Project Cover

Business Plan

Reliance Restricted

29 October 2021 | Version 1.0

Building a better
working world

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Reliance Restricted

The Managing Director
Universal Insurance Ltd
8, Gbagada Expressway
Gbagada Phase 1
Lagos State.

Project Cover **29 October 2021**

Dear Sir,

In accordance with your instructions, we are pleased to submit the business plan for Universal Insurance Ltd ("Universal" or the "Company") in line with the terms of reference set out in our engagement agreement dated 3rd August 2020 (the "Engagement Agreement"). This report has been prepared on the basis of information provided by the management of Universal, our analysis, market research, and other publicly available information.

Purpose of our Report and restrictions on its use

This report was prepared on the specific instructions of Universal's project objectives, and should not be used or relied upon for any other purpose. This report and its contents may not be quoted, referred to or shown to any other parties except as provided in the Engagement Agreement.

We accept no responsibility or liability to any person other than Universal or to such party to whom we have agreed in writing to accept responsibility in respect of this report, and accordingly, if such other persons choose to rely upon any of the contents of this report they do so at their own risk.

Nature and scope of the services

The scope and nature of our work, including the basis and limitations, are detailed in our engagement letter.

Whilst each part of our report addresses different aspects of the terms of reference for this engagement, the entire report should be read for a full understanding of our findings and advice.

We appreciate the opportunity to provide our services to Universal. Please do not hesitate to contact us if you have any questions about this engagement or if we may be of any further assistance.

Yours faithfully,

Olufemi Alabi

Dashboard

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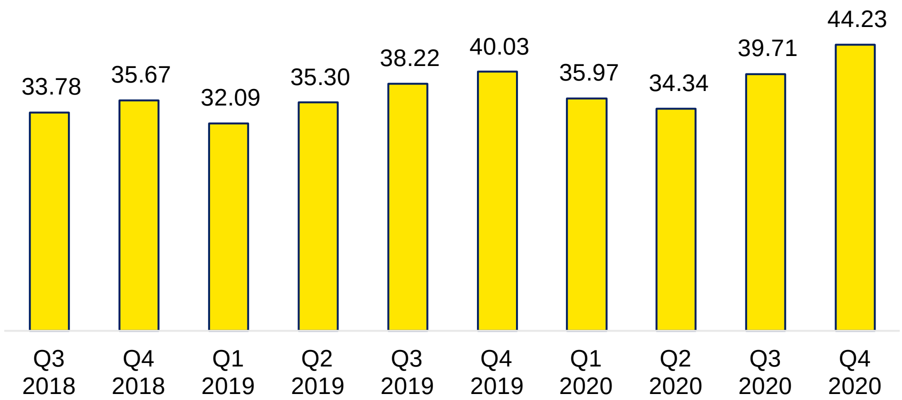
1 Executive Summary
Overview of the Nigerian economy

Macroeconomic analysis

Nominal GDP Per Capita *NGN trillion*



Sources: NBS, Oxford Economics, Renaissance Capital, CBN, EY Analysis

- The impact of the COVID-19 pandemic and drop in oil prices led to two consecutive quarters of recession in Q2 and Q3 2020. However, GDP grew by 0.11%(year-on-year) in real terms in Q4 2020, representing the first positive quarterly growth in the last three quarters.
- Non-oil accounted for 94.13%, while the oil sector accounted for 5.87% of the total GDP for Q4 2020.
- In 2020, the increase in inflation was as a result of the upward pressure on the headline index, which was largely driven by increasing divisions that contribute to the Core Sub-Index. Prices increased at a faster pace especially in the composite food index, due to an increase in electricity tariff and fuel price.
- However, this upwards pressure seems to have eased as inflation rate dropped to 17.75% in June 2021, from 17.93% in May 2021.
- This reduced inflationary pressure is expected to have a positive impact on the purchasing power of consumers.

Economic outlook

Indicators	2021	2022	2023	2024
GDP per capita, nominal, $	2,086	2,196	2,239	2,294
GDP growth rate (%)	18.8%	19.6%	15.2%	14.7%
Population growth rate (%)	2.6%	2.6%	2.5%	2.4%
Inflation	17.3%	13.1%	12.6%	11.9%
Average exchange rate (₦/$)	427.0	463.6	508.0	436.0
Mobile phones (per 100 people)	94.5	97.4	100.1	102.6

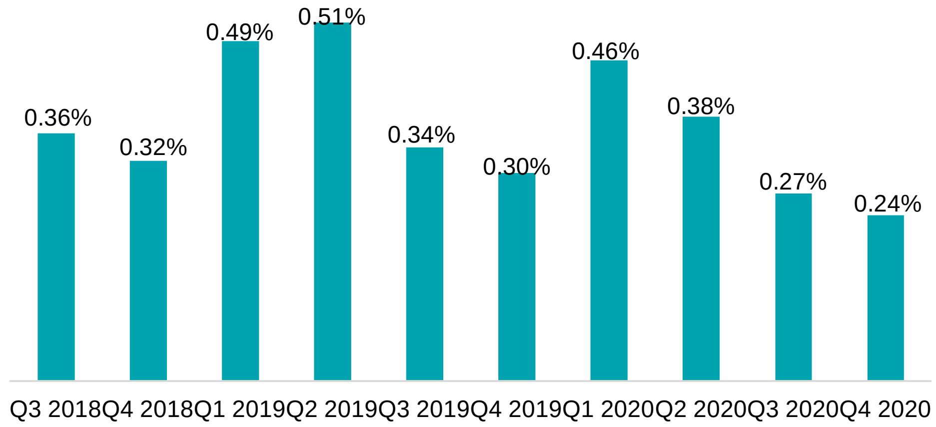
- The recovery in the economy in Q4 2020 was driven by growth in the information and communication sector and agriculture. The Services sector was the largest contributor to Q4 2020 GDP at 54.28%.
- The commencement of the distribution of vaccines is expected to further reduce the impact of the COVID-19 pandemic.
- Nigeria's population has and is expected to grow rapidly at over 2% annually (2021-24F), with concentrated population and wealth in Lagos and disparity across Nigeria's regions and cities. This growing population indicates a growing base of insurable lives.
- The number of "consuming-class" households set to rise along with digital penetration. The number of mobile phone per 100 people is expected to rise from 94.5 – 102.6, 2021-24F and internet uptake growing by about 27% in the same period; however Smartphone penetration remains low at 18.4%, but sales growth increasing as prices drop. This presents an opportunity for potential partnerships with mobile phone solution firms to increase penetration in this channel for insurance companies.

Sources: NBS, Oxford Economics, Renaissance Capital, CBN, EY Analysis

1 Executive Summary

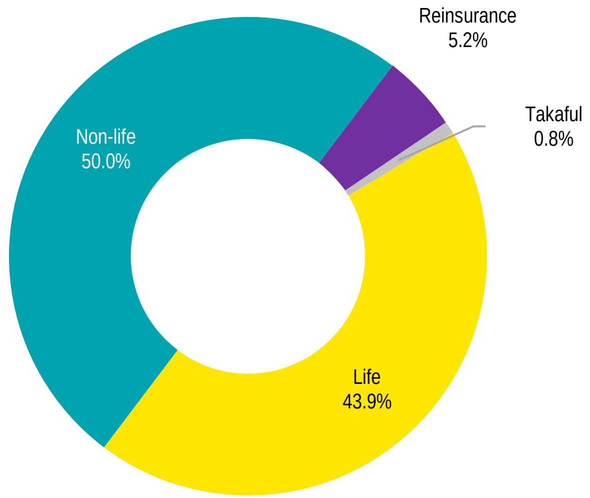
Snapshot of the Nigerian Insurance sector

Insurance as a % of GDP



- *Insurance as a % of GDP has dwindled over the last 10 quarters contributing 0.24% to GDP in Q4 2020 primarily due to the pandemic induced recession.*
- *Gross premium income is the crucial indicator of growth in the insurance sector and it grew by 74.3% from 2014 to 2018, with the Life insurance sector being responsible for most of the growth recorded in the period.*

Industry GWP breakdown by business segment (2019e)



- *Non-Life business accounts for 53% of the industry and is fragmented and heavily competitive, while the Life insurance business is top player dominated.*

Financial highlights

GWP	Net claims	U/W profit
N482.4b	N239.6b	N59.3b

Industry players

c. 2,000 Agents

17	29	13	4	4
Life	Non-life	Composite	Takaful	Reinsurance

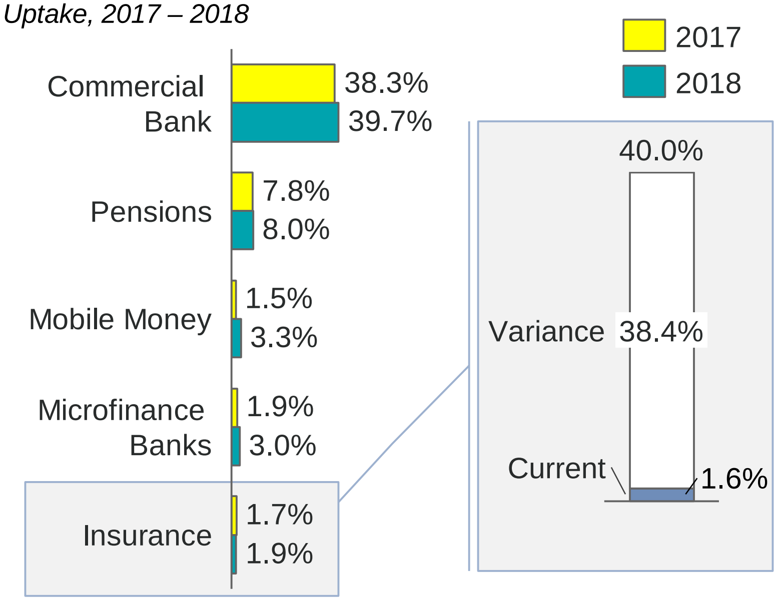
Sources: BMI; NAICOM; NIA; EY analysis

1 Executive Summary
Snapshot of the Nigerian Insurance sector

Nigeria's insurance penetration remains low, but the market is poised to transition to the retail expansion stage of market development.

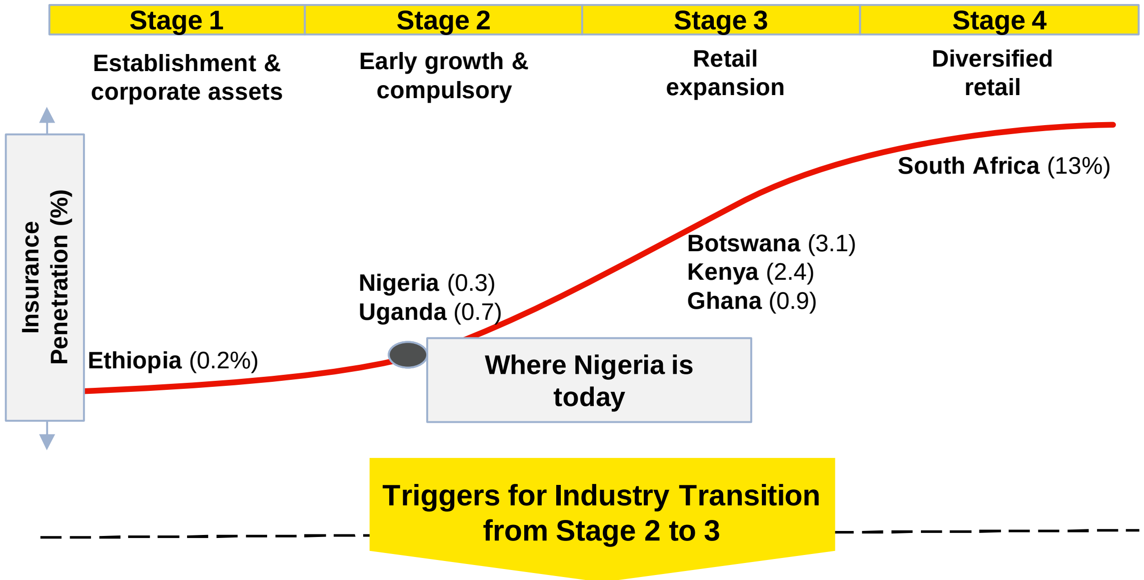
Uptake in insurance is observed to be lowest compared to other financial services across Nigeria

Subscription to financial services
Uptake, 2017 – 2018



Nigeria is currently transitioning in Stage 2 of the insurance market development framework for Sub-Saharan Africa

Insurance Market Development framework for sub-Saharan Africa



- According to EFInA, there are only **1.8 million** covered adults **(1.9% of the adult population)** due to poor awareness, public lack of trust in insurance, and limited distribution.
- Large opportunity remains to deepen penetration for easy-to-reach segments including employee groups and bank account holders.

External Triggers
- Income levels
- Macroeconomic stability
- Level of formal employment
- Financial sector and capital market development

Internal Triggers
- Data collection
- Actuarial and professional skills
- ICP-compliant regulation enabling alternative distribution

Sources: BMI; Oxford Economics; NBS; Oxford Business Group; EY analysis

1 Executive Summary
Overview of the Nigerian Non Life Insurance sector

Non- Life Business (2019)

Top 3 players	Top 5 players	Top 10 players
Leadway	NEM	Royal Exchange
Custodian	Zenith Insurance	Sovereign Trust Insurance PLC
AXA Mansard	Mutual	AIICO Insurance
		Wapic

- Accounts for **c.53%** of industry premiums
- Fragmented and heavily competitive – **nearly half of the market players have <1% market share**
- Dominated by **oil and gas** business which accounts for **c.30.0%** of GWP
- Heavily broker driven
- **Motor insurance = main driver of profitability**

Key theme	Key implications for Universal
Insurance penetration and uptake remain low at 0.3% and 1.6% respectively	▪ Exploring opportunities to deepen awareness within key segments can unlock valuable growth opportunities ▪ External and internal factors can help push Universal Insurance to the third stage of market development
Wave of consolidation anticipated due to revised minimum capital requirements	▪ Consolidation presents an opportunity to capture businesses from companies that will not be re-capitalised ▪ Efficient capital allocation and management post-recapitalisation will drive top and bottom lines
Oil & Gas is major driver (c.38%); 6% growth in motor premiums (17-18); retention rate low (53%)	▪ Despite strong market competition in the non-life insurance market, opportunities exist to capture blue ocean market segments using tailor made value proposition and innovative products

Source: BMI, NAICOM, NIA, EY Analysis

1 Executive Summary

Overview of Universal Insurance Plc.

Background

- The Universal Insurance Company Limited (UNISURE) was established in 1961 by the then Eastern Nigeria Government and African Continental Bank Plc through an alliance between Eastern Nigeria Development Corporation (ENDC) and Pearl Assurance Company Limited of London whereby ENDC acted as agents to the insurance company. After the split of Eastern Nigeria into five states; Anambra, Imo, Enugu, Abia, and Ebonyi, the states, among other shareholders, had shares in the company.
- The Universal Insurance Company Limited from its inception has been in a partnership relationship with the Swiss Reinsurance Company of Zurich, which also provides the necessary reinsurance support.
- Post consolidation, the new Universal Insurance Plc is a consolidation of former United Trust Assurance Company Limited, Oriental Insurance Company Limited, and African Safety Insurance Company Limited with shareholders fund of N8 billion after NAICOM verification.
- The new Universal Insurance Plc is licensed to underwrite all forms of general insurance business and has a 100% equity stake in African Alliance Insurance Company Limited to handle the Life insurance aspect of its operations..

Shareholding structure

African Alliance Insurance Plc — 26.0%

Stanbic Nominees Nigeria Ltd — 9.3%

Others — 64.7%

Universal Insurance Plc

Vision

- To be a dominant, specialized non-life insurer in Nigeria, creating and delivering value to our stakeholders.

Mission

- To offer specialized non-life insurance protection to our clients inspired by innovation, efficiency, and prompt claims settlement.

Core Values

- Unique Services
- Notable prompt claims settlement
- Integrity
- Satisfaction through professionalism
- Unity of Purpose
- Reliability
- Excellent Teamwork

Reinsurance policy

The Company's reinsurance policy is two-fold:

1. Unlimited capacity protection on facultative reinsurances placed both locally and offshore depending on the size of the account. The major reinsurer in this category is Lloyds of London.
2. The second segment of the reinsurance arrangement is led by the foremost reinsurance company in the African sub-region- African Re.

Source: Universal management team

1 Executive Summary

Elements of Universal’s strategic priorities

Universal Insurance strategic ambition: Become a top 10 general insurance company by GWP in the next 5 years

Universal’s strategic priorities have 3 main focus

A — Defend the core

1. Strengthen customer engagement and experience (including simplifying customer onboarding and payment processes; engagement, loyalty schemes)
2. Improve broker engagement to increase share of portfolio
3. Strengthen core business portfolio e.g. fire, motor, marine & Oil & Gas
4. Strengthen Universal brand to redefine recognition as Eastern insurance company

B — Grow/diversify the business

1. Expand geographical footprint
2. Explore partnerships with non-traditional ecosystems to scale (e.g InsurTechs, digital ecosystems, affinity groups)
3. Expand digital channels (mobile app, portal, USSD)
4. Explore bancassurance relationship with a bank
5. Deploy agent app to improve agent effectiveness and customer experience
6. Diversify retail portfolio
7. Grow key accounts leveraging global account management framework
8. Adequately capitalize the business
9. Explore M&A opportunities

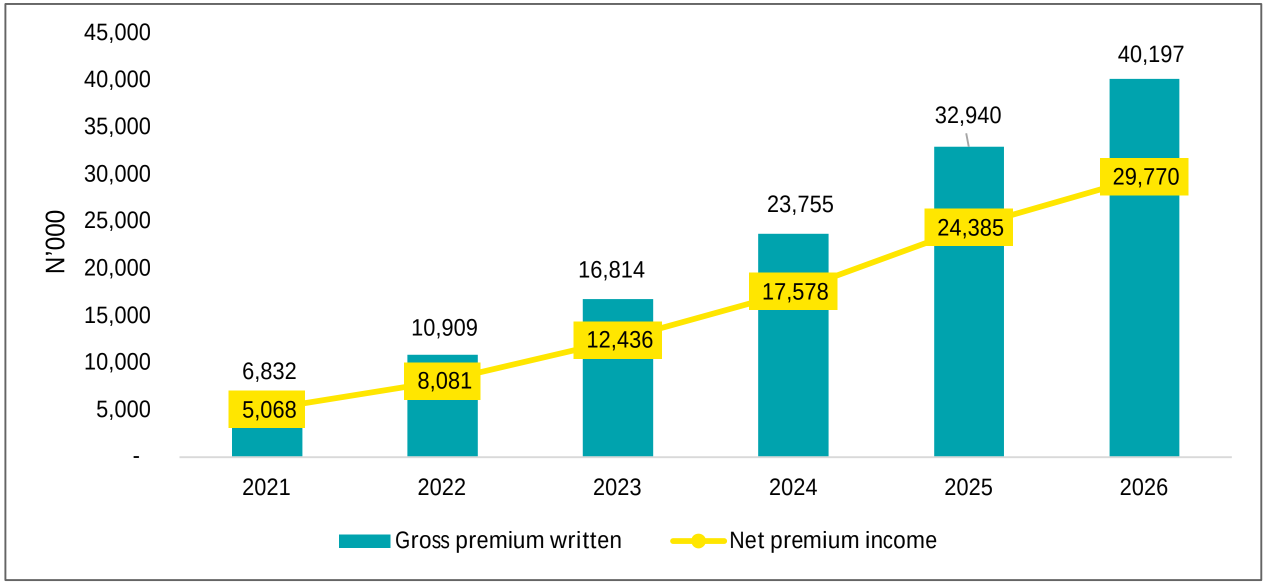
C — Strengthen operational excellence

1. Transform underwriting/claims
2. Invest in deepening the technology capabilities (e.g. core insurance platform; cybersecurity)
3. Strengthen data management and analytics
4. Improve employee engagement and development
5. Build future fit business processes and drive cost optimization
6. Strengthen risk management

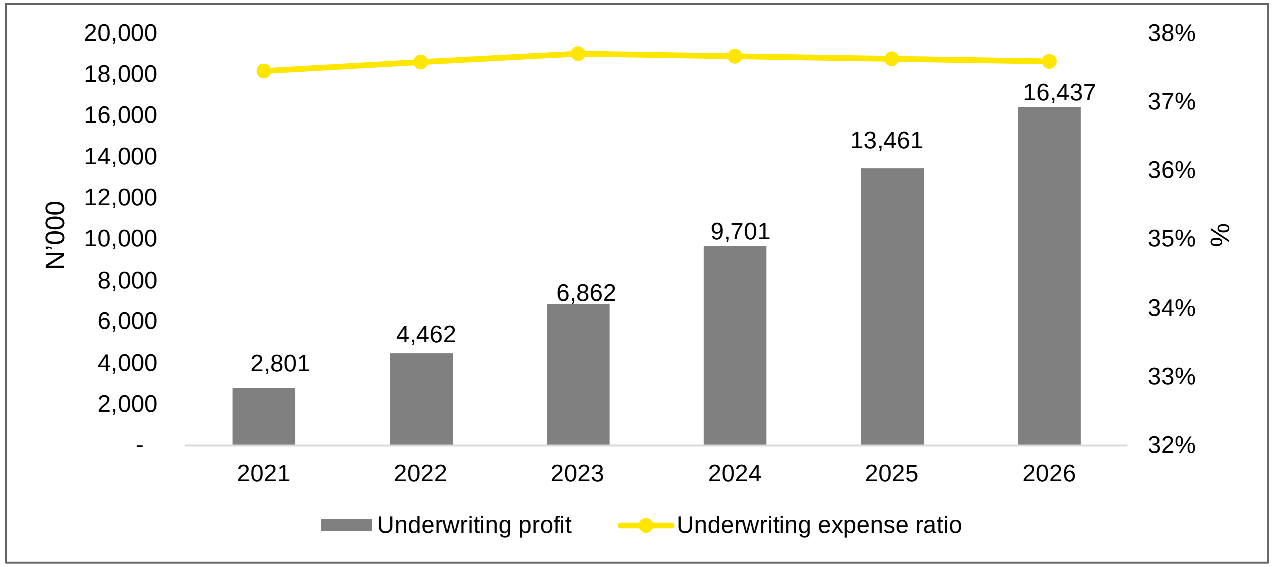
Source: Universal management strategy session

1 Executive Summary

Financial highlights



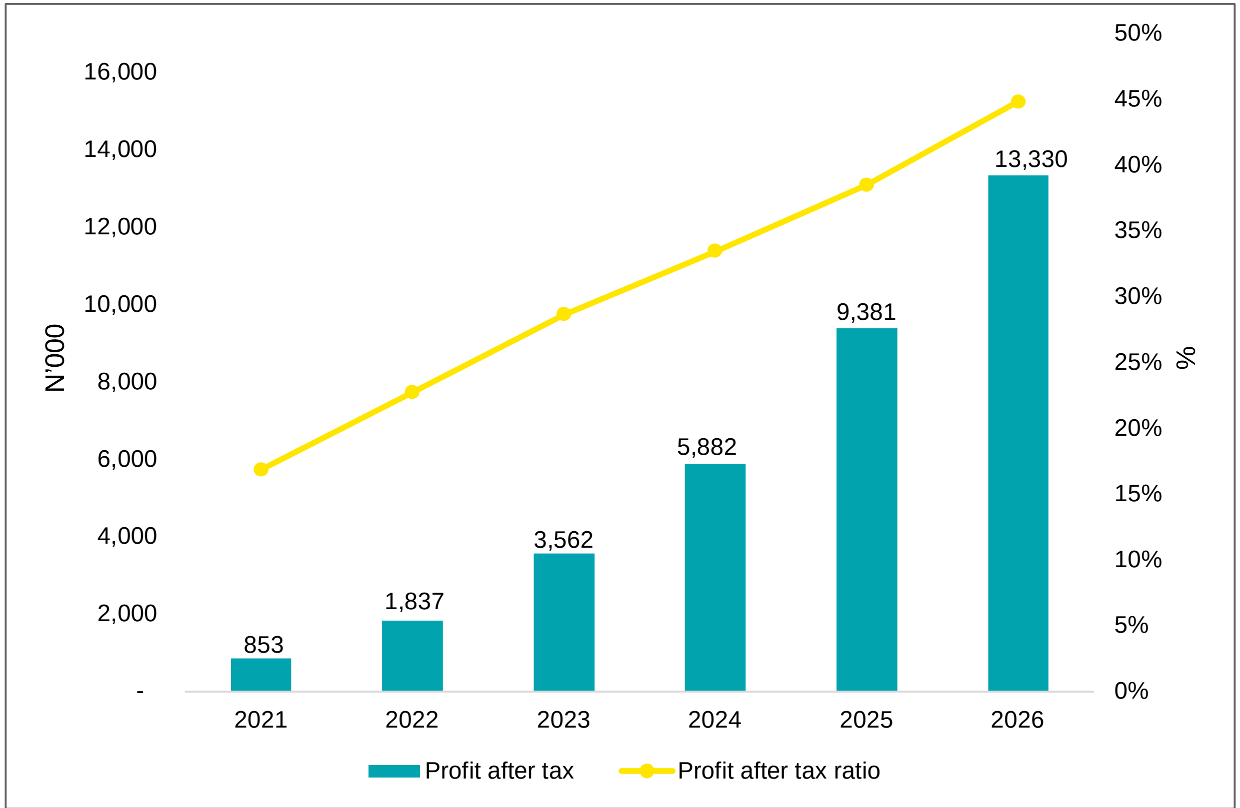
- Universal's gross written premium is expected to grow by c.34.4% CAGR over the forecast period. This is in line with the Company's objective to reach ~ NGN 40 billion by 2026.
- Although this growth is aggressive, the Company's management team is convinced that they can achieve this goal with the three (3) main strategic priorities outlined in the previous slide.
- Fire and oil and gas are the main segments driving the Company's growth, accounting for 28.3% and 24.5% of gross premium in 2026, respectively.
- Regarding net profit income, it is expected to grow by c.34.3% CAGR over the forecast period.



- Universal's underwriting expense ratio is expected to average c.38% over the forecast period, indicating that c.38 kobo is paid out as claims for every N1 of premium earned. This is below the average ratio of c.45% recorded for the non-life insurance industry in 2019.
- Underwriting profit is estimated to increase by c.34.3% over the forecast period.

1 Executive Summary

Financial highlights



- Universal's profit after tax is estimated to grow by c.58.1% between 2021 and 2026. This is mainly driven by aggressively growing the Company's gross premium.
- The Company's profit after tax ratio also shows an upward trend over the forecast period in line with the forecasted profit figures.

Key KPIs		2,021	2,022	2,023	2,024	2,025	2,026
Gross premium written	₦'000	6,832,094	10,908,877	16,813,755	23,755,485	32,940,378	40,196,976
Retention ratio	%	81%	81%	80%	80%	81%	81%
Underwriting expense ratio	%	37%	38%	38%	38%	38%	38%
Combined ratio	%	86%	79%	72%	69%	67%	65%
Cost to income ratio	%	74%	67%	61%	58%	55%	54%
Underwriting profit ratio	%	55%	55%	55%	55%	55%	55%
Total expense ratio	%	37%	30%	23%	20%	18%	16%
Net claims ratio	%	12%	11%	11%	11%	11%	11%

2

The Nigerian Macroeconomic environment

2 Overview of the Nigerian economy

Nigeria is positioned to remain a huge market given its strategic advantage in economic size and human population

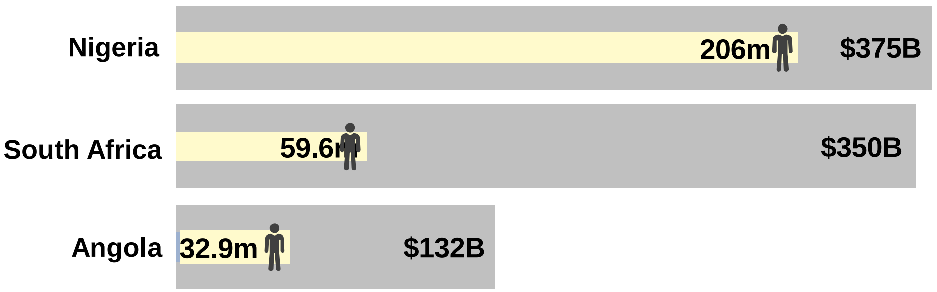
- 7th largest population globally
- Large & growing workforce
- No. 1 GDP in Africa
- Growing mobile & internet penetration

206m Population

Nigeria's population is the largest in Africa, and is expected to grow at a rate of 3.2% annually. By 2025, the country's population is projected to have grown to over 250 million people. This provides a huge market advantage for businesses able to penetrate the market.

Population & GDP (2020)

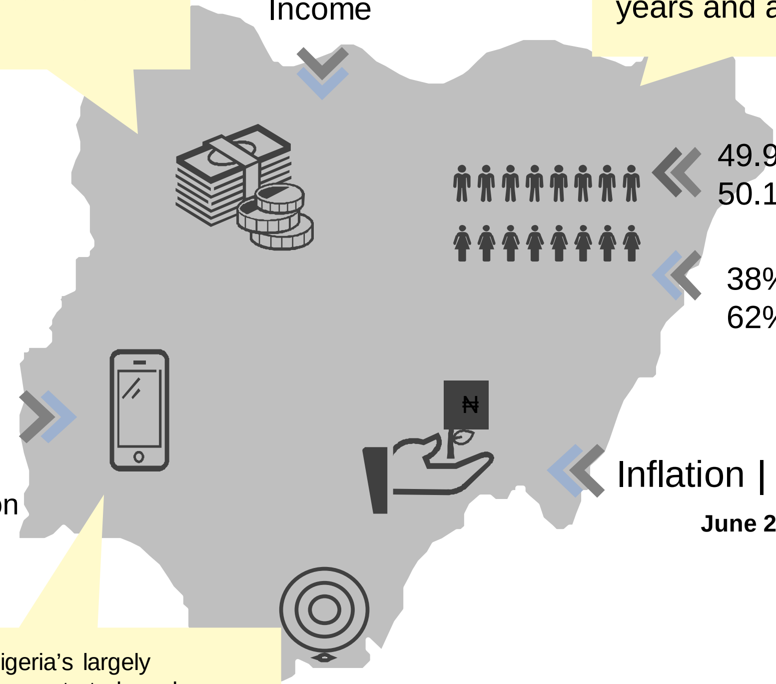
No. 1 in Africa



48.6%
Formal Financial Inclusion

$1,966
Low GDP Per Capita Income

99.6m
Adult population (18 years and above)



49.9% | **Male**
50.1% | **Female**

38% | **Urban**
62% | **Rural**

69%
of entire population own a Mobile Phone

Inflation | **17.75%**
June 2021

Nigeria's largely unpenetrated rural insurance market now has access to mobile devices, making it possible for insurers to interact directly with the rural population.

