

New Capital Requirement: Inevitable M&A in the Insurance Sector



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PAC RESEARCH

Oluwole Adeyeye
oluwole.adeyeye@panafricancapitalholdings.com

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Executive Summary

This report critically evaluates the global insurance businesses, with the focus on the new regulatory capital requirement in the Nigerian insurance sector. The report shows that the largest insurance markets are dominated by Europe, America and Asia. The insurance sector in the United States worth \$2.46 trillion in 2019 and this is the triple of Chinese insurance market of \$617 billion, which is the second largest insurance market in the world. The total market value of insurance segment of financial services in Africa is \$68.15 billion in 2019. South Africa has the largest market share of 69.10% in 2019 with a turnover of \$47.09 billion. However, Namibia has the fastest growing insurance sector in Africa, closely followed by Egypt and Nigeria. Namibia, Egypt and Nigeria grew by 27.19%, 21.34% and 18.12% respectively in 2019.

There are currently 58 insurance companies in Nigeria's insurance sector and the sector is categorized into 5: Composite, General, Life, Re-insurance and Takaful. Composite business is dominated by 13 insurance companies, General business is dominated by 27 companies and Life business is dominated by 14 insurance companies. There are only two Re-insurance companies and two Takaful insurance companies. Nigeria reported gross premium income of \$1.64 billion in 2019. The Non-life sector accounted for about 57.58% of the gross premium income, while the Life sector in its steady upward trajectory, accounted for 42.42% of the gross premium income.

In a bid to improve the quality of service in the insurance sector, the National Insurance Commission (NAICOM) proposed new capital requirement for insurance companies in Nigeria, with the first guideline on recapitalization implementation released in July 2018. In December 31 2019, the Commission extended the deadline to December 31, 2020. However, the incidence of COVID-19 made it difficult for NAICOM to proceed with the December 31 2020 recapitalisation deadline. As a result, the Commission reviewed and extended the recapitalisation deadline in a circular sent to the public in June 3, 2020: insurance companies that are interested to play in the Life business are expected to increase their capitalization from ₦2 billion to ₦8 billion, General business (from ₦3 billion to ₦10 billion), Composite business (from ₦5 billion to ₦18 billion), Reinsurance business (from ₦10 billion to ₦20 billion). NAICOM stated that 50% of the Minimum Paid-Up Capital for Insurance companies and 60% for Reinsurance companies shall be met by December 31, 2020 while all insurance companies are required to fully comply with the approved Minimum Paid-Up Capital, not later than 30th September, 2021. From the recent available financial statements, about four (4) Composite insurance businesses, six (6) General insurance businesses, two (2) Life insurance businesses may not meet the capital requirement in December 2020. However, about seven (7) Composite insurance businesses, sixteen (16) General insurance businesses, three (3) Life insurance businesses may not meet the full capital requirement in September 2021.

1.0 Introduction to Insurance Business

Insurance sector plays a vital role in minimising risks in the daily activities of other industries and human life. The performance of insurance company, either Life insurance business or Non-Life insurance business, depends on gross premium and claims. Premium growth partly depends on the demand for insurance products, which varies across lines of business and is influenced by external factors such as economic growth, risk awareness in the country, among other factors. Insurance claim depends mostly on unforeseen circumstances such as accident, fire outbreak, death, among others.

Insurance companies engaged in Life insurance activities provide different types of products, with different performance dynamics within any economy. Life insurance traditionally covers protection against risks affecting the policyholder directly (such as individual life insurance, health insurance and miscellaneous insurance) and investment or savings contracts (unit-linked products, annuity contracts). Non-life insurance policies cover various types of risk. Non-life insurance includes motor & general accident insurance, agriculture Insurance, miscellaneous insurance and engineering insurance, oil & gas insurance, aviation insurances amongst other property damage. These different insurance classes can experience different rates of growth and could offset one another in terms of their impact on the overall level of premium growth in the insurance sector.

2.0 The State of Global Insurance Market

With significant improvement in the sector over time, gross premiums continue to improve in most countries especially in the Non-life insurance sector. In 2018, gross premiums grew by 2.5% and 3.5% in the Life and Non-life insurance sectors respectively, in real terms, among the 50 reporting countries. Gross premiums increased in real terms in most countries in 2018, especially in the Non-life insurance sector. Gross premiums increased in 27 countries in both Life and Non-life insurance sectors, in 13 countries in the non-life sector only, and in 6 countries in the Life insurance sector only. Four countries recorded lower amounts of gross premiums in both Life and Non-life insurance sectors in real terms in 2018 compared to 2017: Ireland, Korea, Luxembourg and Turkey.

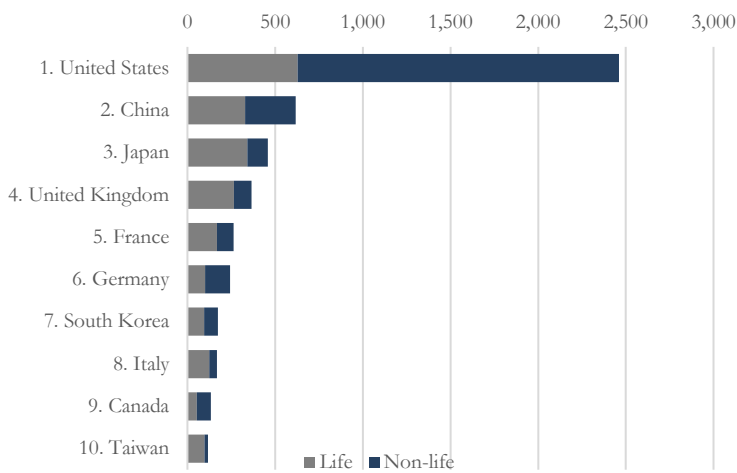
In the Life insurance business, the growth rate of gross premiums ranged from 29.9% (Russia) to -13.0% (Ireland) in 2018. Russia observed the largest increase of Life gross premiums in real terms in 2018, followed by Portugal (15.2%). Four other countries recorded growth of over 10% in 2018. The growth of Life gross premiums was more moderate in 27 countries, almost flat (between 0% and 1%) in four of them - Colombia, Estonia, Guatemala and Slovenia. Life gross premiums declined in 17 countries, with the largest declines occurring in Ireland, Poland and Turkey.

The performance of insurance company, either Life insurance business or Non-Life insurance business, depends on gross premium and claims.

The largest insurance markets are dominated by Europe, America and Asia. In 2019, United States has the largest market for insurance sector all over the world. The insurance sector of United States worth \$2.46 trillion and this is the triple of Chinese Insurance market of \$617 billion, which is the second largest market in the world (Fig. 1). The Life and Non-life insurance of the United States also remained the largest market in the world in 2019 (Fig. 2 & 3). However, the performance of Insurance sector in Africa is very poor, due to low patronage as most people in Africa do not understand the benefits of taking insurance policy. As a result, no African country made top ten insurance market in the world in 2019.

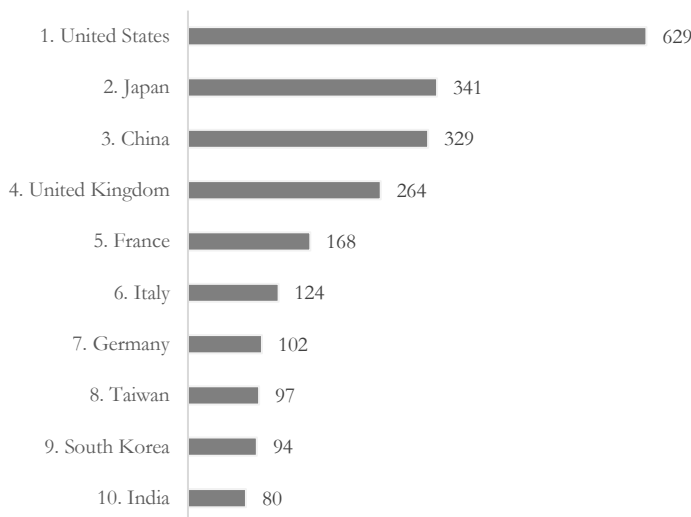
The insurance sector of United States worth \$2.46 trillion and this is the triple of Chinese Insurance market of \$617 billion...

Fig. 1: Ten Largest Markets in 2019 (Total Premium, USD Billion)



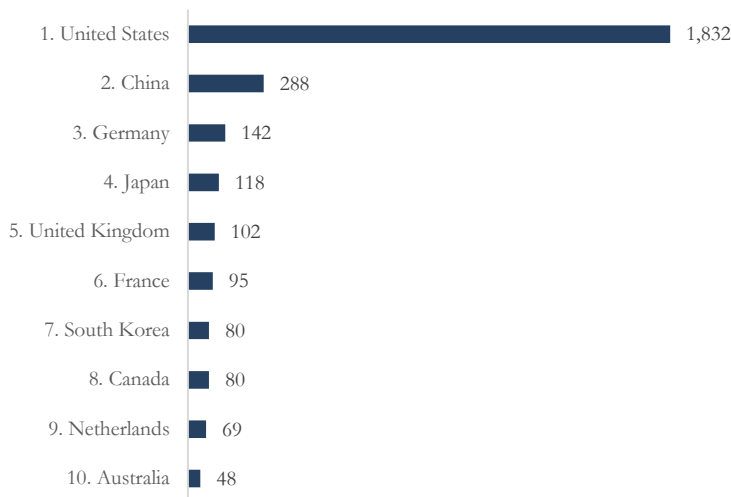
Source: SwissRe, PAC Research

Fig. 2: Ten Largest Markets in 2019 (Life Premium, USD Billion)



Source: SwissRe, PAC Research

Fig. 3: Ten Largest Markets in 2019 (Non-life Premium, USD Billion)



Source: SwissRe, PAC Research

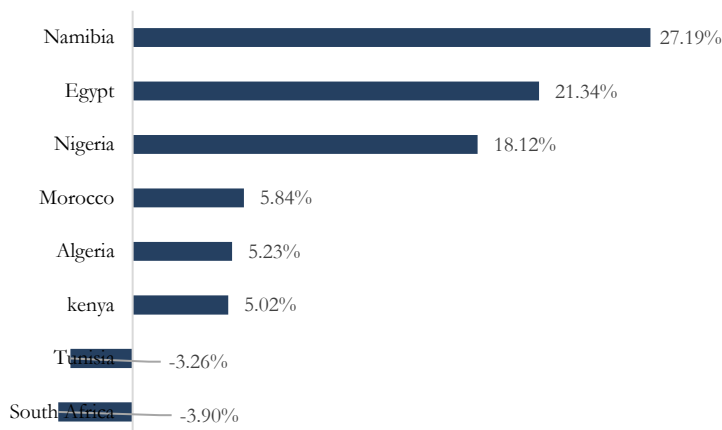
3.0 Overview of the African Insurance Sector

In Africa, unlike other European countries where the insurance sector has proven to be the life blood of the financial services industry, the banking sector in Africa is the major driver of activities in the financial services industry. Notwithstanding, the insurance sector in Africa has evolved over the years contributing its own quota to the growth of Africa’s financial industry. Due to awareness about the importance of insurance sector, most African countries, especially Namibia and Nigeria are recording significant improvement in the financial sector.

In 2019, Namibia has the fastest growing insurance sector in Africa, closely followed by Egypt and Nigeria. Namibia, Egypt and Nigeria grew by 27.19%, 21.34% and 18.12% respectively in 2019 (Fig. 4). However, in terms of turnover, South Africa remains a major player in the continent of Africa, followed by Morocco (Table 1). However, the gap between South Africa and Morocco is huge and this is a major concern for insurance business in Africa.

Namibia has the fastest growing insurance sector in Africa, closely followed by Egypt and Nigeria.

Fig. 4: Estimated growth rate of the insurance sector in Sub-Saharan Africa - 2019

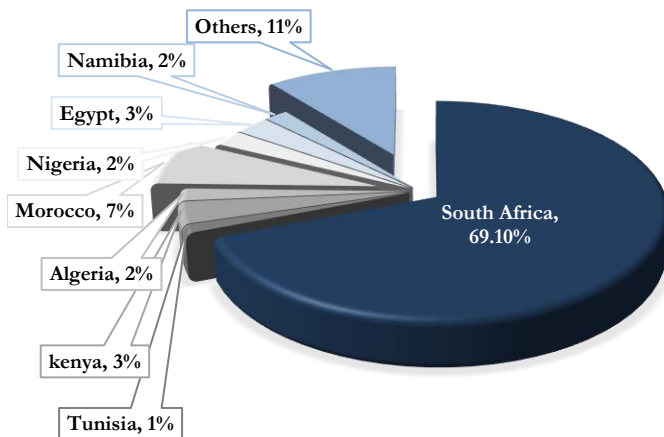


Source: Atlas, PAC Research

The total market value of insurance segment of financial services in Africa is \$68.15 billion in 2019 (Table 1). However, the market share recorded in 2019 declined by 1.76%, when compared with \$69.37 billion achieved in 2018. South Africa has the largest market share of 69.10% in 2019 with a turnover of \$47.09 billion (Table 1). This is followed by Morocco insurance market with a market share of 6.81% and a turnover of \$4.64 billion in 2019. Although, the insurance market share of South Africa in Africa is an outlier, the insurance sector recorded a setback, in terms of growth in 2019. Looking at turnover per class, car insurance dominated the distribution with a share of 43.36%, followed by fire (12.76%) and life (12.66%). The largest share of car insurance, in terms of turnover, can be mainly ascribed to the regulation and policy around the car insurance. In addition, most companies in Africa understand the possibility of fire incidence during working hours and after the working hours and this explains the significant share of fire insurance in the continent.

