Africa insurance trends

Strategic and Emerging Trends in Insurance Markets in Nigeria

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1. Foreword

Gabriel Ukpeh

Welcome to our first biennial PwC Strategic and Emerging Issues in Africa Insurance survey. Our previous five surveys were confined to the South African Insurance market. We have now expanded the survey to include two key markets, Nigeria and Kenya. It is our intention to extend the survey to other countries in Africa in future. In this Part 2 of our report, we limit our considerations to the Nigerian market. Part 3 will cover the Kenya market.

This edition comes at a time when global and African insurers are grappling with disruptive social, technological, economic, environmental, political and regulatory changes. These megatrends are already reshaping the competitive environment for insurers, reinsurers and the markets they operate in across Africa.

It is against this background that we have conducted this survey. We trust that it will achieve its primary goal: to help industry executives recognise the significance of these changes and use them to shape strategies for the future. The survey includes the views of long-term and short-term insurance CEOs. We believe that it brings out important themes which should be useful to insurers in Nigeria and across the continent. The key objectives of the survey are to

- Raise the awareness of insurers to mega-trends that are changing insurance markets across the African continent;
- Provide insight into how the insurance market across Africa might evolve over the next few years;
- Shift the focus of CEOs from merely responding to, to dealing with, the short term market instability; and
- Help insurers to come up with strategies and business models that are relevant to the changing environment.

Interviews of the Nigerian insurers were conducted by Obioma Ubah, a Director in the Financial Services Industry Practice of PwC Nigeria Office.

The document was written by Victor Muguto and Obioma Ubah, in association with the PwC Africa Actuarial Risk & Quants team, with significant inputs from Tinashe Mashoko.

We would like to thank all the executives who participated in this survey. We appreciate their openness, insight and the vision they provided on the various topics. We would like to thank the PwC Africa Insurance team for the time and effort put into the interviews, analysing the survey results and producing this report.

We trust that you will find the survey useful. Should you like to discuss any of the issues addressed in more detail, please speak to the contacts listed at the end of the report. Additional copies of this report, as well as those on South Africa and Kenya, can be obtained from:

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2. Executive summary

Background

This survey focuses on strategic and emerging issues in the Nigerian insurance market. This is our sixth survey on insurance markets published by PwC on the continent. The first five surveys were confined to the South African market. We have now extended this to include the key insurance markets in Nigeria and Kenya. Survey documents on South Africa and Kenya are presented in separate Parts 1 and 3 country reports respectively. We expect other countries in Africa to be surveyed in the future.

The survey attempts to provide an industry-wide Sub-Saharan Africa perspective. However, where meaningful, it also highlights differences between the short-term and long-term insurance sub-sectors, as well as identifying some of the differences in the markets surveyed.

The Nigerian part of the survey is based on personal interviews with six CEOs in Nigeria. The list of insurers who participated in the survey is shown in the Appendices. 31 CEOs and senior executives were interviewed in South Africa and 8 in Kenya.

Interviews were conducted in Lagos in July and August 2014.

Overview of the Insurance Industry

Africa is progressively gearing itself towards a brighter future and a growing insurance industry aids in the development and growth of the economy. It encourages savings and investment, job creation and growth in capital markets and financial assets. Africa has exhibited growth in life premiums of 12.8% and non- life premium of 2.1% in 2013. [1]

Over the past decade the Nigerian insurance industry has grown steadily and this can be shown in the total premiums which have gone from about N75 billion in 2005 to over N300 billion currently. Foreign investors have shown a great interest in the Nigerian insurance sector through entry into the market. These include Sanlam and Old Mutual from South Africa and AXA from France acquiring a $246 million stake in Mansard Insurance. Progressivity can be seen in the introduction of new insurance products in the growing mortgage and housing sector.

Even though Nigeria has shown positive signs of development in this industry there is still room for more growth when compared to other emerging markets. There are challenges faced by the Nigerian insurance industry which include low penetration levels, for lack of consumer trust, low implementation of compulsory insurance and a lack of professionals that are adequately skilled in this space. These challenges, however, can be overcome if the insurance industry in Nigeria adopts some of the ideas and methods from the banking sector in Nigeria which has grown significantly over the past ten years whereby the total banking assets are now over US$150 billion.

NAICOM's transformation agenda for the next 3 years envisages growth in the written premiums from N300 billion currently to N1 trillion in the next 3 years. Job creation in the insurance Industry, enforcement of compulsory insurance and building of consumer trust and public awareness are part of the commission's plans to achieve its transformation agenda. The transformation agenda supports the Central Board of Nigeria's financial system strategy 2020. The sector is aspiring to get to employ 100 000 people in the insurance industry from the 30 000 people currently. Growth in the number of people holding an insurance policy is also included in the agenda. Presently, Nigeria has 3 million policyholders out of a population of 174 million people. This means that there is a lot more potential to increase the number of policyholders to 10 million in the next 3 years. Selling insurance policies can be done through mobile phones due to the high penetration of mobile phone of over 70%. This allows for the insurance industry to tap into the informal sector in order to increase the number of policyholders.[2]

1 Swiss Re news release 2014

2 Industry Report: Insurance, Agusto &Co Research

Nigerian insurance market

Nigerian market in context

The National Insurance Commission regulates the Nigerian insurance industry and is governed by the Insurance Commission Act 1997 and Insurance Act 2003. The insurance industry in Nigeria is still growing and developing. However, it only contributes 0.7% toward Gross Domestic Product (GDP). This is very low compared to other markets such as South Africa with penetration levels of around 12%. [3]

The Nigerian insurance industry players are structured into four players: insurers and reinsurers, insurance brokers, agents and loss adjusters. The insurance and reinsurance companies underwrite risks while the insurance brokers and agents act as intermediaries between the underwriters and the policy holders in the sale of insurance products and the collection of premiums. The loss adjusters, on the other hand, determine the appropriate valuation of the loss incurred in the event of a claim. Brokers are thought to control about 70% of all insurance premiums in Nigeria

To put things into perspective, in a global context, the total African insurance market only accounted for 1.52%* of the global premiums in 2013, at $69.938billion compared to the world total premiums of $4.6 trillion.

Insurance penetration, measured as a percentage of premiums to GDP was 3% for Africa. This is relatively higher than the average emerging markets average of 2.65%, but much lower than the advanced markets of 8.07% and a global average of 6.13%. The average premium per capita for Africa was $63.7 in 2013, relative to the world average of $645 and advanced markets at $3579.

The above numbers indicate the low level of development in the African insurance market, but also the immense potential to grow the market as Africa's affluence and financial literacy increases.

South Africa is the largest insurance market on the continent with premiums of $51.6 billion and is ranked 17th in the world. On the other hand, Nigeria is ranked 62nd in the world and has a total premium volumes of $1.64 billion. Insurance premium penetration rates of 0.7% of GDP, ranked 87th in world terms, and average premium per capita of $9.4, reflect a market that is in development.

Source: Swiss Re 2014 Sigma, IMF Economic Outlook, PwC analysis

***Derived**

Insurance inclusion

Approximately only 1.5% of all Nigerian adults are covered by insurance today. Uninsured Nigerians face risks and require better mechanisms to mitigate these risks as an alternative to the informal arrangements currently in use. The low insurance penetration in Nigeria is, in part, a consequence of the lack of trust and confidence in insurance companies. A contributor to this perception of the market is the limited knowledge of insurance amongst the public. There is scope to develop a revised market strategy centred on educating the public on the mechanism of insurance and conveying the benefits inherent in its provision.

Nigerian Insurers typically focus on broker driven corporate accounts especially the oil & gas sector. In order to improve penetration levels, the National Insurance Commission (NAICOM) launched the Market Development and Restructuring Initiative (MDRI) in 2009, to among others, enforce compulsory insurances and eradicate 'fake' i.e. procured by motorists from unregistered insurers insurances in the country.

There are 6 insurance products made compulsory by law by the Insurance Act 2003 and other sister legislations including:-

a. Group life Insurance in line with the Pencom Act 2004

b. Employers liability in line with the Workmen's Compensation Act 1987

c. Buildings under construction-section 64 of the Insurance Act 2003

d. Occupiers liability insurance –section 65 of the Insurance Act 2003

e. Motor Third party Insurance –section 68 of the Insurance Act 2003

f. Health care Professional indemnity insurance- under section 45 of the NHIS Act 1999

It is a commonly held belief that up to 60% of all compulsory motor vehicle insurance could be fake i.e. issued by unregistered insurance and sold at below market price. In 2011, NAICOM, in collaboration with Nigerian Insurance Association (NIA) created the Nigerian Insurance Industry Database (NIID) to serve as the only central record of all insurance policies in Nigeria. As of June 2014, only 2.5 million motor insurance certificates out of about 12.5 million registered vehicles in the country had been captured on the database, and can be verified by law enforcement agents through handheld monitoring devices. This fact indicates that about 10 million vehicles operate with either fake insurance cover, or none at all. Despite this low level of compliance, statistics in respect of motor insurance business provided by member companies showed an increase of more than 50% over the previous year's figure especially in third party motor insurance business.

Other measures taken by NAICOM and which aimed at increasing insurance penetration include the enforcement of the no premium, no cover rule and the issuance of guidelines for micro insurance in December 2013. NAICOM believes micro insurance is an important risk management tool for protecting vulnerable populations. World bank 2010 statistics estimate that while about 70 per cent of the nation's population are living below the poverty line, 57% per cent live in rural areas. A UN special envoy report estimates that 39% of the adult population are illiterate. Naicom recognizes that the current insurance distribution network appears to be highly concentrated in a few cities (focused on corporate accounts and mandatory insurance) and that micro insurance cannot be effectively accessed through conventional intermediaries – brokers and agents – thus requiring the use of alternative intermediaries and channels such as Cooperatives, Non-Governmental Organisations, Nigerian Postal Service, Esusu Groups, Community Based Organizations and Religious groups, Third Party Administrators, Touch Points such as post offices, branches of banks, airtime dealers and agents, fertilizer distributors (and other distributors such as dairies and bread distributors), and retail outlets that are patronized and trusted by the local population to act as Micro insurance intermediaries.

Under NAICOMs three-year transformation agenda, it is expected that in the next three years, the gross written premium of the industry will triple from 300 billion to one trillion. The number of policy holders is expected to increase from the current number of three million people to 10 million in the next three years. Also, the number of people employed in the industry is expected to move from the current position of 30,000 to 100,000 in the next three years. This transformation agenda supports the Central Bank of Nigeria's (CBN's) campaign to raise financial inclusion to 80% by 2020

The *"The development and distribution of Takaful insurance products in Nigeria is also being prioritised in the efforts to increase insurance penetration. Approximately 46% of the Nigerian population is Muslim*. To fully capture this market it is essential that products that comply with Islamic principles are made available.

Source: Towards Inclusive Insurance in Nigeria: An Analysis of the Market and Regulations, MunichRe Foundation

This growth drive is enhanced by enabling laws such as 100% FDI ownership in the Insurance sector and the adoption of IFRS which has harmonized Insurance Companies financial reporting.

Competition in the market

Based on responses to the survey questions, the Nigerian insurance market is overall moderately competitive. Specific segments identified to be intensely competitive include investment products, life risk products, general insurance and health insurance (not medical scheme business). Large established broad-based financial institutions were identified to be the greatest competitive threat in the industry.

The responses come on the back of a market which has seen significant consolidation over the past decade. Currently, the industry consists of approximately 57 companies compared to 140 registered insurers in 1994. Revised capital requirements which were first introduced by NAICOM in 2005, were a major driver behind this move. It is believed that there is further scope to consolidate the market and that mergers with and acquisitions by foreign companies will help to achieve this.

Industry failing to attract talent

Actuarial, risk management, capital management and underwriting skills shortages were noted during the survey. IT skills, or perhaps more appropriately digital skills, are also in demand as the industry attempts to keep pace with emerging technologies.

Major drivers changing the market

As with the global insurance industry, the African market is also in a state of flux, with a series of far reaching changes occurring at the same time. These include:

1. Social networks which are shifting the balance of power towards customers;
2. Technological advances, which are disrupting the entire insurance value chain from distribution, underwriting, pricing and loss control. Advances in embedded devices, sensors, software and hardware are also enabling the transformation of big data into actionable insights;
3. Environmental changes, including the increasing severity and frequency of natural and man- made catastrophes;
4. Rising economic significance of emerging markets, including Africa. High growth economies like Nigeria and Kenya are increasing in significance for insurance; and
5. Political changes, including geo-political risks, terrorism and major regulatory overhaul may be unfortunate stumbling blocks at a time when Africa is ready to take its place in the global economy.
6. Demographic changes and shifts
7. Regulatory developments such as tax reforms and emergence of new risks

These changes may present disruptions to businesses but also present opportunities for those insurers who can turn these changes to their competitive advantage and reposition their businesses for the future.

Ability to handle change

Participants were asked to assess the level of preparedness of their organisations to deal with these changes. Most were well organised at the board and executive level and in certain functional areas, such as finance, sales and customer service, HR and internal processes. However, the majority were genuinely less well prepared in IT, actuarial risk and compliance and marketing/brand management.

Overall it was clear that most insurers were focussed on dealing with the short term effects of the changing environment. What is needed though is a radical rethink of how to build a future in an increasingly competitive and rapidly changing African insurance market.

Social outlook and changes

Nigeria is the most populous African country with the Worldbank estimated population of 174 million inhabitants as at 2013. A growing middle class was identified by participants as the most significant demographic change to emerge in recent times. Growth in the middle class together with improvements in education and literacy levels are likely to drive growth in the insurance market as offerings become more affordable and better understood.

These education and literacy trends are promising for increased insurance take up as approximately 90% of insured individuals in Africa are secondary and tertiary education graduates. Increases in life expectancy in Nigeria, also identified as an important demographic change, has put pressure on insurers particularly in the life annuity segment.

44% of Nigeria's estimated population of 174 million is under the age of 15 while about 3% are over retirement age. This implies that there is only slightly more than one adult of working age available to care for each dependent in the population. The Nigerian population has consistently been growing by approximately 3% over the last few years though the workforce has remained a constant 53% of the total population between 2010 and 2013. If Nigeria is able to harness this growing workforce arising from its growing population to accelerate economic growth and further focus on improving health standards, there is potential for average income to triple by 2030 with over 30 million people lifted out of poverty.

Hindering this ideal scenario is the low health and education standards resulting in young Nigerians being ill-equipped to productively participate in the workforce. Furthermore for the fit and equipped workforce there is a shortage of jobs.

Source: World BankNigeria: The Next Generation Report, PGDA Working Paper No. 62, Harvard FinAccess National Survey 2013, FinAccess

http://data.worldbank.org/indicator

Economic changes

The Nigerian economy has experienced rapid growth in GDP fueled primarily by the agricultural and wholesale and retail trade, telecommunications and services sectors. The petroleum industry on the other hand has experienced less than impressive growth in 2013 with negative growth recorded in 2012. 2013 GDP estimates of N81 trillion or $459.62 billion (about $405 billion at 2013 closing rates (about $405 billion at current exchange rates) after the 2014 revision make Nigeria the largest economy in Africa compared to South Africa's $352 billion. Real GDP growth rate in 2013 was 6.23% at closing rates (12% in Naira terms) per annum compared to 4.44% at closing rates (14% in Naira terms) in 2012. This compares to South Africa's mere 1.9% in 2013. Growing consumer demand and structural pressures have resulted in inflation of 8.3% year on year in September 2014.

Nigeria's urban population growth (annual %)is approximately 4.7% in 2013. The urban population is projected to increase from 47% in 2014 to about 67% in 2050. Increasing urbanisation and affluence are usually accompanied by the accumulation of assets and other insurable risks, which is positive for the growth of insurance.