Nigeria contributes 72% of West Africa's GDP, as well as 53% of the region's population. This makes the country attractive to investors

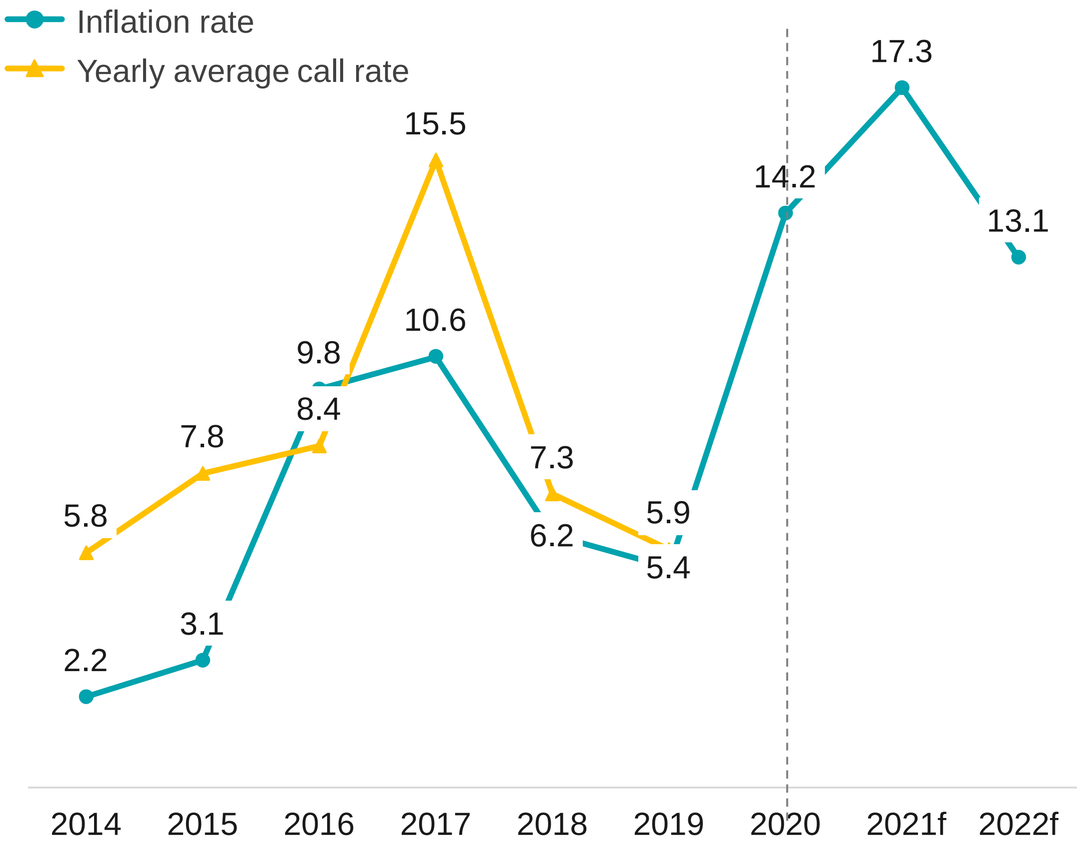
Source: World Bank, Oxford Economics, EFInA

2 Overview of the Nigerian economy

Inflation has been on the rise and continues to erode the real value of money

Inflation rate in Nigeria (2014-2021)

Consumer price index, y-o-y % change



Commentary and Implications

- In 2020, the increase in inflation was as a result of the upward pressure on the headline index, which was largely driven by increasing divisions that contribute to the Core Sub-Index. Prices increased at a faster pace especially in the composite food index, due to an increase in electricity tariff and fuel price.
- However, this upwards pressure seems to have eased as inflation rate dropped to 17.19 % in September 2021, from 17.59% in May 2021.
- The Central Bank of Nigeria cut the MPR rates in August 2020 to 11.5% from 12.5% in May 2020 but kept them stable at 11.5% through May 2021. This reduction is expected to moderate the upward pressure on prices, attract fresh capital into the economy, and improve the level of the external reserves.
- A lower interest rate environment will lead to the downward repricing of lending rates. With yields on government securities expected to inch lower, the risk appetite of banks will be incited.

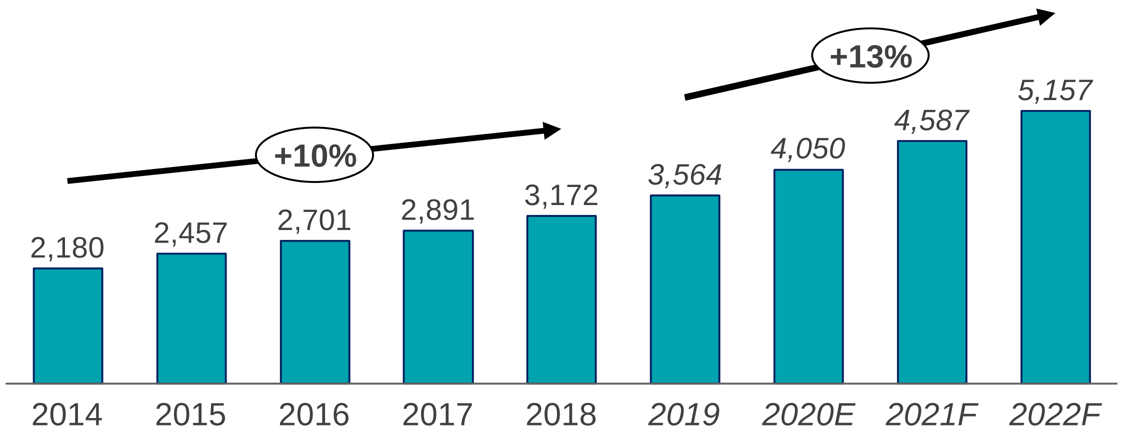
Sources: NBS, Oxford Economics, Renaissance Capital, CBN, EY Analysis

2 Overview of the Nigerian economy

The recovery of the economy from recession is expected to continue into 2021 especially with the commencement of vaccine distribution

Nominal GDP Per Capita *NGN trillion*

Nominal average annual household disposable income *NGN 000s*



Commentary and Implications

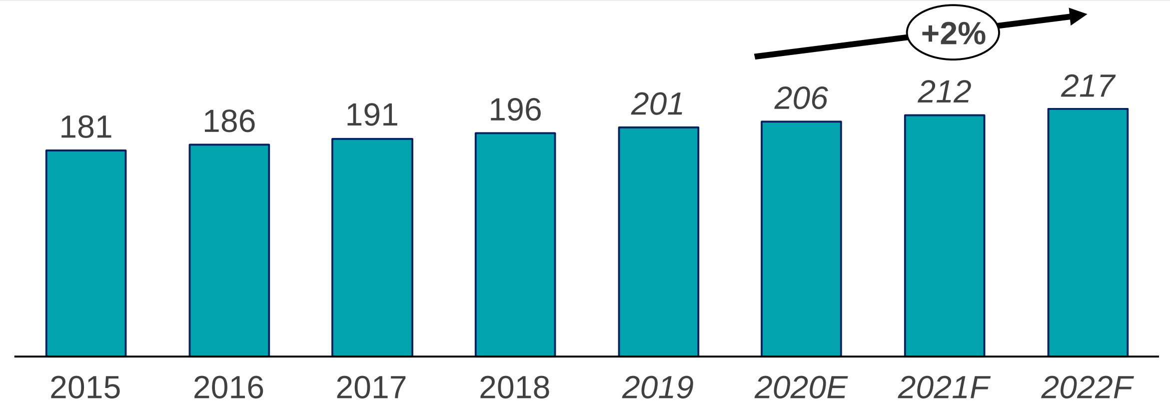
- The impact of the COVID-19 pandemic and drop in oil prices led to two consecutive quarters of recession in Q2 and Q3 2020. However, GDP grew by 0.11%(year-on-year) in real terms in Q4 2020, representing the first positive quarterly growth in the last three quarters.
- This growth was mainly driven by the information and communication sector and agriculture, which grow by 15.9% and 3.42% respectively.
- Non-oil accounted for 94.13%, while the oil sector accounted for 5.87% of the total GDP for Q4 2020.
- The oil sector fell by 19.76% (year-on-year) in real terms versus a drop of 13.89% in Q3 2020. The non-oil sector grew by 1.69% in real terms, an improvement compared to a decline of 2.51% recorded in Q3 2020. However, this was lower than 2.26% recorded in the corresponding period of 2019.
- The service sector contributed 54.28% to the GDP in Q4 2020, followed by agriculture (26.95%) and industries (18.77%.) in the same period.
- There has been a consistent increase in disposable income over the years.
- The fastest growing social class is forecast to be the poorest class until at least 2030, and inequalities in household income are also expected to grow in the long term.
- However, Nigeria's emerging middle class currently comprises 23% of the population and has a buying power of c.$28bn.

Sources: NBS, Oxford Economics, Renaissance Capital, CBN, EY Analysis

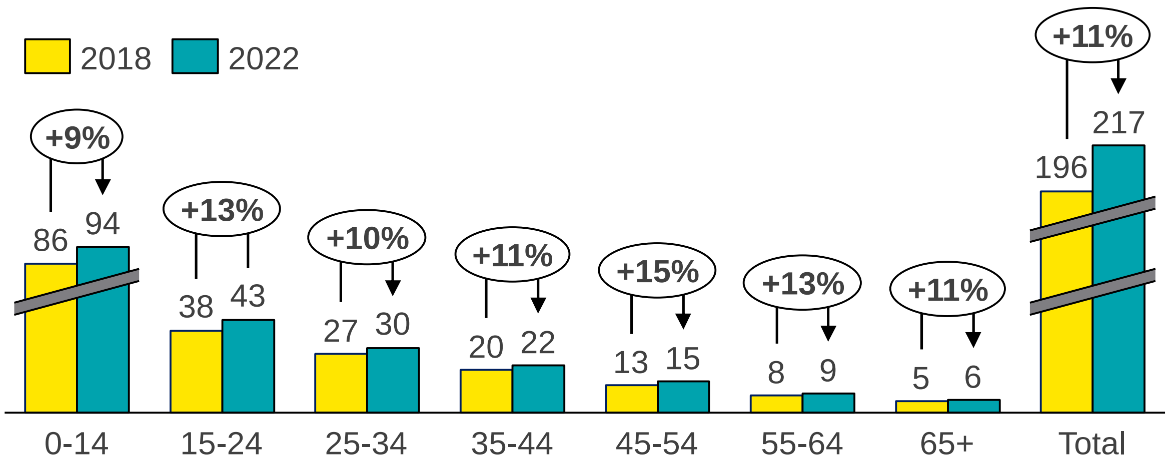
2 Overview of the Nigerian economy

Nigeria's population continues to grow rapidly at over 3% annually

Nigeria's population, 2015-2022 Millions



Nigerian population by age group: 2018 vs 2022 Millions



Commentary and Implications

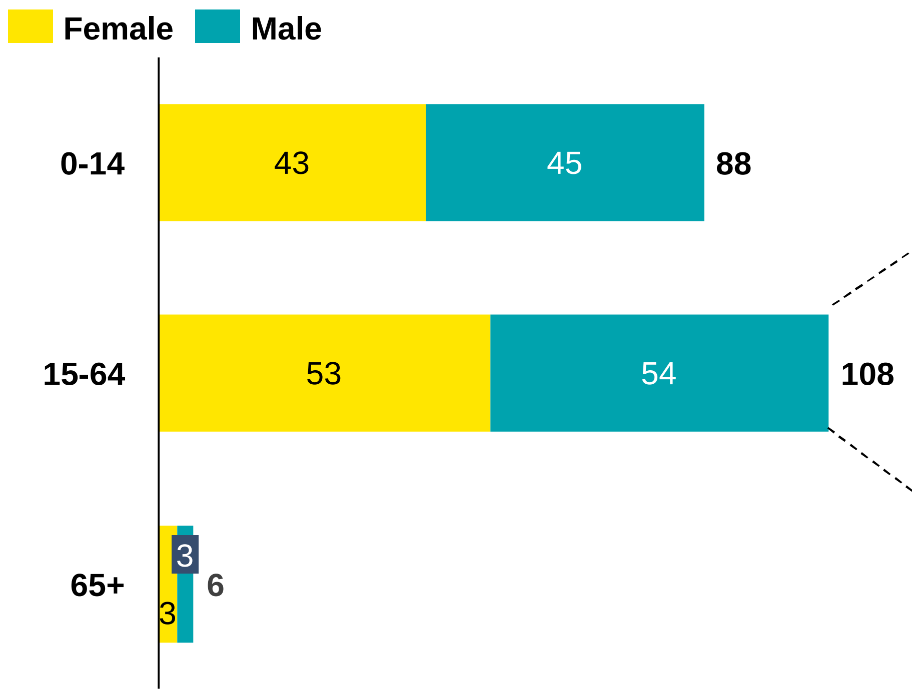
- Nigeria is the 7th most populous country in the world, following Brazil and Pakistan, and the most populous country in Africa.
- The country's population is expected to continue to expand at a fast rate, set to reach 300m by 2030 and 400m by 2050.
- Top 3 most heavily populated states are:
  - Kano: 13.1m
  - Lagos 12.5m
  - Oyo: 7.94m
- About c. 60% of citizens are under 25 years of age, an additional 15% are between 25 and 29.
- This emerging young population, citizens of the digital age, will have a radically different view on how financial services should be consumed.
- The majority of the country's population is located in rural areas of the country requiring. Innovative, simple, and low-cost financial inclusion solutions will be required to reach this segment of Nigerians.

Sources: Oxford economics, EY Analysis

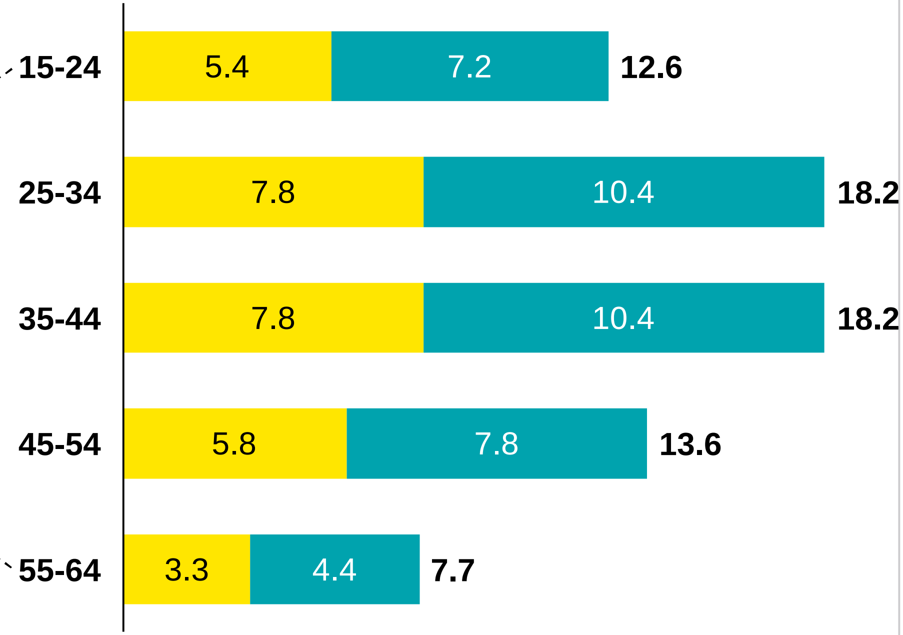
2 Overview of the Nigerian economy

88% of the active labour force are under informal employment, highlighting the need for innovative revenue generating products targeted towards this demographic

Population by age group *2019, Millions*



Working Population by age group *Millions*



- 74% of the male population and 56% of the female population within the age group of 15-64 participate in the working labour force.
- **52 million** of the employed population work **full time** (40+ man hours per week) while **18 million work part time** (between 20-39 man hours per week).
- **Currently, ~88% of the working population are under informal employment, while 12% are under formal employment with a proper employment contract and pension account.** This has implications for the distribution of insurance to this demographic of the population.
- Of the **12%** under formal employment, **43%** & **57%** are employed by the public and private sector respectively.

Sources: World Bank, United Nations, NBS, EFInA Access to Financial Services in Nigeria 2018 Survey, EY Analysis

2 Overview of the Nigerian economy

Recent developments in the Nigerian economy

Finance Act and CAMA Bill

- The Finance Bill was signed into law on January 13, 2020. The Bill brings significant changes such as VAT increase from 5% to 7.5%, Small businesses with a turnover of less than N25m are exempted from Companies Income Tax (CIT), CIT is set at 20% for medium-sized companies.
- On August 7, 2020, President Muhammadu Buhari signed the Companies and Allied Matters ("CAMA") Bill, which introduces new provisions aimed at improving the ease of registration, commencement, and operation of businesses in Nigeria.

CBN Intervention Policies

- Amidst the Covid-19 Pandemic, the Central Bank launched eleven (11) intervention schemes aimed at increasing access to cheaper finance by non-financial institutions.
- The schemes spans across several industries in Nigeria, including Agriculture, Textile, MSME, Healthcare, and Creatives.

NAICOM recapitalization suspension

- The regulator (NAICOM) gave underwriters an additional year to recapitalize as companies deal with the effects of the coronavirus pandemic. The industry recapitalization program scheduled to end in 2020 was postponed to September 2021.
- However a pending court case has led to the suspension of the recapitalization exercise.

Nigeria Economic Sustainability Plan (NESP)

- In response to the impact of the COVID-19 pandemic on the economy, the Federal Government of Nigeria ("FGN") developed the Nigeria Economic Sustainability Plan (NESP) to hasten the desired economic recovery and sustainable growth. The proposed plan will be supported with a N2.3 trillion stimulus package (over 20% of the 2020 fiscal plan).

Revision of the 2021 budget

- The Nigerian 2021 budget of c.N13.08 trillion was revised upwards to ₦13.59 trillion in December. Average daily crude oil production was pegged at 1.86 million barrels per day with the oil benchmark priced fixed at $40.

Source: EY Analysis

Economic outlook

Key theme		Evidence	Key implications for Universal
Growth	**The Nigerian economy continues to recover as the effect of the Covid-19 pandemic eases and global oil price increases**	▪ Overall, in the second quarter of 2021, Nigeria's Gross Domestic Product (GDP) grew by 5.01% (year-on-year) in real terms. This was driven by the return to normal economic activities and international commercial activities, as the effect of the COVID-19 pandemic eases and global oil price increases. ▪ This Q2 2021 growth rate was higher than the (6.10%) growth rate recorded in Q2 2020 and the 0.51% recorded in Q1 2021, indicative of continuous recovery.	▪ Sustaining high growth in this economy requires the ability to create new markets (penetrating new segments) and gain market share while aggressively defending/protecting current market share. ▪ Economic growth will support growth in disposable income for individuals.
Infrastructure	**Infrastructure investment continues, however, fiscal deficit as a % of GDP back down to under 2%.**	▪ National Debt to GDP has been rising (12.6-19.1% 2014-18), however, fiscal deficit as a % of GDP has declined to under 2%. ▪ Privatisation trend continuing, e.g. Afam Power Plant has been acquired by Transcorp in November 2020. ▪ Heavy investment in transport and energy infrastructure expected over the next 6 years, e.g. Bodo-Bonny Road in Rivers State, Abuja-Abaji Road, Abuja-Lokoja road, and 7 railway projects linking the Southern region and Abuja railway linking the northern region.	▪ The Company needs to be in a position to support infrastructure investment plans across with appropriate coverage and risk plan in place.
Population	**Nigeria's population continues to grow rapidly, with c. 60% of its citizens under 25 years of age.**	▪ Nigeria's population has and is expected to grow rapidly at over 2% annually (2021-24F). ▪ Population is set to reach 300m by 2030 and 400m by 2050 c. 60% of citizens are <25 years of age; an additional 15% are between 25 and 2954% of the population are in the active labour force, but only 12% of this labour force is under formal employment; unemployment remains high, c.23%, partially amongst the younger population. ▪ Concentrated population and wealth in Lagos and disparity across Nigeria's regions and cities.	▪ The growing population indicates a growing base of insurable lives. ▪ Improving financial inclusion and digital penetration presents an opportunity to improve insurance penetration. ▪ High informal employment highlights the need for innovative revenue-generating products targeted towards the informal working population.
Consumers	**The number of "consuming-class" households set to rise along with digital penetration.**	▪ The country could have 35 million "consuming-class" households by 2030. ▪ Consumer spending growth remains stable, but essential spending continues to command the largest share of expenditure (c.79%). ▪ The number of mobile phones per 100 people is expected to rise from 94.5 – 102.6, 2021-24F and internet uptake growing by about 27% in the same period; however Smartphone penetration remains low at 18.4%, but sales growth increasing as prices drop.	▪ Mobile solutions offer a potential distribution channel. ▪ Potential partnerships to increase penetration in this channel.

Source: EY Analysis

2 Overview of the Nigerian economy

Exogenous triggers indicate growth prospects for the insurance industry…

Trigger	Description	Outlook
Macroeconomic stability	▪ Positive economic growth is expected in 2021, forecasted at c.2% GDP. ▪ However, the oil sector is expected to stagnate given ongoing regulatory uncertainty and crude oil prices.	Neutral: *Sector diversification is still required due to the country's current dependency on the oil sector.*
Income Levels	▪ Disposable income per capita (in ₦) is expected to increase 11% in nominal terms, although real growth is anticipated to remain flat.	Neutral: *Nominal growth to continue, but real growth to remain flat*
Pensions	▪ The pensionable population increasing at 3% per annum and is expected to hit 6 million people by 2020. ▪ The Pension market has a strong regulatory structure, an asset base approximately seven times bigger than the insurance industry.	Positive: *Pension population to keep growing, with pension assets rapidly expanding*
Financial sector and capital market development	▪ The monetary policy favouring longer-term FGN bonds: CBN is using bond issuances in order to fuel infrastructure investments and keep Naira steady in a challenging macro environment. ▪ Bond yields remain one of the highest worldwide (c.14%), driving demand (but conversely limiting appetite for equities).	Positive: *Favourable monetary policy and continuance of issuances for infrastructure investments*

How can Universal Insurance spark a transition to a mature stage leveraging endogenous triggers?

- **Critical mass of industry scale**
- **Distribution infrastructure**
- **Data collection**
- **Actuarial and professional skills**
- **Alternative distribution enabled by regulation**
- **Industry market conduct standards**

Key: Positive Neutral Negative

Source: BMI / Fitch, EY Analysis

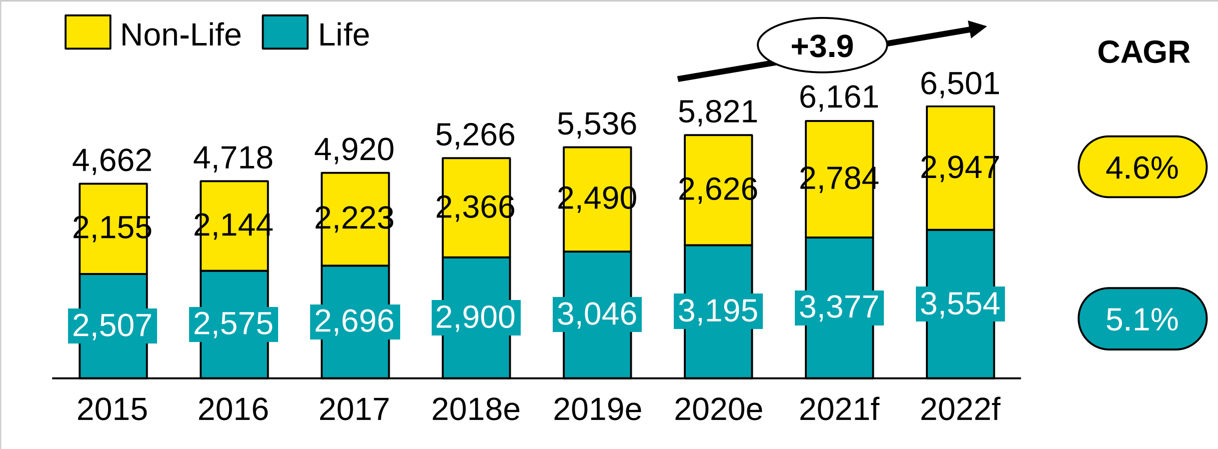
3

Overview of Nigeria’s Insurance Sector

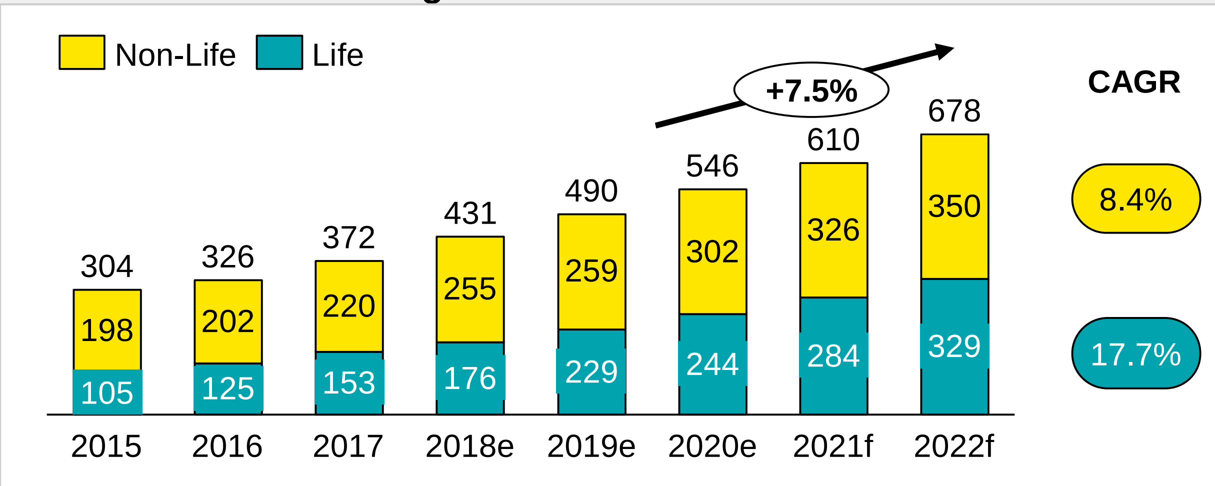
3 Overview of Nigeria's Insurance Sector

Global Gross Premiums was estimated as $5.8 trillion in 2020, while Nigeria premiums are expected to grow at 7.5% CAGR between 2020 - 2022

Global Total GPW *USDbn*



Nigeria Total GPW *NGNbn*



Source: BMI / Fitch, EY Analysis

Commentary

- Nigeria's life insurance market constitutes the smaller segment, contributing 45% of total written premiums in 2020.
- Life premiums are expected to grow faster and ultimately reach NGN329bn by 2022. If current growth rates continue, the Life industry's GPW will surpass Non-Life in 2026.

Global drivers:

- Growth across emerging markets
- New technology fueling growth opportunities
- Regulatory changes
- Increased disposable income from the rising middle class of emerging economies

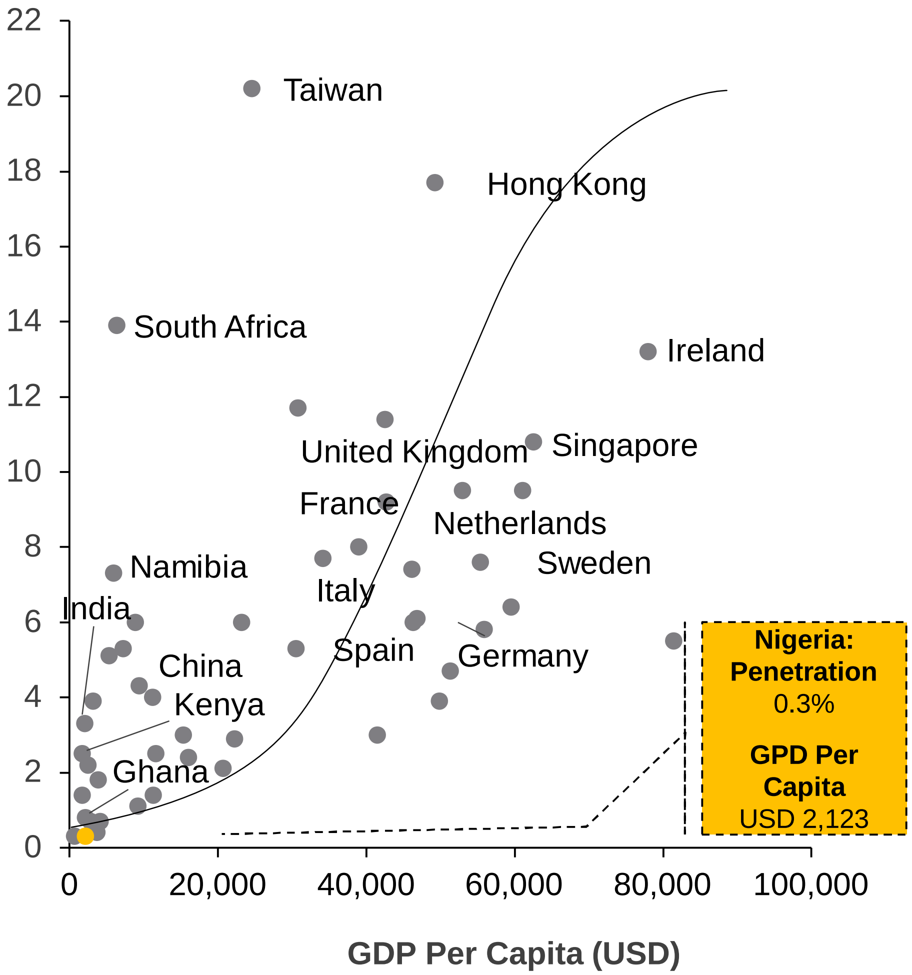
Local drivers:

- Slowly improving level of awareness of insurance benefits
- Enforcement of compulsory insurance classes
- Growth in the pensions market
- Increased disposable income from the emerging middle class; improvement in education and literacy

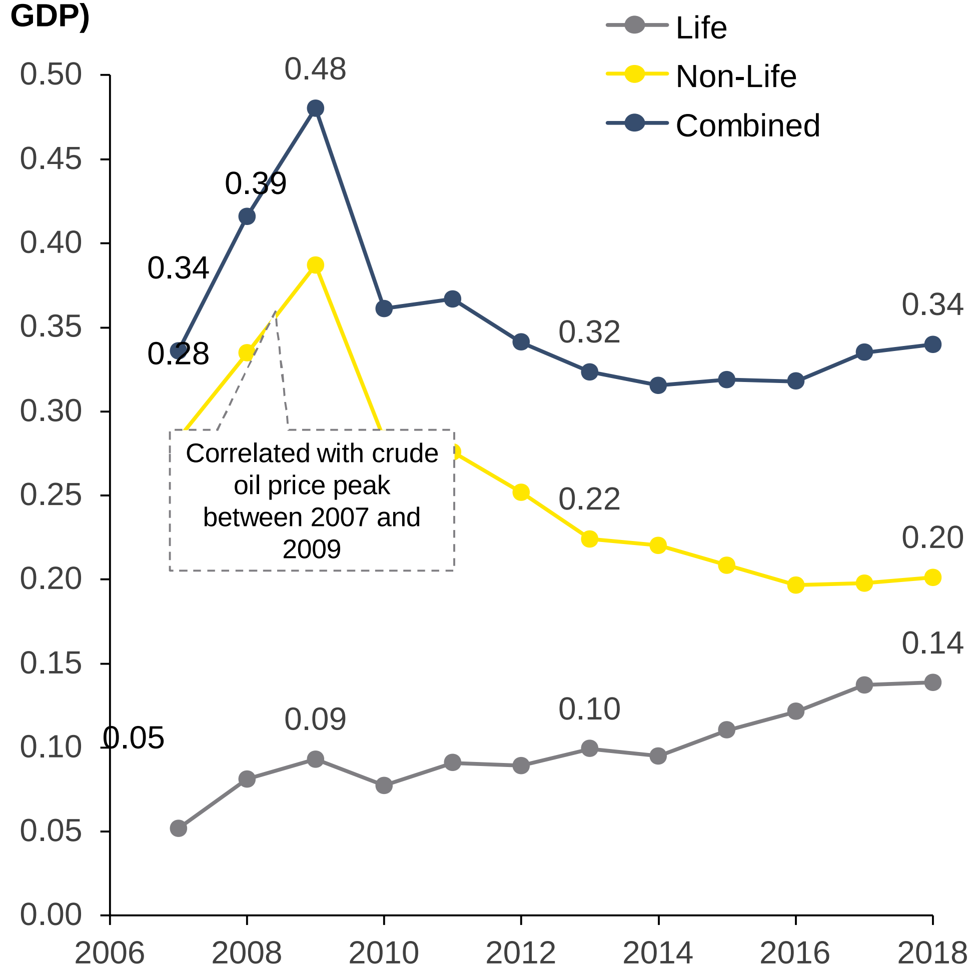
3 Overview of Nigeria's Insurance Sector

