

## **Insurance and financial inclusion**

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# **EFInA Access to Financial Services in Nigeria 2020 Survey**

**July 30, 2021**


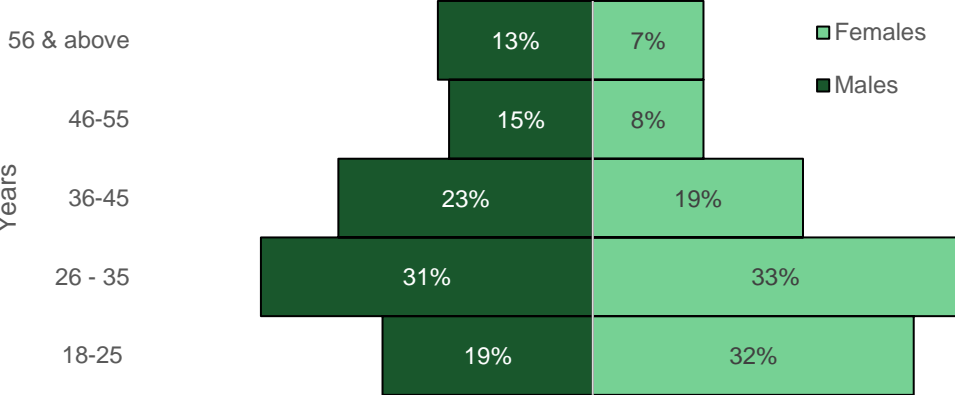










# Content of the presentation

- A** Nigeria at a Glance
- B** Microinsurance Landscape
- C** Microinsurance Journey So Far
- D** Challenges and Opportunities for action
- E** Sustaining the momentum towards the NFIS targets
- F** Conclusion/Key Take Outs
- G** Recommendations



## **Nigeria at a glance**

# Nigeria's high rural, female, youth, and dependent adult population has implications for financial inclusion

<p><b>Population dynamics</b></p>	 <p>106 m adults (18+ years)</p>	 <table border="1"> <thead> <tr> <th>Years</th> <th>Males (%)</th> <th>Females (%)</th> </tr> </thead> <tbody> <tr> <td>56 &amp; above</td> <td>13%</td> <td>7%</td> </tr> <tr> <td>46-55</td> <td>15%</td> <td>8%</td> </tr> <tr> <td>36-45</td> <td>23%</td> <td>19%</td> </tr> <tr> <td>26 - 35</td> <td>31%</td> <td>33%</td> </tr> <tr> <td>18-25</td> <td>19%</td> <td>32%</td> </tr> </tbody> </table>	Years	Males (%)	Females (%)	56 & above	13%	7%	46-55	15%	8%	36-45	23%	19%	26 - 35	31%	33%	18-25	19%	32%	 <p>66% are rural dwellers</p>
Years	Males (%)	Females (%)																			
56 & above	13%	7%																			
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36-45	23%	19%																			
26 - 35	31%	33%																			
18-25	19%	32%																			
<p><b>Socio economic factors</b></p>	 <p>81% Own a Mobile Phone</p>	 <p>81% have <u>Formal</u> Education</p>	 <p>1.6 average income earners per household</p>	 <p>4.9 average household size</p>																	
<p><b>Sources of income</b></p>	 <p>45.1 million business owners</p>	 <p>8.3m work in the formal sector</p>	 <p>8.7m work in the informal sector</p>	 <p>21.5 m are farmers</p>  <p>22.4m are dependents</p>																	



## **Insurance and Financial Inclusion**

## Increased uptake/usage of insurance needed to achieve the NFIS targets and improved livelihoods for Nigerians

\* The NFIS target is: *Increase adult population covered by a regulated insurance policy to 40% by 2020*

% of adults			
	Focus Areas	Target by 2020	2018
% of Total Adult Population	Payments	70%	40%
	Savings	60%	24%
	Credit	40%	2%
	<b>Insurance</b>	<b>40%</b>	<b>2%</b>
	Pension	40%	8%
	Formally served	70%	48.6%
	<b>Financial Exclusion</b>	<b>20%</b>	<b>36.8%</b>

### DEFINITION OF INDICATORS

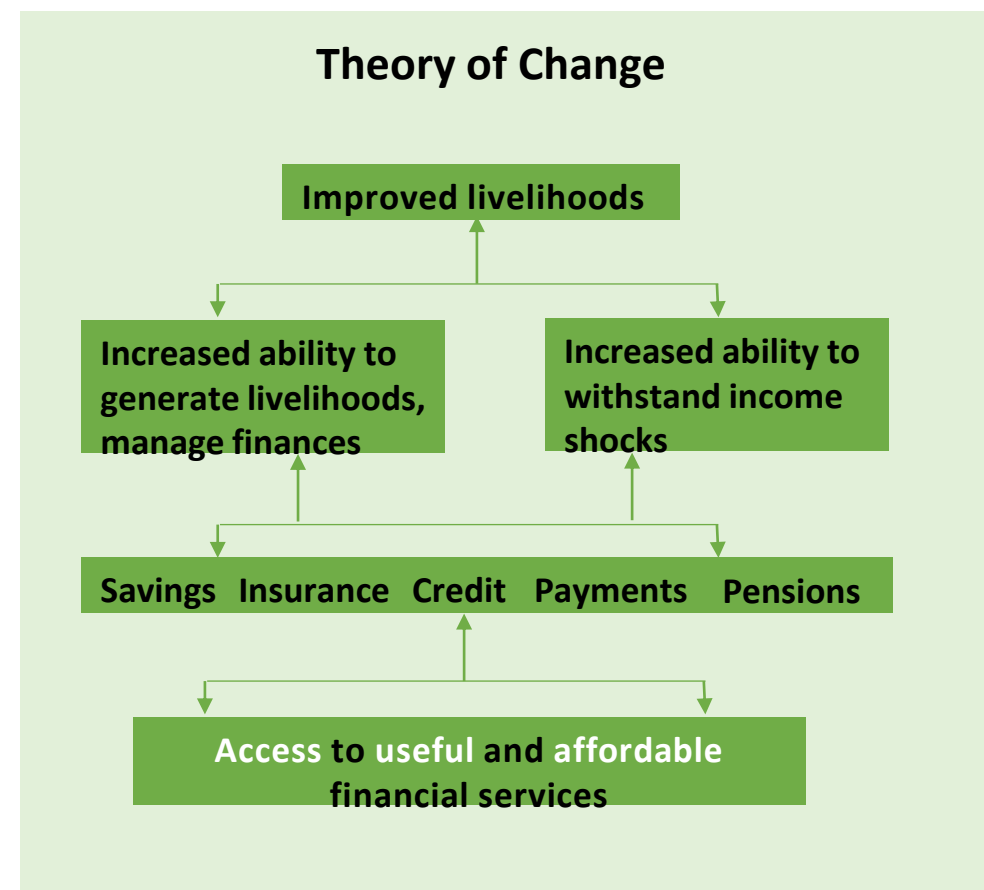
**Payments:** Have a transaction account with a regulated financial institution and/or has made an electronic payment through a regulated financial institution in the last 12 months

**Savings:** Have a savings-related product at a regulated financial institution and/or has saved through a regulated financial institution in the last 12 months

