

Financial System Strategy 2020



FSS 2020 International Conference

Insurance Sector Presentation
June 2007



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.



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Current Position Assessment Sector Overview



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.



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INDUSTRY STRUCTURE, PLAYERS, SIZE AND PERFORMANCE



INDUSTRY STRUCTURE AND PLAYERS

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



MARKET ANALYSIS, SIZE AND PERFORMANCE

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.



“TRADITIONAL” INSURANCE SECTOR



- 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.
- Premium in the region of N6.0bn – 2006.
- Section 2(1)(c) - Ins. Act 2003.
- Life Ins. Coy can manage Health Insurance.



The Sector Players

Traditional Insurance

The players

Insurance Companies,
Reinsurance Companies

The Regulators

National Insurance
Commission (NAICOM)

Gross Income

N76.32bn (2005)



Pension

The players

The Pension Fund Administrators (PFAs)
The Pension Fund Custodians (PFC)

The Regulators

PENCOM, NAICOM*

Gross Income

N350.bn (2006)



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

The players

The Loss Adjusters.

The Actuaries

The Regulators NAICOM

Gross Income

Part of Traditional Insurance



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

1. Compulsory Contributory Pension Plan.
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



INDUSTRY REGULATION

The “Traditional” Insurance Sector

Regulation started in 1961.

20 Laws and Guidelines promulgated

The existing laws and Guidelines are:-

- a) National Insurance Commission (NAICOM) Act 1997.
- 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
- b) The Nigerian Council of Registered
Insurance Brokers (NCRIB) Act 2003



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%.



The Existing Laws



- 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.



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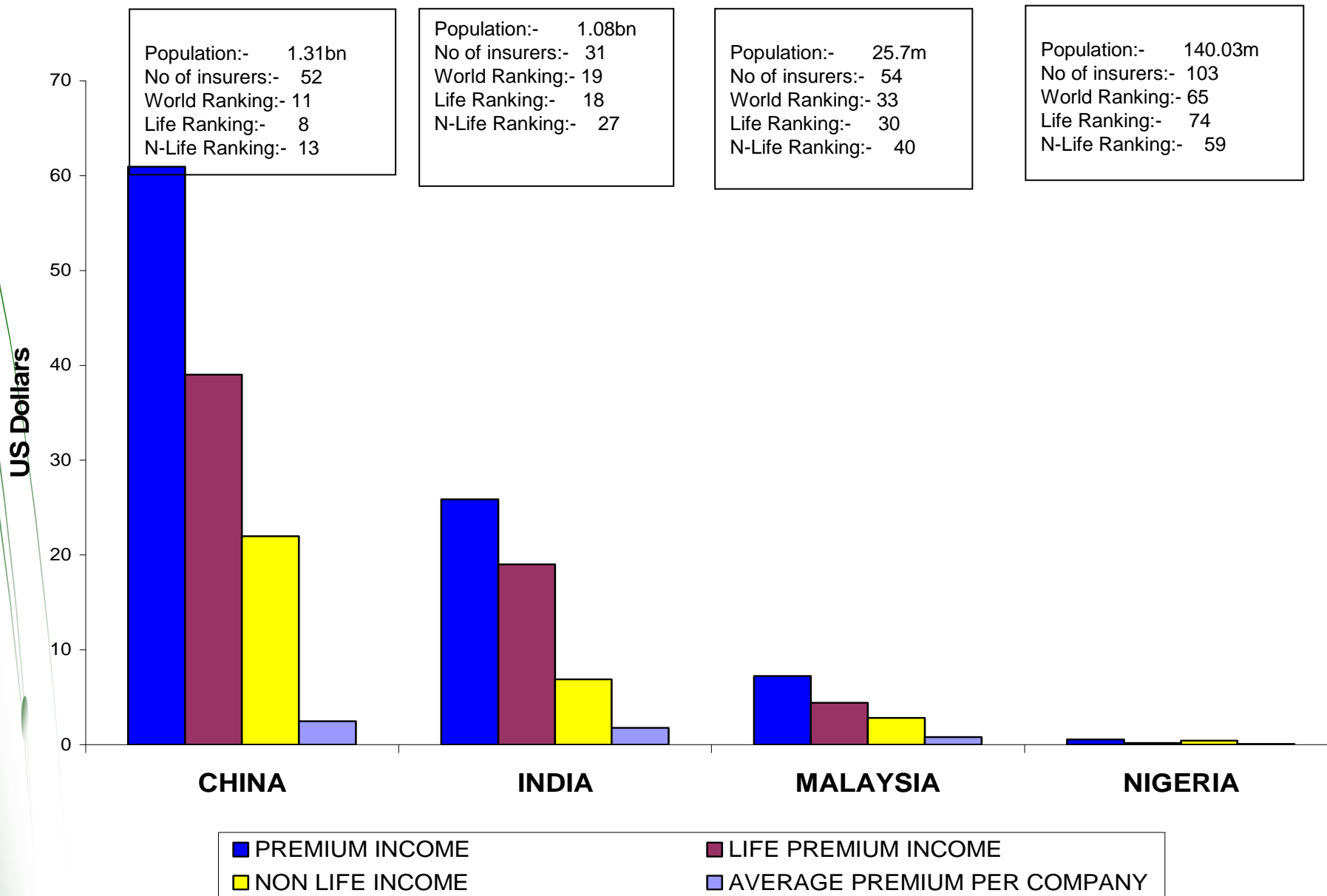