The inflation rate in Nigeria was approximately 8% in 2014 and this was largely due to the decline in food prices. Inflation has quite an impact on the insurance industry in that it changes the buying power of the pay-out. For this reason the low inflation rate that Nigeria has managed to maintain from mid-2012 will work in favour of the Nigerian Insurance Industry should the inflation continue in this direction. High growth in GDP together with the large population and improved insurance penetration could result in Nigeria becoming the biggest insurance growth market on the continent.

Respondents to the survey expect annual premium growth on average of 23% in 2014 and 24% in 2017. The majority of this growth is expected to come from new joint ventures and/or strategic alliances, and mergers and acquisitions.

National Bureau of Statistics, http://www.tradingeconomics.com/nigeria/gdp-growth-annual, http://data.worldbank.org/indicator

Political environment and regulatory changes

Nigeria's political environment is fairly stable; however there are pockets of instability in some parts of the country, in particular the north. There have been certain security challenges that have threatened Nigeria's political environment. The most noticeable challenge is that of Boko Haram which stem from other socio-economic issues such as poverty and unemployment.

There has been a series of regulatory changes surrounding the insurance industry. For example, recapitalisation requirements introduced in 2007 that increased capital requirements by over 1,000%, enforcement of the six Insurance mandatory products made compulsory in the 2003 Insurance Act, enforcement of the Cabotage Act of 2003 and the Nigerian Content Act of 2010, enforcement of "no premium, no cover" rule, issuance of operational guidelines for insurers and reinsurer, guidelines for Micro Insurance, Takaful and for developing risk management frameworks. A code for good corporate governance for insurers was introduced in the sector in 2009. Current capital requirements are factor-based without regard to the nature of risks. The fixed minimum capital requirement is relatively high, resulting in the low return on capital faced by the industry. NAICOM is in the process of moving towards a risk-based supervision model.

5 Industry Report: Insurance, Agusto &Co Research

6 Keynote Address by Hon Minister of Finance

Environmental changes: climate and catastrophic events

Insurance companies assist in funding environmental changes and catastrophic events. Nigeria's climate is generally quite stable and does not suffer from extreme weather and there have been only one or two noted cases of mild earth tremors ever recorded. There are no documented cases of earthquakes, volcano eruption, cyclone or hurricane. However, rainstorm and floods usually wreak havoc during the rainy season resulting in loss of farm produce, death, and displacement of persons arising from damage to properties. Short-term insurers raised concerns over the increasing frequency and severity of flooding which they have responded to by enhanced risk assessment, pricing adjustments and the application of excess of loss clauses.

The application of new technologies in the form of early warning sensors, catastrophe modelling or underwriting and pricing and risk transfer mechanisms was found to be at a nascent stage.

Technology and the new digital environment

The most important technological development for most insurers interviewed was the significance of mobile devices, tablets and smart phones followed by social media networks and their impact on distribution and the insurance business models. Due to the growing middle class group there is more opportunity for development in the Insurance Industry because more people are likely to use or get insurance. There is also a great increase in the number of people who have access to cell phones, even people from rural areas. This allows for insurance companies to expand their market share and growth in the industry . The high penetration of mobile phones in Nigeria of over 70%, allows for the insurance industry to tap into the informal sector and increase the number of policyholders.

Though some participants recognised the importance of big data and cloud computing and the potential to use. To gain competitive advantage, the use of big data and data analytics in the Nigerian insurance market is currently limited. Proper use of big data and data analytics is likely to see a redesign and possibly a complete reengineering of the industry. A major associated limitation is the lack of appropriately detailed and correctly formatted data. Airtel Nigeria has recently launched a free insurance product offering life and hospitalisation insurance based on monthly airtime recharge. Similar initiatives taking advantage of the 138 million connected GSM lines in Nigeria highlight several benefits – including low cost and portability – of mobile devices, tablets and smart phones over other delivery channels. The use of such devices to distribute insurance, in particular micro insurance, allows insurers to leverage off an established mobile device, tablets and smart phone industry which could potentially reduce trust issues in the insurance market.

Participants are only beginning to realise the magnitude of disruption arising from the digitalisation of insurance. Across six different areas, mobile technology, social media, sensor technologies, big data analytics, cloud computing and the wider digital economy, four of the six participants have developed a strategy or have plans in place to address the impact of these far reaching changes.

4. Nigerian insurance market

Strengths and weaknesses in the market

Q Can you identify the major strengths and weaknesses of the local insurance industry at present?

Strengths

A key strength identified relates to the country's demographic profile in that the market has an emerging middle class and a young and growing population. The following strengths were also highlighted:

- A relatively stable macroeconomic environment with potential for rapid economic and insurance market growth;
- Influx of foreign investors which creates more opportunity for expansion and making insurance more attractive;
- Technological advancement has acted as an impetus to growth via managing and growing insurable risks;
- Strong and reliable regulator responsive to the changing environment;
- Progressive new legislation which supports premium and market growth and recognises the need for local content development;
- Increasing levels of mobile telephony which provide access to the informal sector;

Weaknesses

- The population's apathy to Insurance stemming from cultural constraints, low per capital income and the low insurance literacy in particular were identified as major drawbacks. Other weaknesses cited include:
- Inadequate regulatory enforcement and some unfavourable government policies which could result to fragmentation within the industry;
- Low capacity building and inability to attract specialised insurance skillset linked to inadequate funding and capitalisation;
- Inappropriate pricing and profiling of risk;
- Poor governance structures ascribed to inefficiency present in owner managed institution;
- Unhealthy competition amongst the players in the market place which gives little consideration to insurance risk;
- Inadequate capitalisation which restricts underwriting capacity or the company's ability to absorb insurance risk;
- Increasing need to develop products that reflect lifestyle of the people and poor distribution channels

5 Local market developments

Q What, in your opinion, are the most important developments taking place in the local insurance market at present?

The primary developments mentioned by Nigerian insurers relate to regulatory changes. There have been increases in capital requirements aimed at driving industry consolidation through the creation of a smaller number of larger and well capitalised insurers. The drive to increase capitalization of existing insurers has resulted in a 'moratorium' on new licence issues with the result that consolidations through mergers have increased. The number of registered insurers has reduced from 140 in 1994 to 58 in 2014.Despite this drive, one respondent cited that the top 10 insurers only cover about 50% of the market, pointing to more consolidation being required. Current capital requirements are factor-based without regard to the nature of risks. NAICOM has however announced a process of moving towards a risk-based supervision framework. Composite insurance companies are currently allowed and the minimum capital requirements are as follows:

- General Insurers: NGN 3 billion (US$15 million at current rates);
- Life Insurers: NGN 2 billion (US$10 million at current rates);
- Composite: NGN 5 billion (US$25 million at current rates); and
- Reinsurers:NGN 10 billion (US$50 million at current rates).

Regulatory approval is required prior to the introduction of any new products for any class or category of insurance business.

NAICOM introduced the Market Development and Restructuring Initiative ('MRDI') in 2009 with the primary objective of encouraging growth in the insurance market by promoting insurance culture in Nigeria. A "no premium, no cover" rule which ensures that no insurer will grant cover without fully receiving the premium or a premium receipt from the relevant broker has also been introduced. This development has led to improvements in the payment of premiums to insurers, improving their cash flows and liquidity. However the "no premium, no cover" policy has reduced retail buyers who typically prefer to buy insurance on credit.

Participants recognise the active supervisory role NAICOM is increasingly playing. The following regulatory changes, which are positive for the growth of the local insurance market, were also cited:

- Compulsory group life insurance and annuity purchase at retirement;
- New Risk management guidelines for insurers aimed at improving governance; and
- The compulsory adoption of IFRS which has enhanced transparency in financial reporting.

Following the repeal of the Universal Banking licenses in 2010, Nigerian Banks were instructed to disinvest their controlling interests in insurance. Banks however continue to partner with Insurance companies and the Central Bank of Nigeria thus issued formal Guidelines on Banassurance products – Referral Model in March 2015. The guidelines set out the regulatory framework for the offering of Bancassurance products through the non-integrated referral model. This is a significant channel for Inusrance companies. As at the end of the 2013 financial year $90 million worth of gross premium was written through banks (5% of total industry gross premium). Insurers which do not have unique partner banks are also exploring alternate avenues of distribution. An alternate avenue, with similar reach, is the use of mobile telephone network and other major retailers to distribute insurance products.

Major South African insurers which have acquired stakes and strategic partnerships with Nigerian banks are:

- Mutual and Federal Insurance Company of South Africa and Old Mutual Nigeria formerly Ecobank/Oceanic Insurance);
- Sanlam and First Bank in FBN Life;
- MMI and UBA Capital in UBA Life; and

Liberty and IBTC Standard Bank. Other multi-national corporations invested in the Nigeria insurance market include:

- NSIA Group and ADIC Insurance
- AXA Group and Mansard Insurance
- New India Assurance Company, India and Prestige Assurance

6 A new world – preparedness to deal with changes

Q Thinking about the changes you are making to capitalise on the transformational global trends, to what degree are the following areas of your organisation prepared to make these changes?

This question sought to unveil the level of preparedness within insurance companies, to take advantage of the emerging trends and new market opportunities.

Of the 6 respondents, 4 commented that the boards, and sales and customers service of their respective companies are well prepared. The same number indicated that their IT and marketing/brand management were only somewhat prepared.

At an executive level all 6 participants indicated that they are well prepared.

As the forces driving change intensify, answers need to move from survival, to success and real growth. Cost-cutting and consolidation for survival is not going to be enough in the longer term future. To succeed, and thrive leading up to 2020, boards and management teams will have to address the following searching questions:

- What businesses do they want to be in?
- What are their new distinctive value propositions in the changing environment?
- What areas are they going to compete in?
- What will their resultant strategies and target operating models look like?
- To what extent will they be willing to invest in technological innovation?

These all suggest some radical network of insurance strategies and of building businesses of the future in a rapidly evolving insurance market place.

Nigeria: Airtel unveils Airtel Insurance

Airtel Nigeria has collaborated with MicroEnsure and Cornerstone Insurance in order to launch its latest, free insurance product. The product offers Airtel customers life and hospitalisation insurance with increasing benefits based on monthly airtime recharge.

The product, which is named Airtel Insurance is packaged to deliver insurance services and encourage insurance culture among Nigerians. According to Airtel, the product has been endorsed by the National Insurance Commission (NAICOM). It is open to all Nigerian residents between the ages of 18 and 65 years. Dial *259# to register for the service.

All hospitalisations are covered, both for natural and accidental causes, with no medical exclusions, making it widely accessible and generous free insurance cover in the country.

Airtel Insurance rewards Airtel customers with a renewable monthly life and hospitalisation cover based on the amount of monthly airtime recharged. Customers can qualify for this insurance by recharging as little as N1,000 with Airtel each month, and as they increase their monthly recharge, they earn more insurance cover – with up to N 500,000 and N50,000 of life insurance and hospitalisation cover per month. Airtel Insurance becomes active on the first day of month following registration, and is based on the amount of airtime recharged the previous month, with a minimum monthly recharge of N 1,000

Customers also have a variety of packages to choose from. With a monthly recharge of N1,000 Airtel insurance gives the customer N10,000 hospitalisation and N100,000 life insurance while N5,000 recharge will earn customers as much as N25,000 hospitalisation and N250,000 life insurance. A N10,000 recharge will attract N50,000 hospitalisation and N500,000 life insurance.

Chief Commercial Officer, Airtel Nigeria, Mr. Maurice Newa explained that majority of Nigerians especially the middle and low income earners in Nigeria cannot afford most available insurance policies due to income levels and complicated insurance processes. He said the Airtel Insurance plan on the other hand was designed to make affordable insurance available to everyone in a simple manner.

“In line with our vision to enrich the lives of Nigerians and offer them quality services, Airtel Nigeria collaborated with two very reputable insurance organisations to package this innovative product which guarantees our customers quality, affordable and accessible insurance services. This further corroborates Airtel’s commitment towards creating a robust platform that helps customers accomplish their professional and personal success and goals in life,” Mr. Newa said.

“MicroEnsure is proud to be leading the world as a mobile insurance provider, and this launch in Nigeria marks a milestone in free mobile insurance offerings,” commented Peter Gross, Regional Director for MicroEnsure Africa. “This combination of insurance products, all offered for free, is unprecedented in the industry here, and we take pride in introducing a cutting edge micro-insurance product here in Nigeria.”

Mr. Ganiyu Musa, Group MD of Cornerstone Insurance PLC, said, “Cornerstone is delighted to be at the forefront of providing truly innovative products and channels combinations that address the Nigerian situation. That we are grossly under-insured as a nation is very well documented; we are glad to be able to provide a platform for millions of financially excluded Nigerians to enjoy the benefits and peace of mind of insurance – for free. As we say at Cornerstone, “The Future” is, indeed, “Assured.”

Itnewsafrica.com, “Airtel unveils Airtel Insurance”, 7 August 2014

Nigeria: Deepening Insurance Penetration through Financial Inclusion

The Nigerian insurance market is currently ranked 60th in the world. However, the Nigerian government envisions an insurance industry that can rank amongst the twenty largest markets in the world by the year 2020.According to experts, achieving these goals will mean the insurance industry wholly embracing financial inclusion as well as developing the technical capacities to meet the emerging challenges of financial inclusion and micro-insurance. Hence, this therefore calls for more dynamic strategies to deepen insurance reach amongst the vast populace.

According to Commissioner for Insurance, Mr. Fola Daniel, insurers must change their marketing strategy; product design and packaging must change; approach to policyholders and their complaints must change and all hands must be on deck to ensure that the message of insurance is taken to the grassroots.

Daniel said, "If we must move the insurance market from its present level to an optimal pedestal within the financial services sector, then there must also be a consensus on how best to tackle the challenges. We have a lot to offer but we seem not to be taking advantage of the huge potential before us. The fundamentals for thriving insurance industry are there in the country -a vast population, an active economy and a well-capitalised industry."

The insurance Commissioner noted that the microinsurance sector around the world has grown rapidly over the past 10 years and is expected to double by 2020, producing coverage for over one billion people. Thus, with the right products, microinsurance would herald the much desired quantum leap in the industry. This significant growth brings new and exciting innovations in products addressing health, agriculture and property insurance, Daniel said.Daniel also said that value-added aftersales services, especially efficient and timely claims settlement will aid the quest of repositioning the insurance industry as the pivot of economic growth and enhanced development.

Meanwhile, contained in the communiqué of its 2014 insurance educational conference, the Chartered Insurance Institute of Nigeria, CIIN, stated that the arms of the industry should set up a committee with the role of developing a more dynamic strategy in deepening insurance contribution to the nation's GDP in line with the rebasing of the economy as the current contribution of insurance to the economy is too low to be meaningful. According to the CIIN, the functions of the Nigerian Insurance Industry Consultative Council should be extended to include that of serving as a lobby group for the industry as well as a platform for the pooling together of resources for the development of the Nigerian insurance market.

The CIIN also stated that the Nigerian insurance industry should key into the government's policy of promoting financial literacy through aggressively promoting micro insurance and takaful insurance products while market operators should put in place machinery for growing the insurance business in Nigeria through service centred mass production of insurance products and mass marketing of the products. The CIIN also stated that insurance operators should work hard towards discouraging weak governance and transparency in their operations especially in the area of poor quality and timeliness of accounting and disclosures.

According to the CIIN, financial inclusion is achieved when adults have easy access to broad range of financial products designed according to their needs and provided at affordable cost. To this regard, the Nigerian insurance industry operators should work towards developing programmes that will facilitate insurance literacy among the publics. "People are the most important assets of an organisation and as such, the trade arms of the industry should through the process of self regulation, persuade their members to regularly develop this asset in the organisation for the good of the entire industry," CIIN stated. While condemning the existence of fake insurance market in the country, the CIIN asked the National Insurance Commission and the law enforcement agency to work towards the elimination of the market.

Allafrica.com, "Nigeria: Deepening Insurance penetration Through Financial Inclusion", Rosemary Onuoha, 8 October 2014

7 A new world – responding to intensifying competition

Q In your view, what is the level of intensity of competition in the following markets and how do you expect this to affect your competitive response?

