

REPORTS OF THE PUBLIC LECTURE ORGANIZED BY THE NEPAD BUSINESS GROUP NIGERIA (NBGN) ON THE THEME “INSURANCE INDUSTRY: TOOL FOR WEALTH CREATION AND SUSTAINABLE ECONOMIC GROWTH”, DELIVERED BY MR. EDWIN IGBITI, GMD/CEO, AIICO INSURANCE PLC, THURSDAY 18 JUNE, 2014, HENRY FAJEMIROKUN HALL, LCCI, COMMERCE HOUSE, 1, IDOWU TAYLOR STREET, VICTORIA ISLAND, LAGOS

The meeting started at 10.00am and was anchored by Mr. Tope Oluwalaye, Public Relations Manager of Lagos Chamber of Commerce & Industry (LCCI.)

MEMBERS OF THE HIGH TABLE

His introduction to the high Table:

1. Chief Chris Ezeh , MFR, Chairman NBGN
2. Chief Victor Oyolu, NBGN 2nd Vice Chairman
3. Chief (Mrs.) Eniola Fadayomi, *MFR*, NBGN 3rd Vice Chairman
4. Chief (Dr.) Michael Olawale Cole, Executive Chairman, Colenson Insurance Insurance Brokers Ltd.
5. Mr. Mazi O. C. Nzem, Director, Finance & Administration (DFA), NEPAD Nigeria, representing Ambassador Fidelia Akuabata Njeze, the Special Adviser to the President on New Partnership for Africa’s Development (NEPAD)
6. Mr. Rotimi Alesinloye Head of Brand & Corporate Communications, AIICO Insurance Plc representing the Guest Speaker Mr. Edwin Igbiti, GMD/CEO, AIICO Insurance Plc.
7. Alhaji Remi Bello, FCA, President, LCCI.

CHAIRMAN’S WELCOME ADDRESS

Chief Chris Ezeh, the NBGN Chairman apologized for starting a little behind schedule and thereafter welcomed the guests to the public lecture on behalf of the Board, Management and entire members of NEPAD Business Group Nigeria (NBGN).

The insurance sector has the key to the transformation of the entire economy as it presents vast opportunities for the citizens, the industry, the financial services sector, and the economy. Insurance anywhere in the world are tools for wealth creation and there will be no real growth or development unless the insurance industry is strong, reliable and plays its role as major mover of the economy. Nigeria would attain rapid and sustained economic growth if it deepens its insurance penetration whereby more members of the population buy one or more of the available insurance products.

The current reforms by Government and stakeholders in the industry has not increased the potentials of the insurance sector nor enhanced its penetration and this may be attributed to:

- Limited Public awareness
- Prescriptive orientation of the insurance Act 2003
- Lack of confidence on the insurance operators by the insuring and non insuring public

The public lecture could not come at a better time considering the present administration's reforms agenda in major sectors of the economy.

The Guest lecturer and participants were urged to have an engaging session that will promote the transformation agenda in the sector.

GOODWILL MESSAGES

1. By Special Adviser to President on NEPAD represented by Mazi Nzem (DFA)

He made apologies on behalf of Ambassador Fidelia Njeze, the Special Adviser to the President on NEPAD due to other national assignment. She was however delighted to be invited to the Public Lecture as a Special Guest of Honour.

NEPAD main objectives include poverty eradication; placing the African Countries, both individually and collectively on a path of sustainable growth & development; acceleration of the empowerment of women.

She was appreciative of the recent synergy between Government, Private and entire citizenry to achieve NEPAD set objectives. The Special Adviser equally acknowledged the efforts of NEPAD Business Group Nigeria efforts with respect to its interventions in different sectors of the economy through Business & Investment Fora and other initiative programmes which according to her have contributed to job creation and poverty alleviation in the country.

The theme of the lecture agrees and captures the aspirations of NEPAD Nigeria for the insurance industry. Insurance industry as a major short and medium player in both capital and money market tools, also for capacity building of the economy.

Appeal was made to the insurance industry to align with other players in the organized private sector to support the transformation agenda of Mr. President.

Furthermore, poor image of insurance has hampered the growth of insurance industry in the country.

In conclusion, NEPAD Nigeria assured of continued support to the business community to achieve its objectives and contribute to the overall growth of the economy.

2. Chief (Dr.) Michael Olawale-Cole, two time Commissioner of Finance, Lagos State, immediate past President, Nigerian Institute of Management (NIM) and an active player in the insurance industry.

