BULLETIN OF THE INSURANCE MARKET PERFORMANCE

RESEARCH & STATISTICS DEPARTMENT

SYNOPSIS OF THE INSURANCE MARKET

IN SECOND QUARTER, 2024

OUTLINE

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Introduction

This performance analysis of the Nigerian Insurance Industry is an insight into the market behaviour in the second quarter of 2024. The market recorded about ₦813.1b Billion in Gross Premium Written during the period, indicating a 47.4 per cent growth rate compared to the same period of the prior year and an impressive 72.7 per cent, quarter on quarter. The continued steady growth from the first quarter of the year correlates with the current performance of the period under review.

1.1 Gross Premium Written - Performance

In the second quarter of 2024, the insurance market achieved a Gross premium written of N813.1billion naira, a notable performance amid macroeconomic challenges in the Country. Table 1 shows the premium contribution by each class of the business

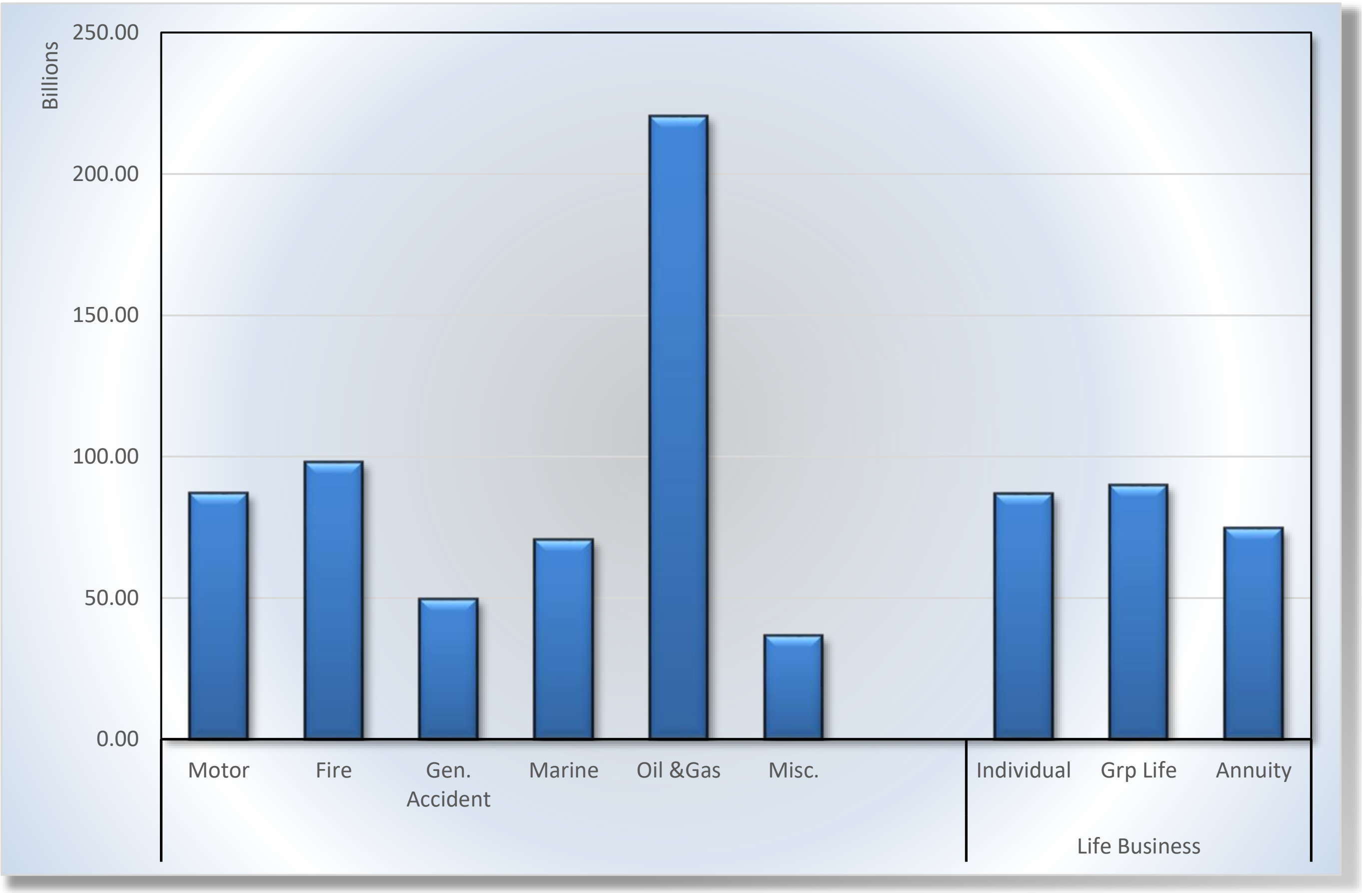
Table 1: Gross Premium Written: Non-Life & Life Businesses: Q2, 2024
Currency: ₦ Billion

