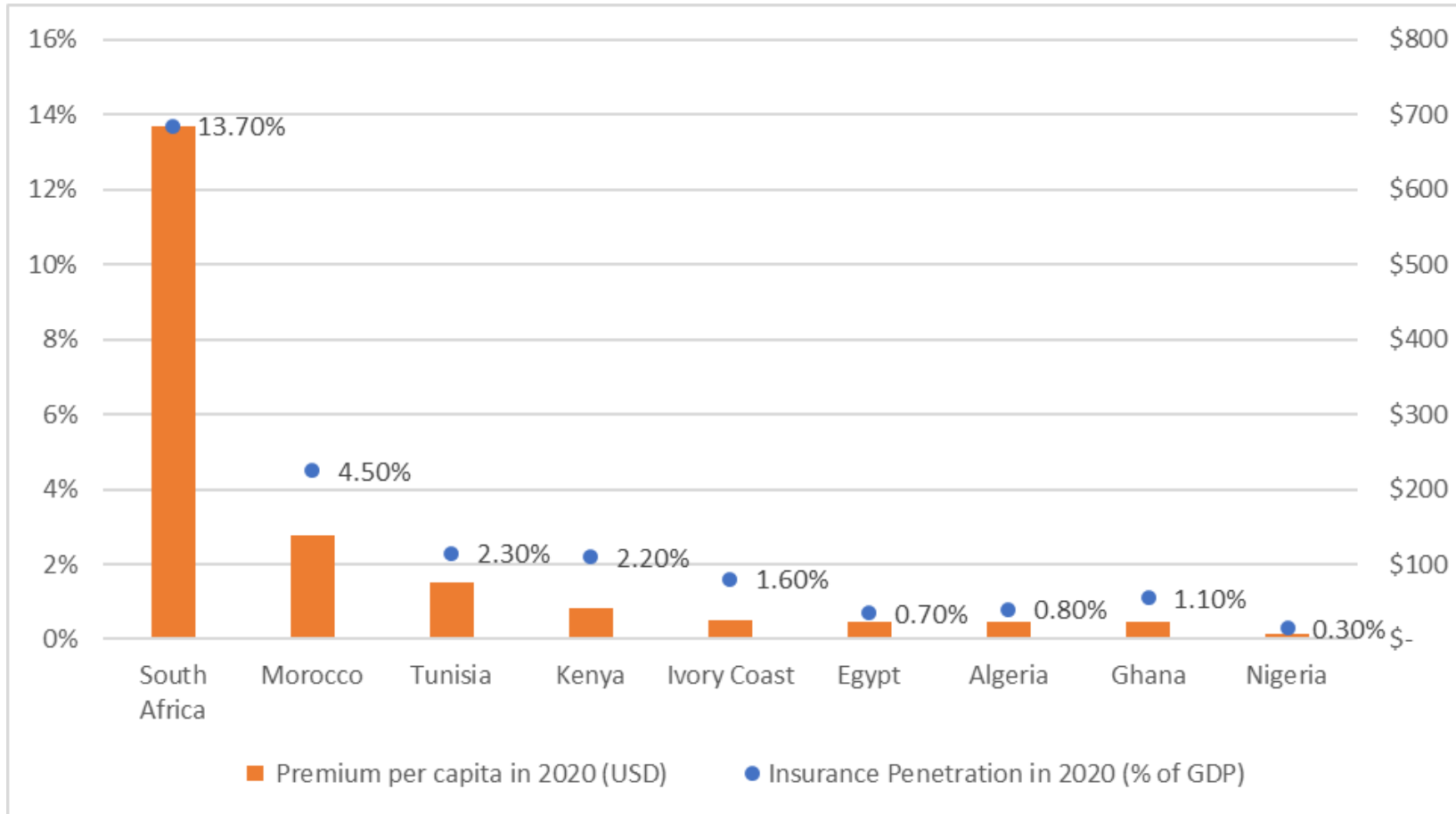
NIGERIAN INSURANCE SECTOR: CROSS-COUNTRY COMPARATIVE ANALYSIS





NIGERIAN INSURANCE SECTOR: CROSS-COUNTRY COMPARATIVE ANALYSIS

Nigeria's insurance penetration and density relative to peers



Summary

- Compared to peers, Nigeria has an insurance density of \$6 per capita, which is less than 10% of the EMEA average of \$85 per capita
- Also, Nigeria's insurance penetration is low at 0.30%, compared to an EMEA average of 1.94%



Insurance Sector Growth Potentials

NIGERIAN INSURANCE SECTOR: STRENGTHS AND OPPORTUNITIES



Strengths

- Large population
- Large domestic economy with extremely low penetration and density
- Admission of new operators by supportive regulator
- Mature re-insurance industry
- Significant investment appetite by local investors
- Positive regulatory partnership and changes to develop pension savings and GLA

