INTRODUCTION

The FSS 2020 Global Vision

“To be the safest and fastest growing financial system amongst emerging market countries”

The FSS 2020 Objectives

Make Nigeria Africa’s Financial Hub and one of the 20 largest economies in the world by the year 2020

Insurance is a sub-sector of the Financial Services System of Nigeria.
Current Position Assessment

Industry/Sector Overview

- Industry started in 1921.
- Older than those of China, India and Malaysia.
- Regulation and Control started in 1961.
- Went through indigenization in the 70s.
- Became open in the 80s.
- Health Insurance excised in 1999.
- Pension also excised in 2004.
Financial System Strategy 2020

INDUSTRY STRUCTURE, PLAYERS, SIZE AND PERFORMANCE
The Insurance Market in Nigeria is now divided into five (5) sectors:

- The “Traditional” Insurance
- The Pension Sector
- The Health Insurance Sector
- The Distribution Channels
- The Support Service Providers
THE “TRADITIONAL” INSURANCE SECTOR

- 103 Insurance Companies*
- 5 reinsurance companies,
- 5 firms of Actuaries
- 509 Insurance Brokers
- 37 Loss Adjusting Firms

Number of Insurance and Reinsurance companies reduced to 69 and respectively 2 in February 2007.
“TRADITIONAL” INSURANCE SECTOR

- N76.32bn ($587.0m) premium income in 2005.
- The World generated about 57% from Life.
- Life Insurance Premium Income 17.88%.
- Non-Life Premium Income 82.12%.
- No. 65 position in world insurance ranking.
- No. 6 out of 8 leading insurance markets in Africa.
- Contribution to the GDP 0.32%.
- Insurance density: premium per capital is $4.3.
There are over 60 different products.
Six (6) areas of compulsory insurance.
Market is not concentrated.
Largest underwriter 21%, Top five 39%, Top ten 61.62%.
THE PENSION SECTOR

- The Pension Reform Act (PRA) 2004.
- 1st July 2004 for the public servants.
- 1st January 2005 for the Private Sector.
- Rate of contribution 7.5% and 7.5%.
- Military Service 2.5% and 12.5%.
- Administration of Pension Funds – PFAs.
- Pension Fund Custody - PFCs.
- PenCom -the Regulatory Authority.
THE PENSION SECTOR

- Employers of more than four (4) staff.
- Local government, State and Informal sectors exempted.
- Model State Pension Reform Law designed.
- 1.7m RSA holders, N350.0b Asset, 75% Public Patronage.
- 18 registered PFAs, 5 registered PFCs.
- Two Areas of Compulsory Insurance.
- Section 50 (4) of PRA, Section 2 (1) (b) of Ins. Act 03.
- Life Insurance companies can manage pension.
THE HEALTH INSURANCE SECTOR

Scheme took off in 1999 through NHIS Act

Minimum of ten (10) employees - MAY

Contribution 10% employer, 5% by the employee.

Three organs-

- HMOs: Administration
- HCPs: Provision
- NHIC: Supervision

Two areas of compulsory insurance
THE HEALTH INSURANCE SECTOR

- 27 registered HMOs, over 4000 HCPs.
- NHIC public sector Social Health Insurance.
- Maintained on Capitation basis.
- Donor organizations - Community-Based Health programmes.
- About 1.5m enrollees, 80% - public sector.
- Section 2(1)(c) - Ins. Act 2003.
- Life Ins. Coy can manage Health Insurance.
# The Sector Players

## Traditional Insurance

<table>
<thead>
<tr>
<th>The players</th>
</tr>
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<tbody>
<tr>
<td>Insurance Companies, Reinsurance Companies</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The Regulators</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Insurance Commission (NAICOM)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>N76.32bn (2005)</td>
</tr>
</tbody>
</table>
## Pension

<table>
<thead>
<tr>
<th>The players</th>
<th>The Pension Fund Administrators (PFAs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The Pension Fund Custodians (PFC)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The Regulators</th>
<th>PENCOM, NAICOM*</th>
</tr>
</thead>
</table>

# Health

## The players

The Health Maintenance Organisations (HMO).
The Health Care Providers. (HCP)

## The Regulators

NHIC, NAICOM*

## Gross Income

N6.0bn (2006)
## Distribution

### The players

The Insurance Brokers.  
The Insurance Agents.  
The Pension Agents.  
The Banks.

### The Regulators

**NAICOM, PENCOM, CBN**

### Gross Income

Part of Trad. Ins. and Pension
## Support Service

<table>
<thead>
<tr>
<th>The players</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Loss Adjusters.</td>
</tr>
<tr>
<td>The Actuaries</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The Regulators</th>
<th>NAICOM</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Gross Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part of Traditional Insurance</td>
</tr>
</tbody>
</table>
Compulsory Insurance

As at 31st December 2006, nine classes of compulsory insurance in Nigeria.

a) Traditional Insurance

1. Road Traffic
   - Third Party, Death, Bodily Injury & Property Damage

2. Buildings
   - Building - in - course of Erection
   - Public Building
3. **Employees’ Safety & Welfare**
   
   - Death and Bodily injury for the class of employees tagged workmen.

4. **Trade and Commerce**
   
   - Compulsory Insurance of all Marine Cargo Imports

5. **Consumer Protection**
   
   - Professional negligence errors and omission by the Insurance Brokers,
b) Pension

2. Death - in- Service
C) Health Insurance

1. Compulsory Contributory Health Insurance Plan
2. Professional Negligence of Health care Providers

d) Un-Supervised Jurisdiction

Professional negligence by Clearing Agencies.
Public Liability by Tourism Companies
The “Traditional” Insurance Sector

Regulation started in 1961.