Variable	Motor	Fire	Gen. Accident	Marine	Oil &Gas	Misc.	Individual Life	Group Life	Annuity	Market Aggregate
Gross Premium Written	86.9	98.2	49.5	70.6	220.3	36.6	86.6	89.8	74.6	813.1
Net Premium	**61.1**	**50.7**	**26.0**	**27.5**	**70.0**	**11.8**	**85.1**	**61.3**	**74.2**	**467.7**

The insurance industry recorded an impressive year-on-year growth rate of 47.4%, which stands out significantly when compared to Nigeria's nominal GDP growth of 3.19% during the same period. Indeed, the sector was listed among the major growth drivers during the period by the report of National Bureau of Statistics.

Chart 1 further provide the proportional contribution of each class of business, signifying the continued share relevance of Life Insurance business over the years.

Chart1: Gross Premium Written by Class - Non-Life & Life Business: Q2, 2024

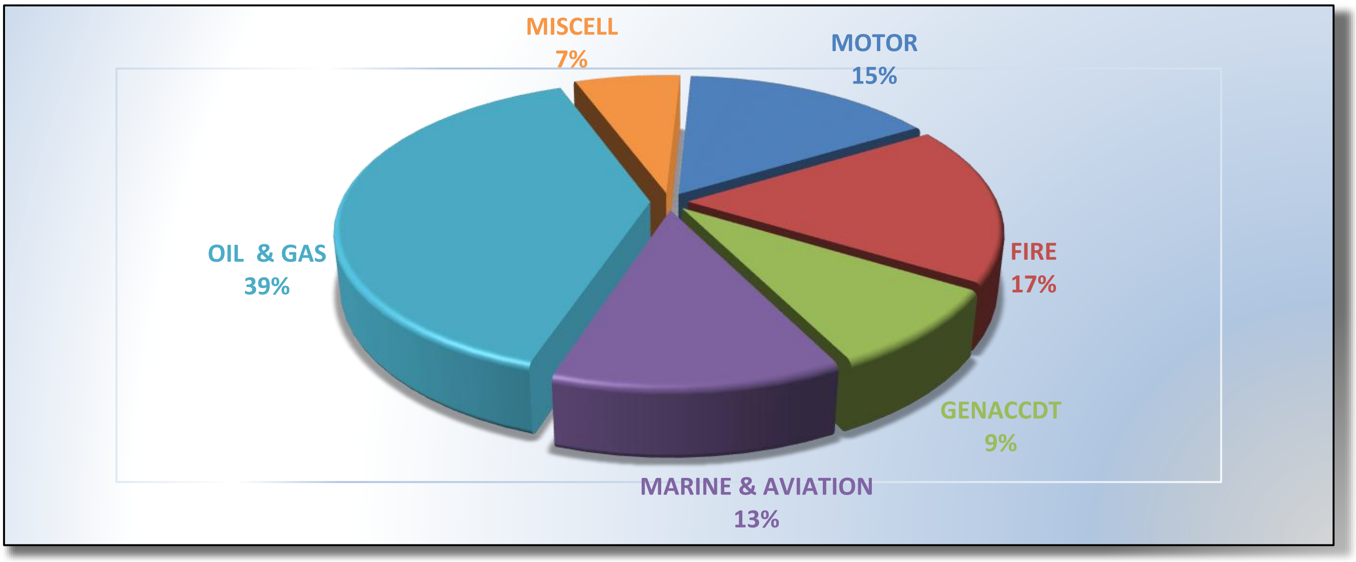


The continued prevalence of Non-Life insurance highlights its critical role in providing essential coverage for various risks, posting 69.1% of the total premium generated for the half year