Insurance penetration in Nigeria is still very low compared with other emerging insurance markets

Insurance Penetration (GPW % of GDP) in 2018



Nigeria's Life and Non-Life Penetration (Premiums Written % of GDP)

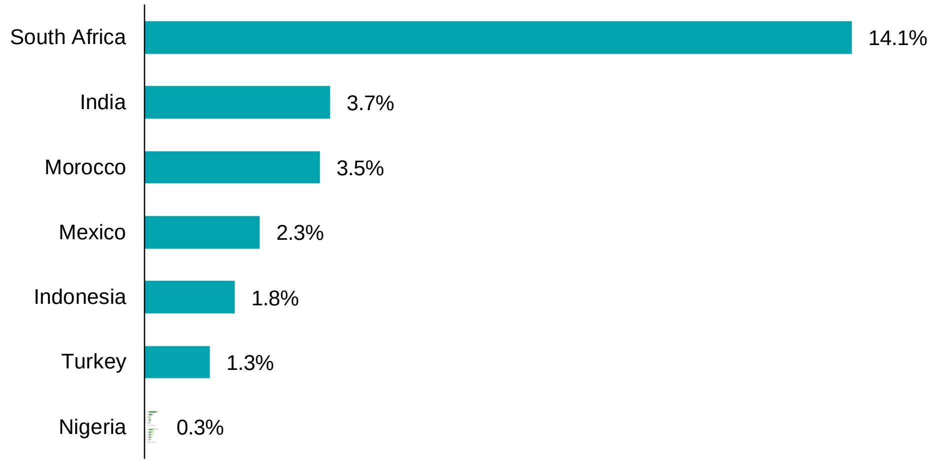


Source: BMI / Fitch, Swiss Re, EY Analysis

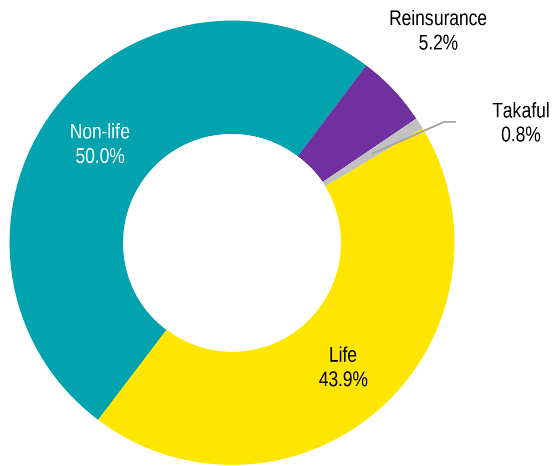
3 Overview of Nigeria's Insurance Sector

Nigerian insurance industry at a glance

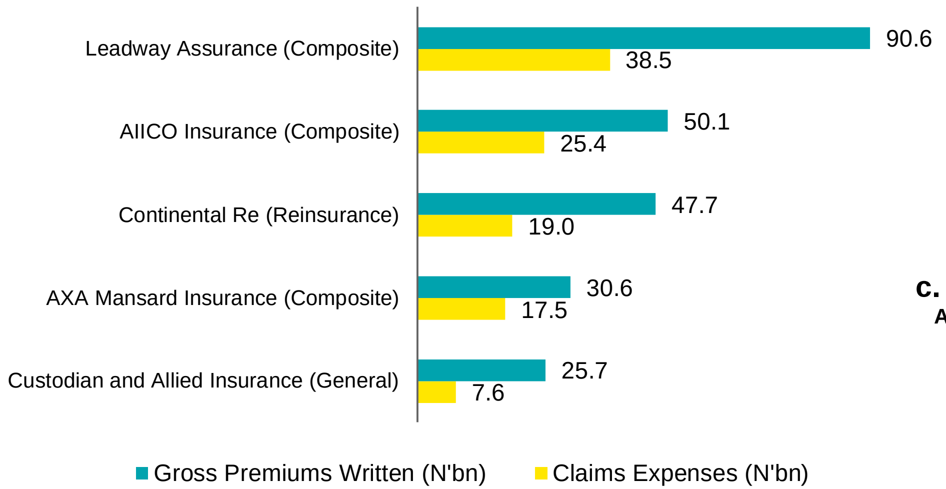
Comparative metrics – Insurance Penetration



Industry GWP breakdown by business segment (2019e)



Top Insurers in Nigeria (2019A)



c. 2,000
Agents

Financial highlights

GWP	Net claims	U/W profit
N482.4b	N239.6b	N59.3b

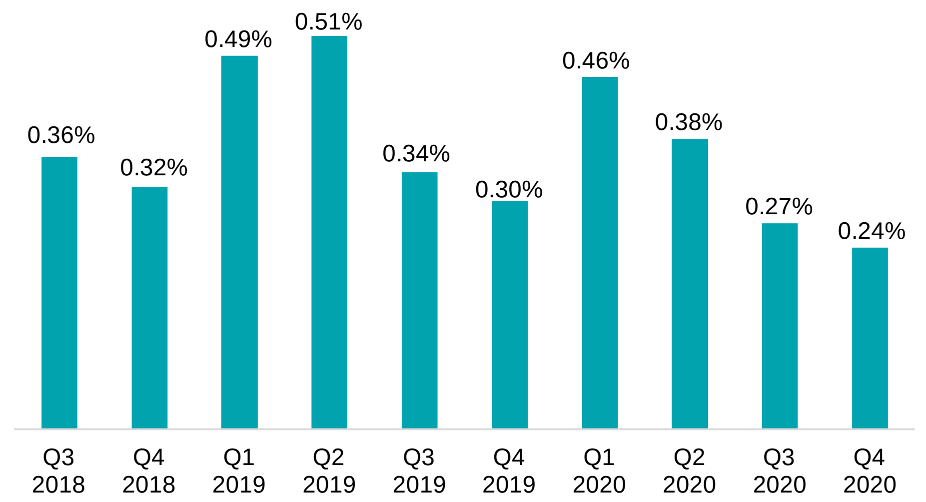
Industry players

17	29	13	4	4
Life	Non-life	Composite	Takaful	Reinsurance

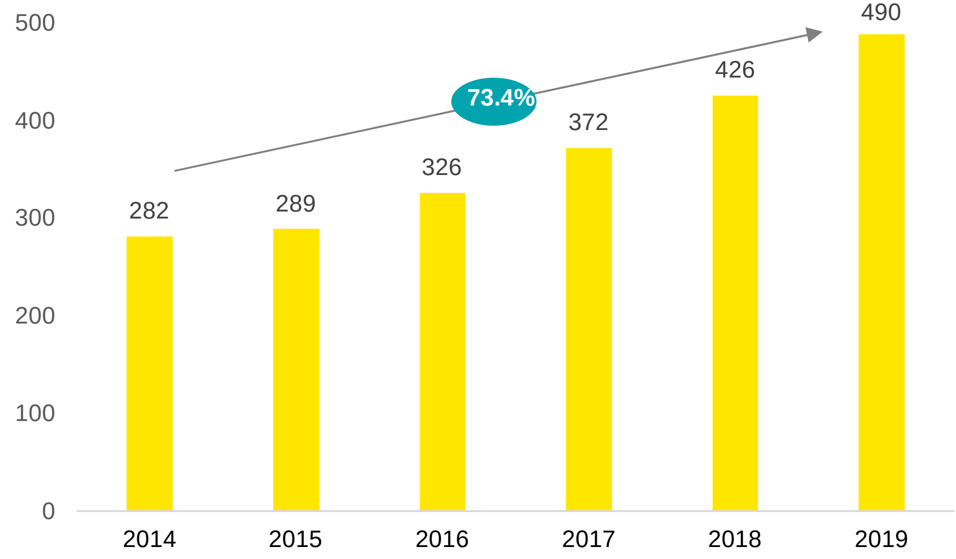
Sources: BMI; NAICOM; NIA; EY analysis

3 Overview of Nigeria's Insurance Sector
Nigerian insurance industry at a glance

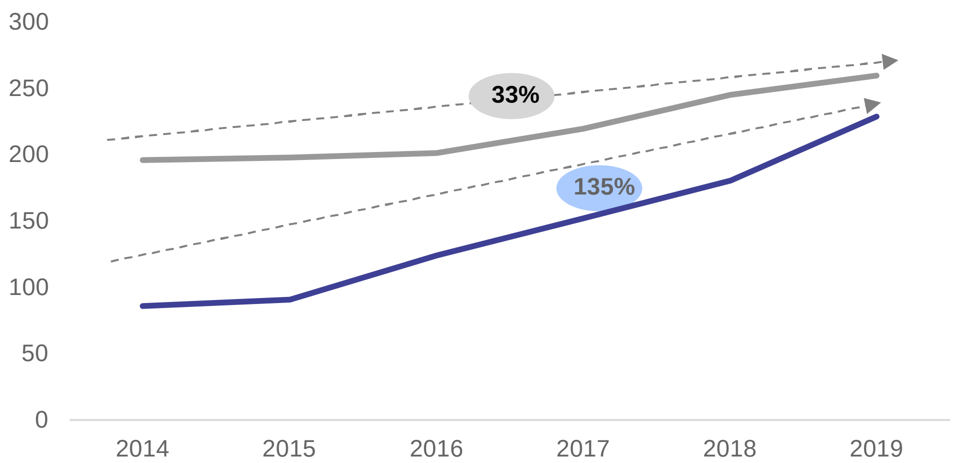
Insurance as a % of GDP



Growth in Gross Premium Income



Growth in Life and Non-Life Insurance



- Insurance as a % of GDP has dwindled over the last 10 quarters contributing 0.24% to GDP in Q4 2020 primarily due to the pandemic induced recession.
- Gross premium income is the crucial indicator of growth in the insurance sector and it grew by 74.3% from 2014 to 2018, with the Life insurance sector being responsible for most of the growth recorded in the period.

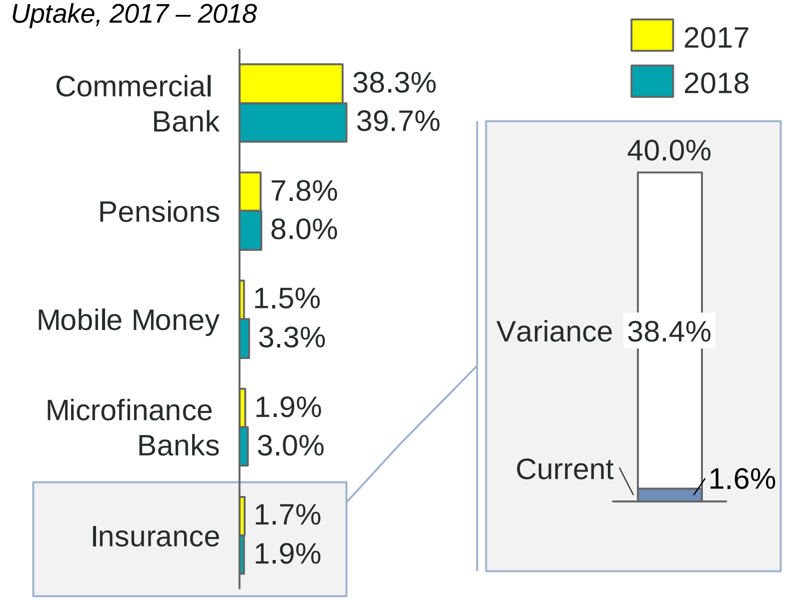
Sources: NAICOM; EY analysis

3 Overview of Nigeria's Insurance Sector

Nigeria's insurance penetration remains low, but the market is poised to transition to the retail expansion stage of market development

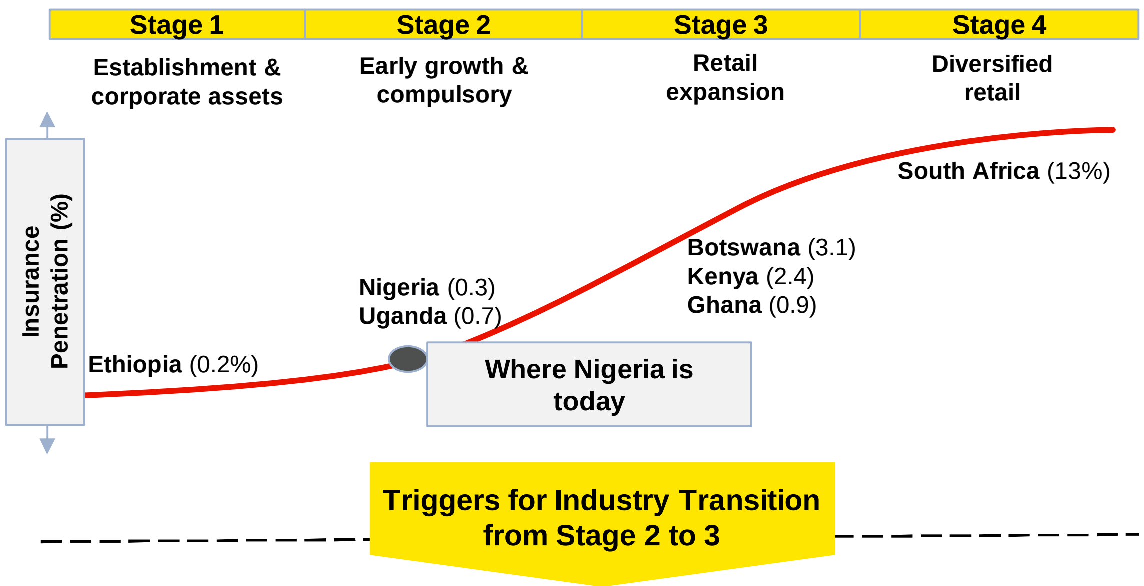
Uptake in insurance is observed to be lowest compared to other financial services across Nigeria

Subscription to financial services Uptake, 2017 – 2018



Nigeria is currently transitioning in Stage 2 of the insurance market development framework for Sub-Saharan Africa

Insurance Market Development framework for sub-Saharan Africa



- According to EFInA, there are only **1.8 million** covered adults **(1.9% of the adult population)** due to poor awareness, public lack of trust in insurance, and limited distribution.
- Large opportunity remains to deepen penetration for easy-to-reach segments including employee groups and bank account holders.

External Triggers
- Income levels
- Macroeconomic stability
- Level of formal employment
- Financial sector and capital market development

Internal Triggers
- Data collection
- Actuarial and professional skills
- ICP-compliant regulation enabling alternative distribution

Sources: BMI; Oxford Economics; NBS; Oxford Business Group; EY analysis

3 Overview of Nigeria's Insurance Sector

Structural View of Insurance market (Key players and number of players)

	Non-Life	Life	Reinsurance[1]	Insurance Brokerage
Traditional Players	Custodian; NEM Insurance PLC; Universal Insurance PLC; wapic; Law Union & Rock Insurance PLC; FBN General Insurance	FBNInsurance; Custodian; ARM Life; African Alliance Insurance PLC; 5 Mutual; wapic	Continental Reinsurance; Nigeria Re Nigeria Reinsurance Corporation; Africa Re	Hogg Robinson Nigeria Ltd. insure your vision; scib; IBN; YOA Insurance Brokers; FBN Insurance Brokers
Composite Players (Non-Life and Life)	Leadway Assurance Company Limited; AIICO Insurance American International; Cornerstone; AXA Mansard; Allianz			
Top 5 concentration	27%	74%	35%	30%
Top 10 concentration	39%	89%		44%
Number of players	42	30	3	497

1. Only 2 Local reinsurers and 1 regional present in market and they reinsure approx.35% of the market
2. Team analysis
Sources: NAICOM, Cenfri, EY Analysis

3 Overview of Nigeria's Insurance Sector

The non-life insurance market is broker dominated in contrast to the life market which is driven by agents

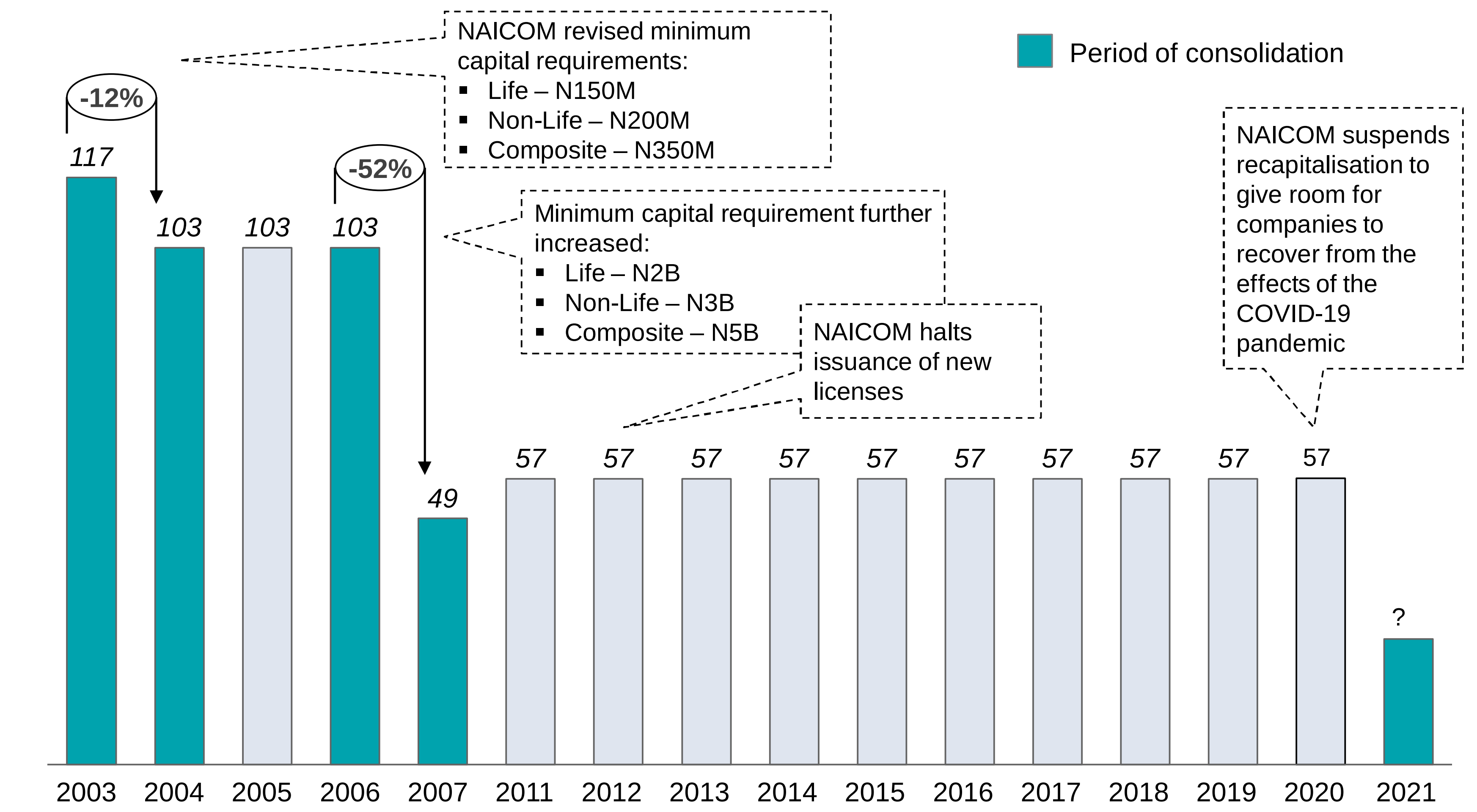
Key findings	Comments
Brokers dominate Non-Life market and are similarly concentrated in urban regions	► Non-Life insurance premiums are primarily driven by insurance brokers ► Brokers are also concentrated in urban areas. Of the 491 members listed on the Nigerian Council of Registered Insurance Brokers (NCRIB) website, 75% (367) are based in Lagos and 12% (61) are based in Abuja (NCRIB, 2018)
Agents are the primary distribution channel for individual life insurance products	► Physical agent networks are the dominate mode for distribution of individual life insurance products ► Insurers with the largest agent networks are AIICO (with approximately 4,500 to 5,000 agents) and FBN life (with 2,700 agents). ARIAN has 7,000 registered agents, but the total agents operating in Nigeria is estimated at 20,000 (The Guardian, 2018)
Bancassurance models growing, but few partnerships observed across landscape	► Bancassurance is a significant distribution channel, however, only five insurers have currently applied to conduct bancassurance under the new bancassurance guidelines. ► Regulation is constraining the uptake of bancassurance as they are perceived to be too restrictive. ► The bancassurance channel presents much potential if regulatory constraints are addressed.
Online distribution has a potential for growth despite regulatory concerns	► Online distribution has an avenue for growth as approximately half of the Nigerian population have access to the internet. ► However, regulatory concerns could potentially hamper online sales as there had been reports of premiums paid online not being received by insurance companies.
Mobile distribution is an alternative mode of distribution, but regulatory constraints limits the scale	► Mobile distribution presents a large distribution opportunity as 69% of the adult population have access to mobile phones but only 1.8 million people have insurance. ► However, regulatory constraints limits the scale as the use of airtime for payments is prohibited. This restricts the ability to pay for insurance through mobile phones to users of mobile money.
Aggregator based distribution to rural areas where digital engagements are difficult	► The rural sector is an underserviced market despite frequent reports of risk events. The lack of penetration of electricity and mobile phones in these areas makes digital engagements difficult. ► This requires aggregator based distribution, that is, distribution through a third party to rural sector given the high costs of reaching this population.

Source: EY Analysis

3 Overview of Nigeria's Insurance Sector

Wave of consolidation in 2007 brought down number of insurers from 103 to 49; current capital requirement expected to spur further consolidation

Insurance Industry Consolidation



Sources: NAICOM, Cenfri, EY Analysis

Foreign M&A activity in the Nigerian Insurance industry

Foreign M&A activity in the Nigerian Insurance industry

2010

MMI HOLDINGS
- Seller – United Bank of Africa Plc
- Target – UBA Metropolitan Life
- Investment Holdings – 50%

SANLAM GROUP
- Seller – First Bank of Nigeria
- Target – FBN Holdings
- Investment Holdings – 35%

2011

NSIA PARTICIPATIONS
- Seller – Diamond Bank Plc
- Target – ADIC Insurance
- Investment Holding –96.2%

ASSUR AFRICA HOLDING
- Seller – GT Bank
- Name Change – Mansard Insurance
- Investment Holding – 67.7%

2013

MUTUAL & FEDERAL INSURANCE COMPANY
- Seller – Oceanic Bank Plc
- Target Acquisition – Oceanic Insurance Ltd
- Name Change – Old Mutual Nigeria Assurance
- Investment Holding – 70%

OLD MUTUAL NIGERIA
- Seller – Ecobank Group
- Name Change – Old Mutual Nigeria Life Assurance
- Investment Holding – 70%

2014

SOCIETE BEAUJON AXA
- Seller – Assur Africa Holding
- Target Acquisition – Mansard Insurance
- Name Change – AXA Mansard Insurance
- Investment – Holding – 77%

2015

FBN LIFE
- Target Acquisition – Oasis Insurance
- Name Change – FBN Insurance
- Investment Holding – 100%

NEW INDIA ASSURANCE
- Target Acquisition – Prestige Assurance Plc
- Investment Holding – 69.5%

2016

MMI HOLDINGS
- Seller – United Capital Plc
- Target Acquisition – UBA Metropolitan Nigeria Life Insurance
- Investment Holding – 100%

SUNU ASSURANCES VIE
- Target Acquisition – Equity Insurance
- Investment Holding – 60%

2017

ALLIANZ GERMANY
- Target Acquisition – Ensure Insurance
- Investment Holding – 98%

PRUDENTIAL
- Seller – Zenith Bank
- Target Acquisition – Zenith Life
- Name Change – Zenith Prudential
- Investment Holding - 51%

2018

WILLIAMSVILLE
- Target Acquisition – African Alliance Insurance
- Investment Holding – 60%

2019

INSURESILENCE INVESTMENT
- Target Acquisition – Royal Exchange General Insurance
- Investment Holding – 39%

2020

SANLAM LTD
- Target Acquisition – FBN Insurance
- Investment Holding – 65%

VEROD
- Target Acquisition – Law Union & Rock
- Investment Holding – 100%

Source: EY Analysis

3 Overview of Nigeria's Insurance Sector

Further regulatory-driven consolidation is expected to drive sector growth

	Current regulatory complications	Potential resolutions & opportunities
1 **NAICOM recapitalization requirements**	• NAICOM mandates minimum paid-up capital increase for insurers. However, this has been suspended due to an ongoing lawsuit. • Low capital base of current insurers would necessitate M&A and possible divestments.	• Recapitalization presents the opportunity for insurance companies to potentially capture market share through M&A given the low capital position of some current market players. • Share capital requirements can also be met through equity injection.
2 **Bancassurance regulation**	• Sales through referrals only; bank prohibited from selling. Insurance and bank product bundling prohibited. • HoldCos are not allowed to own insurance brokers if bancassurance is active.	• Insurance companies should structure a business that enables synergy between bank, insurer, and broker. • Proactively engage regulators and advocate towards the adoption of more liberal bancassurance models.
3 **Product Approval Requirements**	• NAICOM requires insurers to submit each product or product modification for approval. Long process for submission and regulatory disapprovals often stifle innovation.	• Need for innovative modular products. • Explore opportunities for differentiation. • Proactively manage regulatory and other external stakeholders.
4 **Partnership with Telcos**	• Restrictions exist on using airtime and wallet balances as payment for insurance premiums.	• Explore alternative telco partnership options, especially agent networks, payment service banks, and the opportunity to leverage USSD for mobile propositions. • Proactively manage regulatory and other external stakeholders.

Sources: BMI; Oxford Economics; NBS; Oxford Business Group; EY analysis

3 Overview of Nigeria's Insurance Sector

Further regulatory-driven consolidation is expected to drive sector growth

	Current regulatory complications	Potential resolutions & opportunities
5 **IFRS 17**	• Insurance sector continues to prepare for IFRS 17 which is the largest accounting change in more than two decades. IFRS 17 is a big step forward to raise the standardization, harmonization, and transparency in financial reporting. • Significant impact on the balance sheet and statements of income.	• Implementation will require considerable attention and resources. Also, the incorporation of forward looking risk considerations may significantly impact short term profitability of Universal Insurance Plc. • Regulation will increase transparency and overall attractiveness to the global investor community.

Sources: BMI; Oxford Economics; NBS; Oxford Business Group; EY analysis

3 Overview of Nigeria's Insurance Sector

In light of recapitalization, five major themes will drive winning strategies for Universal Insurance

Recapitalization-related opportunities for Universal Insurance

	Description	Key Implications for Universal Insurance Plc
Wallet expansion from lost business	• Potential divestments and exits from the market means that certain customers will be without an insurer	• Universal Insurance can expand underwriting portfolio via acquisition of customers, especially corporate customers who are currently covered by poorly capitalized insurers. • Better broker markets post-recapitalization as bargaining powers of insurers will increase.
Resource Allocation	• Access to new capital provides an opportunity for Universal Insurance to deploy capital towards growth strategies	• Bargaining power of insurers is expected to increase post-recapitalization eliminating price as a differentiating strategy. Universal Insurance will have to efficiently allocate resources towards productivity and differentiation. • Bigger balance sheet provides opportunity to fund growth strategy for Universal Insurance.
Productivity differentiation	• Capital deployment towards improving business productivity	• Internal operations for each entity must be enabled to support the business growth. Each entity must be able to operate efficiently to continue generating returns on capital.
Business differentiation	• Capital deployment towards improving differentiation, including increasing retail penetration across entities	• Entities will be in unique position to differentiate further. Price war will not be a key tool for the future - differentiated products, channels of service and customer experience will be the key lever for Universal Insurance.
Expansion through M&A	• Inorganic expansion through Mergers and Acquisitions of illiquid insurers who cannot meet capital requirement	• Recapitalization presents the opportunity for Universal Insurance to potentially capture market share through M&A given low capital position of some current market players. • Universal Insurance can gain capabilities and target business portfolios through inorganic growth.

Sources: EY analysis

The insurer of the future will look, act and be structured very differently than today….

