The Official Newsletter of

BOFF & COMPANY
INSURANCE BROKERS LIMITED

July 2022 Edition

# INSURANCE INDUSTRY NEWS


Corporate Headquarters: Precision House, 87, Obafemi Awolowo Road, Oke-Bola, P. O. Box 13011, Dugbe, Ibadan, Nigeria.

+234-(0)9046068858, +234-(0)9084858596

www.boffbrokers.com

info@boffbrokers.com

@boffbrokers


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

JULY 2022 EDITION

# INSURANCE INDUSTRY NEWS

The Official Newsletter of Boff & Company Insurance Brokers Limited

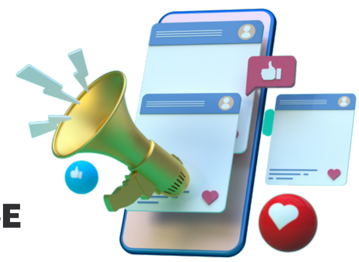
## CONTENTS



## Follow Us

Check out our social media accounts for great content ON INSURANCE

@boffbrokers



## COURT RULES NAICOM LACKS POWERS TO INCREASE INSURANCE COMPANIES' CAPITAL


The Federal High Court, Lagos has ruled that the National Insurance Commission (NAICOM) lacks the powers to increase the statutory minimum solvency capital policy for insurance companies without the National Assembly amending the Insurance Act and Regulation 2003.

Justice Chukwujeku Aneke, who gave the judgment, stated that the directive on capital base increase offends Section 4 of the 1999 Constitution (as amended) and Section 9 of the Insurance Act and Regulation 2003.

The court made the orders in a suit marked FHC/L/CS/1518/18, involving Tope Alabi as plaintiff, NAICOM and the Attorney General of the Federation (AGF) as first and second defendants, filed on July 14, 2022.

The case followed NAICOM's announcement in 2018 that it planned to release guidelines for implementation of minimum solvency capital policy in August of the same year, with implementation scheduled to begin on January 1, 2019.


Read more

# NAICOM GIVES LICENCES TO NEW COMPANIES


After several years of not granting licenses to new insurance and reinsurance companies, the National Insurance Commission (NAICOM) has given reasons it granted FBS Reinsurance, Heirs Insurance Life and General, Enterprise Life. The Commissioner for Insurance, Sunday Thomas, who made this known to reporters in Nairobi, Kenya, noted that the commission would continue to encourage the development of the insurance sector by ensuring that capable players are welcomed into the sector.

Thomas said the commission would grant license to more insurance and reinsurance firms that show and have capacity to impact the underwriting sector. He said: "Insurance and reinsurance firms licensed over a year ago, were granted approval due to their capacity to impact the insurance sector. The last reinsurance company that was approved in Nigeria before we approved FBS Reinsurance, was approved more than 10 years ago and this was the case with insurance companies such as Heirs and Enterprise that were granted license.

On the alleged foreign dominance of the insurance sector, he stated that the allegation was unfounded, as Nigerians own most of the firms in the sector. "The issue of foreign dominance should be put in the right perspectives. In terms of ownership, that may not be correct. But in terms of some level of operations, that may be right. For example, on special risks, rates are still determined abroad. But in terms of ownership, the companies are owned by Nigerians."

He noted that though there are some foreign interests coming in, it was not enough to tag them as dominant factors. On deepening insurance penetration, Thomas maintained that NAICOM would continue to encourage insurance practitioners to explore opportunities in the retail market space. He said efforts would also be intensified to create awareness of the benefits of insurance, stressing that people need to know more about the benefits of insurance. Another thing is that we have not been able to communicate the benefits of insurance to the public. Why should we be raising money for relations when a member of the family dies? That would have been done through insurance. We must begin to tell people about insurance. That would be the game changer," he said.

Read more

# CHIEF BABAJIDE OLATUNDE-AGBEJA BECOMES AIBA CHAIRMAN


The African Insurance Brokers Association (AIBA) has elected Chief Babajide Olatunde-Agbeja as Chairman of the continental body.

The election which was held at the African Insurance Organisation Conference in Kenya between 25th and 30th June 2022 had the following members of the executive elected to steer the ship of the continental body for the next year.