20 Laws and Guidelines promulgated

The existing laws and Guidelines are:-

b) Insurance Act 2003
c) Consolidation and Recapitalization Guidelines of 2005
Other laws in the Traditional Insurance Sector

a) Chartered Insurance Institute of Nigeria (CIIN) Act 1993

The Existing Laws address the following issues:-

- Establishment of the National Insurance Commission.
- Office of the Commissioner for Insurance, 4 Directorates.
- Inspectorate and sweeping powers provided for same.
- Strong Corporate governance issues.
- Clear indications on reserving and solvency.
- Industry supervisory levy of 1%.
Conditions for licencing of each operator.

2 classes - Life and General Business of Insurance.

Each Class subject to separate application and registration.

Statutory share capital re-defined as capital base.

From N150.0m to N2.0b for Life.

N200.0m to N3.0b for general.

N350.0m to N10.0b for Reinsurance.
The Existing Laws

- Proceeds to be in Escrow Account with the CBN
- 10% Statutory Deposit in CBN.
- Approval to be secured on CEO, PD, Auto, NAI
- All departmental heads to be professionally qualified
- Specifications on mode of calculating reserves
- Permissible Investment Outlets
- Life and General business to be separated – 30/4/07
The Existing Laws

- Procedures on Amalgamation and Winding-up
- Special conditions apply to Life Portfolio.
- Customer Service and protection provisions
- Limit of disclosure conditions
- Time to settle claim,
- Existence of Insurable interest
- Institution of Security and Development fund
- Customer Complaint Unit.

The National Insurance Commission reports to the Federal Ministry of Finance.
INDUSTRY PERFORMANCE
## PRODUCTS

### NIGERIA AND PEER GROUP COUNTRIES: 2005

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>No of insurers</th>
<th>World Ranking</th>
<th>Life Ranking</th>
<th>N-Life Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHINA</strong></td>
<td>1.31bn</td>
<td>52</td>
<td>11</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td><strong>INDIA</strong></td>
<td>1.08bn</td>
<td>31</td>
<td>19</td>
<td>18</td>
<td>27</td>
</tr>
<tr>
<td><strong>MALAYSIA</strong></td>
<td>25.7m</td>
<td>54</td>
<td>65</td>
<td>33</td>
<td>30</td>
</tr>
<tr>
<td><strong>NIGERIA</strong></td>
<td>140.03m</td>
<td>103</td>
<td>65</td>
<td>74</td>
<td>59</td>
</tr>
</tbody>
</table>

- **Population:**
  - CHINA: 1.31bn
  - INDIA: 1.08bn
  - MALAYSIA: 25.7m
  - NIGERIA: 140.03m

- **No of insurers:**
  - CHINA: 52
  - INDIA: 31
  - MALAYSIA: 54
  - NIGERIA: 103

- **World Ranking:**
  - CHINA: 11
  - INDIA: 19
  - MALAYSIA: 65
  - NIGERIA: 65

- **Life Ranking:**
  - CHINA: 8
  - INDIA: 18
  - MALAYSIA: 33
  - NIGERIA: 74

- **N-Life Ranking:**
  - CHINA: 13
  - INDIA: 27
  - MALAYSIA: 30
  - NIGERIA: 59
INSURANCE PREMIUM / CAPITAL

US Dollars

CHINA  INDIA  MALAYSIA  NIGERIA

3.50%  3.60%  5.60%  0.32%  0.00%  1.00%  2.00%  3.00%  4.00%  5.00%  6.00%

INSURANCE PREMIUM/GDP

CHINA  INDIA  MALAYSIA  NIGERIA

3.50%  3.60%  5.50%  0.32%
NIGERIA
GPS (LIFE)
2% OF S.A

CHINA, INDIA, MALAYSIA
GPS (LIFE)
70-90% OF PROFIT

FINANCIAL PERFORMANCE
INDUSTRY TRENDS – LOCAL (ORGANIC)

a) Population.
b) Collaboration.
c) Compulsory Group Life Insurance.
d) Local Content Policy.
e) Compulsory Pension on a wider coverage.
f) The National Health Insurance Scheme.
INDUSTRY TRENDS - INTERNATIONAL

Building the external factors - state of the enabling environment

- Political Stability.
- Property rights.
- Freedom of enterprise.
- Voice and accountability.
- Sufficient scale of Insurable risks.
- Contract Enforcement.
- Stable Income and Wealth.
- Macro economic stability.
Building The internal factors - industry specific factors.

1. Improving Insurance Regulation and Supervision.

2. Collecting and Sharing Insurance Data.

3. Building Actuarial Resources.
4. Supporting Professional Insurance Education.

5. Educating Markets and Consumers on Standards.


8. Connecting Regulators with the Private Sector.
Financial System Strategy 2020

INDUSTRY ISSUES, GAPS & KEY SUCCESS FACTORS
Literature Review

USAID RESEARCH – FEB 2006

The conclusions - ISSUES

1) Countries are much more likely to experience sustained growth if their insurance market develops well.

2) Insurance market development is closely related to improved financial sector performance and

3) Insurance markets do not develop adequately without both public and private sector investment in their infrastructure.

