

INSURANCE INDUSTRY NEWS

MAY 2021 EDITION



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



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

Dear Esteemed Client,

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

Various stakeholders in the insurance industry in Nigeria continue to develop and drive initiatives that further enhance the adoption of insurance. The importance of compulsory insurance policies is paramount to this growth, also building the resilience of re/insurers and mechanisms in place to detect fake insurance certificates.

We hope you enjoy the read; please contact your usual account liaison or send an email to info@boffbrokers.com in respect of any enquiries you might have about any of the news items herein.

“Planning is bringing the future into the present so that you can do something about it now.”

NIGERIAN INSURERS ASSOCIATION (NIA) MOVES TO ENFORCE MOTOR INSURANCE

To increase the premium income of the insurance industry, insurance operators, under the auspices of the NIA have engaged Lagos State in the past on enforcement of motor insurance through their licensing offices.

Similarly, there were already ongoing discussions with Kaduna, Niger, Kogi and Ogun States to ensure that motorists get genuine insurance cover at the point of renewing their vehicle particulars at licensing offices across the aforementioned states.

The Chairman, NIA, Mr. Ganiyu Musa, said the industry is embittered about what it is losing to insurance racketeers and non-insurance of vehicles, disclosing that, the Association, on behalf of the insurance industry, is engaging the aforementioned five states with plans to extend to other states as time progresses.

According to him, “we are also working closely with the state vehicle inspection service on enforcement of Third-Party Motor Insurance and remain hopeful that other states will see value in the platform and embrace it. Out of the estimated 13 million vehicles in Nigeria, only about 2.9million Third Party Motor policies are in force as at Apr 26, 2021.”

Musa, who is also the Group Managing Director/CEO of Cornerstone Insurance Plc, disclosed that the association is also partnering the Federal Roads Safety Corps (FRSC) and the Police to grant them access to the Nigerian Insurance Industry Portal (NIIP), such that when a vehicle is apprehended, they can assess whether such vehicle carries a fake or genuine insurance certificate.

Speaking on the Nigerian Insurance Industry Database /Nigerian Insurance Industry Portal (NIID/NIIP), Musa said: “The Nigerian Insurance Industry database was established to reduce soft market practices and eliminate fake insurance policies. The Association has taken a step further by creating the Nigerian Insurance Industry Platform to enable vehicle owners purchase their third-party motor vehicle insurance cover from the comfort of their homes and telephones. So far, we are seeing a lot of traction on the platform across the states of the Federation and we are hopeful that other states will key into the project before the end of the year.”

On the Marine Module, he said: “the Central Bank of Nigeria has since integrated the NIA Marine Module into the National Trade portal and all insurance certificates required for import and export are generated from the Portal. This, no doubt, signals the end of fake Marine Insurance Certificates at the Ports.”

SOURCE: ORIENTAL NEWS

NIGERIA’S INSURANCE INDUSTRY ACCELERATES ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARD [IFRS] 17.

The National Insurance Commission, NAICOM, is expediting reforms in the insurance industry to make it adapt to global standards and compete effectively.

To achieve this, the Commission has inaugurated the Sub Working Groups, (SWGs), of the Insurance Industry Financial Reporting Working Group, (IIFRWG).

The SWGs would be providing assistance to the IIFRWG and guidance for seamless adoption of IFRS 17 which is expected to take effect on January 1, 2023 by Nigerian insurance companies.

Inaugurating the Groups in Lagos, the Commissioner for Insurance, Sunday Thomas, explained that the initiative was in line with the Commission's strategic goal as IFRS 17 will facilitate transparency and accountability in financial reporting.

Thus, beginning from January 01, 2023, all insurance and reinsurance contracts must be reported in accordance with IFRS 17 which has an objective to ensure that relevant information provided by firms faithfully represents the insurance contracts, he said.

SOURCE: ORIENTAL NEWS

NAICOM TASK INSURERS, BANKS TO EXPLORE OPPORTUNITIES OUTSIDE TRADITIONAL CHANNELS

NAICOM has counselled practitioners in the banking and insurance sectors on the need to explore other paths to wealth creation instead of sticking to traditional distribution channels.

Mr Sunday Thomas, Commissioner for Insurance (CFI), while speaking at a virtual forum themed: "Bancassurance in Nigeria – unlocking growth for Banks and Insurers", organised by Ernst and Young Nigeria (EY), said such alternatives would aid them in deepening penetration.

Bancassurance is a relationship between a bank and an insurance company that is aimed at offering insurance products or benefits to the bank's customers. In such partnership, all the bank's sales channels become a point of sale and contact for the insurance company.

According to the CFI, insurance penetration in Nigeria currently stands at 0.5 per cent of the economy.

"We believe that we should begin to look beyond the traditional distribution channels for the purpose of reaching out to the unreached, insurance wise. Not just people in the sense of national population, but an organised set of people who have the capability of meeting the requirements for insurance purposes.