The tables on the following pages illustrate how insurers perceive the level of competition in nine different segments of their business and then how they have organisationally responded to that competition.

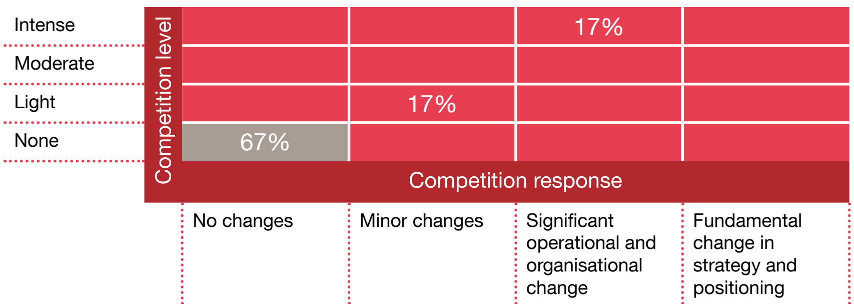
Where segments attracted responses from more than 20% of the respondents, they have been shaded in grey.

The table below summarises the market segments which are perceived to have moderate or intense competition levels and where significant operational and organisational change or fundamental change in strategy and positioning is expected.

Market segment	Moderate or Intense competition	Significant or fundamental organisational change
Alternative risk transfer	16.7%	16.7%
Assistance business	0.0%	0.0%
Credit life	50.0%	50.0%
Group business	83.3%	66.7%
Investment products	66.7%	83.3%
Life pure risk products	100.0%	100.0%
General insurance	100.0%	83.3%
Health insurance	66.7%	66.7%

Alternative risk transfer (ART)

The ART market appears to be uncompetitive. 4 of the 6 insurers who responded indicated that there was no competition and that no change to their strategy has been made over the last year.



Note: Based on responses from 6 companies

Assistance business

Assistance business includes funerals and support for education and families. All the respondents indicated that the level of competition is low or non-existent and in response they have made minor or no changes.

Competition level / Competition response	No changes	Minor changes	Significant operational and organisational change	Fundamental change in strategy and positioning
Intense				
Moderate				
Light	17%	33%		
None	33%	17%		

Note: Based on responses from 6 companies

Credit life

Responses were scattered, with 4 of the 6 insurers commenting that competition is either moderate or light and that either minor or significant changes have been made.

Competition level / Competition response	No changes	Minor changes	Significant operational and organisational change	Fundamental change in strategy and positioning
Intense				17%
Moderate		17%	17%	
Light		17%	17%	
None	17%			

Note: Based on responses from 6 companies

Group business

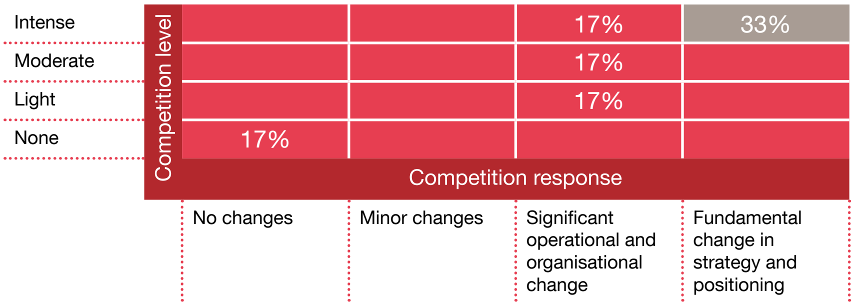
Group business is considered one of the most competitive market segments with 5 of the 6 Nigerian insurers rating competition as intensive.

Competition level / Competition response	No changes	Minor changes	Significant operational and organisational change	Fundamental change in strategy and positioning
Intense		17%		67%
Moderate				
Light				
None	17%			

Note: Based on responses from 6 companies

Investment products

4 of the 6 respondents stated that competition is moderate or intensely competitive and in response significant or fundamental changes have been made. This reflects the competition the insurance companies face from a wide range of products, offered by many different types of financial service providers. In particular, they face competition from asset management companies who have stronger brands, well-designed products and focused promotional messages.

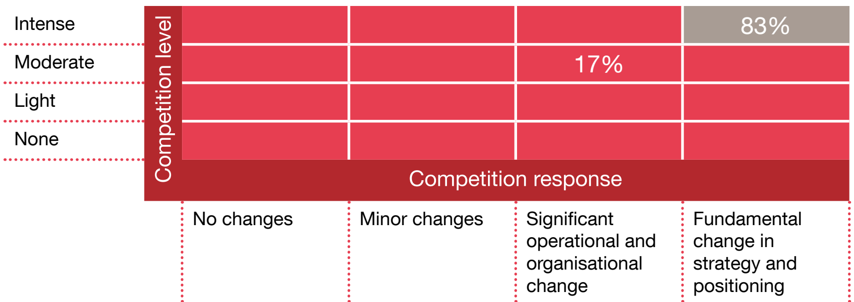


Note: Based on responses from 6 companies

Life risk products

Life risk is a highly competitive segment. Over half the participants have made significant or fundamental changes to their strategies.

83% of participants noted that the market is intensely competitive and were making fundamental changes to their strategies in response.

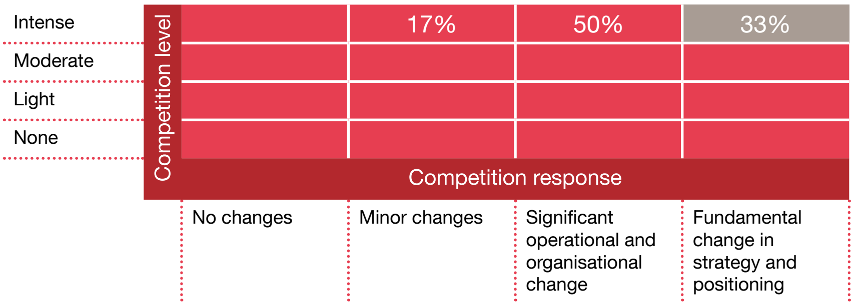


Note: Based on responses from 6 companies

General insurance

This category was surveyed in aggregate across all forms of short term insurance.

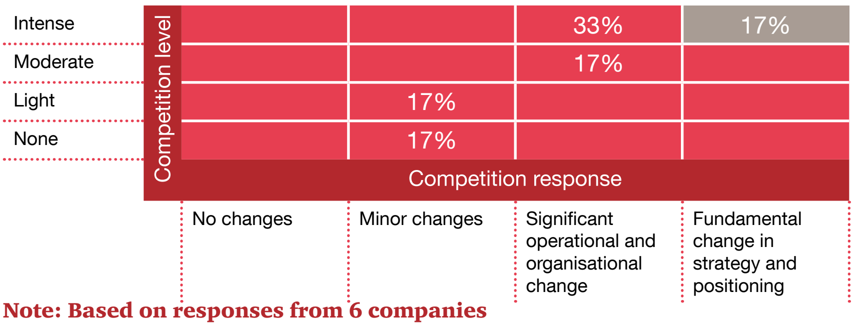
All 6 respondents indicated that competition in this market is intense with 3 having made significant changes to their strategies as a result.



Note: Based on responses from 6 companies

Health insurance (not medical scheme business)

3 of the 6 respondents indicated that the market was intensely competitive. 2 have already made significant changes to their strategies. New sensor technologies and an increased focus on lifestyle will continue to encourage innovative marketing opportunities.



Note: Based on responses from 6 companies

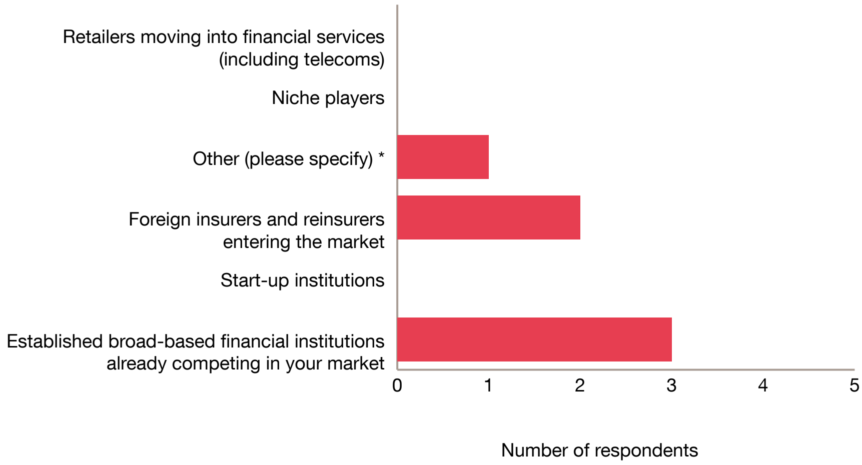
8. A new world – who is the future competition

Q: In your opinion, which category of institutions represents the most significant competitive threat to your organisation over the next five years? Please choose one answer only.

Established broad based financial institutions i.e. long and short term insurers already in the market, have been indicated to be the greatest competitive threat. This is then followed by foreign insurers entering the market.

Bancassurance channels in Nigeria have been significant given the large customer bases of banks, prohibitive costs of setting up a dedicated distribution channel and the challenges around premium collection and policy surrenders. The Central Bank of Nigeria issued guidelines for Bancassurance in March 2015. Telco insurance is present in Nigerian markets, but this is not yet a significant channel.

The microinsurance sector looks poised for growth as coverage continues to increase. This growth is expected to be driven by the National Insurance Commission's Insurance Commission's issuance of specialised microinsurance licenses to firms.

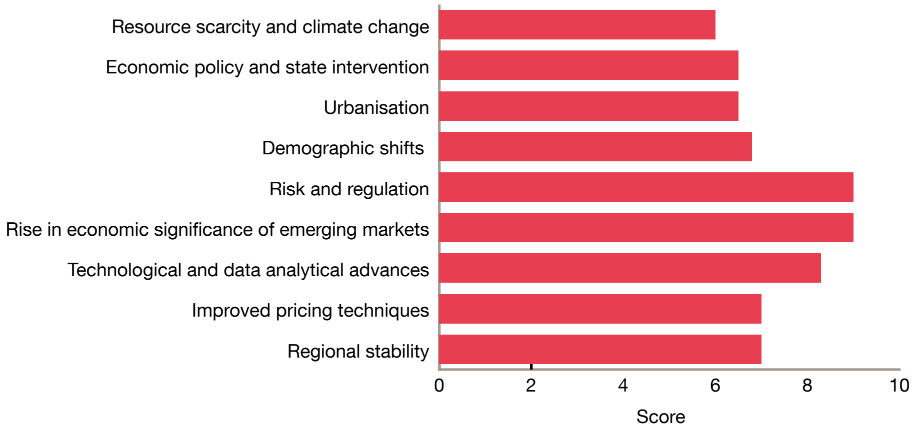


10. A new world – local perceptions about the disruptive global trends

Q Please score the importance of each of the following Emerging Global Trends.

The most important global trend identified by participants was risk and regulation. On a scale of 1 to 10, where 10 was judged to have maximum impact on the participants business, the average score for risk and regulation and rise in economic significance of emerging markets were both 8.5.

This was followed by technological and data analytical advances.



10. A new world – subsector responses to changing environment

Q There are major changes in different areas of the insurance marketplace. Please score each of the areas listed below, where 0 means not addressing, and 1 to 5 reflects the degree of importance you attach to each of these areas.

Against a background of change and underlying economic uncertainty, participants were asked to score a list of 14 different issues to be addressed in the insurance marketplace.

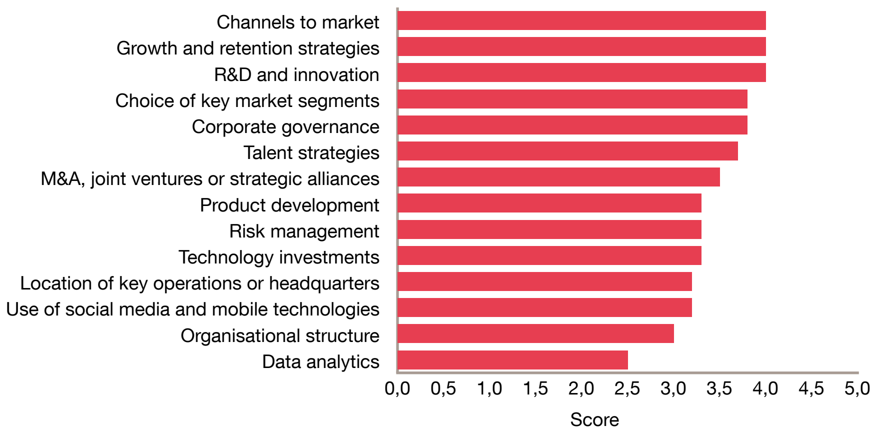
They rated their importance on a scale of 1 to 5, where 5 signified the greatest importance. If the issue was not applicable then a zero score was recorded.

Responses were aggregated across long-term and short-term companies. The following areas were identified as highest priority with an average score of at least 4 out of 5:

- Growth and retention strategies
- Channels to market
- R&D and innovation.

Data analytics was rated least important. In an ideal scenario, appropriate use of data analytics could potentially allow for a critical reconsideration of drivers of the market and allow insurers to better understand and remedy daily issues faced by policyholders. This would assist in alleviating public concerns and misconceptions regarding insurance.

Figure 4:

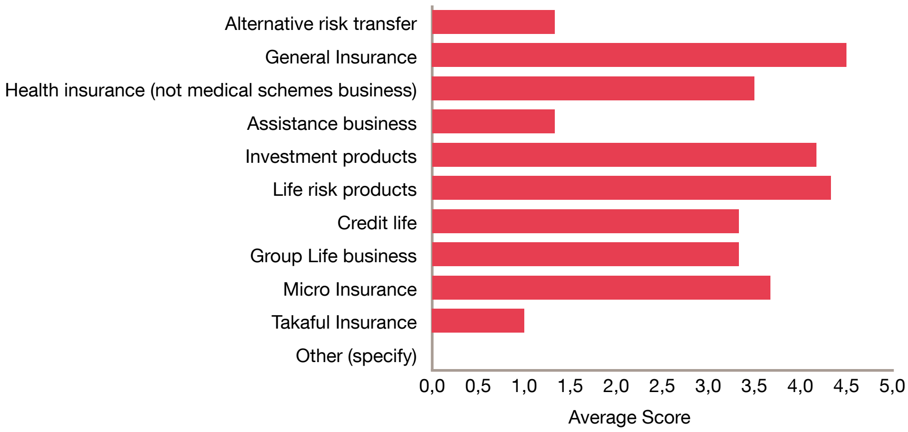


Q On a scale of 1 - 5, rank the importance of each of the following markets for your organisation over the next three years? (5 equals most impact)

Participants were asked to review a list of nine different market segments, and to score their importance over the next three years.

The average scores only tell part of the story in terms of the importance of each of these different markets. ART, Assistance business and Takaful insurance are very important to only a handful of companies. Group life business, health insurance, credit life and Microinsurance are of significant importance to a much larger group of companies whilst General Insurance, Life risk products and investment products are of most significance.

General insurance followed by life risk products and then investment products were the top three ranked markets each attaining average scores greater than 4. Takaful insurance was identified as the lowest priority over the next three years.

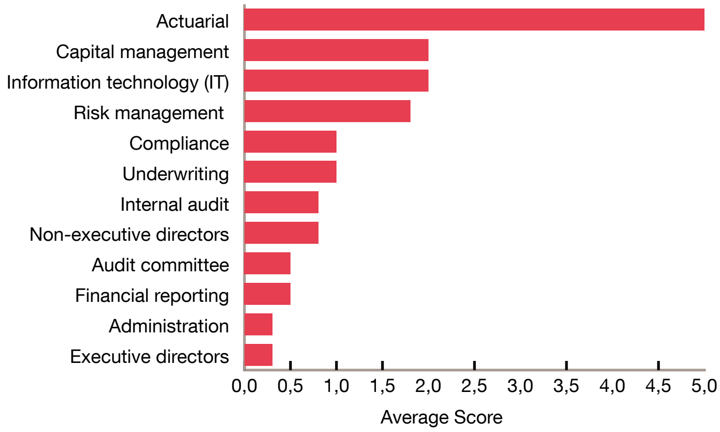


11. Talent shortages

Q In which areas are you currently experiencing the greatest shortage of skills?