**Credit:** Have had a credit product through a regulated financial institution in the last 12 months

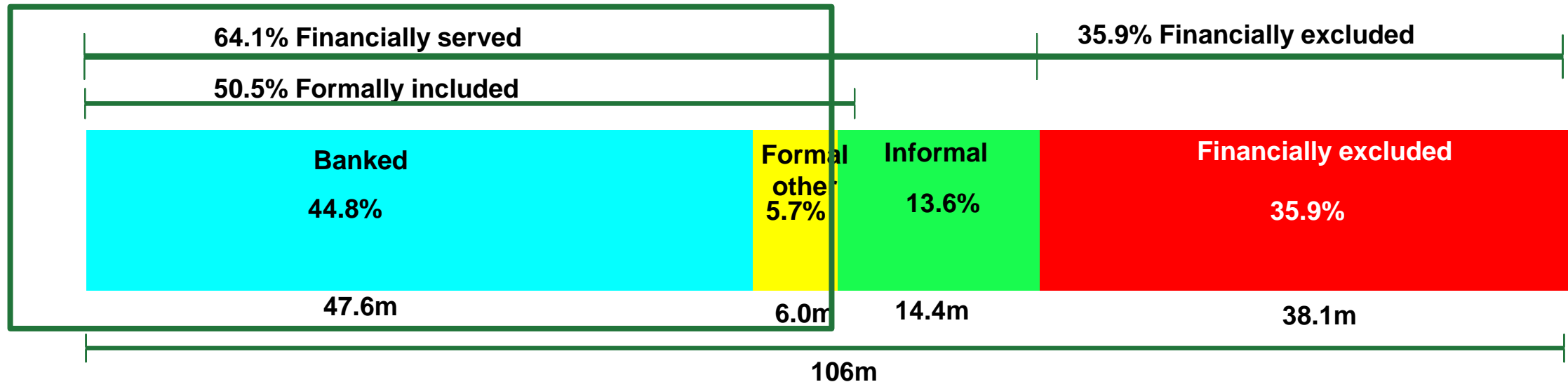
**Insurance:** Is covered by a regulated insurance policy

**Pension:** Is contributing to a regulated pension scheme or receiving a pension through a regulated pension scheme



## Just above half of adults (50.5% of adults, or 53.6 million adults) now use formal financial services, up from 48.4 million

- Nearly 1 in 2 Nigerian adults do not use any formal (regulated) financial services
- More than 1 in 3 Nigerian adults remain completely financially excluded



These four strands are mutually exclusive

- ❑ **Banked:** adults who have access to or use of deposit money bank, in addition to having/using a traditional banking products such as ATM card, credit card, savings account, current account, fixed deposit account, mortgage, overdraft, loan from a bank or Islamic banking products
- ❑ **Formal other:** all adults who have access to or use of other formal institutions and financial products not supplied by deposit money banks including insurance companies, microfinance bank, pension schemes or shares. It also include remittance through formal channels
- ❑ **Informal only:** all adults who do not have any banked or formal other products but have access to or use only informal services and products. This includes savings clubs/pools, esusu, ajo or money lenders; as well as remittance through informal channels such as transport service or recharge card
- ❑ **Financially excluded:** adults who are not in the banked, formal other or informal only categories even though the person may be using or have access to any of the following loan/gift from friends or family and loan from employers as well as remittances via a family member or friend



## **Insurance Landscape**



## About 2 million Nigerians have insurance

### Population dynamics



2.1 m adults (18+ years) have insurance



619k m adults (18+ years) have microinsurance



72% insured adults are males

### Socio economic factors



96% Own a mobile phone



88% have secondary education and above

### Sources of income



49% work in the formal sector



24% business owners



11% work in the informal sector



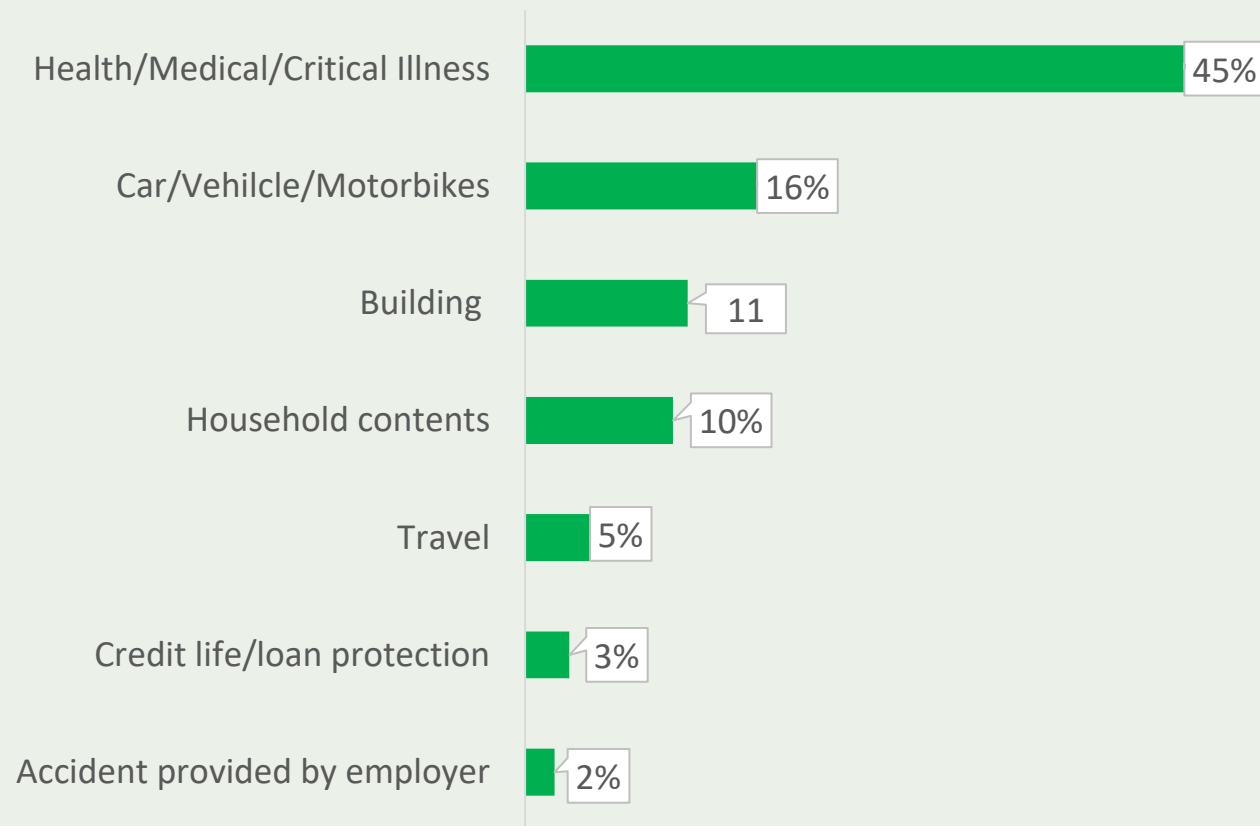
8% are farmers



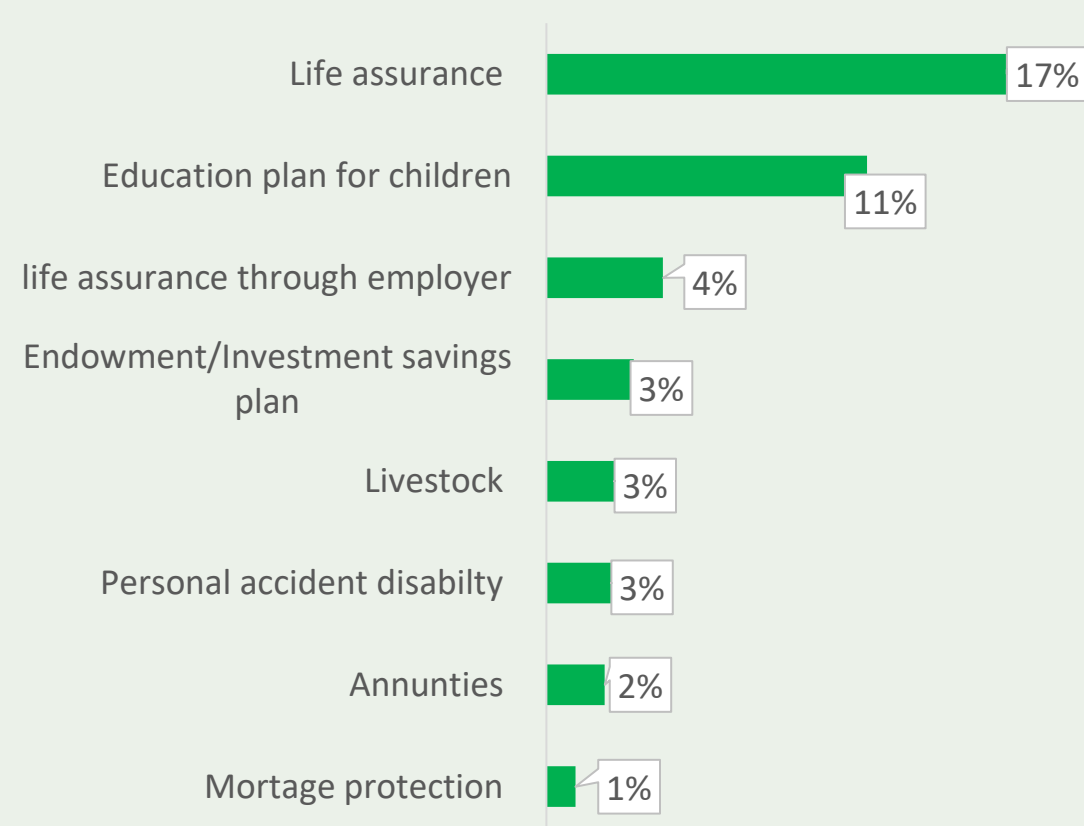
8% are dependents

## Among the insured population health, auto, life and education insurance, were the most prevalent short-term and long-term insurance respectively

