

## Facilitator's Profile



**Dr. Lucy Surhyel Newman, CPT  
MD/CEO, FITC**

- Over 30 years of industry and consulting experience which includes 9 years from 4 banks in Nigeria in areas including treasury, marketing, product and business development, human resources management, strategy as well as post merger integration.
- Became the MD/CEO of FITC in May 2009 from the Business Advisory and Performance Improvement Practice of the firm PricewaterhouseCoopers (PwC) Nigeria.
- A Certified Performance Technologist [CPT] and a Life Member; was the 2012/2014 elected International Director on the Global Board of the International Society for Performance Improvement, (ISPI) USA.
  - A fellow of the Nigeria Institute of Management (NIM)
  - A fellow of the Chartered Institute of Credit Administrators of Nigeria (CICA) respectively.
  - A full member of Chartered Institute of Personnel Management of Nigeria
- Has a Doctoral degree in Business Administration on Leadership and Performance, from the University of Phoenix Arizona.
  - A Masters degree in Business Admin (International Business)
  - B.Sc in Business Administration (Financial Management)
- Has facilitated at over 120 premium conferences and seminars at home and abroad, as well as published books and book chapters that are all available in global databases.
- Has received over six personal awards including the ISPI 2012/2014 Outstanding Leadership Board Award and the 2016 Sir Ahmadu Bello Sardauna Platinum Leadership Excellence Award as “Garkuwan Matasan Arewa”(a.k.a, shield of the northern youth)
- Enjoys role as a mother to three interesting male personalities aged 29, 21 and 15 respectively, including mentorship & career coaching relationship with many.



## **Diversification of the Economy into Non-oil Sector: Challenges, the Way Forward and Benefits to Insurance Industry**

Dr Lucy Surhyel Newman, CPT  
MD/CEO, FITC  
February 20th, 2018  
Lagos, Nigeria

# Session Objectives



- Key highlights of Nigeria's economic outlook
- Indicative performance of the non-oil sector and the need to diversify
- Benefits of diversification to the insurance industry
- Challenges of diversification to the insurance industry
- Practical advisory on strategies and way forward for the industry



