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MONDAY UPDATE

Nigerian Insurance Sector

Analysis: AIICO • AXA Mansard • NEM • Universal

11th May 2026

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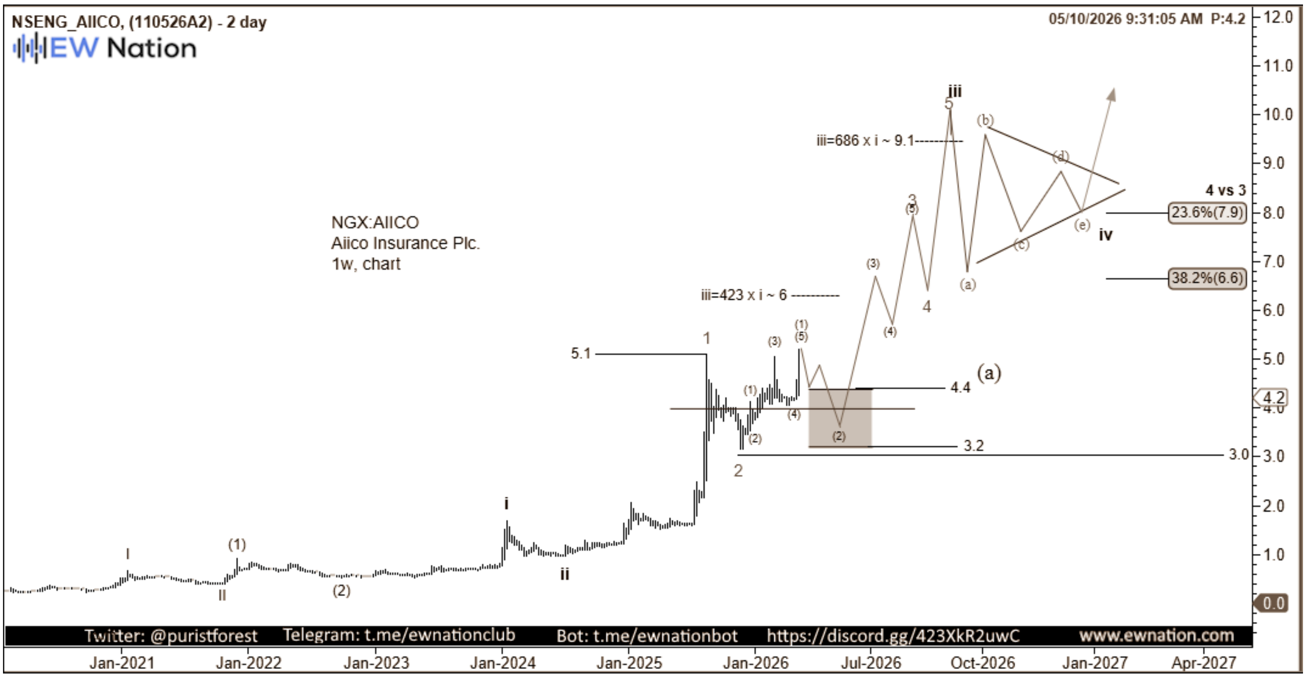
AIICO Insurance Plc NGX: AIICO

STRENGTHS

- Nigeria's largest composite insurer with over 50 years of operating history, running across Life Insurance, General Insurance, Health Management, and Asset Management — diversification that cushions segment-specific shocks.
- Shareholders' funds rose 40% to ₦94.3 billion in FY 2025 against a NIIRA 2025 composite minimum of ₦25 billion — the most comfortable capital buffer among listed Nigerian insurers, with no recapitalisation execution risk.
- Underwriting service results swung from a ₦3.0 billion loss in 2024 to a ₦9.5 billion profit in 2025, with normalised profit after tax up 54% to ₦18.3 billion — confirming the earnings improvement is structural, not FX-driven.
- Beta of 0.16 — price volatility materially below the broader NGX market, unusually stable for a Nigerian insurance stock.

RISKS

- Insurance and reinsurance finance expenses surged from ₦1.7 billion to ₦20.7 billion in one year, driven by Nigeria's elevated MPR of 26.5% — a structural cost pressure that directly compresses margins.
- As the largest claims payer on the NGX at ₦95.84 billion (33% of all listed-insurer claims in 2025), AIICO carries the greatest absolute exposure to any unexpected surge in loss events across its portfolio.
- Zero analyst coverage — no formal earnings estimates or institutional price targets, limiting price discovery and reducing visibility with foreign investors.



Trading below the 5.1 high, we will keep some room for wave 2 to complete as a zigzag ABC pattern, ideally a reversal should be expected around 61.8% however given that a significant impulsive move is expected, there may be potential for a deeper retracement. In any case, the entry will be between 3.2 and 4.4.