Shaibu Ali – Ghana – Vice Chairman; Ekeoma Ezeibe – Nigeria, Secretary; Yombo Bammeke – Nigeria – Treasurer; Nelson Omolo – Kenya – Ex Officio; Shola Tinubu – Nigeria – Ex Officio; and Jean Baptiste Ntukamazina- AIO SG – Ex Officio.

Industry operators have noted that the election of the new officers would give a great impetus to the body in accomplishing its mandate of broadening the practice of insurance broking in Africa.

In a similar vein, the President of the Nigerian Council of Registered Insurance Brokers (NCRIB), Rotimi Edu, has felicitated the new officers expressing delight that the new officers would take the body to greater heights, based on their robust antecedents.

Source

# HEALTH INSURANCE: WHO SUPPORTS NHIA OPERATIONALISATION

National Health Insurance Authority

The World Health Organisation (WHO) Technical Officer on Health Financing, Fahdi Dkhimi, has disclosed that the global health body was committed to supporting the full implementation process of the NHIA which was signed into law a few months ago.

He stated this when he led a delegation on a courtesy visit to the Minister of Health, Osagie Ehanire, in Abuja.

The WHO Health Financing delegation was accompanied by officials of NHIA.

Dkhimi expressed commitment to support the operationalization of the recently signed NHIA.

The visit, according to the WHO official, was to fashion out possible ways to effectively operationalize the NHIA Act for the benefit of Nigerians.

Earlier, the Minister of Health, Osagie Ehenire, commended the WHO team, saying, the gesture was a welcome development.

He revealed some of the constraints faced by the scheme including infrastructural development, human resource and investment patterns.

"Most of the investments have gone to the very large visible hospitals which are not much utilized at the expense of small primary healthcare centres in the rural areas," says Ehanire.

A statement by the Deputy Director (Media & Public Relations) of the Federal Ministry of Health, Ahmadu Chindaya, said the Minister further solicited investment and a higher level of care at the sub-urban level in order to achieve Universal Health Coverage (UHC).

In his remark, the Permanent Secretary, Federal Ministry of Health, Mr. Mahmuda Mamman, stated that the Act promulgated a few years ago was recently signed into Law by President Muhammadu Buhari.

The Act, according to him, provides for NHIA to implement schemes for relevant groups including Federal Civil Servant and establishes a vulnerable Group Fund, part of which can be invested by the NHIA.

Read more

# CAR INSURANCE: WHY FLOOD DAMAGE MAY NOT BE COVERED

The persistent rains in the past weeks have resulted in heavy flooding in many parts of the country, particularly Lagos where most drainages are blocked due to rising human and economic activities.

In some parts of Lagos like Victoria Island, Ikoyi and Ajah areas, pictures of vehicles, streets and compounds submerged by floods were seen circulating on different platforms, and on social media.

Some of those vehicles submerged by flood would have experienced some damage, which may affect mechanical parts such as the engine.

The question, that many people are asking is, whether insurance companies will pay for damages caused on those vehicles by the flood if the owners had taken comprehensive insurance before the incident.

**Yes, comprehensive insurance covers for damage or loss of the policyholder's vehicle, and can also cover losses due to Civil Commotion, Risk of Strikes, Flood and Riots, but requires payment of an additional premium.**

**What this implies is that if the owners of the vehicles affected by the flood did not take flood insurance as an extension, claims may be denied (repudiated) by the insurance companies.**

"Yes, having insurance, particularly motor cover would seem enough protection for damages on the vehicle, sure it is, but not inclusive of a flood, except there is a cover extension at the inception of the cover, says, Chika Onwunali, Managing consultant, Premium Debate.

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

**According to him, without this policy extension, the comprehensive motor cover, let alone motor third party cover does not include damages resulting from a flood**.

Read More

# INSURERS SEE RISING MOTOR INSURANCE CLAIMS ON HIGH INFLATION


Insurance companies undertaking motor business in Nigeria are feeling the pinch of the upward trend in the country's inflation rate

The insurers said inflation had pushed up the cost of assets replacement as many of the auto parts had doubled in the past one year, increasing the cost of claims in the event of an accident or total loss of motor vehicles.

