

MD/CEO's Speech

THE MANAGING DIRECTOR/CEO OF GREAT NIGERIA INSURANCE PLC, MRS. CECILIA O. OSIPITAN'S NEW YEAR SPEECH TO MEMBERS OF STAFF ON TUESDAY, JANUARY 2, 2018 AT THE HEAD OFFICE.

"2018: YEAR OF EXPONENTIAL PROFITABLE GROWTH"

Dear Colleagues,

I welcome you all back to work after the New Year holiday; I trust that you all had a restful and fun filled holiday. I thank God for granting journey mercies to those who travelled long distances to join their families and loved ones in celebration. I wish those who are yet to return the protection of God Almighty and safe trip back. To those who stayed behind all through the holiday your labour of love is greatly appreciated; thank you.

During the last quarter of the year just ended, President Muhammadu Buhari said that 2017 was a very tough year for Nigeria, but he expressed optimism that 2018 will be a more prosperous one for the Nation. The staggering price increase of commodities across board negatively impacted the cost of doing business. Although, Analysts had predicted a slow economic recovery in 2017; the business terrain was quite challenging.

In 2017, the company was able to record Gross Premium Written of about N3.17Billion reflecting 50% increase over the N2.12Billion recorded in 2016 by the company in 2017. This performance informed the choice of the theme for year 2018: YEAR OF EXPONENTIAL PROFITABLE GROWTH.

Dear Team, it is pertinent to be prepared to maximally exploit all opportunities embedded in the year 2018. Optimism to succeed should be our driving strength with positive mind-set as the major ingredient.

As a company, our collective effort is vital for the actualization of the organizational goals and aspiration. As individual employee, always have it at the back of your mind that your action, delayed action or inaction will have its impact on the value chain either positively or negatively; it is best for our individual contribution to be constructive. Management will continually take pre-emptive measures to curtail any effect or challenge posed by the business environment with the commencement of positive

change initiatives in the company's processes and strategies. The Internal Control and Compliance team will closely monitor individual, unit and departmental performance to ensure that everyone is involved in the quest for success. All members of staff are charged to drop the cloak of stagnation and embrace forward projection.

We were able to deliver on the three outstanding financials (i.e. 2013, 2014 and 2015) and was also able to get timely approval for our 2016 financials in 2017. In the same vein, 2017 financials shall be ready before in March 2018 and the onward submission of same to regulatory bodies by the end of March 2017 making it the first time that the company will meet the submission deadline. We have resolved to ensure prompt rendition of all our reports and obtain necessary regulatory approval for our financials to avoid attracting any sanction or infractions.

2017 NATIONAL ECONOMY IN RETROSPECT

The 2017 outlook was for a slow economic recovery, growth was projected at 2.2% as economic policy reforms began to take hold and a coherent set of policies to address the macroeconomic challenges and structural imbalances were implemented.

In this regard, the Federal Government developed a framework in the Nigeria Economic Recovery and Growth Plan (2017-20); the plan focuses on five key areas, namely: improving macroeconomic stability; economic growth and diversification; improving competitiveness; fostering social inclusion; and governance and security. Some key reforms were rolled out, including the conditional cash transfer initiative targeted at the poorest and most vulnerable population, improving capital budget execution, and strengthening public financial management at both State and Federal levels.

The oil sector went down 11.64% year-on-year, following an upwardly revised 17.7 % drop in the previous period and marking the fifth consecutive quarter of falls. The country produced 1.8 million barrels of crude oil per day, down from 2.1 mbpd a year earlier. As a result, oil sector accounted for 8.90% of the GDP compared to 10.02% a year earlier. The non-oil sector advanced 0.72%, following a 0.33% contraction in the previous period.

The Nigerian economy advanced 1.4% year-on-year in the third quarter of 2017, accelerating from an upwardly revised 0.72% growth in the previous period. It is the second consecutive quarter of expansion due to a rise in oil production. GDP Annual Growth Rate in Nigeria averaged 3.91% from 1982 until 2017, reaching an all-time high of 19.17% in the fourth quarter of 2004 and a record low of -7.81% in the fourth quarter

of 1983.

