

INSURANCE INDUSTRY NEWS

JULY 2021 EDITION



*The
Official
Newsletter
of*
BOFF & COMPANY
INSURANCE BROKERS LIMITED



...insurance broking at its best - stakeholders' satisfaction

Rain! Fire!! Flood!!! July was a month unlike any in recent history and everyone either felt the impact of these perils or knows someone who did. Losing property outright (as is the case in a 'total loss' incident) or having to do without a functional asset (for instance a car undergoing repairs) for any length of time is at best, inconvenient and that's if one has the resources to reinstate these assets. Otherwise, sourcing for funds from family or friends or having to do without this item(s) damaged or lost could make life difficult in varying scenarios.

Even when repairs are affordable, we can all agree that unbudgeted expenses are never viewed favorably and sometimes, you may have to put off obtaining that "want" to fix a priority "need", following a loss. On the flip side, having insurance that covers your assets protects your financial stability in the long-run and gives you one less thing to worry about, as you try to retain some semblance of normalcy following a loss. It is crucial to understand that purchasing insurance is important, but purchasing the right type of insurance for the risks to which one is exposed is even more important.

The best protection is a foreplan, which minimizes the disruption to life as you know it...

A **Fire** insurance policy protects one's assets against the peril of Fire only, but a **Fire and Special Perils** insurance policy provide indemnity for losses arising from other perils, including *flood*. Likewise, a **Motor Third Party Liability** insurance policy covers losses to other persons and property only. Losses to the insured car or its driver/owner of the insured car are not covered. A **comprehensive** motor insurance policy covers losses to third-party persons and property as well as losses to the insured car and its driver/owner*. Historically, this policy type

excluded the perils of **Strikes, Riots, Civil Commotion (SRCC)** and **Flood**. These days, some insurers offer one or the other complementarily or for an additional cost. If one does not specifically ask for these or ensure they are included, a car may be covered by comprehensive insurance but will not be covered in the event of a claim arising from a flood incident. At *Boff & Co.*, we work to avoid such pitfalls for our clients as we understand the risks you and/or your assets are exposed to and seek to obtain the widest cover for the most affordable premium.

If one considers the cash outflow only in respect of which premium option to select from the types listed above, they may be content to purchase a Fire insurance policy only, or a Motor Third Party Liability insurance policy. But, in the event of a claim, they may be in the same boat as a person without insurance at all, sourcing for funds or paying out-of-pocket because the causative peril is not covered by their policy.

We all *hope* such incidents will not happen to us or affect us but we may not be able to avoid them in the long run. The best protection is a foreplan that minimizes the disruption to life as you know it and (at least) restores you to the position you were in, before the loss. This, is why insurance exists and protecting you and yours, to your satisfaction, is our ultimate mission.

Should you wish to discuss or enquire further about any of the items in this month's newsletter or any subject at all, please contact your usual account liaison or send an email to info@boffbrokers.com.

We thank you for your valued, business patronage.

WHY WE CAN'T REVOKE LICENSE OF WEAK INSURERS— NAICOM

The National Insurance Commission, NAICOM, has attributed its inability to revoke the operating license of illiquid (weak) insurance firms consistently defaulting in claims settlement due to the provision of the law that allows companies with assets in excess of liabilities to remain in operation. According to NAICOM, although some companies are illiquid (cash strapped), they are permitted to continue operations as long as they have assets that exceed their liabilities. The regulator therefore stated it cannot revoke the operating license of such firms as they still have the opportunity to sell off some assets and settle outstanding claims.

Speaking to Vanguard in Lagos, Head, Governance and Complaint Bureau of NAICOM, Mr. Ahmed Adamu said that some of the companies defaulting in claims payment are having liquidity challenges. “Some insurance companies defaulting in claims settlement have assets in the nature of buildings that they intend to sell. However, to get appropriate buyers has been very difficult”.

“We have long given them the approval to sell off some assets for the purpose of meeting their liabilities since they don’t have liquidity, but buyers have not been forthcoming. So, if you gauge them on the issue of solvency, based on the true position of the law, the companies can be said to be solvent because they have sufficient assets to meet their liabilities”.

“As a regulator, we are committed to making these companies have cash injections that will meet the liabilities. In the last recapitalization exercise in 2007, substantially what some companies achieved was more non-cash recapitalization in the form of buildings. This has continued to pose a challenge to these companies.

SOURCE: VANGUARD

NATIONAL HEALTH INSURANCE SCHEME (NHIS) PROMISES HEALTH INSURANCE FOR ALL NIGERIANS BY 2030

NHIS has assured Nigerians it will ensure a systematic expanded coverage of the vulnerable and non-vulnerable populations of the informal sector, the public sector and the private sector by 2030.

The General Manager, NHIS Zonal Office Department, Hajia Asmau Mohammed, while speaking at an interactive session in Lagos said this will be achieved using technology.

Mohammed stressed the need to cover all indigent Nigerians across the country to provide comprehensive and affordable healthcare delivery.

She explained that the scheme has adopted a 10-year strategic plan in accelerating the drive towards achieving Universal Health Coverage for Nigerians.

