

# NIGERIA

## MASTERING THE RISK CYCLE

Universal Insurance Plc lives up to its name, protected by a large asset base and ability to make prompt payments

Nigeria's economy is expected to grow robustly in 2008-09. Its commodity exports are in demand worldwide and interest rates remain low. Inflation, meanwhile, is well below the central bank's target.

But low core inflation is only part of the story. In a mostly low-profile affair, the non-oil sector is stealing the show from the oil industry. The improved macroeconomic stability, meanwhile, has given rise to new players, especially after the banking consolidation of 2007. Banks have cleared the way for bold insurance companies that are masters at spreading risk. Universal Insurance is one of these.

First established in 1961 by a regional government, the company's operations were suspended during the country's civil war and until 1970. Without a clear mandate, Universal Insurance saw its capitalization fall to 16 million naira (\$128,000) by 2003.

The entrance of core investor Conau Ltd., led by Cyril Ajagu, changed all that. In 2004, its capitalization had spiked to more than 400 million naira (\$3.45 million). By mid-2007, the revived insurance company had absorbed three others—United Trust Assurance Company, Oriental Insurance Company, and African Safety Insurance Company.

### A bold strategy

Growth-by-acquisition is now the corporate maxim. With a diversified portfolio, the up-and-coming insurance specialist believes in acquiring assets in the country's key growth areas. Universal Insurance thus branched into

construction, hotels and transportation, and food processing and beverages. According to Ajagu, Universal Insurance thereby inoculated itself from the ups and downs of the business cycle.

"Universal Insurance has interests in different sectors. We have basically insured ourselves using our other businesses, so we are very robust. We allow our assets to sweat for us," Ajagu said earlier this year.

Investments into subsidiaries like Conau, a general contracting firm, have paid off handsomely. A construction management

company that carries out on-site electrical and mechanical engineering jobs, Conau has been involved in public-private projects with Nigeria's Ministry of Housing and Urban Development.

Universal Insurance has made strategic investments in the hotel business, where it specializes in high-net-worth travelers and vacationers. The company owns the Molit Hotel chain, for example, with facilities in Port Harcourt, Enugu, Lagos and Abuja, the capital. Ajagu's ambition is to take the hospitality industry to the next level by jumpstarting convention tourism in West Africa.

Universal Insurance's investments into the oil industry, meanwhile, remain true to the idea of shielding the company from market turbulence. In Rivers State, the heart of Nigeria's oil industry, Universal Insurance owns Tecu, an operator of marine services for oil and gas firms. Its fleet ranges from small river barges to modern tugs for ocean-going vessels. It also owns stakes in MTN Nigeria, a mobile telecommunications company.

### A market of 138 million consumers

"Nigeria is ready to be explored in so many areas. The market here is comprised of over 100 million people who want to do



**NIGERIA BOASTS ONE OF THE LARGEST CONSUMER MARKETS IN AFRICA, WITH MORE THAN 100 MILLION CITIZENS WHO NEED ALL VARIETIES OF INSURANCE**

business with us. We don't believe in putting money in something just for the sake of it. At Universal Insurance, we are aiming for over 40 percent returns on investment within a year. Nigeria is one of the few places where this is actually possible," says Ajagu.

Timing has been critical to bring the different projects to fruition. Nigerian policymakers recognized the need to carry out structural reforms to boost long-term growth and reduce poverty. The government began to privatize state-owned assets and introduce new regulatory frameworks, espe-



Universal insurance has made strategic investments in nearly every sector from oil and petrochemicals to luxury hotels. This diversity will pay off for the next generation of insurers

renaissance is no fluke, but the product of strategic planning. After 18 years at large multina-

tionals, he has learned the virtues of mapping out a realistic trajectory, and he introduced this mindset among his staff.

Meanwhile, the company has become the subject of interest by international groups seeking a foothold in the Nigerian market. This is good news for Ajagu, who sees partnerships with foreign companies as a tool to enhance the company's competitiveness. Part of the preparation work involves the deployment of new software by Indian-based 3i Infotech.

