

2 September 2015

IMPLICATION OF THE NIGERIAN BUSINESS ENVIRONMENT FOR THE INSURANCE INDUSTRY

-

IMPERATIVES OF CORPORATE SOCIAL RESPONSIBILITY

By

ADETOLA ADEGBAYI - ED, LEADWAY ASSURANCE



LEADWAY
ASSURANCE COMPANY LIMITED
RC 7588

CORPORATE SOCIAL RESPONSIBILITY – “CSR”

- **Description**

- Corporate Social Responsibility is described as a **MANAGEMENT APPROACH** that takes into consideration an **INTEGRATED SET OF INDICATORS/A COMPREHENSIVE WORKING OBJECTIVES** that map

- **INSURERS’ IMPACT**

- **THE RECIPROCAL EFFECT OF THAT IMPACT**

Within their

ENVIRONMENTAL

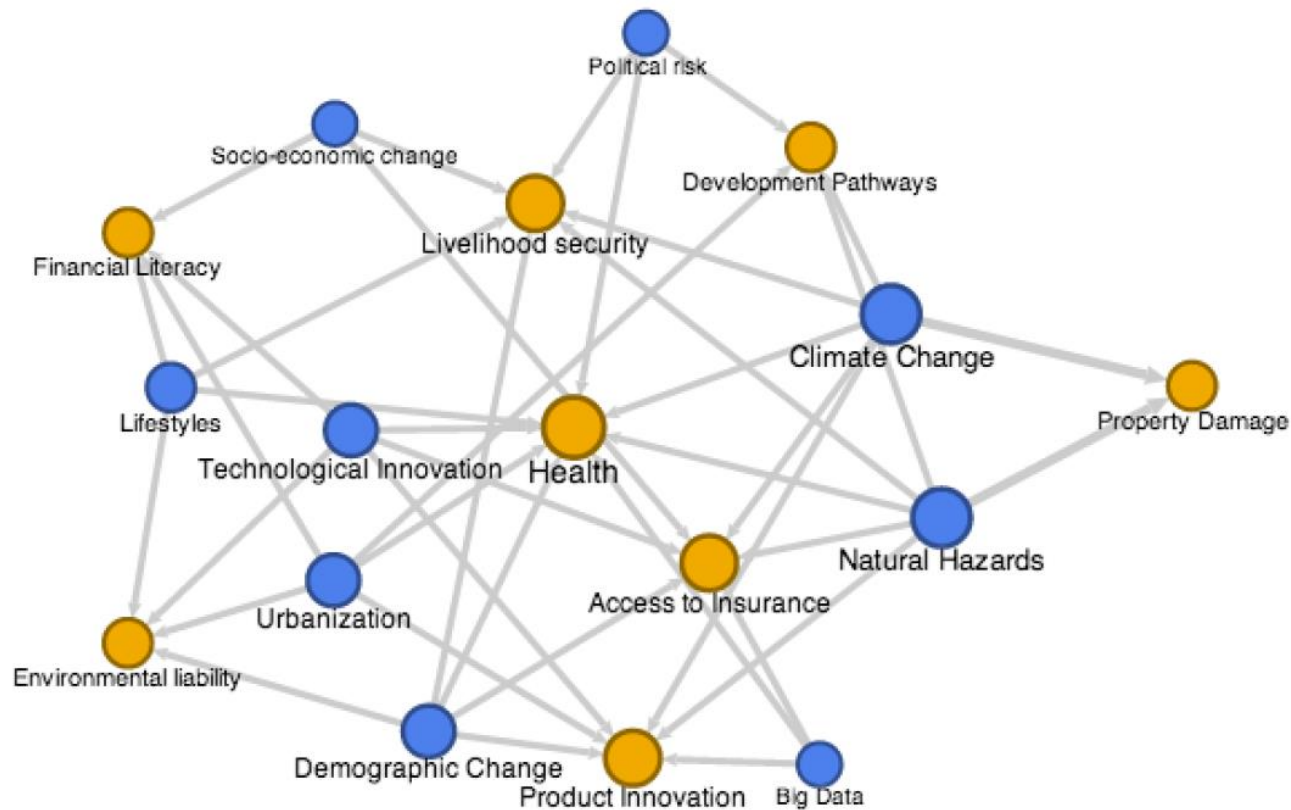
ECONOMIC

SOCIETAL

existences (alternatively referred to as **“THE TRIPLE BOTTOM LINE”**). It is an attempt to align insurers to the goal of **SUSTAINABLE DEVELOPMENT** rather than just profit alone.

