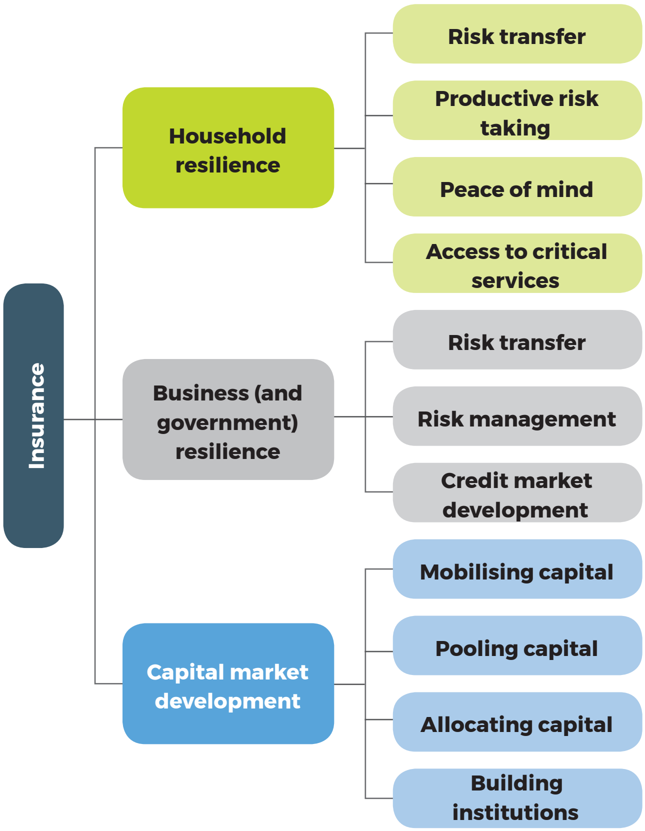
Nigeria Insurance Market Diagnostic

Stakeholder workshop

The impact of the insurance market on sustainable economic growth occurs via a number of different pathways:

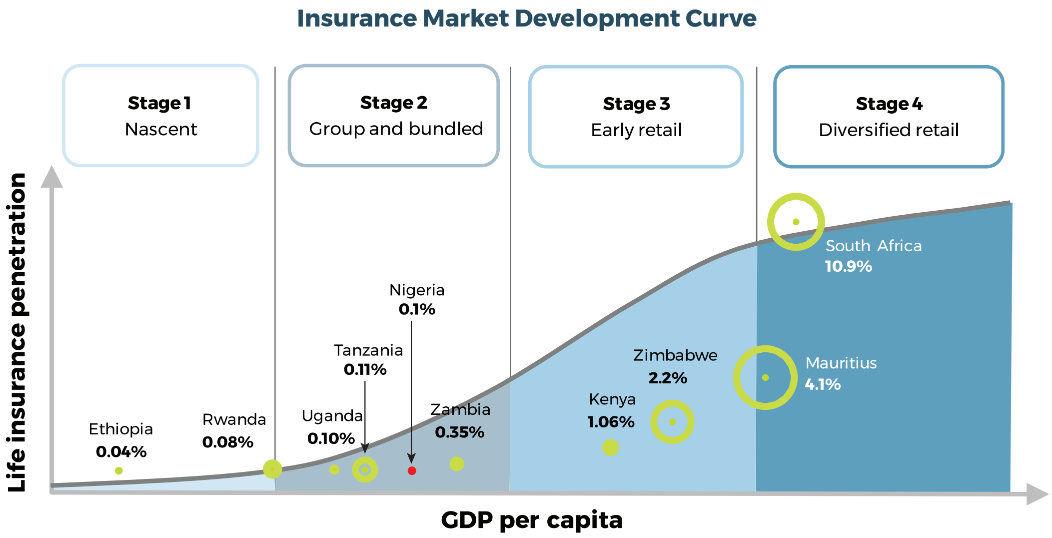


Improve individual and household resilience: Build resilience in the face of financial shocks and by ensuring peace of mind even if no risk events occur.

Improve business resilience and productivity: Insurance enables entrepreneurs to improve risk mitigation strategies and to transfer the financial impact of risk events. It also reduces the credit risk of entrepreneurs.

Support capital market development: As an aggregator of premiums, the insurance industry deepens and enhances the efficiency of capital markets through its investment allocations.