INDUSTRY PERFORMANCE

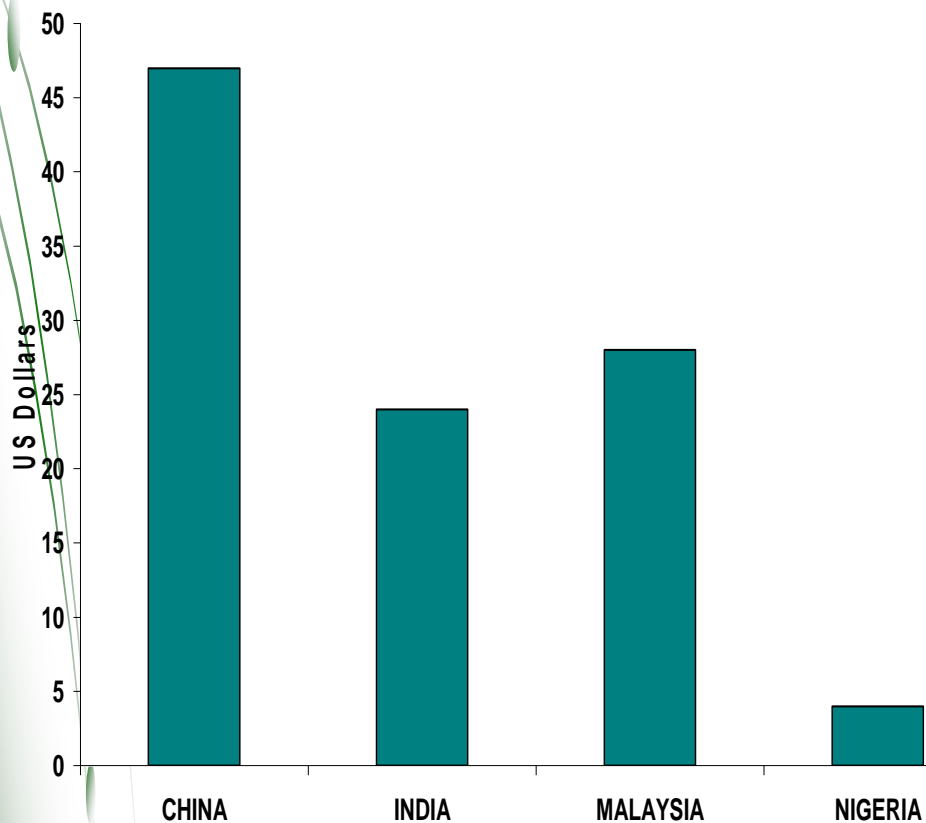


PRODUCTS

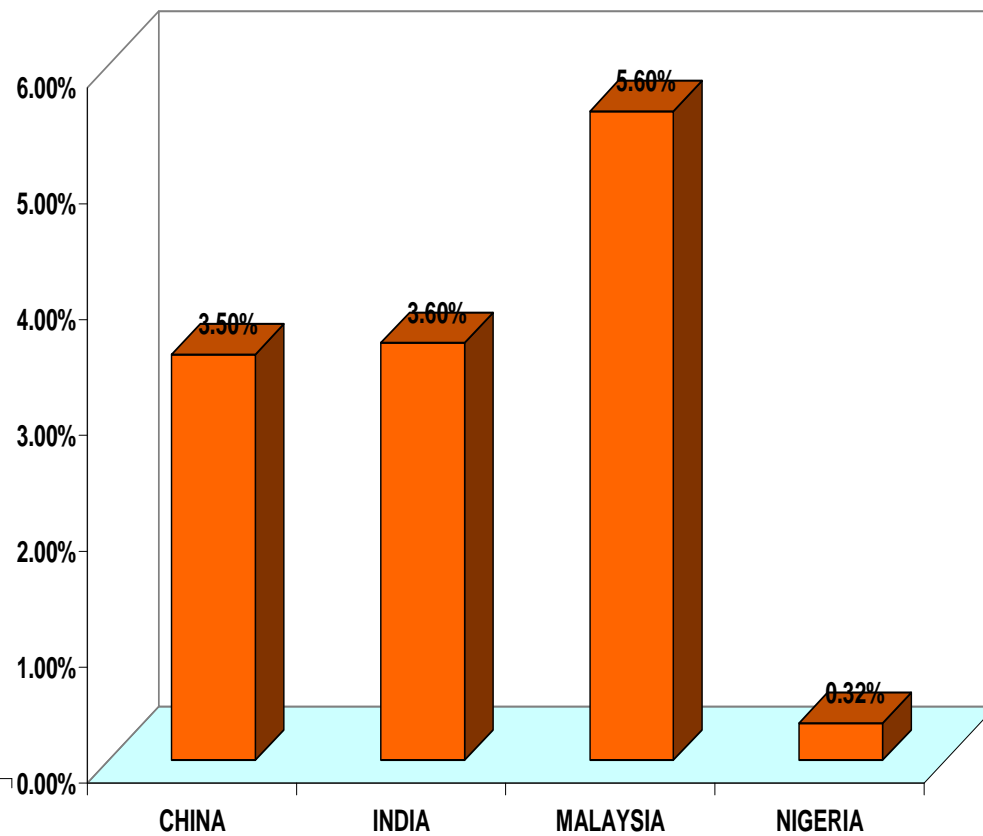
NIGERIA AND PEER GROUP COUNTRIES: 2005



INSURANCE PREMIUM / CAPITAL

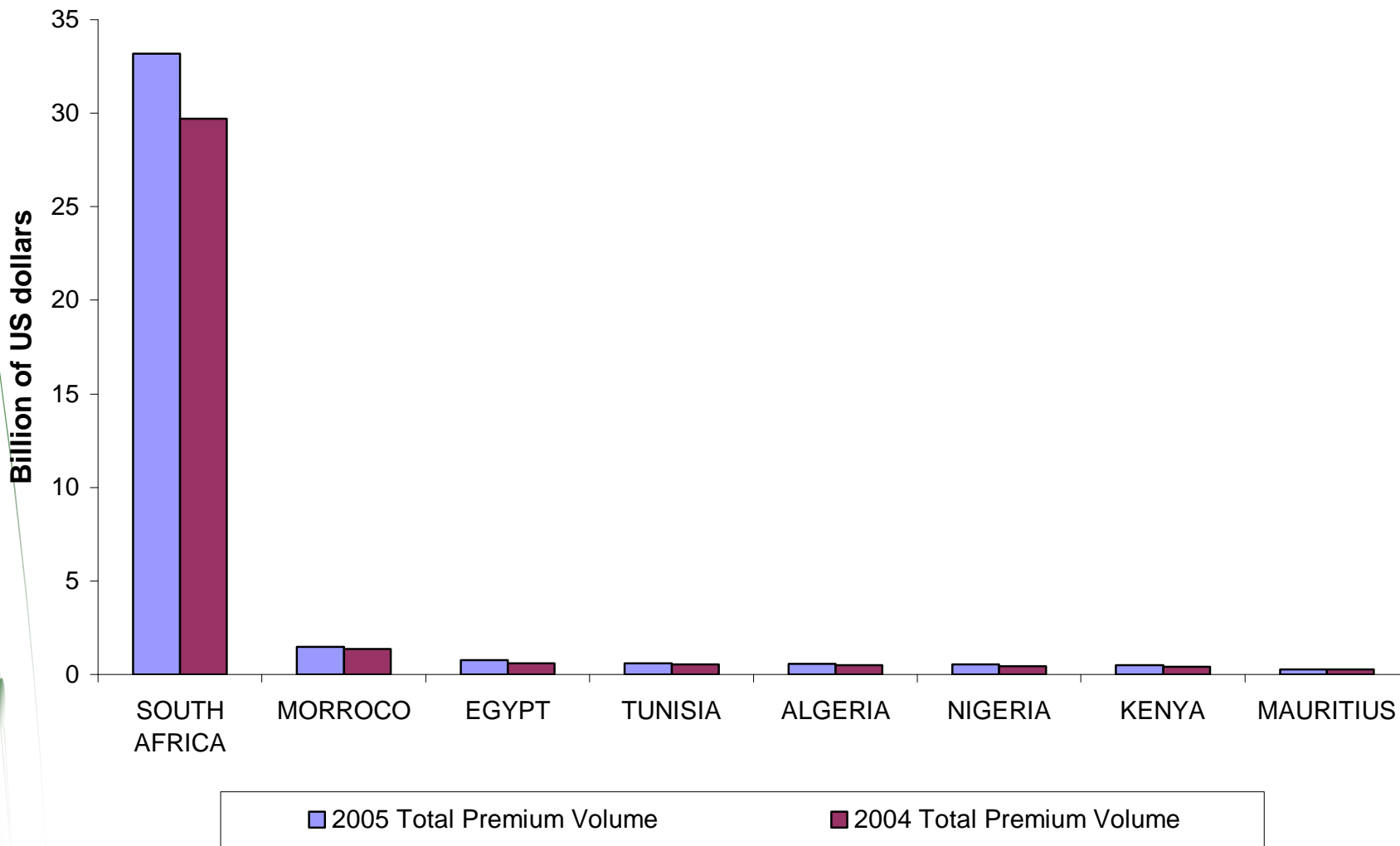


INSURANCE PREMIUM/GDP



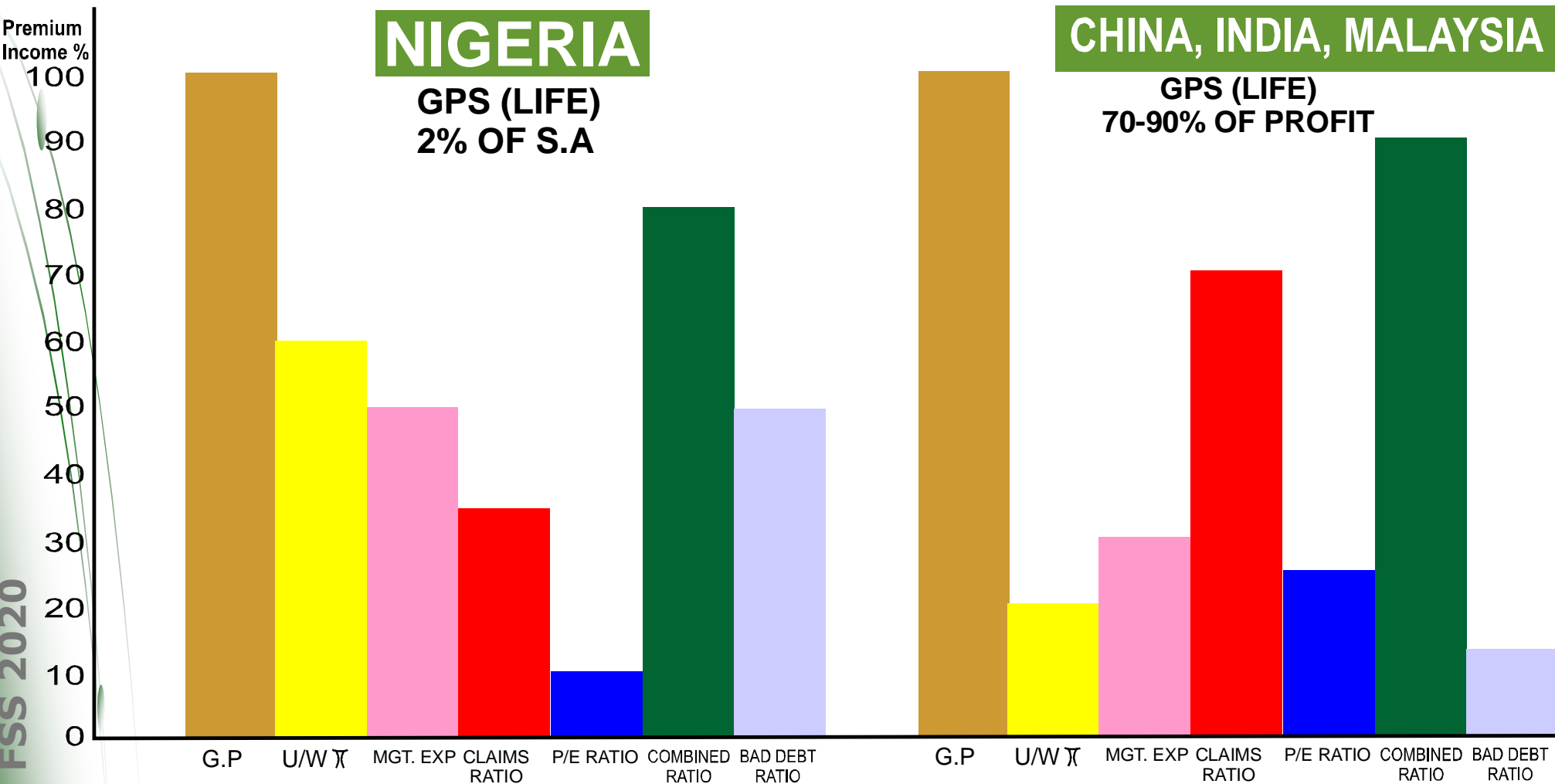


OUR PERFORMANCE IN AFRICA: 2004 & 2005





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.**
- 6. Encouraging Ethical Market Discipline.**
- 7. Promoting Institutional Development and Facilitating New Insurance Markets.**
- 8. Connecting Regulators with the Private Sector.**



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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



THE SUCCESS FACTORS AND NIGERIA -THE GAPS



PLATFORM 1

1. Laws and Regulations that work

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

FOCUS OF THE LAW	THE RESULT
safe, efficient, fair and stable market, protection-of-the policyholders' interest etc. Nigeria - "You cant do this and that"	Focus on the depth and efficiency of Insurance Market is weak
- Solvency requirements in the laws are not risk - related but performance related - 15% of premiums. - Solvency is as critical as capital in Insurance.	Insurance companies impact insignificant.



CLARITY OF THE LAW	THE RESULT
<p>provisions of the law are hanging.</p>	<p>“Fake” and proscribed Insurance companies still in business.</p> <p>regulations are overlapping Potential Regulatory conflict.</p>
<p>ENFORCEABILITY Enforcement - weak in the provisions of the Nine (9) areas of Compulsory Insurance</p>	<p>Contribution is below 1% of GDP. Public Sector 75%</p>