To provide insight into the talent shortage, participants scored different job functions on a scale of 1 to 5, where 5 represent a pronounced shortage.

The greatest shortage experienced is actuarial skills. As can be seen in the chart below this shortage is quite pronounced relative to the other skills listed. Actuarial is then followed jointly by capital management and IT, and then by risk management in third place. About 33% of the respondents cited investment and fund management skills as a concern.



12. Social outlook and changes

Nigeria is the most populous African country with over 180 million inhabitants. Life expectancy has improved by 5 years to an average of 52 years over the decade to 2012. The population consists of approximately 45% below the age of 15 and 3% over retirement age. This creates a burden on the working age population as there is only slightly more than one adult of working age available to care for each dependent in the population.

The population has also displayed continued growth with growth rates of approximately 3% over the last few years. Despite this growth, the proportion of inhabitants under the age of 15 has recently begun to decrease. This can be seen to be a result of a slowed fertility rate together with the transition of a large number of individuals into the working age category. This trend offers encouraging prospects for the economy as a larger workforce will enable Nigeria to accelerate economic growth. This growth provides the opportunity for the average income per person to triple by 2030 resulting in more than 30 million people being lifted out of poverty.

However, this promising future is not guaranteed because Nigeria's health and education standards are low. Therefore, despite the expected large numbers of Nigerians entering into the workforce, they may not be able to contribute significantly to economic growth. Indeed, they may lead to an increase in unemployed and poverty. Additionally, the current educated and healthy workforce still struggle to find employment.

Source: World Bank
Nigeria: The Next Generation Report, PGDA Working Paper No. 62, Harvard

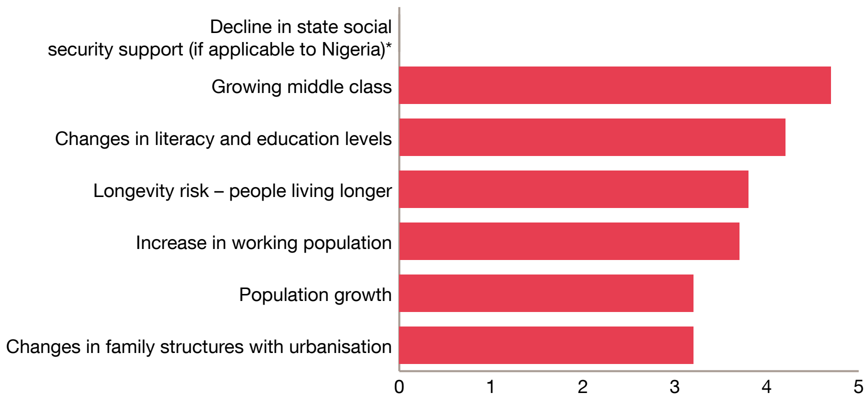
Q What do you think will be the impact of the following demographic changes on your business?

In this section, participants were asked to score a number of demographic issues on a scale of 1 to 5, where 5 represents the maximum impact on their business.

The top three most impactful demographic changes identified are as follows:

1. A growing middle class
2. Changes in literacy and education levels
3. Longevity risk.

Figure 25:

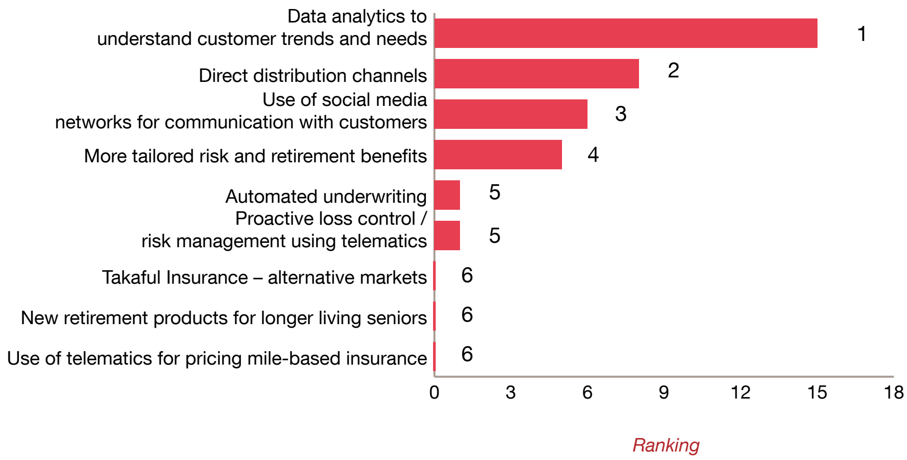


**Based on responses of 4/6 Nigerian and 8/8 Kenyan insurers this was assumed to be N/A*

13. Responding to demographic shifts

Given the above demographic changes, rank the top 3 changes you would make to your products/services from the following list?

In the context of the above identified impactful demographic trends, participants were asked to suggest how these changes will impact their business operations. Insurers have placed data analytics and direct distribution channels as the top two areas where change would be made as a result of the demographic shifts. By using data analytics companies would be able to improve their understanding of customer trends and needs. Direct distribution channels will become more prominent given the changes in education and literacy levels. As the trend of increasing education and literacy continues the need for brokers to explain details of the various product offerings will reduce. The use of social media networks for communication with customers was also identified as an area requiring change in the business model.



Nigeria insurance firms "ripe" for foreign buyers

Nigeria's insurance sector is growing rapidly and has low levels of penetration in a young society inhabiting Africa's largest economy. Add to this what a recent Fitch Rating report calls an environment "ripe for consolidation" and it becomes easy to see why foreign insurance groups are eyeing the market keenly.

The March 2014 Fitch report says "foreign investors in the Nigerian insurance market have shown a preference for acquisition or partnership above setting up new insurance operations". This preference is down to a need for local knowledge, a good distribution footprint and the ability to achieve scale quickly.

The opportunity is boosted by the fact that foreign investors are allowed to own a 100 per cent share in Nigerian insurance companies. Notable acquisitions in 2013 included the acquisition of Oasis Insurance by FBN Life Assurance (FBN), jointly owned by First Bank of Nigeria and South African insurer Sanlam. Old Mutual Plc, through its emerging markets business, also completed its acquisition of Oceanic Insurance Company and Oceanic Life Insurance.

The industry remains highly fragmented, with 58 companies in operation, down from 140 registered insurers in 1994. Much of this consolidation has come since 2005 when the National Insurance Commission (Naicom), the regulator, introduced new capital requirements, whittling down the number of insurers to 49 in 2007 from 97 in 2005.

Extract from Beyondbrics, Financial Times, 18 April 2014

14. Economic Changes

Newfound wealth and relatively high GDP growth rates in Nigeria together with increased infrastructure development are expected to drive up the demand for insurance. 2013 GDP estimates of $460 billion after the recent revision make Nigeria the largest economy in Africa compared to South Africa's $352 billion. The real GDP growth rate in 2013 was 6.23% per annum compared to 4.44% in 2012. This compares to South Africa's mere 1.9% in 2013. Agriculture trade and service was the biggest driver of growth in 2013 while growth in the oil sector was hampered by supply disruptions. Growing consumer demand and structural pressures have resulted in inflation of 8.3% year on year in September 2014.

The growth in Nigeria's urbanisation rate is approximately 4.4% in 2013 and the percentage of people living in urban areas is projected to increase from 47% in 2014 to about 67% in 2050. Increased urbanisation fosters conditions for focussed economic activity and hence the adoption of insurance.

Impact of urbanisation on business channels

Q To what extent will the increasing rate of urbanization in Nigeria and the rest of Africa affect your business model?

Urbanisation has been identified as a positive force in emerging economies because it fosters conditions for concentrated economic activity. This has an impact on the adoption of insurance. Nigeria's urbanisation rate is roughly 4.0% per annum. At this rate, the percentage of the population living in urban areas is expected to increase from approximately 50% to 63% by 2020. However, according to a March 2014 report entitled 'Cities of Hope: Young People and Opportunity in South Africa's Cities' produced by the Centre for Development and Enterprise, urbanisation in Africa has not delivered increased productivity and rising living standards.

The report found that one reason may be that the comparative advantage of many African economies lies in non-urban activities – agriculture and natural resources – rather than manufacturing, limiting the possibility of rapid industrialisation (www.cde.org.za).

Four of the six Nigerian insurers have indicated that they expect increased urbanisation to have a very significant impact on their business models, while two propose that it will have a significant impact.

Three of the 6 insurers believe that urbanisation in the rest of Africa will have a very significant impact on their operations; two say that it will have a significant impact with one remaining neutral.

Impact of urbanisation on distribution channels

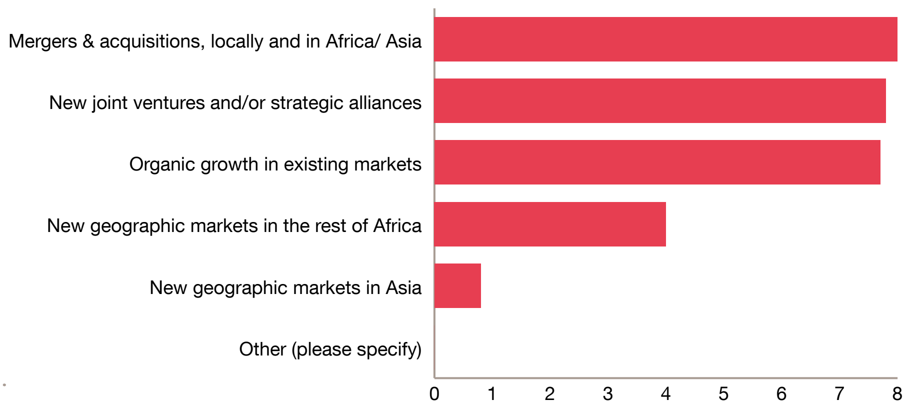
Q Will urbanisation change your choice of distribution channels?

Five of the six insurers responded positively. Channels to market are expected to change with increases in bancassurance and sales through mobile devices and smart phone. Insurers also commented that products would need to be simpler and require less rigorous underwriting paperwork to support such channels.

Gearing up for growth: where will this come from?

Q Which of the following factors do you believe are key growth drivers for your business over the next three years? Please score each one on a scale 1 to 10 where 10 reflects maximum impact.

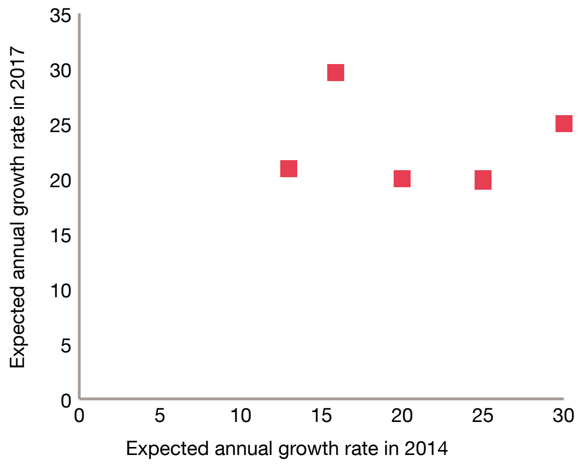
Organic growth in existing markets, have been identified as a key driver of growth over the next three years together with by Mergers and acquisitions, locally and in Africa/Asia. The exploration of new geographic areas in the rest of Asia is least important in the growth strategies of surveyed Nigerian insurers.



** Equity Assurance rated "New geographic markets in Asia" as 0, this was change to 1 to be consistent with the question.*

Q What is your estimate of the annual growth in premiums for your business for 2014 and over the next three years?

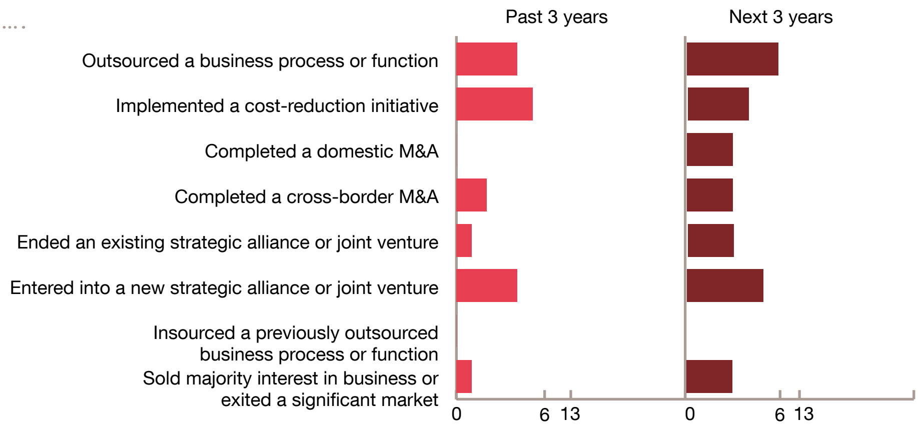
Respondents have set their expectation of annual premium growth at 23% in both 2014 and 2017 on average. The lowest predicted level of growth was 20% and 15% for 2014 and 2017 respectively, while the highest was 27% and 30% respectively. This is very positive news and demonstrates the significant growth projections in the Nigerian market. For the last three years, insurance premiums have grown by an average of 15.84% per annum, outpacing economic growth rates which have averaged 4.87% per annum.



Q Which, if any, of the following restructuring activities have you undertaken in the last three years? And expect to undertake in the next three years?

Over the past three years focus has been placed on cost management. 5 of the 6 insurers indicated that they have undertaken a cost-reduction initiative over the past 3 years. This is then followed by the outsourcing of a business process or function and entering into a new strategic alliance or joint venture.

Focus over the next three years will be on the same activities, with outsourcing expected to be the most popular trend.



It is encouraging to see the number of respondents looking at strategic alliances and joint ventures. Alliances with mobile phone operators for example, could help speed up access to underserved markets and push up much needed insurance penetration rates in Nigeria.

Gearing up for growth: mergers and acquisitions

Q In which regions are you planning to carry out an M&A, joint venture or strategic alliance?

All six respondents stated that Africa is the main region of focus. Only two indicated that they may consider Europe, while only one insurer mentioned Asia.

Given the low insurance penetration rates in Nigeria, it is clear that there is huge potential for growth in the local market before pursuing more ambitious geographic expansion. Implementation of the MRDI and legislation aimed at reducing insurance premium flight by prescribing minimum local content for certain classes of insurance will further fuel growth in the local insurance market.

Q Rank the top three countries in Africa (excluding your country) that you consider most important for your company's growth over the next three years?

Participants identified Kenya as their top target market, with a score of 11. This was then followed by Ghana and South Africa with scores of 7 and 6 respectively.

	Rank 1	Rank 2	Rank 3	Score
Kenya	3	1	0	11
Ghana	1	1	2	7
Angola	0	1	1	3
Rwanda	0	1	0	2
Cote d'Ivoire	0	1	0	2
Liberia	0	1	0	2

Kenya is attractive because of its strong GDP growth, the potential of its bancassurance channels and innovations in mobile distribution and payment systems. Kenya is the gateway to the East Africa market which has a population of over 200 million and a number of fast growing economies.