According to them, premium rates are going down as most people are focusing on meeting basic needs like food, shelter, health and security and cutting allocation for insurance.

Motor insurance is the second-largest source of premium for the general business segment of the insurance industry in Nigeria, after oil and gas risks.

For the 2019 business year, 44 underwriting companies offering general business generated N44.91 billion premium in motor risks, out of which they paid out N38.16 billion on claims, according to data from the Nigerian Insurers Association.

Mayowa Adeduro, Managing director/CEO of Tangerine Insurance, responding to Business Day enquiries on the impact of inflation on motor business, said underwriters are at the receiving end of inflation.

"For underwriters, inflation is a destroyer of value. To the asset owners, insurance is a cost after other costs like food, shelter, school fees, security, etc. Most assets owners will consider upward revaluation of assets as the last thing to do if they still have disposable income left after meeting basic and other needs," he said.

According to him, in the event of partial loss of assets like a motor vehicle, where the insured insists on replacement value, it is usually the amount plus inflation.

"The insurance company is disadvantaged in this instance since they cannot apply the condition of average on part replacement. However, if the claim is a total loss or what we call constructive total loss, the insured will be at the receiving end since he cannot claim more than the value insured, except the insured has revalued the asset before the loss," he added.

According to Adeduro, another challenge is that during the period of inflation, rates go down in order to encourage people to renew their policies instead of dropping insurance altogether in order to meet other needs.

He said life insurance also suffers significant diminishing value over time and surrender of policies becomes rampant.

"Elasticity of demand for insurance is highly price-sensitive. Demand drops significantly for the slightest upward adjustment of price to respond to inflation. That is the reason why underwriters will rather encourage asset owners to revalue assets rather than adjust rates," he said.

Obasi Ngwuta, Executive Director at West African Business School, said inflation impacts insurers' claims and general expenses, and the value of liabilities.

"Inflation affects life and non-life insurers in different ways. For non-life insurers, unanticipated inflation leads to higher claims costs, thereby eroding profitability," he said.

Ngwuta, who is an insurance expert and consultant, said the current rising inflation in the country is a 'killer pill' to the property insurance business due to its negative impact on claims in terms of increases in material replacement cost, particularly on motor insurance and other property and casualty assets.

He said: "When determining premiums, insurance companies look at a variety of factors including industry trends like number of claims and costs to repair vehicles and homes.

"If those costs increase, the prices of insurance premiums will likely increase as well. Unfortunately, due to inflation, these costs are increasing."

According to him, rate-cutting, which is an unhealthy pricing strategy, erodes premium value and causes serious market distortions, which has the possibility of making non-life insurers go bankrupt

Source

# CONTRIBUTORY PENSION SCHEME: IS NATIONAL ASSEMBLY TRYING TO DESTROY A HOUSE IT BUILT?

A new move by the National Assembly to exempt its staff from the country's Contributory Pension Scheme (CPS) and manage its personnel's pension scheme through a board has shocked many Nigerians.

People are surprised that a National Assembly that is supposed to defend and protect the law and drive government institutions towards efficiency and growth, would come to desecrate a pension system (CPS) that has shown transparency, accountability and value for workers in Nigeria.

This is coming on the heels of a bill by the National Assembly seeking to amend the Pension Reform Act 2014 to exempt its personnel from the CPS and establish the National Assembly Service Pensions Board. The bill passed the second reading on Thursday.

Titled, "Bill for an Act to Amend the Pension Reform Act, 2014 to Exclude/Exempt the National Assembly Service from the Contributory Pension Scheme and Establish the National Assembly Service Pension Board; and for Related Matters (HB. 2025)", which was sponsored by Hon. Olododo Cook, chairman, Committee on National Planning and Economy Development.

Agudah Oguche, Chief Executive Officer of the Pension Fund Operators Association of Nigeria (PenOp) said, arguably, one of the most important, encompassing and development-oriented bills in the history of Nigeria is the pension reform act 2004, which was revised in 2014.

Oguche said the act brought all pension matters in Nigeria under one umbrella, unified the various pension schemes, brought transparency and professionalism to pension operators in Nigeria and moved pension administration to private sector fund managers.