“CSR” – INSURANCE 2030 – PRINCIPLES FOR SUSTAINABLE INSURANCE – “PSI” BY UNITED NATIONS ENVIRONMENT PROGRAM FINANCE INITIATIVE – “UNEP FI”

Figure 1: Risk drivers and insurance issues



Source: PSI & UNEP Inquiry, Consultation Responses, 2015

NIGERIAN BUSINESS ENVIRONMENT - "WAITING FOR GODOT"



THE NIGERIAN SOCIO-ECONOMIC ENVIRONMENT - A CURIOUS TALE OF CROUCHING SERVILITY AND IDIOCY

S/N MATTERS	ISSUES
1 Carthasis of the Dutch Disease	The Oil Money is less – they found shale and green fuel - how do we fund our needs?
2 Blind Money Lenders	The bankers must make the margins in interests and so you can only borrow for a short time otherwise you are dead!
3 Fatness aand the Dietician	Our GDP is more of visceral (hidden) than subcutaneous (obvious) fat - as a result, we are ill without knowing and plaque of different sizes, structures are lodged in different sections of our bodies with dangerous distribution of lumpy cancerous growths
4 Leanness	We are rich and do not care about poverty reduction and welfare improvements - best to donate to personal preachers for cheap salvation
5 Usury	We are used to charging impossible usury and feast with moneylenders for short gains
6 While Waiting	We all have work, even if it is to peddle wares to make do or just salute "all right, sir!" Unemployment Rate to a "usual definition" (ILO – those looking and available for work but did not find work) was lower than 10% in 2013. Purportedly 1,167,740 jobs created in 2013 – 54% was informal sector, 37% was formal sector and 9% was Public Sector
7 Anything than Nothing	Economic Outlook is always cautiously optimistic
8 All in God's hands	Future prosperity will depend on non-oil growth
9 The Courage of Vision	Economic growth have not alleviated poverty
10 Hypocrisy	Poverty Line was ₦53,674 per annum based on 3,000 calories per day (National Living Standard Survey "NHLSS" 2009/2010)
11 Penury	Compare ₦180pd X 365 days = ₦65,700 per annum based on 3,000 calories per day (General Household Survey – "GHS" partial reassessment 2012/2013 to debunk NHLSS data)
12 Truth and Reconciliation	While we wine and dine, the disfigured child remains locked in the basement -
13 A Curious Tale	Poor Financial/Insurance Sector Inclusion

NIGERIAN ECONOMIC DATA 1

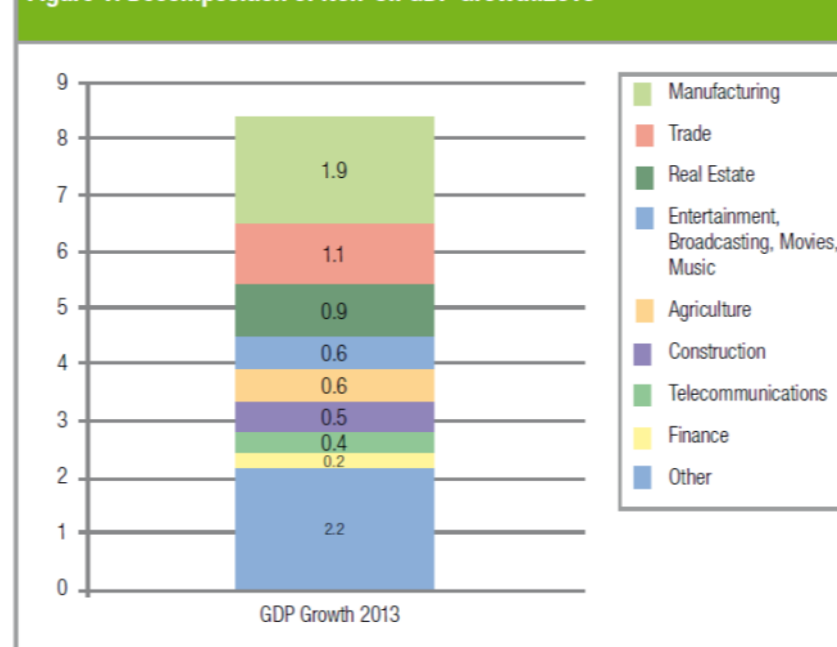

Table 1: Nigeria Gross National Product (Current Prices)