The total market value of insurance segment of financial services in Africa is \$68.15 billion in 2019.

Fig. 5: The Insurance Market Share in Africa in 2019



Source: Atlas, PAC Research

Table 1: The Turnover of African Insurance Market: 2018 - 2019 (Figures in millions USD)

Country	Turnover 2019	Turnover 2018	Evolution 2018-2019	Market Shares 2019
South Africa	47,093	49,002	-3.90%	69.10%
Morocco	4,640	4,384	5.84%	6.81%
Kenya	2,239	2,132	5.02%	3.29%
Egypt	1,899	1,565	21.34%	2.79%
Nigeria	1,636	1,385	18.12%	2.40%
Namibia	1,305	1,026	27.19%	1.91%
Algeria	1,248	1,186	5.23%	1.83%
Tunisia	830	858	-3.26%	1.22%
Total	60,890	61,538	-1.05%	89.34%
Rest of Africa	7,264	7,836	-7.30%	10.66%
Total Africa	68,154	69,374	-1.76%	100.00%

Source: Atlas, PAC Research

4.0 Historical Background of Insurance Sector in Nigeria

Royal Exchange Assurance Agency, which was established in 1918, was the first insurance company in the history of insurance in Nigeria. Until the 1960s, the leading role in the Nigerian insurance market was played by European companies. They insured goods sent to centres of the empire. After colonies gained political independence, African branches of these companies were nationalized, and the government tried to develop their own insurance markets to avoid currency outflows abroad. They managed to do this with the support of the UN.

However, the oldest indigenous insurance company in Nigeria was called African Insurance Company Limited, which started operation in 1958. During this period, there was no local regulator as the indigenous insurance company was following the standards and insurance practices of European insurance companies and this served as a role model for local insurers and connected Nigerian insurance market with the world reinsurance market. The Federation of Afro-Asian Insurers and Reinsurers (FAIR) made a great contribution to the functioning and development of the insurance market in Nigeria. It began functioning in 1964 in order to strengthen collaboration between Afro-Asian insurers and reinsurers. Currently, FAIR consists of 188 insurance and reinsurance organizations.

In 1976, the Nigerian Insurance Act was signed, and the National Insurance Commission was established in 1997 to oversee insurance practices in the country. From then until now, NAICOM is vested with the responsibility of the main regulator of insurance businesses in Nigeria. The development of insurance market became much more liberal and by 1998, insurance companies grew to 157 in Nigeria. There were no regulatory requirements for the insurers' solvency. However, the situation changed in 2003 as a new Insurance Act came into being and by early 2007 all insurers and reinsurers were required to increase authorized capital to new and higher standards. Today, insurance company is well segmented and regulated by NAICOM: We have Life insurers, General insurers, Composite, Takaful and Reinsurance. These categories have different capital requirements which ensures that each insurance company focuses on specific areas, depending on their capacities.

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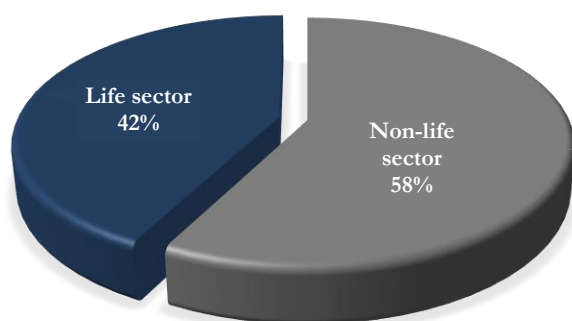
5.0 The State of Nigerian Insurance Market

In Nigeria, the banking sector is the major driver of activities in the sector. Notwithstanding, the insurance sector has evolved over the years contributing its own quota to Nigeria's financial sector growth. According to NAICOM, there are currently 58 insurance companies in Nigeria and the sector is categorized into 5; Composite, General, Life, Re-insurance and Takaful. Composite business is dominated by 13 insurance companies, General business is dominated by 27 companies and Life business is dominated by 14 insurance companies. There are only two Re-insurance company and two Takaful insurance companies.

In 2017, the UK-based AXCO Market Ranking rated Nigerian insurance market 72nd in the world based on the gross premium income during the calendar year. The ranking moved Nigerian Insurance sector up two points from 74th in the previous period. The growth in the Nigerian market continued in 2018 as NAICOM reported that the insurance market in 2018 grew by 14.46%: The gross premium income increased to ₦426 billion in 2018, as against the gross premium income of ₦372 billion made in 2017.

In 2018, The Non-life sector accounted for about 57.58%, while the Life sector in its steady upward trajectory, accounted for 42.42% of the gross premium (Fig. 6). The growth of the Life sector is largely driven by the surge in premiums from the Annuity business which, though not entirely novel, has newfound momentum in recent times due to increasing demand for it by newly retired persons, and the attraction of new regulations. The percentage contribution of the Life sector gross premium grew from a 38.20% in 2016, to the present position in 2018. This shows that people are now beginning to understand the benefits to be derived from the Life insurance. Before, people found it difficult to relate with the Life aspect of insurance plan as they viewed it as a plan that may not benefit them directly. However, insurance understood this bias and created different packages under the Life insurance, and this has attracted people in the past few years.

Fig. 6: The Insurance Market Share in Africa in 2019



Source: NAICOM, PAC Research

...there are currently 58 insurance companies in Nigeria and the sector is categorized into 5; Composite, General, Life, Re-insurance and Takaful.

According to NAICOM, the asset size of the sector continued its steady growth over the past few years. The Nigerian insurance company grew by 54% to about ₦1.3 trillion in 2018, from about ₦828 billion reported in 2014. The total assets of the sector grew by 13% to ₦1.3 trillion in 2018, from a ₦1.1 trillion reported in 2017. This growth rate is commendable despite that this was still relatively small size to other financial sub sectors in the economy. It is expected that the newly introduced recapitalization of all categories and other regulatory measures will spur further much needed growth of the sector in coming years. We expect the NAICOM to continue to exercise its regulatory powers in intervening in some ailing insurance companies to ensure the financial stability of the institutions.

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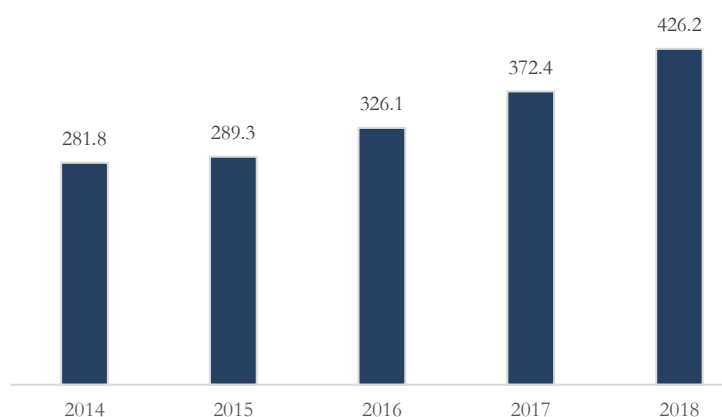
5.1 The Market Performance of Insurance Sector in Nigeria

5.1.1 Gross Premium Income

The essential indicator of growth in insurance sector is gross premium income and Nigeria has enjoyed improvement in this area over the past few years. In 2018, The National Insurance Commission (NAICOM) reported that Nigerian insurance sector grew its gross premium income by 14.5% to ₦426 billion, from ₦372 billion posted in 2017 (Fig. 7). However, this is rather commendable in relation to the macroeconomic behaviour recorded during the period in Nigeria, with the growth rate of the economy being only 1.9%

Between 2014 and 2018, the sector consistently grew its gross premium income and this improved the ranking of Nigerian insurance sector, not only in Africa but at the global level. The development of the insurance sector in the financial services industry reflected in its contribution to financial sector in 2019. The contribution of insurance sector improved marginally by 10 bps to 13.8% in 2019 (2018: 13.7%). However, the contribution to Gross Domestic Product in 2019, according to National Bureau of Statistics (NBS), remained relatively flat at 0.41% (2018: 0.43%).

Fig. 7: Gross Premium Income: 2014 – 2018 (₦Billion)



Source: NAICOM, PAC Research

The recently released Market Statistical Publication by the NAICOM showed that the gross premium income grew by 14.5% in 2018, driven mainly by developments in the special risks and Life segments of the sector. The Marine and Aviation businesses led the growth (56.5%), followed by Oil & Gas (21.8%) and Life (18.5), all three of which aggregated to 67.9% of the gross premium income generated during the year.

Other Non-Life businesses also experienced growth during the period, including Fire (8.7%), Miscellaneous (7.4%) and General Accident (3.9%). Car insurance recorded negative growth (-10.9%) during the year, depicting a significant fall in its contribution to the growth of the sector. According to NAICOM, the Car Insurance business has endured headwinds in the form of the nefarious activities and peddlers of fake insurance certificates especially with regards to third party liability, as well as unprofessional behaviour in the market by Institutions by way of rate cutting and de-marketing by some institutions. We expect NAICOM to continue to pursue regulatory measures to free the market of fake insurance policies as well as instil professional and official practices capacity in the sector.

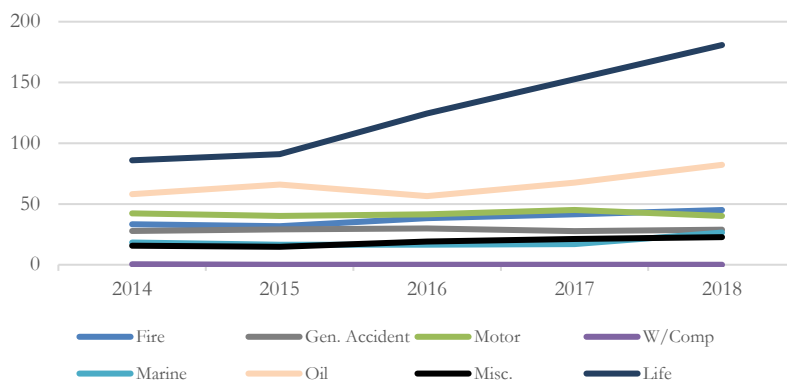
...gross premium income grew by 14.5% in 2018, driven mainly by developments in the special risks and Life segments of the sector.

Table 2: Gross Premium Income: Non-Life & Life Businesses: 2014 – 2018 (₦Billion)

Year	Fire	Gen. Accident	Motor	W/Comp	Marine	Oil	Misc.	Life	Total
2014	33.35	27.7	42.18	0.42	18.34	58.20	15.70	85.95	281.84
2015	31.72	29.11	40.29	0.00	16.58	65.92	14.77	90.95	289.34
2016	38.24	29.88	41.43	0.00	16.52	56.48	19.00	124.57	326.11
2017	41.43	27.68	45.08	0.00	16.92	67.52	21.17	152.56	372.36
2018	45.04	28.78	40.15	0.00	26.47	82.24	22.73	180.80	426.21

Source: NAICOM, PAC Research

The report released by NAICOM also showed that the total insurance gross premium income has maintained a steady and positive movement from the beginning of 2014, recording a growth rate of 51.2%, from ₦282 billion in 2014 to peak at ₦426 billion in 2018 (Table 2). Foremost drivers include Life insurance (110.4%), Miscellaneous Insurances (44.8%), Marine (44.3%) and Fire (35.0%) over the five-year period. As stated, there was consistent decline in the figures posted by Car Insurance (-4.8%) as well as an almost negligible growth rate for General Accident Insurance (3.9%) over the same period. It is expected that with increased levels of public enlightenment and stricter enforcement of genuine Car insurance across the country, the prevalence of fake car insurances in the county will abate. In addition, with the increased level of awareness, regarding the Life insurance in Nigeria, the growth in this space will continue to improve in coming years.