As oil production continued to recover, the oil sector surged 25.89% year-on-year, following an upwardly revised 3.53% increase in the previous period. The country produced 2.03 million barrels of crude oil per day, up from 1.61 mbpd a year earlier. As a result, the oil sector accounted for 10.04% of GDP compared to 8.09% a year earlier. The non-oil sector declined 0.76%, compared to a 0.44% growth in the previous period. On a quarterly basis, the economy expanded 8.97%, following an upwardly revised 3.40% rise in the previous quarter. After the economy returned to growth in Q2, data suggested that activity firmed up in Q3. The PMI rose to the highest level since December 2014 in October. Higher oil prices along with a return to normal oil production after the completion of repair work earlier in the year gave a boost to export revenues. Security situation improved slightly with the restoration as well as maintenance of peace and tranquility in the Country at large. During the year under review, the Federal Government started paying out a monthly stipend of NGN 5,000 to the poorest and most vulnerable through the conditional cash transfer initiative of its social investment programme.

2018 ECONOMIC OUTLOOK

Focus Economics panelists see the economy growing to 2.6%, unchanged from last month's forecasts. According to Analysts, higher oil prices and output, combined with large-scale infrastructure projects, should boost growth next year. In 2019, GDP is seen expanding to 2.9%.

In November 2017, the Federal Government presented its 2018 budget tagged "Budget of Consolidation", which focuses on stoking growth in the battered economy. The NGN 8.6 trillion (approximately USD 28.2 billion) budget focuses on capital spending and targets a deficit of NGN 2.0 trillion, slightly down from the deficit in the 2017 budget. To fund the ambitious spending plans, President Muhammadu Buhari stated that the Federal Government would borrow over NGN 1.5 trillion, increasing the country's debt burden while developing the badly-needed infrastructure to boost economic activity. The Government had previously fallen short on both revenue and expenditure targets, generating uncertainty as to whether they will meet the 2018 goals. However, the budget must still pass through both chambers of parliaments, a process that can take months and could delay implementation bearing in mind that the 2017 budget was not passed until the middle of the year.

ANALYSTS OPINION

According to Analysts, two conditions will determine if the government would be able to implement the 2018 budget - Firstly, if the situation in the Middle East continues, oil price will continue to be high and that is good for Nigeria. Secondly, if the government would be able to sustain peace in the Niger Delta and ensure that oil and gas infrastructure is not destroyed and production not disrupted by militants.

However, if oil price continues to be high, the Organisation of Petroleum Exporting Countries (OPEC) may decide to cap Nigeria's output. So, if these two conditions remain for a long time, government would be able to generate enough revenue to implement the budget. The biggest threat to achieving the objectives of the budget is the resumption of the vandalization of production and export infrastructures.

The early presentation of the budget estimates is a departure from previous years when it was presented very late in December. This will also restore the certainty of the financial year as anticipated in Section 318 of the Constitution as amended and the Financial Year Act. The promise of improvement in the Ease of Doing Business Reforms and Nigeria having moved 24 places to the 145th position in 2017; the promise to improve tax administration and move our Tax-GDP-Ratio above the current 6%, which is one of the lowest in the world, is one of the steps being taken for improvement in the productivity of agriculture and reduction of the food import bill are good as well as continued implementation of the Social Investment Programme. There are some key challenges and Concerns such as the Medium Term Expenditure Framework 2018-2020 (MTEF) which has not been approved and, as

such, could not have been the basis for the preparation of the 2018 budget as required by S.18 of the Fiscal Responsibility Act (FRA). The poor implementation of the capital component of the 2017 federal budget which followed the trends in 2014, 2015 and 2016 financial years is a challenge.

Only N450 billion was released in a capital vote of N2.174 trillion which amounts to a paltry 20.70% of the capital vote, just one month before the end of the financial year by December 31, 2017. On the revenue framework, the deficit was N2.005 trillion and which was to be financed mainly by borrowing the sum of N1.699 trillion from external and domestic sources. The balance of the deficit in the sum of N306 billion will be financed from the proceeds of privatization of some non-oil assets by the Bureau of Public Enterprises. The proposed borrowing will further add to our already high debt

profile. The deficit is 23.27% of the overall expenditure of N8.612 trillion. Again, the deficit is 30.35% of the retained revenue".