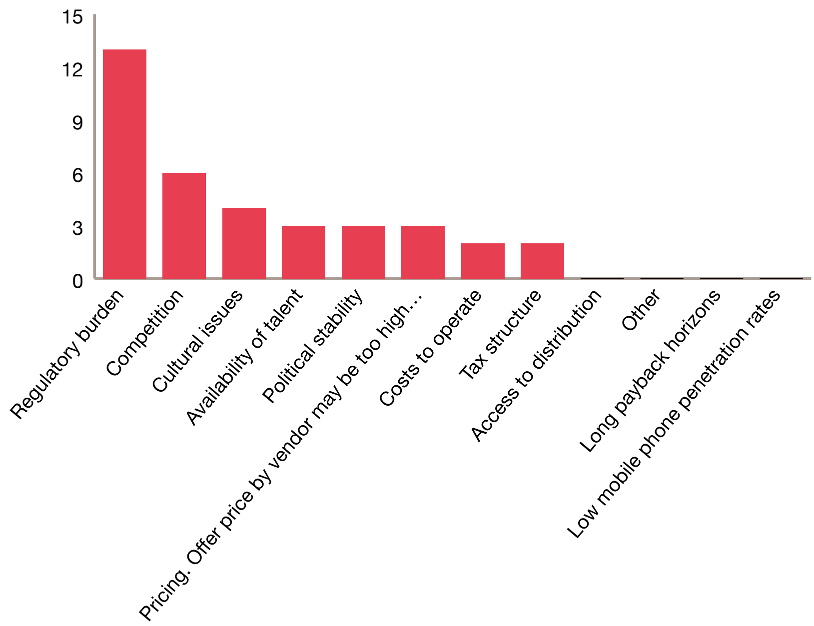
Insurance penetration in Ghana, whilst low, is expected to rise with the growth in urbanisation and enabling support from the regulator, who has, for example, launched a new micro-insurance framework that also targets the informal sector. According to the Ghana Insurance Association, major challenges in the insurance market remain price undercutting, high outstanding premium resulting from the granting of credit, and other unfair marketing practices that tarnish the reputation of the industry. Ghana is of particular importance for Nigerian insurers as a result of its close geographic proximity.

The London-listed Prudential plc made their first acquisition in Ghana earlier in 2014 and has recently followed this with another acquisition in Kenya.

Foreign ownership of insurance companies is limited to 50% in Angola. Insurance in Angola has seen rapid expansion since its liberalisation in 2000. The number of insurance companies has increased from 1 in 2000 to 21 in 2010. The introduction of mandatory motor general liability insurance has boosted the demand for non-life insurance. Life insurance has not seen the same growth, losing some of its relative importance in the market.

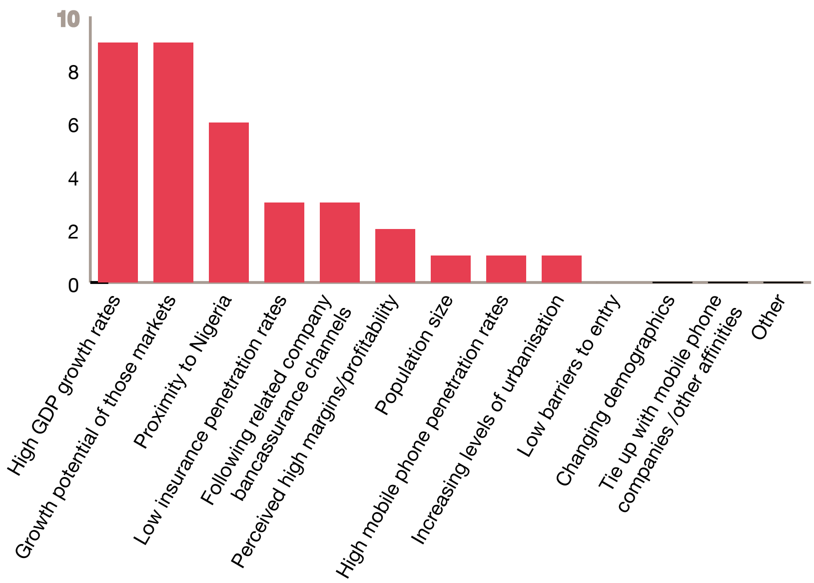
Q What are your top three considerations regarding investing in Africa?

High GDP growth rates and growth potential of the markets were listed as the top two considerations. This was followed by low insurance penetration and perceived profitability.



Q Rank your top three barriers to investing in these countries in Africa?

Cultural issues and tax structure and political stability were also cited as an unfortunate limitation. One respondent thought availability of talent could be a barrier.



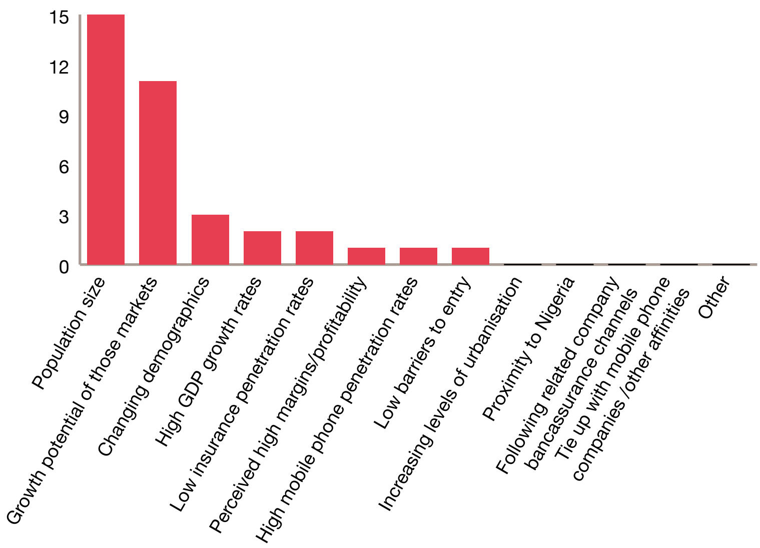
Q Rank the top three countries in Asia that you consider most important for your company's growth over the next three years?

The table below summarises the response from participants. In an earlier question only 1 insurer indicated that they view Asia as a potential market for growth. Given that responses were obtained from all 6 of the interviewees, this question should be interpreted as which Asian markets show the greatest potential rather than which markets are specifically important for the growth of these companies.

	Rank 1	Rank 2	Rank 3	Score
India	2	2	1	11
Malaysia	1	2	1	8
China	1		2	5
Indonesia	1	1		5
Singapore		1	1	3
Pakistan	1			3
Hong Kong			1	1

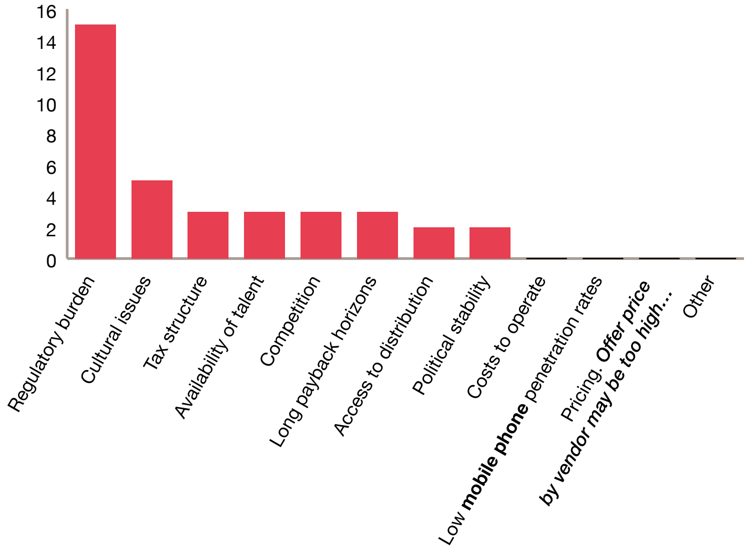
Q What are your top three considerations regarding investing in the rest of Africa?

Population size and growth potential of the markets were listed as the top two considerations. This was then followed by changing demographics..



Q Rank your top three barriers for investing in these countries in Asia?

The regulatory burden of investing in Asia was identified as the greatest barrier by all 6 respondents. This was followed by cultural issues, tax structure and long payback horizons.



Extract from The Africa Report, Insurance: Ripe for growth, 22 May 2014

Old Mutual, with operations in eight African countries including South Africa, aims to earn 15% of its operating profit from its non-South African operations on the continent by 2015, up from 10% in 2013.

Last year, it made acquisitions in Nigeria, Ghana and Kenya, which it sees as the key growth markets on the continent. Old Mutual added Faulu Kenya, Ghana's Provident Life Assurance Company and Oceanic's Life Insurance and General Insurance businesses in Nigeria to the group.

"There is an improved regulatory environment, institutional capacity is improving and profitability is becoming attractive – and all this is happening against the background of the

African growth story, with a promised demographic dividend, rising income levels and fast-growing economies," says Johannes Gawaxab, managing director of Old Mutual Africa.

Growing client base

By 2020, 128m African households will earn $5,000 a year or more, up from 85m in 2008, according to a 2010 study from consulting firm McKinsey. "This is a great and compelling opportunity for us," Gawaxab says.

A number of countries on the continent are attractive thanks to high economic growth rates – particularly if compared with South Africa – and low insurance penetration rates, says Margaret Dawes, CEO for the rest of Africa at Sanlam Emerging Markets, which operates in 10 African countries outside South Africa.

"We see many markets as being attractive. While we've historically been in English-speaking countries, we are committed to expanding to Mozambique and Angola in the near term," explains Dawes. The group prefers to buy shares in existing operations or find local partners, she says.

While the growth potential is great, many challenges remain. Building efficient distribution channels, educating consumers about insurance and other financial products, developing affordable offerings and finding ways to collect premiums are some of the main obstacles, says WJ De Vries, an insurance analyst at Avior Research. "Typically we see insurers benefiting from a bancassurance model [bank insurance model - BIM], where they go into a partnership with a bank and sell their insurance products through the bank's branch network. This makes distribution easier, lowering acquisition costs, and it is also easier to collect premiums as customers already have some banking service. The products are simple, featuring few exclusions, ensuring accessibility to all in order to reach scale," De Vries explains.

Insurers are also partnering with telecommunications operators as a way to collect premiums by taking a portion of the airtime customers load on their phones.

In Kenya, Safaricom's M-PESA is used as a premium collection platform for Linda Jamii, a micro-insurance medical cover product. An annual subscription is payable and premiums can be paid in instalments. Partial benefits can be accessed as soon as a minimum amount of KSh6,000 ($69) is saved.

Mobile operators have also started to offer free insurance products as a way to build consumer loyalty. In Ghana, Airtel, MicroEnsure and Enterprise Life launched a product in January offering free life, accidental permanent disability and hospital cover. The cover increases as customers spend more on airtime, with a minimum of ¢5 ($1.90) a month required to qualify for the product.

18. Political and regulatory changes

Q Do you agree or disagree with the following statements about regulation?

Nigeria has seen a raft of regulatory change in recent times with further changes expected as part of implementation of MRDI and Vision 2020. For example, minimum capital requirements were introduced for all insurers. A number of insurance classes have been made compulsory, with minimum local insurance for certain insurance types. Guidelines that require improved risk management frameworks and functions were also implemented. Current capital requirements are factor-based without regard to the nature of risks. There is a process of moving towards a risk-based supervision framework.

Against this backdrop, participants were asked to comment on three statements regarding regulation.

Concerns about the burden of regulation are dampening risk appetite and stifling growth

Four out of the six respondents agree that concerns about regulatory burdens are dampening risk appetite and stifling growth.

Regulatory considerations are slowing the pace of international expansion

Four out of six of the insurers agree that international expansion is impeded by regulatory considerations.

Regulation is creating a fairer playing field for institutions to achieve their growth targets

Five out of the six participants concurred that regulation is creating a fairer playing field.

Other questions and responses include

- Insurance industry players are adequately regulated, four out of six insurers believe that industry players are adequately regulated
- Regulatory enforcement is improving. All participants insurers agreed that regulatory enforcement is improving.
- NAICOM's no premium; no cover policy is appropriate and has helped reduce the incidence of unpaid premium. All participants insurers agreed that it is appropriate and has helped reduce the incidence of unpaid premium.
- NIA's deployment of the Nigeria Insurance Database (NIID) significantly reduces the incidence of fake insurance. All of the participants believe it has had the desired impact. Most agree its application is hampered as policemen are not using it at road check points.
- Insurance Brokers' hold on insurance business is likely to remain significant in the foreseeable future. Five of the respondents believe insurance brokers hold on insurance business is likely to remain significant.

Stricter regulatory regime

While some operators and their shareholders are complaining that NAICOM is over-regulating insurance business, the insurance regulator said operators should brace up for stricter regulations. The commissioner for insurance recalled that both the International Monetary Fund (IMF) and Standards & Poors (S&P) believed that the Nigerian insurance industry is being under-regulated, saying this contradicts what some stakeholders believe.

NAICOM said it is not comfortable with its rating by both the IMF and S&P and as such intends to redouble its regulatory effort and to plug identified loopholes going forward.

“It is public information the IMF gave an evaluation on our regulatory capacity in 2012 and we got an average which is not good but we are not satisfied because we should be above average. At least an evaluation has been done and we know our weak points and our strength so we are looking at the gaps and doing everything to block the gaps,” Daniel said.

[Former Commissioner of Insurance, Mr. Fola Daniel]

Also NAICOM’s Chairman, Chibudom Nwuche, said that the era of laisser-fair insurance regulation was over and warned operators to play by the rule or get sanctions.

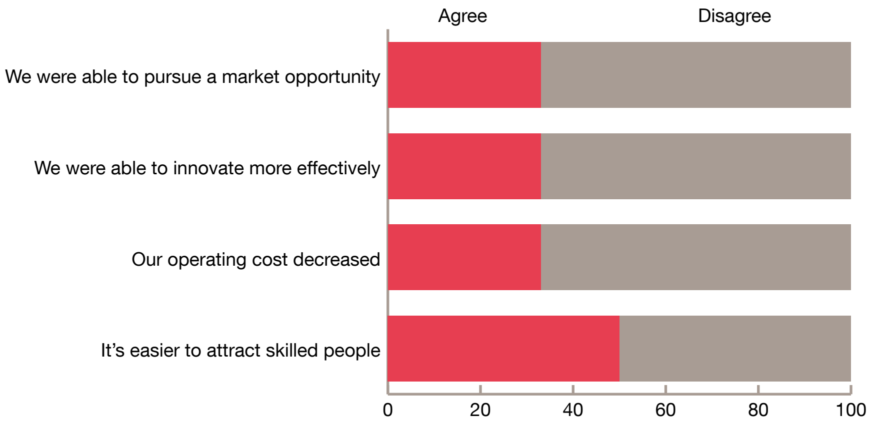
“The governing board will continue to resolutely support the resolve of NAICOM’s management to ensure effective supervision of the industry in order to protect policyholders and government strategic assets.