PLATFORM 1



NHIS 1999 - S.16

"May" instead of "shall".

PRA 2004 - Specific and stiff sanction for employers-nil.

RELIABILITY

Policyholders cannot rely on the laws for redress. At law policy holders have protection.

Public views of insurance as "legalised robbery" continues.

CONSISTENCY

Many provisions are outdated. **NAICOM** Insurance Decree 2 of 1997. NSITF Act 1993.

cases have been won against regulators purely on technical grounds.

PLATFORM 2



2. Proper Expertise of the people who apply the law and run the business.

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



EFFICIENCY OF THE OPERATORS	THE RESULT
<p><u>Late and varied financial reporting</u> Financial information is always very stale. Wide variation in applicable level of disclosure. Nigeria – Insurance Information does not attract public interest.</p>	<p>Decision making and risk analysis based on guesses.</p>
<p><u>High Expense Ratio</u> Expense/Premium 50% Nigeria - sharp practices, staff benefits unrelated to productivity.</p>	<p>Weak profitability - Price/Earning below 10% not very active at the capital market</p>



Large Bad Debt Portfolio

Approximately 50% of policies become bad debt.

Nigeria - Huge paper Underwriting profit

Customer Satisfaction

Claims ratio between 15% and 25%.

Nigeria - Customers Get Lousy deal on Insurance claims.

THE RESULT

solvency is very weak.

- Motorists see premium as part of government tax.

PLATFORM 3



3. Appropriate and Relevant Insurance Products

APPROPRIATENESS OF THE PRODUCTS	THE RESULT
<p><u>Inflation Adjustment - Life</u> No inflation adjustment, index-linking or escalation provisions. GPS is 2% of sum-assured per annum.</p>	<p>The policies become practically worthless. Lapse ratio is very high.</p>
<p>RELEVANCE OF THE PRODUCTS <u>Perils Covered – Non – Life</u> Foreign perils like typhoon, tempest, cyclone, prairie, “external and visible means” “forcible and violent entry” Nigeria – Insurance Policies recognizing our risk exposure, culture and beliefs are not yet in place.</p>	<p>Concept is still regarded as foreign or government imposed.</p>



4. Reasonable Pricing of Insurance Products

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



PLATFORM 5



5. Sufficient Capital / Solvency of the Industry

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

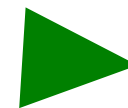


PLATFORM 6



6) The Commitment of all Stakeholders to develop the market

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



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-coordinated effort on insurance Education, Customer Help line and Consumer awareness.

Nigeria - Entrepreneurial skills are not emphasized in the manpower development efforts of the Industry.

Industry lags behind other sub-sectors.



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.



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.**



THE NIGERIAN INSURANCE INDUSTRY POSITIVES

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.



THE JOURNEY AHEAD. STAGES OF INSURANCE DEVELOPMENT

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:

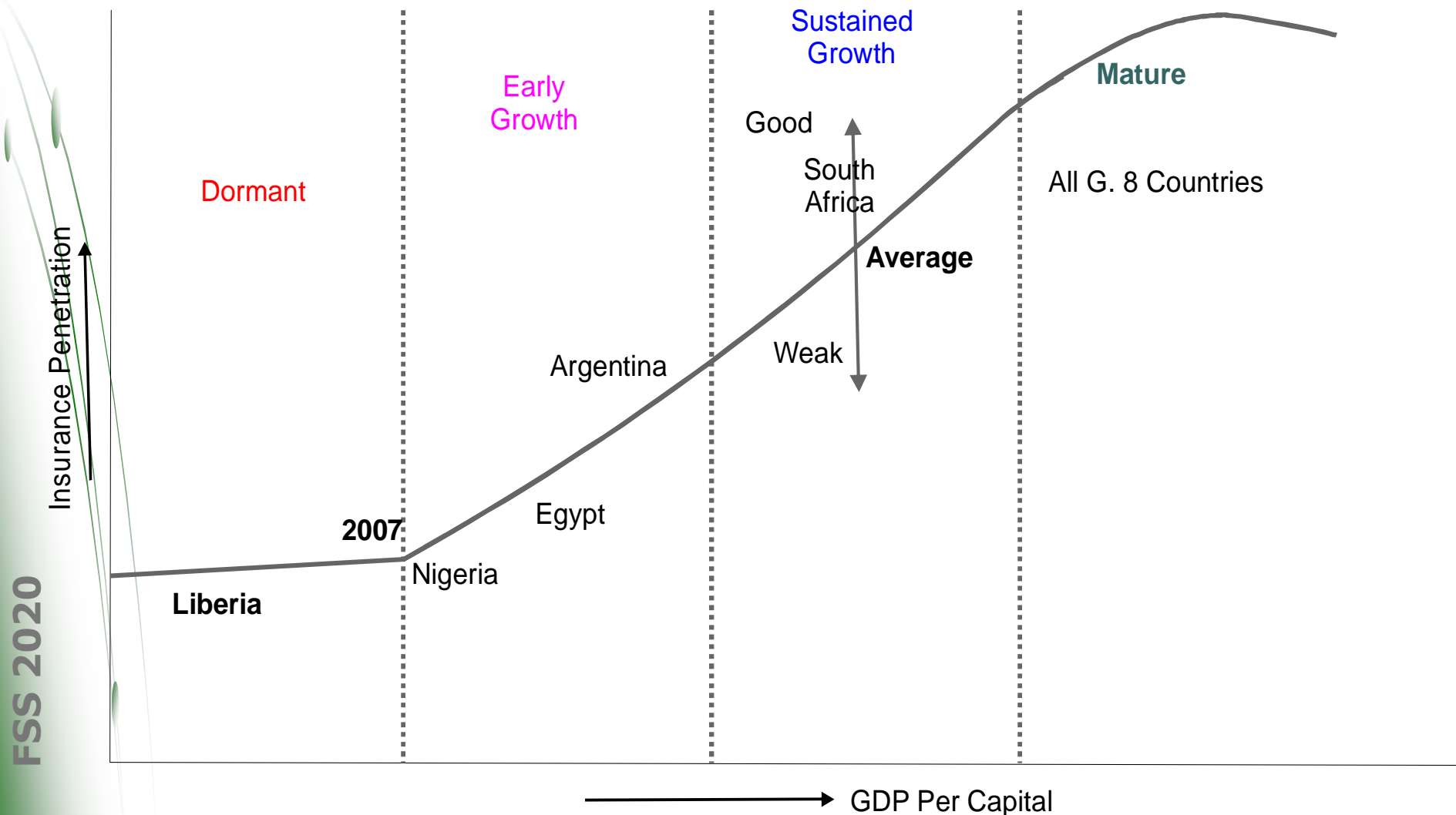
- Higher level training and technical expertise particularly LSR
- High tapping into the support of the private sector.

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





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Nigeria Insurance Sector Vision and Mission



NIGERIA INSURANCE SECTOR MISSION AND VISION.

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”.



Vivid Description of Our Vision

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)



OUTCOMES



Monitoring & Evaluation (M &E) Approach

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

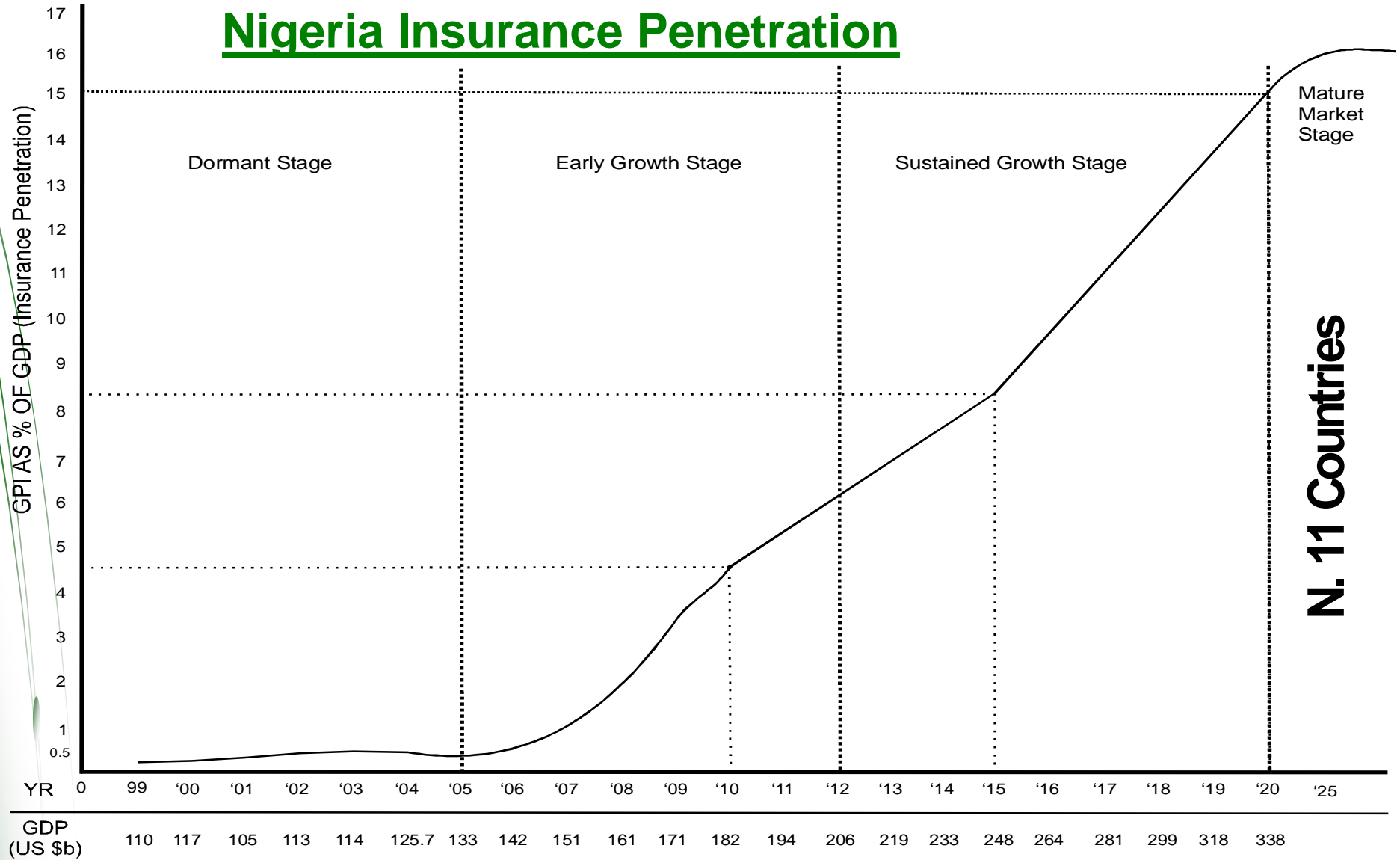
Build capabilities of domestic insurers (external), remove the regulatory and operational inhibitions (internal) between now and 2015.

