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Chris O. Muo

Central Bank of Nigeria, krismuo99@gmail.com

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TRANSFORMING THE INSURANCE SECTOR IN NIGERIA USING THE FSS2020 PLATFORM.



Chris Okey Muo Esq.
Head, Insurance Sector, FSS 2020.

INTRODUCTION

Insurance is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss.

Technically, it is the bedrock of every economy and contributes to the earnings of most economies of the world. The primary functions of insurance are as follows; To provide protection against future risk and uncertainty; Collective risk bearing and sharing of financial loss; Evaluating risk as basis for ascertaining the premium rate as well; Provides for and changes uncertainty into certainty; It is an alarm system that provides and prevents appropriate value to the losses; and It serves as savings and investment tools. The National Insurance Commission (NAICOM) is the statutory Regulatory body of insurance business created to ensure the effective administration, supervision and regulation of insurance business and regulate transactions between insurers and reinsurers within and outside Nigeria

Insurance sector world-over, holds a lot of potential and contributes to the GDP of most countries. Unfortunately in

Nigeria, majority of the people are not aware of the functions and benefits of insurance policy. For this reason, the Nigerian insurance sector needs to be repositioned and enhanced like that of other countries of the world. Nigerian Insurance market is still stunted and fraught with lack of capacity, trust, low patronage by government and public apathy, and reforms which drives safety. The existing gaps in the legal and regulatory framework of the Insurance Act 2003 which hinder the development of the Sector require urgent amendment. In practical terms, there are less than 14 million insurance policy holders in Nigeria with a population of over 170 million which translates to 7.8% of insurance coverage and penetration as at May 2017. Based on the current 7.8% coverage, the possibility of achieving the 28% target by the end of 2017 is about 20%. The percentage contribution of Insurance sector to GDP in Nigeria today stands at is 0.44% which is very low.

FSS2020 Insurance Vision:

To become an insurance market of first Choice in Africa noted for high level of capacity, transparency, efficiency and safety and attains the 15th position in world insurance premium generation by the year 2020".

FSS2020 Insurance Mission:

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

FSS2020 Insurance sector has 4 cardinal objectives which in collaboration with NAICOM, are aimed at deepening the insurance market. Insurance

sector Objectives are: Ensuring Insurance credibility and protecting policy holders; Embedding governance and risk management framework for the Insurance Companies; Enhancement of access to finance (financial inclusion) with business development support and new products and Risk based capitalization of Insurance Companies.

FSS2020 INSURANCE SECTOR TRANSFORMATIONAL PROGRAMS (TPS).

There are basically 3TPS under the FSS2020 Insurance Sector; TP15, TP16 and TP17.

(a) TP15- Mass Insurance Encouragement and micro Insurance program

(b) TP16- Insurance Market Conduct framework – Which will go a long way in helping to increase the sector's credibility and protect policy holders.

(c) TP 17- A framework-coordination for Insurance Regulatory Enforcement.

The focus of FSS2020 is to collaborate with NAICOM as the Insurance Regulatory Institution, to achieve the objectives as encapsulated under the Transformational Programs, support and sensitize the general public on Micro insurance (including 'Takaful') in order to ignite public interest and confidence in Insurance in Nigeria.

FSS2020 provide a collaborative platform for the promotion of compulsory Insurance enlightenment by NAICOM for every sector of the society, and encourage enforcement of the insurance policies in both public and private sector to increase participation and contribution of insurance Industry to the GDP. This dream is subject to carrying

out enormous reforms in the insurance sector around the following areas: a) Ensuring that the sector is financially sound (capacity wise); b) Creating an efficient, profitable market structure to transform overall penetration and gross premium (efficiency wise); (c) Creating consumer trust in the sector (safety) and (d) To leverage on ICT to drive insurance penetration in modern times and enhance communication and advocacy.

FSS2020 has continued to enjoy the mutual relationship with NAICOM towards achieving the set objectives and other areas of interest that could be flagged by the Regulatory body for their action and attention in the overall interest of the Nigeria financial sector. Against this background, FSS2020 has identified the major weaknesses, threats and key sector challenges of the insurance industry in Nigeria. These are to enable the Regulatory body to address the issues and re-position the sector to meet international best practice and global standards.

ON GOING ACTIVITIES IN INSURANCE SECTOR

Compulsory Insurance is being vigorously pursued and standing Committee has been set up by NAICOM to ensure adequate protection of Government strategic Assets and monitor compliance. Also collaborative plan has been concluded with some State Governments and MDAs on the enforcement of compulsory Insurances including government buildings. The proposed Insurance Amendment Bill is in the works to strengthen the regulatory oversight of NAICOM. A Ministerial Technical Committee on the Amendment Bill has concluded its assignment and the report is due for presentation to the National Assembly. Other areas being addressed presently

in the industry include;

Micro Insurance scheme- The target is to ensure market penetration and deepen the insurance industry. It is on-going and being pursued by NAICOM to ensure the number of insured and policy holders is increased to add to the GDP. NAICOM is fully committed to the promotion of financial inclusion through Takaful (Islamic/Ethical Insurance) and micro insurance.

Enforcement of Compulsory Insurance: Sections 64 and 65 of the Insurance Act 2003, NAICOM is to reenergizes on the campaign towards enforcement of compulsory insurances in Nigeria to enhance the industry's contribution to GDP and reduce exposure to risk by the public that go in and out of public building. FSS2020 collaborates with NAICOM to ensure synergy is sustained in this regard.

Awareness and Confidence Building: FSS2020 is collaborating with NAICOM to ensure massive public awareness is created in the insurance industry and restoration of insurance credibility and reliability in Nigeria to restore public confidence and attract patronage.