period, higher comparative to its share in the previous quarter when it stood at sixty-three (63.0%) per cent. The Life insurance premiums generation on the other hand, reflects a steady demand during the period with a share of about thirty-one (31.9%) per cent.

The share of the various businesses within the Non-life segment show that the Oil & Gas portfolio leads at approximately thirty-nine (39.2%) percent. Fire Insurance trailing second at a record of 17.5% of all Non-Life premiums generated during the quarter under review. Motor Insurance stood at a contribution of 15.5% while, Marine & Aviation, Gen. Accident and Miscellaneous reported a share of 12.5%, 8.8% and 6.5% in that order.

The infographic representation of the non-life business is further revealed by Charts herein.

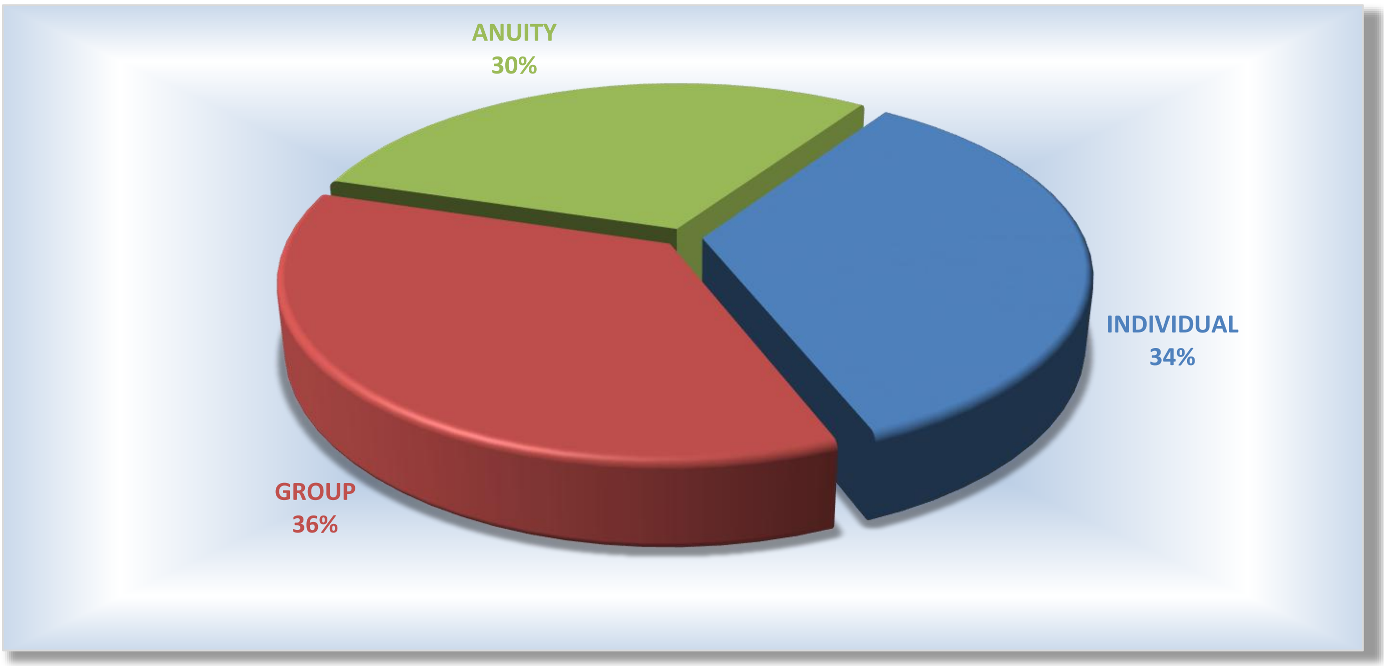
Chart 2: Distribution of Gross Premium Written - Non Life



Life business on the other hand reported the Group Life as a leading premium generating component at 35.8 per cent while Annuity business recorded the least at about 29.7 per cent during the period.