	Million Naira (Million US\$)			
Previous	33984754.13 (\$226112.80)	37409860.61 (\$241759.47)	40544099.94 (\$258555.58)	42396765.71 (\$269515.22)
New (re-estimates)	54612264.18 (\$363355.05)	62980397.22 (\$407007.86)	71713935.06 (\$457330.12)	80092563.38 (\$509146.50)
Percentage Increase	60.70%	68.35%	76.88%	88.91%

Table 2: Sectoral Shares in Nigeria GDP: 2012
A Comparison of Newly Re-Based and Older GDP Estimates

	New	Old
Agriculture	22.1	33.1
Crude Oil and Gas)	15.8	37
Trade	16.5	15.5
Manufacturing	7.4	1.9
of which food & tobacco	4.4	-
Construction	3.1	1.3
Transportation	1.3	1.6
Telecommunications	8.3	0.8
Electricity and Gas	0.5	0.2
Finance and Insurance	2.8	1.6
Real Estate	7.7	4.5
Entertainment, Broadcasting, Motion Pictures, Music	2.0	-
Public Administration	3.1	-
Prof., Scientific, and tech. services	3.7	-
Other	5.7	2.5

Source: NBS

Figure 1: Decomposition of Non-Oil GDP Growth:2013


Sources: NBS, World Bank calculations

NIGERIAN SOCIO - ECONOMIC DATA 1



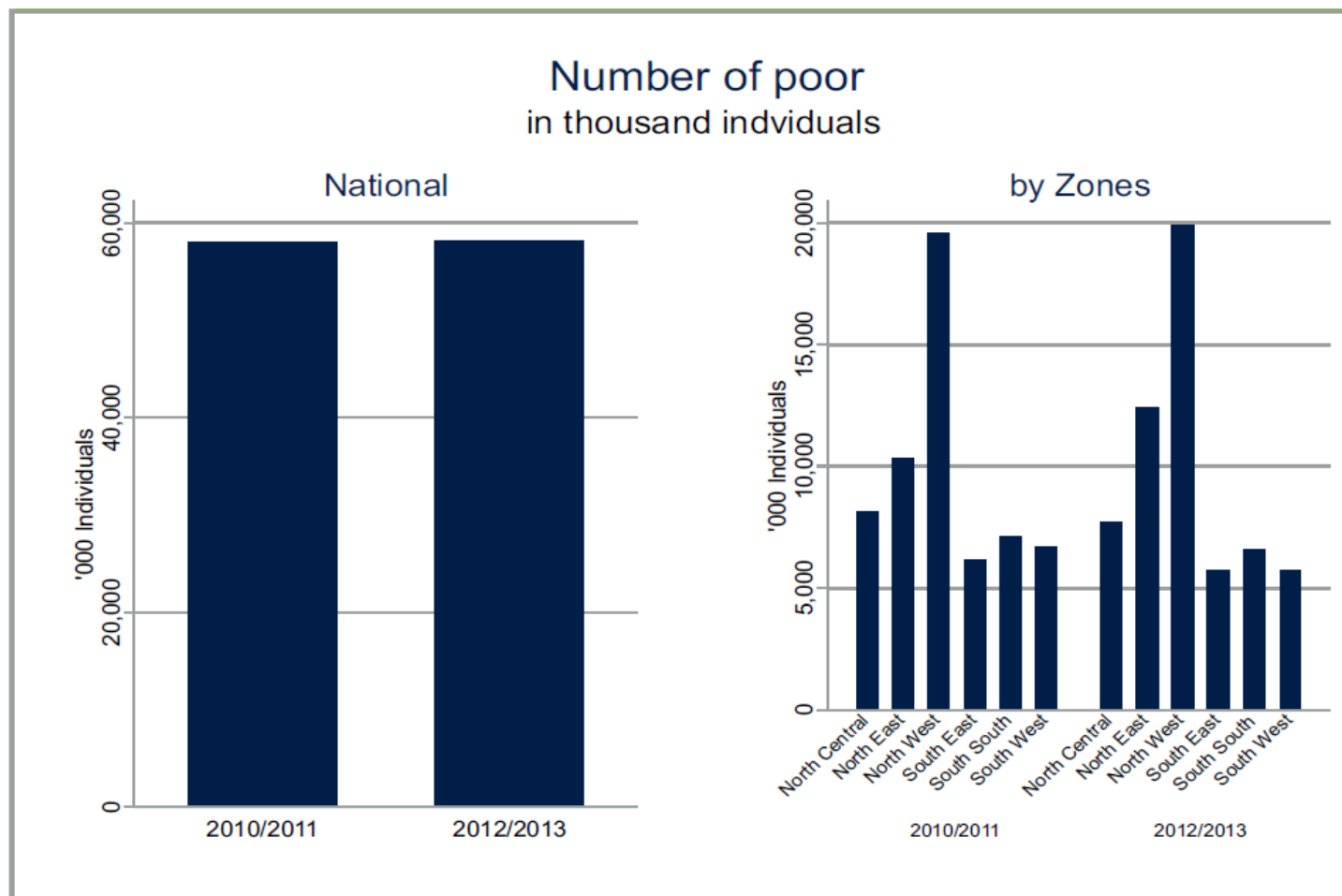
Table 8: Poverty Rates Per Capita From GHS Panel Data (% of Population)