# Contents



## 1. Nigeria Economy in Brief



## 2. Performance of the non-oil Sector



## 3. Diversification into Non-oil Sector: Benefits for the Insurance Industry



## 4. Diversification into Non-oil Sector: Challenges for the Insurance Industry



## 5. Diversification into Non-oil Sector: My Practical Nuggets



## 6. Conclusion and References

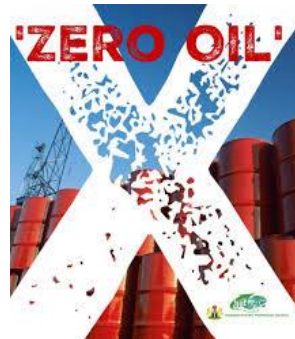
# Focus of Session

To position it as a key player in the global financial services system

Contribute to Nigeria's Economic Growth & Development



Via diversification into non-oil



How can the Insurance Industry



# Contents



## 1. Nigeria Economy in Brief



## 2. Performance of the non-oil Sector



## 3. Diversification into Non-oil Sector: Benefits for the Insurance Industry



## 4. Diversification into Non-oil Sector: Challenges for the Insurance Industry



## 5. Diversification into Non-oil Sector: My Practical Nuggets



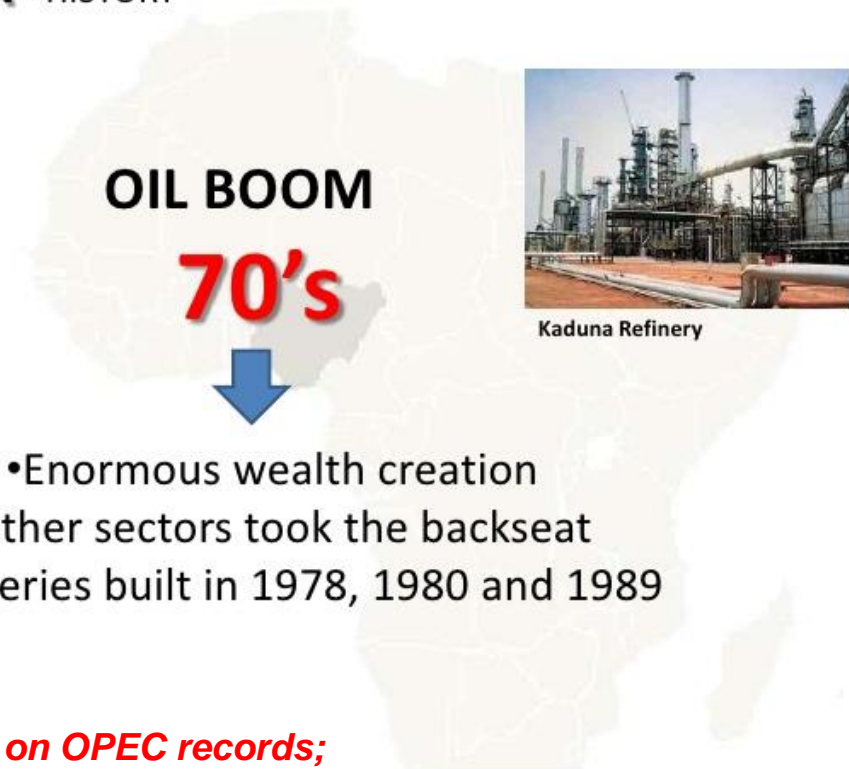
## 6. Conclusion and References

# Nigeria's Economy in Brief



- Prior to Shell petroleum's discovery of oil in commercial quantities in Nigeria in 1956, agriculture was the main pillar of Nigeria's economy.
- The economy zeroed in on dependence on oil since the boom of the 1970s and the petroleum industry has accounted for the bulk of government revenue.
- In 2000 alone, oil and gas exports accounted for over 98% of export earnings and about 83 % of federal government revenue.
- The Oil & Gas sector production numbers moved Nigeria to the forefront of the global industry

## OIL IN NIGERIA - HISTORY



*Based on OPEC records;*

- **Nigeria is the 6th largest exporting**
- **7th largest producer of oil in the world.**

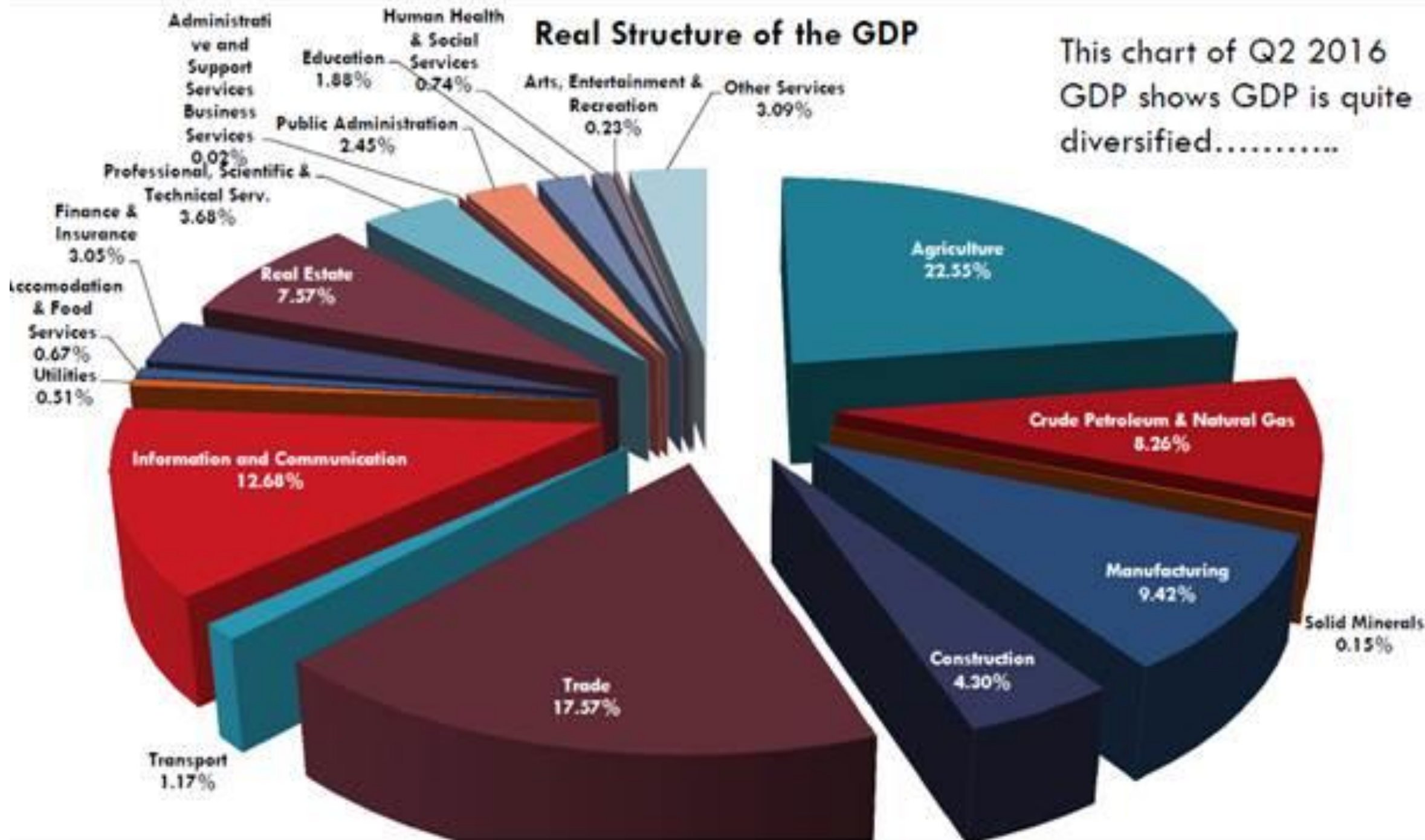
# Nigeria's Economy in Brief

- Numerous feats of government and economic growth recorded in Nigeria's history were achieved with the huge returns from the petroleum industry.
- Sadly, this dependence on oil resulted in gradual decline of other viable sectors
- There is no need mentioning how long the conversation has been on recently generated systemic difficulties in the economy due largely to fluctuating prices.
- Due to the crash of international price of crude, Nigeria now faces the long avoidable reality of the need to diversify its economy
- This development, while painful, is in my opinion;
  - ✓ a welcome development, given indicative diversification outcomes in the non-oil sector, thus promising a tilting of the dynamics
  - ✓ opportunity for re-alignment of economic activities