This is the direction of the emerging markets

What are the factors responsible for this?
KEY SUCCESS FACTORS IN INS. OPERATIONS

- Laws and Regulations that work
- Proper expertise of the people who apply the law and run the business.
- Appropriate and relevant Insurance Products
- Reasonable Pricing of Insurance Products
- Sufficient Capital/Solvency of the industry
- The commitment of all the stakeholders to develop the market

These factors promote insurance sector depth and efficiency
1. **Laws and Regulations that work**

For an ins. law to work it must meet some expectations:

<table>
<thead>
<tr>
<th>FOCUS OF THE LAW</th>
<th>THE RESULT</th>
</tr>
</thead>
<tbody>
<tr>
<td>safe, efficient, fair and stable market, protection-of-the policyholders’ interest etc. Nigeria - “You cant do this and that”</td>
<td>Focus on the depth and efficiency of Insurance Market is weak</td>
</tr>
<tr>
<td>-Solvency requirements in the laws are not risk-related but performance related - 15% of premiums. -Solvency is as critical as capital in Insurance.</td>
<td>Insurance companies impact insignificant.</td>
</tr>
</tbody>
</table>
**PLATFORM 1**

<table>
<thead>
<tr>
<th>CLARITY OF THE LAW</th>
<th>THE RESULT</th>
</tr>
</thead>
<tbody>
<tr>
<td>provisions of the law are hanging.</td>
<td>“Fake” and proscribed Insurance companies still in business.</td>
</tr>
<tr>
<td>regulations are overlapping</td>
<td>Potential Regulatory conflict.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ENFORCEABILITY</th>
<th>Contribution is below 1% of GDP. Public Sector 75%</th>
</tr>
</thead>
</table>
| Enforcement - weak in the provisions of the Nine (9) areas of Compulsory Insurance | }
<table>
<thead>
<tr>
<th><strong>NHIS 1999 - S.16</strong></th>
<th>“May” instead of “shall”.</th>
</tr>
</thead>
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<table>
<thead>
<tr>
<th><strong>PRA 2004</strong></th>
<th>Specific and stiff sanction for employers-nil.</th>
</tr>
</thead>
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<table>
<thead>
<tr>
<th><strong>RELIABILITY</strong></th>
<th>Policyholders cannot rely on the laws for redress. At law policy holders have protection.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>CONSISTENCY</strong></th>
<th>Many provisions are outdated. <strong>NAICOM</strong> Insurance Decree 2 of 1997. <strong>NSITF Act 1993.</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>PUBLIC VIEWS</strong></th>
<th>Public views of insurance as “legalised robbery” continues.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>CONSISTENCY</strong></th>
<th>cases have been won against regulators purely on technical grounds.</th>
</tr>
</thead>
</table>
2. Proper Expertise of the people who apply the law and run the business.

<table>
<thead>
<tr>
<th>CREATIVITY OF THE OPERATORS</th>
<th>THE RESULT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Channels of Distribution</strong></td>
<td>No 65 in the world no 6 in Africa.</td>
</tr>
<tr>
<td>Insurance Broking generated 70% of Biz Nigeria - Insurance Education is very low.</td>
<td></td>
</tr>
<tr>
<td><strong>Compulsion of Professional Qualification - Insurance Act 2003</strong></td>
<td>The scope and horizon of most managers is narrow.</td>
</tr>
<tr>
<td>over emphasis on professional Qualification. Nigeria - “ability is not as critical as certificate”</td>
<td></td>
</tr>
<tr>
<td><strong>Competition</strong></td>
<td>huge premium income, no asset to back it up.</td>
</tr>
<tr>
<td>price - the only competitive strategy. Nigeria – Insurance rate goes down every year.</td>
<td></td>
</tr>
</tbody>
</table>
**EFFICIENCY OF THE OPERATORS**

<table>
<thead>
<tr>
<th><strong>Late and varied financial reporting</strong></th>
<th><strong>THE RESULT</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial information is always very stale. Wide variation in applicable level of disclosure. <strong>Nigeria</strong> – Insurance Information does not attract public interest.</td>
<td>Decision making and risk analysis based on guesses.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>High Expense Ratio</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expense/Premium 50%</strong></td>
<td><strong>Weak profitability</strong></td>
</tr>
<tr>
<td><strong>Nigeria</strong> - sharp practices, staff benefits unrelated to productivity.</td>
<td><strong>Price/Earning below 10% not very active at the capital market</strong></td>
</tr>
<tr>
<td>Large Bad Debt Portfolio</td>
<td>THE RESULT</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Approximately 50% of policies become bad debt. <strong>Nigeria</strong> - Huge paper Underwriting profit</td>
<td>solvency is very weak.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer Satisfaction</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims ratio between 15% and 25%. <strong>Nigeria</strong> - Customers Get Lousy deal on Insurance claims.</td>
<td>- Motorists see premium as part of government tax.</td>
</tr>
</tbody>
</table>
### 3. Appropriate and Relevant Insurance Products

<table>
<thead>
<tr>
<th>APPROPRIATENESS OF THE PRODUCTS</th>
<th>THE RESULT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inflation Adjustment - Life</strong></td>
<td>The policies become practically worthless. Lapse ratio is very high.</td>
</tr>
<tr>
<td>No inflation adjustment, index-linking or escalation provisions. GPS is 2% of sum-assured per annum.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>RELEVANCE OF THE PRODUCTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Perils Covered – Non – Life</strong></td>
<td>Concept is still regarded as foreign or government imposed.</td>
</tr>
<tr>
<td>Foreign perils like typhoon, tempest, cyclone, prairie, “external and visible means” “forcible and violent entry”</td>
<td></td>
</tr>
<tr>
<td><strong>Nigeria</strong> – Insurance Policies recognizing our risk exposure, culture and beliefs are not yet in place.</td>
<td></td>
</tr>
</tbody>
</table>
4. Reasonable Pricing of Insurance Products