	Poverty headcount		Diff	Poverty gap		Poverty severity		Poverty headcount
	GHS 2010-2011	GHS 2012-2013		GHS 2010-2011	GHS 2012-2013	GHS 2010-2011	GHS 2012-2013	HNLSS 2009-10*
National	35.2	33.1	-2.1	9.2	9.6	3.7	3.9	62.6
Rural	46.3	44.9	-1.4	12.9	13.1	5.2	5.3	69.1
Urban	15.8	12.6	-3.2	2.8	3.6	1.0	1.3	51.2
North Central	33.4	31.1	-2.3	8.9	8.9	4.0	3.5	65.8
North East	47.1	50.2	3.1	15.9	13.0	6.9	5.2	75.4
North West	46.9	45.9	-1.0	12.4	12.4	4.6	4.8	74.2
South East	31.7	28.8	-2.9	8.1	10.3	3.2	4.7	54.9
South South	27.7	24.4	-3.3	6.7	7.7	2.7	3.2	53.3
South West	21.2	16.0	-5.2	3.6	5.4	1.3	2.0	47.9

Source GHS 2010/11-2012/13: post planting and post harvesting visits

*Data are not directly comparable to GHS results. They are presented just for illustrative purposes.

NIGERIAN SOCIO - ECONOMIC DATA 2



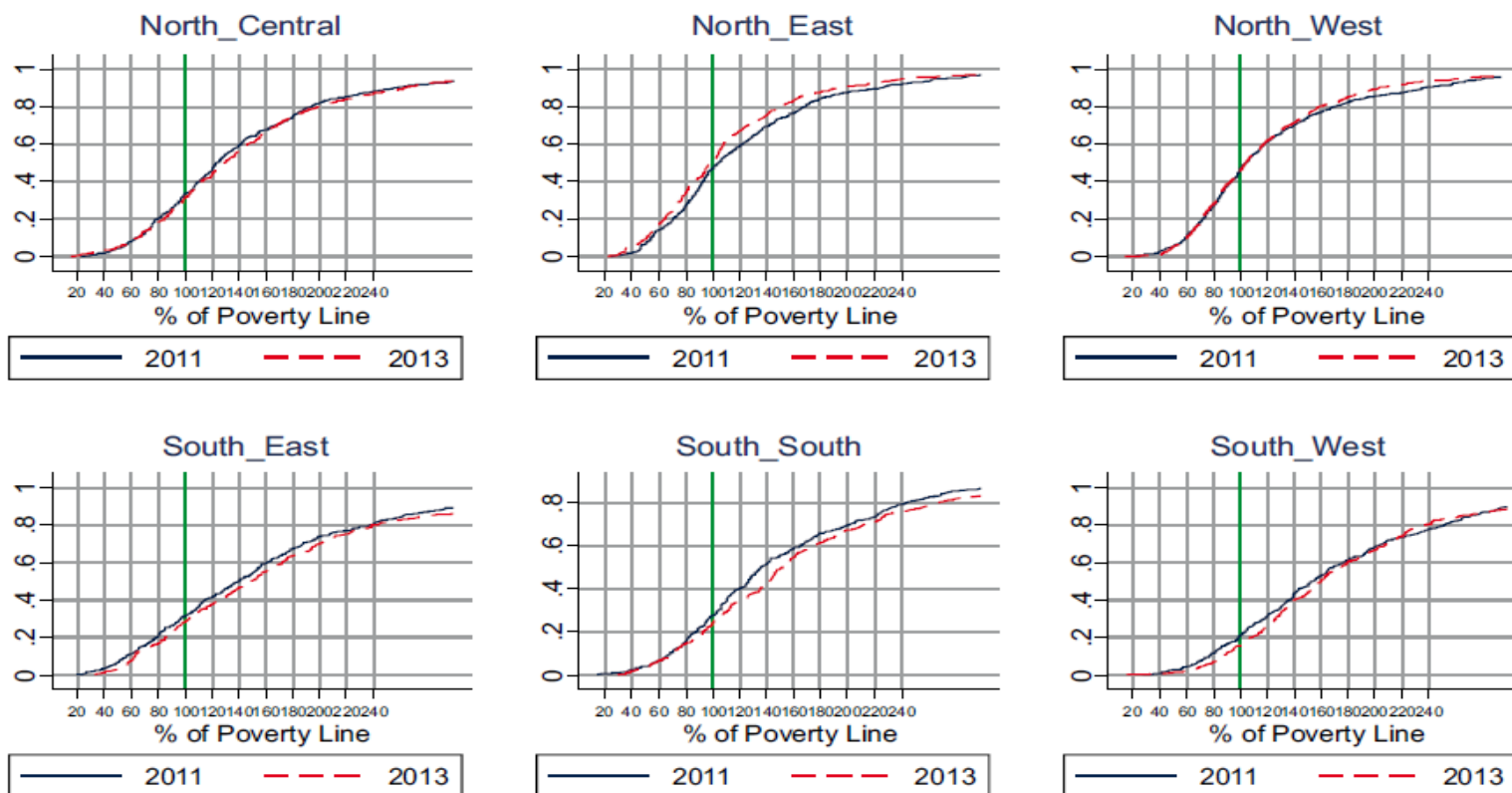
Source: GHS 2010/11-2012/13; post planting and post harvesting visits