Traditional insurer

Product & underwriting

Complicated features, long launch cycles, organization- and economics-driven offerings, preset pricing, dependent on manual research and legwork

Marketing & distribution

Agent-dominated, traditional mass advertising strategies and channels

Servicing & operations

Product-centric, reliant on agents, phone- and paper-based, labor-intensive and cumbersome

Claims

Manual processing, long wait times, dependent on subjective, self-reported information

Risk management

Reactive, risk impact mitigation-oriented, relies on broad demographic and historical information

From	To
• Product-centric	• Customer-centric
• Risk- and cost-focused	• Experience-focused
• Rooted in tradition and legacy	• Innovation at the core and on the edge
• Resistant to change	• Agile and adaptive

Digital insurer

Product & underwriting

Quick speed to market, driven by consumer needs and lifestyles, internally and externally sourced features, tailored and more accurate pricing, assisted by technology (e.g., drones)

Marketing & distribution

Digital-direct, personalized and contextual, social and engaging

Servicing & operations

User-centric with omni-channel presence, simple and seamless, self-service friendly

Claims

Automated processing, fast turnaround, leverages objective measured/collected data

Risk management

Proactive, risk occurrence monitoring and prevention-focused, incorporates rich real time data

Sources: EY analysis

Four (4) key growth themes were identified from the case studies analysed across Africa insurance markets

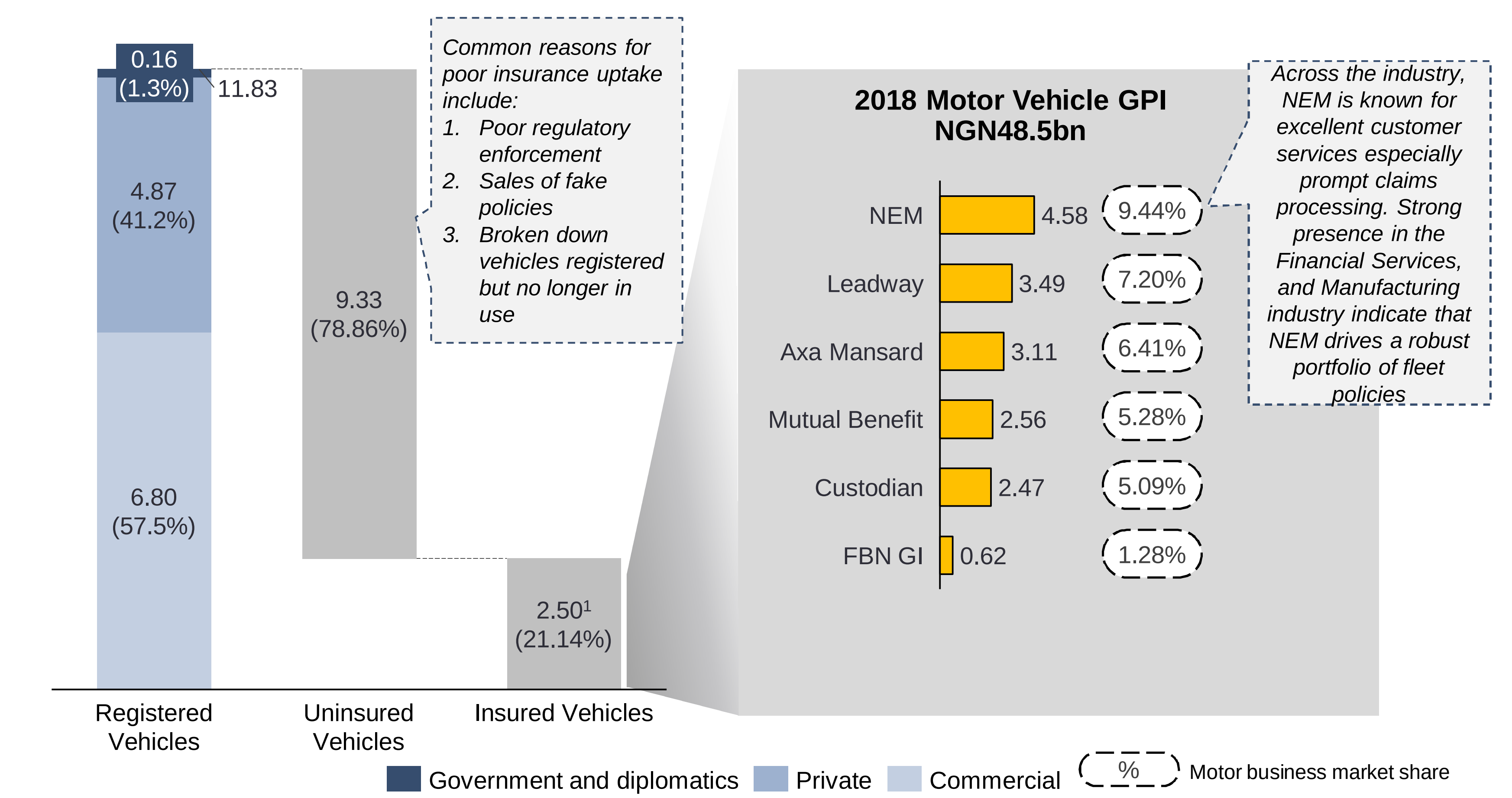
Theme	Key Features	Commentary
1 Product Innovation	• Simplicity • Affordability • Tailored to customer needs	• In markets where literacy levels and insurance awareness are low, simplicity and alignment of products to customer needs serve as hallmarks for successful insurers. • Products are simple, affordable and solve a real need for their target market. This requires a thorough understanding of the customers' behavior and needs, and how this evolves
2 Partnerships	• Bancassurance • Inclusion & reach • Trust • Access • Customer insights	• Bancassurance opportunities to partner with commercial bank to drive retail penetration. • Digital insurers leverage partnerships with mobile network operators (MNOs), banks and retailers to expand their reach and access to new customers. • Partners provide insurers with access to their customers which can be leveraged for servicing. Existing trust and brand recognition of the partners provide an added advantage to the insurer.
3 Mobile	• Flexibility • Simplicity • Inclusion & reach • Convenience	• Rapid increase in mobile penetration has provided opportunities for insurers to deepen insurance uptake. • Mobile technology such as USSD codes and text messages contribute to the simplification of the user interface and are device and network agnostic. • Consumers are familiar with basic mobile technology, hence its use can increase trust and open new avenues of customer engagement.
4 Data Analytics	• Tailored to customer needs • Customer intelligence	• Data analytics will play a key role towards understanding changing customer needs on a real-time basis and this can influence the pricing and underwriting processes. • The analysis of data e.g. age profile and internal mortality assessment will also help with product bundling while enabling an agile customer centric approach.

Source: EY analysis

3 Overview of Nigeria's Insurance Sector

Motor insurance remains a large and untapped market with penetration currently at ~21% despite the existing regulatory requirements

Total registered vehicles broken down by insured and uninsured categories *Mn (Q4, 2018)*



Source: EY analysis

But first, Insurers need to understand what customers are really looking for

Why customers are not buying insurance

- Awareness/education gaps
- Lack of trust
- Poor saving culture and religious beliefs
- Communal support system
- High premium rate

What customers are really looking for

- Product innovation
- Affordability
- Flexibility of products and distribution
- Ease of access to products and services
- Simple and easy to consume products
- Full disclosure

What capabilities must we develop to enable us deliver a tailored and disruptive customer value proposition to grow the business?

Sources: EY analysis

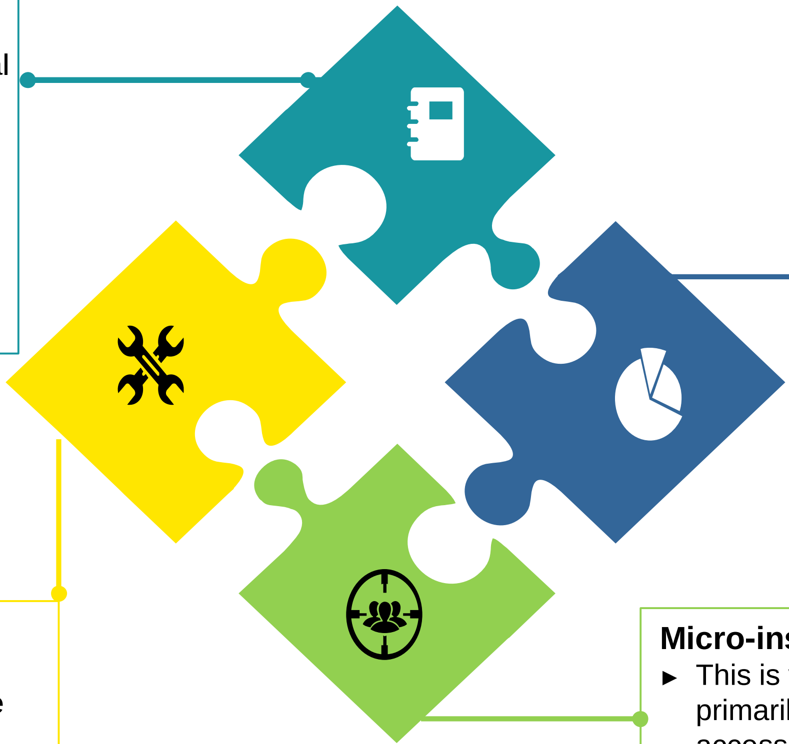
3 Overview of Nigeria's Insurance Sector

Domestic insurers in Nigeria are exploring options to improve access to new customers and target markets

Other areas for the insurance retail market include Takaful and Islamic insurance.

Bancassurance

- The concept of bancassurance was introduced in Nigeria following mutual provision by NAICOM and the CBN to enable banks to engage in non-core financial services in collaboration with insurance firms.
- Examples include Access Bank and Wapic Insurance & Ghana Life; Unity Bank Plc and Veritas Assurance, etc. This is done to launch innovative insurance products for consumers.



Government coverage

- State Governments (such as Oyo and Lagos States) have included insurance providers in the management and financing of the health insurance scheme in their respective states.
- This will help increase the access of insurance products to Government workers who have been underserved in previous years.

Bundled insurance

- This is the practice of purchasing multiple insurance policies from the same insurance company. This option can be explored by insurers to improve access to insurance products to individuals and corporates.

Micro-insurance

- This is where insurance services are offered primarily to clients with low income and limited access to mainstream insurance services.
- This can also be done by the ability to tap into consumer-facing technologies, like mobile phone applications.

Source: EY analysis

3 Overview of Nigeria's Insurance Sector

The growing adoption of digital solutions means insurance products could be promoted to more people at a quicker pace and reduced costs

1 Communication and digital technology

- Nigerian insurance players are increasingly leveraging technology and digital platforms to improve customer interactions, increase process efficiency and by extension drive retail insurance penetration.
- For example, Custodian and Allied Insurance Limited launched an online platform called Max Chatbox, which allows customers to buy insurance policies and process claims.

2 Health insurance

- Health Tech applications using machine learning, a subfield of AI, have huge potential to improve healthcare.
- This is evident in wearables and other devices that can help those with long-term conditions to manage their health.
- For example, Helium Health has developed a new product called Helium Cover to provide insurance for healthcare providers.

3 Financial services

- This area is driven by the fintech startups who partner with insurance companies to introduce customer value with mobile solutions.
- Financial providers are able to retain clients, while insurance companies focus on improving customer experience.
- For example, Carbon, the digital lending company, partnered with AXA Mansard to introduce a number of insurance services on its application.

4 Motor vehicle (Auto) insurance

- Technology is enabling insurers to evaluate vehicle damage at the scene of a collision, without the need for a claims handler or loss adjustor.
- AutoGenius, allows users to buy auto insurance online. They currently work with traditional insurance companies including AIICO Insurance, Leadway Insurance, Custodian & Allied Insurance, and Ensure.

Source: EY analysis

3 Overview of Nigeria's Insurance Sector

Digital is transforming how insurers operate, develop offerings and connect with their clients…

1. Automation

Speed up processes for the client by automating low-risk claims processes, faster front-end communication to back-end systems…

2. Partnerships

Speed up go-to market and service niche or new markets by teaming up with other players.

3. Connected

IoT and Telematics help connect the client to the insurer and vice versa and create new product models.

4. Enhanced analytics

Add customer value in all levels of the insurance value chain, such as personalization of underwriting and servicing, fraud detection

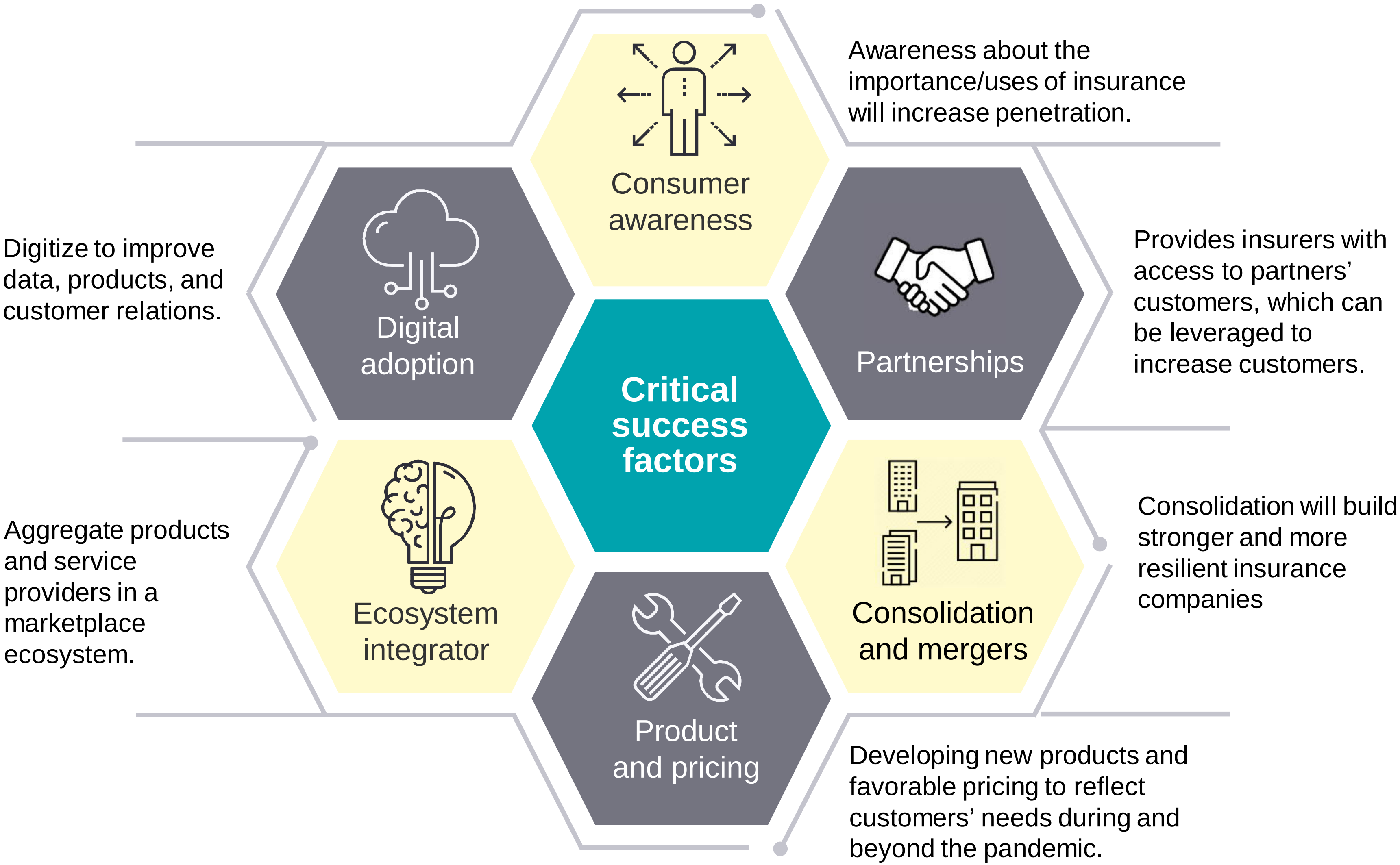
5. Sharing economy

The upcoming sharing economy opens new ways to reach the client, demands for new products (on-demand) and completely changes product models.

Sources: EY analysis

3 Overview of Nigeria's Insurance Sector

Critical success factors of Nigerian insurance industry



Sources: EY analysis

3 Overview of Nigeria's Insurance Sector

Nigerian insurance industry analysis

Threat of New Entrants

- The threat of new entrants to the insurance business is low as a result of the upward revision of the minimum capital requirements by NAICOM from N2bn to N8bn for Life insurance companies, N3bn to N10bn for General insurance companies, N5bn to N18bn for Composite insurance companies and N10bn to N20bn for Reinsurance companies.
- The new paid-up share capital requirement takes immediate effect for new applications made to NAICOM by companies seeking to enter the insurance space.

Threat of Substitute Products

- Traditionally, there are low or limited substitutes for insurance products, however, there is the advent of insurtech which brings innovation in insurance products, including on-demand and usage-based insurance products that appeals to the younger generation.
- While the adoption of insurtech is relatively low in Nigeria, it is likely to gain market share in the medium to long term.

Rivalry from Competition

- The products offered by insurance companies are mostly similar, with very little product differentiation. Taking into consideration that more than 50 companies exist in this sector, the intensity of competition will be high.
- The key to winning the competition will be through distribution channels that can meet both the rural customers and the digitally active customers.

Bargaining Power of Suppliers

- The insurance industry is highly capital intensive considering the minimum capital requirements. The major input is the source of funds from shareholders who are free to invest in any insurance company of their choice.
- Reinsurers which are just two (2) in Nigeria also play a major function in supporting insurance companies with regards to distributing risk and reducing capital constraints
- Therefore the bargaining power of suppliers is high.

Bargaining Power of Customers

- Buyers can be classified into 3 major categories; large corporations, top brokers, and individual policyholders.
- Large corporations especially from the oil and gas sector who pay millions in premium have a lot of bargaining power than individual policyholders.
- Top brokers who assist in distributing insurance products to consumers are also able to negotiate better pricing with insurance companies. We rate the bargaining power of customers as medium.

Risk Impact

High
Medium
Low

Sources: EY analysis

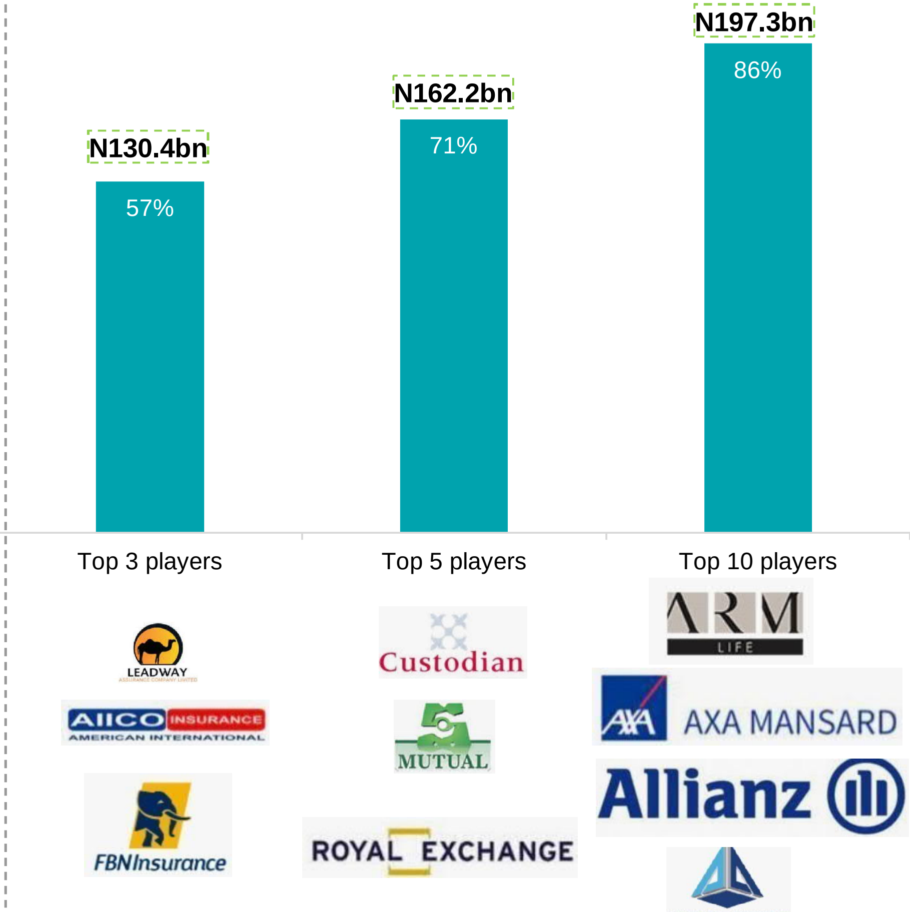
4

Market Analysis of insurance in Nigeria

4 Market Analysis of insurance in Nigeria

Non-Life business accounts for 53% of the industry and is fragmented and heavily competitive, while the Life insurance business is top player dominated

Life Business (2019)



Source: BMI, NAICOM, NIA, EY Analysis

- Accounts for c.47% of industry premiums
- Fewer number of players
- Top 5 players dominated – accounting for over 70.0% of total premiums
- Dominated by the regulation-driven group life product
- Major players linked to PFAs

Non- Life Business (2019)

Source: BMI, NAICOM, NIA, EY Analysis

- Accounts for c.53% of industry premiums
- Fragmented and heavily competitive – nearly half of the market players have <1% market share
- Dominated by oil and gas business which accounts for c.30.0% of GWP
- Heavily broker driven
- Motor insurance = main driver of profitability

4 Market Analysis of insurance in Nigeria

Non-life insurance drives premiums within the current insurance landscape

	Key theme	Description	Key implications for Universal
Sector	**Insurance penetration and uptake remain low at 0.3% and 1.6% respectively**	▪ Low insurance uptake with only 1.6 million covered adults (1.6% of adult population) due to poor awareness, public lack of trust in insurance and limited distribution ▪ Large opportunity remains to deepen penetration for easy-to-reach segments including employee groups and bank account holders. ▪ Nigeria in second stage of insurance market development framework given low penetration (GWP % of GDP = 0.34%)	▪ Exploring opportunities to deepen awareness within key segments can unlock valuable growth opportunities ▪ External and internal factors can help push Universal Insurance to the third stage of market development
Sector	**Wave of consolidation anticipated due to revised minimum capital requirements**	▪ Current landscape indicates a long tail of smaller insurers with small balance sheets who are unlikely to meet NAICOM's September 2021 deadline for new minimum capital requirements. ▪ Recapitalization expected to strengthen surviving insurers, enabling them underwrite larger risks, while reducing number of players and availing funds for expansion ▪ Presence of international market players with global perspectives and strengths; 14 entrants since 2010	▪ Consolidation presents an opportunity to capture businesses from companies that will not be re-capitalised ▪ Efficient capital allocation and management post-recapitalisation will drive top and bottom lines
Life	**Annuities drive the market (53% share, 13% CAGR); 55% growth YoY in 2018 in non-annuity retail premiums**	▪ Nigeria's life insurance sector is largely driven by annuities (53% of GWP and 63% of retail market GWP) increasing in line with rapidly growing pensions market; however lack of key resources (e.g. reinsurers) negatively impacting the annuities business sustainability outlook ▪ Non-annuity retail life premiums grew 55% YoY in 2018, driven by massive push towards retail by some top players (AIICO, FBN Life, AXA Mansard) ▪ Deposit-based policies drive the non-annuity retail market (70%); risk-based policies = 30%	

Source: EY Analysis

4 Market Analysis of insurance in Nigeria

Non-life insurance drives premiums within the current insurance landscape

	Key theme	Description	Key implications for Universal
Non-Life	**Oil & Gas is major driver (c.38%); 6% growth in motor premiums (17-18); retention rate low (53%)**	▪ Oil & Gas is key driver of Non-Life insurance (38%) due to local content regulation; 1% CAGR of premiums from 2015-17 ▪ Retention ratios low (53%) due to low capital levels and lack of technical expertise to underwrite large risks in local market ▪ Although motor premiums grew 6%, low insured vehicle ratio to total motor vehicles (2.5 million of 11.8 million total vehicles i.e. 21%) presents opportunity for further penetration	▪ Despite strong market competition in the non-life insurance market, opportunities exist to capture blue ocean market segments using tailor made value proposition and innovative products
Distribution	**Brokers drive the corporate markets, but use of alternate distribution and direct marketing increasing**	▪ 497 brokers; ~20,000 agents across entire industry ▪ Current insurance reach limited to urban and affluent regions ▪ Agent networks are driving retail penetration, but only a few insurers are focused on retail. ▪ Early adopters of Bancassurance regulation have begun to realize rewards of the expanded distribution networks provided by counterpart banks ▪ Mobile distribution has seen poor adoption, as regulatory impediments prevent spread of mobile money and MNO partnerships	▪ Bancassurance opportunities is a big low hanging fruit that should be harnessed considering Universal's customers and penetration

Source: EY Analysis

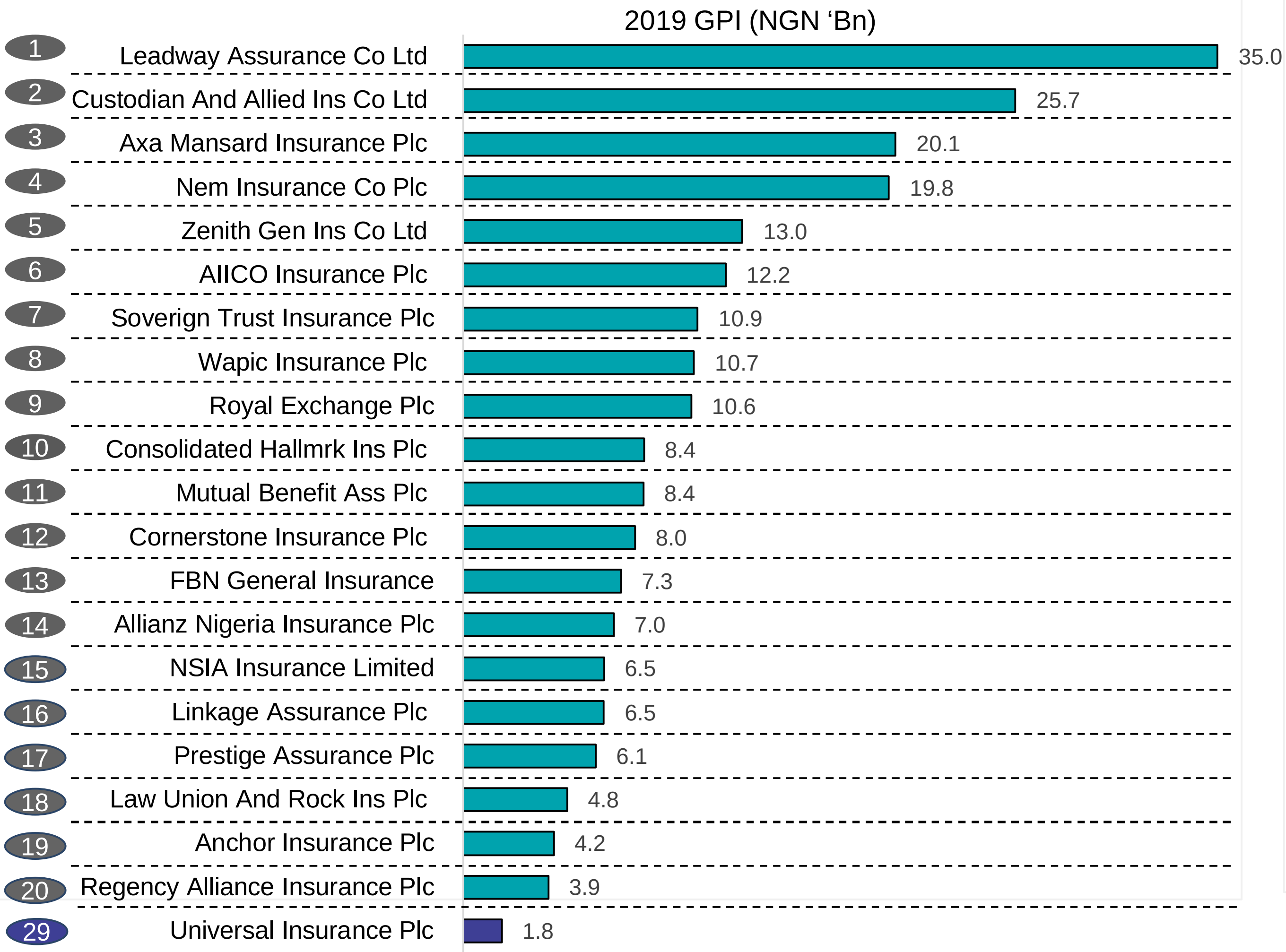
In Focus: Non Life Insurance Industry

4 Market Analysis of insurance in Nigeria

The non-life insurance industry is fragmented with the top 15 companies accounting for 80.8bn of Gross Premium Income

GPI of Non-Life Insurance companies in Nigeria

NGNbn



Commentary

- The non-life insurance market is fragmented with the top three players accounting for 80.8bn of Gross Premium Income; reflecting an opposite of the life insurance market which is oligopolistic in nature.
- As at 2019, Leadway, Custodian, Axa Mansard, NEM Insurance and Zenith General ranked as the top 5 non-life insurance companies in Nigeria.
- Overall, the top 5 general insurance companies retained their market position between 2018 and 2019.
- Universal Insurance was ranked 29th in terms of gross premium income of non-life insurance companies.

Sources: Company Accounts, EY Analysis

4 Market Analysis of insurance in Nigeria

Universal Insurance competitive landscape includes local and global brands, with some operating both life and non-life insurance businesses

Summary of top 5 non-life insurance companies – Company Overview

Competitor	Mission	Business Summary	Key Segments
LEADWAY ASSURANCE COMPANY LIMITED	• To be a service provider of choice, bringing insurance as a risk management tool to the consciousness of all	• Founded in 1970 • Presently, Leadway has over 24 Branch Offices with Kaduna serving as the Registered Office and Lagos, the Corporate Office.	• Oil & Gas Insurance • Motor & Fire insurance
Custodian	• To develop, and deliver innovative insurance products that best satisfy customer needs, whilst operating a highly profitable, efficient, resourceful and ethical organisation	• Custodian & Allied Insurance (CAIL) is a wholly owned Nigerian Company. CAIL's sole purpose is to develop, package and deliver innovative insurance products that best satisfy customer needs. • CAIL is a registered member of the Nigerian Insurers Association (NIA) and is approved by other regulatory bodies in Nigeria to offer Insurance Services	• Oil & Gas • Fire & Motor insurance
AXA MANSARD	• To innovate and excel consistently creating exceptional value for our stakeholders	• Founded in 1989 • AXA Mansard is a member of the AXA Group, the worldwide leader in insurance and asset management with 166,000 employees serving 107 million clients in 64 countries.	• Oil & Gas insurance • Fire and motor insurance
NEM INSURANCE PLC	• To build a customer satisfying insurance institution that is passionate about adding value to the interests of all stakeholders	• Founded in 1948, and quoted on the Nigerian Stock Exchange in 1989 • Merged with Vigilant Insurance Company Ltd to transact all classes of General Insurance in 2007	• Motor Insurance • General Accident insurance
ZENITH INSURANCE	• To ensure peace of mind and creating value to people in a world of uncertainties	• Incorporated in 1970 as Piccadilly Insurance Company Limited and was acquired by Zenith Bank Plc in 2003. • Zenith General Insurance Company Limited is a private limited company. The Company has one wholly owned subsidiary: Venus Medicare Limited a company that engages in the provision of health care insurance services.	• Oil & Gas insurance • Accident & Fire insurance

4 Market Analysis of insurance in Nigeria

On average, the non-life insurance industry cedes over ~40% of risks to reinsurers, while paying 22% of premiums earned as claims

Key non-life insurance metrics (%)

UNIVERSAL INSURANCE PLC.

...Our Word Is Our Bond

	2017	2018	2019	Universal Insurance PLC 2019
Retention Ratio	44.6	53.0	52.0	77.1
Underwriting Expense Ratio	34.4	27.0	45.0	48.9
Claims Ratio	54.4	49.2	22.0	10.6
Underwriting Profit Ratio	16.5	32.1	34.0	43.1

4 Market Analysis of insurance in Nigeria

Risk and Mitigants

Risk	Description	Mitigants
Liquidity and Solvency risk	▪ Liquidity relates to the current and future maintenance of adequate levels of cash and liquid assets. There can be unanticipated claims or surrender of policies or claims on account of unforeseen events. ▪ Low liquidity and solvency levels threaten the ability of insurance companies to expand and take on businesses especially in the capital intensives sectors such as oil and gas, marine, and aviation.	▪ Recapitalisation may help to improve the balance sheet of insurance companies. ▪ Review Policy conditions for new policies and product offerings.
Market risk	▪ Market risk arises from market movements and volatility of prices of equity or currency and changes in interest rates that result in changes in assets value. ▪ Low interest rates, fall in oil prices, and the Naira and local and global recession ordinarily lead to an expected decrease in insurance spend.	▪ Proper planning with a focus on risk management and investment strategies will quicken the adaptability of insurance companies and could be a potential avenue to increase revenue.
Operational risk	▪ Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems. It could arise from a number of sources such as human failure, fraud, technology failure, failed system and procedure.	▪ There should be well documented internal control guidelines that are strictly adhered to and applied in the day-to-day operations of the company.