"We've signed a contract with 3i Infotech to deploy their software at all our offices. It is a modern insurance package system that will position us globally. We've also hired a professional Human Resources firm to source experienced hires, as well as young and vibrant graduates of different backgrounds, and fill the observed gaps at our company. Equally, some of the existing staff unable to cope with the new challenges will be encouraged to go or simply be paid off," says Ajagu. ■

cially in key sectors like energy and telecommunications. The company is also part of a consortium that underwrites 10 percent of insurance for the state-owned National Petroleum Corporation (NNPC). Ajagu is looking for similar deals in mining and aviation. As a result, Universal Insurance has skillfully positioned itself where opportunities arise almost organically.

### Insurance: a paradigm shift

In February 2008, the company was listed on the Nigerian Stock Exchange (NSE), after a very successful private placement that generated 5 billion naira (\$42.3 million) in capital for internal growth. It used its newfound confidence to acquire African Alliance, another big-ticket domestic insurer. Market capitalization following the move shot up to 16 billion naira (\$136 million).

The gross premium income at Universal Insurance has been forecast to reach 3 billion naira (\$25.4 million) by the end of 2008. But analysts think it is a conservative figure given the pre-tax profits already available.

Ajagu is ready to make Universal Insurance true to its name. His mission is to convince people of the need to manage risk intelligently. Security in all its universal facets is why the insurance industry exists in the first place. That is why payments are prompt and total exposure to claims is low. Universal Insurance is able to shield itself through its large asset base.

According to Ajagu, the company's

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## 'WE WANT TO GET THINGS RIGHT, NOW AND IN THE FUTURE'

Cyril Ajagu, vice chairman of Universal Insurance Plc, discusses the insurance industry's current and future growth

In Nigeria, the insurance sector is staking out new territory in the economy's main growth areas. With GDP growth projected by the IMF at 9.07 percent in 2008, investment targets include real estate, equity markets, food & beverage and the hospitality industry. Cyril Ajagu highlights the company's mid-term strategy.

### How would you describe your company's growth strategy?

Universal Insurance Plc has always invested in key growth areas of the economy, which is essential for sustainable value creation. These include real estate, a sector in which we will continue to invest. We have also acquired 25 hectares of land on the Lekki corridor. This is in addition to our estates in Enugu, comprising 10 fully developed duplexes and about 20 others at different stages of construction.

### Are you favoring residential over commercial space?

No, it is a broad portfolio of real estate products. For example, we acquired 20 duplex apartments in Abuja, specifically at Vine Estate,



'IN ADDITION TO GHANA, WE PLAN TO MOVE INTO THREE OR FOUR COUNTRIES IN WEST AFRICA – A VIRGIN TERRITORY BEGGING TO BE EXPLORED'

which will be completed by November 2008. We have also bought a model office complex along the popular Aba Road in Port Harcourt. There is also the new corporate office building in Lagos. Many other transactions are currently being negotiated.

### What segments of the hospitality industry are you focusing on?

In terms of hotels, the portfolio is highly diversified. Our four-star hotel in Enugu will be operational by October 2008. We hired professional hotel managers to run these operations. We are also working together with partners to make sure that both Universal

Hotels in Enugu and Abuja come on-stream in the course of 2008. Our Abuja hotel is being equipped to become one of the best in the country, catering to the high end of the market.

### How have the latest acquisitions by

### Universal Insurance shifted the company's perception among foreign investors?

Because we are putting money in high-growth industries, and thus helping to create value, we are able to better assist foreign investors and financial organizations. They now

perceive Universal Insurance as a vehicle to enter Nigerian real estate and the hotel sector, as well as domestic food & beverage. Despite market trends elsewhere, these continue to be coveted areas of the real economy. They offer strong returns on investment.

### Do you also foresee expansion into neighboring markets?

In addition to Ghana, we plan to move into three or four other countries in West Africa. Foreign investors will then be able to leverage our regional presence and local market knowledge. Our experience has shown that this part of Africa is like a virgin territory begging to be explored.

### What is the ultimate goal for a highly diversified insurance company?

We want to get things right, now and in the future. True to that tenet, we are putting the structures in place that will drive our brand. This includes solid IT infrastructure, good corporate governance and healthy investments that can support claims settlements. ■

You're in Good Hands

relax

Universal Insurance offers an extensive range of insurance and financial services products to commercial, institutional and individual customers throughout Nigeria. As a leader in an industry with very high potential, Universal Insurance is raising the bar in terms of quality, coverage and customer service. Since you have worked hard to build up your financial legacy, you should choose only the best to ensure it.



Universal Insurance Plc

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