A further insight into the Life business is represented in figure 3.

Chart 3: Contribution of Gross Premium Written - Life

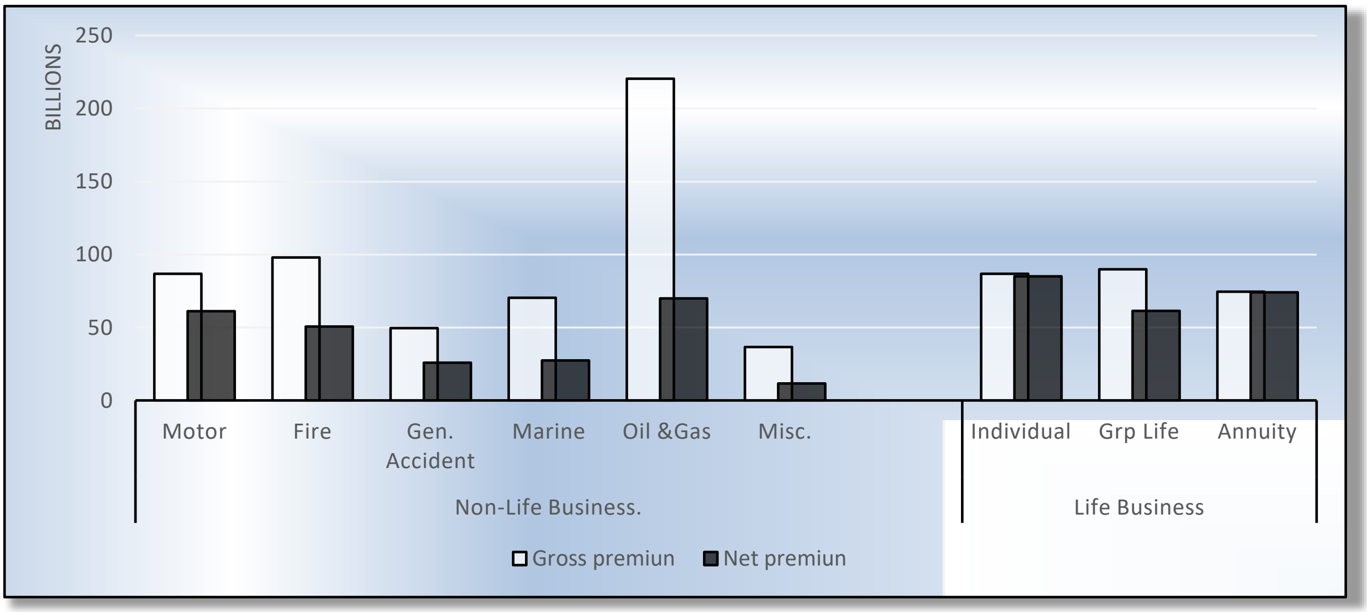


1.2 Premium Retention Capacity

The right balance of premium retention ensures that the insurer remains solvent, maximizes profitability, and meets regulatory requirements while managing risk exposure effectively. Underwriters have maintained a strong and confident stance, as demonstrated by their notable retention positions in the market. The aggregate market retention during the period stood at about fifty-eight (57.5%) per cent. The Life business retention for the period stood at 87.8% while non-life recorded a ratio of 44.0%. respectively.