Source: EY Analysis

4 Market Analysis of insurance in Nigeria

Top players analysis: Universal has a good channel coverage except in the areas of self service online account and mobile app

Parameters	LEADWAY Assurance	AIICO INSURANCE AMERICAN INTERNATIONAL	Custodian	AXA MANSARD	CONTINENTAL REINSURANCE	ensure	wapic	AFRICAN ALLIANCE	Cornerstone	UNIVERSAL INSURANCE PLC NIGERIA
Self Service Online Account	✓	✓	✓	✓	✓	✓	✓			
Mobile App	✓		✓	✓					✓	
Mobile Purchase of Policy & Claim			✓	✓						✓
Social Media	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Online Claim Platform (website)	✓	✓	✓	✓	✓	✓	✓	✓		✓
Current Product Plan Prices	✓	✓		✓						
Call Center	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mobile Office	✓									✓
E-Statement				✓		✓				
Request a Quote	✓					✓		✓	✓	✓
Live Chat		✓	✓	✓		✓	✓		✓	✓
Online refer a friend scheme		✓								
Blogs (Press Publication)	✓			✓		✓				✓

Source: Company information

4 Market Analysis of insurance in Nigeria

Opportunities abound in the Nigeria insurance industry

1

- **Low insurance penetration** presents an opportunity to deepen penetration for easy-to-reach segments, including employee groups and bank account holders. Innovative revenue generating products suited for the masses can be developed to improve insurance penetration.

2

- **Mobile distribution** presents a large distribution opportunity as 69% of the adult population have access to mobile phones but only 1.8 million people have insurance

3

- The **rising population** points to a growing base of insurable lives which can be captured by improving financial inclusion and digital penetration in order to expand the potential market for insurance products.

4

- **Agent networks** are driving retail penetration, but only a few insurers are focused on retail. The utilisation of brokers can help to increase the reach of products of the masses.

5

- The **current recapitalization** coupled with the low capital base of current insurers would necessitate mergers, acquisitions, and possible divestments, presenting an opportunity to capture divested business and customers from companies that will not be re-capitalized.

6

- **Leverage of technology** and digital channels in servicing customers provides an opportunity for improved customer experience and faster turnaround time.

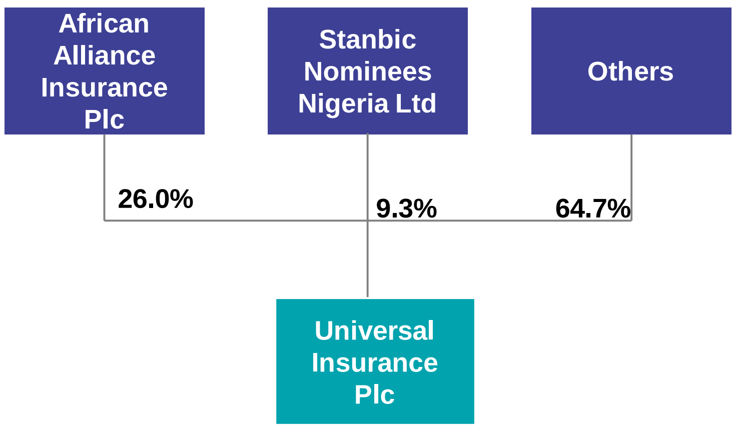
Source: EY Analysis

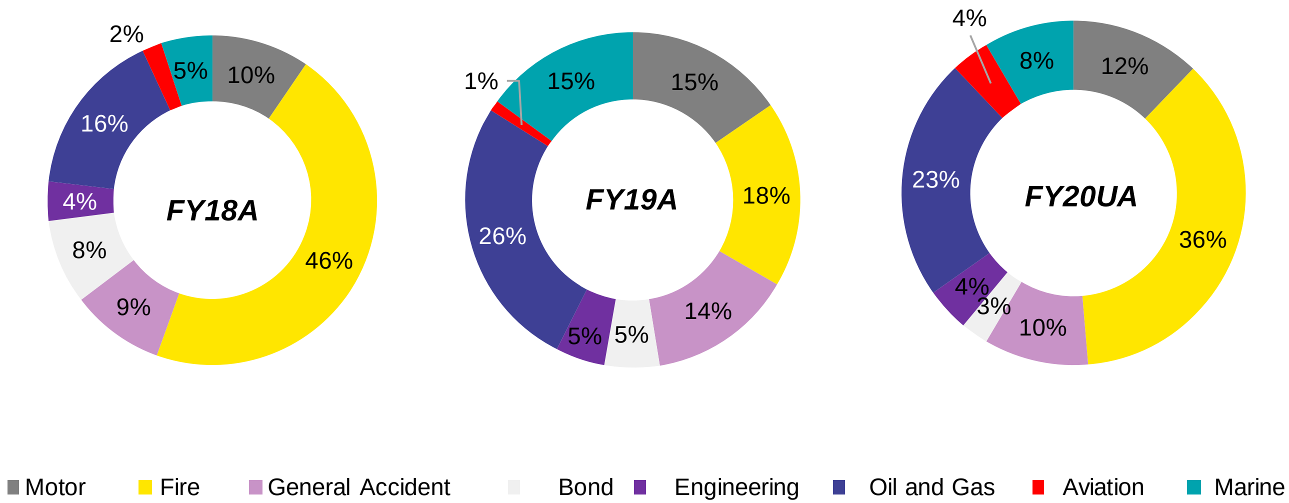
Rapid Assessment of Universal Insurance Plc

4 Market Analysis of insurance in Nigeria

Universal Insurance performance snapshot

Shareholding structure





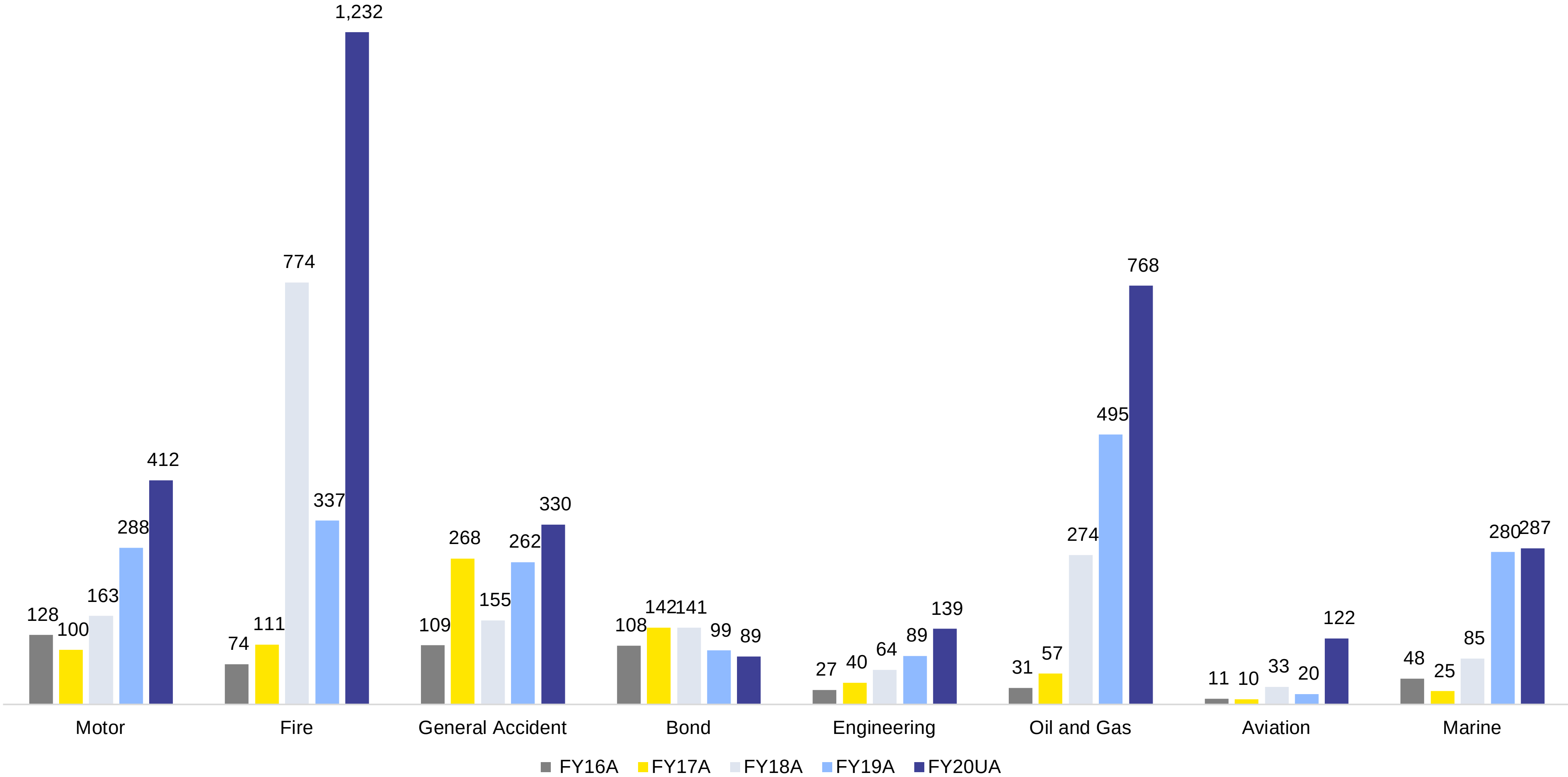
	FY18A	FY19A	FY20UA
GPI	N1.38b	N1.79b	N3.23b
Underwriting profit	N0.52b	N0.59b	N1.21b

Source: Universal Insurance Plc's financial information

4 Market Analysis of insurance in Nigeria

Fire LoB is the fastest growing segment of Universal GPI in 2020 (₦'m)

Universal's Gross Premium

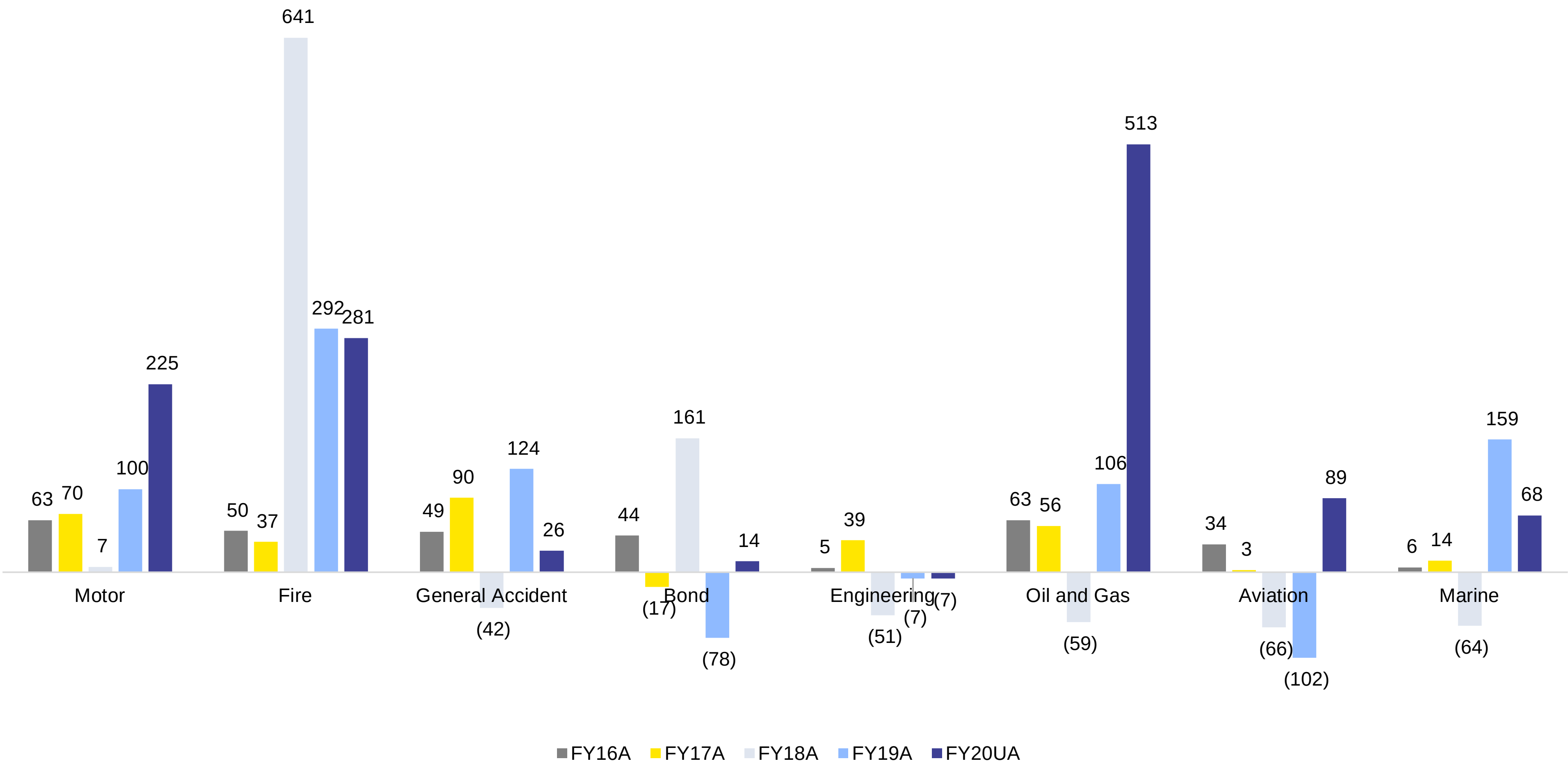


Source: Universal Insurance Plc's financial information

4 Market Analysis of insurance in Nigeria

Oil & Gas LoB is the main contributor to the underwriting profit in FY20UA

Universal's Underlying Profit



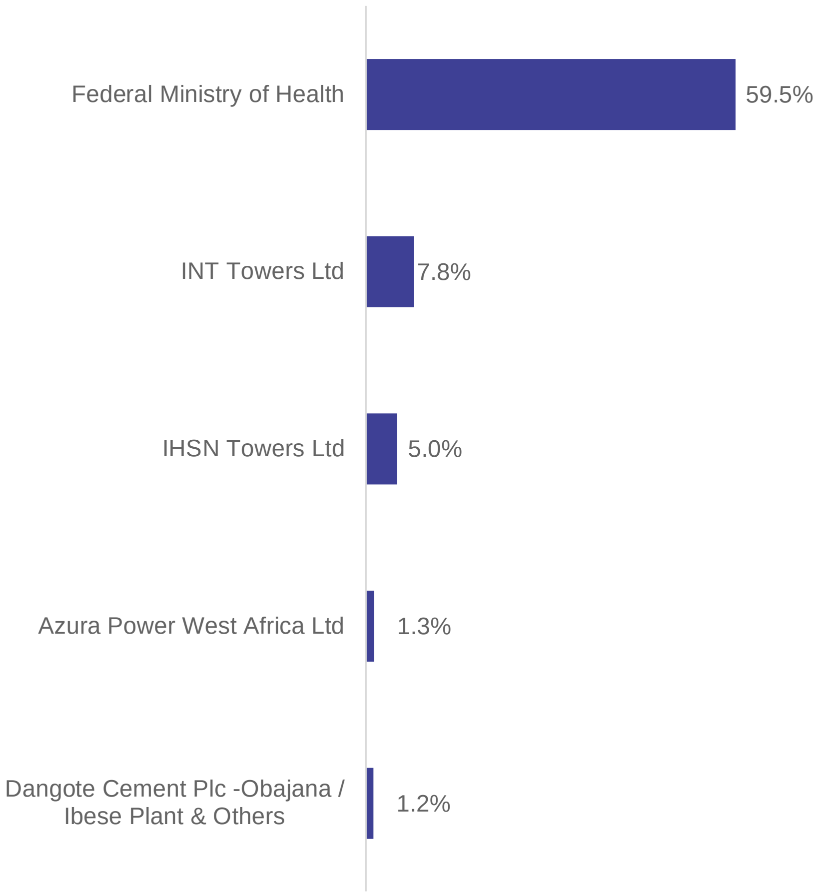
Source: Universal Insurance Plc's financial information

4 Market Analysis of insurance in Nigeria

Universal's fire segment is driven mainly by one large corporate account

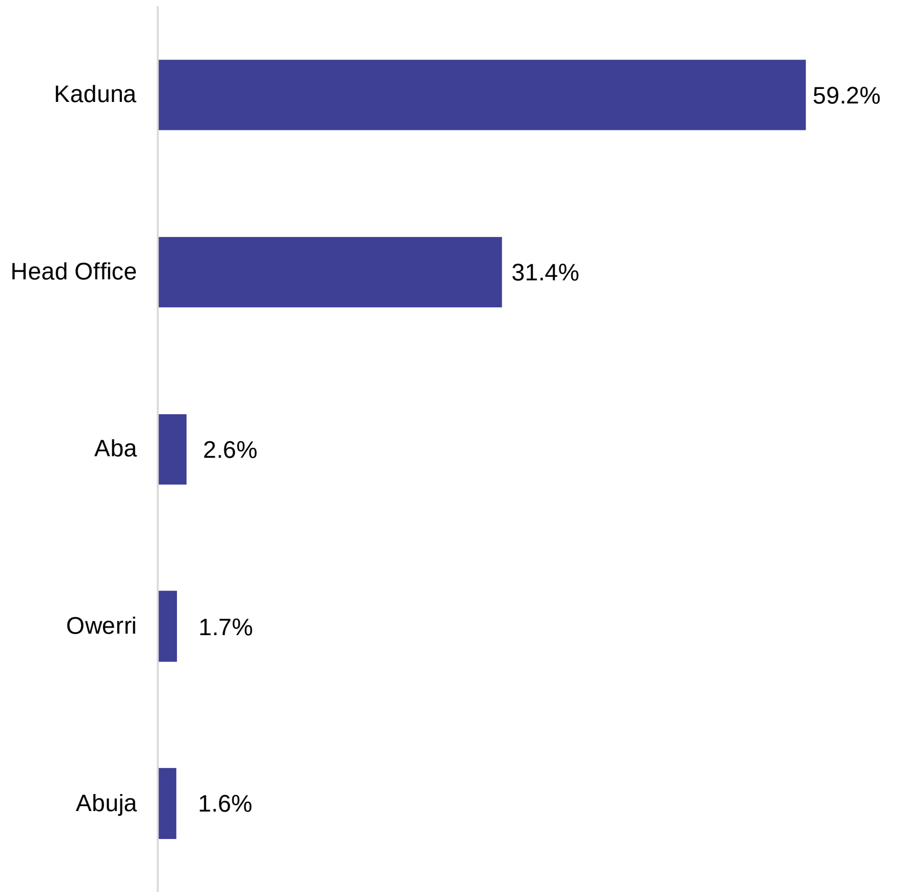
Top Customers for Fire LoB

NGNbn



Top Cities for Fire LoB

NGNbn



Source: Universal Insurance Plc's financial information

Breakdown of operating expenses

Analysis of operating and administrative expenses

Currency: ₦ m	FY16A	FY17A	FY18A	FY19A	FY20UA	CAGR (FY16A-FY20UA)	Common size ratio FY20UA
Staff cost	275	331	335	453	490	15.5%	53.5%
Other charges and expenses	246	110	108	355	170	(8.8%)	18.6%
Depreciation	114	116	118	134	84	(7.5%)	9.2%
General maintenance and running costs	88	82	87	106	60	(8.9%)	6.6%
Legal and professional fees	60	80	41	52	59	(0.5%)	6.4%
Insurance supervision fees	11	11	7	17	20	15.7%	2.2%
Amortisation of intangible assets	4	6	8	13	16	39.5%	1.8%
Bank charges	5	3	6	10	7	9.8%	0.8%
Audit fees	1	1	9	9	9	82.1%	1.0%
Impairment gain (loss)	-	-	(1)	-	-	0.0%	0.0%
Other operating and admin expenses	**805**	**739**	**718**	**1,148**	**915**	**3.3%**	**25%**
Other KPIs							
OPEX as a % of NPI	160%	127%	62%	83%	35%		

Source: Universal Insurance Plc's financial information

Operating and administrative expenses analysis

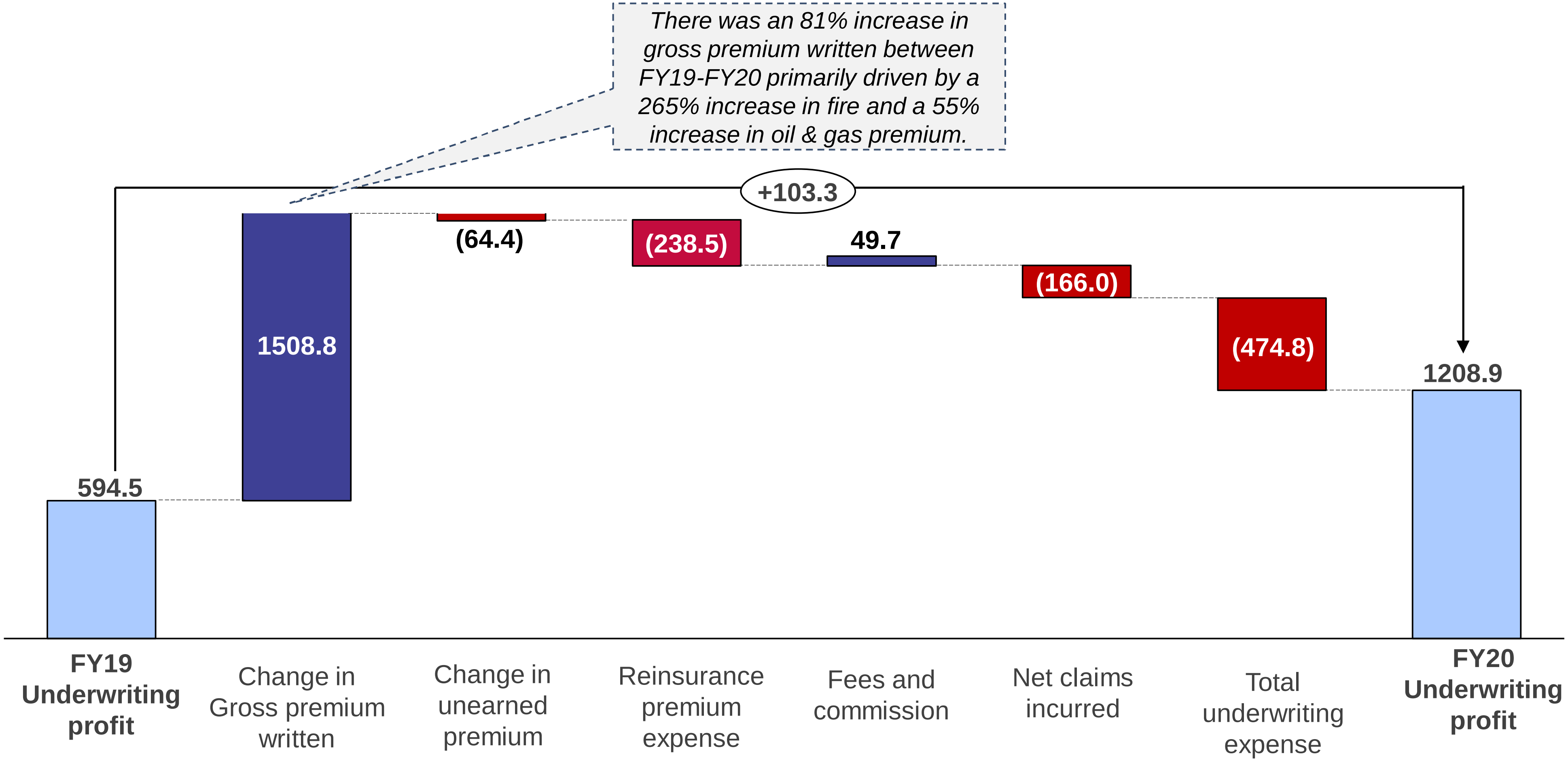
- Universal operating and administrative expenses is mainly driven by staff cost, other charges and expenses, depreciation, and general maintenance over the assessment period – accounting for c.88% of total management expenses in FY20UA;
    1. Operating and admin expenses as a percentage of NPI averaged c.94% over the assessment period with a yearly decrease from 160% to 35% in FY20UA.
    2. The personnel expense grew by 16% CAGR between FY16A and FY20A mainly driven by staff strength in FY17 and FY18 and by an increase in staff compensation in FY19 and FY20.
    3. Operating costs fell by 20% in FY20UA due to a decline in non-staff costs such as other charges and expenses, depreciation, and general maintenance expense

4 Market Analysis of insurance in Nigeria

Growth in underwriting profit for Universal Insurance has been largely driven by increased underwriting revenue

Drivers of change in profit before tax

NGNMn, 2019 – '2020

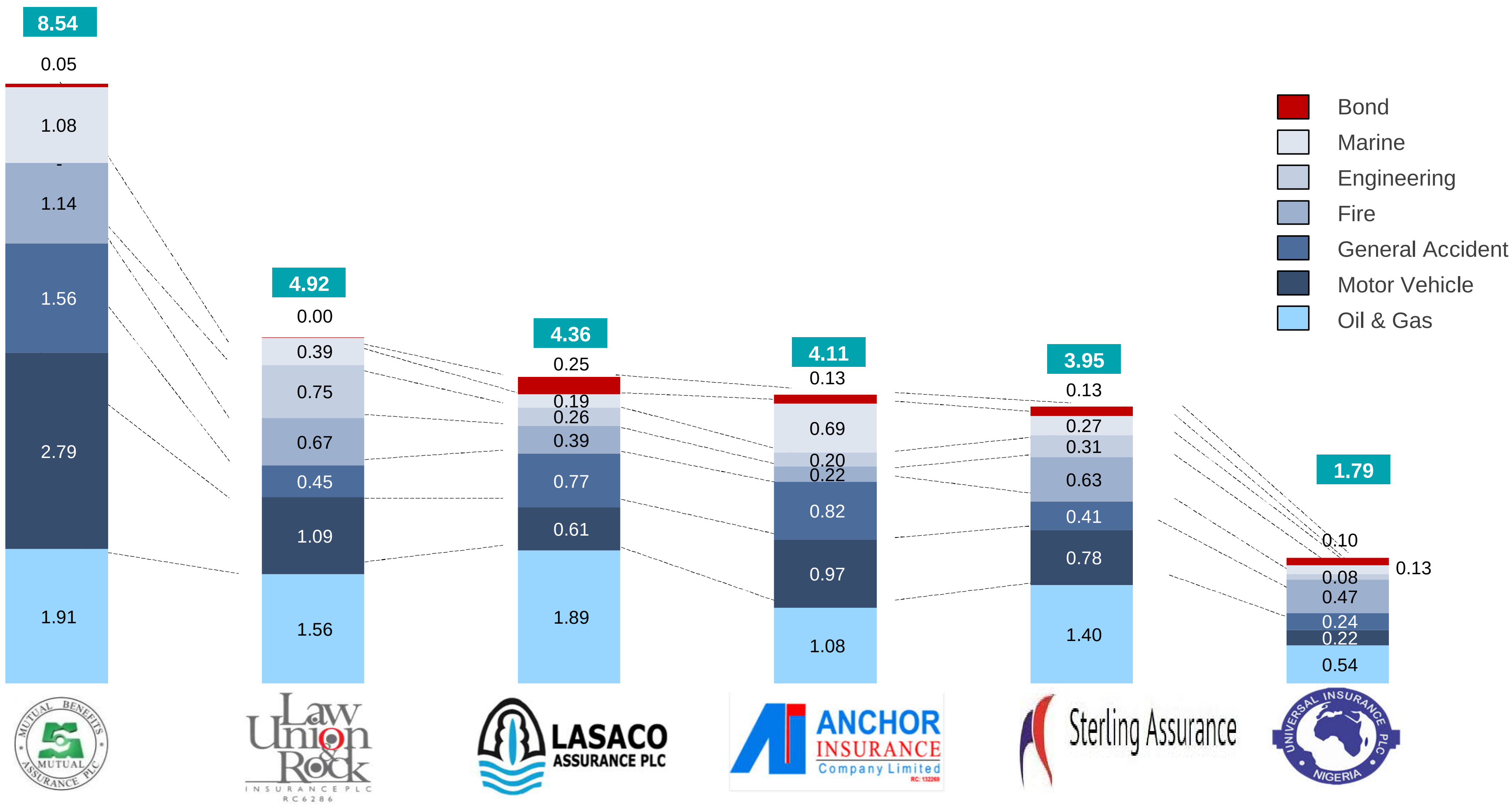


Source: Annual Accounts, EY Analysis

4 Market Analysis of insurance in Nigeria

Across the competitive peer group oil & gas and motor insurance drive premium income, accounting for >40% of GPI

Summary of premium income per business for Universal Insurance peer group *(NGNbn – 2019)*



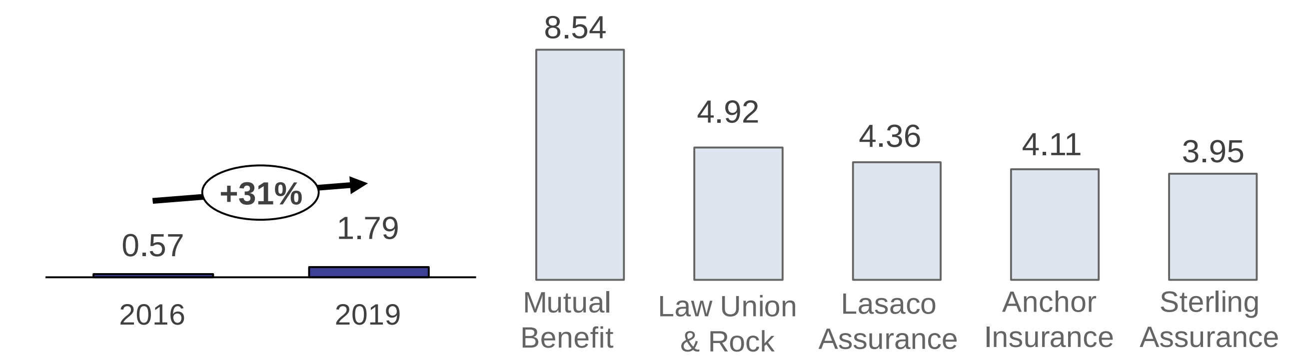
Sources: Company Accounts, EY Analysis

4 Market Analysis of insurance in Nigeria

Universal Insurance has grown investment income at 13.79% CAGR and GPI which has grown at a 31% CAGR

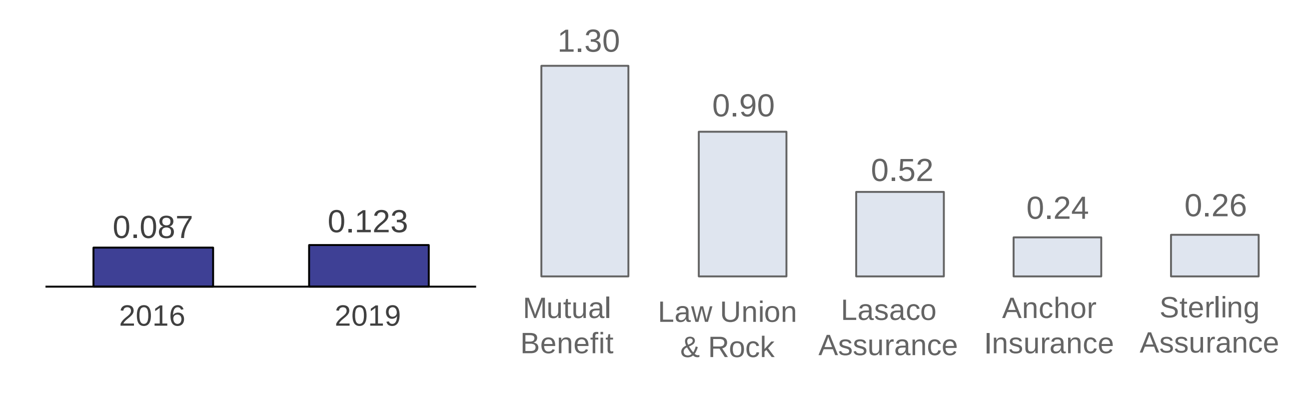
Universal Insurance | **Peer Group (2019)** | **Key Insights**

Gross Premium Income (₦'bn)



- Fire, oil & gas, and general accident are driving the total GPI of Universal.
- In 2019, Universal's oil & gas business constitutes 26.5% of its total GPI.
- Mutual Benefit GPI is largely driven by the Motor vehicle sector.