<table>
<thead>
<tr>
<th>THE NIGERIAN SITUATION</th>
<th>THE RESULT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RISK CLASSIFICATION</strong></td>
<td>No effect of location and risk management efforts on premium charge.</td>
</tr>
<tr>
<td>No geographical classification of risk</td>
<td></td>
</tr>
<tr>
<td>Nigeria - Management style is premium income focused.</td>
<td></td>
</tr>
<tr>
<td><strong>HAZARD CLASSIFICATION</strong></td>
<td>Un-orthodox Risk Mgt. approaches compete very well with Insurance.</td>
</tr>
<tr>
<td>Premium rates not separated on smoker and non-smoker, gender, or experienced /</td>
<td></td>
</tr>
<tr>
<td>inexperienced driver basis:</td>
<td></td>
</tr>
<tr>
<td>Nigeria - Proper risk rating is not done</td>
<td></td>
</tr>
<tr>
<td>Each claim is treated with suspicion.</td>
<td></td>
</tr>
<tr>
<td><strong>STATISTICS</strong></td>
<td>Fraudulent claims and avoidable losses abound.</td>
</tr>
<tr>
<td>No statistics as to the level of motor theft, fire incident, crime rate and road</td>
<td></td>
</tr>
<tr>
<td>traffic offences in Nigeria. Driving history, Fines, penalties are not considered by</td>
<td></td>
</tr>
<tr>
<td>insurers for risk assessment.</td>
<td></td>
</tr>
</tbody>
</table>
5. **Sufficient Capital / Solvency of the Industry**

<table>
<thead>
<tr>
<th>THE NIGERIAN SITUATION</th>
<th>THE OUTCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Adequacy</strong>&lt;br&gt;Same level of capital is required for each underwriter.&lt;br&gt;Nigeria - operators don’t see the justification for the huge capital requirement.</td>
<td>Sharp practices in meeting the capital requirements continue.</td>
</tr>
<tr>
<td><strong>Technical capacity</strong>&lt;br&gt;5% of our large and special Risks retained locally.&lt;br&gt;Nigeria – Foreign Reinsurers provide the bulk of our Reinsurance backing.</td>
<td>There is foreign exchange leakage in form of reinsurance.</td>
</tr>
<tr>
<td><strong>Financial Capacity</strong>&lt;br&gt;Low investment in information technology, statistics.&lt;br&gt;Nigeria - cut throat competition among the underwriters for survival</td>
<td>The industry does not grow in real terms and in relevance.</td>
</tr>
<tr>
<td><strong>Risk-adjusted Capital</strong>&lt;br&gt;Capital not periodically adjusted by the regulators against; Business, Technical, Market, Liquidity and Asset/Liability mismatch risks.&lt;br&gt;Nigeria - Many insurance companies are actually operating with negative capital.</td>
<td>Many insurance companies will collapse in the face of proper supervision.</td>
</tr>
</tbody>
</table>
### 6) The Commitment of all Stakeholders to develop the market

<table>
<thead>
<tr>
<th>THE NIGERIAN SITUATION</th>
<th>THE RESULT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Government</strong></td>
<td></td>
</tr>
<tr>
<td>a) Innovation-driving regulation</td>
<td>Regulators and Operators not collaborators.</td>
</tr>
<tr>
<td>Provisions of law are too specific.</td>
<td></td>
</tr>
<tr>
<td><strong>b) Back-up laws and enforcement Machineries</strong></td>
<td></td>
</tr>
<tr>
<td>The penalties are ridiculous. Collaborating agencies are not even aware of the laws.</td>
<td>Fake insurance documents flood the market and people don’t get sanctioned for breach of the law.</td>
</tr>
<tr>
<td><strong>c) Investment in insurance development.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Business Mutilation</strong></td>
<td></td>
</tr>
<tr>
<td>Government excise Insurance activities from insurance operations.</td>
<td></td>
</tr>
<tr>
<td><strong>The Problem</strong> - The government is “throwing away the baby with the bath water”</td>
<td></td>
</tr>
<tr>
<td><strong>THE RESULT</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Regulatory conflicts already emerging.</strong> Employer and employees face contribution fatigue.</td>
<td></td>
</tr>
</tbody>
</table>
### Innovative Operators

**Creation of New Operators**  Micro Insurance and Takaful deepen the benefits of insurance

**New Product Development**
Products to insure the family and personal lines risks scarce.

**Customer Awareness Efforts.**
No co-ordinated effort on insurance Education, Customer Help line and Consumer awareness.

**Nigeria**  Entrepreneurial skills are not emphasized in the manpower development efforts of the Industry.
### Rights-conscious consumers

The trust, respect and Naira of the consumer not earned with good products, good prices and good services. No effort to stop insurance inertia among the highly exposed members of the public. **Nigeria** - People don’t see insurance as a necessity.

| Nigerians die unfulfilled  
Family system dislocated.  
People go back to penury when their investments, are destroyed. | Rights-conscious consumers |
|---|---|
| **Nigeria** - People don’t see insurance as a necessity. | Nigerians die unfulfilled  
Family system dislocated.  
People go back to penury when their investments, are destroyed. |
SUMMARY OF OUR CURRENT SITUATION

- Our Insurance Laws need urgent and serious review.
- The managerial skills of the operators have to be sharpened.
- Local customization of foreign products has to happen.
- Risk-based supervision and Solvency-focused regulation to be effected.
- Need for a new mind-set on collective development of the market.
1. Technical Expertise
High level of technical expertise.

2. Industry Capitalization
Industry capitalization has been increased significantly.

3. Risk-based supervision
Risk-based supervision is appreciated.
1. Fragile/Dormant Stage

Lack the requisite enabling environment for insurance.