Prompt Settlement of Claims: FSS2020 collaborates with NAICOM to sensitize the organisation on the need to promptly settle all claims to the holders of insurance policy in the industry once the risk occurs. This is extensively on -going with several claims now paid promptly.

Attraction of International Investors and new products: The regulatory body -NAICOM is also working hard to ensure credible Insurance Brokers and international investors are allowed to breast the tape and make inroads in the market with new products available. The FSS2020 will continue to

collaborate with the body to ensure that it meets the global standards and best practice when benchmarked internationally.

Insurance And Ease of Doing Business in Nigeria- Working in collaboration with Presidential Committee on ease of doing Business to lessen the difficulty in doing business and enhance investors' confidence in the industry with adequate incentives and enabling environment for the business to thrive.

Proposed Insurance Forum: FSS2020 is working closely with NAICOM, NIA, NCRIB, actuaries, brokers, and other key insurance companies to hold an insurance sector forum to discuss ways to improve the insurance industry in Nigeria.

Recapitalization of Insurance Companies, Capital adequacy, verification of insurance companies, Corporate Governance framework and review of Insurance guidelines for brokers and licensing agents.

Notwithstanding these laudable activities there are inherent weaknesses, threats and other key sector challenges which the Regulatory body has to squarely address in order to catch up with the best global practice and fortify the sector.

WEAKNESSES OF THE INSURANCE SECTOR

The Insurance sector has some weaknesses including Limited regulatory tools and regulatory autonomy; Limited cooperation of enforcement agencies to enforce compulsory insurance; Lack of ICT tools in the insurance to drive penetration in Nigeria; Lack of innovative insurance products to meet the needs of the public; Too much emphasis on corporate insurance accounts rather than retail; Delay in settlement of the

insured; Unhealthy competition amongst insurance practitioners; Inadequate funding for regulatory role; and Limited specialized human resources.

THREATS OF THE INSURANCE SECTOR

There are also some threats that hamper the growth of the insurance industry which need to be addressed which include but not limited to Public perception of insurance; legislative bottleneck in the passage of Insurance Amendment laws; Prevailing economic conditions e.g. rate of inflation on policy payouts, double taxation on policy holders; Crime level in the society; Insufficient data about insurable populace and Lengthy and expensive judicial processes in resolution of disputes

INSURANCE SECTOR KEY CHALLENGES

The sector generally has some challenges which need to be addresses in order to reposition the industry such as Inadequate specialized manpower to develop the products; Limited resources for the regulator to fully monitor the sector; Lack of infrastructure/ technology to weed out fake insurance certificates; Cumbersomeness of insurance policies; Limited knowledge about policies and products by the populace; Delays in regulatory approval process; Lack of deeper understanding of consumers' needs; Non-adoption of appropriate IT systems to drive service efficiency; Inadequate investment management skills; imprecision in claims settlement; Limited understanding and attention of the retail segment of the market and; Low capital due to poor capitalization of insurance companies

PROPOSED AREAS OF INTERVENTION AND MITIGATION

In order to address the challenges and weaknesses of the insurance sector, FSS2020 is

proposing the following interventions : Enactment of a minimum standard for claims settlement; Engagement of stakeholders for inclusion of Insurance studies in the curriculum of tertiary institutions; Collaboration with NAICOM & NIA to create more avenues/ channels to redress complaints and meet quarterly at the FSS2020 Insurance forum for update; Facilitate publication of Insurance Act into major languages for understanding of the general public and enhance insurance awareness; Facilitate the use of technology in insurance industry; Support NIA & NAICOM in the implementation of market conduct guidelines; Facilitate capacity building for Insurance Inspectors (to monitor compliance with standards on claims and market conduct);Facilitate the creation of an insurance database of all existing policy certificates; Employ the services of Financial Ombudsman for dispute resolution and Facilitate Enlightenment and advocacy Programmes on the available insurance products and policies.

A CASE FOR THE AMENDMENT OF INSURANCE ACT 2003

FSS2020 advocates for the Amendment of Insurance Act 2003 with the view of addressing the following: The need to give NAICOM autonomy as a Regulatory body; For strong legal framework as a regulator to deal with recent challenges facing the Insurance industry and meet present realities; To ensure enforcement and compliance by operators with all Insurance guidelines and regulations as might be spelt out by NAICOM as a regulator; To guarantee re-capitalization of Insurance companies to meet huge insurable risks from all spheres and restore insurance credibility; and to engender better cooperation amongst Industry operators, players and

stakeholders alike.

Conclusion

In advanced economies like USA, UK and China, Insurance is a security identity key and contributes heavily to their GDP. In Nigeria, a lot of communication and advocacy on insurance is required. To do this, the trust and confidence of policy holders must be strong, restored and respected. The lead Insurance companies, brokers and loss adjusters, must be credible as they stand in fiduciary relationship with the policy holders whether for life or non- life policies. Claims must be settled promptly. NAICOM as the regulator has to catch up with these realities and trend which is global to ensure higher insurance penetration and coverage in the industry in our populous country. However, Funding support for the Insurance sector from key stakeholders especially Federal Government is needed to ensure the insurance objectives are met. For a start, all government property including buildings must be insured to protect the users and the government from unimaginable risks going in or out of the premises and also should improve collaboration, communication and advocacy with NAICOM, stakeholders and the public to deepen insurance market in Nigeria. There is need also to evolve strategies to support the enforcement of Insurance laws and regulations and promote a quick passage of Insurance Amendment Bill presently before the 8thNASS by the Ministry of Finance to guarantee a strong regulatory oversight; Intensify consumer protection awareness and the creation of Ombudsman to settle disputes between the regulator, operators and the public and build capacity across the sector to ensure service delivery.