# Nigeria's Economy in Brief

## Real Structure of the GDP

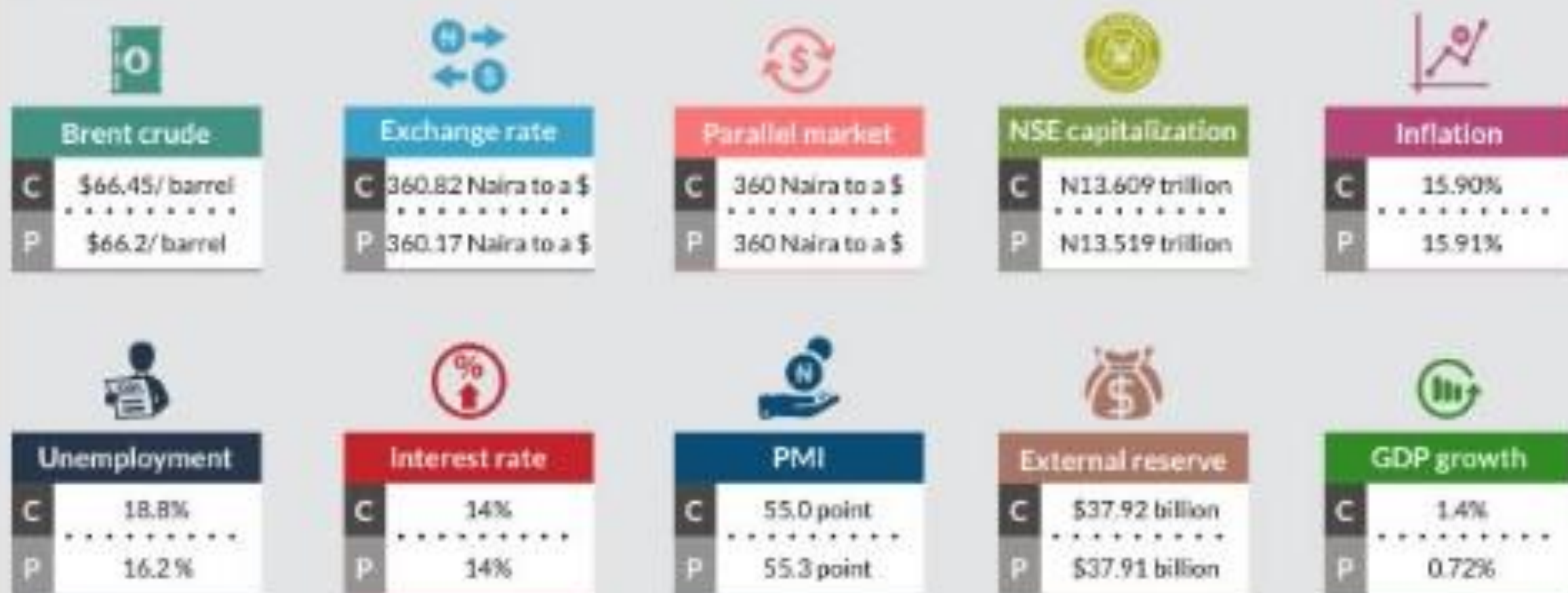


## Nigeria's Economic Indicators

**LEGENDS:**

C - Current Week

P - Previous Week



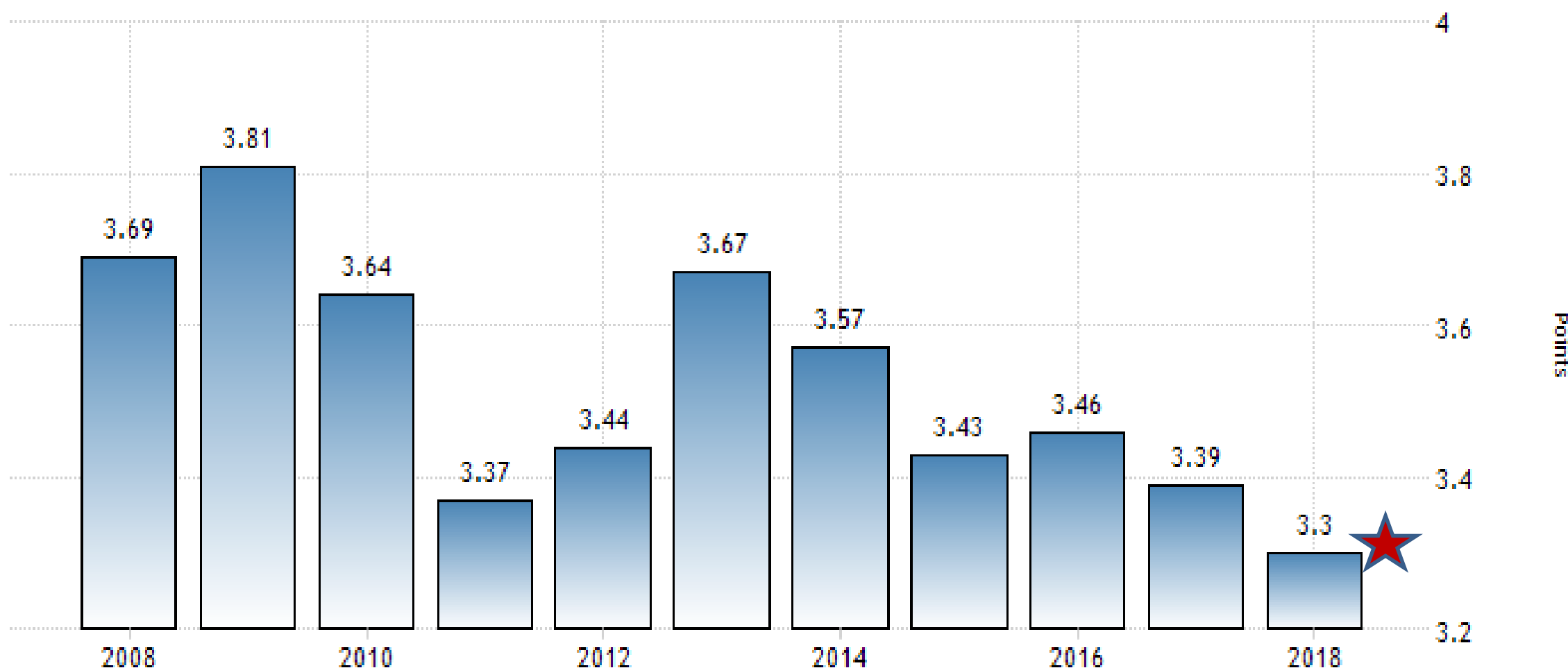
Source: Bloomberg, FMDQ, Aboki Fx, NBS, CBN

Date Issued: 29/12/2017

# Nigeria's Economy in Brief

Nigeria scored **3.30** points out of **7** on the 2017-2018 Global Competitiveness Report published by the World Economic Forum. Competitiveness Index in Nigeria averaged **3.53** Points from 2007 until 2018, reaching an all time high of **3.81** Points in 2009 and a record low of **3.30** Points in 2018. = **our ease of doing business actions need to step up!**

NIGERIA COMPETITIVENESS INDEX



SOURCE: TRADINGECONOMICS.COM | WORLD ECONOMIC FORUM