“Whilst NAICOM continue to operate within confines of all extant laws, all practitioners in the sector must operate within the rules and internal norms… I must emphasise that there should be no one or group to be excluded from compliance with the rules and regulations. Indeed, there shall be no sacred cows, as nobody will be allowed to be above the laws,” Nwuche warned.

thisdaylive.com, “The Future Remains Bright for Insurance”. 1 October 2014

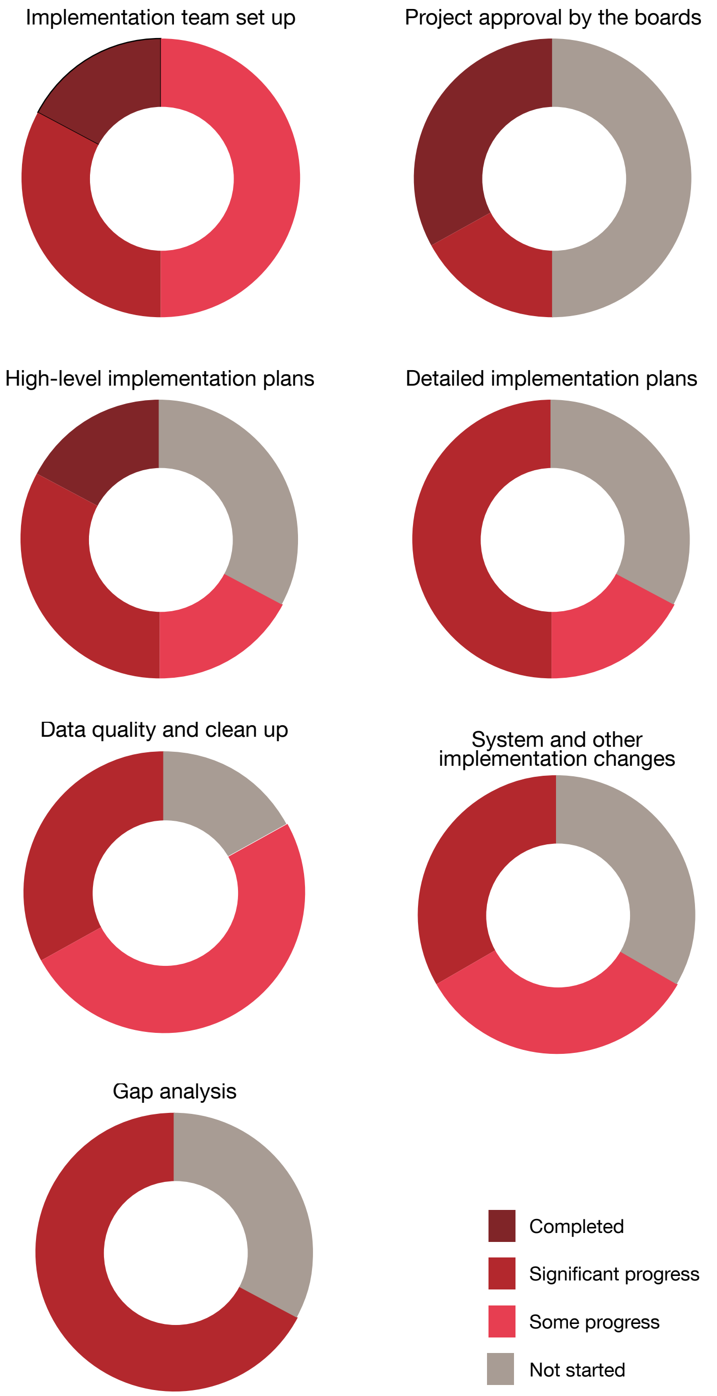
Q Which of the following statements most accurately describe how regulation has improved your company over the past 24 months?

The majority of the Nigerian participants do not believe that regulation has improved their company in these areas over the past 24 months. 50% of the respondents indicated that regulation has improved their ability to attract skilled people.



Q How well prepared is your organisation for the migration to risk based regulatory supervision?

Nigerian insurers have made some progress in preparation for the migration to risk based solvency supervision. Significant work is still however required on data quality and clean up, and system and implementation changes – both these areas on average are more than 50% "not started" or "some progress".

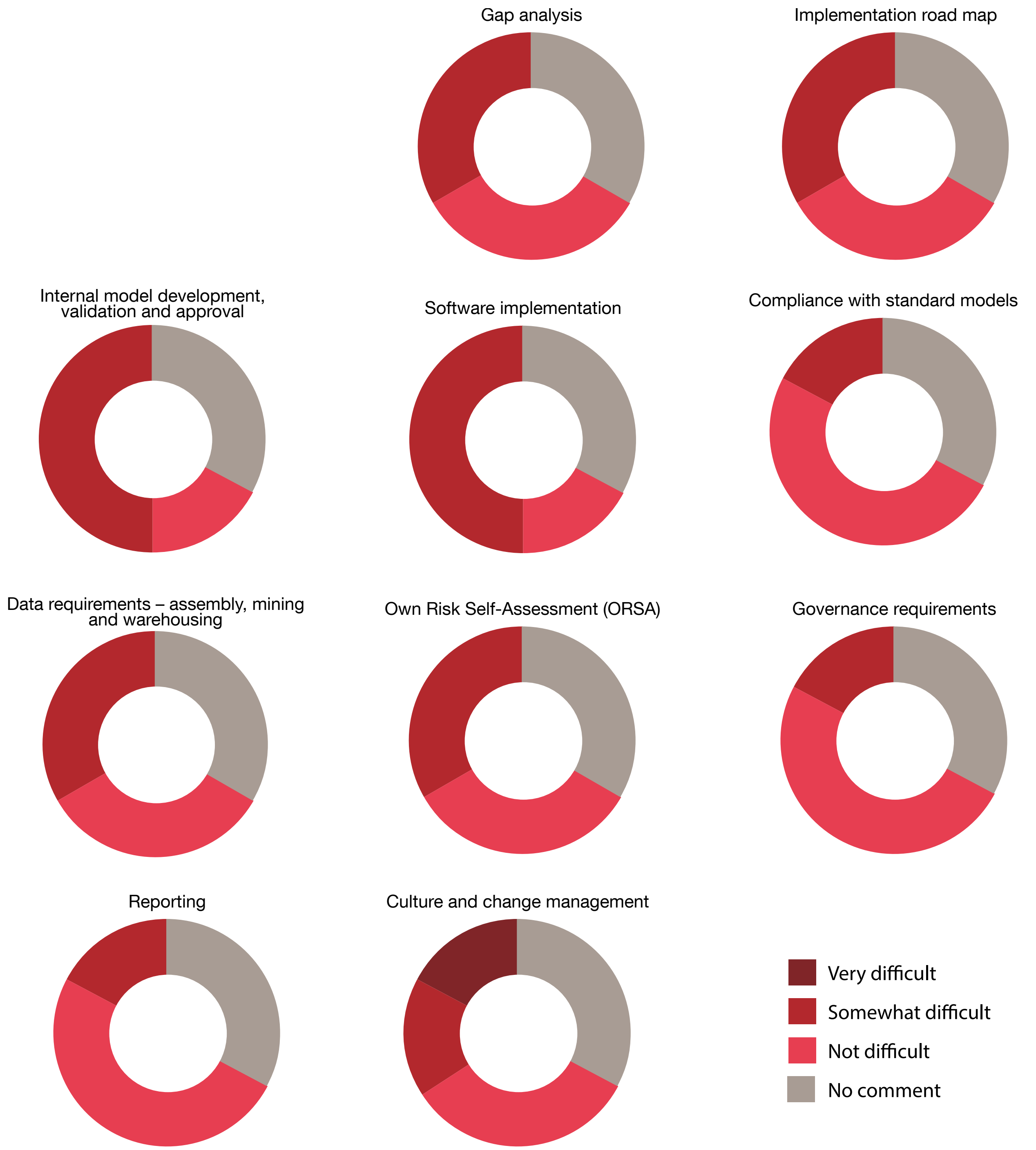


Q How difficult will it be to implement the proposed changes in the following areas?

A similar question was posed to the Nigerian participants to highlight potential challenges faced by insurers under the soon-to-be effective Solvency II regime. Ten different topics were presented. The areas identified to be somewhat difficult by 50% of respondents are:

- Internal model development, validation and approval, and
- Software implementation.

In contrast governance requirements, reporting and compliance with the standard model was indicated as not difficult to comply with by 50% of respondents. Two respondents had no view as to the difficulty in implementing changes under solvency II regime.



Q list the top three areas where you think you may require assistance with your solvency II implementation process.

Two of the six Nigerian insurers did not provide a response to this question. Another insurer indicated that they require assistance in all seven areas. The remaining 3 respondents the listed the following areas as top three:

- Project plans, timelines, resources and completeness
- Calculation of the standard formula capital requirements
- Suitability of key technology choices

Q Indicate the areas where you require assistance in complying fully with the implementation guidelines for developing a risk management framework issued by NAICOM in July 2012

The following areas were identified with only one of the six insurers indicating they will require some assistance with the first five points listed below:

- Establishment of procedures and controls;
- Development of up-to-date Risk Registers;
- Development of Review Processes;
- Development of well-defined Risk and Governance responsibilities;
- Development of systems for Independent Review;
- Documentation of the risk management strategies;
- Documentation of risk management policies; and
- Development of written Business Plans approved by the Board, Chief Risk Officer and Enterprise Risk Management Committees.

The other 5 insurers do not require assistance.

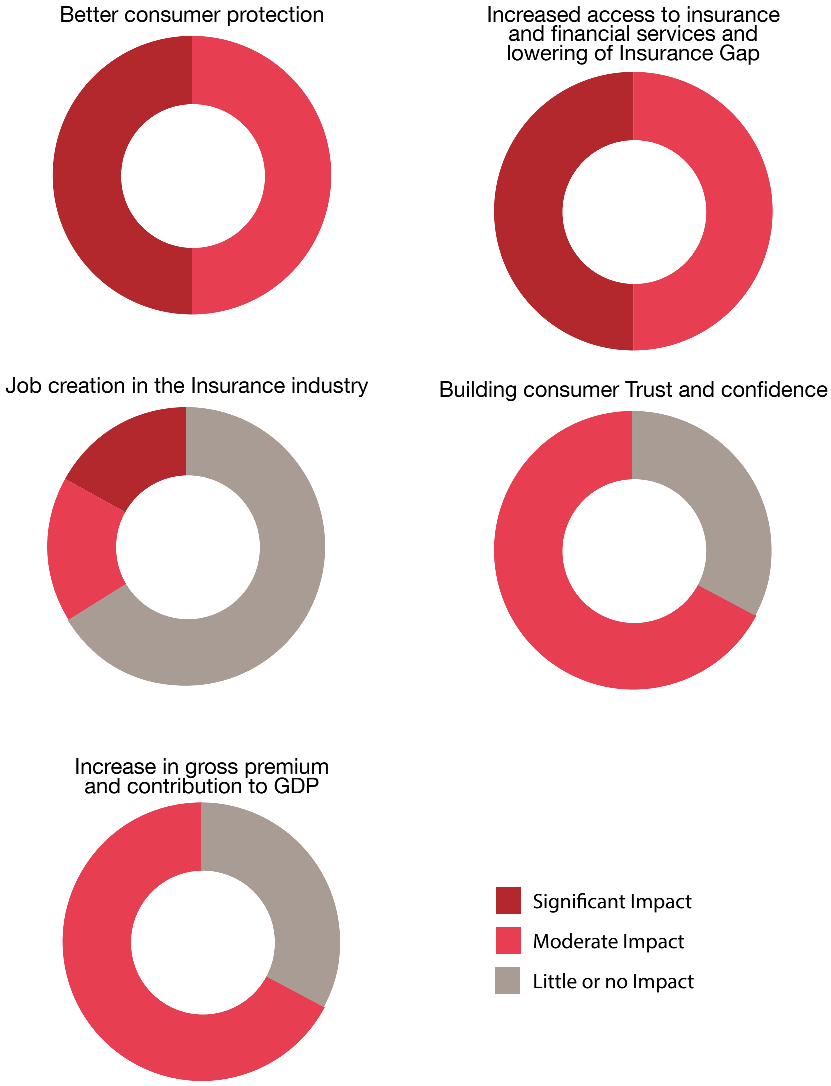
Q To what extent do you think NAICOM's MDRI project (2009-2012), installing the first phase of the necessary reforms in the areas of Industry capacity, market efficiency, and consumer protection, have achieved its objectives?

The MDRI project is expected to have deepened and grown the insurance market. According to NAICOM the four key issues focussed on are:

- Enforcement of compulsory insurance products in Nigeria
- Sanitisation and modernisation of the insurance agency system
- Wiping-out of fake insurance institutions
- Introduction of risk-based supervision

Five objectives were listed and insurers were then required to indicate whether the project has achieved these objectives.

According to the respondents, there has been a significant improvement in consumer protection, access to insurance and financial services and a lowering of the insurance gap.


Better consumer protection
Increased access to insurance and financial services and lowering of Insurance Gap
Job creation in the Insurance industry
Building consumer Trust and confidence
Increase in gross premium and contribution to GDP
Significant Impact
Moderate Impact
Little or no Impact

16. Environmental changes: climate and catastrophic events

Q The frequency and severity of catastrophic events, natural and man-made, has increased over the past 20 years. To what extent does your organisation use the following innovations?

Catastrophe modelling for underwriting and pricing

New technology means that a range of different innovations is available to help address these issues. Catastrophe models can be used to estimate the location intensity and magnitude of simulated events. These models help underwriters in the risk-pricing process. Catastrophe models can also assist in portfolio structuring and the assessment of capital requirements. Participants' responses suggest that they are not yet fully embracing catastrophe models. Indeed, only 50% of the respondents said that they had 'begun to use catastrophe models to an extent' for underwriting and pricing.

Risk transfer

Sophisticated risk transfer mechanisms are used "to an extent" by 4 of the respondents with a further respondent indicating that they are being considered.

Only one insurer indicated that early warning sensor technologies are being used. Hence, these mechanisms and technologies appear to be at the early stage of the adoption curve.

Sensor technologies could have applications across a wide spectrum of insurance. For example, individual health monitors track body performance, on-board vehicle sensors can report on driver behaviour and weather trackers can provide early-warning alerts. Crop insurance, health insurance, motor insurance, marine insurance, home insurance etc. can all benefit from these increasingly sophisticated predictive sensor technologies.

African risk capacity

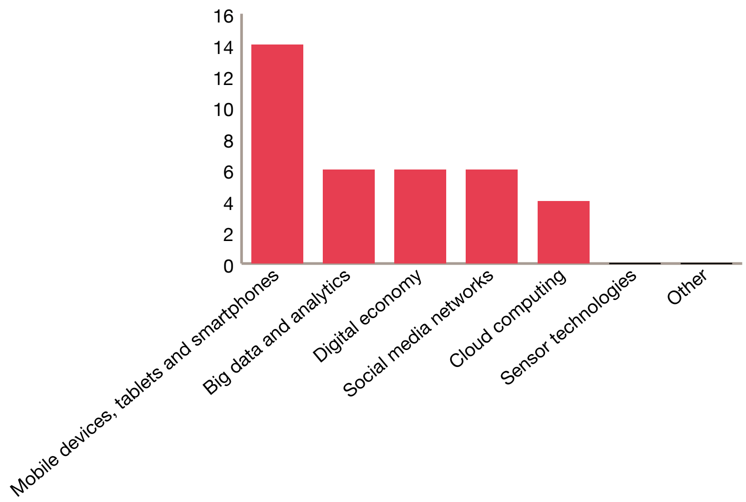
In May 2014, the African Union announced the formation of the African risk capacity (ARC) pool. The new fund will provide early rainfall warnings (from satellite data) and will make payouts to drought-affected areas. The first members of the catastrophe insurance pool are Kenya, Mauritania, Senegal, Mozambique and Niger. A further eight countries are expected to join and within five years ARC anticipates 20 member countries. ARC calculates that a catastrophic drought in sub-Saharan Africa would cost over $3 billion and cripple individual countries' economies. For example, drought cost Kenya $12 billion between 2008 and 2011.

Source: Reuters, 15 May 2014.

17. Technology and the new digital economy

Q Rank the top three technological advances that will transform the insurance industry over the next five years?

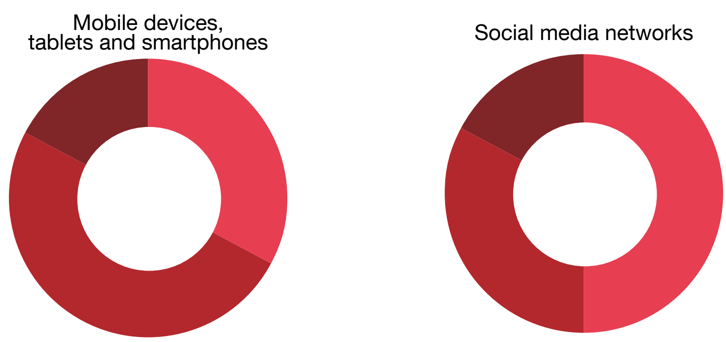
Mobile devices, tablets and smart phones were identified as the most important technological advance in the insurance sector over the next three years. This was then followed by big data and analytics, the digital economy and social media networks.

