

**KEYNOTE ADDRESS BY THE COMMISSIONER FOR INSURANCE/CHIEF
EXECUTIVE, NATIONAL INSURANCE COMMISSION AT THE EFINA
INNOVATION FORUM IN LAGOS HELD AT EKO HOTEL
ON THURSDAY, NOVEMBER 22, 2012**

Protocol

It is truly a privilege for me to have been invited to speak at this Forum and be part of the discussions aimed at enthroning financial inclusiveness.

Permit me to commend the organisers **Enhancing Financial Innovation and Access (EFiNA)** for their foresight and work in supporting financial inclusion in Nigeria. EFiNA has been very supportive in the development of our guidelines on Takaful. In fact, it may interest you all to know that EFiNA actually bore the cost of the review of our Takaful guideline conducted by experts from the UK.

In line with our desire to deepen insurance penetration in this country, we developed a medium-term initiative code-named: *"Market Development and Restructuring Initiative"*, to promote public understanding and confidence 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, redressing underlying reasons for negative perception of the insurance industry arising from delayed or non-settlement of claims is 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 practise of conventional insurance or are unable to afford insurance services and as such remain largely uninsured against any form of risk.

Takaful Insurance is the Islamic alternative to insurance and is sometimes referred to as Ethical Insurance. It is generally based on the



concept of social solidarity, cooperation and mutual indemnification of losses of members. It is a pact among a group of members who agree to jointly bear the loss or damage that may be suffered by any of them out of the funds they donate collectively.

The Draft Takaful Insurance Guideline has been exposed to stakeholders and comments received thereto have been considered. Going forward, the Commission is putting in place appropriate structures and developing 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. There are some traditional risk pooling and informal insurances, however these schemes are usually limited in their outreach and the benefits are typically inadequate.

Thus, one of the most convenient and effective ways these classes of people could protect themselves against these risks is through Microinsurance. Some of the Microinsurance products are: Credit Life, Safeguard (for petty traders), Long term savings cover, Term Assurance covers, Fire/Theft cover and Personal Accident cover.

A Nationwide Microinsurance Diagnostic Study was recently conducted by the Commission and GIZ in collaboration with access to insurance initiative (aii), 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 report of the study has been submitted to us and a stakeholders' workshop was held last month 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, attended the workshop.

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

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 recently by the Federal Government.

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, Aggregators/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.

On a final note, let me state that the 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.

Once again I thank you for inviting me to this gathering and hope that your deliberations will continue to add value to our quest to enhance financial inclusiveness, thus reducing the wide gap of un-insureds to insignificant level.

Thank you.

Fola Daniel
Commissioner for Insurance