# Contents



## 1. Nigeria Economy in Brief



## 2. Performance of the non-oil Sector



## 3. Diversification into Non-oil Sector: Benefits for the Insurance Industry



## 4. Diversification into Non-oil Sector: Challenges for the Insurance Industry



## 5. Diversification into Non-oil Sector: My Practical Nuggets



## 6. Conclusion and References

Non-oil sector of the Nigerian economy Includes:

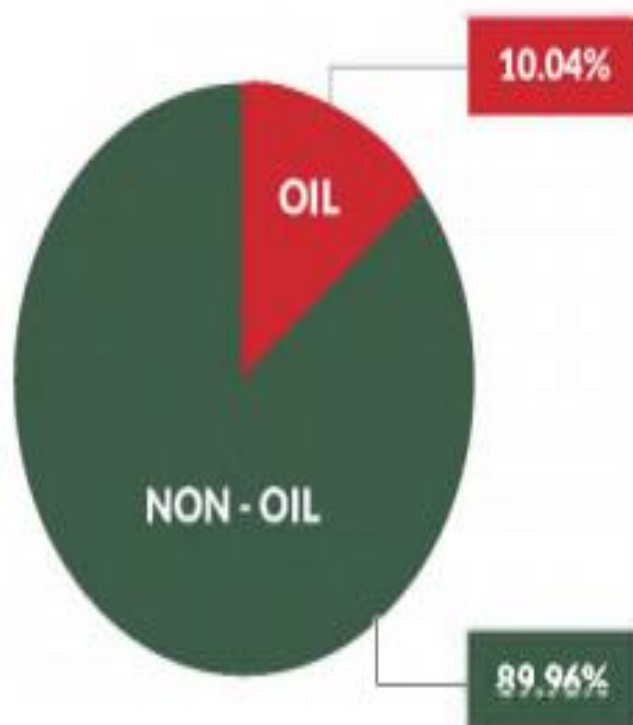
- Agriculture
- Telecommunication services;
- Financial sector (banking and insurance) services;
- Tax returns;
- Tourism service (hotels, restaurants, parks, carnivals);
- Arts, Entertainment;
- Trade services;
- Health services;
- Export trade;
- Agricultural activities;
- Mining and Quarrying
- Power (conventional and renewable);
- Manufacturing; environmental;
- ICT, etc.