Chief Olawale-Cole thanked the organizer for the invitation to the event which he attributed to his active involvement in the insurance sector in the last 30 years.

Insurance industry plays as a major role in the developing nation by transferring risks for economic growth and development. The Nigeria insurance industry is however not playing its appropriate role as a result of her lagging behind in major policy reform given the huge economic potential that remains largely untapped in the industry. Despite the high population of Nigeria and the GDP growth rate of 7.4%, insurance sector has continued to lag behind other sectors with a performance of 0.7% penetration rate and less than 1% contribution to GDP.

According to the EU Model, a sound national insurance sector represents an essential feature of a proper economic system, contributing to economic growth and fostering high employment. More

importantly, a large proportion of the rest of the economic will not exist without insurance industry and neither can economic activities be fostered.

Lectures like this will no doubt create the awareness and pressure on practitioners and governments to jointly work and get the insurance industry to the place of pride as it is in the developed world.

LECTURE: INSURANCE INDUSTRY: TOOL FOR WEALTH CREATION AND SUSTAINABLE ECONOMIC GROWTH

GUEST SPEAKER: MR. EDWIN IGBITI, GMD/CEO, AIICO INSURANCE PLC REPRESENTED BY MR. ROTIMI ALESHINLOYE, HEAD, BRAND & CORPORATE COMMUNICATIONS.

Introduction

Mr. Aleshinloye convey the apologies from Mr. Edwin Igbiti for inability to be at the event as he has to travel outside the country for an unscheduled assignment.

As Head of Strategy he will shed fresh perspective to the business of insurance in Nigeria. Strategy and Market development is an ongoing initiative and ambition that are expected to be implemented to move the industry forward. The following are important features of the insurance sector in Nigeria:

- Insurance industry has contributed 12% to the economy in the last 12years.
- Profitability level fluctuating.
- Claims on the high side amongst many others issues;

Contents of the lecture

- ❖ Growth and development in perspective.
- ❖ Essentials for a competitive insurance industry.
- ❖ Benefits of insurance to the economy.
- ❖ Operating environment: state of play.
- ❖ Opportunities for insurance in Nigeria.
- ❖ Our strategy –AIICO
- ❖ Recommended next steps.

- Growth and development in perspective.

It's impossible for a single industry to champion a change in consented efforts by private, public sector policy formulation and advocacy as a responsibility to its citizen

He highlighted the 3 different schools of thoughts to appreciate economic development;

1. Neo-liberal theory - made by the American president Harry Truman. It's says economy growth equals development as we can see in Nigeria , but there is absence of social amenities, food & securities, luxury items when this variable is compared development cannot be said to be in place. Free market forces.

2. Structuralist Theory- in this system state underwrites the risk and welfare of its people. Forces of market determine the system e.g the defunct Soviet Union and china.
3. Environmentalist Theory - It appreciates Government intervention but at the expense of the down trodden.

- ***Essentials for a Competitive Insurance Industry***

The essentials of a competitive insurance industry were highlighted. The following key factors have been identified as being necessary for a competitive insurance industry. Furthermore, for business and commerce to forge ahead, insurance has to stabilize to avert interference of unforeseen incidentals.

1. Financial capital.
2. Human capital.
3. Intellectual capital/ technology.
4. Social capital.
5. Economies of state.
6. External economies/ technologies spill overs
7. Monetary stability.
8. Social/ political stability.
9. Culture and tradition.
10. Regulatory frame work.

- ***Benefits of insurance to the economy.***

- Promoting financial stability
- Complementing government security programs
- Facilitating Trade and Commerce
- Helping mobilize savings
- Enabling risk to be managed more efficiently
- Fostering more efficient capital allocation

- ***Operating Environment: state of Play***

Global Perspective: How does the Global Economy work?