Chart 4 describes the relative retentions of various classes of Insurance business during the second quarter of 2023. Colleague

Chart 4: Relative Premium Retention - Non-Life & Life Business: Q2, 2024



The retention performance analysis across various classes as outlined in Table 2, provides valuable insights into the market's dynamics, crucial for identifying trends in risk appetite and capital utilization and of the competitive landscape within the market. The Statistics indicates that some classes stood at an above average position while the Oil & Gas (31.8%), Marine & Aviation, (39.1%) and Miscellaneous (32.2%) businesses recorded less than the average mark. Nonetheless, the overall retention in the Non-Life segment showed a less than an ideal performance, with only 44.0% of business being retained, reflective of low retention records in the special risks of the business. By examining retention rates, we can understand how underwriters are balancing their risk exposure and financial capacity across these diverse portfolios.

Table 2: Retention Ratios of Various Classes of Non-Life & Life Business: Q2, 2024

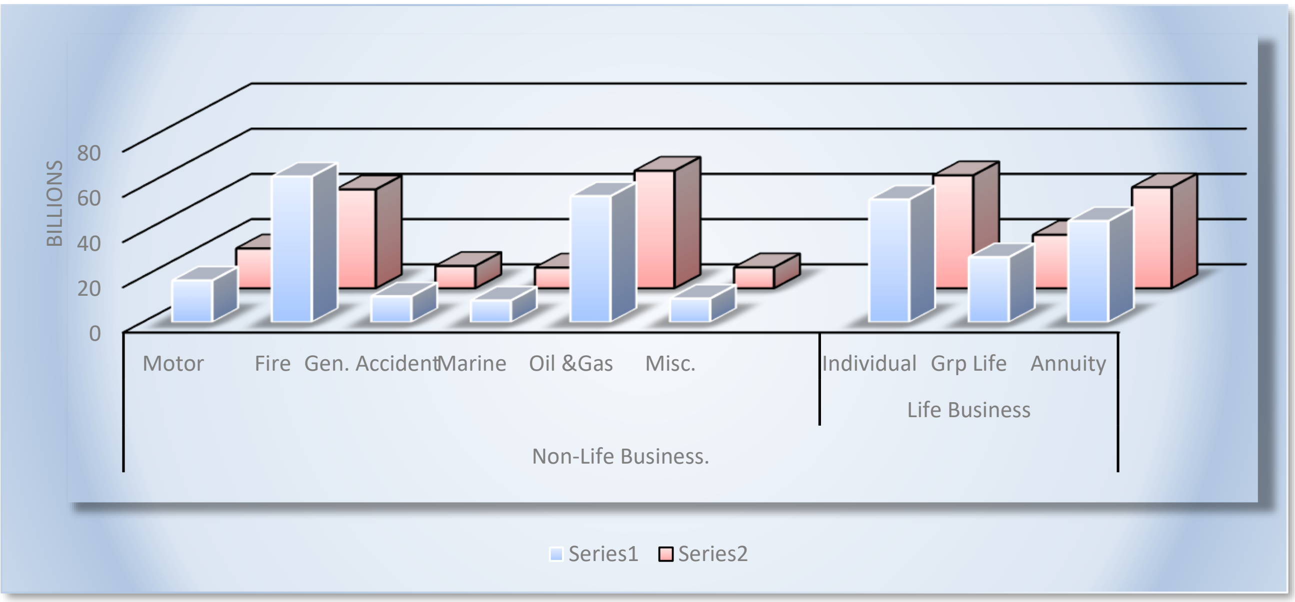
Motor	Fire	Gen. Accident	Marine	Oil &Gas	Misc.	Individual Life	Group Life	Annuity	Market Aggregate
70.4	51.6	52.4	39.1	31.8	32.2	98.1	68.2	99.5	57.5

2. Insurance Claims Component

Consistent regulatory focus on public awareness and the enforcement of timely claims settlements has had a significant impact on the insurance industry, signifying persistent increase in gross claims reported, stood at N297.9 billion in second quarter of 2024. This represents 36.6% per cent of all premiums generated during the period and, a fifteen percent increase on annual basis. The net claims paid on the other hand stood at N259.4 billion, signifying an 87.1% of all gross claims reported in the industry during the period. On one hand, the Life Insurance business of the industry recorded a near perfect point of 92.5% claims settlement against reported claims while net claims paid of the non-life segment stood at about eighty-three (83.0%) per cent of gross claims reported.