- ❖ Performance of the non-oil sector in the past three decades reveals that great potentials are **yet to be fully tapped**
- ❖ The oil sector contributed 8.19 per cent of total real GDP, down from 10.27 per cent recorded in the corresponding period of 2015 and 8.26 per cent recorded in the preceding quarter of 2016.
- ❖ The oil sector still accounts for about **80%** of government revenue and in the region of **90%** of its foreign exchange earnings.
- ❖ This implies that once demand for fossil fuel goes extinct, the Nigerian economy would come under immense pressure, as it did via the recent in 2016. Should the price of crude fall below \$40/barrel, there will likely be trouble again! This underscores the need for fiscal discipline & alignment with monetary policy.

Fig 1: Oil and Non-Oil GDP Growth Rate (Q3, 2017)

## CONTRIBUTION OF OIL AND NON-OIL SECTORS



## REAL GDP GROWTH RATE OF OIL AND NON-OIL SECTORS

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
NON-OIL GDP	89.98	91.21	91.91	93.25	91.47	90.96	89.96
OIL GDP	10.02	8.79	8.09	6.75	8.53	9.04	10.04

In real terms, the Non-Oil sector contributed 89.96% to the nation's GDP, while the oil sector contributed 10.04%

# Contents



## 1. Nigeria Economy in Brief



## 2. Performance of the non-oil Sector



## 3. Diversification into Non-oil Sector: Benefits for the Insurance Industry



## 4. Diversification into Non-oil Sector: Challenges for the Insurance Industry



## 5. Diversification into Non-oil Sector: My Practical Nuggets



## 6. Conclusion and References

# Diversification into Non-oil: Benefits for the Insurance Industry

- ✓ Corporate renewal and market re-positioning based on niche
- ✓ Market diversification product innovation
- ✓ Growth in the number and diversity of policy holders
- ✓ Underwriting and brokerage by speciality clusters
- ✓ More sophisticated portfolio management, investment and re-insurance
- ✓ Review of regulatory frameworks for authorisation and examination
- ✓ Standardization of micro and macro system
- ✓ Enhanced job variety & professionalization





# Contents



## 1. Nigeria Economy in Brief



## 2. Performance of the non-oil Sector



## 3. Diversification into Non-oil Sector: Benefits for the Insurance Industry



## 4. Diversification into Non-oil Sector: Challenges for the Insurance Industry



## 5. Diversification into Non-oil Sector: My Practical Nuggets



## 6. Conclusion and References

Diversification into the Non-oil sector will come with challenges for the Insurance Industry, some of these challenges include:

- Inconsistent and changing regulatory environment
- Higher risk profile
- Enforcement of regulatory provisions
- Enforcement of compulsory insurance
- Inadequate innovative insurance products
- Lack of reliable data and statistics
- Low public patronage
- Low per capita income
- Cultural values undermining the acceptance of insurance
- Suboptimal financial literacy and appreciation of insurance

