



CHALLENGES OF MICROINSURANCE AND REGULATORY RESPONSE ↔

The Nigerian Experiment

**At the High-Level Seminar on Microinsurance Regulation for Supervisory Authorities
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**Mr. Fola Daniel
Commissioner for Insurance, Nigeria**

- Nigeria – Most populous nation in Africa (6th in the World)
- Estimated population –165 million people.
- Accounts for 1/6th of Africa's people.
- Approximately 65% are rural dwellers.
- Estimated 60% live below US\$2 per day.
- **Economy dominated by the informal sector which is characterised by low capital base/small scale operators – farmers, petty traders, artisans etc.**

*The low income bracket of the economy is vulnerable to risks such as illness, death, natural disasters, damage to property, and accidents with devastating effects without a buffer to mitigate the financial impact given the inadequate government safety nets. Thus opening a significant window of opportunity for **Microinsurance.***

THE NIGERIAN INSURANCE MARKET



The Nigerian Insurance Industry consist of:

- ❑ 2 Reinsurance Coys
- ❑ 7 Life Ins. Coys
- ❑ 23 General Ins. Coys
- ❑ 19 Composite Ins. Coys
- ❑ 598 Insurance Brokers
- ❑ 52 Loss Adjusters
- ❑ Over 6000 Insurance Agents
- ❑ A Host of Cooperative societies providing Micro Insurance Services (outside NAICOM's regulatory purview).

The Recapitalization Exercise in 2007 has impacted positively on Insurers ability to take on larger risks and off-shore operations

Insurance Industry Premium Volume about \$1.7 Billion (2011) provisional figure.

The market GPI has been growing at average of 35% since 2008.

Still: Insurance Penetration is 0.6%

Insurance Premium per Capital is \$10

Insured population is approximately 9.9 million out of a potential of 165 million. Still Insurance gap is 94%

- Microinsurance is insurance accessed by low-income population, provided by a variety of different entities, but run according to generally accepted insurance practices and funded by premiums (IAIS).

1. **Micro Insurance Market Size**

- Out of the 165 million Nigerians, 102 million are in the Microinsurance segment (NBS).
- Over 250,000 cooperative Unions;
- Numerous Age-group associations;
- Numerous Artisans and Farmers Unions

2. **The Supply Side**

Currently provided as window operation by few conventional insurers and within their existing huge capital base. In the forefront are Mutual Benefits Assurance & UNIC Insurance. A host of other organisations Coops, MFBs, HMOs also serve as partner agents.



3. The Products

There are few microinsurance products such as:

- Credit Life – Cornerstone Ins (for MFBs customers)
- Safeguard – Mutual Benefits Ass. (for petty traders)
- Individual savings and protection plan (for small savers)
- Green Shield – Mutual Benefits (Personal Accident Cover)
- Term Life – Mutual Benefits (Term Assurance Cover)
- Sovereign Welfare Ins – Sovereign Trust (Term and accident cover)

4. Product Examples

- The Green Shield attracts \$1.70 Premium/annum for Accidental Death/TPD Benefit of \$1,000.00
- The Term Life attracts premium of \$17.0/annum for \$3,333.00 and no medical examination required;
- The SWIS attracts premium of \$10.0/annum for a benefit of \$3,333.00/family;

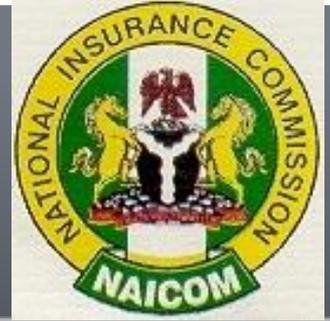


Various groups of Artisans, Motor Drivers, Motor Cycle Drivers are being covered under different schemes with approximately 2 million people covered by the different suppliers.

Current Status

- The fact is that Microinsurance as a focused segment has not actually commenced in Nigeria.
- The Draft Guidelines on MI will be rolled out in June 2012

Paper II



REGULATORY CHALLENGES AND RESPONSE

- Lack of effective financial market infrastructure.
- Rigid Insurance Law - hinders flexibility required to create distinct regulatory framework for Microinsurance providers.
- Low consumer education and awareness about insurance mechanism among low-income households.
- The ***Big Ticket Account*** focus of the commercial insurers (not conducive to serving the poor).

REGULATORY CHALLENGES



- Inadequacy of key information/statistical data on Microinsurance business.
- Lack of effective incentive to instigate commercial insurers interest in the low income segment
- Policyholders protection – lack of easily accessible grievance redress mechanism on market conduct violations and consumer complaints.
- Regulatory arbitrage

REGULATORY RESPONSE



- Market Development & Restructuring Initiatives (MDRI) –
- Ongoing Microinsurance Diagnostic study
- Draft Microinsurance Guidelines introducing Mi first as a window and later as stand alone with proportionality in capital and regulatory requirements.
- Review of the legal framework.
- Insurance Education & Enlightenment Program - Flag-off of compulsory Insurances across the country
- Lowering of the fees required for the Insurance Agency Registration.

CONCLUSION



Thank you