2. Transitional/Early Growth Stage

Select cost-effective approaches to expanding insurance markets
3. **Stable/Sustained Growth Stage:**

- Higher level training and technical expertise particularly LSR
- High tapping into the support of the private sector.

4. **Mature Market Stage:**

The growth of insurance slows down and may even lag behind the aggregate growth of the economy.
Stages in Insurance Market Development

- **Dormant**
  - Liberia
  - Nigeria
  - Egypt
  - Liberia (2007)

- **Early Growth**
  - Argentina

- **Sustained Growth**
  - Good
  - South Africa
  - Average

- **Mature**
  - All G. 8 Countries

- **Weak**
  - Liberia

- **GDP Per Capital**
Financial System Strategy 2020

Nigeria Insurance Sector Vision and Mission
Our Mission

“To develop an Insurance Sector that drives and protects the economy through effective and efficient market structure”.

Our Vision

“To become the insurance market of first Choice in Africa noted for high level of capacity, transparency, efficiency and safety and attain the 15th position in world insurance premium generation by the year 2020”.
Nigeria should become the leading insurance market in Africa come 2020. Major reform efforts to achieve this objective.

- Ensuring that the sector is financially sound (capacity)
- Creating an efficient, profitable market structure (efficiency)
- Creating consumer trust in the sector (safety)
Monitoring & Evaluation (M &E) Approach

By 2010 mere exchange of Insurance papers will resolve any accident/damage dispute.

Build capabilities of domestic insurers (external), remove the regulatory and operational inhibitions (internal) between now and 2015.

Contribution as a % of GDP will move from 0.32% in 2005, to 4.8% in 2010, 8.9% in 2015 and 15.91% in 2020.
OUTCOMES

Nigeria Insurance Penetration

Dormant Stage

Early Growth Stage

Sustained Growth Stage

Mature Market Stage

GDP (US $b) 

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17

YR

99 '00 '01 '02 '03 '04 '05 '06 '07 '08 '09 '10 '11 '12 '13 '14 '15 '16 '17 '18 '19 '20 '21 '22 '23 '24 '25

N. 11 Countries

GPIAS % of GDP (Insurance Penetration)
# TABULAR DESCRIPTION OF OUR VISION

Our move from “Early Growth Stage” to “Sustained Growth Stage” i.e 2007 – 2020.

<table>
<thead>
<tr>
<th>Heading</th>
<th>Middle of “Early Growth”</th>
<th>End of Early Growth Stage</th>
<th>Sustained Growth Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of Industry Players</td>
<td>108</td>
<td>50</td>
<td>30</td>
</tr>
<tr>
<td>Industry GPI</td>
<td>N69.41b</td>
<td>N1000.00b</td>
<td>N2,500.00 b</td>
</tr>
<tr>
<td>Total Assets</td>
<td>N154.119b</td>
<td>N3,000.00b</td>
<td>N5,000.0b</td>
</tr>
<tr>
<td>Industry Capitalisation</td>
<td>N32.40b</td>
<td>N200.00b</td>
<td>N440.00b</td>
</tr>
<tr>
<td>Premium/Capital (USD)</td>
<td>4.3</td>
<td>15.28</td>
<td>113.12</td>
</tr>
<tr>
<td>% of World GPI</td>
<td>0.01</td>
<td>0.03</td>
<td>1.20</td>
</tr>
<tr>
<td></td>
<td>% of World GPI</td>
<td>Middle of “Early Growth”</td>
<td>End of Early Growth Stage</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>----------------</td>
<td>--------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>Current World Position</td>
<td>62</td>
<td>60</td>
<td>38</td>
</tr>
<tr>
<td>Current Africa Position</td>
<td>4</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Insurance Premium as % of GDP</td>
<td>0.42%</td>
<td>0.32%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Job Creation (Regular)</td>
<td>&lt; 25,000</td>
<td>25,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Job Creation (Agency)</td>
<td>340</td>
<td>20,000</td>
<td>80,000</td>
</tr>
<tr>
<td>Population</td>
<td>120m</td>
<td>150m</td>
<td>170m</td>
</tr>
</tbody>
</table>

**NOTE**

Current No. 15 is 41.077 USD bn (Switzerland)
The Insurance Contribution to GDP of No 1 in Africa (S.A) is 13.87%
All figures beyond 2005 are estimates.

**Source**

Nigeria Insurance Digest
National Insurance Commission
Sigma: World Insurance in 2005
Riskguard-Africa (Nig) Ltd

**Basic Assumptions**

1. Market Consolidation will follow Industry Consolidation
2. The Naira will continue to be strengthened
Financial System Strategy 2020

PROPOSED INDUSTRY MODEL
PROPOSED INSURANCE MODEL
CONSOLIDATED REGULATION

THE REGULATORS

Chairman
The Nig. Financial Services Authority (NFSA) - 2015

Vice - Chairman
- Banking
- Insurance
- Pension
- Health Ins.
- Securities
- Credit and Bonds
THE REFORM ORGANISATIONS

- The Customer Service Bureau
- The Insurance Ombudsman.
- The Ins. Mediation Agency
- The Customer Complaint Agency
- The Offshore Ins. Development Agency
- The Nig. Ins. Consumer Association
THE OPERATORS

- Insurance Companies
- Reinsurance Companies
- Micro Ins. Companies
- Takaful Ins Companies
- Comm. Ins. Companies
- The Pension Fund Administrators
- The Health Maintenance Organizations
- The Pension Funds Custodian
- The Healthcare Providers.
THE DISTRIBUTION CHANNELS

- The Ins. Brokers
- The independent Agents
- The Tied Agents
- The Banks / Alliance Partners
- The Network Providers
- The Franchise Dealers
- The e-marketing
- The Direct Marketing.
THE SUPPORT SERVICE PROVIDERS