# Contents



## 1. Nigeria Economy in Brief



## 2. Performance of the non-oil Sector



## 3. Diversification into Non-oil Sector: Benefits for the Insurance Industry



## 4. Diversification into Non-oil Sector: Challenges for the Insurance Industry



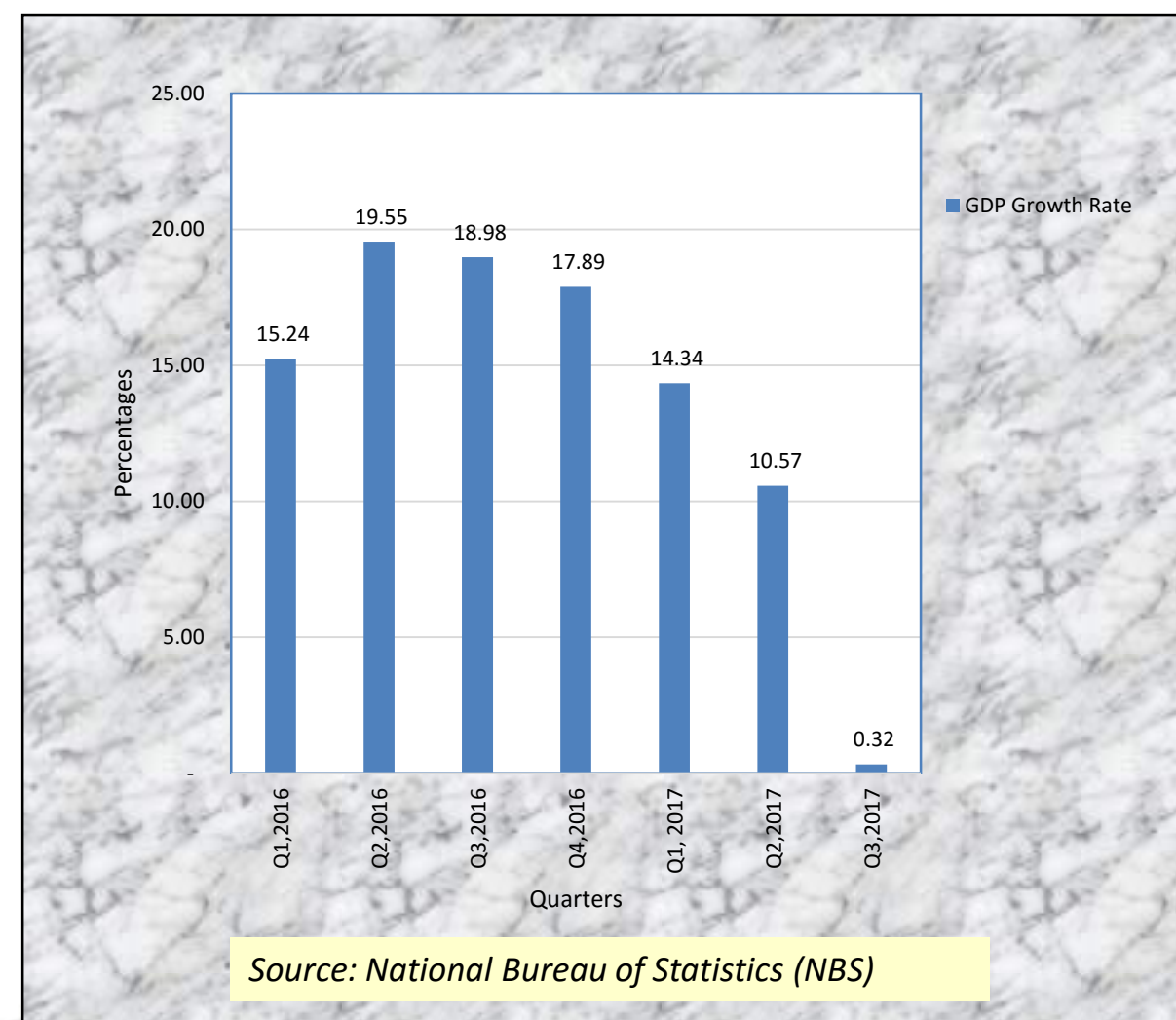
## 5. Diversification into Non-oil Sector: My Practical Nuggets



## 6. Conclusion and References

- The spotlight has turned towards offerings in the non-oil sector. In particular, the Federal Government's expectations from the sector in 2018 is very high in terms of revenue. The non oil sector is expected to generate N4.165 trillion as revenue compared to the oil sector, which is estimated to turn in N2.442 trillion within the year.
- According to the Q3, 2017 report of the National Bureau statistics (NBS), the growth rate of the insurance industry dipped to 0.32 % compared to 10.57% growth in Q2 2017 and 19.55% growth in the corresponding period of 2016.
- The potentials of the insurance industry are huge and if fully tapped, it can lead the industries within the financial services sector, given population

Insurance Industry GDP Growth Rate 2016 - Q3, 2017



## Few first steps to unlocking the potentials of the insurance industry:

- **Re-orientation of underwriters and brokers !!!** - Insurance companies need reorientation to meet up with changing traditionally and commonplace business models ad culture.
- **Market intelligence** – invest in industry & corporate specific researches and invest in big data for profiling consumer behavior
- **Product Innovation** - standardise industry practice. Upgrade product clusters based on value chain by line of business apart from the traditional life and non life categorization, to allow for some customisation. This will harmonize offerings in the sector whilst companies innovate to grow and retain customers.
- **Smarter regulation** – A more agile and private sector thinking but quasi public regulator, to give effect to existing laws relevant to the Nigerian insurance industry. This will boost enforcement such that the laws would not be viewed as a paper tiger.
- **Rethink Portfolio and Re-insurance provisions!** Enriched financing options for growing industries and sectors cost effective services to stimulate growth

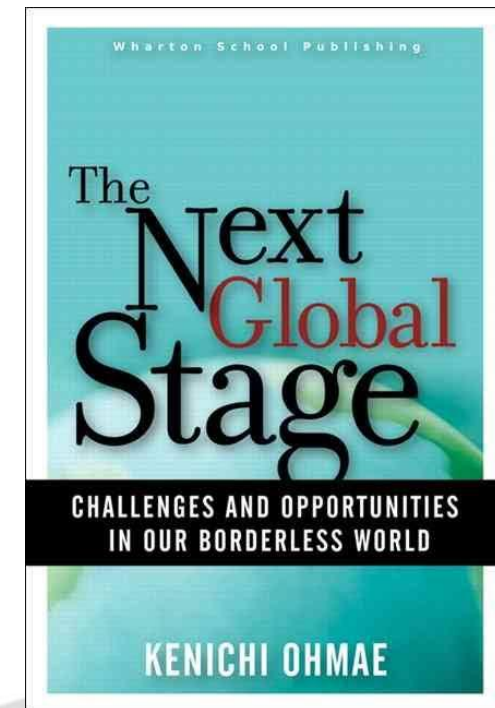


# My Practical Nuggets

“Over the last two decades, the world has changed substantially. The economic, political, social, corporate and personal rules that now apply bear scant relation to those applicable two decades ago. **Different times require a different script**”