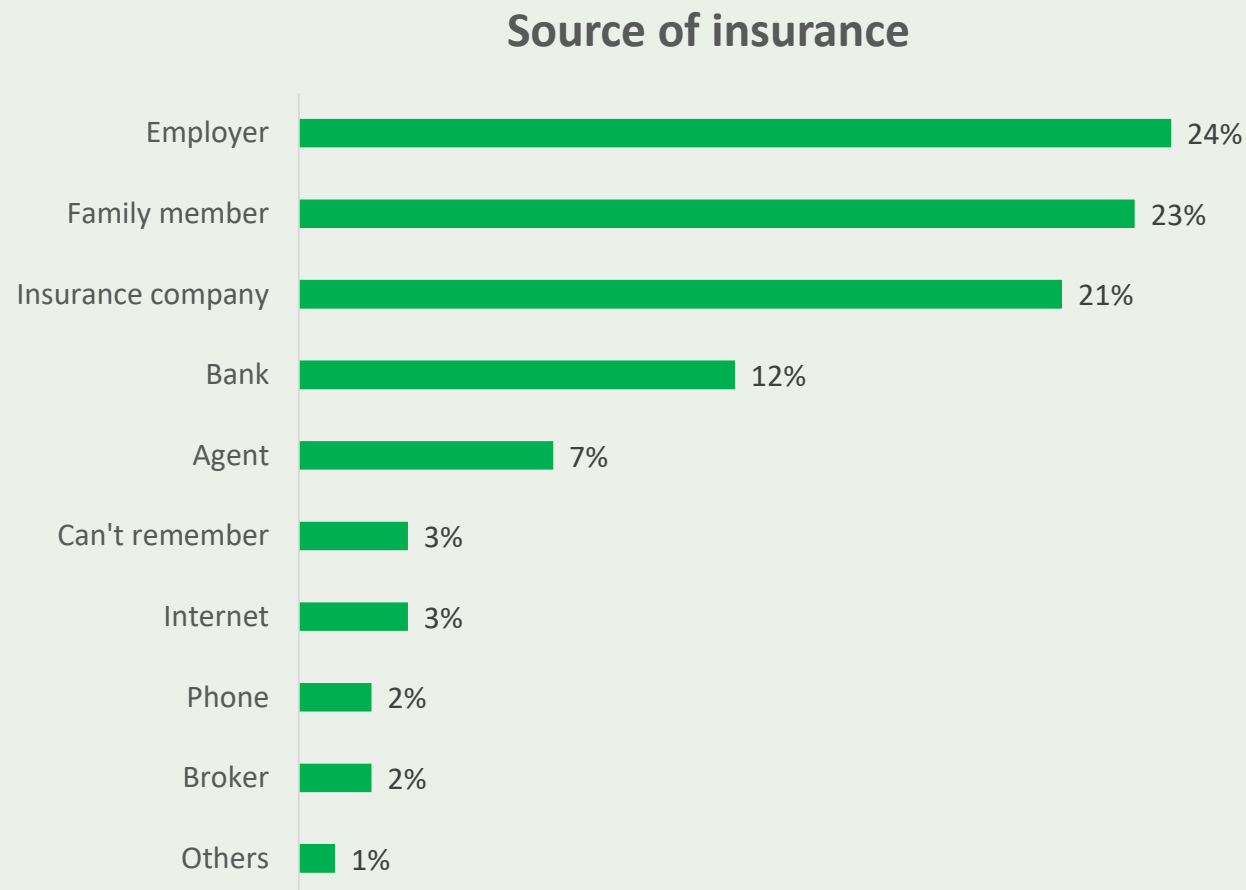
### Short term insurance



### Long term insurance



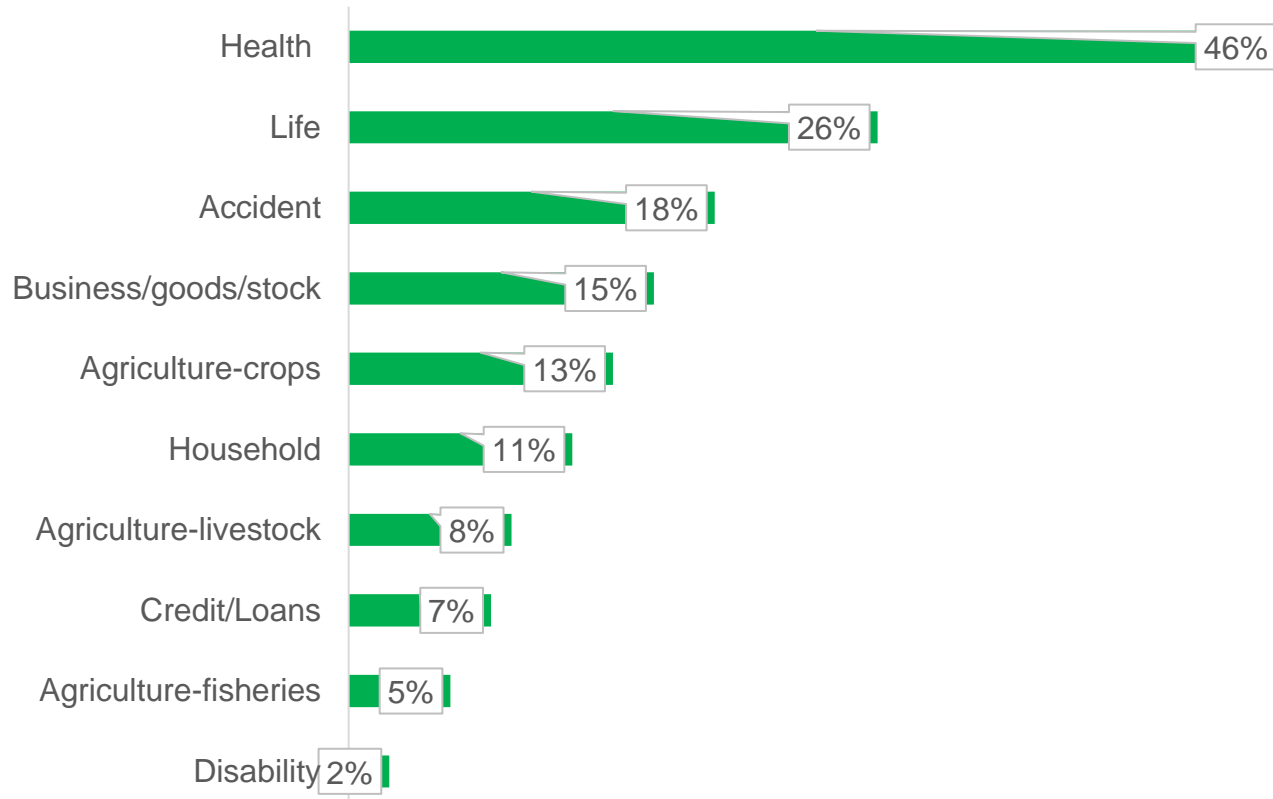
**Despite the proliferation of the internet and digital explosion, majority of the insured population obtained their insurance products and services through their employer, family member or insurance company**



