

INSURANCE INDUSTRY NEWS

JUNE 2021 EDITION



*The
Official
Newsletter
of*
BOFF & COMPANY
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Dear Esteemed Client,


We welcome you to the June edition of the Insurance Industry News.

This month, the regulator's agenda to improve supervision and the industry's rate of inclusion remains a priority as NAICOM shares their strategy for the next couple of years, which includes Risk Based Supervision, increased digitalization and financial inclusion nationwide. This is welcomed as the industry is yet to contribute 1% to the nation's GDP, as far back as modern records go, despite the potential in our economy.

We equally welcome the transparency of the NIA in taking action against insurers who have struggled to honor their obligations to policyholders overtime, as well as the expected compensation by the NDIC to account owners of some banks which have been shut down. Such outcomes are never hoped for but we applaud our industry colleagues for reminding the public of why we exist and stepping up to make restitution and uphold the image of the industry, when unfortunate circumstances occur.

As always, we at Boff & Co. pride ourselves on bringing innovative solutions to the table for your ultimate satisfaction and request that you contact your usual account liaison and/or send an email to info@boffbrokers.com, for any Newsletter enquiries or risk management solutions required.

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"Strategic planning for the future is the most hopeful indication of our increasing social intelligence."

William H. Hastie

RISK BASED SUPERVISION IN NIGERIA'S INSURANCE SECTOR SET TO COMMENCE

NAICOM is set to commence implementation of the Risk Based Supervision (RBS) policy. The RBS is a system in which the supervising authority allocates time and resources to firms based on the level of risk inherent to their balance sheet.

The Commission has been advancing its plans to transition from a compliance-based model of supervision to that of risk-based supervision (RBS) since 2017. With the RBS model, the supervisor assesses systemic risk that affects the industry, and then analyses the level of risk specific to each firm. It takes a holistic approach, and studies the business units within the enterprise, each of which may carry varying levels of risk.

The Commissioner for Insurance, Sunday Thomas dropped a hint at the Insurance and Pension Journalists conference in Lagos, hosted by the Commission. This policy will likely take off within the next two months as “the relevant persons have been trained, the necessary skills have been acquired and the instruments that will enable the implementation have been in development”, he disclosed.

SOURCE: ORIENTAL NEWS

NIMASA BEGINS CAMPAIGN TO END “WAR RISK” PREMIUM SURCHARGE

The Director-General of Nigerian Maritime Administration and Safety Agency (NIMASA), Dr. Bashir Jamoh, has expressed worry over the persisting war risk insurance on Nigerian bound cargo, calling for its removal.

This came following the disclosure that Nigeria's maritime trade is threatened due to the increasing war risk insurance premium now being paid by Nigeria-bound vessels.

According to Jamoh, piracy in the Nigerian waters is waning with stakeholders in the industry worried that offshore underwriting firms still insist on a very high premium to be paid by those conveying cargo to Nigeria.

War risk insurance provides cover losses arising from the peril of war and associated perils, all fully defined within the War insurance policy. With this policy, a policyholder can be covered for physical loss or damage to the craft, or liability losses, arising from acts of war, including invasion, insurrection, rebellion and hijacking. Cover may also be granted for damage due to weapons of mass destruction. It is mostly used in the maritime and aviation industries.

The premium varies based on the anticipated stability of the countries to which the vessel will travel; the war risk phenomenon, which was only known to countries with a high rate of piracy such as Somalia, also found its way into Nigeria following the massive involvement of youth in the Niger Delta, in militant activities.

Bashir stated that “since the deployment of the deep blue project assets in February, there has been a steady decline in piracy attacks in Nigerian waters monthly” during President Muhammadu Buhari's recent official flag-off of the Deep Blue Project in Lagos.

“We, therefore, invite the international shipping community to rethink the issue of war risk insurance on cargo which is bound for our ports. Nigeria has demonstrated enough commitment towards tackling maritime insecurity to avert such a premium burden.”

According to nonprofit Oceans Beyond Piracy’s 2020 reports, the total cost of additional war risk area premiums incurred by Nigeria bound ships transiting the Gulf was \$55.5 million in 2020 alone, and 35 per cent of ships transiting the area also carried additional kidnap and ransom insurance totaling \$100.7 million.

Insecurity got so bad in the region before the deployment of the Deep Blue project that global insurance firm Beazley now offers “Gulf of Guinea Piracy Plus,” a bespoke insurance plan for maritime crew travelling through the area. The plan provides compensation for illegal vessel seizures and crew kidnappings even in the absence of ransom demands. It tracks insured vessels on a 24-hour basis, but because the risks are so high, it limits claims to \$25 million.