SOURCE: NHIS PROMISES HEALTH INSURANCE FOR ALL NIGERIANS BY 2030 | BIZWATCHNIGERIA.NG

NIA COURTS RELEVANT STAKEHOLDERS TO MAXIMIZE BENEFITS OF INSURANCE

New leadership of the Nigerian Insurers Association (NIA) is breaking new barriers to court relevant stakeholders that will enable the industry to maximize the benefits of insurance to national economy.

The industry trade group led by Ganiyu Musa, 24th chairman of the NIA said it is engaging the National Assembly, NAICOM, National Pension Commission (PenCom), Trade Groups and other relevant government agencies to work together with the industry to unlock potentials of the sector.

Part of the area of concentration is to see the Consolidated Insurance Industry Bill come to reality, smooth transition to IFRS 17, as well as strengthen ethical standard of the profession.

Giving his acceptance speech at his investiture held in Lagos, Musa, who is also the Group Managing Director/CEO, Cornerstone Insurance Plc said the association is inviting other trade groups to join hands with NIA to have a coordinated approach to resolving issues.

Ganiyu stated that in the coming months, the focus of his administration will be to win support and respect from all stakeholders in the Nigerian economy, particularly the executive and legislative arms of the Government.

He plans to work with his predecessors in office to move the association to the next level and also seeks to improve relationship between NIA and its regulatory agencies, including NAICOM Central Bank of Nigeria (CBN) Security and Exchange Commission (SEC) and PenCom.

SOURCE: BUSINESSDAY

FAILED BANKS: NIGERIA DEPOSIT INSURANCE CORPORATION (NDIC) ADVISE DEPOSITORS TO FILE CLAIMS FOR PAYMENT

The management of the NDIC has set up strong structure to meet its obligations of settling depositors who lost money in any closed banks.

The Corporation has therefore called out to such depositors to file their claims through the zonal offices of the Corporation. It has also appointed ten agent banks to help facilitate payment across the nation.

The appointed agent banks are First Bank of Nigeria, United Bank of Africa, Zenith Bank, Wema Bank, Heritage Bank, Union Bank, Fidelity Bank, Polaris Bank, Unity Bank and Access/ Diamond Bank.

The Corporation also informed that the Maximum Deposit Insurance Coverage (MDIC) per depositor per bank has progressively increased from ₦50,000 at inception in 1989 to its current ₦500,000 per depositor per deposit money bank.

Similarly, the insured limit for microfinance banks (MFBs) and primary mortgage banks (PMBs) in 2009 was increased from ₦100,000.00 to ₦200,000.00 per depositor per MFB/PMB in 2010.

But in 2016, there was an upward review of the deposit insured limit for depositors of PMBs to ₦500,000.00 in order to ensure coverage of over 90 percent of depositors in that sub sector.

The NDIC has equally extended deposit insurance coverage to the subscribers of Non-interest banking institutions, under the Sharia compliant banking services to the maximum limit of ₦500,000.00 per depositor.

In addition, the NDIC had developed framework on Pass-Through Deposit Insurance Scheme (PTDIS) to protect the subscribers of Mobile Money Operators (MMOs) with a maximum insured limit of ₦500,000.00 per subscriber of this banking product.

SOURCE: ORIENTAL NEWS

NIGERIA'S 3RD PARTY INSURANCE PREMIUM TO BE REVIEWED

The NIA's technical subcommittee is about meeting with NAICOM with the view to determine if there will be a change in the ₦5000 premium of the third-party insurance policy.

The Insurers Committee said it has the permission of the NAICOM, to review and determine the adequacy of the current premium for the third-party motor insurance policy. This is coming as the Insurers Committee through its publicity and communication unit announced its resumption of activities and the reduction of its subcommittees which was formerly Eight in number to Six.

Third party motor insurance is a form of insurance under which the insurance company agrees to indemnify the insured person, if he is sued or held legally liable for injuries or damage done to a third party.

It covers accidental damage caused by someone's vehicle to another person's vehicle or property.

The Six-man publicity and communication committee headed by the Vice Chairperson, NIA Mrs Ebelechukwu Nwachukwu made the disclosure in Lagos.

She said that the technical subcommittee of NIA in Conjunction with NAICOM will be having a discussion to determine if there will be a change in the ₦5000 premium of the third-party insurance policy.

On the basis for the review, she said "when you have a third-party as a policy, it is necessary that from time to time that you will revisit it and the technical and actuarial people will start working on that."

She assured that the committee which was disrupted by the COVID-19 Pandemic will continue with its activities hence forth adding that the subcommittee now consists of the corporate governance and ethics, Market Development, Customer Services, Technical and Publicity and Communication subcommittee.

FARMERS TO GET 50 PERCENT INSURANCE SUBSIDY FROM NIGERIAN AGRICULTURAL INSURANCE CORPORATION (NAIC)

The NAIC has offered 50 percent insurance subsidy to farmers to help them insure their produce. Managing Director of NAIC, Mrs Folashade Joseph, explained that the NAIC Act Cap. N89, Laws of the Federation of Nigeria empowers NAIC to underwrite agricultural risks and subsidize the premium chargeable on some categories of crop and livestock items by as much as 50 per cent.