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



FSS 2020



TABULAR DESCRIPTION OF OUR VISION

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

			Middle of “Early Growth”	End of Early Growth Stage	Sustained Growth Stage
Heading	2004	2005	2010	2015	2020
No of Industry Players	108	108	50	30	40
Industry GPI	N69.41b	N76.32b	N1000.00b	N2,500.00 b	N6,000.00 b (USD 46.15b)
Total Assets	N154.119b	N184.23b	N3,000.00b	N5,000.0b	N16,000.00b
Industry Capitalisation	N32.40b	N34.80b	N200.00b	N440.00b	N500.00b
Premium/Capital (USD)	4.3	4.3	15.28	113.12	256.41
% of World GPI	0.01	0.02	0.03	1.20	1.50



			Middle of "Early Growth"	End of Early Growth Stage	Sustained Growth Stage
% of World GPI	0.01	0.02	0.03	1.20	1.50
Current World Position	62	65	60	38	15
Current Africa Position	4	6	4	2	1
Insurance Premium as % of GDP	0.42%	0.32%	4.8%	8.9%	15.91%
Job Creation (Regular)	< 25,000	< 25,000	25,000	30,000	40,000
Job Creation (Agency)	340	870	20,000	80,000	250,000
Population	120m	131.50m	150m	170m	180m

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.

Basic Assumptions

1. Market Consolidation will follow Industry Consolidation
2. The Naira will continue to be strengthened

Source

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



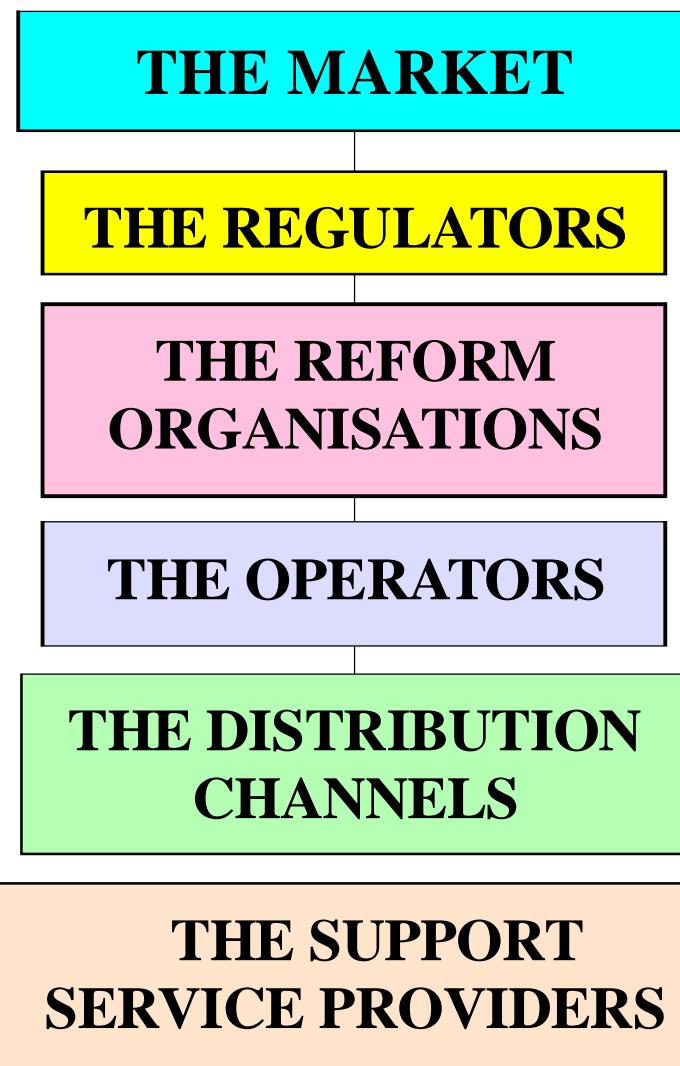
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PROPOSED INDUSTRY MODEL



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



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IMPLEMENTATION PLAN



STRATEGIC OBJECTIVES AND KEY INITIATIVES.

1.0	<u>Objective 1:</u> Become the safest insurance Market in Africa
	<u>Key Initiatives</u>
1.1	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	<u>Objective 2:</u> Achieve an Insurance market with a strong positive image in Nigeria.
	<u>Key Initiatives</u>
2.1	Solve the Negative Image Problem of Insurance in Nigeria.
2.2	Widen the Avenues for Insurance Consumers to seek Redress.



3.0	<u>Objective 3:</u> Become the fastest growing insurance market in Africa
	<u>Key Initiatives</u>
3.1	Reduce Insurance gap in Nigeria from 94% to 30% by 2015.
3.2	Promote Optimum Risk Retention in Nigeria.
4.0	<u>Objective 4:</u> Create an efficient insurance market of first choice in Africa
	<u>Key Initiatives</u>
4.1	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	<u>Objective 5:</u> Build a Single West African Insurance Market
	<u>Key Initiatives</u>
5.1	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

OBJECTIVE 1

Become the Safest Insurance Market in Africa

Indicators of Success

In 2007, we have insurance laws with many gray areas.