"It is a bit baffling why anyone would want to exit such a system and place extra burden on the already strained finances of the government, Oguche said. "With any act, law or process, there is always room for improvement, and we are very much open to that, but to exit totally and create a parallel system will only promote inefficiency, and open the door to opacity, which fuels corruption."

According to him, "The thinking behind the bill is not well thought through in our view and does not take into account the funding of the structure being proposed. There is no point in passing a bill when little provision is made towards funding. We already have so many of that already and we cannot afford to have more of that."

Cook in his lead debate, had said the bill will create a new board saddled with the task of administering the pension scheme for personnel of the Service.

Cook said: "The proposed amendments provide that there is established a Pension Board (in this Bill referred to as "the Board') which shall be charged with the responsibility of managing the payment of pensions and gratuities to all personnel of the Service.

The bill shall apply to all personnel of the National Assembly service including those who had retired before the commencement of this Bill. The retirement benefits of personnel referred to in subsection (2) shall be adjusted to be commensurate with the provisions of this Bill. There shall be charged on and paid out of the Consolidated Revenue Fund of the Federation, all such sums of money as may, from time to time, be granted by the Federal Government by way of pension and gratuity in accordance with this Bill.

The nation's pension assets as of the end of April 2021 stood at N14.06 trillion according to the latest monthly figures of performance of the industry released by the National Pension Commission (PenCom).

The figure rose from N13.88 trillion recorded in the same period in March 2022, indicating 181. 34 billion increase month-on-month, as against a N113.75 billion increase in March from February performance.

The number of registered contributors also grew to 9.64 million in April, against 9.30 million in March and 9.27 million in February 2022.

Femi Gbajabiamila, the speaker commenting had said the bill when passed into law will not remove the parliament from the aprons of the executive. In a similar development, the House had also approved a Bill to make provisions for the retirement age of staff of legislative houses in Nigeria.

The House made the approval while considering the bill by Hon. Wole Oke at the Committee of the Whole.

Source

# INSURANCE UNCERTAINTY POSES A CHALLENGE TO UKRAINE GRAIN DEAL

Credit- Reuters

Worries over insurance are the biggest obstacle to grain ships leaving Ukraine's Black Sea ports this week, exporters say.

Questions remain over whether insurance companies will be willing to insure the vessels as they navigate the mined waters, while buyers are hesitant to make new orders given the risk of Russian attacks.

Russian missiles struck the main port of Odesa, just 12 hours after Russia's defense Minister, Sergei Shoigu, signed an agreement in Istanbul guaranteeing safe passage for Ukraine's exports. Russia later said it had targeted a Ukrainian vessel at the port carrying western weapons, but did not present evidence.

Ukraine's infrastructure Minister, Oleksandr Kubrakov, said that the first ships would leave their Black Sea ports, despite the attacks. Kubrakov, who signed on behalf of Kyiv, said that although Ukraine did not trust Russia, "it trusts its allies and partners, which is why the agreement … was signed with the UN and Turkey and not Russia".

A spokesperson from the ministry said it was working to implement the plans, but the markets are skeptical. They are waiting to see what happens before putting in new orders, according to Masha Belikova, an agriculture expert at the commodity price reporting agency Fastmarkets.

"[Exporters] have been very pessimistic and are still very pessimistic about the agreement," said Belikova. "First, and most importantly, is that [they] can't trust Russia, so any agreement with Russia is not really seen as an agreement."

The general priority of exporters and buyers, said Belikova, is to move the grain that is loaded on vessels that have been sitting in Ukraine's ports since the invasion. If everything goes smoothly, said Belikova, they will then start thinking about moving what is stored at the ports.

"Maybe, then, if everything goes OK, they might think about new trades," said Belikova, referring to new orders. "For now, they don't think it is possible."

Ukraine is one of the world's biggest exporters of wheat, corn and sunflower oil. Russia's invasion and its naval blockade of Ukraine's ports have driven up global food prices, pushing some countries, such as Somalia, towards famine.

One of the big issues being raised by the industry is who will insure such a risky journey.

"It's really hard to guarantee any safety for the crew, for the cargos, for the people that are working at the port," said Belikova. "What if they decide that there is some military object – just close the terminal?