SOURCE: GUARDIAN

NAICOM TO BOOST FINANCIAL INCLUSION IN INSURANCE SECTOR

The National Insurance Commission [NAICOM] has launched a two-year strategic plan to improve financial inclusion in the country’s insurance sector.

The Commissioner for Insurance, Mr. Sunday Thomas, disclosed this during a seminar for insurance reporters, themed: ‘NAICOM Corporate Strategic Plan 2021 – 2023: Goals, Objectives and Key deliverables. He said the plan would help to facilitate effective and efficient service delivery, ensuring a safe, sound insurance sector, and adequately protect policy holders and the public interest.

Thomas noted that the Commission is undergoing a digital transformation to ensure accountability, transparency and speed up the actualization of the financial inclusion mandate of the commission.

He spoke about the importance of the Commission’s development of the supply side of the industry, stating that there were opportunities on the demand side to be utilized, advising that, “with the engagement we have had with the National Content Development and Monitoring Board (NCDMB), there is going to be an increase in the oil and gas business, and a committee has been instituted that will enforce the law on Nigerian content”.

SOURCE: PUNCH

INSURANCE INDUSTRY’S RECAPITALIZATION TARGET TO BE DRIVEN BY RISK APPETITE

The new recapitalization exercise brewing in the insurance industry is expected to triple the current capacity of underwriters across the country from the present paid-up capital of N2bn, N3bn, N5bn, and N10bn for Life Insurance, General Insurance, Composite Insurance (Life & General), and Reinsurance licenses respectively.

Findings revealed that updated capitalization values of N8bn; N10bn; N18bn and N20bn have been marked into the Consolidated Insurance Bill before the National Assembly, and it is expected to take effect as soon as the House passes it into law.

Although, the capital benchmark is similar to the recapitalization exercise which was stalled in December 2020, the upcoming exercise is going to be risk-based, meaning that, operators' level of risk appetite will determine their level of capitalization, even though N8bn, N10bn and N18bn will be the minimum capital requirement for insurers.

This development has however, raised the minimum paid-up share capital of a Life insurance company from N2bn to N8bn; Non-Life insurance from N3bn to N10bn and Composite insurance from N5bn to N18bn even as reinsurance companies will now be required to raise their capital base from N10bn to N20bn.

According to the bill prescribing a new capital, "no insurer shall carry on insurance business in Nigeria unless the insurer has and maintained while carrying on that business, a paid-up share capital of not less than N8bn for life insurance business; non-life insurance, not less than N10bn, and reinsurance business, not less than N20bn.

SOURCE: GUARDIAN

FG APPROVES N9.2BN WORKERS' INSURANCE COVER

The Federal Executive Council presided over by the President, Major General Muhammadu Buhari (rtd.) has approved the disbursement of N9.2bn as premium for Insurance Companies who will manage Group Life Insurance coverage for Federal Civil Servants.

The Minister of Information and Culture, Lai Mohammed, disclosed this at the Presidential Villa, Abuja.

Mohammed said, "On behalf of the Head of Civil Service of the Federation, I will like to report that council approved the award of contract for the appointment of Insurance Companies for Group Life Assurance for Federal Government employees, public servants, paramilitary and the intelligence community for the year 2021-2022 in the sum of N9,248,995,907 and this premium is for 12 months.

SOURCE: PUNCH

NIGERIAN EXCHANGE MULLS INSURANCE COVER FOR DEALER-RELATED LOSSES

The NGX Regulation, a wholly owned subsidiary of the Nigerian Exchange Group (NGX Group), in a commendable move seeks to engage a consortium of insurers to administer insurance to its Trading License Holders, the Nigerian Exchange Limited (NGX) and the Investors' Protection Fund (IPF).

The insurance companies that are to submit their proposals latest July 12 are expected to provide insurance products to create a waterfall in the event of a claim, such that the IPF becomes the last resort to compensate investors for losses.

All Trading License Holders of the Exchange will be required to take up the insurance product to be implemented by the consortium of insurance companies selected and/or approved by the Exchange and the Board.

The requirement of having an Insurance product for Trading License Holder(s) is provided for in Rule 27A of the Securities and Exchange Commission's (SEC) consolidated Rules and Regulations, 2013, approved by the Securities and Exchange Commission in December 2019.