She, however, said when agricultural projects are financed through credit facilities from whatever sources, they must be insured with NAIC.

She stated that the Corporation insures agriculture across the value chain, including primary production, transportation, processing, and storage (silos), among other things. "The perils covered by crop policy are fire, lightning, windstorm, flood, drought, pests/diseases, and wild animal invasion of the farm," she explained.

"Losses caused by negligence or willful damage are not covered. Similarly, political risks and losses resulting from social risks like riots, mutiny, revolution are not covered under the scheme."

“To get a farm insured, all a farmer needs to do is call or go to the branch office nearest to him/her and give the detailed description of his/her farm, and NAIC officials will be there in no time. The farmer will need to complete the proposal form, after which NAIC will carry out a pre-inspection visit to the farm to assess it and is assessed, the premium payable would be communicated to the farmer. After the premium has been paid, the policy would be issued.”

Subsidy of 50 per cent applies to crops such as rice, maize, yam, cassava, sorghum, guinea corn, beans, soya beans, and indeed all food crops. Crops such as cashew and cocoa are on a commercial basis, and therefore attract no subsidy.

Subsidised livestock includes poultry, cattle, goats and sheep, rabbits, and fishery, among others, but dogs, camels, donkeys, and horses are categorised as commercial with no subsidy, she disclosed.

For a farmer to get compensated for farm losses, NAIC said it takes a maximum of 14 days to pay genuine claims if complete documents are made available to the corporation by the farmers or their agents.

SOURCE: ORIENTAL NEWS NIGERIA

PATRONAGE OF REGISTERED INSURANCE BROKERS KEY TO ASSET PROTECTION-OSINBAJO

The Vice President, Professor Yemi Osinbajo has called on the public to identify and patronize only Registered Insurance Brokers, to ensure their assets are perfectly protected irrespective of their economic status and position.

He gave this advice when a delegation of The Nigerian Council of Registered Insurance Brokers (NCRIB) led by its President, Mrs. Bola Onigbogi paid him a courtesy visit in Abuja.

He noted that “it is important that our assets are insured, since insurance is the best way to save money, rather than thinking we could save money by not insuring”.

SOURCE: ORIENTAL NEWS

WHY YOU MAY NOT CLAIM ON YOUR COMPREHENSIVE MOTOR INSURANCE POLICY.

Having insurance, particularly motor cover would see enough protection for damages on the vehicle, but not inclusive of flood, except there is cover extension at the inception of the cover.

The reason is that flood insurance is a special peril that is covered under a policy extension. In that case, the insured is charged extra premium for this extension, though it could be a small amount added to the original premium.

Therefore, without this policy extension, the comprehensive motor cover, let alone motor third party cover does not include damages resulting from flood.

In recent times, the spate of floods in Lagos, Ogun and other parts of the country with its attendant damage to properties and life has become a serious cause for concern, given the huge national and economic losses facing individuals and victims of such incidents.

Before now, only corporate organizations saw the need for flood insurance, while individual homes looked south, but recent events have shown that larger percentage of Lagos area may be submerged with floods in the wake of steady rains.

Unlike in many parts of the world where insurance is taken seriously, the level of responsiveness here is horribly low accounting for why many residents are now stranded and looking for where to go since rains are heightening.

In traditional insurance, insurers use the economic law of large numbers to charge a relatively small fee to large numbers of people in order to pay the claims of the small numbers of claimants who have suffered a loss.

Unfortunately, in flood insurance, the numbers of claimants is larger than the available number of persons interested in protecting their property from the peril, which means that insurers are unable to cover their costs in flood insurance, and this underscores why some insurers do not want to get involved in it.

SOURCE: BUSINESS DAY

TIME FOR INSURANCE TO BE MADE PART OF OUR NATIONAL EMERGENCY MANAGEMENT PLAN.

The Lagos State Emergency Management Agency (LASEMA), urged Nigerians to recommend insurance as part of their life, this short message was said, to inform, educate and enlighten Nigerians in the face of unexpected conditions.

1. Accidents and incidents, unintended and deliberate, happens. Embrace Insurance!
2. Often, preventive measures are crucial, but inadequate, so there should be a Plan in place for necessary recovery management after the ugly events. Take Insurance!

It is time to incorporate insurance and risk management policies into our National Emergency Management Plan, so that we can have a complete integrated plan to prepare and respond, not only to the emergency but also to the recovery thereafter, in a systematic manner.

With proper insurance in place for the in the event in Building collapse, personal and corporate vehicles including the LPG Tanker and, importantly, every person who was in the building and its vicinity, measurable compensation would be made by insurers of these respective interests.

The costs of medical care and replacement of damaged/burnt properties would readily become the responsibilities of the insurers and they would respond accordingly.

The ongoing payment of settled claims to policyholders who suffered losses during the violence that followed the EndSARS protests last year is a clear indication that the insurance industry is gradually becoming more responsive.

Begin each day with insurance on your mind; do not wait, talk to an authorized insurance broker or consultant today for the appropriate insurance policy for you, your dependents and businesses.

SOURCE: PROSHARE NG



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