Fig. 8: Gross Premium Income By Class - Non-Life & Life Business: 2014 – 2018 (₦Billion)

Source: NAICOM, PAC Research

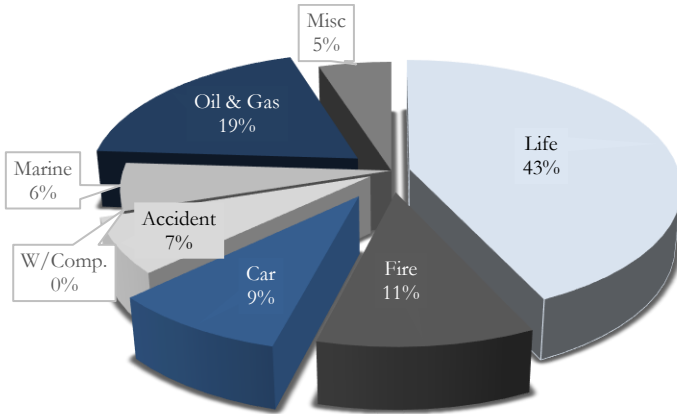
5.1.2 Distribution of Gross Premium Income

Over the years, the Nigerian insurance sector is dominated by the Non-life insurance business. However, Life business has enjoyed significant growth in the past few years. According to NAICOM, about 57.0% of the sector gross premium was generated from the Non-life insurance business in 2018, 200 bps decline compared to its contribution in the previous period. This continues a trend of steady decline over the past three years (2017: 59%; 2016: 62%; 2015: 69%), compared to 2014 when it recorded a percentage share of 70%. This is attributable to the exponential growth of life insurance business and the negative impacts of challenges confronting the car insurance business.

By contrast, Life insurance segment in 2018 recorded a contribution of about 43.0%, up by about 100 bps on the preceding period. Life Insurance, especially with the growing Annuity business being on an upward trajectory in its contribution, posting 30% in 2014, 31% in 2015, 38% in 2016, 41% in 2017 and 43% in 2018. The growth pattern of the life account is encouraging, particularly because it is essential to the Nigerian economy due to its role in generating much-needed long term investible funds for the overall financial system growth and stability; it also reflects continued efforts being made by the Commission to develop this branch of the sector. The effort of the insurers and NAICOM to create awareness continued to yield positive results in the Life business, as reflected in the fig. 8 above. This has also affected the distribution of gross premium income by class of business in the insurance sector of Nigeria. With the rate of growth in the gross premium income in the Life business over the past few years, we expect the contribution of Life business to compete strongly with contribution of Non-life insurance in the Nigeria's insurance sector business going forward.

... about 57.0% of the sector gross premium was generated from the Non-life insurance business in 2018...

Fig. 9: Distribution of Gross Premium Income By Class of Business – 2018

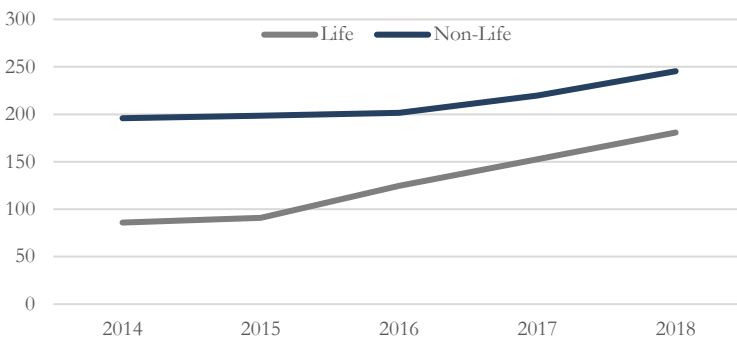


Source: NAICOM, PAC Research

In Non-life business, market share recorded are interesting: Oil & Gas business was in the lead with 34%, a remarkable improvement on 2017 when its contribution was 18.0%, followed by Fire insurance (18%), Car insurance (16%), General Accident, (12%), Marine & Aviation Insurance (11%) and Miscellaneous (9%) in descending order. In terms of growth, both Life and Non-life are on a growth trajectory for the five-year period up to 2018 (fig. 10).

In Non-life business, market share recorded are interesting: Oil & Gas business was in the lead with 34%...

Fig. 10: Distribution of Gross Premium Income By Class of Business – 2018 (₦Billion)



Source: NAICOM, PAC Research

As shown in the table 5 below, the Non-life gross premium income improved steadily from ₦196 billion in 2014 to peak at ₦245 billion in 2018. The Life sector grew at a more robust rate to post ₦181 billion in gross premium in 2018 from ₦86 billion in 2014 (table 6). Marine & Aviation Insurance posted an impressive overall growth rate in 2018, followed by Oil & Gas, at 56% and 22% respectively when compared to 2017. Fire business grew at almost 9% in 2018, compared with about 1% increase in its rate of growth recorded in 2017. The General Accident business despite its negative growth in 2017, relative to the previous period, still grew at almost 4%, and almost at the same pace (3.9%) over the entire five year period, standing at about ₦29 billion in 2018 from a starting point of ₦28 billion.

At the other end of the growth spectrum, Car Insurance business continued to nosedive over the period with a growth result of -11% in 2018, as compared to 2017. The business recorded an overall negative growth of -5% over the five-year period from about ₦42 billion in 2014 to close at ₦40 billion at the end of 2018. Still, the overall performance of the sector is laudable given the national economic performance during the period under review. However, if the needed insurance deepening is to be achieved, market development focused measures, including micro-insurance and Takaful Insurances must be promoted and strengthened in order to exploit the enormous potential of the market

5.2.1 Gross Claim

The data available from the market statistical publication of NAICOM shows that the Nigerian Insurance sector recorded a gross claim of ₦252 billion in 2018, a 35.3% growth rate on the 2017 gross claims of ₦186 billion, which in itself was a 28% growth on 2016 figures (Table 3). This is attributable to a host of factors, including increased public awareness and policy holder confidence. The developments in Gross claims of the sector shows a consistent positive slope all through the five-year period, from about ₦99 billion in 2014 to peak at ₦252 billion in 2018. Aside from Miscellaneous (-27%), Motor (-16%) and Fire (-14%) Insurances, all other classes including the Life business section reported positive growth rates in 2018.

General Accident, Marine & Aviation, Oil & Gas and Life grew at about 12%, 139%, 16% and 82% respectively. In the entire five-year period, the Life business held the lead on growth at 292% over the period, followed by Oil & Gas (245%), Marine (145%), Fire (33%), Motor (20%) and General Accident (11%). Again, this development could be attributed to the growing policy holder awareness and confidence with regards claims settlement in the sector.

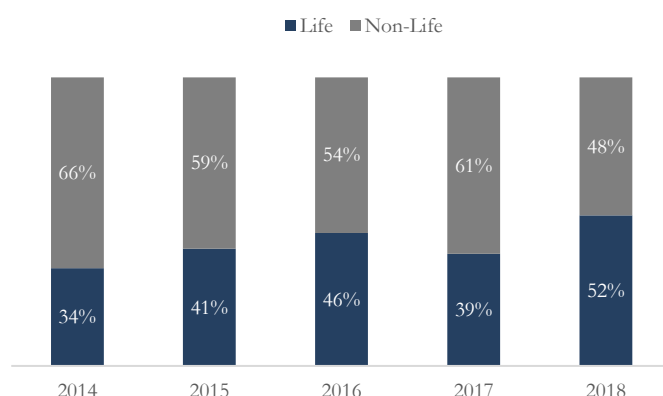
...Nigerian Insurance sector recorded a gross claim of ₦252 billion in 2018, a 35.3% growth rate on the 2017 gross claims of ₦186 billion...

Table 3: Gross Claims Paid – Non-Life & Life Insurance: 2014 -2018 (₦Billion)

Year	Fire	Gen. Accident	Motor	W/Comp	Marine	Oil	Misc.	Life	Total
2014	15.35	10.05	14.51	0.22	5.44	14.84	5.15	33.60	99.16
2015	17.68	10.55	17.25	0.00	7.02	8.66	4.81	45.20	111.17
2016	22.93	10.40	18.14	0.00	6.88	13.16	7.07	67.26	145.84
2017	22.64	9.99	20.85	0.00	5.57	44.17	9.72	72.51	186.45
2018	20.35	11.18	17.46	0.00	13.30	51.14	7.05	131.71	252.19

Source: NAICOM, PAC Research

Fig. 11: Contribution to Total Claims – Non-Life & Life Insurance: 2014 -2018



Source: NAICOM, PAC Research

The notable growth in net claims of life business over the years can be explained by the sustained awareness campaign, expansion in Annuity business, extended marketing drive by operators and, NAICOM's regulatory measures such as the claims settlement enforcement drive through its Complaint Bureau window. It is expected that with increased efficiency of the Bureau, policy holder enlightenment, sector stability and claims settlement capacity, genuine claims settlement will continue to be enhanced.

5.2.2 The Claims Ratios

The data from the NAICOM shows that the claim ratio continue to increase over the year due to expansion in Annuity business, improved clients' awareness and extended marketing drive by operators. The claim ratio was below 50% in 2014, 2015 and 2016. However, the recent improvement in the Nigerian insurance sector pushed the claim ratio above 50% in 2017 and 2018 (Table 4). It should be noted that the growth in the claims of Life business is higher than the growth in the gross premium income in recent times.

...claim ratio continue to increase over the year due to expansion in Annuity business, improved clients' awareness...

Table 4: Gross Claims/Gross Premium Income – Non-Life & Life (₦Billion)

YEAR	2014	2015	2016	2017	2018
Gross Claims	99.16	111.17	145.84	186.45	252.19
Gross Premium	281.84	289.34	326.11	372.36	426.21
Claim Ratio	35.2%	38.4%	44.7%	50.1%	59.2%

Source: NAICOM, PAC Research

Table 5: Gross Claims/Gross Premium – Non-Life (₦Billion)

YEAR	2014	2015	2016	2017	2018
Gross Claims	65.56	65.97	78.57	113.94	120.48
Gross Premium	195.89	198.39	201.55	219.80	245.41
Claim Ratio	33.5%	33.3%	38.9%	51.8%	49.1%

Source: NAICOM, PAC Research

Table 6: Gross Claims/Gross Premium – Life (₦Billion)

YEAR	2014	2015	2016	2017	2018
Gross Claims	33.60	45.20	67.26	72.51	131.71
Gross Premium	85.95	90.95	124.57	152.56	180.80
Claim Ratio	37.9%	49.7%	53.9%	47.53%	72.8%

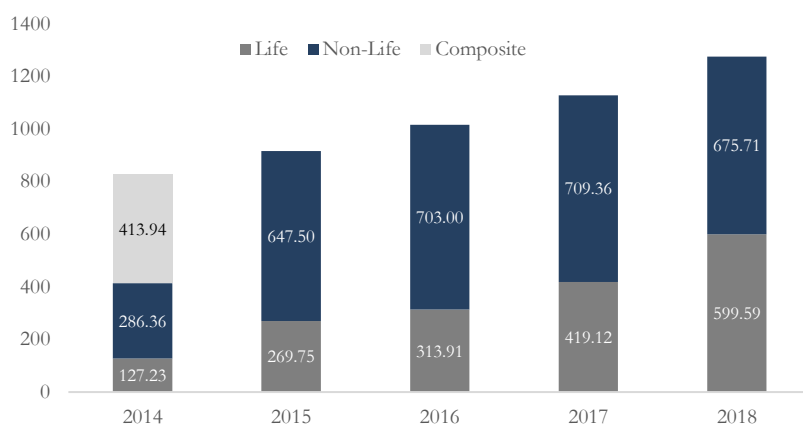
Source: NAICOM, PAC Research

5.3.1 Total Assets of Insurance Sector in Nigeria

The Assets of the Nigerian insurance sector continue to improve in the past few years as many players continue to increase their investments in this space. For both the Life and Non-Life business in Nigeria, the total assets stood at ₦1.3 trillion in 2018, representing a 13% growth rate when compared to ₦1.1 trillion total assets in 2017 (Fig. 12). Impressively, the assets grew by 54% through the five-year period of 2014 to 2018. However, with the new capital requirement in the sector, we expect the total assets to improve significantly in the coming years.

...the total assets stood at ₦1.3 trillion in 2018, representing a 13% growth rate when compared to ₦1.1 trillion total assets in 2017.

Fig. 12: Gross Claims/Gross Premium – Life (₦Billion)



Source: NAICOM, PAC Research

6.0 New Capital Requirement in Nigerian Insurance Sector

In a bid to improve the quality of service in the insurance sector, the National Insurance Commission (NAICOM) proposed new capital requirement for the insurance companies in Nigeria, with the first guideline on recapitalization implementation released in July 2018. In May 2019, NAICOM released another guideline which further increased the capital requirement. In December 31 2019, the Commission extended the deadline to December 31, 2020.