AXA Mansard Insurance Plc NGX: MANSARD

STRENGTHS

- Composite insurer with four distinct revenue streams — Property & Casualty, Life & Savings, Health, and Asset Management — providing broader diversification than most NGX-listed peers. The Health segment was the standout in FY 2025, growing 40% to ₦66.32 billion.
- Gross Written Premiums rose 23% to ₦170.87 billion in FY 2025, with shareholders' funds at ₦52.3 billion — comfortably exceeding the NIIRA 2025 composite minimum of ₦25 billion with no recapitalisation execution risk.
- Backed by the AXA Group, one of the world's largest insurers, providing access to global reinsurance capacity, risk management expertise, and parent-level governance — a meaningful competitive advantage over locally-owned peers.
- Underlying profit would have grown 50% year-on-year in 2025 when the ₦27 billion FX windfall of 2024 is stripped out, indicating genuine earnings momentum in the core business.

RISKS

- Reported profit before tax fell 81% to ₦6.12 billion — a headline figure that will alarm investors who do not look past the FX distortion, potentially creating unwarranted negative sentiment around the stock.
- Insurance service expenses jumped 32%, with the Life & Savings and Health segments declining 4% and 42% respectively in service results due to higher technical reserves and claims severity — suggesting cost discipline is uneven across the business.
- The board cancelled the 2025 dividend to retain capital ahead of recapitalisation — removing a key income incentive for retail investors and potentially reducing near-term demand for the stock.

Similar to other top insurer's stock, we are anticipating the completion of wave 2 in 3 waves structure. Targets are between 12 and 14.

NEM Insurance Plc NGX: NEM

STRENGTHS

- Nigeria's second-largest non-life insurer by shareholders' funds, with equity growing 29% to ₦84.5 billion in FY 2025 — the strongest capital position among pure non-life players on the NGX, and more than five times the NIIRA 2025 minimum of ₦15 billion.
- Gross premiums written rose 46% to ₦157.3 billion and insurance revenue reached ₦146.1 billion in FY 2025 — top-line momentum that is broad-based across Motor, Fire, Oil & Gas, and other general lines.
- Claims ratio of 28.01% was among the lowest of all listed NGX insurers in 2025 — well below the sector average — reflecting tight underwriting discipline and effective risk selection despite claims volumes nearly doubling.
- Proposed a ₦1.50 per share dividend for FY 2025, one of the few listed insurers to maintain shareholder distributions during the recapitalisation period — a signal of financial confidence and income appeal for investors.

RISKS

- Pre-tax profit declined 17% to ₦27.9 billion in FY 2025, partly reflecting FX headwinds — a recurring vulnerability given NEM's exposure to Oil & Gas insurance, where policy values and claims are often USD-linked.
- Oil & Gas remains the single largest revenue segment, generating ₦50.4 billion — concentration in a sector prone to catastrophic, large-ticket claims events that can swing earnings materially in any given year.
- Claims paid nearly doubled to ₦45.91 billion in 2025, an 83.69% surge year-on-year — while the claims ratio remains low, the pace of claims growth warrants monitoring as business volumes scale.
- Zero analyst coverage, and monthly share trading liquidity of approximately ₦334 million — thin enough that institutional-sized positions would move the price materially, limiting accessibility for larger investors.

Still favouring that wave 2 is still unfolding, we will keep the room open for lower with target above 23.

Universal Insurance Plc NGX: UNIVINSURE

STRENGTHS

- Gross written premium expanded 51% to ₦18.59 billion in the nine months to September 2025, with profit after tax surging 388% to ₦1.13 billion — reflecting a genuine operational turnaround after years of subdued earnings.
- Total equity representing roughly 68% of total assets — an unusually conservative balance sheet structure that limits insolvency risk and provides a cushion for policyholders.
- Management secured shareholder approval to raise ₦15 billion for recapitalisation, deposited the ₦1.5 billion CBN statutory deposit ahead of schedule, and publicly committed to being on NAICOM's compliant list by July 31, 2026 — demonstrating proactive regulatory engagement relative to peers of similar size.

RISKS

- Shareholders' funds stood at approximately ₦16 billion as of September 2025 — just above the ₦15 billion non-life minimum on paper, but the full ₦15 billion capital raise via rights issue and private placement has not yet been completed, leaving compliance still contingent on execution.
- Insurance service results actually declined from ₦3.25 billion to ₦1.13 billion year-on-year — the profit surge was driven by investment income rather than underwriting improvement, raising questions about the sustainability of earnings if market returns normalise.
- Trading in the stock was suspended by the NGX in 2025 due to delays in filing financial statements — a governance red flag that, even after resolution, signals weaker disclosure practices relative to larger peers.
- Weekly share price volatility of 13% places it among the most volatile 25% of all NGX stocks, with zero analyst coverage — combining high price risk with minimal institutional oversight, making it a speculative rather than investment-grade position at this stage.

PLEASE BE AWARE

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