Internationally recognized legal system

In 2007, Solvency requirements are not risk-related - 15% of premiums

Strong Solvency Rules.

In 2007, some corporate governance issues are not clear.

International corporate governance rules



Initiative 1

Review all the laws relating to insurance in Nigeria in 2008

Dependents

- Federal Ministry of Justice
- FSS 2020 Legal Team
- NAICOM
- PENCOM
- NHIC

Responsibility

Ins. Law Reform
Committee



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.
5. By 2010, replace legal framework with internationally recognized framework.
6. Draft an Insurance Contract Law, Service Pact and the Consumer Bills of Rights and Responsibilities in 2011.



Initiative 2

Strengthen the solvency of Insurance companies in Nigeria

Dependents

NAICOM

Responsibility

- 1. NAICOM Inspectors**
- 2. IAIS principles**
- 3. Ins. Consultants**

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**
- 2. Review the Accounting Standard, Payment System, ICT, Risk-based Supervision etc in 2008.**
- 3. Financial services cross-sector training for the regulators in 2008.**
- 4. Reverse the Current soft underwriting approach.**
- 5. New set of Rules and Responsibilities for the Board and Management Teams in 2009.**
- 6. Use non-owner professional Directors on the Boards of Insurance Companies in 2010.**
- 7. Collaborate with the -AIO on Manpower Development in 2009-2011.**

Objective 2

Achieve an Insurance Market with a strong Positive Image in Nigeria.

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



Initiative 1

Solve the Negative Image Problem of Insurance in Nigeria.

Dependents

1. Fed. Ministry of Education
2. FSS 2020 Human Capital Team
3. NAICOM

Responsibility

1. Insurance Customer Service Bureau
2. Ins. Consultants



The Deliverables – Duration- 5 years

Engage in massive enlightenment and Insurance education programmes

- 1. Use Radio in 2008**
- 2. Use Television in 2008 - 2010**
- 3. Use Explanatory Booklets in 2008**
- 4. use Dedicated Website in 2008**
- 5. Use Toll Free Phone System in 2008**



The Deliverables – Duration- 5 years

6. Promote Insurance Education

- (a) Use Insurance for Annual Debate & Essays (Pry Schools) in 2009**
- (b) Make Insurance Education Part of NYSC Community Service in 2010**
- (c) Make Insurance a Compulsory Subject - JSS-SSS in 2012**
- (d) Make Insurance a Compulsory General Subject -Tertiary Institutions in 2012**

Initiative 2

Widen the Avenues for Insurance Consumers to seek Redress.

Dependents	Responsibility
NAICOM	1. Ins. Mediation Agency 2. Insurance Customer Complaints Agency 3. Nig. Ins. Consumer Org

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

Our Current Situation	Indicators of Success
<p>In 2005, annual gross premiums were N76.32bn, Pension N350.0bn (2006) Health Ins. N6.0bn (2006)</p>	<p>Total Premiums in force of average of \$1.0b per company.</p>
<p>In 2005, insurance penetration was 0.32% of GDP</p>	<p>Insurance penetration of between 12% and 15% of GDP</p>



Initiative 1

Reduce Insurance Gap from 94% to 30% between 2008 and 2015

Dependents	Responsibility
NAICOM	1. Law Enforcement Agents 2. Ins. Consultants 3. Ins. Customer Service Bureau

The Deliverables – Duration 7 years

- 1. Create market standard on customer-service in 2008.**
- 2. Arrange annual national Ins. Education Conference starting from 2008.**
- 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.**
- 6. Upgrade the Training Curriculum of Insurance Agents to that of Financial Planners in 2009.**



Objective 4

Create an efficient insurance market of first choice in Africa

Our Current Situation

Indicators of Success

In 2007, expense ratio of insurance companies is greater than 50%.

Expense/ Premium ratio to fall within 15% - 25%.

Average premium income of insurance companies is \$5.3m.

Average Premium Income of insurance company in China is \$1.0bn, India \$800.0m and Malaysia \$160.0m

Significant number of insurers use manual processes

Extensive use of technology.

No Financial or Risk Statistics on Insurance at the moment. Financial Reports always stale.

Reliable Research, statistics and Data Base for Insurance Operations

At senior management level little understanding of full risks framework.

Technical expertise by Nigerian insurance staff. Application of Risk -Based Management principles.



Initiative 1

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

Dependents

Responsibility

- 1. NAICOM**
- 2. Nat. Assembly**
- 3. Fed. Min. of Justice**

Ins. Benefits Guarantee Corporation (IBGC)

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.

Dependents

- 1. NAICOM**
- 2. FSS2020 ICT Team**
- 3. Fed. Bureau of Statistics**

Responsibility

- 1. Ins. Consultants**
- 2. Fed. Fire Service**
- 3. The Nig. Police Force**
- 4. Fed. Road Safety Comm.**
- 5. Ins. Mkt Associations**

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
2. African Ins. Orgs.

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.

Our Current Situation	Indicators of Success
None	Offshore Insurance Development Centres (OIDC).