However, the incidence of COVID-19 (which disrupted the economic activities and restricted movement in most countries in the world) has made it difficult for NAICOM to proceed with the 31st December 2020 recapitalisation deadline. As a result, the Commission reviewed the recapitalisation deadline in a circular sent to the public in June 3, 2020 in order to mitigate the likely negative consequences of the pandemic on the recapitalisation exercise.

In a bid to improve the quality of service in the insurance sector, the National Insurance Commission (NAICOM) proposed new capital requirement for the insurance companies...

In the circular released to the public in June 3 2020, the National Insurance Commission extended the recapitalisation as follows:

- a) 50% of the Minimum Paid-Up Capital for Insurance and 60% for Reinsurance shall be met by 31st December 2020;
- b) Insurance Companies are required to fully comply with the approved Minimum Paid-Up Capital not later than 30th September 2021.

The commission equally segmented the recapitalisation process for the insurance sector; thus, insurance companies that are now interested to play in the Life business are expected to increase their capitalization from ₦2 billion to ₦8 billion, while those interested in General business are required to recapitalize from ₦3 billion to ₦10 billion. Insurance companies who are interested to continue in Composite business are required to recapitalize from ₦5 billion to ₦18 billion. However, insurance companies who want to continue to play in Reinsurance business are expected to improve capitalisation from ₦10 billion to ₦20 billion (Table 7).

Table. 7: Old and New Capital Requirements

S/N	Class of Business	Existing Min. Paid-Up Capital	Min. Paid-Up Capital by Dec 31, 2020 (1 st Phase)	Min. Paid Up Capital by Sept. 2021 (2 nd Phase)
i	Life	₦2 billion	₦4 billion	₦8 billion
ii	General	₦3 billion	₦5 billion	₦10 billion
iii	Composite	₦5 billion	₦9 billion	₦18 billion
iv	Reinsurance	₦10 billion	₦12 billion	₦20 billion

Source: NAICOM, PAC Research

According to NAICOM, the insurance companies that failed to satisfy the required minimum paid-up capital by the end of 31st December 2020 may be restricted on the scope of businesses they will transact. In addition, the Commission also indicated in the circular released in June 2020 that insurance companies must also fully comply with the required minimum paid-up capital at the end of the Recapitalization exercise on 30th September 2021.

7.0 Categories of Insurance Companies in Nigeria

There are currently 58 insurance companies in Nigeria's insurance sector and the sector is categorized into 5; Composite, General, Life, Re-insurance and Takaful. Composite business is dominated by 13 insurance companies, General business 27 companies and Life business is by 14 insurance companies. There is only 2 Re-insurance company and 2 Takaful insurance companies.

...insurance companies must also fully comply with the required minimum paid-up capital at the end of the Recapitalization exercise on 30th September 2021

Table 8: List of Insurance Companies Offering Composite Insurance Business in Nigeria

S/N	COMPANY	HEAD OFFICE
1	AIICO Insurance PLC	Plot PC 12 Church Gate Street Victoria Island Lagos
2	Allianz Nigeria Insurance Plc	307 Adeola Odeku Street, Victoria Island Lagos
3	AXA Mansard Insurance Plc	Santa Clara Court, Plot 1412 Ahmadu Bello Way, Victoria Island Lagos
4	Cornerstone Insurance Plc	21, Water Corporation Drive, Off Ligali Ayorinde Street, Victoria Island, Lagos.
5	Gold Link Insurance Plc	Goldlink Plaza 6 Emmanuel Street Onigbongbo Maryland. P.O.Box 5987 Marina Lagos
6	Great Nigeria Insurance Plc	Great Nigeria House. 8, Omo-osagis Street Off Awolowo Road Ikoyi SWI, Lagos
7	Industrial & General Insurance Company Plc	Plot 741 Adeola Hopewell Street Victoria Island Lagos
8	Lasaco Assurance Plc	16, Acme Road Ogba, Ikeja Lagos.
9	Leadway Assurance Company Limited	121/123 Funso Williams Avenue Iponri, Lagos
10	NICON Insurance Plc	NICON Plaza, Plot 242, Muhammadu Buhari Way, Central Business District, Abuja-FCT
11	Niger Insurance Plc	48/50 Odunlami Street, P.O.Box 2718 Lagos
12	NSIA Insurance Limited	3, Elsie Femi Pearse Street, Victoria Island, Lagos
13	Standard Alliance Insurance Plc	Plot 1 block 94 provident street lekki phase 1, Off Lekki-Ekpe Express Road, Lekki,Lagos.

Source: NAICOM, PAC Research

Table 9: List of Insurance Companies Offering General Insurance Business in Nigeria

S/N	COMPANY	HEAD OFFICE
1	Alliance & General Insurance Company Ltd	A&G Tower. 12 Abibu Oki street Off Marina, Lagos.
2	Anchor Insurance Company Ltd	Plot 5A, Ayo Jagun Street, Lekki Phase 1 Lagos
3	Consolidated Hallmark Insurance Plc	266 Moshood Abiola Way, Formally Known Ikorodu Road, Obanikoro Lagos
4	Custodian & Allied Insurance Limited	16A, Commercial Avenue, Sabo, Yaba, Lagos.
5	FBN General Insurance Limited	Oasis House. 298 Ikorodu Road P.M.B 21170 Ikeja Lagos, Maitama FCT Abuja
6	Fin Insurance Company Limited	No. 34 Gana Street, Maitama FCT Abuja
7	Guinea Insurance Plc	No.33,Ikorodu Road,Jibowu-Lagos.
8	International Energy Insurance Plc	Plot 294, Jide Oki Street, Off Ligali Ayorinda, Street, Victoria Island, Lagos
9	Investment & Allied Assurance Plc	Block 10 Ikorodu Road, Beside 7th Day Adventist Church Maryland Lagos
10	KBL Insurance Limited	Block 138, plot 5,Gabriel Olusanya Street, Lekki- Phase 1,Lagos
11	Law Union & Rock Insurance Plc	Law Union House, 14, Hughes Avenue, Alagbomeji, Yaba, P.O. Box 944 Marina, Lagos
12	Linkage Assurance Plc	Linkage Plaza, Plot 20 Block 94 Lekki-Epe Expressway P.O.Box 74175 Victoria Island.
13	Mutual Benefits Assurance Plc	Aret Adams House, 233 Ikorodu Road, Ilupeju, Victoria Island Lagos
14	NEM Insurance Plc	199 Ikorodu Road Obanikoro Lagos
15	Nigerian Agricultural Insurance Corporation	Plot 590 Zone A.O. Central Area P.M.B 0178 Abuja
16	Old Mutual Nigeria General Ins. Co. Ltd	19A Adeola Odeku Street, Victoria Island, Lagos
17	Prestige Assurance Plc	19, Ligali Ayorinde Street Victoria Island, P.O.Box 650 Marina Lagos
18	Regency Alliance Insurance Plc	2, Ebun Street, Gbagada Expressway Gbagada, P.O.Box 70333 Victoria Island Lagos
19	Royal Exchange General Insurance Company Ltd	New Africa House. 31 Marina Lagos
20	Saham Unitrust Insurance Nig Ltd	Plot 105B, Ajose Adeogun Street, V/I Lagos
21	Sovereign Trust Insurance Plc	17, Adetokunbo Ademola Street, P.O.Box 74393 Victoria Island Lagos
22	STACO Insurance Plc	209 Hebert Macaulay Street Ebute Metta P.M.B 1018 Sabo Yaba Lagos
23	Sterling Assurance Nigeria Ltd	Sterling House, 284, Ikorodu Road, Lagos
24	SUNU Assurance Plc	Plot 1196, Bishop Oluwole Street Victoria Island Lagos

S/N	COMPANY	HEAD OFFICE
25	Universal Insurance Plc	NO 11A, Ligali Ayorinde Street, Victoria Island Lagos
26	Veritas Kapital Assurance PLC	Plot 497 Abogo Largema Street Off Constitutions Avenue Central Business District P.O.Box 13233 Abuja
27	Wapic Insurance Plc	No. 199, Awolowo Road,Ikoyi, Lagos
28	Zenith General Insurance Co. Ltd	Plot 280, Ajose Adeogun Street, P.O.Box 75315 Victoria Island Lagos

Source: NAICOM, PAC Research

Table 10: List of Insurance Companies Offering Life Insurance Business in Nigeria

S/N	COMPANY	HEAD OFFICE
1	Alliance & General Insurance Life Assurance	A&G Tower. 12 Abibu Oki street Off Marina, Lagos
2	A.R.M Life PLC	22 Funsho Williams Avenue, Alaka, Surulere, Lagos
3	African Alliance Insurance Company Ltd	112, Broad Street P.O.Box 2276 Lagos
4	Capital Express Assurance Limited	Capital Express House 13 Bishop Kale Close Behind Saka Tinubu Street Off Kasamu Ekemode Street VI, Lagos.
5	Custodian Life Assurance Limited	16A, Commercial Avenue, Sabo, Yaba, Lagos.
6	FBN Insurance Limited	34, Marina Street, Old NIPOST Building Lagos
7	Metropolitan Nigeria Life Insurance Limited	Plot 205B Ikorodu Road, Lagos
8	Mutual Benefits Life Assurance Ltd	Aret Adams House, 233 Ikorodu Road, Ilupeju, Lagos
9	Old Mutual Nigeria Life Assurance Company Limited	2nd Floor, Ecobank Building, Plot 21, Ahmadu Bello Way, Victoria Island, Lagos
10	Prudential Zenith Life Insurance Company Limited	14th Floor Civic Towers,Plots GA & G1, Ozumba Mbadiwe Avenue, Victoria Island Lagos
11	Royal Exchange Prudential Life Plc	New Africa House. 31 Marina Lagos
12	Spring Life Assurance Plc	Plot 8, Samuel Manuwa Street, Off Bishop Aboyade Cole Street, Victoria Island, Lagos
13	UNIC Insurance Plc	Road 22A Plot M2 Victoria Garden City Ajah. Lagos
14	Wapic Life Assurance Ltd	No. 199, Awolowo Road,Ikoyi, Lagos

Source: NAICOM, PAC Research

Table 11: List of Insurance Companies Offering Takaful Insurance Business in Nigeria

S/N	COMPANY
1	Jaiz Takaful Insurance Plc
2	Noor Takaful Plc

Source: NAICOM, PAC Research

Table 12: List of Insurance Companies Offering Re-Insurance Insurance Business in Nigeria

S/N	COMPANY	HEAD OFFICE
1	Continental Reinsurance Plc	St Nicholas House (8th Floor), 6 Catholic Mission Street Lagos
2	Nigeria Reinsurance Corporation	Plot 784A Herbert Macaulay Way Central Business District, Abuja

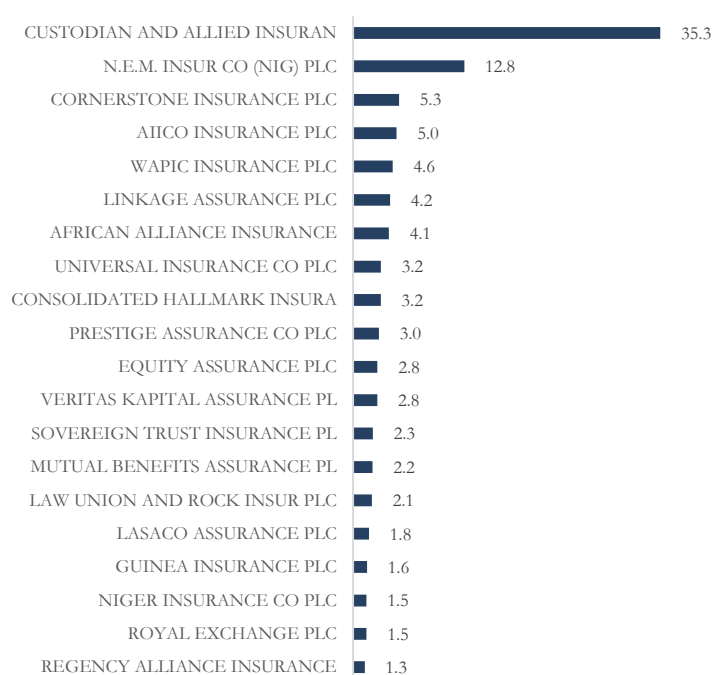
8.0 Ranking of Insurance Companies in Nigeria

8.1 Ranking by Market Capitalisation

Most insurance companies continue to expand in recent time, and this has placed them as the leading players in the sector. The sector, though small as a segment of the financial services sector of the Nigerian economy, has capacity and potential for exponential growth. Indeed, it remains one of the fastest growing sectors in the financial services sector and has been quite resilient even during the COVID-19 Pandemic. It continues to post impressively positive figures in almost all its facets. Given the available room for growth and expansion, the outlook for Nigeria's insurance sector is, without any doubt, promising.

