



Mr. Bade Aluko
Chairman

Dear Shareholders,

Members of the Board of Directors, Stakeholders, Members of Management, invited guests, Ladies and Gentlemen. It is my pleasure to welcome you to the 51st Annual General Meeting of our Company, Great Nigeria Insurance Plc, and to present to you our Annual Reports and Accounts for the years ended December 31, 2018, December 31, 2019, December 31, 2020, and December 31, 2021; as well as to consider the performance of our Company.

Our Company achieved revenue growth in our business operations and achieved substantial improvement in its profitability, despite the challenging business environment. Our business continues to adapt and thrive in the new post-pandemic normality, even as the impact of the COVID-19 pandemic changes the interaction preferences of our clients and partners alike. I will present to you, an overview of the global and local markets, and provide the outlook for the 2022 financial year.

THE GLOBAL ECONOMY

Following the contraction witnessed in 2020, the global economy rebounded in 2021, with an estimated 5.5% growth, according to the World Bank. This was the fastest post-recession recovery in 80 years, fueled largely by the strong growth from a few major economies.

The confirmed cases of COVID-19, however, continued to rise across the world. This was

exacerbated by a new and highly transmissible variant of the virus (Delta variant) which was first discovered at the tail end of 2020. The Delta variant swept across the globe as the year 2021 began, driving new infection rates to record levels as the cumulative death toll crossed the 2 million mark for the first time, since the onset of the COVID-19 pandemic. The Delta variant (and later the Omicron variant), which were both resistant to the vaccines, threatened to disrupt global trade for a second straight year. Nevertheless, world trade in goods remained strong, and trade in services finally returned to its pre-COVID-19 levels. Overall, the value of global trade reached a record level of \$28.5 trillion in 2021, according to the United Nations Conference on Trade and Development 2021 Report.

After suffering its worst recession in more than 50 years in 2020, Africa's GDP increased by an estimated 3.4% in 2021, driven by a partial resumption of tourism, a rebound in commodity prices, and the rollback of COVID-19 restrictions on movement. Despite the health implications of the COVID-19 virus and its variants being lower than expected, the pandemic continues to take an economic toll, as up to 40 million Africans were pushed into extreme poverty during the year!

In 2021, the economies of three countries made up about half of Africa's Gross Domestic Product (GDP) in nominal terms. The three countries contribute up to 49.5% of Africa's economy, with Nigeria contributing 18.4%, South Africa 15.9%, and Egypt 15.2% of the \$2.7 trillion economy. Finally, after a six-months' delay, the African Continental Free Trade Area (AfCFTA) was officially, but largely symbolically, launched on January 1, 2021. Out of 54 African countries, only 39 have submitted their instruments of ratification.

MICROECONOMIC REVIEW

On the home front, Nigeria's economy grew faster than the Central Bank's forecasts, despite a steep decline in its oil production. The economy grew by 3.4% in 2021 compared with the decline of 1.9% recorded in 2020. The disparity in the growth rates of 2020 and 2021 is largely attributable to the base effect of the contraction in the year 2020, due to the COVID-19 virus. Sectors hard-hit by the pandemic restrictions also witnessed a resurgence in 2021, such as the Transportation and Storage sector which recorded a 16.25% growth in 2021, against the contraction of 22.26% recorded in 2020.

The official currency exchange rate at the Investors' and Exporters' window depreciated by 6.03% overall in 2021, closing at N435/\$1. The parallel market also recorded significant depreciation as the Naira closed at N565/\$1 for the year 2021, representing a fall of 22.8% against the US Dollar. The scarcity of foreign exchange was also one of the biggest challenges faced by many companies, particularly manufacturers in the chemical, food, and pharmaceutical sectors.

In 2021, the average spot price of Bonny Light oil was \$71 per barrel - 69% higher than its average price in the previous year, and 78% higher than the budget benchmark of \$40. The favourable prices, however, did not translate into higher foreign exchange earnings for the country, as crude oil production shrunk by 10% to 1.6 million barrels per day. Crude oil prices, which were as high as \$66 per barrel at the start of the year, plunged to less than \$20 per barrel by the start of the second quarter on the back of reduced global economic activity. The economic outlook was so dire to the point that the oil and gas industry witnessed a historic fall of benchmark oil futures into the negative territory.