Opportunities

- Microinsurance products catering to low-income households
- Innovative distribution channels (e.g. InsureTech)
- Fragmented market
- Insurance is largely driven by statute, making it compulsory in many instances
- Young and reasonably well-educated population



Weaknesses

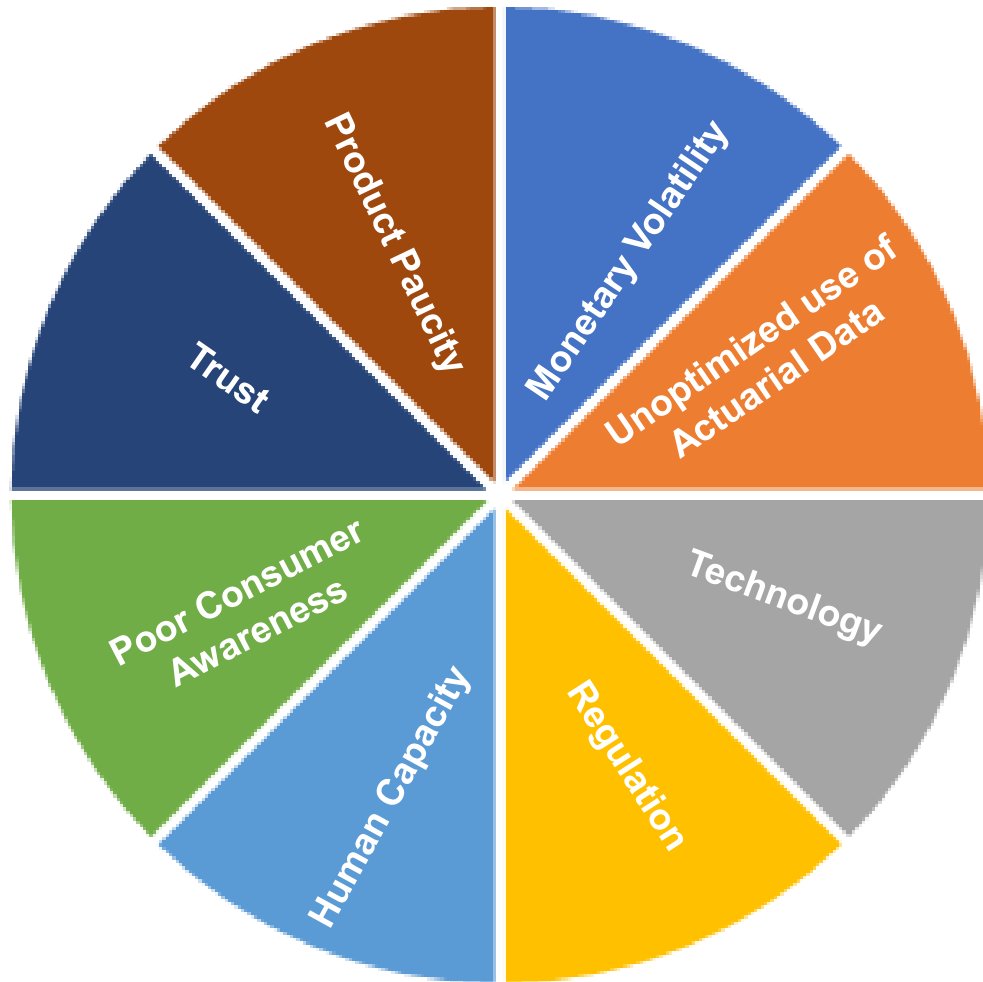
- Low level of insurance e.g. motor
- Cumbersome claims processing
- Capacity for risk sharing
- Low purchasing power of the buying public
- Lack of awareness of life insurance and retirement income products

Threats

- Shrinking insurance pool e.g. exit of FDIs
- Inflationary pressures
- Deterioration in security
- Concentration risk