Initiative 1

Promote a single West African Insurance Market pursuant to FSS 2020

Dependents

- 1. FSS 2020**
- 2. NAICOM**

Responsibility

- 1. Ins. Consultants**
- 2. Nig. Off-Shore Ins. Dev. Agency**

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**

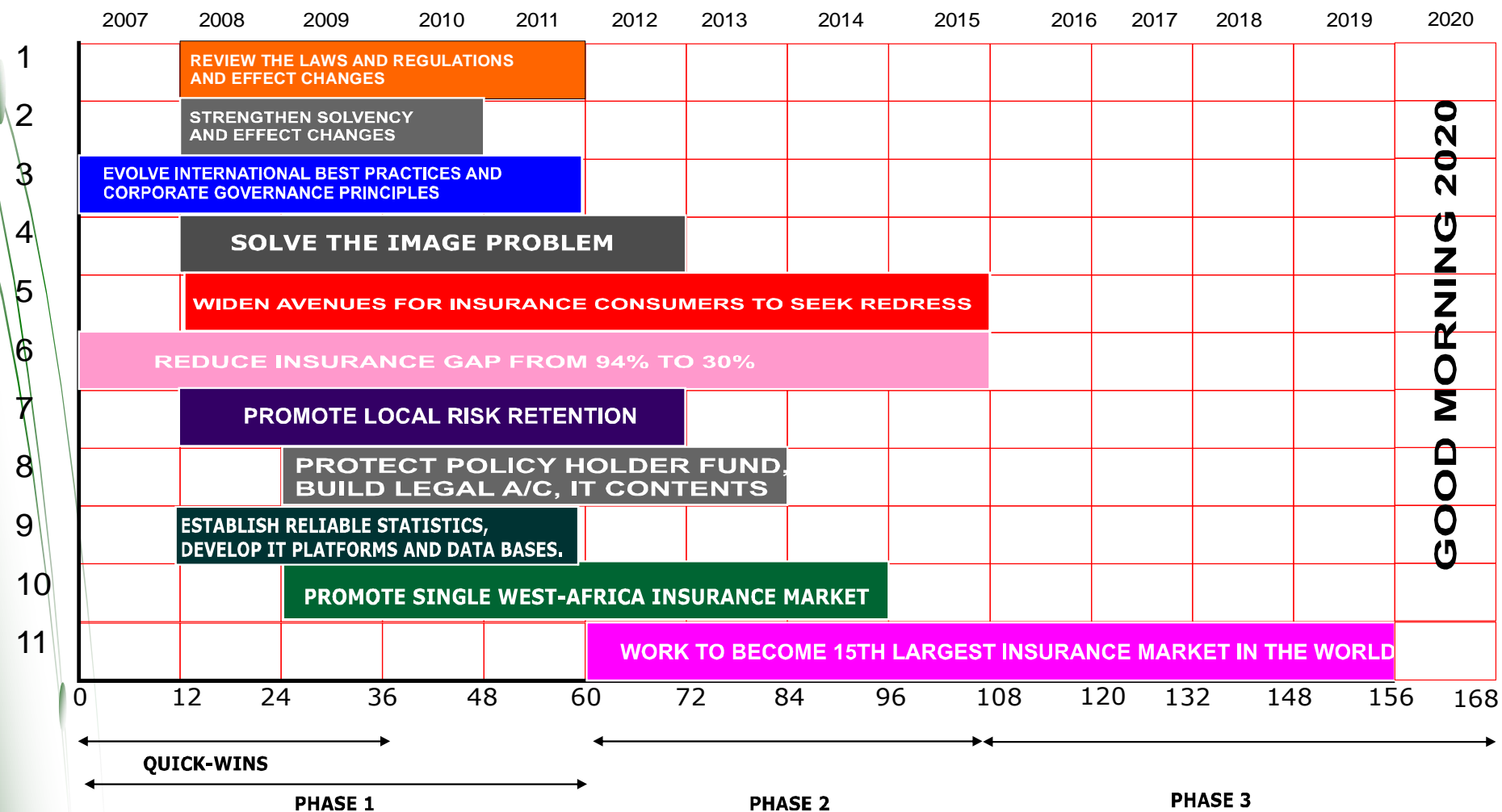
The Deliverables

- 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



GOOD MORNING 2020

FSS 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.



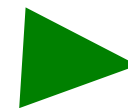
Financial System Strategy 2020



CONCLUSION

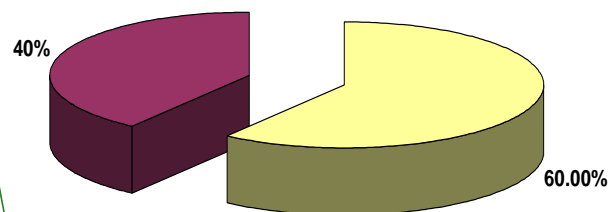


- The benefits derivable from an insurance market development are closely related to how well the supply of insurance can meet the demands created for its services by other financial institutions and the economy.
- When the supply of Insurance does not meet the demand for Insurance services e.g when the insurance market faces capacity constraints and infrastructural weaknesses, there arises an “Insurance gap”



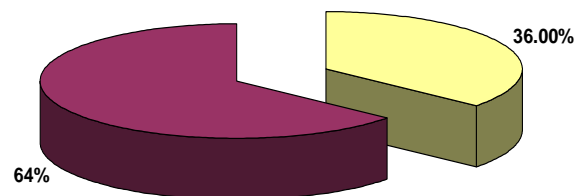
LEVEL OF INSURANCE GAP

CHINA



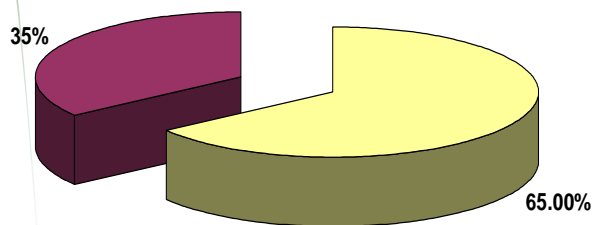
INSURANCE SUPPLY LEVEL OF INSURANCE GAP

INDIA



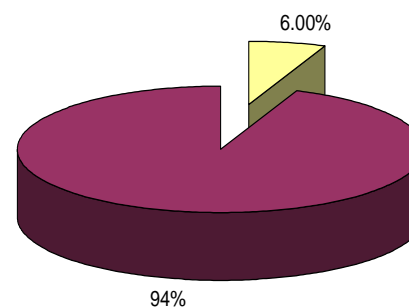
INSURANCE SUPPLY LEVEL OF INSURANCE GAP

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.



CONCLUSION



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