In terms of Market Capitalisation of listed companies in Nigeria, Custodian and Allied Insurance Plc remained the biggest insurance company with market cap of ₦35.29 billion as at the end of trading day in 2019, followed by NEM Insurance and Cornerstone Insurance Plc with market cap of ₦12.78 billion and ₦5.28 billion respectively. Regency Alliance Insurance Plc is the smallest listed insurance company in Nigeria as at Dec. 31 2019, with market cap of ₦1.33 billion.

In terms of Market Capitalisation of listed companies in Nigeria, Custodian and Allied Insurance Plc remained the biggest insurance company...

Fig. 13: Market Capitalisation of Listed Insurance Companies - 2019 (₦Billion)

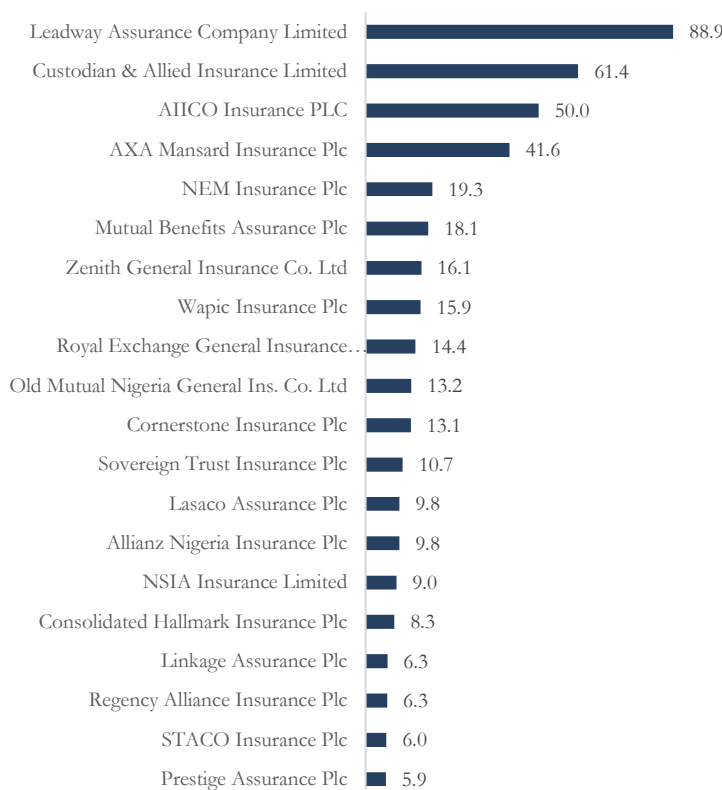
Source: Bloomberg, PAC Research

8.2 Ranking by Gross Premium Income

Looking at the gross premium income of the insurance companies in Nigeria as at December 31 2019, Leadway Assurance Company recorded the highest premium income as it generated ₦88.9 billion during the period. However, Custodian and Allied Insurance Plc and AIICO Insurance were ranked 2nd and 3rd as they generated ₦61.4 billion and ₦50.0 billion respectively, as premium income during the period. This was followed by AXA Mansard Insurance (4th) and NEM Insurance Company Plc (5th), as they recorded premium income of ₦41.6 billion and ₦19.3 billion respectively as at December 31 2019.

...as at December 31 2019, Leadway Assurance Company recorded the highest premium income as it generated ₦88.9 billion

Fig. 14: Top 20 Insurance Companies by Gross Premium Income - 2019 (₦Billion)

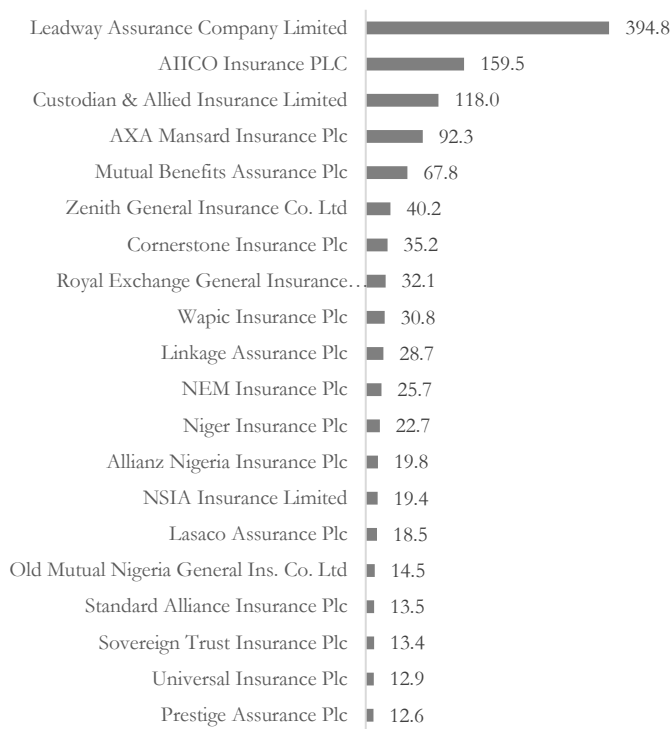


Source: NSE, Websites of Unlisted Companies, PAC Research

8.3 Ranking by Assets

The available results of the insurance companies, in terms of total assets, shows that Leadway Assurance Company is the largest insurance company in Nigeria, as it led other insurance companies in the 2019 with the total Assets of ₦394.5 billion. This is followed by AIICO Insurance Plc (2nd) and Custodian & Allied Insurance Plc (3rd) with the total assets of ₦159.5 billion and ₦118.0 billion respectively. In addition, AXA Mansard Insurance (4th) and Mutual Benefits Assurance (5th) recorded ₦92.3 billion and ₦67.8 billion respectively. Looking at the top insurance by premium income, it shows that Leadway, AIICO Insurance Plc, Custodian & Allied Insurance and AXA Mansard Insurance used their assets efficiently to generate revenue during the period.

The available results of the insurance companies, in terms of total assets, shows that Leadway Assurance Company is the largest insurance company...

Fig. 15: Top 20 Insurance Companies by Total Assets- 2019 (₦Billion)

Source: NSE, Websites of Unlisted Companies, PAC Research

9.0 Recapitalisation: Shortfall in Capital

In order to meet the new regulatory requirement, set by the National Insurance Commission (NAICOM), some insurance companies have made known their plans to merge while others are looking for partners to merge with. With the available information, gathered by PAC Research, only few insurance companies will meet the new capital requirement, as stipulated by the NAICOM. As seen in Table 7, NAICOM has increase the capital requirement for Life business from ₦2 billion to ₦8 billion, while those interested in General business are required to recapitalize from ₦3 billion to ₦10 billion. Insurance companies who are interested to continue in Composite business are required to recapitalise from ₦5 billion to ₦18 billion. However, insurance companies who want to continue to play in Reinsurance business are expected to improve capitalisation from ₦10 billion to ₦20 billion.

Due to the impacts of COVID-19 on businesses, NAICOM extended the deadline to meet the new capital requirement to December 31, 2020 and September 30, 2021. The Commission expect the Life Businesses, General Insurance Businesses and Composite Insurance Companies to meet 50% (first phase) and 100% (second phase) of the new capital requirement in December 31, 2020 and September 30, 2021 respectively. However, Reinsurance Businesses are expected to meet 60% (first phase) and 100% (second phase) of the new capital requirement in December 31, 2020 and September 30, 2021 respectively.

In order to meet the new regulatory requirement, set by the National Insurance Commission (NAICOM), some insurance companies have made known their plans to merge while others are looking for partners to merge with.

Meanwhile, the NAICOM restricted the insurance companies from borrowing money to meet their recapitalisation requirements, adding that while some of the companies that borrowed funds during the last recapitalisation exercise in the sector were doing well, the majority of the companies had been acquired by foreign investors. This means that if investors want to bring in money, they must become owners and manage the company together: when they are owners, they will have directors and know how the company is being run.

...NAICOM restricted the insurance companies from borrowing money to meet their recapitalisation requirements...

10.0 Composite Insurance Business: The State of Balance Sheet

Currently, Composite business is dominated by thirteen (13) insurance companies. The business coverage for Composite Insurance are Motor & General Accident Insurance, Agric Insurance, Miscellaneous Insurance, Engineering Insurance (all inclusive), Marine & Bonds Credit, Guarantee and Surety Insurance, Oil & Gas Insurance, Aviation Insurances and life businesses. Based on the available latest financial audited report, only six (6) insurance companies may meet the 50% of the new capital requirement (1st Phase: ₦9 Billion) by December 31, 2020 while only three (3) of them may likely meet the full capital requirement (2nd Phase: ₦18 Billion) by September 30, 2021. This indicates that we should be expecting composite insurance businesses to experience mergers and/or acquisition in order to meet up the new capital requirement in this space by September 2021.

Table. 13: Composite Insurance Business: Shortfall in Capital (N'Billion)

Composite	Gross Premium Income	Total Asset	Total Liabilities	Shareholders' Fund (Deficit)	Dec. 31, 2020 - ₦9 Bn (Short Fall)/ Surplus	Sept. 30, 2021 - ₦18 Bn (Short Fall)/ Surplus	Latest Financial Year
AIICO Insurance PLC	50.02	159.48	131.17	28.31	19.31	10.31	2019
Allianz Nigeria Insurance Plc	9.75	19.82	10.21	9.61	0.61	-8.39	2018
AXA Mansard Insurance Plc	41.61	92.29	62.21	30.08	21.08	12.08	2019
Cornerstone Insurance Plc	13.06	35.15	20.27	14.88	5.88	-3.12	2019
Gold Link Insurance Plc	1.09	1.79	9.04	-7.25	-16.25	-25.25	2018
Great Nigeria Insurance Plc	No Available Financial Statement						
Industrial & General Ins.	No Latest Report						2014
LASACO Assurance Plc	9.75	18.51	10.34	8.17	-0.83	-9.83	2019
Leadway Assurance Company	88.85	394.77	340.47	54.29	45.29	36.29	2019
NICON Insurance Plc	No Available Financial Statement						
Niger Insurance Plc	1.76	22.71	14.16	8.55	-0.45	-9.45	2019
NSIA Insurance Limited	8.95	19.43	7.59	11.84	2.84	-6.16	2019
Standard Alliance Insurance Plc	3.94	13.46	8.13	5.33	-3.67	-12.67	2018

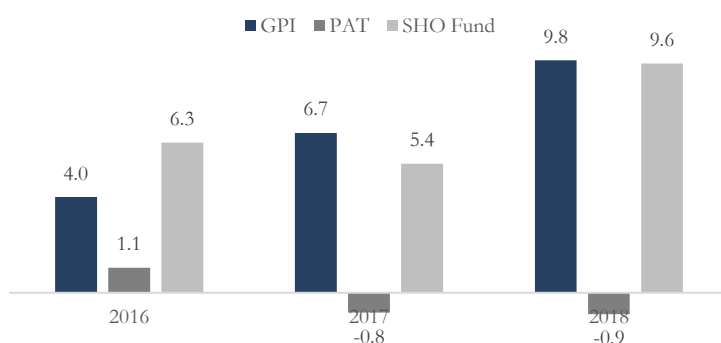
Source: NSE, Websites of Unlisted Companies, PAC Research

11.0 Historical Performance of Composite Businesses with Shortfall in Capital

1. Allianz Nigeria Insurance Plc

Allianz Insurance has increased its gross premium consistently over the past few years, but it has also incurred losses in 2017 and 2018. Any investor who wants to partner with this company may have to work on the profitability of the insurance company. Impressively, the insurance company has managed to improve its shareholders' fund in 2018. Allianz may likely meet the new regulatory capital requirement for December 2020 but may find it difficult to meet the September 2021 deadline.

Fig. 16: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

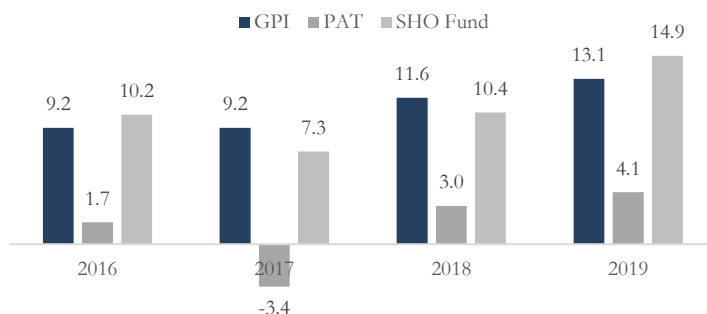


Source: Allianz, PAC Research

2. Cornerstone Insurance Plc

With the shareholders' fund of ₦14.88 billion in 2019, Cornerstone Insurance Plc may likely meet the first phase of capital requirement of ₦9 billion in December 2020 but may have a short fall of ₦3.12 billion in September 2021. With the impressive performance in the insurance sector in the past years, we expect the company to be able to attract investors who may contribute equity in order to meet the new capital requirement in September 2021.