The nation's inflationary pressure from 2020 extended into 2021, with headline inflation rising to a five year high of 18.17% in March 2021. Food inflation also rose significantly. According to the Consumer Price Index (CPI) report released by the National Bureau of Statistics (NBS), the largest contributor to inflation was food inflation, which clocked a high of 22.95% (year-on-year) in March, the highest in the inflation records logged from 2009.

OPERATING ENVIRONMENT

The anticipated enthusiasm for economic recovery from the debilitating impact of COVID-19 pandemic and other unanticipated challenges faced in 2020, brought about intense pressure on the operating environment in 2020. The peculiar and unprecedented dynamics experienced within the business environment was either going to expose the fragility or reveal the resilience of insurance companies, and the Nigerian insurance industry at large. I am delighted to report that Great Nigeria Insurance Plc emerged from the adversity with greater confidence that it possesses the right business model, the right strategy, the right culture, and the right people, to create long term value for its relevant stakeholders.

According to the Nigerian Bureau of Statistics (NBS), the country's Gross Domestic Product (GDP) grew by 3.4% year on year in 2021 with an estimated value of N72.3 trillion in real terms representing an increase from the 1.9% contraction recorded in 2020. This growth rate was reported to be the fastest recorded in Nigeria in 7 years. While the Oil Sector's contribution fell to 7.24% in 2021, from the 8.16% recorded in 2020, the Non-Oil Sectors' contribution which includes the financial, insurance and agricultural sectors, increased from 91.84% in 2020 to 92.76% in 2021.

The Nigerian Stock Exchange All Share Index (ASI) also recorded an increase of 6.07%, closing the year at 42,716 points, as against 42,270 recorded in 2020. The Consumer Price Index (CPI) being the major inflation indicator, decreased marginally by 15.63% at the end of 2021, compared to 15.75% recorded in 2020.

The Naira depreciated against the US Dollar by 10% from N394.00/\$ to N435.00/\$ at the Investors and Exporters (I&E) Window, while in the parallel market, the spread with the official market widened to over N100/\$ due to the restriction in dollar supply, all of which impacted inflation.

Notwithstanding the various indices, the Nigeria economy fared better in 2021 compared to its performance in the previous year.

INSURANCE INDUSTRY

In spite of the challenging landscape of the preceding year, which was characterized by various forms of economic disruptions and rising claims, the Nigerian insurance industry maintained a marginal increase in insurance penetration.

Amidst the significantly reduced purchasing power and available liquidity, the experience of the prior year increased societal awareness of the need for insurance as a risk management mechanism, despite an insurance penetration of less than 1%. The data obtained from the NBS reflected that the financial and insurance sector's contribution to the country's GDP grew by 10.07% in 2021, compared to the 9.37% growth recorded in 2020. Indeed, the hope that the renewed insurance awareness will improve Nigeria's penetration and grow the industry, is rekindled.

The apex regulator, the National Insurance Commission (NAICOM), continued its effort to

domesticate compulsory insurance implementation across the nation, as it launched its much-anticipated online portal in 2021, with the core objective to enhance data collection, bridge the information gap that has characterized the sector in the past, and to ensure efficient interface with its stakeholders.

The Commission also released the NAICOM Corporate Governance Guidelines for Insurance and Reinsurance Companies 2021, to assist in the implementation of the Nigerian Code of Corporate Governance (NCCG) 2018, and to ensure that improved good Corporate Governance is embedded in specific areas within the insurance industry, not specifically captured by the NCCG.

One of the other initiatives of the regulator was the release of the revised Market Conduct Guideline to ensure that insurance institutions conduct themselves in a professional manner, and in accordance with international best practices. We are optimistic that the various efforts by the regulator will foster an improved relationship between the insurance operators and the regulator, which will compel voluntary compliance.