- *Global Savings.*
- *The world is becoming a smaller and smaller place every day.*
- *This has a tremendous effect on the flow of funds between individuals, institutions and countries of the world.*

Results of Global Village

- *Goods are being produced in countries where they can be produced cheapest.*
- *Money will not flow to the countries where it is most needed but rather to where it will return the highest on investment.*

Nigeria remains an attractive destination for investments

- *The global economy has come to recognize Nigeria as one of the three emerging world powers based on the potential of its market.*

- *There is another category involving Nigeria called the MINT, including Mexico, Indonesia and Turkey.*
- *The Nigerian economy will continue to have cash.*

Break-down: 2013 & 2014 Budgets

- *Reduced allocation to capital expenditure (24%)*
- *Similar trends in the expenditure mix of the various sectoral allocations.*

Opportunities for Insurance in Nigeria

- *Significant opportunities for growth currently exist for the insurance business within the Nigerian economy.*
- *Due to Nigeria's large population, the greatest opportunities lie in the retail market and the best way is to follow the value chain of the large corporates in telecoms, oil & gas (downstream), breweries, FMCG and power (an emerging sector with high potential).*

Next Steps

The insurance industry in Nigeria is ripe for explosion and it can occur through either or a combination of these events:

- *Regulations:* a shift in government policy can trigger massive growth in the industry.
- *Innovation:* with respect to insurance products and activities that will boost sales.

AIICO

- *Our Results:* AIICO is number one and six respectively in the industry with respect to Life and Non-Life Insurance.
- *Our Future Perspective:* product innovation, customer management and channel effectiveness. Thought leadership and market development.

INTERACTIVE SESSION

The issues discussed during the interactive session included the following among others:

- a) The importance of effective regulatory and structural framework to insurance industry for wealth and jobs creation.
- b) The harsh economic environments in the country hamper the development of insurance sector.
- c) Lack of confidence in the insurance sector and the operators by the public.
- d) The level of involvement in the agricultural sector is low as it is unattractive to micro-insurance. Agricultural sector is capital intensive with 1-5 years non profit at inception.
- e) The effects of non inclusion of the nation's insurance sector in the pension fund reform and the health insurance.
- f) The sector stakeholders especially are not involved in adequate sensitization and awareness as well engage government as it concerns suitable policies and regulations that will transform the industry.
- g) The neglect of the services of the Insurance brokers by the insuring public.

COMMUNIQUE

The participants at the end of the day agreed on the following among others as steps necessary to bring about the desired transformation in the insurance sector to effectively serve as a tool for wealth creation for sustainable economic growth:

1. Insurance Industry operators should collaborate with the larger organized private sector to support the transformation agenda of the present administration for socio-economic advancement of the citizens.
2. The industry should rebrand and rebuild their image to the government and client through tightening loose and weak safety nets, client education to retain customer loyalty and confidence.
3. Insurance sector operators particularly the management should give priorities to efforts that have to do with awareness and sensitization about the sector, its products and activities. They should equally engage governments and other stakeholder on issues relating to conducive environments in the sector.
4. There is a need to also explore the huge untapped resources in the industry.
5. The sector should intensify efforts to increase Penetration Ratio by pushing out a wide range of products offerings to customers in order to increase their contribution to GDP to create impact in economic empowerment and wealth creation benefits.
6. Emphasis should be placed on premium to attract the best talents and as well shop for expertise to move the industry forward.
7. NAICOM as a regulatory body should intensify efforts in its bid to cover the gap in operations in comparison with other players in the world as regards business ratio.
8. Insurance industry should take advantage of “Cash Transition Insurance” (CIT) emanating from insuring products/goods in transit which could bring about comparative advantage.
9. The industry should take advantage of the success story being experienced in the banking and telecommunications sectors by deploying the same strategies and resources engaged by operators who played key roles in effecting the major reforms and change.
10. Insurance industry should exploit the business opportunities in the economy. Some virgin areas suggested for exploration included full tax repay for life insurance, telecoms business opportunity for risk management supplier, distribution and corporate customers, business risk through value proposition, untapped wealth in corporate oil & gas downstream area through local content legislation.
11. The insurance industry should strengthen and build a solid and robust financial base by exploring opportunities in other industries, embracing wider range of products to build an enabling environment that will ultimately enable them pay claims and help restore confidence in the industry.
12. The budget allocated to insurance should be increased by the government.
13. An externalize safety net should be developed through a system in order to capture resources to keep within the nation and not transferred out.
14. Agricultural insurance should be introduced and legally subsidized by the government as it's a micro and developmental product. Also, capacity should be built through expertise.

15. There is a major need for information dissemination to avert the problem of data, resources, and communication services, economies of scale to create awareness and push for greater policy advocacy.
16. There is a need to work in partnership and positive cooperation with SMEs for the growth of the economy.
17. There is a need for adequate sensitization and awareness about the essential of insurance brokers to the insuring public particularly that their services are free.