Fig. 17: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

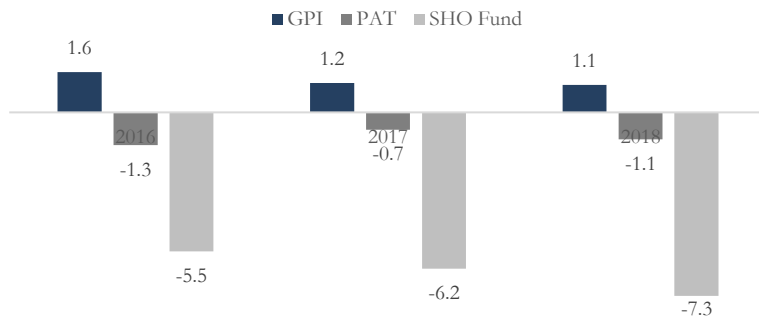


Source: NSE, PAC Research

3. Gold Link Insurance Plc

Gold Link Insurance may likely be a great burden for investors who want to invest in the business as shareholders' deficit of ₦7.3 billion and ₦1.1 billion loss after tax was recorded in 2018.

Fig. 18: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

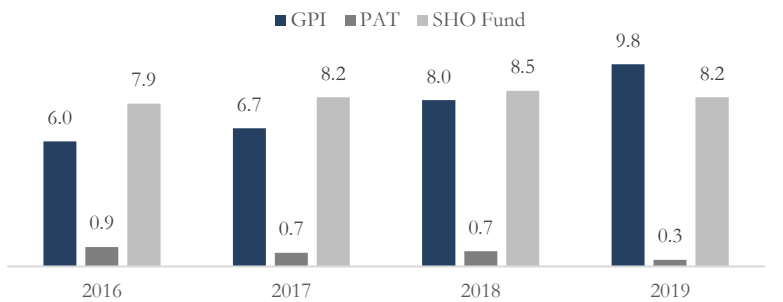


Source: NSE, PAC Research

4. LASACO Assurance Plc

The current shareholders' fund of LASACO, as seen in 2019 audited financial statement, is far away from the new capital requirements. However, the significant progress in the gross premium income may likely attract investors and this may help them to meet the new regulatory capital requirement of ₦18 billion in September 2021.

Fig. 19: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

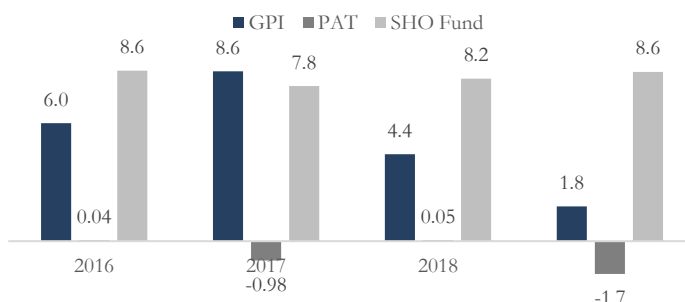


Source: NSE, PAC Research

5. Niger Insurance Plc

Niger Insurance is another composite insurance business that may not meet the 1st phase and 2nd phase of new capital requirement. The gross premium income has reduced persistently between 2017 and 2019. Also, the recent loss of ₦1.7 billion may be a concern for any prospective investors or any insurance company who is planning to partner or merge with the company.

Fig. 20: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

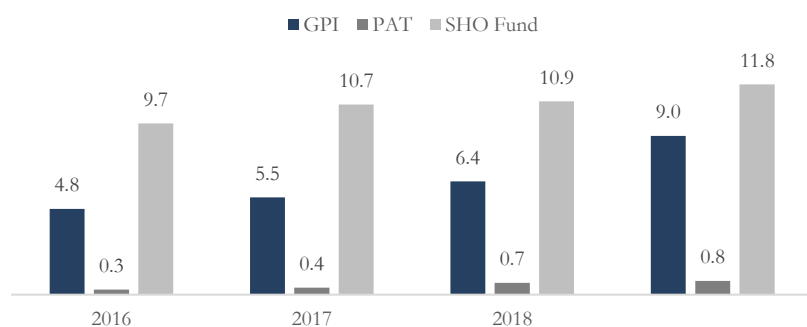


Source: Niger Insurance, PAC Research

6. NSIA Insurance Limited

Looking at the latest audited financial report of 2019, NSIA Insurance continuously improved the gross premium income and profit after tax between 2016 and 2019. Although, the company is expected to meet the first phase of capital requirement, it might be difficult to meet the full capital requirement in the second phase. However, with the reputation of the insurance company in the sector, we expect NSIA Insurance to see insurance company or investors who may want to partner with them.

Fig. 21: Gross Premium Income, PAT and Shareholders' Fund (₦'Billion)

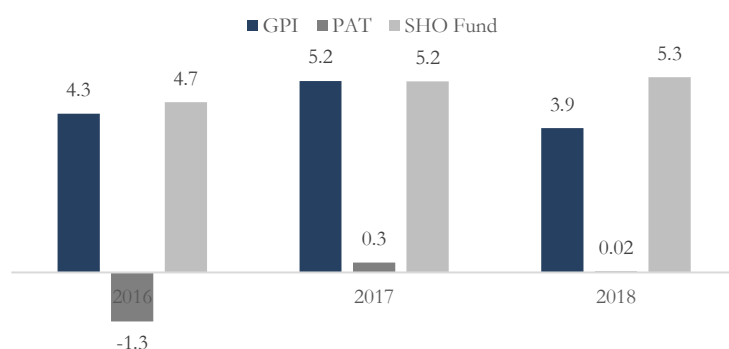


Source: NSIA, PAC Research

7. Standard Alliance Insurance Plc

The profitability and revenue generation of Standard Alliance Insurance is worrisome as seen in the latest available financial statement of 2018. In our view, the company may find it difficult to meet the first and second phase of regulatory capital requirement. We may likely see a merger or an acquisition of this company before September 2021.

Fig. 22: Gross Premium Income, PAT and Shareholders' Fund (₦'Billion)



Source: Standard Alliance, PAC Research

12.0 General Insurance Business: The State of Balance Sheet

The General business is dominated by twenty-seven (27) insurance companies, According to NAICOM. The business coverage for Composite Insurance are Motor & General Accident Insurance, Agric Insurance, Miscellaneous Insurance, Engineering Insurance (Only classes covered by compulsory insurance), Marine & Bonds Credit, Guarantee and Surety Insurance.

Based on the available latest financial audited report, only sixteen (16) insurance companies may likely meet the 50% of the new capital requirement (1st Phase: ₦5 Billion) by December 31, 2020 while only six (6) of them may likely meet the full capital requirement (2nd Phase: ₦10 Billion) by Sept. 30, 2021. This shows that we should be expecting general insurance businesses to experience mergers and/or acquisition in order to meet up the new regulatory capital requirement of NAICOM.

...only six (6) of them may likely meet the full capital requirement (2nd Phase: ₦10 Billion) by Sept. 30, 2021...

Table 14: General Insurance Business: Shortfall in Capital (N'Billion)

General	Gross Premium Income	Total Assets	Total Liabilities	Total Equity	Dec. 31 2020- ₦5 Bn (Short Fall)/ Surplus	Sept. 30 2021- ₦10 Bn (Short Fall)/ Surplus	Financial Year
Alliance & General Insurance	Not Available						
Anchor Insurance Company Ltd	4.19	7.25	1.94	5.31	0.31	-4.69	2019
Consolidated Hallmark Insurance Plc	8.3	11.74	6.61	5.13	0.13	-4.87	2019
Custodian & Allied Insurance Limited	61.42	118.02	98.12	19.9	14.9	9.9	2019
Fin Insurance Company Limited	1.02	7.76	1.72	6.04	1.04	-3.96	2018
Guinea Insurance Plc	1.18	3.6	1.33	2.27	-2.73	-7.73	2019
International Energy Insurance Plc	1.14	8.49	16.19	-7.7	-12.7	-17.7	2017
Investment & Allied Assurance Plc	Not Available Data						
KBL Insurance Limited	1.85	5.4	1.32	4.08	-0.92	-5.92	2018
Law Union & Rock Insurance Plc	4.92	12.15	4.99	7.16	2.16	-2.84	2019
Linkage Assurance Plc	6.33	28.7	5.66	23.04	18.04	13.04	2019
Mutual Benefits Assurance Plc	18.12	67.78	53.24	14.54	9.54	4.54	2019
NEM Insurance Plc	19.26	25.68	11.58	14.1	9.1	4.1	2019
Nigerian Agricultural Insurance Corp.	No Current Audited Report						2015
Old Mutual Nigeria General Ins	13.22	14.47	10.81	3.66	-1.34	-6.34	2018
Prestige Assurance Plc	5.88	12.57	4.34	8.23	3.23	-1.77	2019
Regency Alliance Insurance Plc	6.27	10.37	4.02	6.35	1.35	-3.65	2019
Royal Exchange General Insurance	14.44	32.11	24.49	7.62	2.62	-2.38	2019
Saham Unitrust Insurance	Site Not going						
Sovereign Trust Insurance Plc	10.71	13.42	5.63	7.79	2.79	-2.21	2019
STACO Insurance Plc	5.99	9.19	8.58	0.61	-4.39	-9.39	2017
Sterling Assurance Nigeria Ltd	No Current Audited Report						2015
SUNU Assurance Plc	3	11.15	7.15	4.00	-1.00	-6.00	2019
Universal Insurance Plc	1.4	12.91	3.3	9.61	4.61	-0.39	2019
Veritas Kapital Assurance PLC	3.31	12.1	3.54	8.56	3.56	-1.44	2019
Wapic Insurance Plc	15.9	30.75	12.23	18.52	13.52	8.52	2019
Zenith General Insurance Co. Ltd	16.14	40.2	14.27	25.93	20.93	15.93	2019

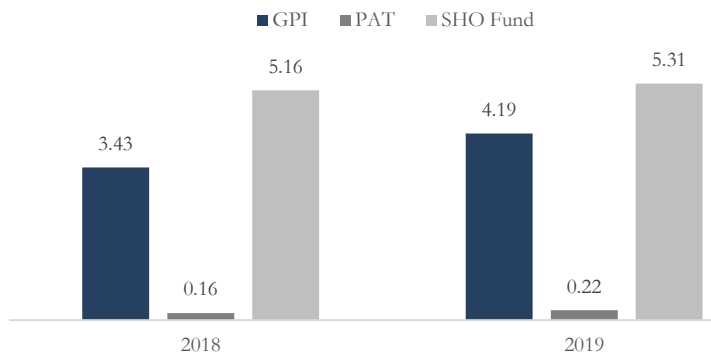
Source: NSE, Websites of Unlisted Companies, PAC Research

13.0 Historical Performance of General Businesses with Shortfall in Capital

1. Anchor Insurance Company Ltd

Based on the audited 2019 financial statements, Anchor Insurance may likely meet the capital requirement of ₦5 billion (1st Phase). However, the company may not make the full capital requirement of ₦10 billion in September 2021. Although, the company has increased its gross premium income and net income in the last two years, but this is insignificant compared to other players in the sector.

Fig. 23: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

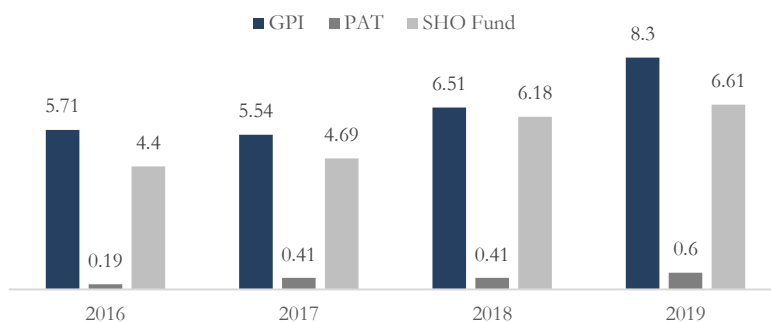


Source: Anchor Insurance, PAC Research

2. Consolidated Hallmark Insurance Plc

The performance of Consolidated Hallmark Insurance in the past few years, in terms of gross premium income, was impressive. We expect the company to meet the first phase of new capital requirement in December 2020. However, the audited financial statement of 2019 shows that the company will need about ₦3.5 billion to meet the full capital requirement of ₦10 billion in September 2021.