"As at December 2020, about 111.5 million active bank accounts exist in Nigeria, compare (this) to the number of people that have one form of insurance or the other, by my record, it is less than 10 million; it's a far cry! It portends a great opportunity for the insurance sector to be able to reach out to deliver insurance benefits to the people," he said.

The CFI advised operators to adopt the referral models of Bancassurance to distribute their products, stating that other models would require the issuance of special licenses and certificates. By adopting referral models, operators can make contact and leverage the database of the banking sector for the purpose of distribution.

The CFI also supported increased penetration in the retail market, noting that it was the future of insurance sector because corporate accounts help build an operator's portfolio, but the volume of retail business is what keeps it sustainable.

Dr. Tosin Oshinubi, Director, Business Consulting, EY West Africa, urged Nigerians to join countries using Bancassurance to scale and do well, particularly in retail expansion, as benefits were immense:

- ◆ Insurers have access to active markets as “an insurance company is able to quickly scale and spread their tentacles to areas where they do not have strong geographical presence leveraging the distribution channels of the banks among others”.
- ◆ Banks have the opportunity to diversify their revenue sources even if commissions from Bancassurance transactions may not be as attractive as those from other products. In addition, it is an added source of revenue.

Furthermore, Oshinubi stated that “to the economy at large, the benefit is that it helps to improve insurance penetration and then more lives and goods are covered,” Oshinubi said

SOURCE: ORIENTAL NEWS

NCRIB CHARGES FG TO DECLARE EMERGENCY ON INSECURITY

The Nigerian Council of Registered Insurance Brokers (NCRIB) has bemoaned killings, kidnapping and other forms of violent attacks in the country, charging the Federal Government to declare a state of emergency arising from insecurity nationwide.

President of the Council, Dr. Bola Onigbogi, stated that the development was not only tarnishing the country’s image but also scaring investors away.

If nothing is done as soon as possible to address this menace, foreign investors would shun the country’s economy, Onigbogi said. She also spoke about the problem of buildings collapsing in the country and called on the government to take decisive measures to address the issue.

“It is essential for the government to facilitate meeting of all stakeholders to reach a compromise on methods to adopt in stemming the tide. Kindly permit me to state at this juncture that the enforcement of Sections 64 and 65 of the Insurance Act 2003 should be prioritised,” she said.

Section 64 states that a building with “more than two floors” must be insured whilst under construction against incidents which may result in “bodily injury or loss of life to or damage to property of any workman on the site or of any member of the Public”. Failure to comply with this section is a legal offense and upon conviction, the offending individual “shall be liable to a fine of NGN250,000 or imprisonment for three years or both”.

Section 65 states that “every public building shall be insured” against named perils within the Act and defines a *Public building* as “a tenement house, hostel, a building occupied by a tenant, lodger or licensee and any building to which members of the public have ingress and egress for the purpose of obtaining educational or medical service, or for the purpose of recreation or transaction of business.” Failure to comply with this section is a legal offense and upon conviction, the offending owner or occupier of the public building is liable to a fine of not more than N100,000 or to imprisonment for one year or both.

NAICOM, FCT PARTNER ON COMPULSORY INSURANCE

NAICOM has partnered with the Federal Capital Territory (FCT) to seek support on enforcement of compulsory insurance.

NAICOM Board Chairman, Emmanuel Nwosu, said: “with the support of the FCT Ministry, Abuja will lead NAICOM’s renewed awareness campaign, sensitisation and enforcement of compliance.”

Nwosu noted that in all megacities across the world, aside from infrastructural development, some social programmes and policies are enforced for the benefits of the citizens and residents, adding that one of such policies in Nigeria is compulsory insurance.

He said the development of the insurance sector in Nigeria hinges on increased economic activities, improved level of awareness and the acceptability of insurance as a safety net for citizens, businesses and, indeed, public institutions.

On the benefits and advantages of insurance, he said: “As we develop the sector, NAICOM’s partnership with the FCT and indeed the minister will be critical.”

In his remarks, the FCT Minister, Mallam Musa Bello, said he was delighted to receive NAICOM officials and assured the Commission of his full support towards enforcement of compulsory insurances in the FCT as he had a very close relationship with the industry.

SOURCE: THE GUARDIAN NEWS

NAICOM PLACES INSOLVENT, DEFAULTING INSURANCE FIRMS UNDER WATCH

NAICOM is placing claims defaulting underwriters and technically insolvent companies under observation. This followed the liquidation of the operating licence of Unic Insurance Plc.

Mr Sunday Thomas said that opportunities in the insurance industry were widely unexplored and urged the performing underwriters to explore the vast market.

Speaking on the reason for taking its recent action on Unic Insurance, he said, “It has every problem that you think that a company under liquidation has; and efforts to bring them alive was being frustrated by the owners.”

The Commissioner said that it was not going to be quick to revoke the operating licences of firms not paying claims because it would look at the available options before taking a final decision on them.