On the expenditure framework, the first issue is that capital expenditure will take 28% of the budget. But when capital expenditure in statutory transfers is included, it will come up to 30.8%. While this looks good on paper, previous experience indicates that the capital vote is very poorly implemented. For instance, out of the 2017 capital vote, only N450 billion has been released in a capital vote of N2.174 trillion. This amounts to a paltry 20.70% of the capital expenditure. It is not therefore sufficient to make proposals which may not be followed through at the end of the day.

Analysts concluded that the only way the budget can have direct impact on the majority of citizens is for the administration to ensure that the bulk of the capital expenditure is developmental rather than administrative.

OPERATING ENVIROMENT

The global insurance industry is set to grow more strongly at 4.5% per annum on average (3.0% in real terms, or adjusted for inflation) during 2017 and 2018, according to Munich Re. while premium income is likely to grow only nominally this year, slightly higher real growth of 3.0% is expected for 2018. Premiums in the insurance sector therefore are likely to evolve in line with the global economy, which should show real growth of 2.9% in 2017 and 3.1% in 2018, said the company, noting that premium growth will be slightly higher than that of 2016, and significantly exceed the average growth rate of almost 2% for the past 10 years.

Growth outlook is attributed to better economic prospects in the U.S. and in many emerging markets, which will offset negative factors such as declining growth in the Chinese market. The Asian emerging markets are expected to have the greatest potential for growth. Indeed, primary insurance premiums are expected to be equal to that of Western Europe within the next few years. According to Michael Menhart, Chief economist at Munich Re. the economies of many emerging markets such as Brazil, Russia et al are experiencing a significant recovery. This is leading to increased growth in property-casualty insurance. In most of the industrialized world in the eurozone, the U.S. and Japan demand has been bolstered by a solid economic environment.

Nigeria's performance remained dismal and unacceptably bad especially when compared to the size of the economy, as there are enormous opportunities. The total premium volume generation for Nigeria is \$1.86billion and ranks 58th in the world. Kenya's total premium volume of \$1.52billion ranks her as the 64th in the world. But

while insurance penetration in Nigeria is 0.6% of GDP, Kenya's is 3.4% and is ranked 44th in the world."

The issue of capital inadequacy has remained a militating factor against insurance firms' capacity to independently handle or underwrite big accounts in the oil and gas, aviation, marine among other high risks sectors of the economy like their counterparts in developed countries of the world. In 2016, the Finance Minister, Mrs. Adeosun Kemi said: "The insurance industry needs to recapitalise. Capital levels were last raised in 2007. To take true advantage of the opportunity in the industry, we must recapitalise and reposition. The top three banks have capital in excess of N300 billion each while the top three insurers have capital of between N14 billion and N25 billion. Increased capital will provide funding for publicity and product development. It will also raise the clout of insurance companies in policy formulation and enhance the capacity to hire the best people and deploy the technology and marketing, product awareness and investment needed to support the industry.

While the industry awaits the recapitalisation, the apex regulatory body, NAICOM is working hard to instil good corporate governance amongst the operators with the assistance of the Economic and Financial Crimes Commission (EFCC).

OUR PATHWAY IN 2018:

INTERNAL CONTROL AND COMPLIANCE

In the New Year, the Internal Control and Compliance Department will fully swing into action by ensuring that all internal processes as well as organizational policies are strictly complied with. The Department will be involved in all the dealings of every Unit/Department/Branch to enhance monitored Turnaround Time and prompt task completion.

As earlier mentioned, the Company is poised for forward movement and no excuse shall justify lackadaisical attitude from any team member; no compliance violation will be overlooked and the appropriate sanction shall be meted out accordingly.

This call is not to instil fear but to restore sanity into the system while also disabusing the orientation of negativity been displayed in time past. It is a new dawn and the intention is to inculcate sustainable culture that will engender conducive workplace balance and subsequently impact positively on the GNI Plc brand both the bottom line and its perception.

For effective customer retention, exceptional service delivery is germane and can only be achieved when every touch point within the value chain stays alive to its

responsibilities and promptly make good their deliverables.