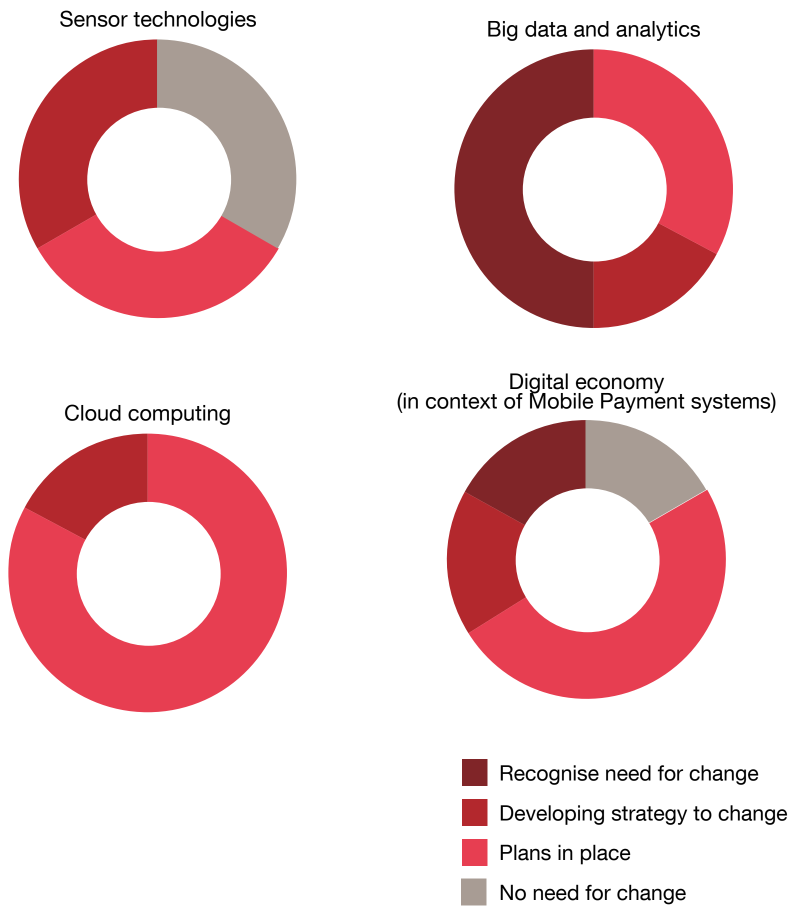


Following the identification of the most important technological advances affecting the insurance industry, participants were asked to outline how well prepared they were to deal with these changes.

Q To what degree is your organisation planning to initiate changes to take advantage of these technological advances?

Following the identification of the most important technological advances affecting the insurance industry, participants were asked to outline how well prepared they were to deal with these changes.




Sensor technologies
Big data and analytics
Cloud computing
Digital economy
(in context of Mobile Payment systems)
Recognise need for change
Developing strategy to change
Plans in place
No need for change

Nigeria: Custodian Unveils Mobile Insurance Application

Custodian and Allied Insurance Limited has unveiled a mobile insurance application that enables customers to take charge of their insurance transactions from start to finish on their internet enabled devices such as phones, iPad and computers.

This mobile app called Custodian Direct is in line with the efforts of the National Insurance Commission (NAICOM) to deepen insurance penetration in Nigeria so that the majority of the people can have one form of insurance cover or the other.

Custodian Direct, which has been trending on the social media space, is a self-service insurance product that lets the existing and prospective customers of Custodian to purchase and manage their insurance policies from any internet enabled device.

Using the application, customers can manage their insurance policies, submit and track claims and generate their insurance certificate and policy documents without relating with any agent. The application helps customers take pictures and file a claim at the scene of any incident involving the insured items without visiting the offices of the insurance company or speaking to an agent.

The underwriting outfit had earlier introduced the online insurance platform that gives customers the opportunity to source quotes, learn about products, buy insurance policies, file and manage claims from the comfort of their homes or offices without the intervention of an agent.

As Custodian strives to continue adding value to its customers, A.M. Best Company recently reaffirmed the Financial Strength Rating ‘B Stable’ assigned to the insurance outfit. Its Issuer Credit Rating was ‘bb Stable’.

NAICOM had charged the insurance operators to take concrete steps to deepen insurance penetration in the country so that the insurance industry can make meaningful contribution to the nation’s economy.

Commissioner for Insurance, Fola Daniel, said “With the old based economy, the sector barely contributed 0.7 per cent to the GDP, and with the rebasing, the contribution of the sector to GDP has dropped to 0.6 per cent, so calling for more dynamic strategies to deepen insurance reach amongst the vast populace.”

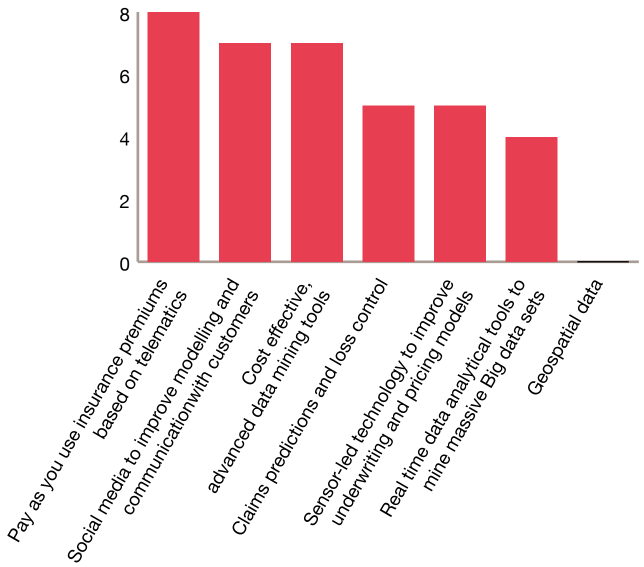
Daniel said the industry must, as a matter of deliberate policy, come up with new ways of doing the business in order to achieve better result. “Our marketing strategy must change; our product design and packaging must change; our approach to policyholders and their complaints must change and all hands must be on deck to ensure that the message of insurance is taken to the grassroots.”

allafrica.com : “Nigeria: Custodian Unveils Mobile Insurance Application”, Sola Alabadan, 7 October 2014

Q What do you see as the major opportunities in the digital space for your business over the next three years? Please rank the top three.

Participants were asked to rank seven different opportunities, emerging from the digitalisation of insurance.

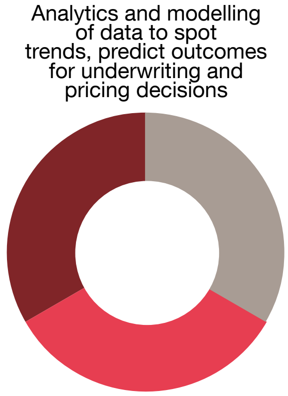
The top opportunities, as ranked by the 6 Nigerian respondents, were telematics closely followed by advance data mining tools and social media.

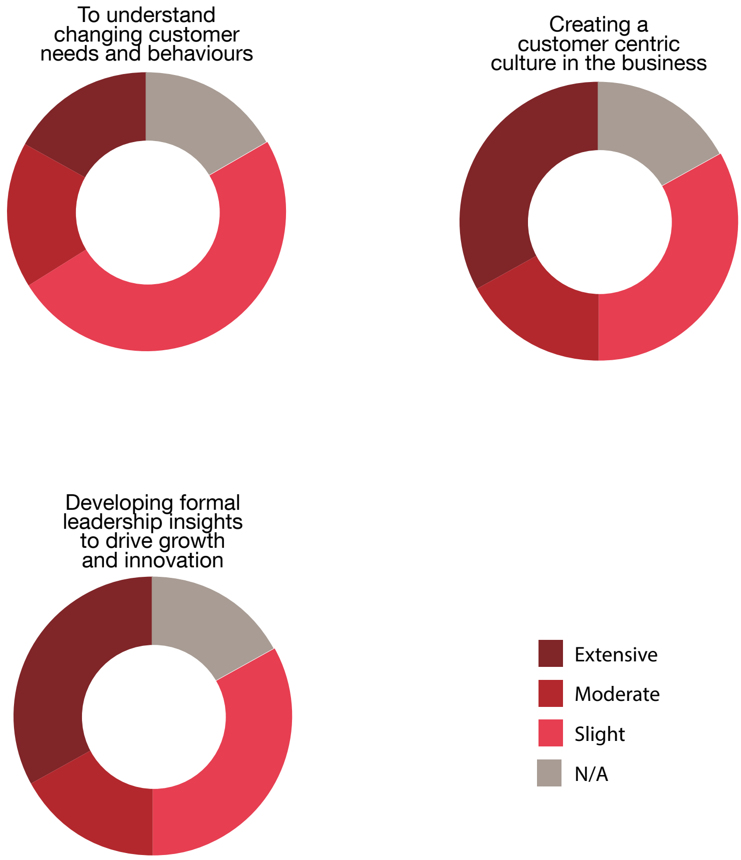


Q To what extent is your organisation taking advantage of advances in the use of big data and data analytics in the following areas?

Given the recognition of the importance of big data to the insurance sector, participants were asked to describe their different levels of engagement in five different areas.

Responses from the Nigerian insurers contained limited detail, with a number of insurers indicating that some of the areas are not applicable and others not providing comment. The associated pie charts summarise the extent to which these advancements are being utilised.




To understand changing customer needs and behaviours
Creating a customer centric culture in the business
Developing formal leadership insights to drive growth and innovation
Extensive
Moderate
Slight
N/A

18. Peer reviews

Peer ranking review

Alternative risks transfer

Products	First	Second	Third
Alternative risk transfer	Leadway	AIICO	
	Mansard		
Assistance business	AIICO		
FBN Life	Cornerstone		
Credit life	Mansard	FBN Life	Old Mutual
Group Business (Investment)	Leadway	AIICO	Mansard
Group business (Risk)	Leadway	AIICO	Capital Express
Investment products	AIICO	Leadway	Mutual Benefit
Life risk products	AIICO	Leadway	Mansard
General Insurance	Leadway	Custodian	NEM
Health insurance	Leadway	Mansard	AIICO
Customer relationship management	Mansard	Leadway	Custodian
Innovations	Mansard	Mutual Benefit	Custodian
Marketing strategies	Leadway	Mansard	AIICO
Technically competent staff	Leadway	AIICO	Custodian

Q Can you name the top three insurance companies in terms of success (performance, presence and momentum) across a variety of different markets?

Ranking of peer companies by participants

Participants provided peer assessments of companies in the industry. A simple scoring method awarded three points to first place, two points to second and one point to third place. This allowed the insurance companies to be ranked according to a cumulative total score.

Insurance companies were asked not to record an opinion unless they were active in that segment, and were comfortable in providing an accurate ranking in terms of success (performance, presence and momentum) as opposed to mere size. They were not permitted to rank their own institution. In some instances, respondents only nominated companies for first and second place.

Alternative risks transfer

Ranking	First	Second	Third	Score
Leadway	3			9
AIICO		1		2
Custodian		1		2
Mansard			2	2

Assistance business

Ranking	First	Second	Third	Score
AIICO	3			9
Cornerstone	1	1		5
FBN Life	1	1		5
UBA Metropolitan	1		1	4
Leadway		1		2
Custodian		1		2
African Alliance			1	1
Capital Express			1	1
Mutual benefits		1		2
Mansard Insurance			1	1

Credit life

Ranking	First	Second	Third	Score
Mansard	1	2	0.5	7.5
FBN Life	1	2		7
Old Mutual	1	1		5
Leadway	1			3
UBA Metropolitan	1			3
AIICO		1		2
Custodian			0.5	0.5
Standard Alliance			1	1
ARM Life	1			3

Customer relationships

Ranking	First	Second	Third	Score
Mansard	4			12
Leadway	2	2	1	11
Custodian		3	2	8
Zenith Insurance		1		2
AIICO			1	1
Consolidated Hallmark			1	1
NEM		1		2

Group business – Investment

Ranking	First	Second	Third	Score
Leadway	2	1	1	9
AIICO	2			6
Mansard		2	0.5	4.5
Custodian		1	1.5	3.5
Mutual Benefits		1		2
FBN Life	1			3

Group business – Risk

Ranking	First	Second	Third	Score
Leadway	1	1		5
AIICO	2	1		8
Capital Express		1	1.5	3.5
Mansard			0.5	0.5

Health insurance (not medical scheme business)

Ranking	First	Second	Third	Score
Leadway	3		1	10
Mansard		2	1	5
AIICO	1	1		5
Capital Express	1		1	4
KBL Insurance		1		2
Zenith Insurance			1	1
Anchor		1		2

Innovation

Ranking	First	Second	Third	Score
Mansard	5			15
Mutual Benefit	1	1		5
Custodian		2	1	5
Leadway		1	2	4
FBN Life		1		2
Cornerstone			1	1
Old Mutual		1		2

Investment products

Ranking	First	Second	Third	Score
AIICO	3	1		11
Leadway	1	2	1	8
Mututal Benefit			2	2
Custodian			1	1
FBN Life	1			3
Mansard		2	1	5

Life risks products

Ranking	First	Second	Third	Score
AIICO	6			18
Leadway		2	1	5
Mansard		1	0.5	2.5
Custodian		1	1.5	3.5
NEM			1	1
Capital Express		1		2
FBN Life			1	1
Standard Life			1	1
ARM		1		2

Marketing strategies

Ranking	First	Second	Third	Score
Leadway	3	2		13
Mansard	1	1	2	7
AIICO	1	1		5
Custodian	1	1		5
FBN Life			1	1
Mutual Benefit		1		2
Consolidated Hallmark			1	1
IGI			1	1

General Insurance

Ranking	First	Second	Third	Score
Leadway	5	1		17
Custodian	1	3	1	10
NEM		1		2
Mansard insurance			3	3
Zenith Insurance			1	1
REAN			1	1
AIICO		1		2

Technically competent staff

Ranking	First	Second	Third	Score
Leadway	3	3	2	17
AIICO	1	2	1	8
Custodian		1	2	4
REAN	1			3
Mansard Insurance	1			3
Zenith			1	1

19. Appendices

Methodology and participants

Methodology

Previous experience in the financial services sector, has shown that personal interviews with senior executives using a standard questionnaire offers the best research approach to reveal strategic insights.

The questionnaire was administered during interviews of approximately one hour. Interviews of the Nigerian insurers were conducted by Obioma Ubah, a Director in Assurance from our Lagos Office. The document was written by Victor Muguto in association with the PwC Africa actuarial team, with significant inputs from Tinashe Mashoko, Amit Kooverjee and Obioma Ubah.

Responses have not been attributed to individual insurance companies, but rather collectively to all participants, which included three reinsurers and two cell insurers, and in 5 insurance companies and 1 reinsurance company.

The time commitment and support by all insurance companies invited to participate in this survey was outstanding.