- The Actuaries
- The Loss Adjusters
- The Assistance Providers
- The Ins. Consultants
- The Health Auditors
- The Pension Auditors
Financial System Strategy 2020

IMPLEMENTATION PLAN
| 1.0 | **Objective 1:**  
Become the safest insurance Market in Africa |
| 1.1 | **Key Initiatives**  
Review the Existing Regulations and Laws to meet internationally recognised legal system. |
| 1.2 | Strengthen the Solvency of Insurance companies and introduce International Accounting Standards. |
| 1.3 | Evolve International Best Practices and strong Corporate Governance issues. |
| 2.0 | **Objective 2:**  
Achieve an Insurance market with a strong positive image in Nigeria. |
| 2.1 | **Key Initiatives**  
Solve the Negative Image Problem of Insurance in Nigeria. |
| 2.2 | Widen the Avenues for Insurance Consumers to seek Redress. |
| 3.0 | **Objective 3:**  
Become the fastest growing insurance market in Africa |
|-----|--------------------------------------------------|
| 3.1 | **Key Initiatives**  
Reduce Insurance gap in Nigeria from 94% to 30% by 2015. |
| 3.2 | Promote Optimum Risk Retention in Nigeria. |
| 4.0 | **Objective 4:**  
Create an efficient insurance market of first choice in Africa |
| 4.1 | **Key Initiatives**  
Strengthen the Protection of Policy holders fund and achieve world class ratio in Insurance operations in Nigeria. |
| 4.2 | Establish Reliable Research, statistics and Data Base for the Insurance Operation. |
| 5.0 | **Objective 5:**  
Build a Single West African Insurance Market |
| 5.1 | **Key Initiatives**  
Promote a Single West African Insurance Market pursuant to FSS 2020 objective |
| 5.2 | Focus on Insurance in Nigeria to become one of the 15 th largest markets in the world by 2020 |
## IMPLEMENTATION PLAN AND TIMELINES

### FROM ORGANIC TO ENGINEERED GROWTH

<table>
<thead>
<tr>
<th><strong>OBJECTIVE 1</strong></th>
<th>Indicators of Success</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Become the Safest Insurance Market in Africa</strong></td>
<td></td>
</tr>
<tr>
<td>In 2007, we have insurance laws with many gray areas.</td>
<td>Internationally recognized legal system</td>
</tr>
<tr>
<td>In 2007, Solvency requirements are not risk-related - 15% of premiums</td>
<td>Strong Solvency Rules.</td>
</tr>
<tr>
<td>In 2007, some corporate governance issues are not clear.</td>
<td>International corporate governance rules</td>
</tr>
</tbody>
</table>
## Initiative 1
Review all the laws relating to insurance in Nigeria in 2008

<table>
<thead>
<tr>
<th>Dependents</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Ministry of Justice</td>
<td>Ins. Law Reform Committee</td>
</tr>
<tr>
<td>FSS 2020 Legal Team</td>
<td></td>
</tr>
<tr>
<td>NAICOM</td>
<td></td>
</tr>
<tr>
<td>PENCOM</td>
<td></td>
</tr>
<tr>
<td>NHIC</td>
<td></td>
</tr>
</tbody>
</table>
The Deliverables – Duration 4 years

1. By 2008, amend the legal framework to cover key issues.
2. In 2009 create new and stiff penalties for non-compliance with the compulsory insurances.
3. Extend the scope of professional indemnity Insurance to other professions in 2009.
4. Establish the modalities for the insurance of all government assets in Nigeria in 2009.
## Initiative 2
### Strengthen the solvency of Insurance companies in Nigeria

<table>
<thead>
<tr>
<th>Dependents</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAICOM</td>
<td>1. NAICOM Inspectors</td>
</tr>
<tr>
<td></td>
<td>2. IAIS principles</td>
</tr>
<tr>
<td></td>
<td>3. Ins. Consultants</td>
</tr>
</tbody>
</table>

### The Deliverables – Duration 3 years

1. In 2008, NAICOM inspectors to pay more attention to the statutory Reserves.
2. By 2008, amend solvency rules to be risk based.
3. By 2010 adopt full solvency II approach
**Initiative 3**

Evolve international Best Practices and strong Corporate Governance issues in Insurance practice

| NAICOM       | 1. ICT practitioners  
|              | 2. NASB  
|              | 3. Electronic Payment Enablers  
|              | 4. NAICOM  
|              | 5. AIO; USAID; World Bank |
### The Deliverables – Duration 4 years

1. Stipulate the amount that should be invested on ICT and MDP for the operators in 2007.
4. Reverse the Current soft underwriting approach.
6. Use non-owner professional Directors on the Boards of Insurance Companies in 2010.
## Objective 2
### Achieve an Insurance Market with a strong Positive Image in Nigeria.

<table>
<thead>
<tr>
<th>Our Current Situation</th>
<th>Indicators of Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>In 2007, Insurance is still treated with aversion.</td>
<td>Insurance perceived as a “must-have” by all and sundry.</td>
</tr>
<tr>
<td>In 2007, claims ratio is 15% - 25%</td>
<td>Claims/Premiums ratio of 50% - 70%</td>
</tr>
<tr>
<td>Complaints desks at NAICOM not used by majority of aggrieved insured.</td>
<td>Retail insured events automatically resolved by the system</td>
</tr>
</tbody>
</table>
## Initiative 1

Solve the Negative Image Problem of Insurance in Nigeria.