NIGERIAN SOCIO - ECONOMIC DATA 3



Figure 10: Distance from poverty line by Macro-Region

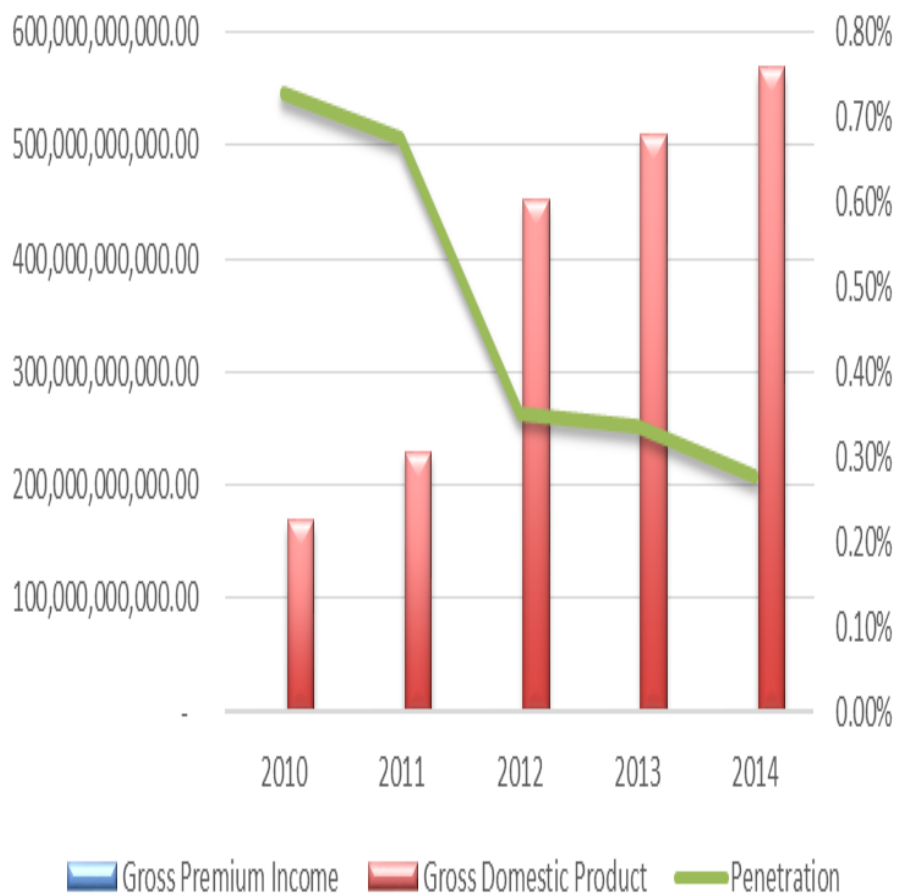
Distance from poverty line Consumption per capita