Investment income (₦'bn)



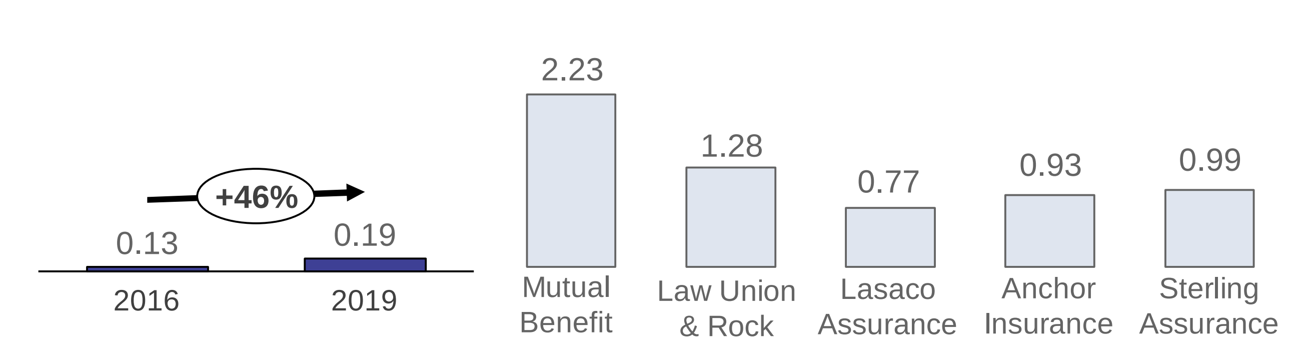
- Mutual Benefit has the highest investment income in terms of absolute numbers. Next is Law Union & Rock.
- Majority of Lasaco investment income is interest from fixed deposit and financial assets at amortised cost, while Universal's income majorly comprises dividends and interest on call deposits.

4 Market Analysis of insurance in Nigeria

Universal underwriting expenses has grown significantly between 2016 to 2019 due to growth in GPI

	Universal Insurance	Peer Group (2019)	Key Insights

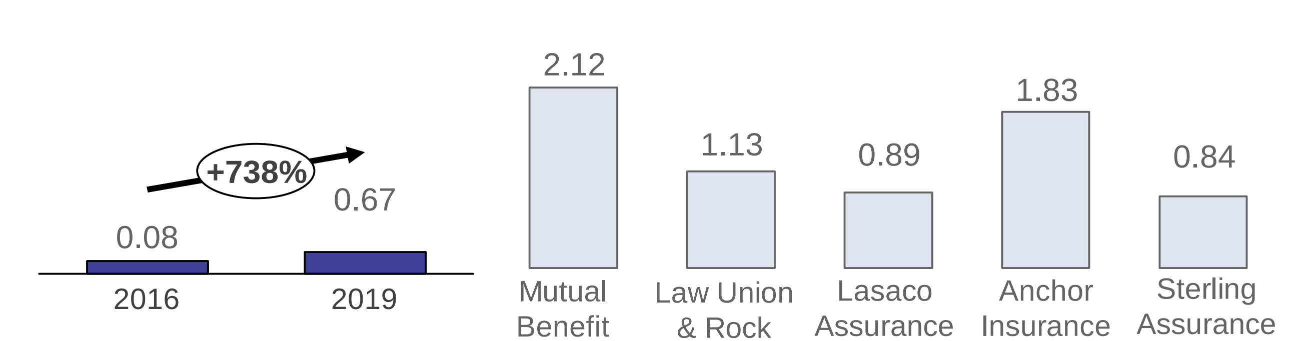
Net Claims Expense (₦'bn)



Key Insights

- Universal claims is driven by oil and gas, motor and general accident.
- Lasaco low claims is attributable to low claims on its oil & gas portfolio in 2019.
- Oil & gas, motor and general accident are the major driver of Anchor claims, contributing 78.3% to total claims.

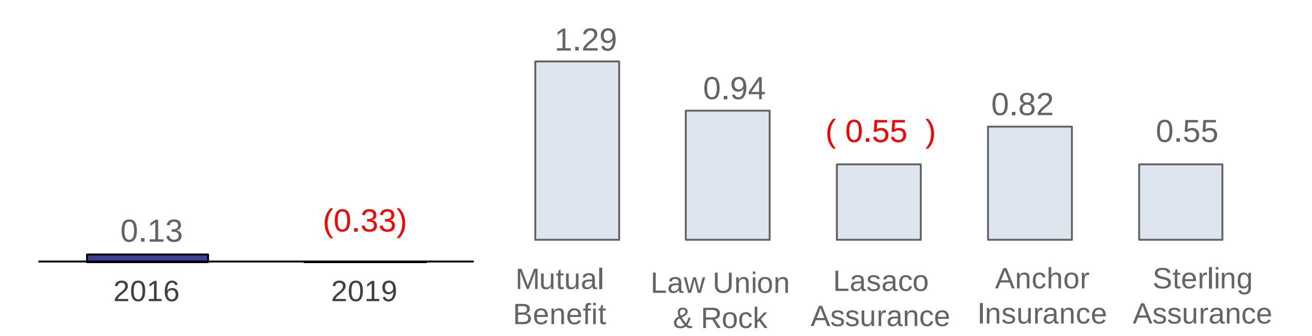
Underwriting & Other Operating Expenses (₦'bn)



Key Insights

- Universal's expenses is driven by a high claim on fire (21.5%), oil and gas (15.3%), and marine (14.7%) expenses.
- Mutual Benefit expense is largely attributable to its motor and oil & gas portfolio.
- Sterling underwriting expense is driven by its oil and gas portfolio

Profit Before Tax (₦'bn)

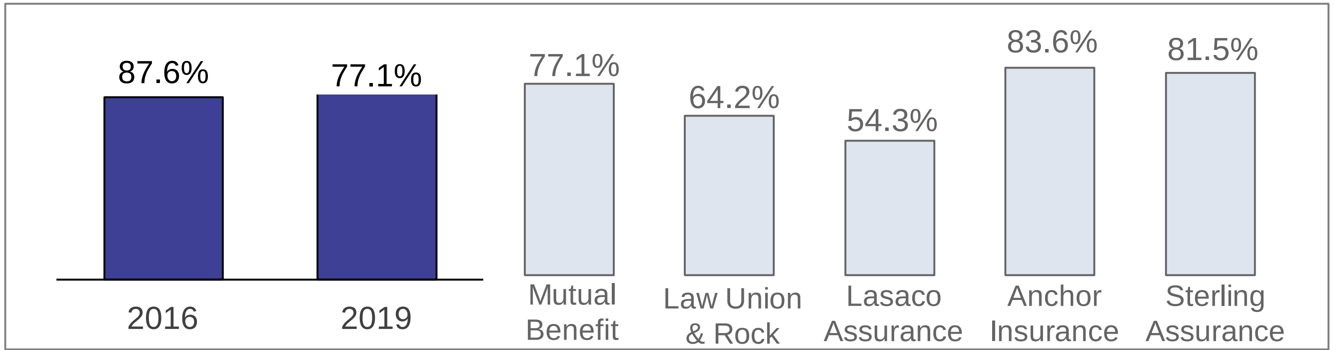
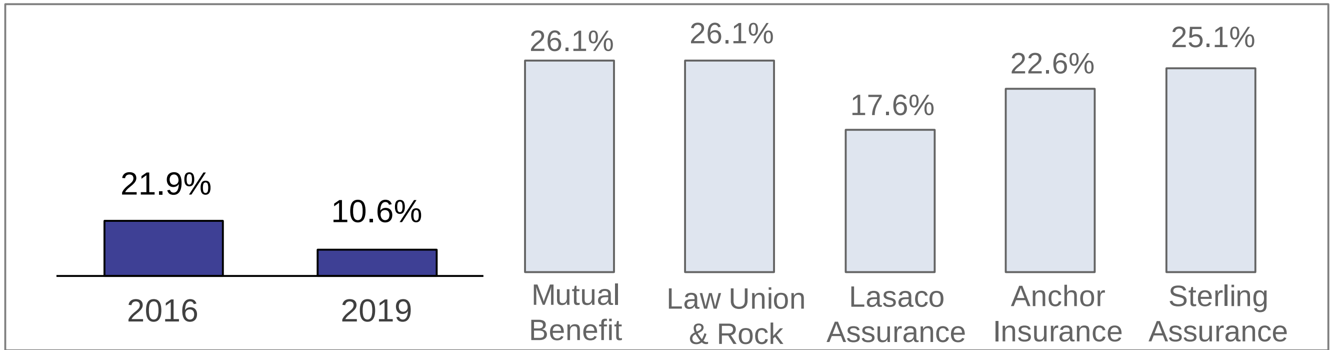
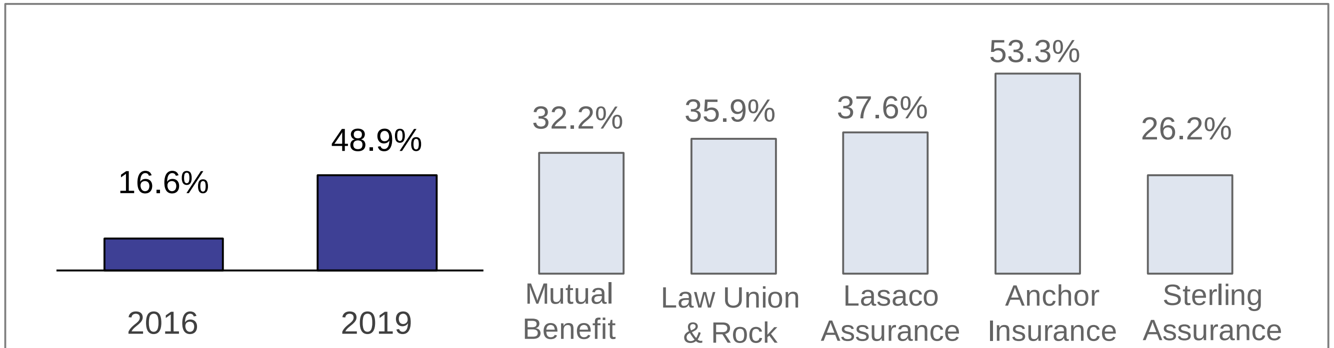


Key Insights

- Universal made a loss before tax in FY19 due to its high underwriting cost.
- Lasaco's PBT is attributable to its high management expenses which grew by 43.8% in 2019
- Law Union & Rock has the second highest PBT driven by its motor vehicle segment which contributed 52.2% to the total PBT.

4 Market Analysis of insurance in Nigeria

Universal underwriting expenses has grown significantly between 2016 to 2018 due to growth in GPI

	Universal Insurance / Peer Group (2019)	Key Insights
Retention Ratio (%)		• Universal's retention ratio has declined from 2016-2018. • Anchor's high retention ratio is driven by its second largest business portfolio – motor, which requires minimal reinsurance.
Net Claims Ratio (%)		• Universal's claim's ratio is lower than the competition peer average of 23.5%. • Law Union & Rock claims ratio is driven by its oil & energy portfolio accounting for 43.2% of all claims.
Expense Ratio (₦'bn)		• Universal has grown its expense ratio at a 64.9% CAGR. • Anchor's high expense ratio is driven by huge operating costs for agency & marketingg costs and advertisements.

Implications for Universal Insurance Plc

4 Market Analysis of insurance in Nigeria

The non-life insurance market is broker dominated in contrast to the life market which is driven by agents

The "what"	Market insights	Opportunity
Retail business ***Objective:*** "Drive retail strategy and increase contribution to overall business"	Bancassurance	What financial institutions can we partner with to help drive our retail business?
	Data analytics to mine customer data	How can analytics be utilised to increase operational efficiency and marketing?
	Channel strategy	How can we rethink our channel strategy to reduce broker reliance?
	Technology as a driver and enabler of retail growth	What are Universal's future aspirations in digital and technology?
Product and portfolio rationalization ***Objective:*** "Optimise product performance"	Identify underlying profit & loss drivers by LoB	How can profit & loss drivers be utilised to reduce risk margin and bottom line volatility?
	Innovative product development	How can we differentiate our products and distribution to ensure our customer segments are managed
Customer experience ***Objective:*** "Increase customer acquisition and retention"	Customer incentivization program/ "reward programs"	How can we design our customer incentivisation programmes to increase our customer base?
	Customer feedback and monitoring system	How can we design insight-driven customer feedback systems?

Source: EY Analysis

5

Company Overview

5 Company Overview

Universal's philosophy is to deliver consistent, excellent, and cost-effective insurance services

Mission

- To offer specialized non-life insurance protection to our clients inspired by innovation, efficiency, and prompt claims settlement.

Vision

- To be a dominant, specialized non-life insurer in Nigeria, creating and delivering value to our stakeholders.

Core Values

U	Unique Services
N	Notable prompt claims settlement
I	Integrity
S	Satisfaction through professionalism
U	Unity of Purpose
R	Reliability
E	Excellent Teamwork

Source: Universal management team

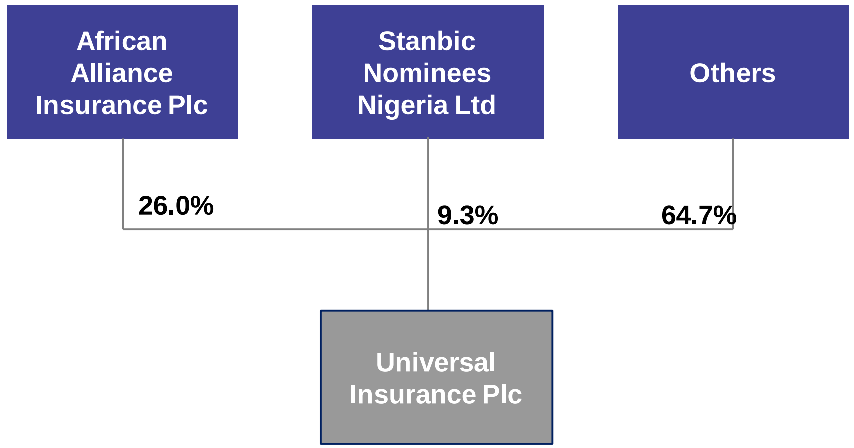
5 Company Overview

Universal Insurance Plc has strict reinsurance policy to reduce risk

Brief history of the Company

- The Universal Insurance Company Limited (UNISURE) was established in 1961 by the then Eastern Nigeria Government and African Continental Bank Plc through an alliance between Eastern Nigeria Development Corporation (ENDC) and Pearl Assurance Company Limited of London whereby ENDC acted as agents to the insurance company. After the split of Eastern Nigeria into five states; Anambra, Imo, Enugu, Abia, and Ebonyi, the states, among other shareholders, had shares in the company.
- The Universal Insurance Company Limited from its inception has been in a partnership relationship with the Swiss Reinsurance Company of Zurich, which also provides the necessary reinsurance support.
- Post consolidation, the new Universal Insurance Plc is a consolidation of former United Trust Assurance Company Limited, Oriental Insurance Company Limited, and African Safety Insurance Company Limited with shareholders fund of N8 billion after NAICOM verification.
- The new Universal Insurance Plc is licensed to underwrite all forms of general insurance business and has a 100% equity stake in African Alliance Insurance Company Limited to handle the Life insurance aspect of its operations..

Shareholding structure



Reinsurance policy

The Company's reinsurance policy is two-fold:

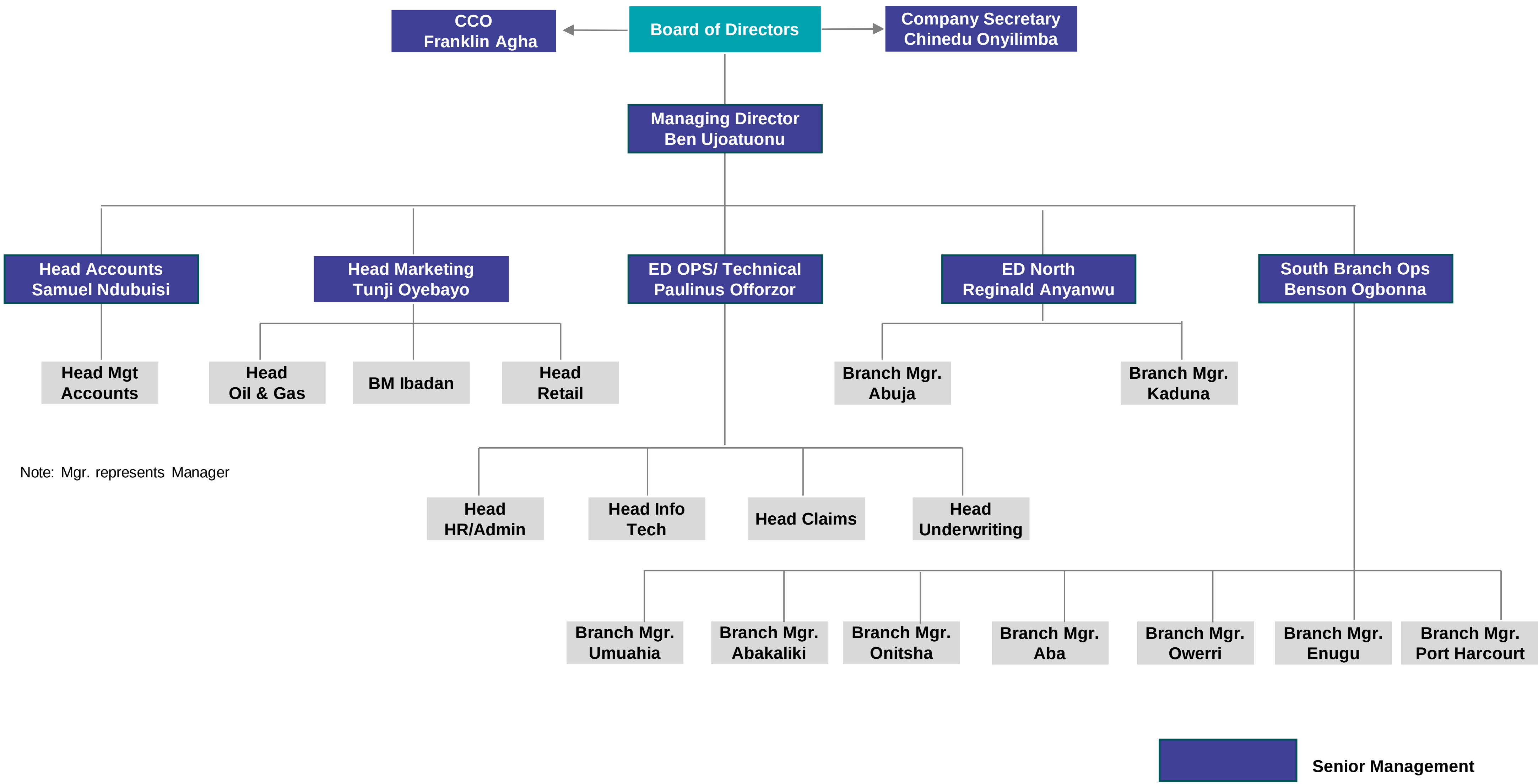
1. Unlimited capacity protection on facultative reinsurances placed both locally and offshore depending on the size of the account. The major reinsurer in this category is Lloyds of London.
2. The second segment of the reinsurance arrangement is led by the foremost reinsurance company in the African sub-region- African Re.

Source: Universal management team

5 Company Overview

Organizational structure

105 employees – March 2021



Source: Universal management team

5 Company Overview

Profile of Management Team

Benedict U. Ujoatuonu – Managing director

- Benedict is the CEO and MD of Universal. He is an HND graduate of Insurance from the Institute of Management and Technology (IMT) Enugu and holds an MBA from the University of Calabar.
- He is an Associate of the Chartered Insurance Institute of Nigeria (ACIIN), Institute of Certified Cost Management (ACCM), and Fellow – Chartered Institute of Public Diplomacy & Management (CIPDM).

Anyanwu Reginald- Executive director

- Anyanwu holds an HND from the Federal Polytechnic, Oko, Anambra State. He also holds PGD and MBA degrees in Management from the University of Calabar.
- He is a chartered member of the Nigerian Institute of Management (NIM) and also a chartered member of the Chartered Insurance Institute of Nigeria (CIIN).

Paulinus O. Offorzor – Executive director

- Paulinus holds a BSc. in Economics, MBA in Insurance and Risk Management from ESUT Business School, and is an Associate Member of Chartered Insurance Institute of Nigeria (ACII), Certified Pension Institute of Nigeria (CPIN), and Chartered Institute of Administration (CIA).

Ogbonna Benson– General Manager (Southern Operations)

- Ogbonna is the general manager of southern operations. He is an Associate Member of the National Institute of Marketing of Nigeria and the American Society of Civil Engineers respectively.
- He also holds a Diploma in Salesmanship from Jersey, Britain; B.Sc. in Industrial Mathematics; MSc. in Geophysics, and MBA in Marketing.

Samuel U. Ndubisi – Chief Financial Officer

- Samuel is an Associate Member of the Institute of Chartered Accountants of Nigeria (ICAN). He holds a Diploma in Practical Accounting from The British Training College. He has over 20 years of experience at the top management level. He joined Unitykapital Assurance Plc as an Assistant General Manager (Finance) from where he moved to Universal Insurance Plc.

Chinedu Onyilimba – Legal Adviser

- Chinedu holds a Bsc in Mass Communication and a Bachelor of Laws degree (LLB Hons). He is also a full member of the Nigerian Institute of Chartered Arbitrators (MCArb.).
- He was called to the Nigerian Bar in 1998. He worked in various Law Firms where he participated actively in litigation, handled several criminals, civil and commercial cases.

Source: Universal management team

5 Company Overview
Profile of Management Team

James O. Oyebayo– Head of Marketing

- James has over 2 decades of experience in the insurance industry. He has worked at various insurance companies such as Fire, Equity & General Insurance Company, Kapital Insurance Company, First Cover Insurance Brokers.
- He is an Associate Member of the Insurance Institute of Nigeria.

Ogbonnia F. Agha – Chief Compliance Officer

- Agha is a seasoned Accountant and Business Development practitioner. He has an HND in Accountancy and holds a BSc. degree in Economics. He is also a member of the Institute of Chartered Accountants of Nigeria (ICAN). He has varied experience in Banking, Audit, Tax, financial accounting, internal control, and compliance.

Bamidele Ojo – Head Oil & Gas

- Ojo is a member of the Chartered Insurance Institute of Nigeria as well as a Marketing graduate from The Federal Polytechnic, Offa, Kwara State, with considerable working experience in the insurance industry with companies such as Industrial General Insurance, Staco Insurance Plc among others.

Anthony U. Okafor– Head Retail

- Anthony holds a BSc. in insurance. He has over 2 decades of experience in several aspects of Claims, Product Development, Business Development, Sales, Retail, Branch/Regional Management, and Strategy. He is a member of the Chartered Insurance Institute of Nigeria; a Fellow of the Institute of Credit Administration.

Andrew Mgbanwune– Head IT

- Andrew has a BSc. degree in Marketing from the University of Nigeria, Enugu Campus (UNEC), and started his IT career with Woodzeks Systems Konsult Ltd as a database Administrator before joining Universal Insurance Plc in 2010 as a System Administrator.

Pateince Ezeakor– Head HR

- Ezeakor has an HND in Business Management and possesses an MBA in Human Resources from Ladoke Akintola University of Technology (LAUTECH). She is a Fellow of the Chartered Institute of Administrators (FCIA) and an Associate Member of the Chartered Institute of Public Administration.

Source: Universal management team

5 Company Overview
SWOT Analysis summary

STRENGTHS
- Universal has a competent and qualified management team who have performed well by growing the company's gross premium written.
- Efficient use of Universal's asset base will help ensure profitability.
- Strong growth in gross premium written in the last three (3) most recent years especially in the fire segment.

OPPORTUNITIES
- The presence of a large underserved and unpenetrated retail market presents a huge growth opportunity for Universal.
- Use of innovative distribution channels such as bancassurance, digital and social media to improve access to insurance.
- Mobile distribution presents a large distribution opportunity as 69% of the adult population have access to mobile phones but only 1.8 million people have insurance

WEAKNESSES
- Limited capital, weak underwriting capacity resulting in high value and high-risk transactions especially in marine and aviation risks.
- Limited nationwide brand awareness and visibility as activities are concentrated in the South East
- Low staff strength which leads to slower turn around times.
- Low use of technology to automate processes

THREATS
- Established broad-based financial institutions already competing in the market.
- Foreign insurers and reinsurers entering the market
- Unstable regulatory environment with changing policies.
- Non-standardization of risk pricing, leading to competitive pressures among industry players could negatively affect the Company.

Source: Universal management team

6

5-year Strategic Priorities

Universal Insurance strategic ambition: Become a top 10 general insurance company by GWP in the next 5 years

Universal's strategic priorities have 3 main focus

A Defend the core

1. Strengthen customer engagement and experience (including simplifying customer onboarding and payment processes; engagement, loyalty schemes)
2. Improve broker engagement to increase share of portfolio
3. Strengthen core business portfolio e.g. fire, motor, marine & Oil & Gas
4. Strengthen Universal brand to redefine recognition as Eastern insurance company

B Grow/diversify the business

1. Expand geographical footprint
2. Explore partnerships with non-traditional ecosystems to scale (e.g InsurTechs, digital ecosystems, affinity groups)
3. Expand digital channels (mobile app, portal, USSD)
4. Explore bancassurance relationship with a bank
5. Deploy agent app to improve agent effectiveness and customer experience
6. Diversify retail portfolio
7. Grow key accounts leveraging global account management framework
8. Adequately capitalize the business
9. Explore M&A opportunities

C Strengthen operational excellence

1. Transform underwriting/claims
2. Invest in deepening the technology capabilities (e.g. core insurance platform; cybersecurity)
3. Strengthen data management and analytics
4. Improve employee engagement and development
5. Build future fit business processes and drive cost optimization
6. Strengthen risk management

Source: Universal management strategy session

6 5-year Strategic Priorities

A. Defend the core

A. Defend the core (1/2)

#	Strategic Objective	Key Initiatives	Owner	Timeline
1.	Strengthen customer engagement and experience (including simplifying customer onboarding and payment processes; engagement, loyalty schemes)	1.1 Leverage analytics to deliver excellent customer experience	Customer Centre	2 – 3 years
		1.2 Increase service engagement through "after-sales" feedback framework and 24-hour toll-free call center	Business Development Unit	2 – 3 years
		1.3 Simplify the KYC process and documentation requirements; Explore partnerships with organizations into customer data management to simplify KYC documentations	Customer Centre	Within a year
		1.4 Develop and implement customer loyalty plans and programmes	Management	Within a year
		1.5 Procure and deploy a CRM application to improve customer experience and increase renewals	Management	Above 3 years
		1.6 Develop a long-term plan for continuous enhancement of customer engagement and experience features in line with current trends	Business Development Unit	2 – 3 years
2.	Improve broker engagement to increase share of portfolio	2.1 Develop a Broker Engagement Strategy, a short- and long-term plan for continuous engagement with insurance brokerage firms in line with changing macroeconomic, industry landscape and business needs	Management / Business Development Unit	2 – 3 years
		2.2 Evaluate and improve on current broker management initiatives to increase number of partner brokers	Business Development Unit	Within a year
		2.3 Identify market knowledge gaps for the insurance brokerage industry and engage selected top insurance brokers (including international partners of local brokerage firms) to validate these gaps and build partnerships to fix the gaps	Business Development Unit	2 – 3 years
		2.4 Build reputation as knowledge leader by publishing industry wide insight documents, leveraging feedback from insurance brokerage firms.	Corporate Communication	2 – 3 years
		2.5 Review key bottlenecks impacting turnaround time of responses to insurance brokers enquiry, and launch a "fix the crack project" to speed up response time to all insurance brokers enquiries	Technical / Operations	Within a year
		2.6 Develop assessment framework to monitor wallet share from key insurance brokerage firms		2 – 3 years

Source: Universal management strategy session

6 5-year Strategic Priorities

A. Defend the core

A. Defend the core (2/2)

#	Strategic Objective	Key Initiatives	Owner	Timeline
3.	Strengthen core business portfolio e.g. fire, motor and marine	3.1 Grow fire business segment by developing and deploying targeted retail products for fire and similar protection (e.g. home and renters insurance) and improving the value proposition for existing fire and special perils protection products	Retail	2 – 3 years
		3.2 Conduct stakeholder engagement to determine what value proposition will drive insurance sales for target portfolios; engage key resources internally and externally on potential changes to be made	Corporate Communication	Within a year
		3.3 Develop new customer value proposition and commence awareness of new CVP's through targeted marketing campaigns	Business Development Unit/ Corporate Communication	2 – 3 years
		3.4 Monitor product performance and develop and implement a long-term plan for continuous improvement in line with changing macroeconomic, industry landscape and business needs	Management	Above 3 years
		3.5 Leverage partnerships with FMCGs, electronic distributors etc for distribution of retail products	Retail	2 – 3 years
4.	Strengthen Universal brand to redefine recognition as Eastern insurance company	4.1 Conduct customer brand assessment survey to understand how the company is perceived	Management	Within a year
		4.2 Improve brand identity and awareness through branding, advertising and other marketing strategies	Management/ Corporate Communication	2 – 3 years
		4.3 Drive constant communications and customer sensitization to continuously enhance brand loyalty	Corporate Communication	2 – 3 years
		4.4 Leverage on social media and internet advertising (e.g. pay per click, pay per impression) to drive brand awareness	Corporate Communication/ Customer Care	Within a year
		4.5 Develop targeted and SMART Corporate Social Responsibility (CSR) initiatives	Corporate Communication	2 – 3 years