<table>
<thead>
<tr>
<th>Dependents</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. FSS 2020 Human Capital Team</td>
<td>2. Ins. Consultants</td>
</tr>
<tr>
<td>3. NAICOM</td>
<td></td>
</tr>
<tr>
<td>The Deliverables – Duration- 5 years</td>
<td></td>
</tr>
<tr>
<td>-------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Engage in massive enlightenment and Insurance education programmes</td>
<td></td>
</tr>
<tr>
<td>1. Use Radio in 2008</td>
<td></td>
</tr>
<tr>
<td>2. Use Television in 2008 - 2010</td>
<td></td>
</tr>
<tr>
<td>3. Use Explanatory Booklets in 2008</td>
<td></td>
</tr>
<tr>
<td>4. use Dedicated Website in 2008</td>
<td></td>
</tr>
<tr>
<td>5. Use Toll Free Phone System in 2008</td>
<td></td>
</tr>
<tr>
<td>The Deliverables – Duration- 5 years</td>
<td></td>
</tr>
<tr>
<td>--------------------------------------</td>
<td></td>
</tr>
<tr>
<td>6. Promote Insurance Education</td>
<td></td>
</tr>
<tr>
<td>(a) Use Insurance for Annual Debate &amp; Essays (Pry Schools) in 2009</td>
<td></td>
</tr>
<tr>
<td>(b) Make Insurance Education Part of NYSC Community Service in 2010</td>
<td></td>
</tr>
<tr>
<td>(c) Make Insurance a Compulsory Subject - JSS-SSS in 2012</td>
<td></td>
</tr>
<tr>
<td>(d) Make Insurance a Compulsory General Subject - Tertiary Institutions in 2012</td>
<td></td>
</tr>
</tbody>
</table>
## Initiative 2

**Widen the Avenues for Insurance Consumers to seek Redress.**

<table>
<thead>
<tr>
<th>Dependents</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAICOM</td>
<td>1. Ins. Mediation Agency</td>
</tr>
<tr>
<td></td>
<td>2. Insurance Customer Complaints Agency</td>
</tr>
<tr>
<td></td>
<td>3. Nig. Ins. Consumer Org</td>
</tr>
</tbody>
</table>

### The Deliverables – Duration – 8 years

1. By 2008 Establish Insurance Customer Complaints Agency
2. By 2008 Establish Insurance Mediation Agency (IMA)
3. By 2009 instigate the establishment of Nigerian Insurance Consumer Organisation (NICO)
4. By 2009 strengthen the statutory office of Insurance Ombudsman at NAICOM.
**Objective 3**

**Become the fastest growing Insurance market in Africa**

<table>
<thead>
<tr>
<th>Our Current Situation</th>
<th>Indicators of Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>In 2005, insurance penetration was 0.32% of GDP</td>
<td>Insurance penetration of between 12% and 15% of GDP</td>
</tr>
</tbody>
</table>
**Initiative 1**  
Reduce Insurance Gap from 94% to 30% between 2008 and 2015

<table>
<thead>
<tr>
<th>Dependents</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAICOM</td>
<td>1. Law Enforcement Agents</td>
</tr>
<tr>
<td></td>
<td>2. Ins. Consultants</td>
</tr>
<tr>
<td></td>
<td>3. Ins. Customer Service Bureau</td>
</tr>
</tbody>
</table>

**The Deliverables – Duration 7 years**

3. Educate the law Enforcement Agencies on compulsory ins. in 2009.  
4. Extend the contributory Pension Schemes, Death in Service to other sectors in 2009.  
5. Develop products that will address the Family, Personal Risks and collaboration with the Banks, SME, Mortgage and Credit Markets in 2009.  
### Objective 4
Create an efficient insurance market of first choice in Africa

<table>
<thead>
<tr>
<th>Our Current Situation</th>
<th>Indicators of Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>In 2007, expense ratio of insurance companies is greater than 50%.</td>
<td>Expense/ Premium ratio to fall within 15% - 25%.</td>
</tr>
<tr>
<td>Average premium income of insurance companies is $5.3m.</td>
<td>Average Premium Income of insurance company in China is $1.0bn, India $800.0m and Malaysia $160.0m</td>
</tr>
<tr>
<td>Significant number of insurers use manual processes</td>
<td>Extensive use of technology.</td>
</tr>
<tr>
<td>No Financial or Risk Statistics on Insurance at the moment.</td>
<td>Reliable Research, statistics and Data Base for Insurance Operations</td>
</tr>
<tr>
<td>Financial Reports always stale.</td>
<td></td>
</tr>
<tr>
<td>At senior management level little understanding of full risks framework.</td>
<td>Technical expertise by Nigerian insurance staff. Application of Risk-Based Management principles.</td>
</tr>
</tbody>
</table>
### Initiative 1

Strengthen the protection of the policyholders fund and achieve world class ratios on insurance

<table>
<thead>
<tr>
<th>Dependents</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. NAICOM</td>
<td>Ins. Benefits Guarantee Corporation (IBGC)</td>
</tr>
<tr>
<td>2. Nat. Assembly</td>
<td></td>
</tr>
<tr>
<td>3. Fed. Min. of Justice</td>
<td></td>
</tr>
</tbody>
</table>

### The Deliverables – 5 years

1. Achieve reasonable ratios especially the claims, expense, Underwriting, Solvency and Price/Earning in 2009
2. Create Insurance and Pension Protection Fund in 2012
3. Institute the paramountcy of the policy holders interest between 2009 and 2014.
## Initiative 2
Establish reliable statistics and Data Base for Insurance operation.