Source: GHS 2010/11-2012/13: post planting and post harvesting visits

NIGERIAN INSURANCE INDUSTRY IMPACT DATA - NAICOM

NIGERIAN GPI TO GDP IN US\$



Penetration remains at under 0.5% based on rebased GDP, despite absolute growth in premium - ₦252.1bn in 2012 (@ 160 to US\$1 rebased GDP of US\$451bn – 0.349% IP (Insurance Penetration); ₦285bn in 2013 @ 167 to US\$1 rebased GDP of 521.8bn – 0.327% IP; ₦302bn in 2014 @ 191 to US\$1 – 0.278% IP, which shows the industry growth being at variance with economic expansion and possibly flat when inflation adjusted.

NAICOM statistical breakdown now belated by 2/3 years but absolute premium figures announced in the Press, by the regulator, give a clear indication of growth patterns. Unfortunately, lack of Current industry published data and lack of analytical news reporting results in “catch all” phrase of “less than 1%” with confusing variations.

"CSR" EQUALS "FI" EQUALS "PSI" - EVERYTHING CONNECTS ...

NIGERIAN INSURANCE INDUSTRY SCORE CARD ON CSR BASED ON PRINCIPLES OF SUSTAINABLE INSURANCE (PSI)

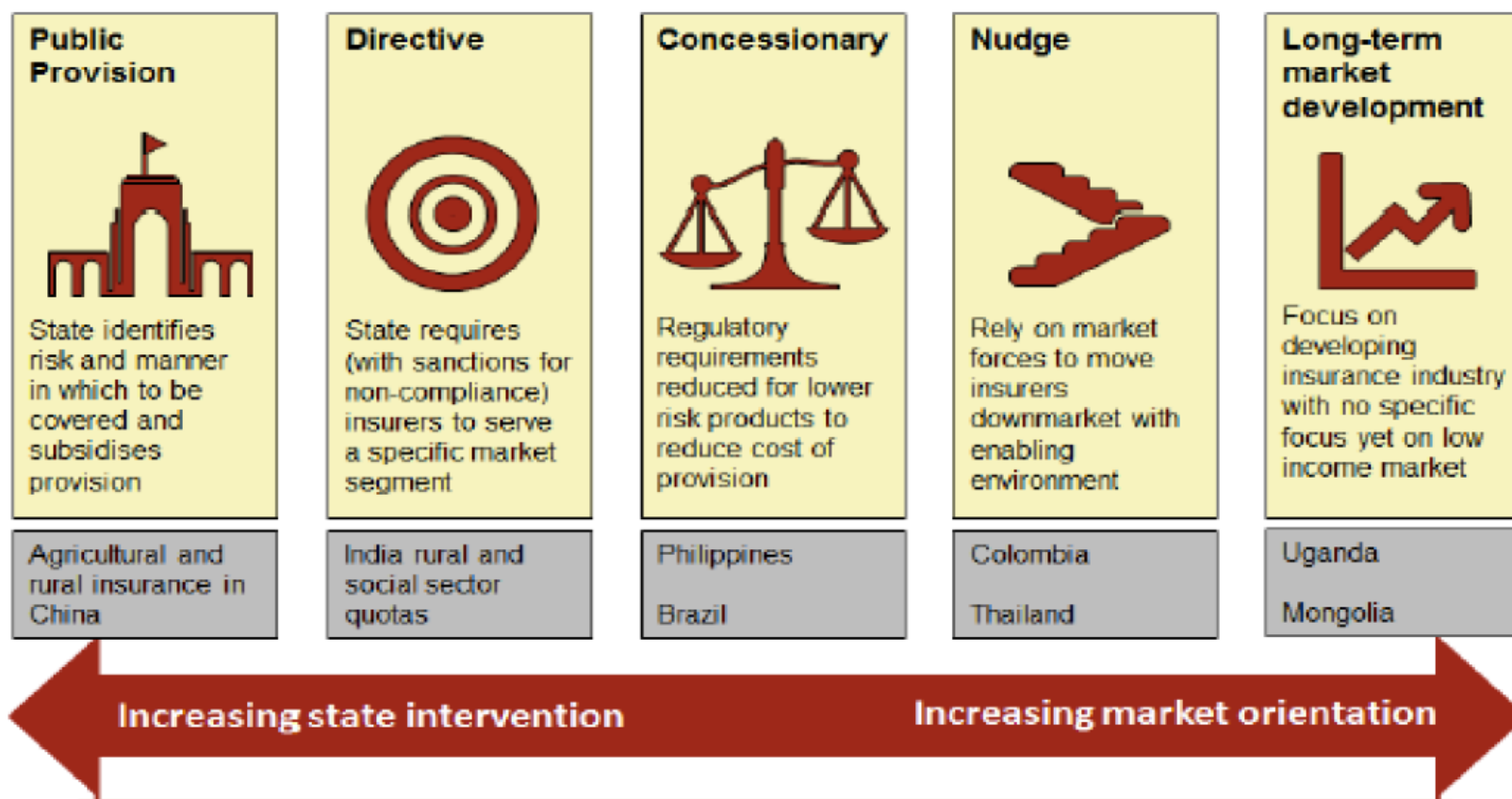
S/N	PSI	NIGERIAN INSURANCE INDUSTRY SCORE
1	Poverty	Limited Social Protection; Fledgling Micro Insurance Market
2	Food Security	Government Provision of agriculture insurance, but limited innovation in terms of climate resilient agriculture, ecosystem services and sustainability of "natural capital"
3	Well Being	Health insurance available through National Health Insurance Scheme PPP with Health Management Organisations (HMOs) with limited traditional insurer involvement
4	Education	Poor government sponsored education services; poor quality private schools; limited protection from traditional insurers
5	Equality	Non segmented and targeted insurance solutions; limited protection within basic insurance products; eg pregnancy
6	Environment	Limited insurance for water infrastructure and sanitation services - need for environment inspection officers - existence of NAFDAC (National Agency for Food & Drug Administration & Control)
7	Energy	Non existence of "insurance encouragement" of "clean energy" or financing of such products. Limited existence of insurance for SMEs (particularly within the informal sector); Limited insurance encouragement of domestic institution building and capacity for building such
8	Inclusive Economic Growth & Development	institution
9	Infrastructure Development & Innovative Industrialisation	Limited insurance involvement in direct capital project financing as core investment priorities