In 2021, the country during the year signed the instrument of ratification of the African Trade Insurance Agency's (ATI) treaty. This finalized Nigeria's membership of ATI, in a process that began some years ago. Membership of ATI allows Nigeria to attract additional insurance capacity, to help improve investments, and increases ATI's capacity to support sovereign and commercial transactions in the country. Ultimately, Nigeria will benefit because effective risk mitigation is vital to increasing investments and trade flows.

The amended Finance Act, 2021, effective January 1, 2022, also introduced a new dimension to the suspended recapitalization exercise of the regulator, as the Act replaced Paid Up Capital with Capital requirement, thereby expanding the requirement cum capital base of an insurance company to include other components of the shareholders' funds (share capital, share premium, retained earnings, contingency reserves less defined liabilities, amongst others).

FINANCIAL PERFORMANCE

Despite the challenging operating environment, the strategies and initiatives employed by the company ensured that the company stayed afloat, which

yielded significant results that reflect the company's resilience and commitment to ensure improved performance.

The Gross Premium Written (GPW) of Great Nigeria Insurance Plc for the year under review was N8.3billion, representing an increase of 16.9% over the previous year's total of N7.1billion. The Profit Before Tax (PBT) grew to N1billion in 2021, from a loss position of N718million in the previous year. Claims expenses increased from N1.4billion in 2020 to N2.1billion in 2021. Underwriting expenses declined by 75.5% from N2.2billion in 2020, to N541million in 2021; Operating expenses increased by 6.6%, from N1.5billion in 2020 to N1.6billion in 2021.

As at December 31, 2021, the company's total assets was valued at N20.6billion, indicating a 32.9% increase on the N15.5billion value as at December 31, 2020, whilst the Shareholders' funds also witnessed a 26% rise from N5billion in 2020, to N6.3billion in the period under review.

FUTURE OUTLOOK

As we journey through the second half of 2022, the year has been characterized so far by uncertainties. The IMF has projected a 4.4% growth in the global economy for the year. However, the full effects of the supply chain disruptions, the knock-on effects from the Russian invasion of Ukraine, and the sporadic resurgence of the Coronavirus across the globe, will largely determine if the growth projection will have to be revised.

As another general election year looms in Nigeria, economic indicators point to muted growth, exacerbated by delays in capital projects funding at both the Federal and State levels. The Dollar to Naira exchange rate in the parallel market is expected to worsen, due to the uncertainties of the outcome of the primaries and general elections scheduled to hold in 2023, especially in the stock market, as Foreign Portfolio Investors are likely to exit their positions due to the trend in previous pre-election and election years.

CONCLUSION

The fluctuation of the business environment will continue to pose challenges, and present opportunities for operators, but the Company's strength is built on consistently applying the right approaches and strategies, capable of achieving optimal operational efficiency and performance. Great Nigeria Insurance Plc is well positioned to take

advantage of the opportunities that abound in the insurance industry.

The Board and Management of our Company will continue to exhibit resilience, dedication, pragmatism, and optimism, in order to deliver positive results for our shareholders.

I would like to conclude by appreciating our various stakeholders for their confidence in the Company, and assure them that the Board and Management of our great Company will continuously strive to tow the path of profitability and growth. Let me also use this opportunity to express my sincere gratitude to my colleagues on the Board, both the Executive and Non-executive Directors, for their unalloyed support and unwavering interest in the affairs of our company.

Finally, I would also like to acknowledge the continued commitment and enthusiasm demonstrated by the members of staff of Great Nigeria Insurance Plc., whose contributions cannot be overlooked. I sincerely appreciate each and every one of you for your diligence, passion, and drive, for the Company to succeed. To the Management team, on behalf of the Board, I thank you for your tenacity, hard work, and collective efforts in achieving this year's impressive result, and you can rest assured of our confidence in your ability to continually deliver intrinsic value to Shareholders. With this said, I warmly welcome you to the 51st Annual General Meeting of Great Nigeria Insurance Plc. Thank you, and God bless.



Bade Aluko (Mr.)
Chairman
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