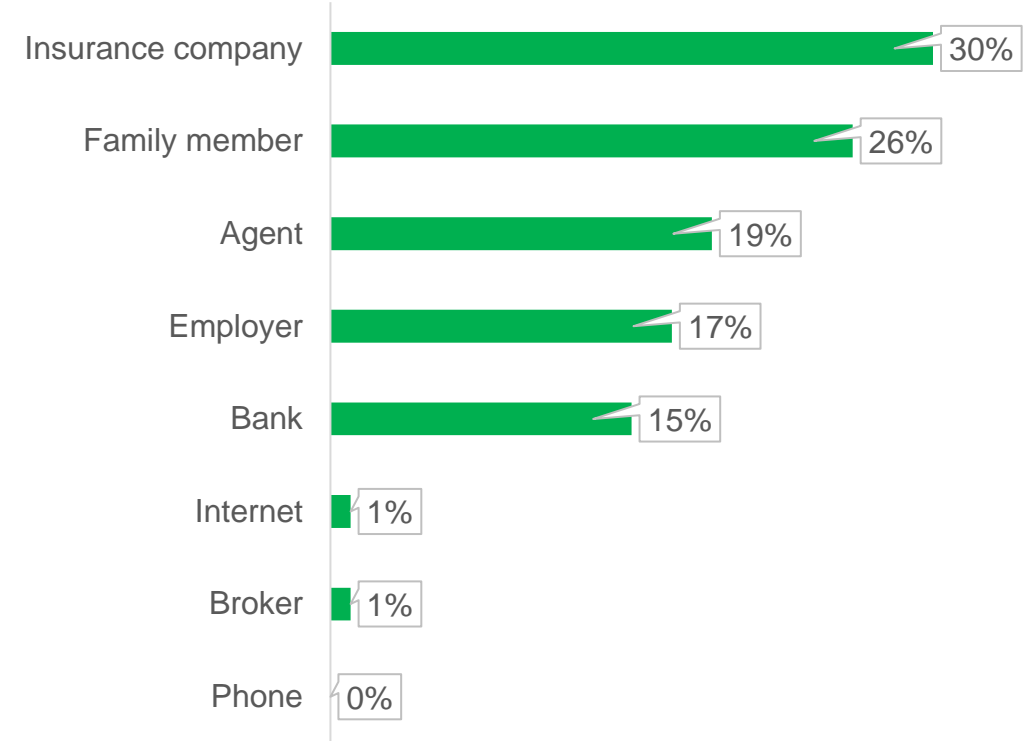
# Out of the 619k adults who have microinsurance, health, life & accident insurance were the prevalent types of insurance.

- Nigeria lacks wide variety of distribution channels seen in other countries that offer microinsurance
- Distribution is concentrated in financial institutions as well as agents and brokers
- Mobile network operators are a key distribution channel that is missing in Nigeria

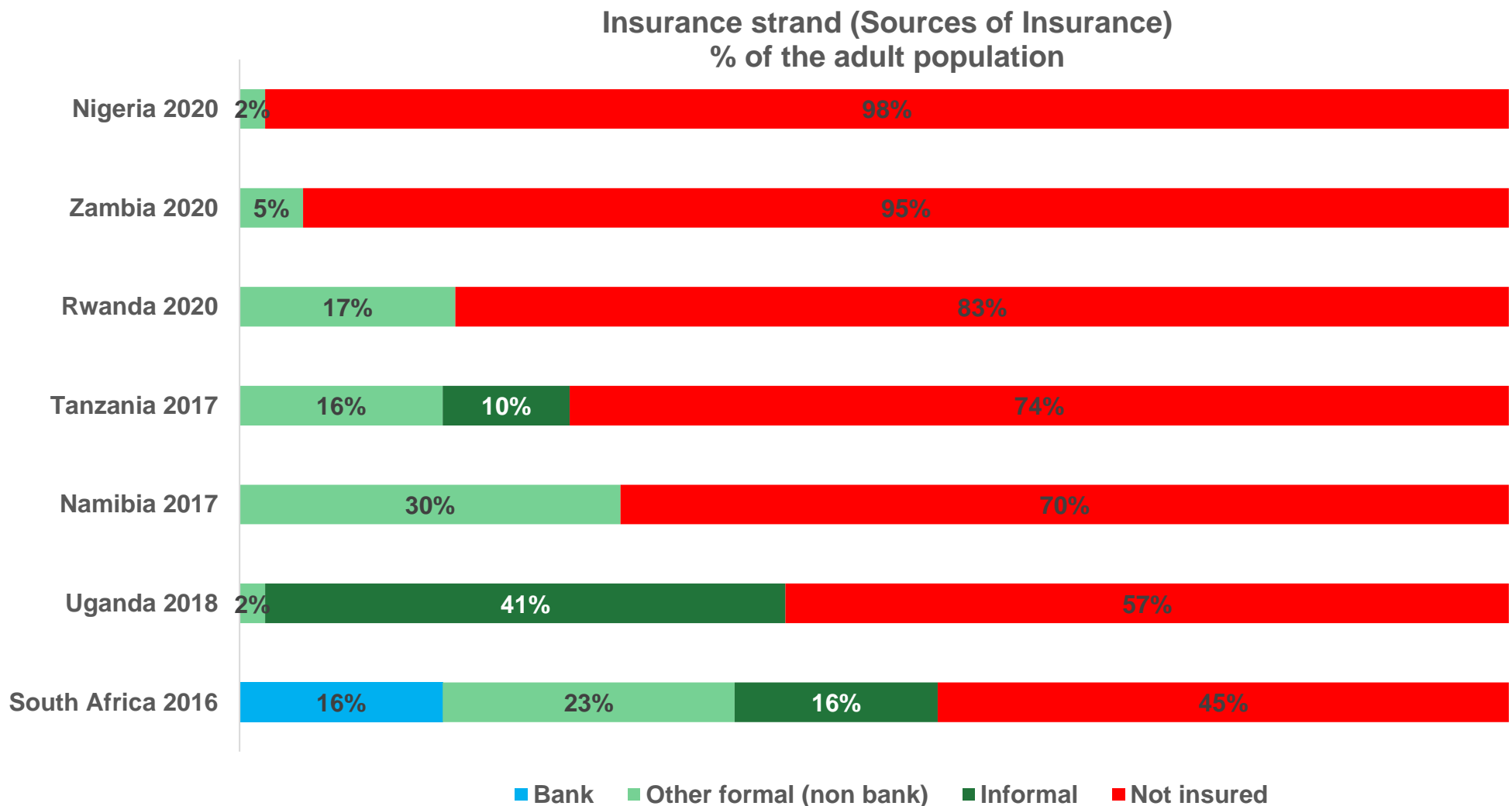
### Types of microinsurance



### Sources of microinsurance



# Compared to selected countries, Nigeria has the highest proportion of uninsured adults. There are 104 million uninsured adults in Nigeria