Chart 5, provides the relative industry Gross and Net claims reported and paid in non-life section of the market.

Chart 5: Comparative Sequence of Gross and Net Claims for Non-Life & Life Business: Q2, 2024



The view of the percentage claims settlement was a direct replication of Q1 2024 array, in all classes, the ratio of net claims paid stood above average position against the figures. The Motor Insurance business reported an exceptional ratio of 95.3% of net claims paid against gross claims while Marine & Aviation businesses followed at about ninety-five (95.0%) per cent, higher than in the previous corresponding period (74.5%) of the preceding year. The General Accident (85.9%), and Fire (67.7%) stood at a relative stability compared to the preceding period.

Table 3 provides the percentage of net claims paid against total claims reported with respect to non-life portfolios for the period under review.

Table 3: Percentage Claims Settlement of Non-Life & Life Business: Q2, 2024

Motor	Fire	Gen. Accident	Marine	Oil &Gas	Misc.	Individual Life	Group Life	Annuity	Market Aggregate
95.3	67.7	85.9	95.0	93.1	88.0	91.9	82.2	99.7	87.1

The performance in the Oil & Gas in terms of claims settlement was rather commendable as it recorded an improved ratio of net claims paid to total reported claims of about ninety-three per cent during the period. This is despite recording a low retention ratio during the same period at just about thirty-two per cent.

3. Profitability of the Sector

The Insurance market indeed remained profitable during the period under review, recording an overall industry average net loss ratio of about fifty-six (55.5%) per cent, higher than 52.9% reported in previous corresponding period. The Non-Life segment's net loss ratio stood at 57.2% while Life business recorded an improved net loss ratio of 53.6% during the same period. The net loss ratio of the overall market average has improved by three points compared to the corresponding prior period. It is remarkable that the market has sustained some good profitability standing during the review period.

However, it is important to note that the ratios mentioned reflect the market averages while there are few other underwriters whose loss ratios were rather recorded at a level not so impressive, over a hundred per cent or higher during the same period. This indicates that while some players in the market are experiencing significant challenges, the broader industry still maintains a favourable profitability profile. Table 4, provides insight into the number of Insurers with highest loss ratios, with at least 100% or greater during the period.

Table 4: Loss Ratios for Insurers in Q2, 2023

Composite	Non-Life	Life	Reinsurance	Total
1	2	2	1	6

4. Market Concentration Risk

A relatively uneven distribution of market share is recorded more in the Life segment of the industry compared to the Non-Life section during the review period. During the quarter, the top three Life insurance companies accounted for about 43.8% of the total Life premiums, while the top three companies in the Non-Life segment held approximately just about 34.8%. Furthermore, 86.6% of all Life business was concentrated among the top ten players, with the bottom ten players contributing just 1.3% of the Life insurance premiums.

On the other hand, in the Non-Life section, the top ten underwriters generated around 66.3% of the gross written premium, while the least ten Insurers controlled only 1.1% of the market share during the same period.

5. The Market Size

The industry reported a total asset of N3,687.9 billion, signifying a 9.5% increase from the N3,336.4 billion reported in Q1 2024. The balance sheet indicates that the Non-Life business holds assets amounting to N2,292.4 billion, while the Life business accounted for N1,395.5 billion of the industry total assets. These figures highlight a significant increase in both segments, reflecting the overall robustness and upward trajectory of the industry.

Table 5 provides the necessary insight into the Market size of the Insurance market in the second quarter of 2024.

Table 5: Total Assets in Billions of Naira – Q2, 2024

Insurance Business	N Billion
Non-Life Insurance Business	2,292.4
Life Insurance Business	1,395.5
Total	**3,687.9**

The insurance industry has indeed demonstrated resilience, good soundness, profitability, and stability in view of the market behaviour during the period of the second quarter. This is supported by the key indicators of premium generation, claims experience and a significant asset expansion which is suggestive of effective risk management, prudent underwriting practices and, certainly an effective regulatory environment prevalent in the industry. Thus, the market remained not only profitable in the current but signifying a positive outlook, definitely.

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