There is talk that Turkish commercial ships may be used for future exports as the rest of the world's ships may be more reticent of the dangers, said Tim Worledge, also of Fastmarkets.

However, Turkish ships tend to be smaller, carrying just 10,000-15,000 tons, whereas the type of ships that previously operated from Ukraine tended to carry 40,000-70,000 tons of cargo, said Worledge.

For the last five months, Ukraine has been using the shallow-water ports along the Danube, which borders Ukraine and Romania, and Ukrainian rail has been working to increase rail exports into Europe.

Ukraine now exports up to about 2 million tons of grain and meal a month through these channels, said Belikova. Before the war, the total was between 6m and 8m tons a month.

Russia's invasion and approach to negotiations, including its attack, has caused buyers to think about diversifying their supplies, said Worledge.

Ukraine's infrastructure minister said the exports would start from Chornomorsk port, the closest port to Ukraine's Romanian border. Belikova said that, according to shipping data, there were at least 10 vessels that had been stuck in the port since 24 February, which amounts to more than 600,000 tons.

Read more

# AVIATION INSURANCE BUYERS FACE CHALLENGING 2022

Aviation insurance buyers face some of the most challenging renewals in more than a decade, as rising exposures and the war in Ukraine drive up costs, with some experts predicting the toughest conditions since 9/11.

With the easing of COVID-19 restrictions, airline passenger numbers are recovering from the slump in demand during the pandemic, with growth strongest in Europe and North America. Globally, passenger numbers are expected to hit 83% of pre-pandemic levels this year, up from 47% in 2021, and return to 2019 levels in 2024, according to the International Air Transport Association.

Rising passenger numbers mean increased exposures for airlines and potentially higher premiums, despite a relatively stable rating environment. In addition, the airline insurance market is digesting potentially large losses from the Russia-Ukraine conflict, putting rates, terms and conditions under pressure.

According to Peter Elson, CEO of Arthur J. Gallagher & Co.'s aerospace practice, aviation renewals are likely to be among the most challenging in decades during 2022. "We will see more attention to the structure and quantity of cover and price of cover than any time since 9/11," he said.

The bulk of airline renewals occur in the fourth quarter and Mr. Elson said insurers will likely be under pressure to increase rates.

"The airline insurance market for all risks is relatively stable, however, it is uneasy stability due to the expectation of claims arising from the Russia-Ukraine conflict. The all-risk market is waiting to see how the Russia-Ukraine losses come through, where they will land and how their reinsurance programs may be impacted," he said.

Claims related to the Russia-Ukraine war have been notified to the aviation market, which provides both all-risks and war coverage under separate aviation war policies to airlines, as well as contingent coverage to aircraft leasing companies. About 400 commercial aircraft leased before the war are still in Russia and may be unrecoverable.

In May, the world's largest aircraft lessor AerCap Holdings NV announced it would take a $2.7 billion hit after more than 100 of its jets were stranded in Russia.

AerCap said it has filed a $3.5 billion insurance claim related to trapped aircraft and equipment and has already received $200 million in payments from insurers. Another lessor, Air Lease Corp., said in April it would write off aircraft leased by Russian airlines valued at $802 million, and that it would seek to recover losses from its insurers.

Despite the potential scale of losses, "ample cover" is still available in the aviation all-risk and war markets, albeit at a higher cost, Mr. Elson said.

The immediate impact of the war in Ukraine has been on hull war capacity, appetite and pricing, said to David George, Managing Director for aviation at Marsh Specialty, a unit of Marsh Ltd. "We have already seen some major withdrawals from the market, which is perplexing given that no claims have been paid as far as we are aware and rates are increasing by circa 100%," he said.

Capacity is available for most airline placements, however, the higher the aircraft values the more of a squeeze there will be, said George. "Insurers are generally maintaining US dollar capacity but now applying this to annual aggregate limits, not aircraft values. This will potentially restrict placements and it appears that aggregates will be restricted to three times maximum hull values," he said.

The main airline insurance market has remained competitive throughout the pandemic and continued to provide broad coverage and stable pricing, Mr. George said.

"These conditions attracted new players to market and unlocked dormant capacity from existing insurers during the pandemic. While rates have been artificially high, in many cases due to reduced exposures, there is a sense among the underwriting community that current premium levels are below those required to sustain profitability," he said.