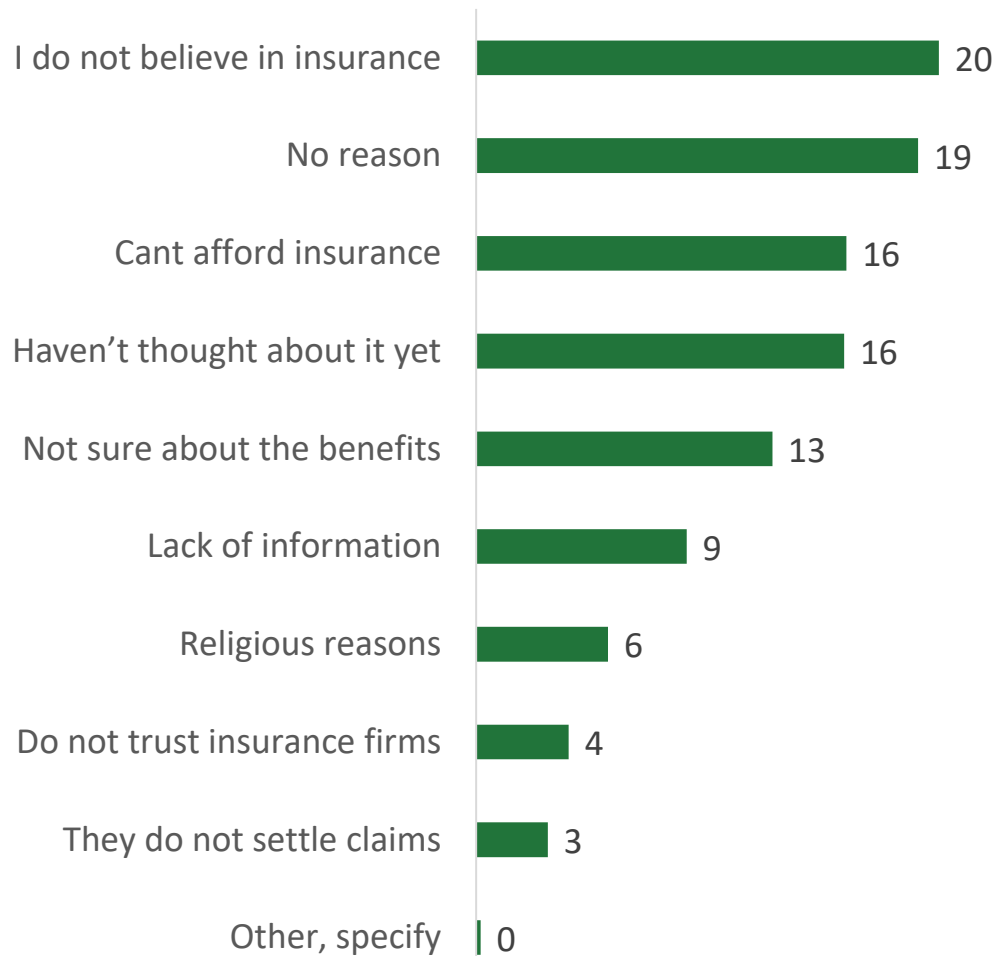




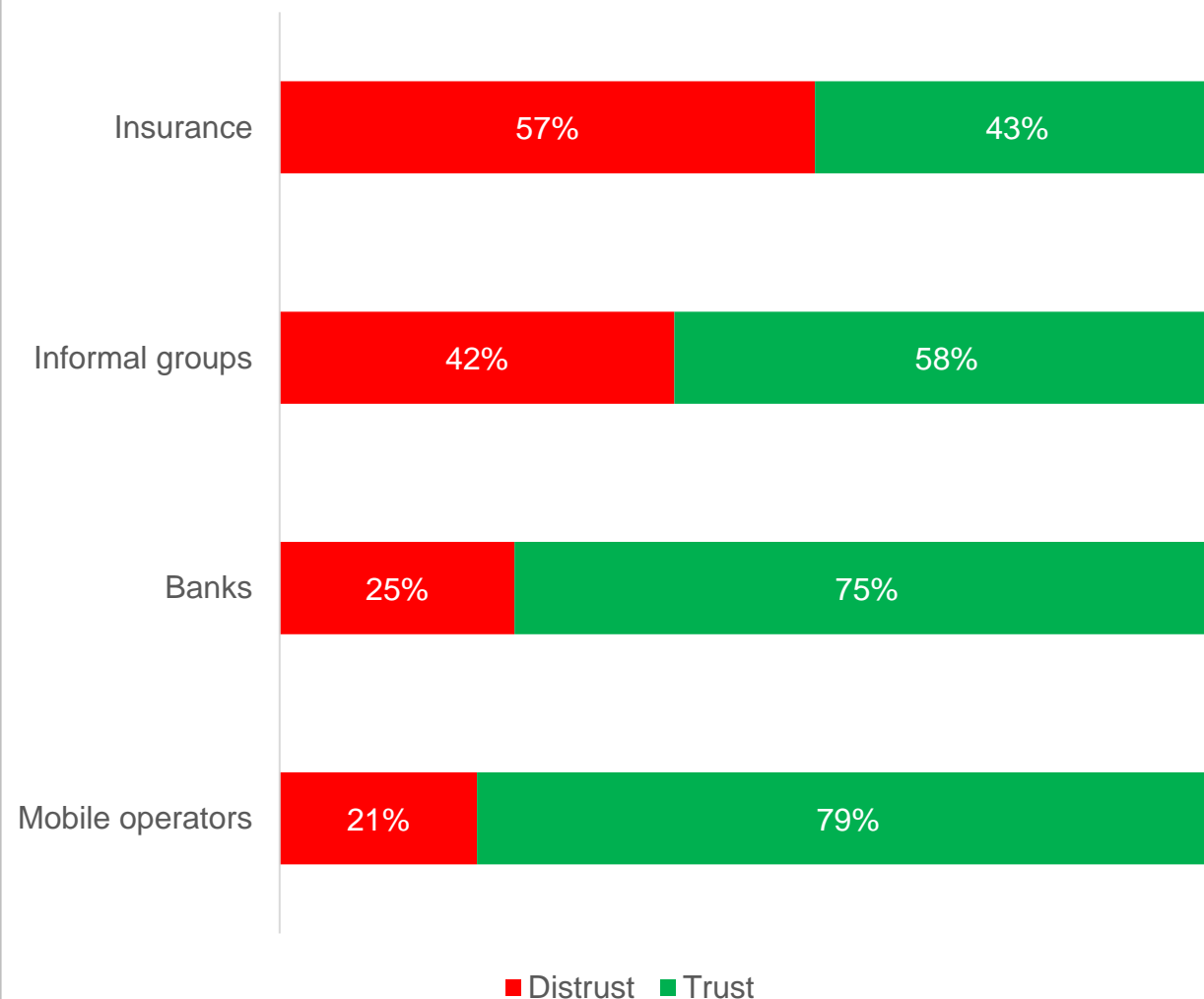
## Challenges

# Lack of appropriate information on insurance and low levels of trust in insurance institutions are major barriers to insurance uptake and usage

Reasons for not being insured (%)

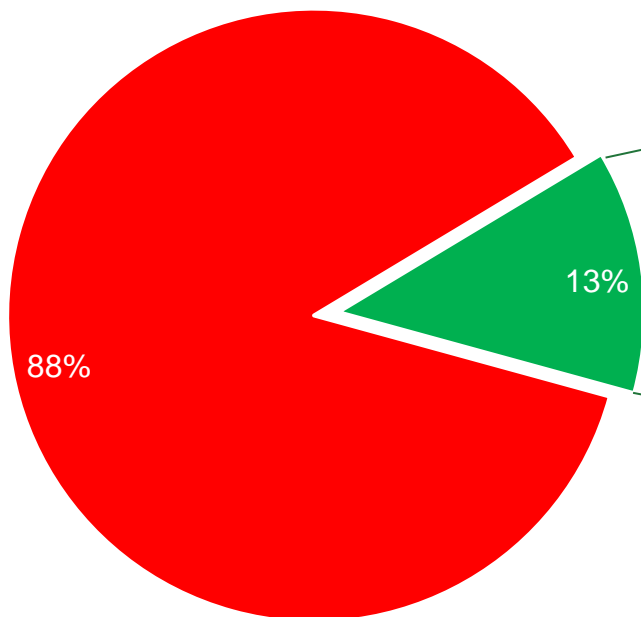


Level of trust in the following financial Institutions



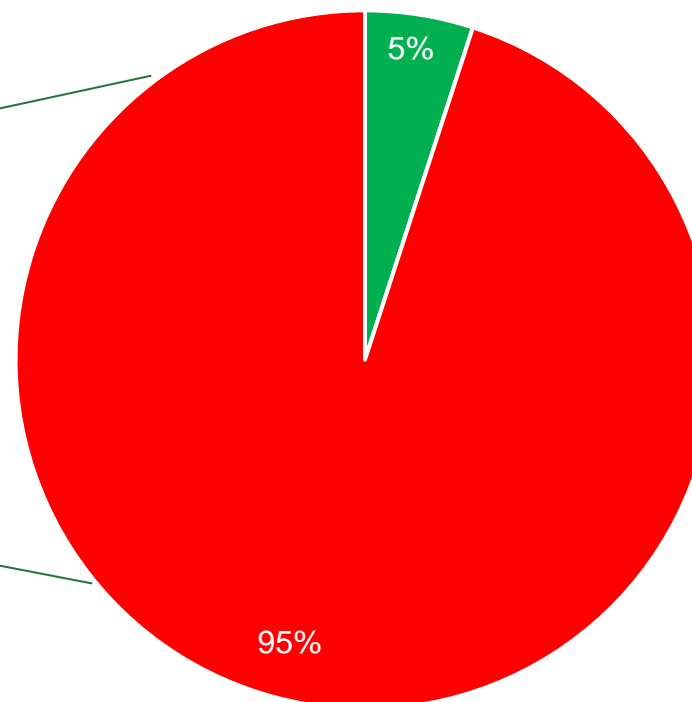
**Lack of awareness is a major barriers to uptake and usage of microinsurance products and services. However, 95% of adults who are aware of microinsurance, do not use the service**