Olufemi Shobanjo, Head, Broker Dealer Regulation, notes in the request letter to insurance companies that "the Insurance Product should address the following:

- ❖ place responsibility and liability for payment of the premiums on the Trading License Holders;
- ❖ create a structure which ensures that the Fund and The Exchange are named as the co-beneficiaries of the Product and
- ❖ that all payments under the policy are made directly to the IPF”.

The letter also stated that the Insurance Products will provide ways to manage and mitigate risks such as interest rate risks, credit risks, foreign currency risks and equity related risks that are inherent in derivatives, investment portfolios or liability structure, where derivatives’ transactions are carried out by a Trading License Holder; and shall cover all Trading License Holders of The Exchange and their market segments.

SOURCE: BUSINESS DAY

NDIC: DEPOSITORS IN 14 CLOSED BANKS WILL RECEIVE LIQUIDATION DIVIDENDS

The Nigeria Deposit Insurance Corporation (NDIC) will soon commence payment of liquidation dividends to uninsured depositors, creditors and shareholders of additional 14 banks in-liquidation.

The Director, Communication and Public Affairs Department, of the Corporation, Bashir Nuhu, who announced this, further stated that while stakeholders of eight closed banks are to receive their first round of liquidation dividend payments, those of the other six are to be paid additional sums due to them as part of their liquidation dividends.

The banks include:

1. City Express Bank	8. Hilltop MFB
2. All States trust Bank	9. Olomoyoyo MFB
3. Allied Bank	10. Evo MFB
4. Commerce Bank	11. Ngwegwe MFB
5. North South Bank	12. Argungu MFB
6. Cooperative and Commerce Bank	13. Edet MFB
7. Nigeria Merchant Bank	

The NDIC urged eligible stakeholders of the banks to visit any of the Corporation’s offices nationwide for the verification of their claims or to do so on the Corporation’s website.

Meanwhile, the Corporation has commenced the verification of depositors of 22 MFBs whose operating licenses were recently revoked by the Central Bank of Nigeria (CBN). The verification exercise is geared towards payment of insured sums to eligible depositors.

Depositors of the affected MFBs have been advised to visit the closed banks’ addresses where their claims would be verified by the NDIC’s officials. They are also to visit the Corporation’s website for the list of the banks and to verify their claims.

SOURCE: ORIENTAL NEWS

NAICOM PARTNERS WITH FRSC (MOTOR) AND NHIS (PROFESSIONAL INDEMNITY) ON COMPULSORY INSURANCE POLICIES

The National Insurance Commission (NAICOM) has sought the support of the National Health Insurance Scheme (NHIS) and the Federal Road Safety Corps (FRSC) on the implementation of some of the compulsory insurance policies in the country.

NAICOM disclosed that the FRSC and the Commission expressed their readiness to cooperate on the enforcement of third-party motor insurance when the Corp Marshall, Boboye Oyeyemi, and his team visited the Commission.

The Commission also said it hosted the Executive Secretary, NHIS, Prof. Nasir Sambo, and his team recently. Both parties agreed to work together on the implementation of Professional Indemnity insurance for health workers.

SOURCE: PUNCH

NIA EXPELS 3 INSURERS FROM ITS MEMBERSHIP

The Nigerian Insurers Association (NIA) has issued a public notice announcing the expulsion of three (3) insurance companies from its membership.

The insurance firms were expelled for failing to meet their obligations to policy holders thus negating the basic principles of insurance.

The three affected insurance companies are:

1. Industrial and General Insurance Company Ltd
2. Niger Insurance Plc; and
3. Standard Alliance Insurance Plc

The notice also stated that the affected companies should cease forthwith from using its logo on their letterhead and other official documents.

INSURANCE SECTOR TAGS MEDIA ON GROWTH SUPPORT INITIATIVE

The media has been described as an indispensable partner in the strategic growth plan of the insurance industry in Nigeria.

The Corporate Affairs Managers' Committee of the Nigeria Insurance Association (CAMCONIA), has therefore called on the Media to support the growth and sustainability of the Insurance Industry in Nigeria.

The understanding was shared at the CAMCONIA's bimonthly meeting recently held with the Executive Members of the National Insurance and Pension Correspondents Association representing both the print, electronic and Online media in the country in attendance.

According to the Chairman of the Committee, Oyinkansola Sobande, "the role of the Media as watchdog in the society cannot be undermined especially in matters that are in the interest of the general populace. She further said that "the Media is very critical to the development and sustenance of the Insurance Industry considering the fact, that, there are a lot of challenges facing the sector which are being addressed by stakeholders and business owners in the sector".



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