

NATIONAL INSURANCE COMMISSION (NIGERIA) TAKAFUL AND MICROINSURANCE INITIATIVES

In line with our desire to deepen insurance penetration in this country, the National Insurance Commission (NAICOM) developed a medium-term initiative code-named “*Market Development and Restructuring Initiative*” to promote public understanding and confi-



dence in the insurance industry as well as create awareness of certain vital compulsory insurances, such as motor third party, group life, professional indemnity and builders’/occupiers’ liability insurances. While efforts are ongoing to ensure compliance with these compulsory insurances, reducing incidence of fake insurance and redressing underlying reasons for negative perception of the insurance industry arising from delayed or non-settlement of claims are also receiving priority attention.

In recognition of our vast population, we are fully committed to the ongoing drive and development of financial inclusion through Takaful (Islamic/Ethical Insurance) and Microinsurance for the excluded and low income segment of our society respectively. These classes of people either object to the practice of conventional insurance or are unable to afford insurance services and as such remain largely uninsured against any form of risk.

The Takaful Insurance Guidelines released early this year was exposed to stakeholders and comments received were considered and incorporated into the Takaful Operational Guideline. The Commission is also putting in place appropriate structures to further develop requisite human capital for effective supervision and administration of this emerging opportunity to deepen this formal risk sharing mechanism.

Microinsurance, as we may all be aware, is a financial arrangement aimed at protecting the low – income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. It is simple, easy to understand, accessible, valuable and efficient for low income earners. Despite some traditional risk pooling and informal insurances, these schemes are usually limited in their outreach and the benefits are typically inadequate.

A Nationwide Microinsurance Diagnostic Study was recently conducted by the Commission and GIZ in collaboration with the Access to Insurance Initiative (A2ii), and Making Finance Work for Africa. The study focused on:

- (i) Current and potential policyholders and their families
- (ii) The range of different insurance providers and their distribution channels and,
- (iii) The current insurance regulatory framework.

The final report of the study was published in June 2013. This was after holding a stakeholders workshop in Abuja to discuss the findings and recommendations of the diagnostic study. Over 200 participants comprising insurance institutions, micro-finance institutions, NGOS, cooperatives, development partners, etc, were in attendance.

As a follow up to the Diagnostic Study the National Insurance Commission in partnership with GIZ, Munich Re Foundation, Making Finance Work for Africa, Micro Insurance Network and the Nigerian Insurers Association hosted an International Conference on Micro-insurance: Learning Session on 10th & 11th September, 2013. The Conference was organised to be an incubator for new ideas where the key stakeholders of the Nigerian insurance sector and related parties discuss approaches for the promotion and practical implementation of microinsurance in Nigeria. The event had in attendance 254 local and international participants.

As part of the Implementation Strategy, the Commission is set to inaugurate a **Steering Committee** which will include all the stakeholders in Microinsurance value-chain such as Regulators, NIA, NCRIB, Cooperative societies MFIs and NGO to facilitate Microinsurance. Collaboration will also take place under the auspices of the National Financial Inclusion Strategy that was launched by the Federal Government of Nigeria.

The process for appointment of a National Microinsurance Coordinator to anchor our drive for financial inclusion using Microinsurance is ongoing. The expert will transfer knowledge and will coordinate the partnership between all the stakeholders in the Microinsurance value chain.

The development of a reliable Microinsurance Framework is nearing completion. The framework will provide clear rules for the would-be operator and proactive Microinsurance consumer protection requirements. In recognition of the peculiar nature of Microinsurance, the framework simplifies supervisory reporting, underwriting and licensing process and identification of certain incentives for Microinsurance, model selection, fees and commission level for intermediaries.

We shall ensure that the rules are flexible and are designed in such a way that encourages new and innovative products that relates to the needs of small and medium enterprises and at affordable costs.

Establishing Effective Microinsurance Distribution Channels is a major concern. This issue cannot be overemphasized considering the fact that Microinsurance cannot be effectively accessed using the conventional intermediaries – brokers and agents. There are a variety of alternative intermediaries and channels that could be involved in Microinsurance distribution. The current distribution network appears to be highly concentrated in a few cities (focused on corporate accounts and mandatory insurance). Using alternative channels and distributors that already have links with the uninsured in rural and urban areas is vital for sustainable development of Microinsurance while offering value and convenience to clients.

The Microinsurance Framework will therefore allow the utilization of Microfinance Institutions, Cooperatives, NGOs, NIPOST, Esusu Groups, Community Based Organizations and Religious groups, Third Party Administrators, Touch Points such as post offices, branches of banks, airtime dealers and agents, fertilizer distributors (and other distributors such as dairies and bread distributors), and retail outlet that is patronized and trusted by the local population to act as Microinsurance intermediaries. It is necessary to state that the Commission is considering several approaches available to it, we are however of the belief that the Partner-Agent Model could be best suited for the Nigerian market.

The Commission will also encourage other avenues for Microinsurance distribution. Mobile payment platforms offer a great opportunity for the distribution of simple products and greater efficiency in premium collection. While most Nigerian adults are financially excluded, the penetration of mobile phones is now over 50% of the total population. Thus, mobile phones could be a potential distribution channel for Microinsurance.

The Draft Market Conduct Framework - In line with our Strategic Roadmap and as part of the reforms needed to reposition the Insurance Sector to effectively serve the low income segment, the Commission has conducted a review of the Insurance Industry's claims management processes which culminated in the development of a draft Market Conduct Framework. The Framework will enthrone robust insurance consumers'/policyholders' protection, fair treatment of consumers, transparency and disclo-

tures. It is our belief that this would go a long way in improving public confidence in insurance.

The National Insurance Commission will continue its drive to enthrone fair market conduct, increase awareness and investment in mass education so that a greater percentage of the populace understand and appreciate the value of insurance.

The Initiative is a partnership between:



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