Aware of microinsurance



■ Yes ■ No

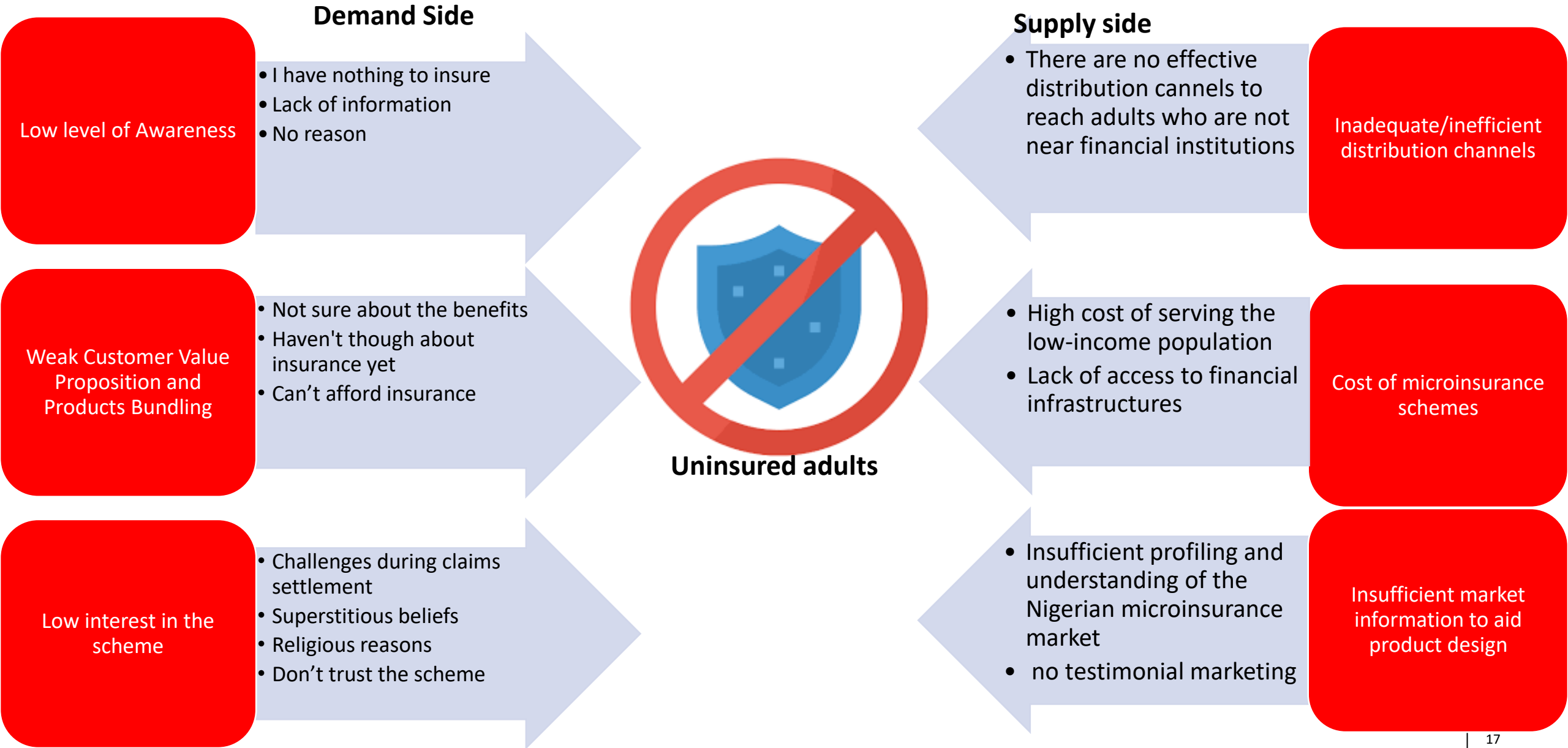
Among the aware adults, how many have insurance



■ Yes ■ No



# There are various demand side and supply side challenges hindering uptake of microinsurance products and services in Nigeria

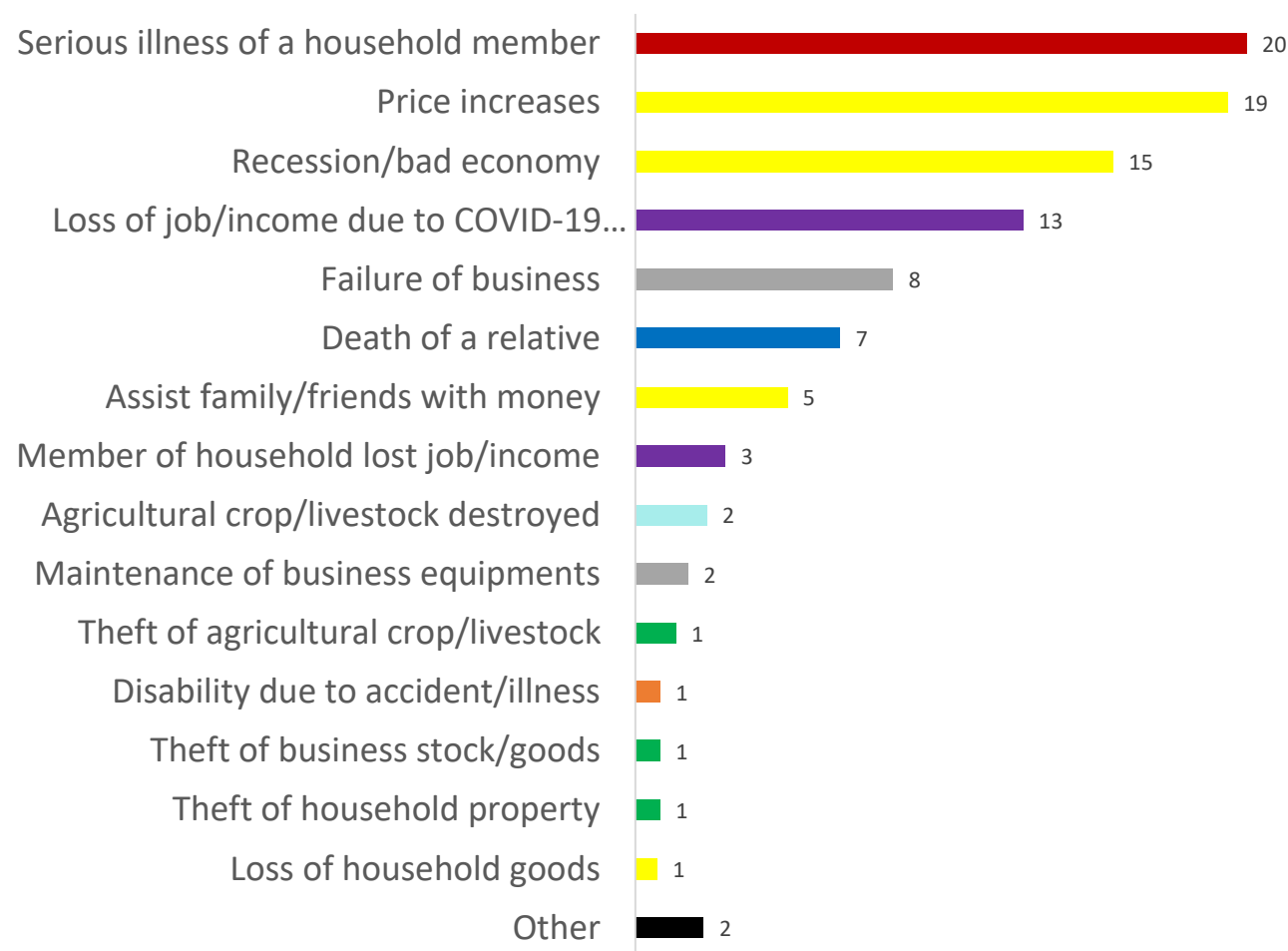




## **Opportunities for action**

## About 3 out of 5 adults experienced a financial shock or an event that had a large negative impact on their finances in the past 12 months, mainly driven by medical emergencies, inflation and impact of the COVID-19 pandemic