*Kenichi Ohmae*  
*The Next Global Stage*  
2015



**\*\* How can we get beyond Q2, 2016  
GDP contribution levels in premium income**

# My Practical Nuggets

## *Step 1 - Lets be practical – S-O-L-V-E!*



### My 'SOLVE' strategy

- S - Serve the right industry wide strategy
- O - Own the leadership agenda in finance
- L - Leverage learning & continuous development
- V - Value the corporate vision in insurance
- E - Embrace evolving technology & Engage!

# My Practical Nuggets

## Step 1 – After SWOT with time & resource horizon

<b>Strengths</b>	<p><b>Confront</b> Short-term 1-2 years</p> <p>20% of resources</p>	<p><b>Exploit/Harvest</b> Short-term.1-2 years</p> <p>25% of resources</p>
<b>Weakness</b>	<p><b>Avoid/Attack</b> Immediate:0-1 years</p> <p>35% of resources</p>	<p><b>Search/Study</b> Mid-term: 1-3 years</p> <p>20% of resources</p>
	<b>Threat</b>	<b>Opportunities</b>



## Step 2 – Strategy Risk Matrix

Strategic Analysis Tools (IFC ERM)

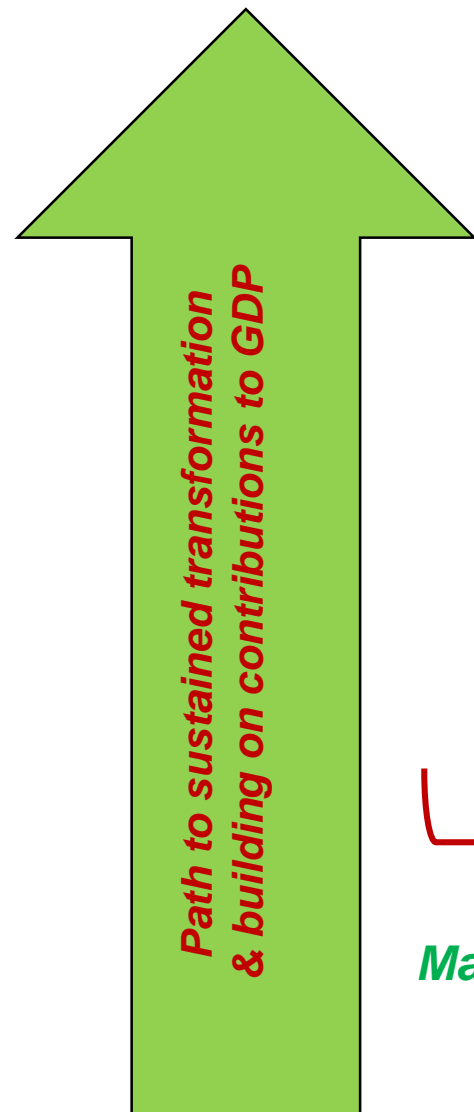
### The Risk MATRIX

#### Strategy Risk Management Process

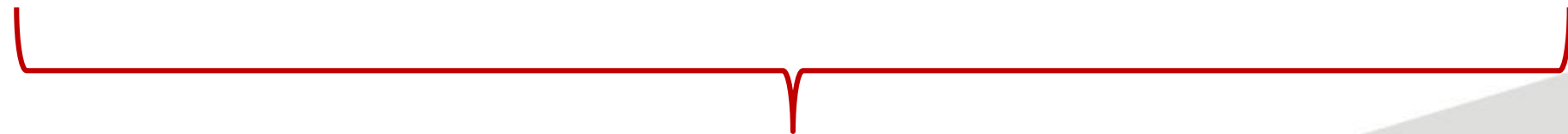
- ✓ Step 1: Risk identification
- ✓ Step 2: Risk assessment
- ✓ Step 3: Risk response
- ✓ Step 4: Risk monitoring and reporting
- ✓ Step 5: Evaluation of the risk management process and risk responses by the Management

IMPACT	RISK DISTRIBUTION		
SIGNIFICANT			
MODERATE			
MINOR			
	LOW	MEDIUM	HIGH
	<b>LIKELIHOOD</b>		

## Step 3 - The Need for Alignment for RESULTS..



*Strategy – Structure - Policies – Platforms – People - Culture*



*Macro & Micro Risk & Institution Capacity Assessment of all in Insurance value chain*

*To feed: Regulatory Framework on – Financial literacy, Product Innovation  
Institutional Governance & Communication, Financial Reporting & Ethics*