Fig. 24: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

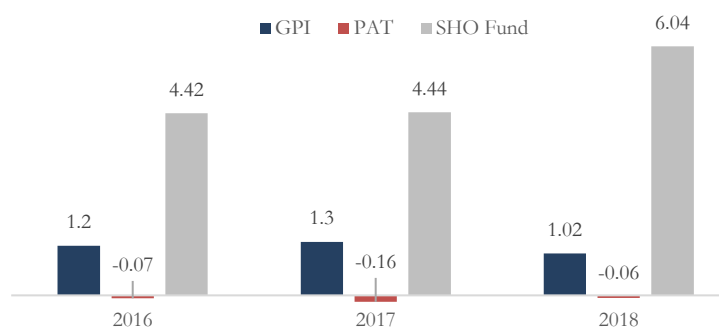


Source: NSE, PAC Research

3. Fin Insurance Company Limited

The gross premium income of Fin Insurance Company increased consistently over the past three years, but the company has not recorded profit over this period. Based on the recent available financial statement, the insurance company are expected to meet the 1st phase of capital requirement of ₦5 billion in December 2020, but it may not meet the full capital requirement in September 2021.

Fig. 25: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

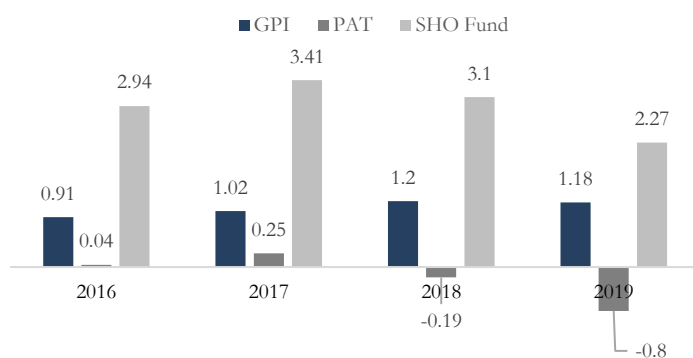


Source: Fin Insurance, PAC Research

4. Guinea Insurance Plc

Based on the recent audited financial statement of Guinea Insurance, the company may find it extremely difficult to meet the first phase and full capital requirement of ₦5 billion and ₦10 billion respectively. Investors may also think twice before they put their money in the business because the company recorded losses in 2018 and 2019.

Fig. 26: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

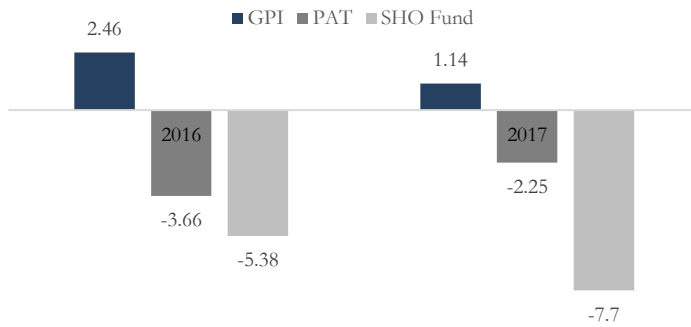


Source: NSE, PAC Research

5. International Energy Insurance Plc

The recent available audited financial statement for International Energy Insurance is 2017 audited report and this showed a loss after tax of ₦2.25 billion. In addition, the company also recorded shareholders' deficit of ₦7.7 billion in 2017 and this may be a great burden for any insurance company who wants to merge or acquire this moribund company.

Fig.27: Gross Premium Income, PAT and Shareholders' Fund (₦'Billion)

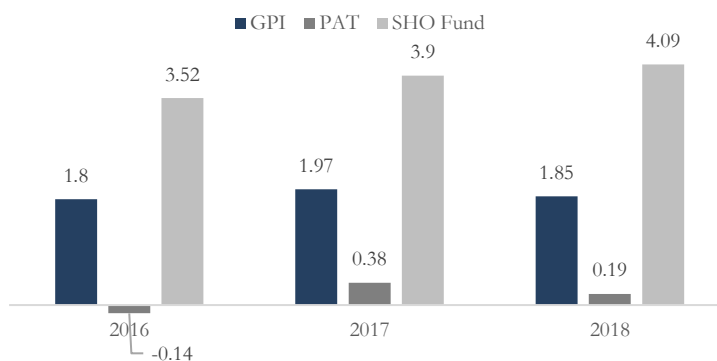


Source: NSE, PAC Research

6. KBL Insurance Limited

The available audited financial statement of 2018 showed that KBL Insurance company may find it difficult to meet the full capital requirement of ₦10 billion, even if they manage to breakthrough with the first phase of capital requirement of ₦5 billion in December 2020. The insurance company have been struggling to make profit as the profit declined to ₦190 million in 2018, from about ₦380 million recorded in 2017.

Fig. 28: Gross Premium Income, PAT and Shareholders' Fund (₦'Billion)

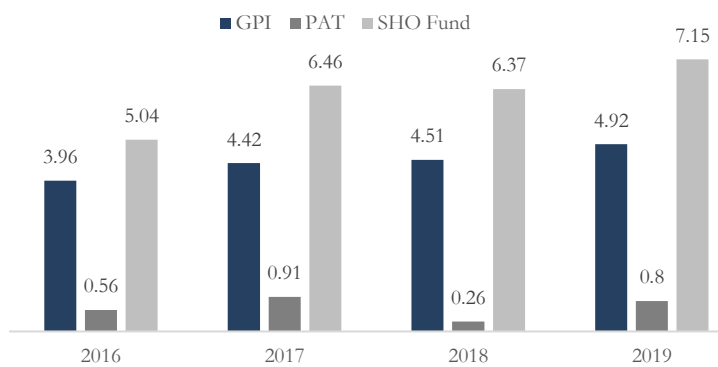


Source: KBL, PAC Research

7. Law Union & Rock Insurance Plc

Law Union & Rock Insurance recorded impressive gross premium income persistently over the past four years. In addition, the company also increase its shareholders' fund continuously between 2016 and 2019. This shows that if the company is unable to meet the final capital requirement, their performance in the past few years may attract investors or other insurance companies and this may help them to meet the new regulatory capital requirement.

Fig. 29: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

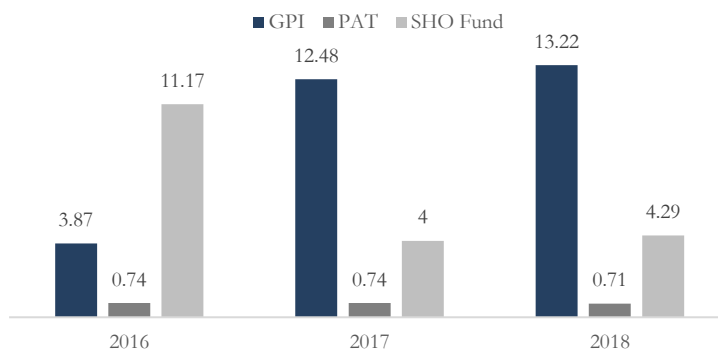


Source: NSE, PAC Research

8. Old Mutual Nigeria General Insurance Co. Ltd

The available recent audited financial statement shows that Old Mutual may find it difficult to meet the final capital requirement of ₦10 billion in Sept 2021, even if the company manage to meet the first phase of capital requirement of ₦5 billion in December 2020. However, the company may likely see an insurance company or investors who may merge or partner with them, due to the company's ability to generate huge gross premium income in the sector.

Fig. 30: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

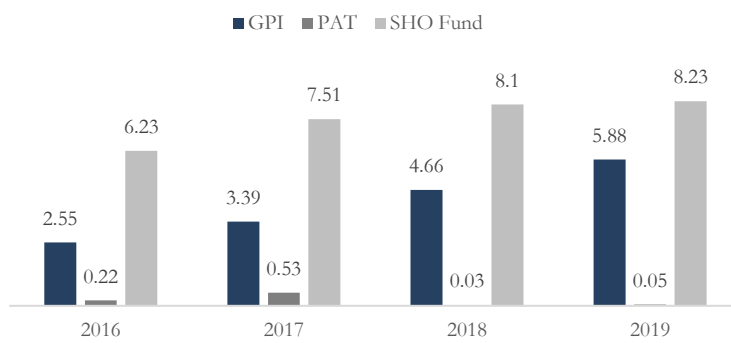


Source: NSE, PAC Research

9. Prestige Assurance Plc

Prestige insurance may likely meet the first phase of regulatory capital requirement of ₦5 billion in December 2020. With the growth in the shareholders' fund over time, the company may not find it difficult to meet the full regulatory capital requirement of ₦10 billion in September 2021, even without any support from outsiders. However, the company needs to work on its profitability so that the continuous growth of gross premium income can have a good reflection on the bottom-line.

Fig. 31: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

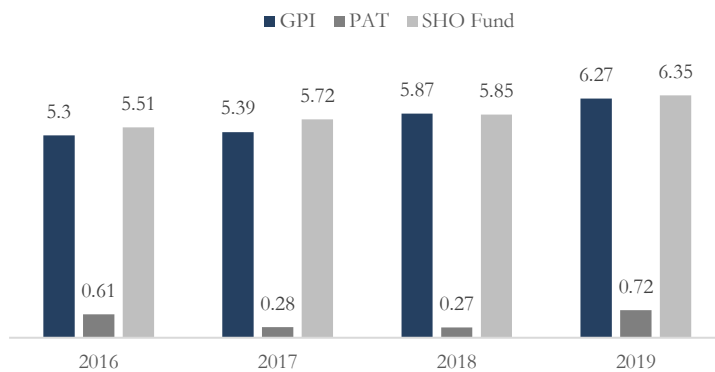


Source: NSE, PAC Research

10. Regency Alliance Insurance Plc

Regency Alliance Insurance has good records of continuously increasing the gross premium income in the past four years. The company also maintained a relatively impressive performance of net income in the past few years. However, the company may find it difficult to meet the final regulatory capital requirement of ₦10 billion in September 2021. With the impressive performance of the company in the sector, we expect the company to see investors who are likely partner with them in order to meet the final capital requirement.

Fig. 32: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

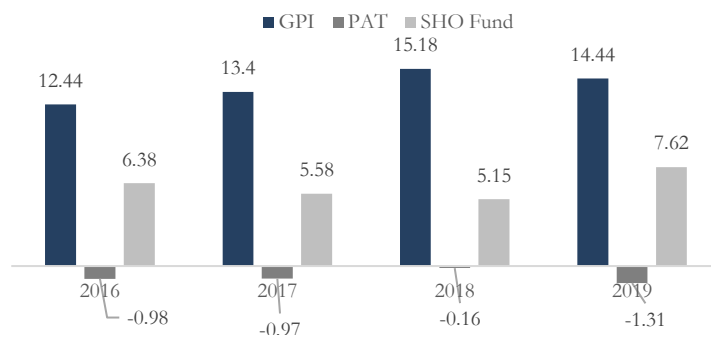


Source: NSE, PAC Research

11. Royal Exchange General Insurance

Royal Exchange General Insurance may likely meet the first phase of regulatory capital requirement of ₦5 billion, as seen in the 2019 audited financial statement of the company. Meanwhile, the company may not meet the final regulatory capital requirement of ₦10 billion. The company has a huge share of gross premium income in the sector, but this has not reflected on the bottom-line as the company persistently made losses in the past four years. This is a major concern for any investor or insurance company who may want to create a synergy with Royal Exchange General Insurance.

Fig. 33: Gross Premium Income, PAT and Shareholders' Fund (N'Billions)

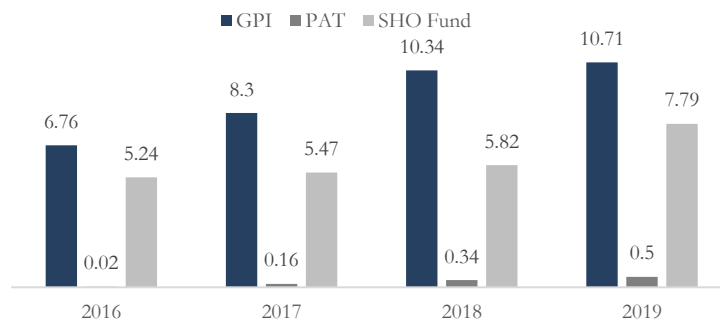


Source: NSE, PAC Research

12. Sovereign Trust Insurance Plc

Using available information in 2019 audited financial statement of Sovereign Trust Insurance, the company has improved its gross premium income and net income consistently in the past four years. The company may likely meet the first phase of regulatory capital requirement of ₦5 billion in December 2020 but may find it difficult to meet the final regulatory capital requirement of ₦10 billion in September 2021. However, the company may easily get investors who will partner with them due to their impressive historical performance.