Source: Universal management strategy session

6 5-year Strategic Priorities
B. Grow/diversify the business

B. Grow/diversify the business (1/4)

#	Strategic Objective	Key Initiatives	Owner	Timeline
1.	Expand geographical footprint	1.1 Deploy surveys and market studies to understand customer behaviour, preferences and demand in different geographies	Management	Within a year
		1.2 Identify target states and cities for expansion based on insights from surveys and market studies conducted, and develop product and service offerings tailored to the identified geographical locations	Management	Within a year
		1.3 Establish business presence in identified expansion states through agents, partnerships and strategic physical branches	Management	2 – 3 years
		1.4 Activate other location-specific channels (Kiosks etc.) to Introduce tailored products/services and onboard new customers	Management	2 – 3 years
		1.5 Track progress and results from strategic expansion to identify gaps and implement adjustments where necessary	Management / Business Development Unit	Above 3 years
		1.6 Develop and implement a long-term plan for continuous strategic expansion in line with changing customer behaviours and environmental trends	Management / Business Development Unit	Above 3 years
2.	Explore partnerships with non-traditional ecosystems to scale (e.g InsurTechs, digital ecosystems, affinity groups)	2.1 Foster fintech/InsurTech partnerships by developing partnership strategy, identifying viable potential partners, developing and executing partnership agreements with selected partners and continuously monitoring the progress of products/services	Management / Business Development Unit	2 – 3 years
		2.2 Conduct in-depth research on customer needs (awareness, access, underwriting, claims) to determine what potential partnerships should be explored to serve customers	Customer Care	Within a year
		2.3 Engage with selected partners and make relevant investments required to reap the value from the desired partnership including system integration requirements i.e. operating and business model design	Management	2 – 3 years
		2.4 Explore partnerships with affinity groups such as leadership of associations/unions, community leaders to drive retail insurance growth	Management	2 – 3 years
		2.5 Obtain necessary board and regulatory approvals, and roll-out the partnership deals with selected digital ecosystems focused on improving processes and customer experience	Management	2 – 3 years

Source: Universal management strategy session

B. Grow/diversify the business (2/4)

#	Strategic Objective	Key Initiatives	Owner	Timeline
3.	Expand digital channels (mobile app, portal, USSD)	3.1 Develop a project management/status report evaluating all existing digital channel agenda (USSD, Mobile App) from a customer-centric perspective, with detailed timelines, risks, dependencies and project benefits	Customer Care / Management	Within a year
		3.2 Identify and engage internal- and third parties (e.g. app/software developers) to eliminate bottlenecks or re-align project output to customer needs	Customer Care / Management	2 – 3 years
		3.3 Launch new and revamped digital initiatives	Business Development Unit/ Management	2 – 3 years
		3.4 Train and educate staff, agents, and key insurance brokers on new channels and incentivize users of digital initiatives		2 – 3 years
		3.5 Identify and engage brand/ social media influencers to promote targeted Universal Insurance digital channels	IT/ Business Development Unit	Above 3 years
4.	Explore bancassurance relationship with a bank	4.1 Identify potential partner banks based on robust partnership criteria	Business Development Unit / Management	Within a year
		4.2 Define clear operating and business model for a bancassurance relationship including defining commission rate and incentives for the banks and banking staff respectively	Management	Within a year
		4.3 Obtain necessary board and regulatory approval to proceed with partnership	Management	Within a year
		4.4 Finalise integration plan that states clearly how insurance products and processes will be infused at the bank, and commence execution including developing products to be sold to customers, and securing infrastructure required	Product Development / IT	2 – 3 years
		4.5 Provide training to the bank employees, referral agents etc. and recruit resources required	Business Development Unit	2 – 3 years
		4.6 Roll-out bancassurance leveraging digital and physical channels	Management	Above 3 years
		4.7 Develop and implement a long-term plan for continuous enhancement in line with current trends	Business Development Unit	Above 3 years

Source: Universal management strategy session

B. Grow/diversify the business (3/4)

#	Strategic Objective	Key Initiatives	Owner	Timeline
5.	Deploy agent app to improve agent effectiveness and customer experience	5.1 Strengthen agency network by assessing the current state to identify agency network needs, recruiting and onboarding agents, improving incentives and conditions of work and continuously monitoring the network's efficiency	Retail	2 – 3 years
		5.2 Deploy agent app to facilitate lead generation, sales delivery and customer engagement for insurance agents	Retail / IT	2 – 3 years
		5.3 Improve partnerships with mobile money agents by placing "mobile" at the center of sales and distribution strategy, identifying and engaging potential agents and rolling out compelling branding, marketing and communications initiatives – kiosk branding, simplified flyers for easy comprehension etc	Business Development Unit / Retail	2 – 3 years
6.	Diversify retail portfolio	6.1 Diversify products/business portfolio by developing specialized offerings including motor and home content for retail, agriculture insurance, keke/okada pass, electronic insurance, parcel insurance, interstate travel	Product Development / Technical	2 – 3 years
		6.2 Develop flexible pricing structure to improve persistence	Management	Within a year
		6.3 Drive aggressive marketing and develop strategic engagement plans to attract the target customers	Business Development Unit	2 – 3 years
		6.4 On-board new customers from marketing/engagement drive	Retail	2 – 3 years
		6.5 Develop specialized offerings, including bundled life products, for SMEs, and HNIs.	Business Development Unit	2 – 3 years
7.	Grow key accounts leveraging global account management framework	7.1 Develop a value proposition (products/services) to penetrate big-ticket clients leveraging global account management framework	Business Development Unit	Within a year
		7.2 Leverage Universal Insurance's network to grow big ticket portfolios e.g. public sector, oil & gas etc.	Business Development Unit	2 – 3 years
		7.3 Equip relationship managers and engagement teams with relevant product knowledge via trainings and workshops to communicate the value propositions to identified clients	Management	2 – 3 years
		7.4 Create targeted marketing/promotion and go-to-market initiatives and engage with the big ticket customers	Business Development Unit	2 – 3 years

Source: Universal management strategy session

6 5-year Strategic Priorities
B. Grow/diversify the business

B. Grow/diversify the business (4/4)

#	Strategic Objective	Key Initiatives	Owner	Timeline
8.	Adequately capitalize the business	8.1 Refresh investment strategy to demonstrate a viable investment thesis	Board / Management	Within a year
		8.2 Identify and address leakages in current investment portfolio	Management	Within a year
		8.3 Explore profitable investment frontiers	Management	2 – 3 years
9.	Explore M&A opportunities	9.1 Identify target customer segments and identify the products to market to target customer segments based on their needs	Board	Within a year
		9.2 Identify potential partners whose agency network/customer base can be leveraged and what regulatory constraints may exist in partnering with these institutions	Board / Management	2 – 3 years
		9.3 Design and deploy M&A strategy, including a go-to-market strategy which clearly details roles and responsibilities and commence execution of the developed approach	Board / Management	2 – 3 years
		9.4 Develop a close monitoring system to track progress and enable adjustments to partnerships for continuous value delivery	Board / Management	2 – 3 years
		9.5 Reach new customers through cross-sell opportunities created by mergers and acquisitions	Business Development Unit	Above 3 years
		9.6 Develop a long-term plan for continuous enhancement in line with current trends	Management	Above 3 years

Source: Universal management strategy session

6 5-year Strategic Priorities

C. Strengthen operational excellence

C. Strengthen operational excellence (1/2)

#	Strategic Objective	Key Initiatives	Owner	Timeline
1.	Transform underwriting/claims	1.1 Enhance underwriting and claims management by simplifying policy documents and forms, translating policy documents to indigenous Nigerian languages, automating key processes, and optimizing claims recovery	Product Development / Technical	2 – 3 years
		1.2 Develop and retain professionals in the technical units including ensuring professional qualification of core technical staff and implementing periodic trainings for underwriting, sales and customer service staff	Management / HR	Above 3 years
2.	Strengthen technology capabilities (e.g. core insurance platform; cybersecurity)	2.1 Review the core system/technology capabilities and confirm alignment with the overall digital agenda and expected levels of integration	IT	Within a year
		2.2 Identify gaps in core system capabilities, and engage core system development team to agree on solutions for gaps identified	IT	Within a year
		2.3 Implement identified improvement actions including CRM and required integrations to drive optimization of core system and technology capabilities	IT / Customer care	2 – 3 years
		2.4 Monitor the use of the business application and carry out evaluations and improvements on its performance as necessary		Above 3 years
3.	Improve data management and analytics	3.1 Assess existing base of legacy data to understand data structure, bottlenecks and required architecture	IT	Within a year
		3.2 Conduct ingestion, cleansing and mining of data to generate business insights; link business data to business intelligence platform	IT	2 – 3 years
		3.3 Improve / maintain data quality through implementation of robust data governance, controls and best adoption of practices	IT/ Audit	2 – 3 years
		3.4 Embed data analysis and management capabilities in the organization by training existing staff and recruiting new employees with requisite skills	IT / HR	2 – 3 years

Source: Universal management strategy session

C. Strengthen operational excellence (2/2)

#	Strategic Objective	Key Initiatives	Owner	Timeline
4.	Improve employee engagement and development	4.1 Assess talent skillsets to identify capabilities gap	HR	Within a year
		4.2 Revamp core HR systems including employee performance management, recruitment, learning & development	HR	2 – 3 years
		4.2 Deepen employee experience and capabilities through L&D initiatives	HR	2 – 3 years
		4.3 Motivate and retain talent	HR / Management	2 – 3 years
5.	Build future fit business processes and drive cost optimization	5.1 Identify pain points and physical touchpoints in the current systems/ processes – underwriting, payment and claims	Audit / Management	Within a year
		5.2 Streamline and simplify existing processes		
		5.3 Engage digital/ programming/ IT teams to determine automation and core system integration opportunities – throughout the customer journey	IT / Management	Within a year
		5.4 Engage external and internal digital/ program/ IT teams to execute a process automation project to deliver best-in-class customer service	IT / Management	2 – 3 years
		5.5 Train staff to use the new automated underwriting, payment and claims system	IT / Technical	2 – 3 years
		5.6 Develop assessment to monitor customer satisfaction with new automated processes and evaluate their performance	Management	Above 3 years
		5.7 Streamline and track operating expenses to improve net earnings	Finance	Within a year
		5.8 Develop and retain professionals in the technical units	Management	2 – 3 years
6	Strengthen risk management	6.1 Continuously improve enterprise-wide risk management framework including assessing current risk management practice, identifying gaps and improvement opportunities and periodically updating the enterprise-wide risk management framework	Enterprise risk management / Audit	2 – 3 years
		6.2 Continuously monitor the risk appetite dashboard and risk register on defined periodic bases	Enterprise risk management	2 – 3 years

Source: Universal management strategy session

7

Financial viability

7 Financial viability

General assumptions

General project assumptions

Projection start date	1-Jan-21
Projection end date	31-Dec-26
Monthly working days	23
Base currency	₦

Source: EY analysis

Macroeconomic assumptions

Macros	2021	2022	2023	2024	2025	2026
Yearly inflation rate	17.3 %	13.1 %	12.6 %	11.9 %	10.8 %	9.9 %
Inflation factor	1.17	1.13	1.13	1.12	1.11	1.10
Population (000)	211,580	217,021	222,462	227,902	233,343	239,270

Source: Oxford Economics, World bank

Regulatory assumptions

% of total premium	30%
% of profit after tax	20%
Minimum paid up capital & of net premium	50%

Source: Oxford Economics, World bank

7 Financial viability

General assumptions

Active policy count B2B (Base case)

Motor	570
Fire	913
General accident	983
Oil and gas	344
Bonds	1,182
Engineering	226
Bonds & Engineering	1,408
Marine cargo	2,540
Marine hull	10
Aviation	296
Marine and Aviation	2,846

Source: EY analysis

Average gross premium B2B (Base case)

Motor	290
Fire	1,430
General accident	261
Oil and gas	3,535
Bonds	99
Engineering	932
Bonds & Engineering	516
Marine cargo	98
Marine hull	22,715
Aviation	570
Marine and Aviation	7,794

Source: EY analysis

Active policy count B2C (Base case)

Motor	2,280
Fire	101
General accident	529
Oil and gas	-
Bonds	-
Engineering	-
Bonds & Engineering	-
Marine cargo	-
Marine hull	-
Aviation	-
Marine and Aviation	-

Source: EY analysis

Average gross premium B2C (Base case)

Motor	290
Fire	1,430
General accident	261
Oil and gas	3,535
Bonds	99
Engineering	932
Bonds & Engineering	516
Marine cargo	98
Marine hull	22,715
Aviation	570
Marine and Aviation	7,794

Source: EY analysis

7 Financial viability

Statement of profit or loss

Statement of profit or loss (₦'000)

₦'000	Year 0 2021	Year 1 2022	Year 2 2023	Year 3 2024	Year 4 2025	Year 5 2026
Gross premium written	**6,832,094**	**10,908,877**	**16,813,755**	**23,755,485**	**32,940,378**	**40,196,976**
Decrease/(Increase) in unearned premium	(550,638)	(880,420)	(1,358,781)	(1,919,025)	(2,659,960)	(3,244,650)
Gross premium income	**6,281,456**	**10,028,457**	**15,454,974**	**21,836,460**	**30,280,418**	**36,952,325**
Reinsurance premium expenses	(1,213,033)	(1,947,883)	(3,018,613)	(4,258,116)	(5,895,004)	(7,181,939)
Net premium income	**5,068,423**	**8,080,574**	**12,436,361**	**17,578,344**	**24,385,414**	**29,770,386**
Fee and commission income - insurance contracts	215,291	341,947	524,351	741,946	1,030,373	1,259,283
Net underwriting income	**5,283,714**	**8,422,521**	**12,960,712**	**18,320,290**	**25,415,787**	**31,029,669**
Claims incurred	(894,970)	(1,413,782)	(2,156,445)	(3,056,099)	(4,250,822)	(5,203,429)
Insurance claims recoverable from reinsurers	310,095	489,856	747,178	1,058,896	1,472,851	1,802,915
Underwriting expense	(1,898,017)	(3,036,623)	(4,689,284)	(6,621,598)	(9,176,595)	(11,191,739)
Underwriting profit	**2,800,822**	**4,461,972**	**6,862,160**	**9,701,489**	**13,461,220**	**16,437,416**
Investment income	316,166	631,233	1,293,329	2,516,730	4,636,272	8,052,982
Other operating income						
Net operating income	**3,116,987**	**5,093,205**	**8,155,489**	**12,218,219**	**18,097,492**	**24,490,398**
Employee benefit expenses	(708,527)	(952,945)	(1,243,657)	(1,582,531)	(1,965,567)	(2,391,845)
Other operating and administrative expenses	(617,345)	(765,832)	(948,839)	(1,158,558)	(1,407,541)	(1,609,046)
Depreciation	(508,645)	(638,442)	(682,956)	(778,016)	(893,637)	(858,121)
Amortization	(27,977)	(34,944)	(41,911)	(48,879)	(34,836)	(27,869)
Profit before tax	**1,254,493**	**2,701,042**	**5,238,126**	**8,650,235**	**13,795,912**	**19,603,517**
Income tax expense	(401,438)	(864,333)	(1,676,200)	(2,768,075)	(4,414,692)	(6,273,125)
Profit after tax	**853,055**	**1,836,708**	**3,561,926**	**5,882,160**	**9,381,220**	**13,330,392**
Dividends						
Retained earnings for the year	**853,055**	**1,836,708**	**3,561,926**	**5,882,160**	**9,381,220**	**13,330,392**
Retained earnings b/f	(697,239)	155,816	1,992,524	5,554,450	11,436,610	20,817,830
Retained earnings c/f	**155,816**	**1,992,524**	**5,554,450**	**11,436,610**	**20,817,830**	**34,148,221**

7 Financial viability
Statement of cashflows

Statement of cashflows (₦'000)

₦'000	Year 0 2021	Year 1 2022	Year 2 2023	Year 3 2024	Year 4 2025	Year 5 2026
Profit before tax	**853,055**	**1,836,708**	**3,561,926**	**5,882,160**	**9,381,220**	**13,330,392**
Adjustments: Depreciation	508,645	638,442	682,956	778,016	893,637	858,121
Amortization	27,977	34,944	41,911	48,879	34,836	27,869
	1,389,677	**2,510,095**	**4,286,793**	**6,709,054**	**10,309,692**	**14,216,381**
FVTPL	(1,562,461)	(5,634,782)	(11,771,640)	(21,711,053)	(37,575,485)	(60,495,593)
Trade receivables	255,410	(764)	(1,181)	(1,389)	(1,837)	(1,452)
Reinsurance assets	(420,883)	(551,137)	(803,048)	(929,627)	(1,227,666)	(965,202)
Deferred acquisition costs	(334,465)	(537,629)	(833,966)	(1,176,077)	(1,627,713)	(1,982,481)
Deferred tax assets	403,685	-	-	-	-	-
Insurance contract liabilities	353,369	1,060,181	1,616,103	2,230,742	3,073,915	3,574,715
Trade payable	764,062	583,625	850,385	984,426	1,300,033	1,022,098
Provisions and other payables	(128,801)	-	-	-	-	-
Statutory deposit	(665,000)	-	-	-	-	-
Deferred commission income	14,584	23,100	35,327	50,027	69,530	85,045
Income tax liabilities	366,784	462,896	811,867	1,091,875	1,646,616	1,858,434
Deferred tax liability	(309,014)	-	-	-	-	-
Net cash flows from operating activities	**126,947**	**(2,084,415)**	**(5,809,358)**	**(12,752,020)**	**(24,032,913)**	**(42,688,055)**
Property, plant and equipment	(1,115,909)	(1,115,909)	(1,115,909)	(1,115,909)	(1,115,909)	-
Intangible assets	(34,836)	(34,836)	(34,836)	(34,836)	(34,836)	-
Net cashflow from financing activities	**(1,150,745)**	**(1,150,745)**	**(1,150,745)**	**(1,150,745)**	**(1,150,745)**	**-**
Paid up share capital	1,825,018	1,000,000	-	-	-	-
Contingency reserve	(825,018)	-	-	-	-	-
Fair value reserve	188,444	367,342	712,385	1,176,432	1,876,244	2,666,078
Net cashflow from investing activities	**1,188,444**	**1,367,342**	**712,385**	**1,176,432**	**1,876,244**	**2,666,078**
Net increase/ (decrease) in cashflow	164,646	(1,867,819)	(6,247,718)	(12,726,333)	(23,307,414)	(40,021,976)
Beginning balance	392,565	557,211	(1,310,608)	(7,558,326)	(20,284,659)	(43,592,073)
Ending balance	**557,211**	**(1,310,608)**	**(7,558,326)**	**(20,284,659)**	**(43,592,073)**	**(83,614,049)**

7 Financial viability
Statement of financial position

Statement of financial position (₦'000)

₦'000		Year 0 2021	Year 1 2022	Year 2 2023	Year 3 2024	Year 4 2025	Year 5 2026
Assets							
Cash and cash equivalent		557,211	-	-	-	-	-
Financial assets:	Fair value through profit or loss	3,567,915	9,202,697	20,974,337	42,685,390	80,260,874	140,756,467
	FVOCI	-	-	-	-	-	-
Trade receivables		1,418	2,182	3,363	4,752	6,589	8,041
Reinsurance assets		909,775	1,460,912	2,263,960	3,193,587	4,421,253	5,386,454
Deferred acquisition costs		454,908	992,537	1,826,502	3,002,579	4,630,292	6,612,773
Other receivables and prepayments		336,167	336,167	336,167	336,167	336,167	336,167
Investment in Subsidiaries		2,449,516	2,449,516	2,449,516	2,449,516	2,449,516	2,449,516
Investment properties		1,886,000	1,886,000	1,886,000	1,886,000	1,886,000	1,886,000
Property, plant and equipment		3,289,343	3,766,810	4,199,763	4,537,657	4,759,929	3,901,808
Intangible assets		69,889	69,780	62,704	48,661	48,661	20,793
Statutory deposit		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total assets		**14,522,141**	**21,166,601**	**35,002,313**	**59,144,309**	**99,799,281**	**162,358,019**
Liabilities							
Insurance contract liabilities		1,618,939	2,679,120	4,295,223	6,525,965	9,599,881	13,174,596
Trade payable		963,404	1,547,029	2,397,414	3,381,841	4,681,874	5,703,972
Deferred commission income		14,584	37,685	73,012	123,039	192,569	277,614
Income tax liabilities		395,025	857,920	1,669,787	2,761,662	4,408,279	6,266,712
Bank Overdraft		-	1,310,608	7,558,326	20,284,659	43,592,073	83,614,049
Total liabilities		**2,991,951**	**6,432,362**	**15,993,762**	**33,077,166**	**62,474,675**	**109,036,943**
Equity							
Paid up share capital		9,825,018	10,825,018	10,825,018	10,825,018	10,825,018	10,825,018
Contingency reserves		774,567	1,141,908	1,854,293	3,030,725	4,906,969	7,573,048
Retained earnings		155,816	1,992,524	5,554,450	11,436,610	20,817,830	34,148,221
Fairvalue reserves		6,460	6,460	6,460	6,460	6,460	6,460
Asset revaluation surplus		768,329	768,329	768,329	768,329	768,329	768,329
Total equity		**11,530,190**	**14,734,240**	**19,008,551**	**26,067,142**	**37,324,606**	**53,321,076**
Total equity and liabilities		**14,522,141**	**21,166,601**	**35,002,313**	**59,144,309**	**99,799,281**	**162,358,019**

8

Appendices

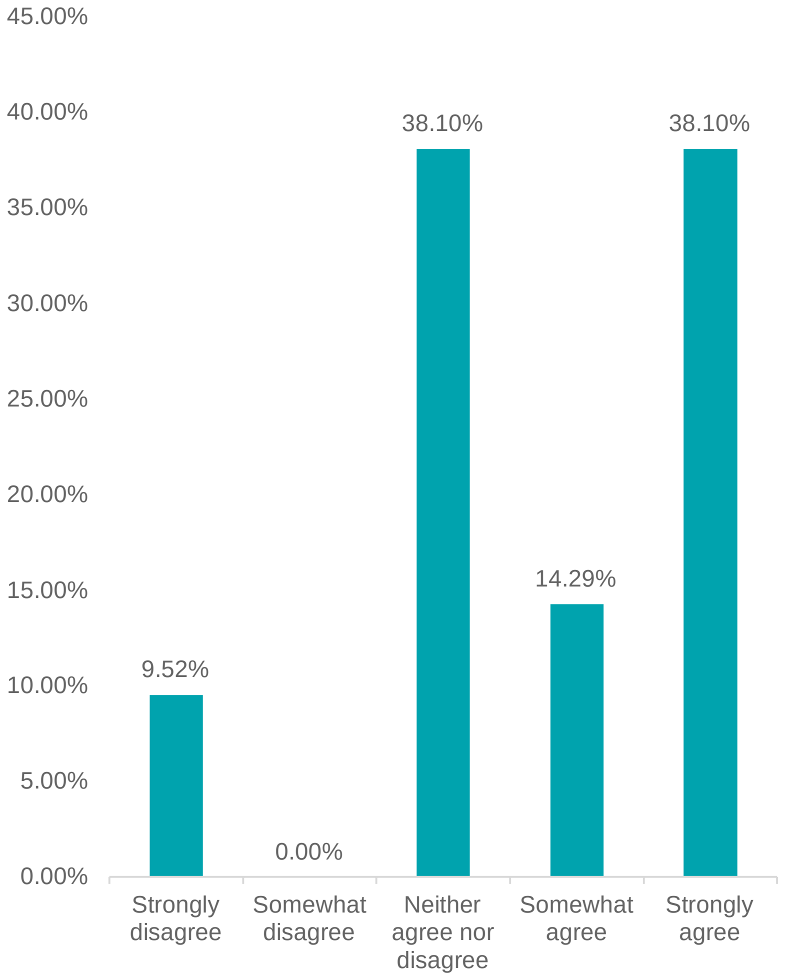
Survey Responses

8 Appendices

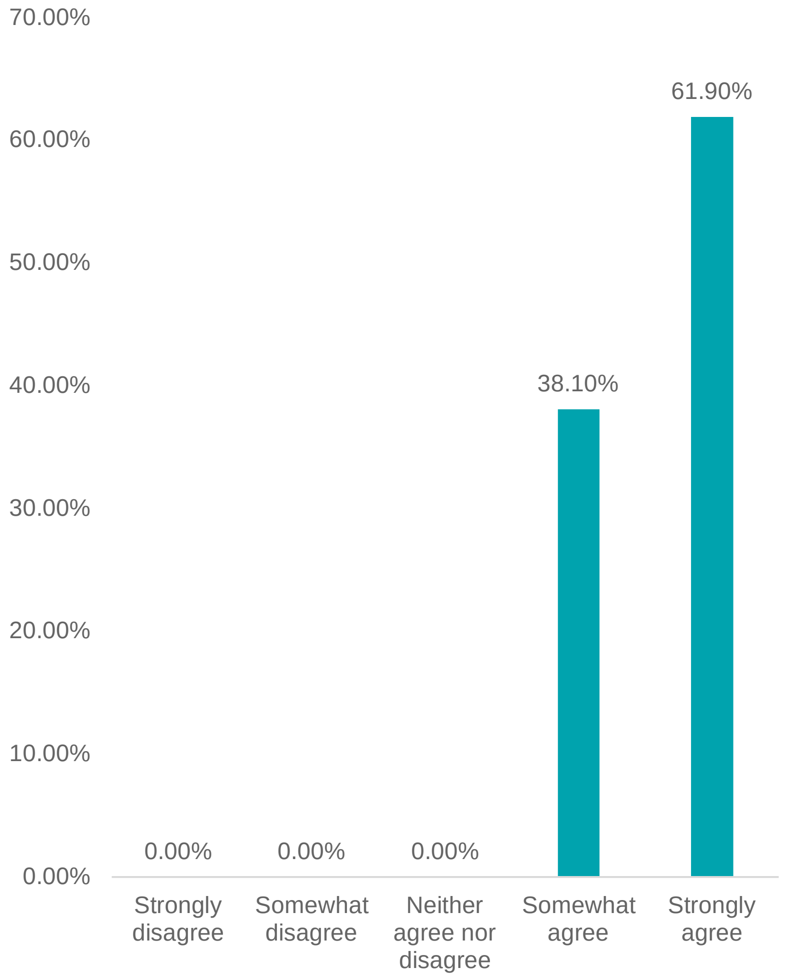
Key takeaways from staff interviews

Employee satisfaction responses

Q1 - At Universal Insurance Plc, my contributions are recognized and appreciated – n = 21



Q2 - Universal Insurance Plc provides a work environment where I feel free to be myself – n = 21

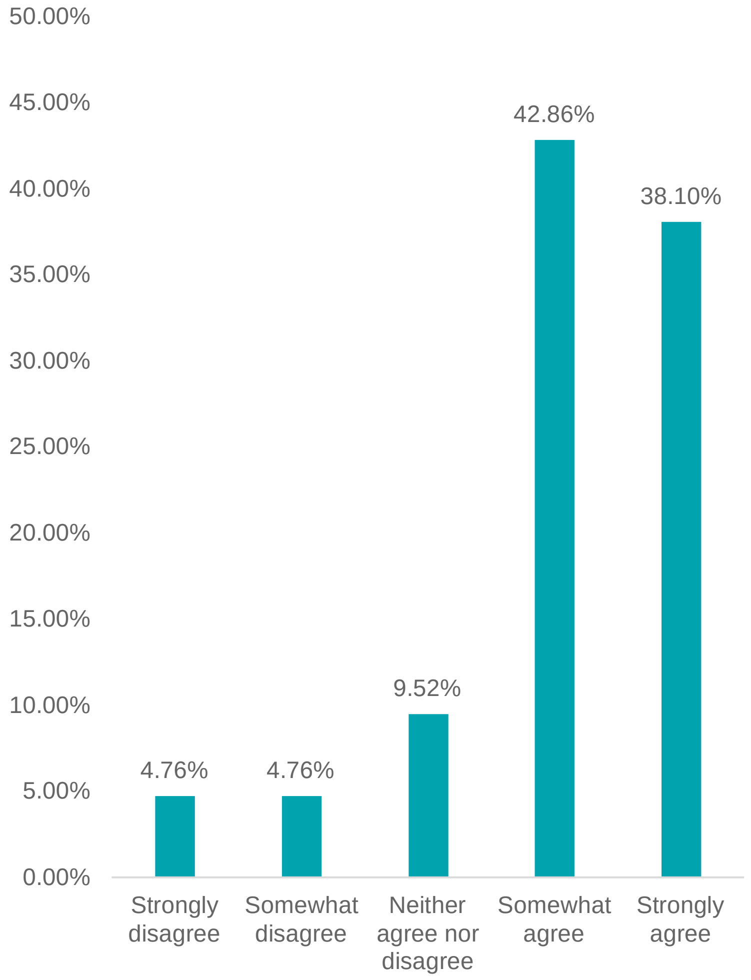


8 Appendices

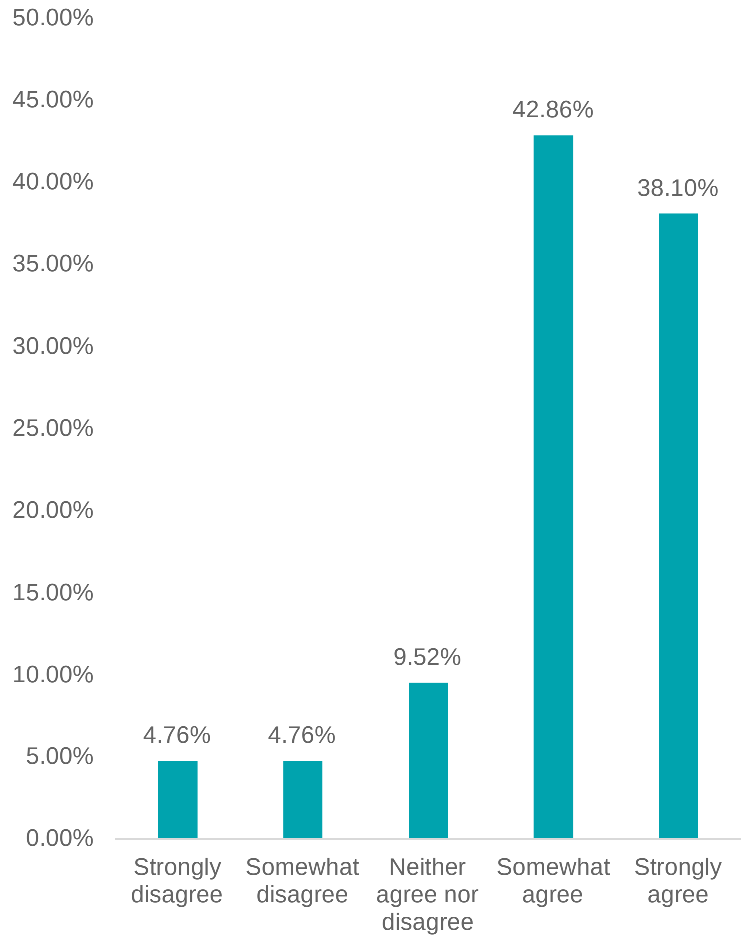
Key takeaways from staff interviews

Employee satisfaction responses

Q3 - Universal Insurance Plc promotes innovation and allows me to express my creativity – n = 21