“The only thing we can do now that will likely satisfy people is to cancel licenses, which will not solve the problem. When they have the tendency of recapitalising and paying those claims, if you can cancel the licence, how are those claims going to be paid? Let us see how we can get to the end before the recapitalisation period, and if it is not going to happen, there are certainly many options available to us, and we are considering all of them.”

SOURCE: PUNCH NEWS

MICRO INSURANCE: LAPO CEO URGES FLEXIBLE PROCESSES FOR SMALL BUSINESSES

Dr Godwin Ehigiamusoe, the Managing Director and Chief Executive Officer, Lift Above Poverty Organisation (LAPO) Group, has urged for flexible and innovative processes in the provision of Micro-Insurance products to small businesses.

He said that the adoption of innovative and flexible processes by Micro-Insurance companies would encourage small business owners to key into Insurance policies.

“The Micro-Insurance company should be able to convince owners of micro and small businesses to get Insurance because the low-income earners generally do not give priority to Insurance. They do not like Insurance policies, they believe that Insurance policies are for the rich and big businesses. They also hold this belief of ‘God forbid’. Once you ask a low-income person why can’t you insure your sewing machine against theft? He will simply respond “God Forbid’.

He noted that low income earners and micro and small businesses need Insurance more than any other type of persons and businesses because they are the most vulnerable to risk.

Micro-Insurance products were typical to those rendered by conventional Insurance companies. The difference is in process delivery. Their products are typical as those provided by conventional Insurance companies; Life Insurance, Health Insurance and other policies that protect businesses against risks

According to Dr. Ehigiamusoe, the products development for Micro-Insurance should involve small units of services which should be rendered in innovative ways to meet the peculiar nature of micro and small businesses. Micro finance banks that had been in existence for more than 12 years could provide its institutional structure for Micro-Insurance to reach low income people.

“MFBs can go into Micro-Insurance because they are targeting the same set of people and businesses.

SOURCE: [INSURANCE INDUSTRY TODAY - EIN PRESSWIRE \(EINNEWS.COM\)](#)

AVIATION INSURERS SEEK FURTHER RATE INCREASES AFTER DIFFICULT YEAR

Analysts at specialist insurance broker McGill & Partners examined the state of the aviation insurance market in 2021 and concluded that most firms will seek additional rate increases to compensate for the difficulties of the previous year.

In 2020, the aviation industry reported losses of \$118 billion, with demand down 65.9 percent from the previous year, implying that nearly 17,000 airliners were grounded at the peak of the downturn due to the COVID-19 pandemic. The International Air Transport Association (IATA) has warned that the industry will continue to lose \$5 billion to \$6 billion per month in 2021, with passenger numbers only likely to recover by 2024.

“2020 was certainly a difficult year for airlines and their insurers. And it’s not over yet as many airlines continue to exist in survival mode in 2021,” said Joe Trotti, Head of Aviation and Aerospace at McGill and Partners.

“This is despite recent news of increasing domestic passenger demand in some countries such as the US which might suggest a recovery is beginning to take place. However, restrictions and closed borders in many countries are making timeframes for a full recovery unclear.”

Even before the pandemic, many insurers had already been grappling with the ongoing lack of profitability of the airline class as well as significant manufacturers’ grounding losses over the past several years including the Boeing MAX loss.

The restart of operations will also pose challenges for both airlines and insurers, as fleets will have to be restored to airworthiness, following months of grounding.

“Despite challenges, the market continues to provide solutions, with ample capacity available from insurers. While the market remains challenging, there are underwriters who understand the environment and are working with brokers to provide a tailored approach to address these challenges.”

SOURCE: REINSURANCE NEWS

LLOYD’S MARKET RE-OPENS; RE/INSURERS HAVE WORK TO DO TO PROTECT THE EARTH.

Lloyd's of London insurance and reinsurance market initially, the world’s oldest insurance market reopened its famous underwriting room in May for those who need to be in, with plans to further relax restrictions at 1 Lime Street, London from June 21st, in line with UK government guidance.

As the underwriting room began to welcome people back, protestors gathered outside Lloyd’s, and 12 other locations in the UK, to voice their insurance-related environmental concerns. Protestors demanded that the market immediately cease insuring coal mines.

Commenting on the reopening of the Underwriting room and the work ahead, Ling Ong, President of London FOIL, an arm of the Forum of Insurance Lawyers (FOIL) and a Partner at Weightmans, said: “Sustainability and climate change will also play an important role going forward and as we will have seen from the climate change protests which greeted the re-opening of Lloyd’s, reinsurers face increasing responsibilities,”.

Back in December, Lloyd’s announced plans to create a cultural toolkit and set of regularly measured targets. This includes asking managing agents in the Lloyd’s market to no longer provide new insurance cover for thermal coal-fired power plants, thermal coal mines, oil sands, or new Arctic energy exploration activities from January 1st, 2022.

The target date for phasing out the renewal of existing insurance cover for these types of businesses is January 1st, 2030.

SOURCE: REINSURANCE NEWS