Fig. 34: Gross Premium Income, PAT and Shareholders' Fund (N'Billions)

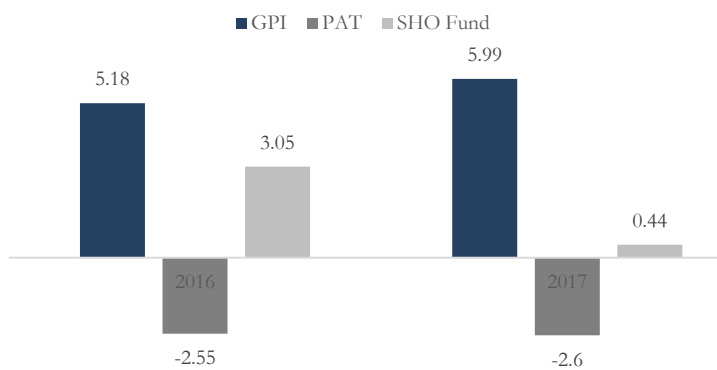


Source: NSE, PAC Research

13. STACO Insurance Plc

The last report released by STACO Insurance was 2017 audited financial statement and there is a huge gap between the new regulatory capital requirement and the shareholders' fund of the company. In addition, the company made a huge loss of ₦2.55 billion and ₦2.60 billion in 2016 and 2017 respectively. With this available information, it may be difficult for the company to find investors. The company may likely be acquired by another insurance company who may want to expand its business.

Fig. 35: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

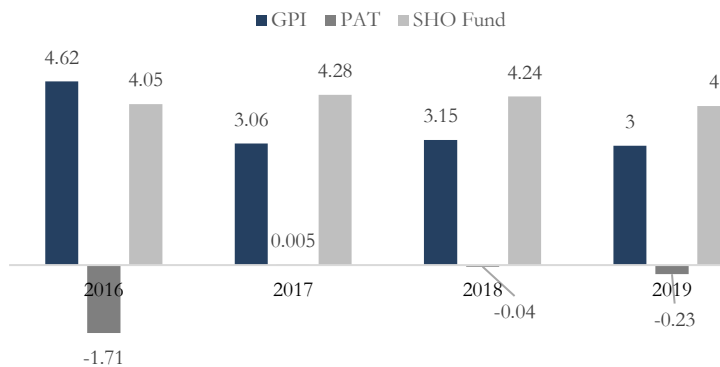


Source: NSE, PAC Research

14. SUNU Assurance Plc

The recent available audited financial statement of SUNU Insurance shows that the company may not meet the first phase and full regulatory capital requirement of ₦5 billion and ₦10 billion respectively. Compared to other insurance companies in the sector, the performance of the company has not been impressive. We may likely see mergers/acquisition of this company with/by another insurance company.

Fig. 36: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

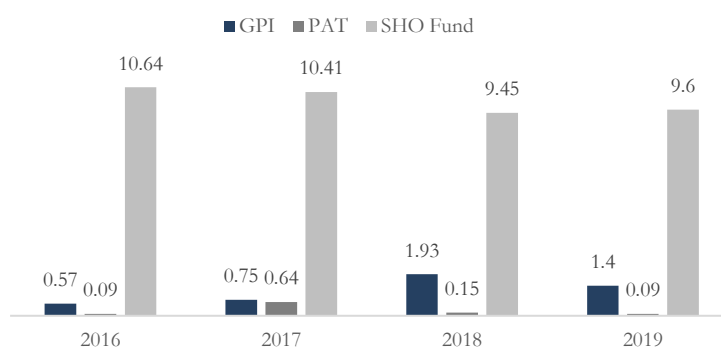


Source: NSE, PAC Research

15. Universal Insurance Plc

In terms of revenue generation and profitability, Universal Insurance is not doing well in the insurance sector in Nigeria. However, the company may not need investors or other insurance company as we expect the company to meet the first phase and full regulatory capital requirement of ₦5 billion and ₦10 billion in December 2020 and September 2021 respectively.

Fig. 37: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

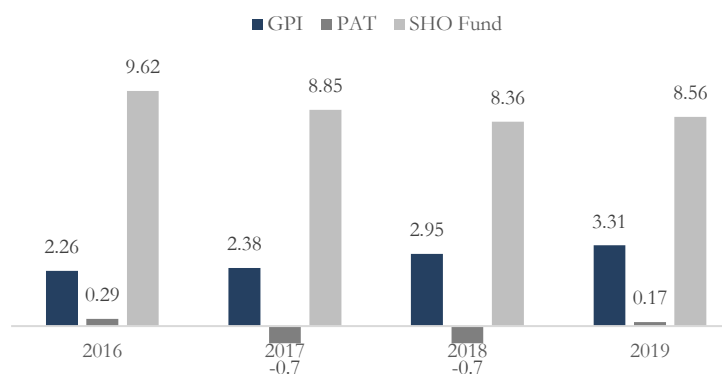


Source: NSE, PAC Research

16. Veritas Kapital Assurance PLC

Veritas Kapital Assurance Plc has recorded improved gross premium income over the past four years. The company returned to making profit in 2019, after two consecutive losses in 2017 and 2018. The company may also meet the first phase of regulatory capital requirement of ₦5 billion in December 2020 but may find it difficult to meet the final regulatory requirement ₦10 billion in September 2021. With the historical performance of Veritas Kapital Assurance, we expect to see investors or insurance company who will want to partner with them.

Fig. 38: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)



Source: NSE, PAC Research

14.0 Life Insurance Business: The State of Balance Sheet

Currently, Life Insurance business is dominated by fourteen (14) insurance companies. The business coverage for Life Insurance are Individual life insurance, Group Life insurance, Health Insurance, Annuity and Miscellaneous Insurance. Based on the available latest financial audited report, only three (3) life insurance companies may likely meet the 50% of the new capital requirement (1st Phase: ₦4 Billion) by December 31, 2020 while only two (2) of them may meet the full capital requirement (2nd Phase: ₦8 Billion) by September 30, 2021. However, we could not have access to the financial statements of most players in this space. Nevertheless, we expect Life insurance businesses to experience mergers and/or acquisition in order to meet up the new capital requirement in this space.

Table. 15: Life Insurance Business: Shortfall in Capital (N'Billion)

Life	Gross Premium Income	Total Assets	Total Liabilities	Total Equity	Dec 2020 - ₦4 Bn (Short Fall) /Surplus	Sept 2021 - ₦8Bn (Short Fall) /Surplus	Financial Year
Alliance & General Insurance Life Ass	Financial Statement Not Available						
A.R.M Life PLC	9.52	32.93	27.82	5.11	1.11	-2.89	2019
Capital Express Assurance Limited	3.37	8.89	5.78	3.11	-0.89	-4.89	2018
African Alliance Insurance	8.49	40.01	51.35	-11.34	-15.34	-19.34	2019
Custodian Life Assurance Limited	Financial Statement Not Available						
FBN Insurance Limited	To Divest 65%						
Metropolitan Nigeria Life Insurance	Acquired by Verod Capital						
Mutual Benefits Life Assurance Ltd	9.58	50.97	38.7	12.27	8.27	4.27	2019
Old Mutual Nigeria Life Assurance Co.	Financial Statement Not Available						
Prudential Zenith Life Insurance Co.	4.65	18.8	8.84	9.96	5.96	1.96	2019
Royal Exchange Prudential Life Plc	Financial Statement Not Available						
Spring Life Assurance Plc	Financial Statement Not Available						
UNIC Insurance Plc	Financial Statement Not Available						
Wapic Life Assurance Ltd	Financial Statement Not Available						

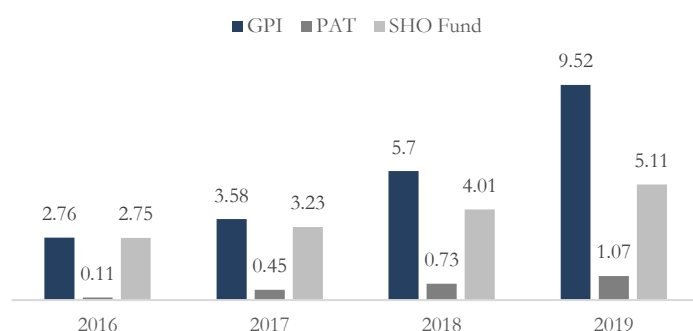
Source: NSE, Websites of Unlisted Companies, PAC Research

15.0 Historical Performance of Life Businesses with Shortfall in Capital

1. A.R.M Life PLC

ARM Life Plc has recorded impressive gross premium income and net income over the last four years. The company should be able to meet the first phase of regulatory capital requirement of ₦4 billion in December 2020. However, the company may not meet the full regulatory capital requirement of ₦8 billion in September 2021. Since the company is one of the subsidiaries of Asset & Resource Management Group, we expect the Group to intervene so that its Life Insurance business can meet up the full regulatory capital requirement.

Fig. 39: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

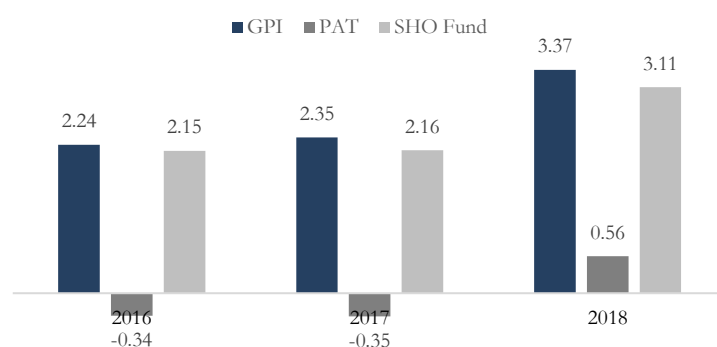


Source: ARM, PAC Research

2. Capital Express Assurance Limited

With available audited financial statement of 2018, Capital Express Assurance Ltd has been increasing its gross premium income persistently and the company also return to profit making in 2018, from consecutive losses in 2016 and 2017. However, the company may not meet the first phase and full phase of regulatory capital requirement in December 2020 and September 2021 respectively. Due to their historical performance, we expect investors or other insurance firm to invest or merge with the company, although the information in the 2019 financial statement will either support or reject this expectation.

Fig. 40: Gross Premium Income, PAT and Shareholders' Fund (₦Billion)

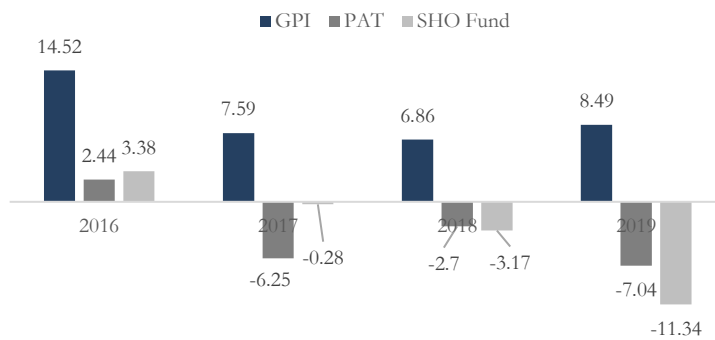


Source: Capital Express Ins., PAC Research

3. African Alliance Insurance

It might be difficult for African Alliance Insurance to see investors who will want to put their money in the company's Life insurance business because of the recent huge losses in the company. In addition, the company has huge shareholders' deficit of ₦11.34 billion in 2019.

Fig. 41: Gross Premium Income, PAT and Shareholders' Fund (₦'Billion)



Source: African Alliance Insurance, PAC Research

16.0 Reinsurance Business: The State of Balance Sheet

According to NAICOM, there are only two (2) reinsurance insurance companies in Nigeria: Continental Reinsurance Plc and Nigeria Reinsurance Corporation. At the time of this report, we could not get access to the financial statements of Nigeria Reinsurance Corporation, but we have the latest audited financial statement of Continental Reinsurance Plc.

Based on the available latest financial audited report of Continental Reinsurance Plc, the company may comfortably meet the first phase of regulatory capital requirement of ₦12 billion in December 2020 and the full regulatory capital requirement of ₦20 billion in September 2021. In 2019, Continental Reinsurance recorded a gross premium income of ₦45.78 billion. In addition, the company reported total assets of ₦66.76 billion and total liabilities of ₦36.57 billion in 2019. This translated to a shareholders' fund of ₦30.19 billion and this is ₦10.19 billion higher than the ₦20 billion full regulatory capital requirement.

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PanAfrican Capital Holdings Ltd

8A, Elsie Femi Pearse Street

Victoria Island

Lagos, Nigeria

Tel: +234 (1) 2716899, 2718630

www.panafricancapitalholdings.com