# My Practical Nuggets

## Step 4 – The Transformational Leadership Factor

- NAICOM, NIA & CIIN Advocates & Process Promoters



- *Regulator*
- *Operators*
- *Association*
- *Profession*

## *Step 5 – Application of ISPI Standards for implementation*

### *The ISPI 10 Standards for Performance Improvement*

**Standard 1** - *Focus on results or outcomes*

**Standard 2** - *Take a systemic view*

**Standard 3** - *Add value*

**Standard 4** - *Work in partnership with stakeholders*

**Standard 5** - *Determine needs or opportunity*

**Standard 6** - *Determine cause*

**Standard 7** - *Design solutions, including implementation plan*

**Standard 8** - *Develop solutions for conformity and feasibility*

**Standard 9** - *Implement solutions*

**Standard 10** - *Evaluate results for impact*



**International Society for  
Performance Improvement**

WHERE KNOWLEDGE  
BECOMES KNOW-HOW

# Contents



## 1. Nigeria Economy in Brief



## 2. Performance of the non-oil Sector



## 3. Diversification into Non-oil Sector: Benefits for the Insurance Industry



## 4. Diversification into Non-oil Sector: Challenges for the Insurance Industry



## 5. Diversification into Non-oil Sector: My Practical Nuggets



## 6. Conclusion and References

# Conclusion

- The overdependence on crude amongst other factors, have greatly contributed to the low performance of the non-oil sector in Nigeria. The sector should not only lead in terms of contribution to the GDP, but it's revenue impact must be greatly felt by the citizens and residents.
- In the words of Executive Director/Chief Executive Officer, Nigerian Export Promotion Council (NEPC), Mr. Olusegun Awolowo – *“We are at a critical point in Nigeria’s history, which requires bold and decisive action to restructure and reposition our economy to survive without crude oil”*. Although he was talking about the Agricultural sector, the statement is applicable in this instance. The non-oil sectors and particularly, the insurance industry, must brace up and become relevant in realizing the mandate to grow Nigeria’s economy.



*On this note, I throw the gauntlet and hope that the Insurance industry will pick it and do the needful to improve its services, thereby becoming a force to be reckoned with in the Nigerian non-oil sector. As always, FITC is ever ready to walk that path with .the industry custodians and operators.*

# Recall: Session Objectives



- Key highlights of Nigeria's economic outlook
- Indicative performance of the non-oil sector and the need to diversify
- Benefits of diversification to the insurance industry
- Challenges of diversification to the insurance industry
- Practical advisory on strategies and way forward for the industry

***Mission accomplished?***



Thank you

\*\*\*\* *I hope we are inspired for an aspired  
**GROWTH PHASE!***





# References

- Abogan, O. P., Akinola, E. B. and Baruwa, O. I. (2014). Non-oil Export and Economic Growth in Nigeria. Retrieved on 26/1/18 From <http://www.interestjournals.org/full-articles/non-oil-export-and-economic-growth-in-nigeria1980-2011.pdf?view=inline>
- Aigbedion, I and Iyayi, S. E. (2007). Diversifying Nigeria's Petroleum industry. Retrieved on 26/1/18 from [http://www.academicjournals.org/article/article1380214499\\_Aigbedion%20and%20Iyayi.pdf](http://www.academicjournals.org/article/article1380214499_Aigbedion%20and%20Iyayi.pdf)
- Deepening Nigeria's Insurance Penetration for Economic Growth. Retrieved on 2/1/18 From <https://dailytimes.ng/deepening-nigerias-insurance-penetration-economic-growth/>
- Mader, P. (2013). *Benefits and Challenges Of Sourcing Strategies In The Insurance Industry,, Bearing Point* Retrieved on 18/01/18 From [https://www.bearingpoint.com/files/0835\\_WP\\_EN\\_Benefits\\_Challenges\\_final\\_web.pdf&download=0&itemId=145975](https://www.bearingpoint.com/files/0835_WP_EN_Benefits_Challenges_final_web.pdf&download=0&itemId=145975)
- Oke, M. O. (2012). Insurance Sector Development and Economic Growth in Nigeria. Retrieved on 26/1/18 From [http://www.academicjournals.org/article/article1380904456\\_Ojo.pdf](http://www.academicjournals.org/article/article1380904456_Ojo.pdf)
- National Bureau of Statistics (NBS). <http://www.nigerianstat.gov.ng/>
- Nigeria Economic Recovery and Growth Plan (NERGP) 2017-2020
- Riti, J. S., Gubak, H. D., and Madina D. A. (2016). Growth of Non-oil Sectors: A Key to Diversification and Economic Performance in Nigeria. *Public Policy and Administration Research*, Vol 6(3). Retrieved on 26/1/18. From <http://iiste.org/Journals/index.php/PPAR/article/viewFile/29675/30468>
- Uzonwanne, C. (2015). *Economic Diversification in Nigeria in the Face of Dwindling Oil Revenue*. Retrieved on 26/1/18. From [https://www.researchgate.net/publication/273882540\\_Economic\\_Diversification\\_in\\_Nigeria\\_in\\_the\\_Face\\_of\\_Dwindling\\_Oil\\_Revenue](https://www.researchgate.net/publication/273882540_Economic_Diversification_in_Nigeria_in_the_Face_of_Dwindling_Oil_Revenue)