Total adult population	Salaried employees	Informal employees	Dependants	Business/traders: Non-agri	Business/traders: Agriculture	Farmers
Nigerian adult population: **96 million**	8%	6%	22%	34%	10%	19%
51% of adults are male	**67%** male	**69%** male	**74%** female	**51%** male	**53%** male	**64%** male
62% of adults are rural	**61%** urban	**54%** urban	**52%** rural	**51%** rural	**76%** rural	**90%** rural
80% of adult population: **25** to **60** years	Second-highest average age of **39**	Second-lowest average age of **34**	Lowest average age of **33** and **10%** over **65**	Average age of **36**	Average age of **36**	Highest average age of **40** and **10%** over **63**
30% of adults have **less than primary education** & **48%** have **secondary education**	**67%** tertiary education	**76%** at least secondary education	**40%** less than primary formal education	**56%** at least secondary education	**47%** less than primary formal education	**43%** less than primary formal education
Nigerian median monthly income **NGN10,000**	**NGN30,800**	**NGN20,000**	**NGN5,000**	**NGN16,000**	**NGN10,100**	**NGN8,000**
60% of adults **own a cellphone**	92%	82%	46%	69%	50%	45%
38% of adults **use a bank account**	92%	60%	26%	45%	22%	17%



Stage 1

- **Insurance products** – Corporate asset insurance dominating, such as in large extractive industries
- **Insurance contracts** – Mostly short-term liabilities, which are annually renewable
- **Investment portfolios** – Typically consisting of real estate and bank deposits

Stage 2

- **Insurance products** – Compulsory retail, credit insurance and some group-based retail products
- **Insurance contracts** – Still mostly short term
- **Investment portfolios** – Limited diversification still mainly consisting of real estate and bank deposits, with some allocations to shorter-term government securities

Stage 3

- **Insurance products** – Limited individual retail sales in the market, but voluntary sales and life insurance starting to take off as consumers become more aware of the value of insurance; Growth in the middle class of the economy increasing insurance uptake
- **Insurance contracts** – Longer-term insurance contracts emerging as the popularity of life insurance and contractual savings increases
- **Investment portfolios** – Increased diversification of investments, with greater allocations to government securities; Substantial allocations to real estate and bank deposits remaining

Stage 4

- **Insurance products** – Diversified retail insurance market across income segments, distributed through group and individual sales, with an increasing contribution by voluntary sales; The provision of niche insurance products emerging
- **Insurance contracts** – Increase in longer-term insurance; The market share of domestic insurers improving
- **Investment portfolios** – Increased diversification of investments; Competitive allocations across equity, corporate bonds and government bonds resulting in efficient and diversified investment portfolios

Key opportunities

- **Easy-to-reach** formally employed market remains untapped; Only 10,6% have insurance policies.
- **Aggregator-based distribution** should be leveraged for cost-effective distribution to reach rural areas and urban mass market
- Sharia-compliant **takaful insurance products** hold much potential to increase the penetration of insurance.
- Innovation in the **microinsurance** market holds much potential if regulatory impediments are removed.
- For **agriculture insurance** to be viable, PPPs should be leveraged and distribution should be anchored to central-offtakers, lenders or processors.

Key imperatives

- **Improve market fundamentals** and build industry capacity to underwrite large risks
- **Strengthen insurance culture and value proposition** through better enforcement and improved claims service on compulsory insurance
- **Explore broader retail insurance distribution options** that include agents and aggregators
- **Address the unintended regulatory consequences** and disincentives arising from product approval processes and regulatory constraints to mobile distribution
- **Develop technical skills** to improve the ability of the insurance sector to cover risks appropriately.
- **Revisit local content requirements** to enable oil and gas sector risks to be sufficiently covered by local and foreign insurance players
- **Broader insurance sector development imperative**, driven by a strong and innovative insurance market.

Centre for Financial Regulation & Inclusion
Cape Town, South Africa
info@cenfri.org
@cenfri_org
www.cenfri.org

Enhancing Financial Innovation & Access
info@efina.org.ng
@EFInA_Nigeria
www.efina.org.ng

FSD Africa, Nairobi, Kenya
info@fsdafrica.org
@FSDAfrica
www.fsdafrica.org

Department for International Development
enquiry@dfid.gov.uk
@DFID_UK
www.gov.uk

About Cenfri
The Centre for Financial Regulation & Inclusion (Cenfri) is a global think tank and non-profit enterprise that bridges the gap between insights and impact in the financial sector. Cenfri's people are driven by a vision of a world where all people live their financial lives optimally to enhance welfare and grow the economy. Its core focus is on generating insights that can inform policymakers, market players and donors seeking to unlock development outcomes through inclusive financial services and the financial sector more broadly.

About EFInA
Enhancing Financial Innovation & Access (EFInA) is a financial sector development organisation that promotes financial inclusion in Nigeria. Established in late 2007, its vision is to be the leader in facilitating the emergence of an all-inclusive and growth-promoting financial system. EFInA is funded by the UK Government's Department for International Development (DFID) and the Bill & Melinda Gates Foundation.

About FSD Africa
FSD Africa is a non-profit company which aims to increase prosperity, create jobs and reduce poverty by bringing about a transformation in financial markets in Sub-Saharan Africa (SSA) and in the economies they serve. It provides know-how and capital to champions of change whose ideas, influence and actions will make finance more useful to African businesses and households. It is funded by the UK aid from the UK Government. FSD Africa also provides technical and operational support to a family of 10 financial market development agencies or "FSDs" across SSA called the FSD Network.