Q4 - I understand how my work relates to Universal's overall strategy – n = 21

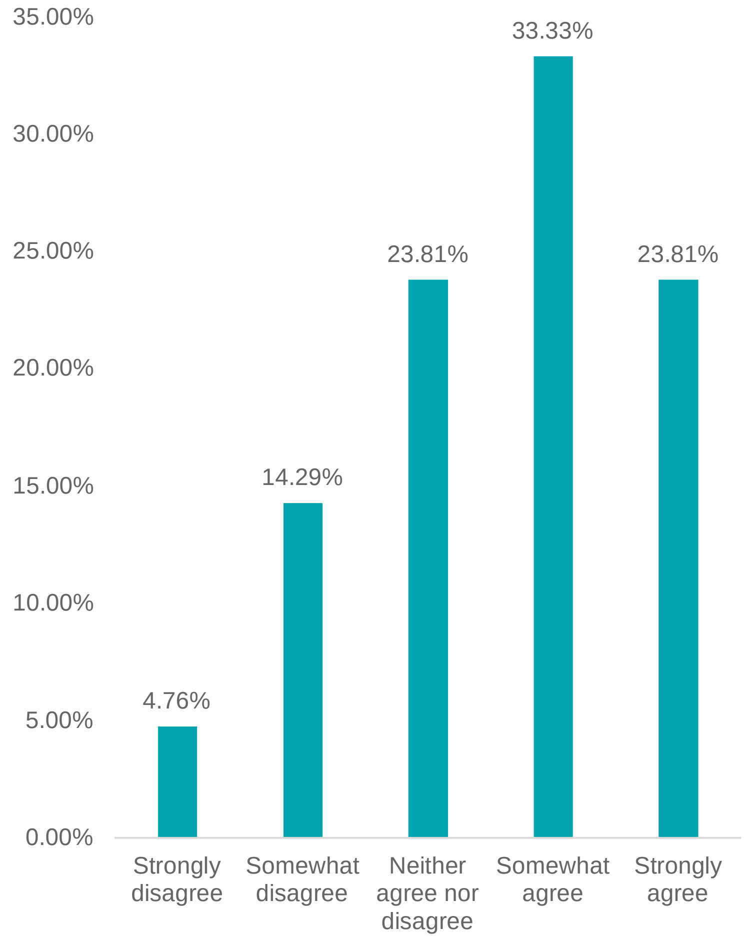


8 Appendices

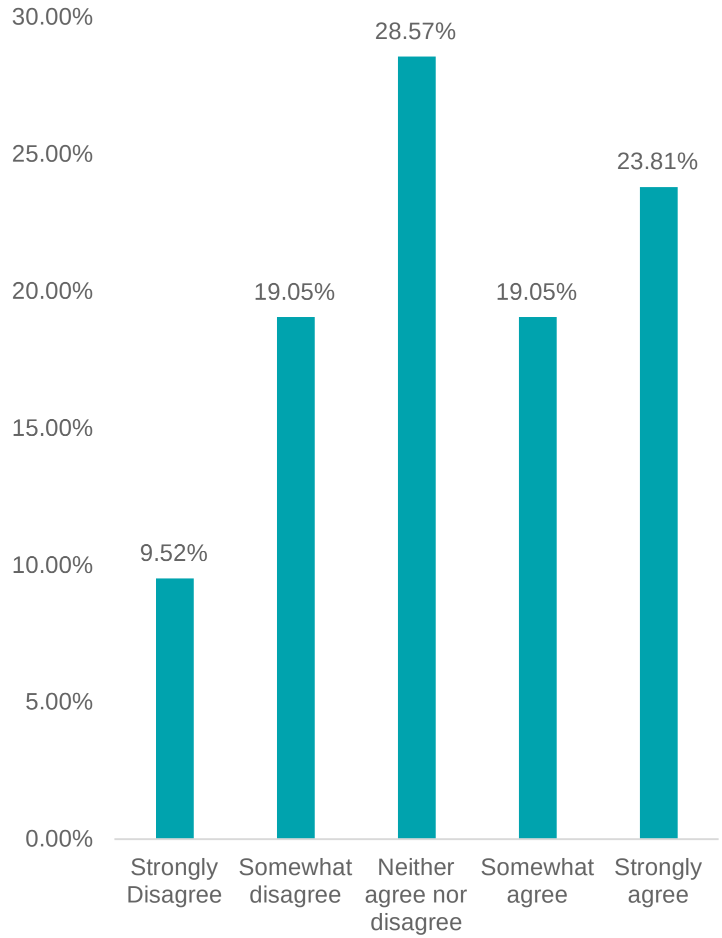
Key takeaways from staff interviews

Employee satisfaction responses

Q5 - Universal provides me with the right tools that allow me to contribute to the realization of the goals of the organization – n = 21



Q6 - I am given enough trainings and learning opportunities to support the actualization of my assigned KPIs – n = 21

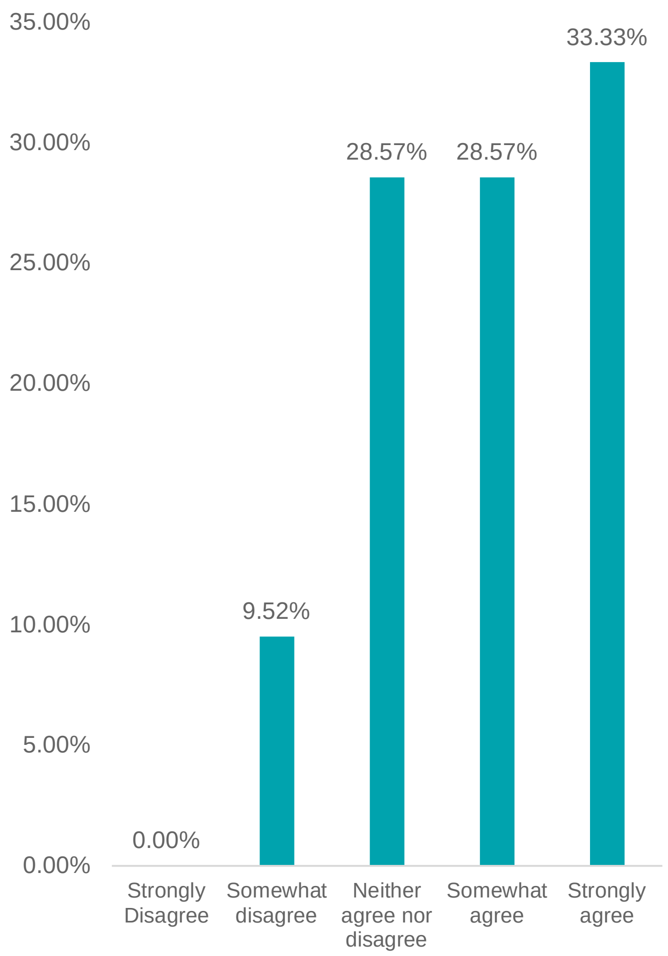


8 Appendices

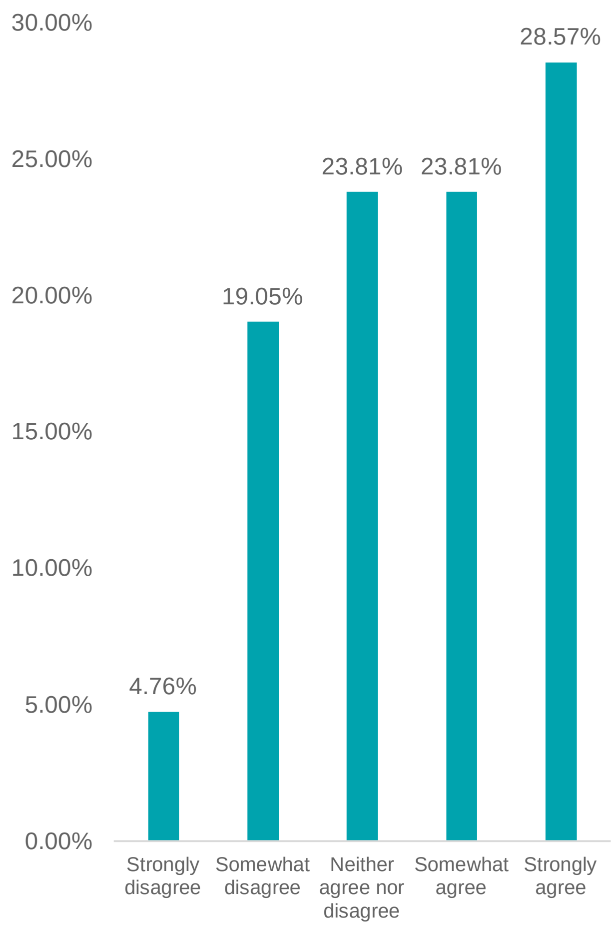
Key takeaways from staff interviews

Employee satisfaction responses

Q7 - My KPIs are well designed to allow for collaboration and overall organisational growth – n = 21



Q8 - The content and frequency of firm-wide communications on the strategic of the company are adequate – n = 21



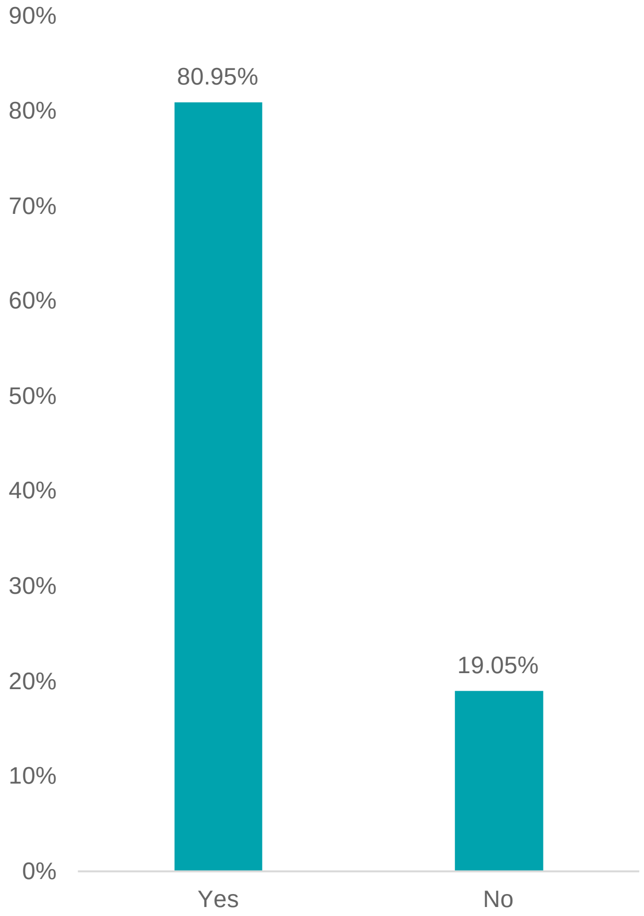
Q9 - There is evidence for me to believe that the leadership of the Universal is truly committed to the employee engagement and development – n = 21

8 Appendices

Key takeaways from staff interviews

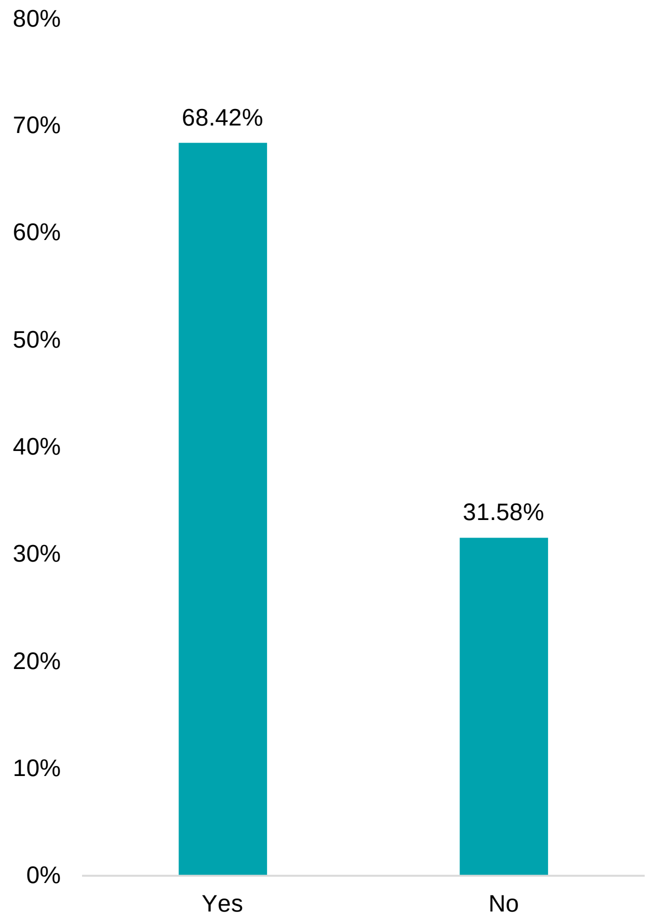
Employee satisfaction responses

Q1 - Is Universal Insurance swift in responding to changing market demands and customer needs? n = 21



- *The company tries its best to meet customer needs in the form of swift claims. However, because of its myopic profit view instead of a customer-focused culture, it's sometimes lacking in two of the above-stated areas.*
- *Average response is currently observed but needs improvement in the areas of service delivery, response to emails, etc.*
- *Insufficient staff in the unit*

Q2 - Does Universal Insurance internal processes support swift response to changing market demands? n = 19



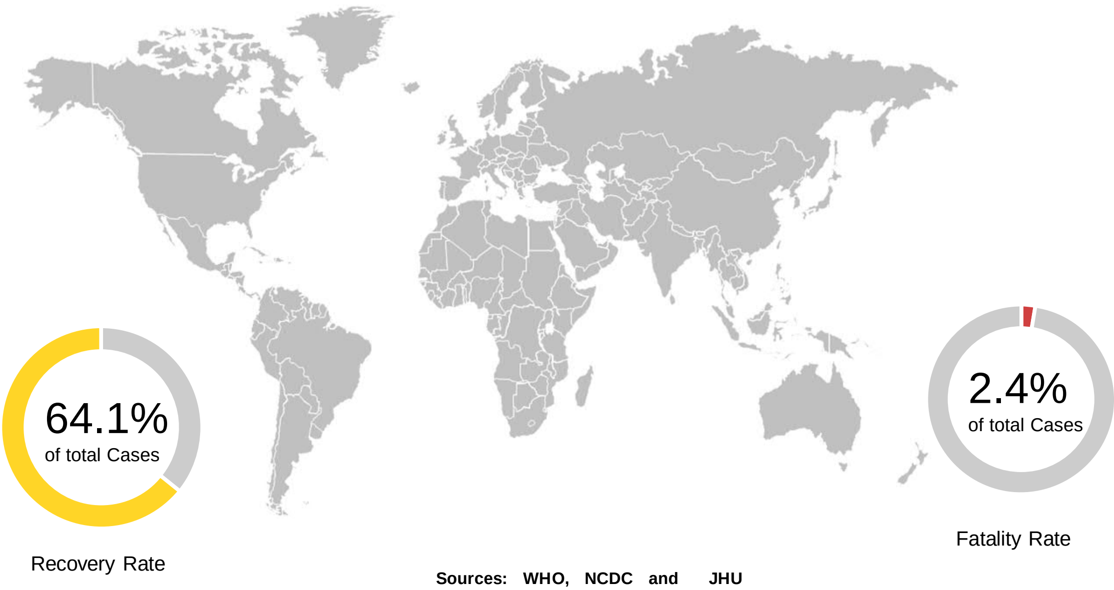
Looking Ahead: Possible Future of Insurance in Nigeria

8 Appendices

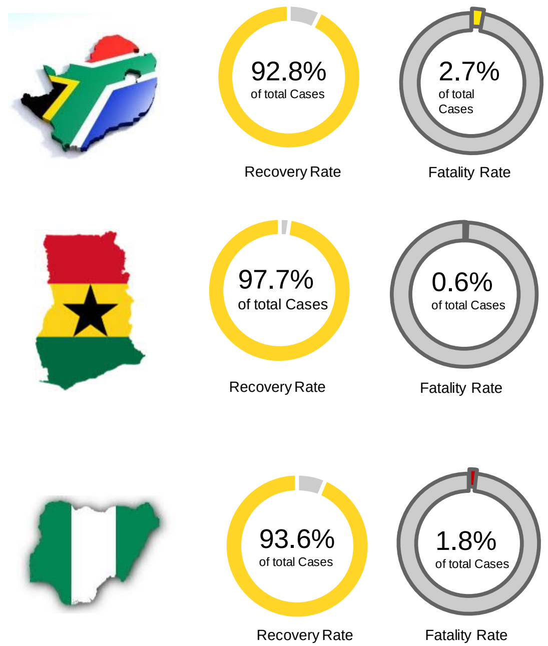
Covid-19 Impact on the Insurance Sector so far…(1/2)

Whilst this is not a COVID-19 presentation, COVID-19 is a **key driver** to our new reality, having significantly affected lifestyles both globally and locally. The World Health Organization (WHO) declared the virus a pandemic on January 30 2020 and, as at November 25 2020, there has been 59.85 million confirmed cases with **1.41 million deaths** worldwide.

South Africa and Ghana have reported 772,252 and 51,184 cases respectively with **21,083 and 323 deaths** respectively as at 25th November. Nigeria reported 66,607 cases and **1,169 deaths** as at 25th November.



Sources: WHO, NCDC and JHU CSSE.



COVID-19 has impacted business continuity and lifestyle worldwide, with some territories experiencing a second wave.

Some experience **highlights** are:

- The Insurance Industry has been broadly resilient, adopting digital technology to enhance remote working efficiencies. Business continuity not **overly** impeded, even when 3rd parties are involved – loss adjusters, re-assurers, etc.
- Underwriting exposure (both Life and Non-Life) to Covid-19 related incidences though not yet published, from information to hand, seems limited.
- Retail new business take up has been low.
- A combination of lower GWP, low redundancies, some investment in technology, reducing interest rates – is leading to financing strains and lower solvency levels.

The Scope, duration and severity of the Covid-19 virus – the biggest uninsured event, is at yet unknown.

The new 'normal' emerging is our **Now**. Let's briefly discuss **Growth** under these new realities – our **Next and Beyond**.

8 Appendices
High Level View of the Insurance Sector (1/2)

1

NOW

- Liquidity Challenges in the sector and reduced Solvency levels – both threaten ability to expand and take on risk. The Capitalization exercise may help but we should be mindful that ROC needs to be delivered.
- Low interest rates; Fall in oil prices and the Naira; Local and Global recession ordinarily leads to an **expected decrease in insurance spend**.
- Low Penetration Level (0.3% of GDP) and Awareness presents a low hanging ‘fruit’ from GROWTH perspective if the value proposition of Insurance can be demonstrated??

2

NEXT

Companies need to:

- Realistically prepare 2021 Business Plan, with increased focus on Risk Management and Investment strategies.
- Review Policy conditions for new policies.
- Review Customer engagement methods.
- Review viability of distribution methods.
- Review Product offerings
- Make operational changes in response to the reviews above. Agility is key to survival.
- Improve IT infrastructure especially Cyber Security.
- M& A Opportunities, etc.
- Consider developing Purpose Statement.

The advent of COVID-19, the consequent lockdown and remote working periods have tremendously increased the use of digital tools particularly for making transactions and enquiries. This cuts across ***all*** industries and is embraced by customers across all ages and social classes.

Let's briefly explore the Next and beyond through four lenses:

- Customer, Products and Distribution.
- People, Operations and Technology
- Capital, Liquidity and Investments
- Financial Reporting

Customer, Products and Distribution:	**NEXT & BEYOND**	• We expect Business Development plans to imbibe increased **customer (current and potential) engagement** aimed at observing behaviors and needs , resulting in the development of relevant new products prepared on a **segmented basis** (age, occupation, gender, location, etc.) rather than the current one size fits all. **Digitalization** and **data analytics** will be enabling tools for deepening both **Retail and Corporate business**. • We expect increased use of information gathering sensors, with data obtained used in pricing and product development. There will be increased collaboration with third parties in deepening penetration – banks, *telcos*, whilst dealing with data protection and other regulatory issues. • There will still be the need for the personnel touch and the agent, but digital will be on the increase.

8 Appendices

The Future: Next and Beyond (2/3)

People, Operations and Technology:	**NEXT & BEYOND**	• Remote working will be part of our new normal. Employment policies will need to be reviewed to accommodate this important change e.g. checking in online, flexible working hours , etc.
		• Operating Procedures and Technology will need to be enhanced to accommodate
		  ▪ Mobile / remote working across more employee cadres than hitherto – people work from mobile devices
		  ▪ Engaging with customers and business partners, as they will also be embracing technology than more hitherto
		• Increase in basic operational tools: chat-boxes, robotics, etc.
		• The shift in work culture will lead to the need to maintain flexible agile enterprises. This could impact **needed** staff profile, and lead to redundancies and retraining needs.

Capital, Liquidity and Investments:	**NEXT & BEYOND**	• Sustainable low investment yields may in the near future lead to a drop in solvency levels leading to the **need for more capital**. • Falls in new business levels, increased cashing-in of savings policies and policy lapses are likely to be experienced in the immediate 'next' as the economy struggles. This will lead to financial strains in the insurance industry. • Hence in the next and beyond, it is expected that companies will aggressively focus on developing plans that will consistently drive **Operational Efficiency.** • Enterprise Risk Management together with Asset Liability Matching procedures will be on the ascendency.

8 Appendices
The Future: Next and Beyond (3/3)

Financial Reporting:	**NEXT & BEYOND**	• Working remotely posed challenges to many Insurers in meeting regulatory Financial Reporting deadlines in part because needed information were extracted from multiple sources, some not readily accessible remotely. This and the complexities of IFRS 17 has led to clients exploring in new Financial Reporting Systems. • We anticipate top management and Board will require an increased frequency of internal financial reporting with deeper granularity.

8 Appendices

There are 5 imperatives for Insurance companies to achieve sustainable growth, taking the effect of the COVID-19 pandemic on the industry

1 Relentlessly Drive Efficiency:

Current

- Low investment returns
- Fall in the naira
- Stresses in the economy across all sectors (apart from Technology, Telecoms)
- Likely local, global recession

…will lead to both top line and bottom line challenges to the Insurance Sector

May last a while

Use automation to

- Drive product awareness, cross selling, etc.
- Improve Underwriting and Claims Management
- Use RPA for repeated processes.
- Lower ER , CR

2 Win the War for Talent:

- Indeed getting and retaining good talent is a '*war*' – A War with other industries. (banks, investment houses, *Telcos*, FinTechs, etc.)
- You need to be smart to attract / retain smart individuals.

3 Manage Expected Regulatory Pressures:

- Capitalization
- Solvency levels / RBC
- More frequent reporting
- IFRS 17

4 Increase Digitalization:

- It is a major customer expectation.
- It will help you drive innovation especially D2C activities

5 Demonstrate Trust and Interest In customers:

- Simplify policy document (have a simple extract / illustration to augment complete terms)
- Frequent Interactions during policy year.
- Give loyalty / Good behavior rewards

In the Next and Beyond, we expect insurance companies experiencing sustainable growth to be more **technology driven** across all workstreams.

Technology will aid the ***agility*** to innovate and differentiate:

- Deepen awareness activities
- interact more with customers,
- market more need based products
- develop more partnerships and deepen market penetration.

- leading to a bigger, better-connected Insurance Industry.

- Having dynamic claims / settlement processing
- Enhanced Operational and Financial Reporting facilities.

. . . Interesting Times Await Good Explorers…

Others

8 Appendices

There are 29 general insurance companies in Nigeria

S/N	Name of Company	Location
1	Anchor Insurance Company Ltd	Lagos
2	Consolidated Hallmark Insurance Plc	Lagos
3	Custodian & Allied Insurance Limited	Lagos
4	Sunu Assurance Plc	Lagos
5	FBN General Insurance Limited	Lagos
6	Fin Insurance Company Ltd	Abuja
7	Guinea Insurance Plc	Lagos
8	International Energy Insurance Plc	Lagos
9	Investment And Allied Assurance Company Plc	Lagos
10	Kbl Insurance Ltd	Lagos
11	Law Union And Rock Insurance Company Plc	Lagos
12	Linkage Assurance Plc	Lagos
13	Mutual Benefits Assurance Plc	Lagos
14	Nem Insurance Plc	Lagos
15	Nigerian Agricultural Insurance Corporation	Abuja

S/N	Name of Company	Location
16	Old Mutual Nigeria General Insurance Company Limited	Lagos
17	Prestige Assurance Plc	Lagos
18	Regency Alliance Insurance Plc	Lagos
19	Royal Exchange General Insurance Co. Ltd	Lagos
20	Unitrust Insurance Nigeria Limited	Lagos
21	Sovereign Trust Insurance Plc	Lagos
22	Staco Insurance Plc	Lagos
23	Standard Alliance Insurance Plc	Lagos
24	Sterling Assurance Nigeria Ltd	Lagos
25	Unity Kapital Assurance Plc	Abuja
26	Universal Insurance Plc	Lagos
27	Coronation Insurance Plc	Lagos
28	Zenith General Insurance Company Ltd	Lagos
29	Heirs Insurance Ltd	Lagos

Source: NAICOM, EY Analysis

8 Appendices

There are 17 life insurance companies and 13 composite insurance companies in Nigeria

Life Insurance Companies in Nigeria

S/N	Name of Company	Location
1	African Alliance Insurance Company Ltd	Lagos
2	A.R.M Life Plc	Lagos
3	Capital Express Assurance Ltd	Lagos
4	Custodian Life Assurance Ltd	Lagos
5	FBN Insurance Limited	Lagos
6	Mutual Benefits Life Assurance Ltd	Lagos
7	Old Mutual Nigeria Life Assurance Company Limited	Lagos
8	Royal Exchange Prudential Life Assurance Plc	Lagos
9	Spring Life Assurance Plc	Lagos
10	Standard Alliance Life Assurance Ltd	Lagos
11	Unic Insurance Plc	Lagos
12	United Metropolitan Life Insurance Company Ltd	Lagos
13	Wapic Life Assurance Ltd	Lagos
14	Zenith Life Assurance Company Ltd	Lagos
15	Heirs Life Assurance Ltd	Lagos
16	Stanbic Ibtc Insurance Ltd	Lagos
17	Enterprise Life Assurance Company Nig. Ltd	Lagos

Source: NAICOM, EY Analysis

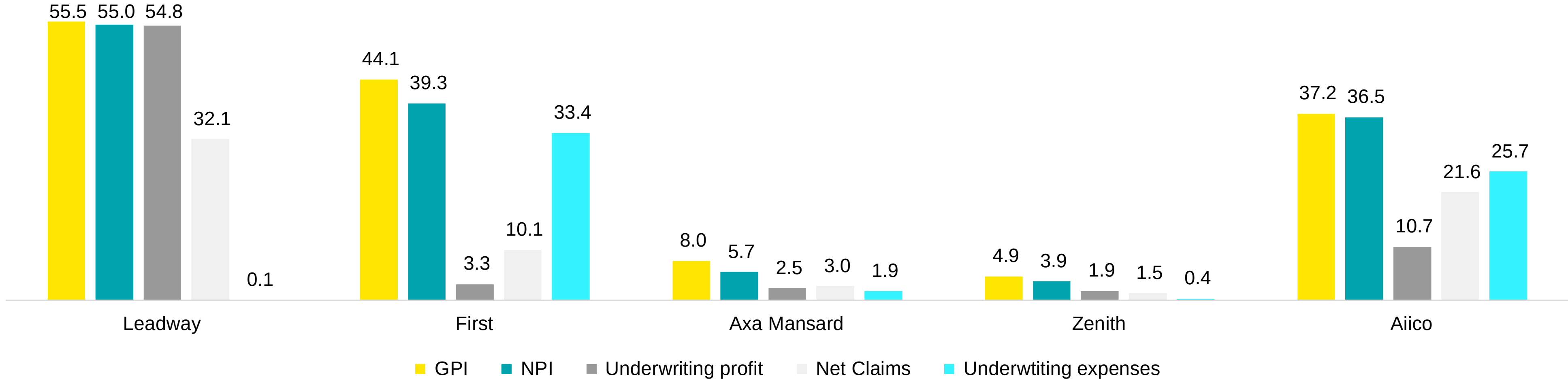
Composite Insurance Companies in Nigeria

S/N	Name of Company	Location
1	Aiico Insurance Plc.	Lagos
2	Axa Mansard Insurance Plc	Lagos
3	Cornerstone Insurance Plc	Lagos
4	Allianz Insurance Plc	Lagos
5	Goldlink Insurance Plc	Lagos
6	Great Nigeria Insurance Plc	Lagos
7	Industrial And General Insurance Company Plc	Lagos
8	Lasaco Assurance Plc	Lagos
9	Leadway Assurance Company Ltd	Lagos
10	Nicon Insurance Ltd	Abuja
11	Niger Insurance Plc	Lagos
12	Nsia Insurance Ltd	Lagos
13	Alliance & General Life Assurance Plc	Lagos

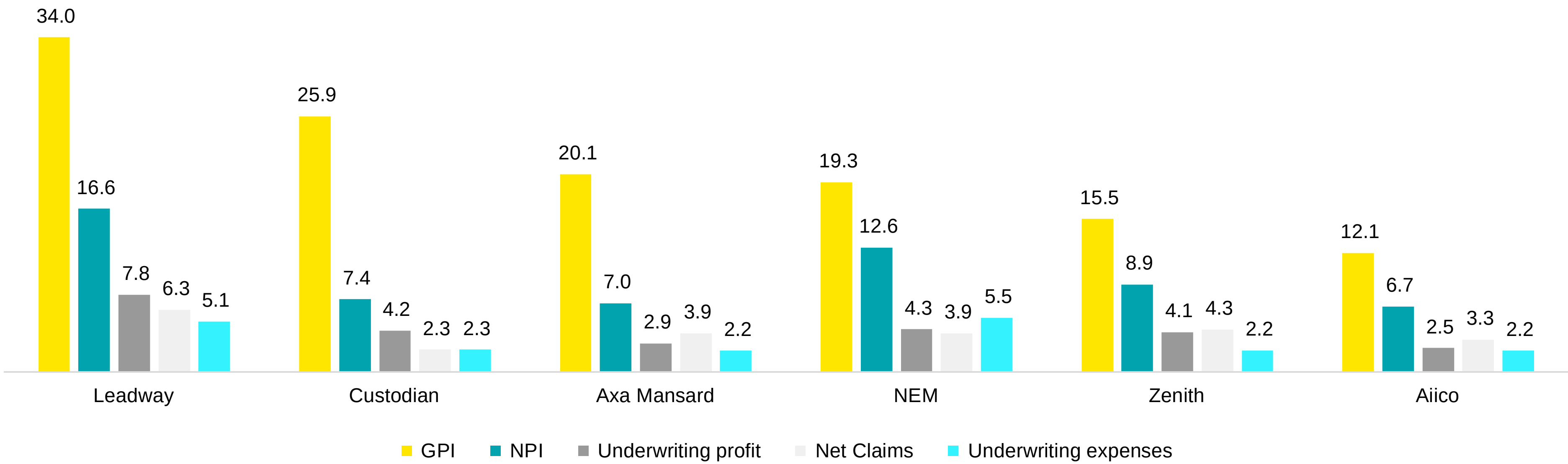
8 Appendices

Financial performance of top players in Insurance - 2019

Life Business



Non-Life Business



Source: Company' AFS, EY Analysis

EY | Assurance | Tax | Transactions | Advisory