Insurers are seeking various coverage restrictions, including geographic limits to exclude Russia, Belarus, Crimea and Ukraine, Mr. George said. "Some insurers are indicating that they will not provide coverage for force majeure landings in these countries, which we believe is an unreasonable position," he added.

Prices in the airline insurance market are likely to be driven by the aviation reinsurance market, which could see large losses from the Russia-Ukraine conflict, Mr. Elson of Gallagher said.

"The shape and direction of the market will be determined more this year than in past years by what happens in the reinsurance market, in particular reinsurers' assessment of the impact of Russia-Ukraine losses and their response to it," he said.

Read more

## CLIMATE CHANGE'S FREAKISHLY HOT SUMMER IS LEADING TO A NEW TYPE OF INSURANCE COVERAGE—FOR HEAT STROKE

Credit: Getty Images

While people are suffering through one of the hottest summers ever in Europe and the U.S., Japan has also seen one of its hottest summers on record this year, leading to thousands of hospitalizations for heat-related medical issues.

Some Japanese insurance companies are taking advantage of the situation, offering daily coverage for consumers who are worried about heat stroke.

Sompo Holdings and Sumitomo Life Insurance both started offering policies designed to cover any medical expenses that may arise from heat stroke this year, Bloomberg first reported.

Sumitomo Life Insurance began its heat-stroke insurance plan in April. It can cost just 100 yen, or 73 cents, for coverage that can be purchased on a day-to-day basis and covers medical costs caused by excessive heat. Sumitomo's plan was the first of its kind in Japan, a company spokesperson told Bloomberg.

The company saw an incredible 1,600% increase in the sales of its daily heat-stroke coverage during the final week of June from typical levels, The Japan News reported. The rise came during a week when Japan's heat wave was so bad that Tokyo saw a six-day streak of 95-degree Fahrenheit plus days, the longest since 1875, and more than 14,000 people were hospitalized with heat-related medical issues.

Sompo Holdings' heat-stroke insurance plan was released after the worst of the heat wave, on July 6. It pays policyholders or their dependents if they are hospitalized, have surgery, or even die as a result of excessive heat exposure. Demand for the plan has been higher than the company anticipated, Sompo spokesperson Shoko Oda told Bloomberg.

Japan's heat wave has been so bad this summer that Japan's Meteorological Agency was forced to call an end to the country's annual summer rainy season earlier than in any year since the agency began keeping records in 1951.

Japan's health ministry, which is known for being conservative, also told consumers that they didn't need to wear face masks outside due to the increased risk of heat stroke.

"Unless they are having close conversations, we urge people to remove their face masks if they are commuting to work or school on foot or by bicycle, or when they are walking, running or doing radio gymnastics and other exercises," health Minister Shigeyuki Goto said at a June 21 news conference, The Asahi Shimbun reported.

The ongoing heat wave in Japan has even put pressure on the country's electrical grid. Japan imports 90% of its energy needs, and with energy costs soaring worldwide, the government declared a three-month energy-saving period in June to try and avoid blackouts. Officials have requested that businesses make cuts to their power usage, and consumers set their AC units as high as 82 degrees and even turn off heated toilet seats to conserve energy.

Read more

*Congratulations to our Chairman, Chief Babajide Olatunde-Agbeja on his recent elevation as the Chairman of the African Insurance Brokers Association (AIBA)*

## BIRTHDAY CELEBRATIONS

BOFF Events


4th

**Mr. Sadeeq Asema**

7th

**Mr. Kola Adegoke**

30th

**Mr. Rafiu Muftau**

30th

**Mr. Oluwafemi Olawoye**

★★★★★

## HOW WELL HAVE YOU ENJOYED OUR SERVICES AS YOUR INSURANCE BROKER?

Share your experience with us by sending your review.

CLICK HERE

**DO YOU HAVE ENQUIRIES OR COMPLAINTS?**

**OR**

**DO YOU HAVE COMMENTS OR FEEDBACK ON THIS PUBLICATION?**

**WE ARE EAGER TO HEAR FROM YOU.**

**KINDLY SEND US AN EMAIL:**

info@boffbrokers.com