Insurance groups

The information provided is considered proprietary and remains confidential. Results are therefore presented in an aggregated and anonymous group format, certified as either short- or long-term insurance companies. The Nigerian Insurers interviewed are as follows:

- Zenith
- Union Assurance
- REAN Insurance
- Mansard Insurance
- Equity Assurance
- Continental Reinsurance

Africa Macroeconomic data

GDP	Population	Inflation rate		Exchange Rate
2013 ($bn)	2013 ('m)	2012 (%)	2013 (%)	2013 (Change in %)
351	52.8	5.7	5.8	17.57
105	32.9	1.2	1.9	-2.55
304	171.2	12.2	8.5	1.93
272	82.1	8.7	6.9	7.54
44	44.0	9.4	5.7	1.88
177	37.0	8.9	4.4	2.58
138	20.7	10.3	8.8	0.98
12	2.3	6.5	5.7	17.47
46	10.8	5.5	6.1	4.03
12	1.2	3.9	3.5	3.99
2,066	1091.2			

Life Insurance 2012

Name (in millions)	Direct Business '000	Reins Accepted '000	Gross Premium Income '000	Reins. Ceded '000	Net Written Premium '000
African Alliance Insurance PLC	3,392	3,349	960	13,906	169
AIICO Insurance Plc	11,084	9,680	2,101	17,498	2,917
Alliance & General Life Insurance plc	1,362	1,362	26	1,454	76
Arm Life Plc	2,288	1,762	790	4,492	473
Capital Express Assurance Ltd	2,821	2,750	838	3,227	116
Cornerstone Insurance Plc	1,814	1,269	325	3,401	286
Custodian Life insurance Ltd	1,775	1,650	766	2,705	726
FBN Life assurnace Limited	2,897	2,783	750	4,684	512
Goldlink Insurance Plc	998	958	405	1,148	117
Great Nigeria Life Ass. Ltd	1,387	1,355	223	4,866	648
Industrial & General Insurance Plc	2,582	2,471	975	10,803	1,339
LASACO Assurance Plc	1,300	953	279	3,166	156
Leadway Assurance co. Ltd.	9,549	9,183	656	18,236	3,178
Mansard Insurance Plc	3,185	2,574	1,172	8,374	666
Mutual Benefits Life Assurance Co. Ltd	2,700	2,602	636	11,978	1,181
NICON Insurance Plc	246	246	154	15,034	21
Niger Insurance Plc	7,117	6,911	982	14,214	1,077
NSIA Insurance Company Limited	803	681	525	3,106	361
Old Mutual Life Assurance Co. Ltd.	660	458	171	3,788	378
Royal Exchange Prudential Life Ins. Co. Ltd.	1,206	1,142	390	4,744	317
SpringLife assurance Plc	819	794	339	913	30
Standard Alliance Life Insurance Plc	2,882	2,046	101	3,713	972
UBA Metropolitan Life Ins. Ltd.	2,008	1,890	150	4,925	877
UNIC Insurance Plc	464	457	375	1,034	606
Union Assurance co. Ltd	1,681	1,453	54	3,318	327
Wapic Life ass. Ltd.	1,048	1,018	305	3,502	435
Zenith Life insurance Company Ltd.	1,886	1,539	122	4,165	500
TOTAL	**69,965**	**63,349**	**14,581**	**172,407**	**18,473**
REINSURANCE COMPANY					
Continental Reinsurance Plc	2,506	2,130	402	-	304
Nigeria Reinsurance Corporation	100	99	145	3,368	70
TOTAL	**2,606**	**2,229**	**547**	**3,368**	**374**

Source: Nigerian Insurers Association Nigeria Insurance Digest 2012

Non-Life Insurance 2012

NAME (in millions)	GROSS PREMIUM 2012	NET PREMIUM 2012	NET CLAIM	MANAGEMENT EXPENSES	TOTAL INVESTMENT	INVESTMENT INCOME
AIICO General Insurance Plc	9,631	6,049	1,804	1,123	5,936	683
Alliance & General Insurance plc	2,368	2,070	136	371	4,879	21
Anchor Insurance Company Ltd	1,824	1,646	230	566	2842	125
Consolidated Hallmark Insurance Plc	4,142	2,849	558	916	2,953	238
Cornerstone Insurance Plc	3,235	2,085	769	1,079	4,275	558
Custodian & Allied insurance Plc	11,832	6,579	2,062	1,137	16,733	1,257
Equity Assurance Plc	2,592	2,612	763	1,326	2,533	231
Fin Insurance Company Ltd	1,311	1,143	142	960	3,883	474
Goldlink Insurance Plc	3,429	2,672	880	784	2,238	143
Great Nigeria Insurance Plc	1,493	1,188	13	501	1,331	188
Guinea Insurance Plc	1,138	1,030	281	732	2,448	232
Industrial & General Insurance Plc	6,527	3,524	1,268	975	11,754	624
International Energy ins. Plc	6,022	5,008	1,533	2,307	6,175	1,295
Investment & Allied Ins. Plc	37	37	910	158	-	400
KBL Insurance Ltd.	1,805	1,507	688	676	4,343	448
LASACO Assurance Plc	3,137	1,654	1,246	3,189	6,518	217
Law Union & Rock Ins. Plc	4,163	3,239	982	2,685	3,087	245
Leadway Assurance co. Ltd.	27,370	14,849	6,137	2,692	13,277	1,530
Linkage Assurance Plc	2,137	1,262	437	896	14,977	485
Mansard Insurance Plc	9,259	4,926	2,162	1,610	10,990	1,020
Mutual Benefits Assurance Ltd	4,975	4,559	1,354	2,251	7,610	800
NEM Insurance Plc	9,246	9,066	2,879	1,296	4,934	478
NICON Insurance Plc	1,382	1,097	359	1,053	6,528	-
Niger Insurance Plc	3,213	3,000	971	2,227	3,629	215
Nigerian Agricultural Ins. Corporation	1,009	925	193	395	3,979	420
NSIA Insurance Company Limited	3,087	1,855	611	709	5,506	655
OASIS Insurance Plc	1,604	1,438	441	498	1,866	150
Old Mutual Insurance Co. Ltd.	1,090	886	235	557	5,503	331
Prestige Assurance Plc	4,790	1,896	1,569	304	3,073	531
Regency Alliance Insurance Plc	2,236	1,777	312	526	1,638	69
Royal exchange Gen. Ins. Co. Ltd.	6,197	4,525	1,176	1,555	5,590	1,024
Sovereign Trust Insurance Plc	7,742	4,861	920	1,575	3,137	406
STACO Insurance Plc	6,742	6,281	765	2,176	3,504	85
Standard Alliance Insurance Plc	5,497	5,016	916	1,386	3,403	208
Sterling Assurance Nigeria Ltd	2,714	2,420	610	838	1,559	377
Union Assurance co. Ltd	2,621	2,113	643	830	2,389	183
Unitrust Insurance Co. Ltd	3,170	1,724	686	1,276	7,134	1,095
UnityKapital Assurance Plc	2,736	2,482	268	1,435	6,397	519
Universal Insurance plc	415	399	60	262	6,442	282
Wapic Insurance Plc	2,326	1,724	492	1,318	7,944	827
Zenith General Insurance Co.Ltd.	5,909	3,239	764	1,074	13,009	1,202
TOTAL	**182,172**	**127,232**	**39,246**	**48,217**	**227,966**	**20,288**

Reinsurance company

Name (in millions)	Gross Premium 2012	Net Premium 2012	Net Claim	Management Expenses	Total Investment	Investment Income
REINSURANCE COMPANY	9,631	6,049	1,804	1,123	5,936	683
Continental Reinsurance Plc	9,891	8,713	3,883	1,659	6,595	1,131
Nigeria Reinsurance Corporation	760	679	251	266	11,515	348
TOTAL	**10,651**	**9,392**	**4,134**	**1,925**	**18,110**	**1,479**

Source: Nigerian Insurers Association Nigeria Insurance Digest 2012

Name (in millions)	Gross Premium 2012	Net Premium 2012	Profit Before Tax	Profit After Tax	Total Assets
African Alliance Insurance	3,392	3,349	196	36	14,835
AIICO Insurance Plc	20,716	15,730	1,977	1,247	34,868
Alliance & General Insurance plc	2,368	2,070	-450	-450	6,904
Alliance & General Life Insurance plc	1,362	1,362	-160	-171	6,498
Anchor Insurance Company Ltd	1,824	1,646	450	420	4,515
Arm Life Plc	2,288	1,762	-569	-642	5,937
Capital Express Assurance Ltd	2,821	2,750	-496	-517	4,804
Consolidated Hallmark Insurance Plc	4,142	2,849	540	382	6,664
Cornerstone Insurance Plc	5,049	3,354	399	433	12,010
Custodian & Allied insurance Plc	11,832	6,579	1096	822	24,340
Custodian Life insurance Ltd	1,775	1,650	518	445	8,355
Equity Assurance Plc	2,592	2,612	97	59	7,801
FBN Life assurance Limited	2,897	2,783	425	393	5,680
Fin Insurance Company Ltd	1,311	1,143	126	102	5,642
Goldlink Insurance Plc	4,428	3,618	-346	-362	9,738
Great Nigeria Insurance Plc	1,493	1,188	506	341	2,787
Great Nigeria Life Ass. Ltd	1,387	1,355	768	561	5,824
Guinea Insurance Plc	1,138	1,030	175	50	3,958
Industrial & General Insurance Plc	9,109	5,804	-4224	4396	35,817
International Energy ins. Plc	6,022	5,008	-787	-807	10,118
Investment & Allied Ins. Plc	37	37	-679	-715	353
KBL Insurance Ltd.	1,805	1,507	705	677	5,248
LASACO Assurance Life Co. Ltd	1,300	953	-332	-347	9,792
LASACO Assurance Plc	3,137	1,654	152	92	4,780
Law Union & Rock Ins. Plc	4,163	3,239	-1,190	-1,337	6,617
Leadway Assurance co. Ltd.	36,920	24,032	826	673	66,324
Linkage Assurance Plc	2,137	1,262	-212	179	16,956
Mansard Insurance Plc	12,444	7,501	1,730	1,380	27,871
Mutual Benefits Assurance Ltd	4,975	4,559	-224	-475	13,893
Mutual Benefits Life Assurance Co. Ltd	2,700	2,602	-154	-174	16,766
NEM Insurance Plc	9,246	9,066	652	434	7,580
NICON Insurance Plc	1,629	1,343	-60	-60	58,120
Niger Insurance Plc	10,330	10,012	256	223	21,732
Nigerian Agricultural Ins. Corporation	1,009	925	-156	-156	7,442
NSIA Insurance Company Limited	3,890	2,537	1,324	978	12,174
OASIS Insurance Plc	1,604	1,438	247	230	4,033
Old Mutual Insurance Co. Ltd.	1,090	886	485	359	6,398
Old Mutual Assurance Co. Ltd.	660	458	212	176	4,183
Prestige Assurance Plc	4,790	1,896	869	603	9,698
Regency Alliance Insurance Plc	2,236	1,777	654	391	5,190
Royal exchange Gen. Ins. Co. Ltd.	6,197	4,525	765	719	10,624

Name (in millions)	Gross Premium 2012	Net Premium 2012	Profit Before Tax	Profit After Tax	Total Assets
Royal Exchange Prudential Life Ins. Co. Ltd.	1,206	1,142	-223	-248	5,267
Sovereign Trust Insurance Plc	7,742	4,861	1,585	1,476	7,113
SpringLife assurance Plc	819	794	338	346	1,928
STACO Insurance Plc	6,742	6,281	310	247	7,787
Standard Alliance Insurance Plc	5,497	5,016	-1,886	-2,024	8,932
Standard Alliance Life Insurance Plc	2,882	2,046	384	336	4,591
Sterling Assurance Nigeria Ltd	2,714	2,420	-64	-59	4,798
UBA Metropolitan Life Ins. Ltd.	2,008	1,890	515	501	5,406
UNIC Insurance Plc	464	457	115	106	5,449
Union Assurance co. Ltd	4,303	3,518	-577	-682	9,820
Unitrust Insurance Co. Ltd	3,170	1,724	736	694	11,389
UnityKapital Assurance Plc	2,736	2,482	473	316	10,545
Universal Insurance plc	415	399	191	166	11,116
Wapic Insurance Plc	2,326	1,724	383	240	9,935
wapic Life ass. Ltd.	1,048	1,018	80	63	4,287
Zenith General Insurance Co.Ltd.	5,909	3,239	2,107	1,670	16,023
Zenith Life insurance Company Ltd.	1,886	1,539	381	370	4,683
TOTAL	**252,138**	**190,430**	**10,968**	**5,324**	**661,967**
REINSURANCE COMPANY					
Continental Reinsurance Plc	12,397	10,843	1,980	1,626	24,049
Nigeria Reinsurance Corporation	861	778	-4,211	-4,361	17,094
TOTAL	**13,258**	**11,622**	**-2,231**	**-2,735**	**41,144**

Source: Nigerian Insurers Association Nigeria Insurance Digest 2012

Table 1: Insurance Premium Market Shares

Country	Life Premiums 2012	Life Premiums 2013	Non-Life Premiums 2012	Non-Life Premiums 2013	Total Premiums 2012	Total Premiums 2013
South Africa	89.5%	89.2%	47.0%	42.5%	76.1%	74.7%
Morocco	2.1%	2.0%	8.8%	9.6%	4.2%	4.4%
Nigeria	0.8%	0.9%	5.5%	6.3%	2.3%	2.6%
Egypt	1.6%	1.6%	4.5%	4.7%	2.5%	2.6%
Kenya	0.9%	1.0%	3.7%	4.4%	1.8%	2.1%
Algeria	0.2%	0.2%	5.7%	6.0%	1.9%	2.0%
Angola	0.1%	0.1%	4.2%	4.8%	1.4%	1.6%
Namibia	1.4%	1.3%	1.3%	1.2%	1.4%	1.3%
Tunisia	0.3%	0.3%	3.0%	3.1%	1.1%	1.1%
Mauritius	0.9%	1.0%	0.9%	0.9%	0.9%	0.9%
Other Africa	2.2%	2.3%	15.2%	16.4%	6.3%	6.7%
Total Africa	1.9%	1.9%	1.1%	1.1%	1.6%	1.6%
Asia	36.5%	34.4%	18.9%	18.7%	29.0%	27.6%
Europe	33.5%	36.3%	33.5%	33.7%	33.5%	35.2%
Latin America	2.8%	3.1%	4.9%	5.1%	3.7%	4.0%
North America	23.6%	22.4%	39.4%	39.3%	30.4%	29.8%
Oceania	1.7%	1.8%	2.1%	2.1%	1.9%	1.9%
Total World	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Swiss Re Sigma Report

Table 2: Insurance Premium Volumes

Country	Life Premiums ($m) 2012	Life Premiums ($m) 2013	Non-Life Premiums ($m) 2012	Non-Life Premiums ($m) 2013	Total Premiums ($m) 2012	Total Premiums ($m) 2013
South Africa	43,760	44,556	10,606	9,565	54,365	54,121
Morocco	1,024	1,023	1,992	2,157	3,017	3,180
Nigeria	403	457	1,239	1,406	1,642	1,863
Egypt	773	800	1,016	1,051	1,789	1,851
Kenya	439	520	845	1,000	1,284	1,520
Algeria	94	98	1,285	1,342	1,379	1,440
Angola	50	57	948	1,079	998	1,136
Namibia	708	664	298	279	1,005	944
Tunisia	128	131	683	699	811	830
Mauritius	463	476	206	212	668	688
Other Africa	1,078	1,157	3,436	3,696	4,514	4,853
Total Africa	**48,919**	**49,939**	**22,553**	**22,485**	**71,472**	**72,425**
Asia	961,056	898,413	372,242	380,366	1,333,298	1,278,780
Europe	881,005	946,727	659,679	684,972	1,540,684	1,631,699
Latin America	72,567	80,363	96,690	103,437	169,257	183,800
North America	621,266	585,193	776,094	799,407	1,397,360	1,384,599
Oceania	45,461	47,455	41,418	42,182	86,879	89,638
Total World	**2,630,274**	**2,608,091**	**1,968,677**	**2,032,850**	**4,598,951**	**4,640,941**

Source: Swiss Re Sigma Report

Table 3: Premium Density and Penetration rates

Country	2013 Premium Density (per capita) Total	Life	Non-Life	2013 Premium Penetration rate (%) Total	Life	Non-Life
South Africa	1,025	844	181	15.4	12.7	2.7
Morocco	97	31	66	3.0	1.0	2.1
Nigeria	11	3	8	0.6	0.2	0.5
Egypt	23	10	13	0.7	0.3	0.4
Kenya	35	12	23	3.4	1.2	2.3
Algeria	39	3	36	0.8	0.1	0.8
Angola	55	3	52	0.8	0.0	0.8
Namibia	409	288	121	7.7	5.4	2.3
Tunisia	77	12	65	1.8	0.3	1.5
Mauritius	552	382	170	5.8	4.0	1.8
Total Africa	**66**	**46**	**21**	**3.5**	**2.4**	**1.1**

Source: Swiss Re Sigma Report