PERFORMANCE MANAGEMENT

Performance management commenced in 2017 and the outstanding performers were duly acknowledged, appreciated and rewarded.

During the first quarter, Management reviewed the performance induced pay modalities to become an 80% guaranteed pay instead of the earlier proposed 70% and 20% performance induced pay (PIP) in lieu of the initial 30%. The 80% guaranteed pay was paid on a monthly basis to all staff while 20% was reserved and paid at the end of each quarter based on the result of a quarterly performance review (QPR).

This approach was adopted with a view to encouraging all members of staff to contribute to the company's premium income while bearing in mind that only what gets measured gets done.

There is need for the performance management desk in the Finance Department to improve on the performance induced pay (PIP) schedule by ensuring timely execution of the appraisal process and review by the appraisal committee for the prompt payment of quarterly induced pay. There will be no delayed PIP disbursement in 2018 as experienced in 2017.

RETAIL AND e-BUSINESS

All industry players have gone retail using different marketing platform to promote the sales. In 2017, the Retail and e-Business Department commenced aggressive experiential marketing interventions which impacted positively on the bottom-line serving as the company's rescue vault for the immediate resolution of financial issues. However, in the course of the year the Department had its fair share of challenges ranging from unhealthy market competition due to the unregulated premium value on some of the products and internal discrepancies that led to poor service delivery to our customers. Going forward, the company will strive to match market price without contravening any regulatory or compliance directive. Internally, our core values must come to bear in every facet of our interaction in 2018, without exception any decision taken must be in the best interest of the organization.

Retail and micro insurance possess a boundless untapped market volume with huge potentials if effectively harnessed. I hereby challenge the Retail team to conquer the market again putting in place sustainable mechanism that will ensure optimal service delivery and customer retention.

For the attainment of the aforementioned, the current Federal Government campaign on cashless policy will be fully embraced in the management of all our retail products.

There is need for us to devise a means to optimally harness the sales generation of our retail products by ensuring that all collected funds by the Agents are duly remitted into the company's account.

I beseech each and every member of staff to align with our theme YEAR OF EXPONENTIAL PROFITABLE GROWTH towards the actualization of our collective goals.

MARKETING AND CORPORATE PERFORMANCE

The Marketing Team performed below anticipated expectation in 2017 the reason been lack of ownership, sub-optimal performance by some of our market facing staff, obvious economic challenges coupled with poor quality service delivery. I have on several occasion emphasised the import of delighting our customers as it is the main attribute that assures our success noting that the continued existence of any corporate entity solely lies on customers' satisfaction.

As an organization we can only move forward when we resolve within ourselves to improve on existing status and objectively opening up to embrace new ways of achieving the set targets.

It is the expectation of the shareholders that the Company will declare dividend at the next Annual General Meeting. As we move forward, I believe we will deliver putting our minds to it and working towards achieving this task collectively.

To further compliment marketing drive in 2018, Executive Management has approved the following interventions:

- Brokers Forum
- High level Brokers Management Visit
- SLA for service efficiency
- Unprecedented prompt Claims settlement

MARKETING TARGET FOR SUPPORT STAFF

The introduction of the performance induced pay as further reiterated that product marketing is not limited to just the marketing team but rather a joint venture that involves the active participation of every member of staff.

REGIONS, BRANCHES & BRANCH COORDINATION

The performance of Regional /branch offices are expected to improve this year. The Office whose performance is worth emulating is Abuja Regional Office, we need to put

in more efforts on the low hanging fruits to be able to deliver on our figures.

All Heads of Region/branch offices should not hesitate to call for support whenever it is deemed necessary.

In order to actualise the set target, if Top level courtesy visit will facilitate business generation; Management and Board will render the required support in this regard.

The production budget for the year will be communicated company-wide and we must deliver on its actualization.

UNDERWRITING & RISK MANAGEMENT

In the previous year the Department acknowledged its shortcomings and consistently strived to improve on the performance. The filing system was improved upon with the help of Internal Control and Compliance Department. This year, the Department is expected to ensure timely settlement of genuine claims while making sure that all necessary documents are available in customers' file to put an end to last minute request of documents which caused unnecessary delay of claims processing in 2017. The Department should equally exhibit flexibility in business underwriting and rate consideration while ensuring optimal risk assessment of every business before underwriting any business.