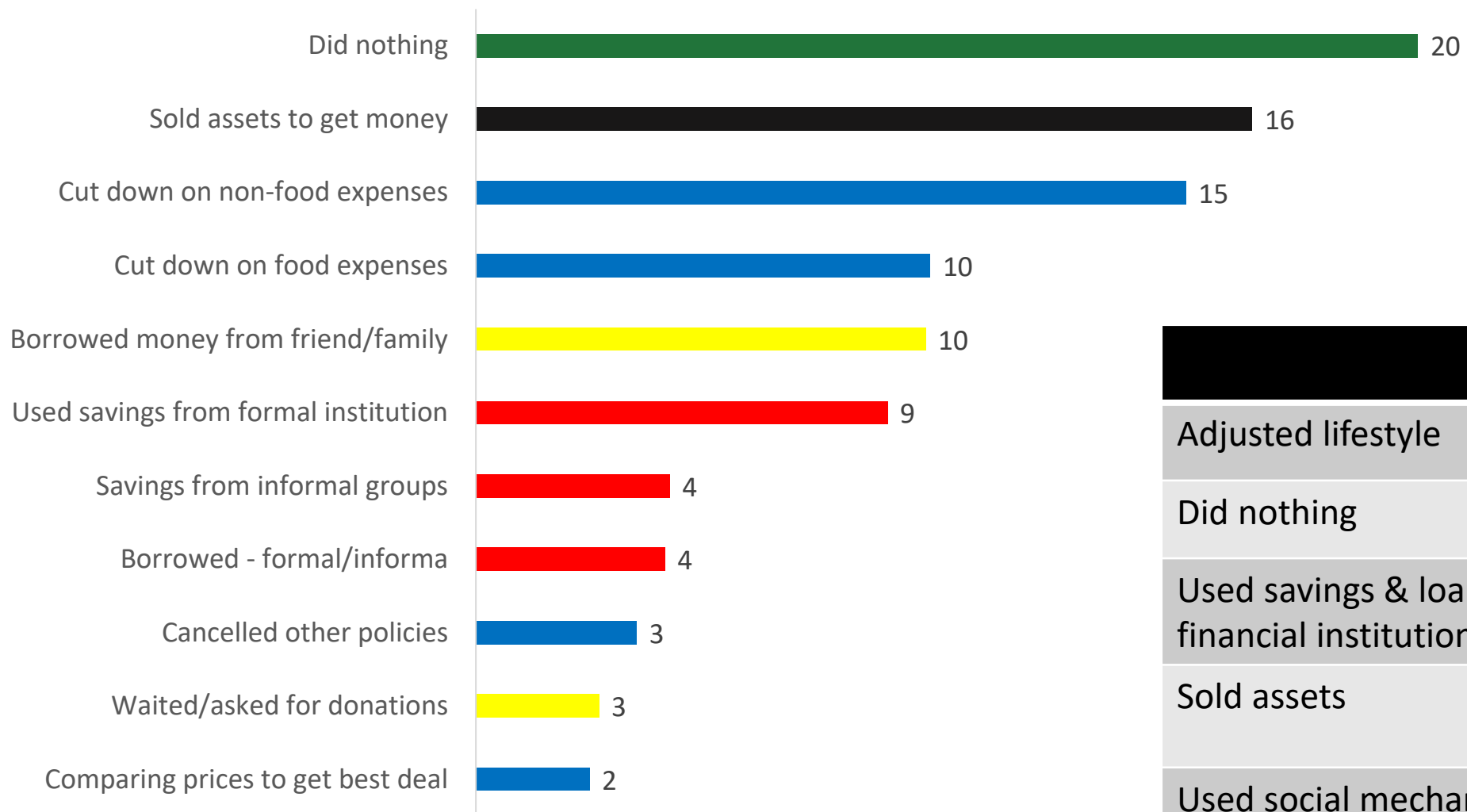
Risks experienced (%)



Appropriate Insurance Covers	Net
Cannot be covered by insurance	41%
Health insurance	20%
Employment Insurance	16%
Product liability (businesses)	10%
Life Insurance	7%
Third party & theft insurance	3%
Others	2%
Agriculture	2%
Accident insurance	1%

# Nigerians were more likely to do nothing, sell assets, or cut down on expenses than to use savings to cope with these crises

Coping mechanism (%)



	Net
Adjusted lifestyle	30%
Did nothing	20%
Used savings & loans from financial institutions	17%
Sold assets	16%
Used social mechanisms	13%

# 18m adults without microinsurance are interested in microinsurance when the service is described to them. These adults are mobile phone owners, educated and rural dwellers

## Population dynamics



68% rural dwellers are interested in microinsurance



54% males are interested in microinsurance



54% are banked

## Socio economic factors



86% Own a mobile phone



63% have secondary education and above



54% have Bank Verification Number

## Sources of income



43% business owners



10% work in the formal sector



8% work in the informal sector



23% are farmers



17% are dependents

# Of the 18 million adults interested in micro insurance, 54% are banked and one-third completely trust MNOs

## North West (3.3 million)

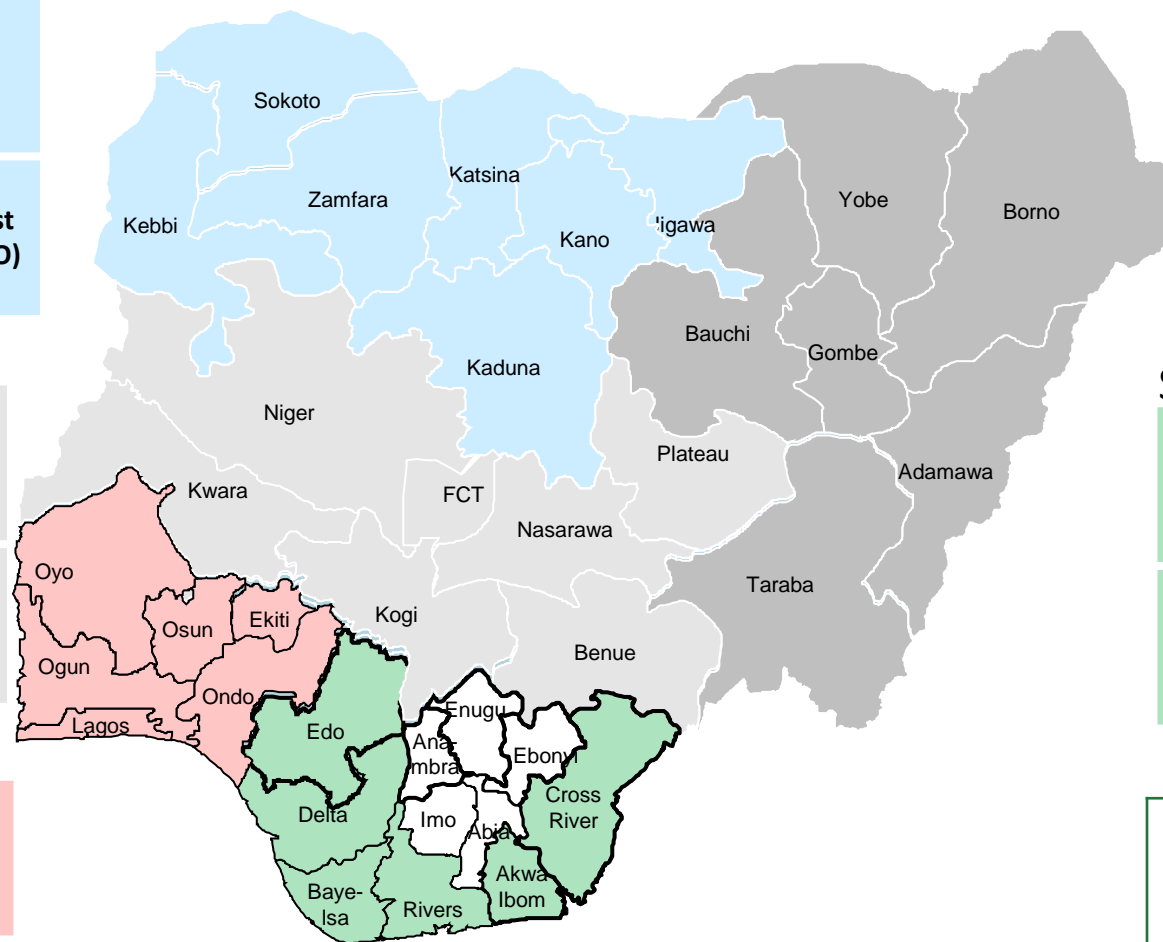
62% have phones 80% rural 54% Male	65% are between 18 and 35 years	29% have secondary education & above
33% (28%) receive salary from own biz (farming)	24% are banked	16% (39%) completely trust insurance (MNO)