NIGERIAN INSURANCE SECTOR – GROWTH IMPEDIMENTS



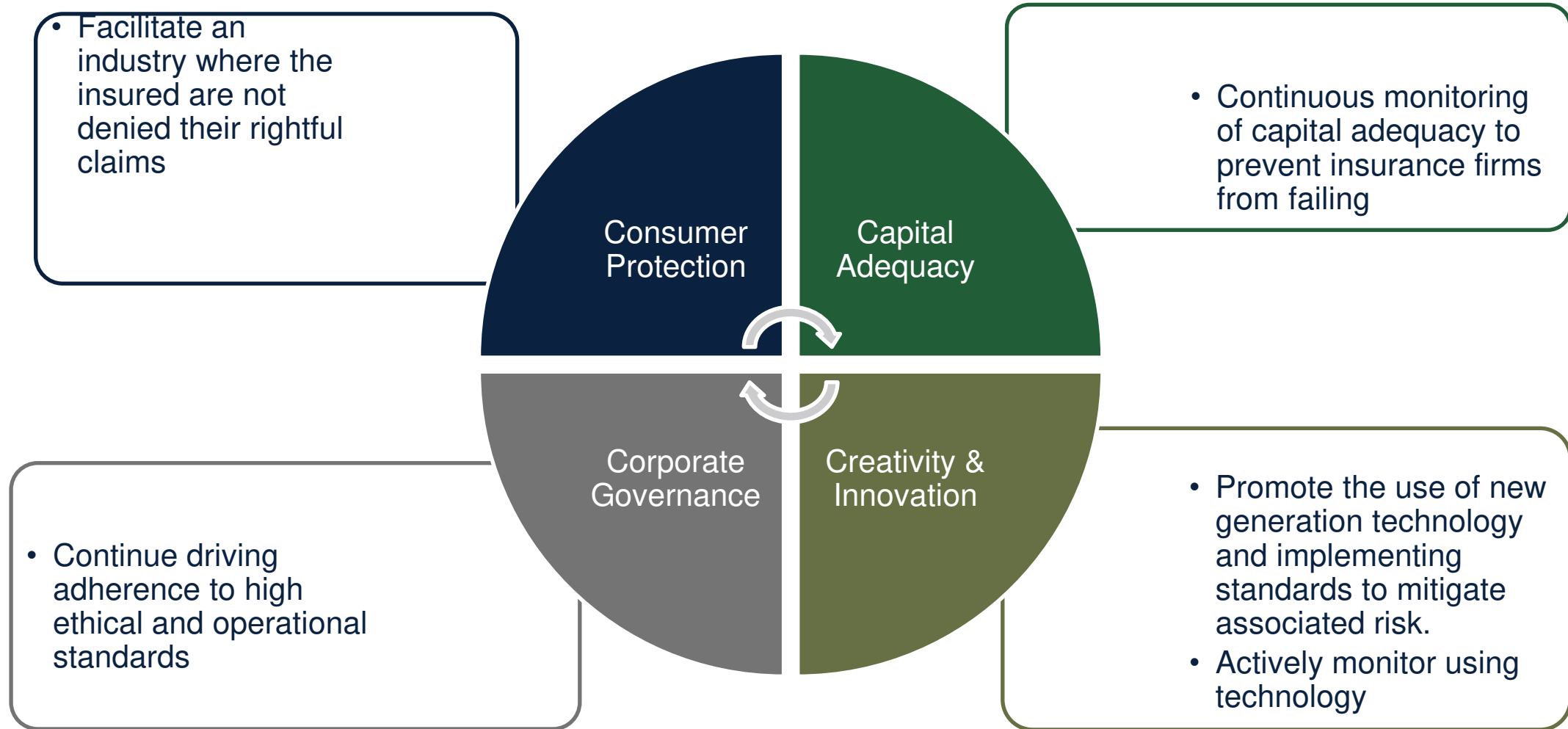
1. **Monetary Volatility:** Sum insured are generally priced based on nominal values
2. **Unoptimized use of actuarial data:** Collaborative use of actuarial data should be encouraged
3. **Technology:** The business environment is rapidly changing, and adoption of technology is a game changer
4. **Regulation:** Limited cooperation between regulator and industry to grow market
5. **Human Capacity:** Shortage of experience in certain aspect of insurance
6. **Poor consumer awareness:** Insurance companies need to take innovative measures to promote the concept of insurance among the public
7. **Trust:** There is a perceived lack of trust in insurance generally
8. **Product Paucity:** Lack of products that are relevant to the changing environment



Insurance Sector Path to Progress



PATH TO PROGRESS: ACTIVE REGULATION



Regulators to continue facilitation for a vibrant insurance industry, healthy competition and adoption of modern technology



PATH TO PROGRESS: NEXT GENERATION TECHNOLOGIES

Product Design

- Usage based insurance opportunities through Robotics/Telematics/IoT
- Manage evolving risks such as cyber
- Look into the design of existing insurance processes

Pricing / Underwriting

- Use of big data / analytics to identify new claim drivers
- Predictive / prescriptive underwriting techniques
- Artificial intelligence to hone risk assessment

Marketing

- Position insurance as more customer-centric
- Increase frequency of interaction
- Use big data / analytics for micro-market segmentation and personalization

Distribution

- Drive financial inclusion and customer experience through omni-channel interactions
- AI-driven Robo-advisors

Policy / Claim Management

- Use big data to reduce fraud and improve claims process
- Self-service apps to improve customer post-sale experience

https://www.swissre.com/dam/jcr:d8815e23-fe94-423e-8d15-dc618e75272f/2018_tech_innovation_trends.pdf

Use of technology, AI and big data as a catalyst to transform the industry



Thank
You



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Fitch solutions' 3Q-2021 Nigeria Insurance Report