HR & ADMINISTRATION

The Human Resource & Administration Department will leave no stone unturned to ensure continuous human capital development, capacity building and enhancement of personnel skills. Knowledge acquisition is endless, regular training will in no small measure enhance technical expertise honing and service delivery.

In a bid to improve staff orientation and tap into abundant resources available in the system the Department initiated the Mentoring program. The Department will schedule more training programs to make up for last year's gap.

In 2017, strategic hires were effected in Internal Control/Compliance, Technical, Legal, and Operations to fortify the work force, improve excellent service delivery and ensure a sound succession planning.

The maintenance of company's assets is incessant and as custodian of these properties the onus lies on every one to take proper care of the properties entrusted in our care and to make timely report of any identified damage for immediate repair.

CUSTOMER SERVICE

The Customer service unit upheld positive customer experience, prompt

acknowledgment of query receipt and resolution of raised concerns.

Timely circulation of renewal schedule for customer retention was sustained and this shall be consolidated in 2018 by ensuring efficiency at its peak in customer service delivery to achieve retention and profitability.

INFORMATION COMMUNICATIONS TECHNOLOGY

The GniOngo platform empowered its users to seamlessly sell and distribute products while offering services real time online. Periodic training of existing staff and newly employed Financial Planners was conducted in the course of 2017.

With the stability of our IT Software, prompt generation of production month end report was witnessed which contributed to the timely approval of our 2016 financials.

LEGAL, AUDIT, FINANCE AND COMPLIANCE

All members of Staff are expected to maximally comply with every laid down business rules, company's policies and processes to avoid infringement with the various regulators such as NAICOM, SEC, NSE, FIRS, LIRS amongst others. The industry maintained its resilience in the face of increase in regulatory supervision; since 2016 penalties have been on the rise even for flimsy infractions.

Since the commission became privately funded, NAICOM has greatly improved its supervision level which is now more detailed, consistent, timely and digitally driven. While ensuring the timely rendition of all reports, compliance issues must equally be taken seriously not forgetting to always keep proper documentation and review/update of our records

In the current year and beyond the organization will no longer bear the settlement cost of any sanction/penalty, any Staff responsible for the attraction of such infringement will fully bear the cost. Let us all strive to pay attention to details.

CORPORATE COMMUNICATIONS & BRAND MANAGEMENT

During the year under review, the Department explored the press, radio, new media and internal engagement.

Within the year, the company recorded the successful hosting of our 49th AGM which was the combination of three years financials, 2013, 2014 and 2015. Our GNIONGO weekly radio program since its commencement has maintained the positive accolade it garnered which has consistently promoted the GNI Plc brand positively.

The airing of our recently approved radio jingles in English, Pidgin, Hausa, Igbo and Yoruba commenced on Star 101.5 FM. The organization actively participated in industry

related events to maintain the Brand's relevance within its operating environment. The Department intends to consolidate on already opened marketing communications channels to ensure that the GNI Plc brand is optimally projected and strategically positioned for business patronage while continually rendering support to revenue generating Units/Departments in achieving the overall objective of the company. The Department is charged with the responsibility of ensuring the optimal exposure of GNI Plc brand by employing the social media platform and other available cost effective channels in the New Year.

The Culture Change Campaign buttressed the significance of everybody's involvement in the achievement of company's objective. Be involved in the 2018: YEAR OF EXPONENTIAL PROFITABLE GROWTH campaign and together we shall succeed.

CONCLUSION

Dear team members, let us imbibe the optimism expressed by all and sundry that 2018 shall indeed be a better year than the previous. You can be rest assured that the GNI Plc of our dream shall soon become a reality to behold by everyone. Our envisioned future can only be brought to life with the active participation of you and me which begins from as little as mail acknowledgement up till our core deliverables.

I hereby charge everyone in 2018, to stand and be counted as we all have the responsibility to ensure the actualization of EXPONENTIAL PROFITABLE GROWTH agenda.

Thank you all for your time and rapt attention.

Once again, I wish you all a Happy New Year and a fruitful 2018!

Cecilia O. Osipitan (Mrs.) Managing Director/CEO