## North Central (3.4 million)

93% have phones 75% rural 63% Male	60% are between 18 and 35 years	65% have secondary education & above
38% (34%) receive salary from own biz (farming)	57% are banked	13% (33%) completely trust insurance (MNO)

## South-West (3.1 million)

93% have phones 72 urban 56% Female	49% are between 18 and 35 years	71% have secondary education & above
54% (15%) receive salary from own biz (farming)	65% are banked	20% (31%) completely trust insurance (MNO)



## North East (2.3 million)

89% have phones 76% rural 68% Male	60% are between 18 and 35 years	67% have secondary education & above
43% (24%) receive salary from own biz (farming)	57% are banked	14% (33%) completely trust insurance (MNO)

## South-South (3.7 million)

89% have phones 77% rural 51% Male	55% are between 18 and 35 years	76% have secondary education & above
47% (16%) receive salary from own biz (farming)	63% are banked	11% (27%) completely trust insurance (MNO)

## South-East (2.0 million)

93% have phones 72% rural 56% Female	49% are between 18 and 35 years	75% have secondary education & above
46% (20%) receive salary from own biz (farming)	62% are banked	12% (36%) completely trust insurance (MNO)



## **Driving toward National Financial Inclusion Strategy targets**

While overall financial inclusion continues to grow incrementally, It will take rapid action on all parts, to even begin to come close to achieving the insurance targets.

\* The NFIS target is: *Increase adult population covered by a regulated insurance policy to 40% by 2020*

		Status as at							
	Focus Areas	Target by 2020	2010	2012	2014	2016	2018	2020	Variance to 2020 Target
% of Total Adult Population	Payments	70%	22%	20%	24%	38%	40%	45%	-25%
	Savings	60%	24%	25%	32%	36%	24%	32%	-28%
	Credit	40%	2%	2%	3%	3%	2%	3%	-37%
	Insurance	40%	1%	3%	1%	2%	2%	2%	-38%
	Pension	40%	5%	2%	5%	7%	8%	7%	-33%
	Formally served	70%	36.3%	43.0%	48.6%	48.6%	48.6%	50.5%	-19.5%
	Financial Exclusion	20%	46.3%	39.7%	39.5%	41.6%	36.8%	35.9%	-15.9%

#### DEFINITION OF INDICATORS

<b>Payments:</b>	% of adult population that has a transaction account with a regulated financial institution and/or has made an electronic payment through a regulated financial institution in the last 12 months
<b>Savings:</b>	% of adult population that has a savings-related product at a regulated financial institution and/or has saved through a regulated financial institution in the last 12 months
<b>Credit:</b>	% of adult population that has had a credit product through a regulated financial institution in the last 12 months
<b>Insurance:</b>	% of adult population that is covered by a regulated insurance policy
<b>Pension:</b>	% of adult population that is contributing to a regulated pension scheme or receiving a pension through a regulated pension scheme



# Cross country comparison across other microinsurance markets highlights opportunities to drive uptake

- The uptake of microinsurance in Nigeria is dwarfed by uptake of microinsurance in Ghana and the Philippines
- Gains from the removal of restriction on traditional insurers are yet to be realized
- The ability to sell microinsurance through a wide array of channels – particularly MNOs, has been instrumental to microinsurance growth in Ghana. Regulatory alignment CBN/NCC/NAICOM, currently hampering progress

	Nigeria	Ghana	Philippines
<b>% of population covered</b>	0.3% of adult population	28.3%	30.5%
<b>Potential for scale</b>	Very high	Fair	High
<b>Traditional insurers in MI</b>	Allowed	Allowed	Allowed
<b>Use of MNOs*</b>	Not allowed	Allowed, extensive	Allowed, minimal
<b>Use of Bancassurance</b>	Allowed, limited to 2 banks only	Allowed	Allowed
<b>MI legislation</b>	2018	2010	2006
<b>Primary distribution channels</b>	Insurance companies	MNO	Mutual benefit associations (MBAs)
<b>Prominent products</b>	Health, Life, PA	Life, PA, Health	Life, PA, Health
<b>Coordination of regulations</b>	Low	High	High
<b>Govt. Fin. Inclusion Policy</b>	Yes	Yes	Yes

# In sustaining the progress towards the NFIS target, insurance regulators should consider these 5 broad areas

## Stimulate Expand

Stimulate private sector engagement and investments

Expand Distribution Channels

## Leverage

Leverage on the growing agent networks in Nigeria to distribute their products and services.

Leverage on digital innovations with the financial sector

## Invest

Invest in in-depth market research to profile target customers needs and how to meet these needs

## Partnership

Partnerships with Financial Institutions

Partnerships with Community-based Organizations : such as cooperatives, trade unions and faith-based organizations

## Goal NFIS by 2020

40% of the population insured



## Distribution Channels are Critical for Widespread Microinsurance

- In most countries with massive outreach of Microinsurance, **insurers note that the most important component of the Microinsurance value chain is the distributor**
  - In Ghana, the use of mobile network operators (MNOs) both as Microinsurance servicers and purchasers of Microinsurance for their subscribers has resulted in dramatic growth of Microinsurance covered lives. Additionally, the massive growth possibly enhanced the understanding, appreciation and trust of insurance among the low-income populations which in turn potentially made it easier to sell Microinsurance through other channels.
- **Mobile money has not taken off in Nigeria** the same way it has in many other countries
- However, **mobile phone ownership is growing** – currently at 81% of Nigerian adults – highlighting opportunities for distribution models driven by telcos
- **Use of agent networks for financial services has also accelerated recently** – for example, 19% of Nigerian adults used bank agents in 2020

## Recommendations

- Support continuous **communication and coordination between regulators**
- **Engage with the industry** frequently – including new entrants (eg early stage fintechs)
- **Encourage and prepare for innovation**
  - All regulators need to continuously update skills and processes in order to keep up with the pace of innovation in the market
- **Open the market for a range of providers and business models**, protecting against key risks while opening space for innovation
  - The recent move to enable conventional licensed insurers provide microinsurance is to be commended
  - One specific opportunity is to review the Referral Bancassurance model that restricts insurance companies from partnering with more than two banks
- **Prioritise reviewing licence applications for microinsurance** and other solutions that have the potential to expand insurance coverage in Nigeria

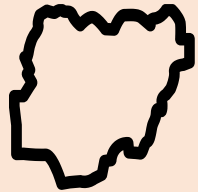
## Appendix

## Coverage and methodology of the A2F 2020 Survey



### Design

- Provided by the National Bureau of Statistics (NBS)
- Sampling of respondents was based on equal representation (around 750 respondents) per state
- Allows for statistically robust headline indicators of financial access at the state, regional and national level



### Coverage

- Nationally representative sample of Nigerian adults (18+) across all 36 States and FCT Abuja
- Achieved 27,938 interviews (99% of target sample (28,380)), slightly high compared to 2018
- The survey also includes 2 booster samples for Kaduna state (4600 respondents) and the teen (15-17) population which are not covered in this report
- Household listing and data collection was conducted from November 2020 to February 2021 by the Research Firm - Ipsos Nigeria, with supervision from the National Bureau of Statistics (NBS)



### Questionnaire

- The questionnaire (in English), was translated into and administered in Hausa, Yoruba, Igbo and Pidgin English



### Results

- Results were weighted by the NBS to provide for the total adult population
- Also benchmarked to national population estimates for verification