<table>
<thead>
<tr>
<th>Dependents</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. NAICOM</td>
<td>1. Ins. Consultants</td>
</tr>
<tr>
<td>2. FSS2020 ICT Team</td>
<td>2. Fed. Fire Service</td>
</tr>
<tr>
<td></td>
<td>5. Ins. Mkt Associations</td>
</tr>
</tbody>
</table>

### The Deliverables – Duration – 4 years

1. Collaborate with the FRSC (on Road Accident), Police (on Crime) Fire Brigade (on Fire Incident), FBS (on Statistics) and NIA (on Risk Classification) in 2008
2. Liaise with ICT operators for the establishment of a central claims Bureau and payment enablement in 2009
### Initiative 3

**Promote optimum Risk Retention in Nigeria**

| 1. NAICOM | Ins. Companies |

**The Deliverables – Duration – 5 years**

1. By 2008, significant training of staff, on Large and Specialized Risks (LSR).
2. By 2010, Compliance Manuals to be in place in all companies addressing all risks in the System.
**Objective 5**
*Build a Single West African Insurance Market.*

<table>
<thead>
<tr>
<th>Our Current Situation</th>
<th>Indicators of Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>Offshore Insurance Development Centres (OIDC).</td>
</tr>
</tbody>
</table>
Initiative 1
Promote a single West African Insurance Market pursuant to FSS 2020

<table>
<thead>
<tr>
<th>Dependents</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. FSS 2020</td>
<td>1. Ins. Consultants</td>
</tr>
<tr>
<td>2. NAICOM</td>
<td>2. Nig. Off-Shore Ins. Dev. Agency</td>
</tr>
</tbody>
</table>

The Deliverables – Duration 6 years
Collaborate with other West Africa countries to develop ECOWAS Insurance Market in 2010.
# Initiative 2

Package Insurance in Nigeria to become the 15th largest market in the world by year 2020.

| FSS 2020          | 1. Nig. Fin. Services Authority  
|                  | 2. Nig. Off-Shore Ins. Dev. Agency |

## The Deliverables

1. In 2012, develop Two (2) off-shore Insurance Centres pursuant to Nigeria becoming the financial Hub of Africa.
2. In 2014 repackage insurance for the single Financial Services Regulatory Authority if accepted by all existing regulators.
3. In 2015 understudy the insurance operations in selected African Countries to make Nigeria No 1 in Africa come 2020.
SEQUENCING AND TIMELINE OF IMPLEMENTATION

ACTIVITY

1. REVIEW THE LAWS AND REGULATIONS AND EFFECT CHANGES
2. STRENGTHEN SOLVENCY AND EFFECT CHANGES
3. EVOLVE INTERNATIONAL BEST PRACTICES AND CORPORATE GOVERNANCE PRINCIPLES
4. SOLVE THE IMAGE PROBLEM
5. WIDEN AVENUES FOR INSURANCE CONSUMERS TO SEEK REDRESS
6. REDUCE INSURANCE GAP FROM 94% TO 30%
7. PROMOTE LOCAL RISK RETENTION
8. PROTECT POLICY HOLDER FUND, BUILD LEGAL A/C, IT CONTENTS
9. ESTABLISH RELIABLE STATISTICS, DEVELOP IT PLATFORMS AND DATA BASES
10. PROMOTE SINGLE WEST-AFRICA INSURANCE MARKET
11. WORK TO BECOME 15TH LARGEST INSURANCE MARKET IN THE WORLD

PHASES:
- Quick-wins
- Phase 1
- Phase 2
- Phase 3

TIMELINE:
- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
- 2014
- 2015
- 2016
- 2017
- 2018
- 2019
- 2020

GOOD MORNING 2020
DESCRIPTION OF OUR END STATE ON 1/1/2020

Impact of the Nigeria Insurance Sector come 2020

1. Guaranteed financial protection for everything in the society.
2. A culture of long-term saving by the general populace.
3. Source of funds for projects of national development
4. Meaningful contribution to the GDP
5. Visible contribution to improved standard of living and security of lives and property.
6. Stimulation of the growth of debt and equity markets for a more efficient Capital Allocation.
7. Facilitation of Trade and Commerce.
8. Reduction of losses through Risk Management expertise
9. Transmission of information about risks through out the society
10. Encouragement of a greater efficiency and depth in the financial sector
11. complementing, competing with and improving the services of other financial institutions.
Financial System Strategy 2020

CONCLUSION

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- The benefits derivable from an insurance market development are closely related to how well the supply of insurance can meet the demands created for its services by other financial institutions and the economy.

- When the supply of Insurance does not meet the demand for Insurance services e.g. when the insurance market faces capacity constraints and infrastructural weaknesses, there arises an “Insurance gap”
CONCLUSION

LEVEL OF INSURANCE GAP

CHINA

INSURANCE SUPPLY
LEVEL OF INSURANCE GAP

INDIA

INSURANCE SUPPLY
LEVEL OF INSURANCE GAP

MALAYSIA

INSURANCE SUPPLY
LEVEL OF INSURANCE GAP

NIGERIA

INSURANCE SUPPLY
LEVEL OF INSURANCE GAP
When the “Insurance gap” is greatest, such as when financial institutions and economic activities far outpace insurance supply, the potential economic benefits from an insurance market development will also be greatest.

An important criterion therefore, to determine the relative expected benefit from investment in insurance market development is the level of “Insurance gap” existing in a particular country.
The Potential benefits for the realization of the FSS 2020 Global Vision and Objectives through Insurance appears the greatest amongst all the financial services sectors in Nigeria.

The Foundation for these, we have laid in our Strategic Objectives, Key Initiatives and Specific Deliverables
Thank you

Yemi Soladoye
Riskguard-Africa (Nig) Ltd
For: the Insurance Market Team