"CSR" EQUALS "FI" EQUALS "PSI" - EVERYTHING CONNECTS Cont.

NIGERIAN INSURANCE INDUSTRY SCORE CARD ON CSR BASED ON PRINCIPLES OF SUSTAINABLE INSURANCE (PSI)		
S/N	PSI	NIGERIAN INSURANCE INDUSTRY SCORE
10	Regulation	Patchwork of disintegrated financial sector regulation
11	Sustainable Metropolis	Minimum level on insurance coverage for property and health - integration of Public Fire Services, Public Health Services; NAFDAC and Planning Authorities - Remember the days of "Sanitary Inspection Officers" "Wolewole"
12	Sustainable Production & Consumption	Limited insurer encouragement of "cautious" living through understanding and management of risks
13	Climate Change	Limited insurer encouragement of "cautious" existence, whether business or personal through encouragement of behaviour that reduce carbon emission either through project insurance, industrial production, commercial services and personal living
14	Marine & Oceanography	Limited insurance involvement, understanding and management of risks - Need for cross exchange with government bodies and non governmental organisations
15	Terrestrial Ecosystem & Biodiversity	Limited insurance involvement, understanding and management of risks - Need for cross exchange with government bodies and non governmental organisations
16	Accountability	Limited insurer support for culture of risk management within institutions and organisations - Blind underwriting based on historical loss ratios
17	Global Partnership for Sustainable Development	Limited knowledge of such partnerships among insurers - companies formally registered are Continental Re and Custodian & Allied Insurance plc

ENABLING ENVIRONMENT FOR CSR, FI AND PSI

Figure 2: Approaches for market provision



Source: Access to Insurance Initiative, 2014.⁵⁴

CSR AS GUARDIANSHIP - LOVING THY GOD AND THY NEIGHBOUR

“There is no way to avoid paying serious attention to corporate citizenship: the costs of failing are simply too high. ... There are countless win-win opportunities waiting to be discovered: every activity in a firm’s value chain overlaps in some way with social factors—everything from how you buy or procure to how you do your research—yet very few companies have thought about this. The goal is to leverage your company’s unique capabilities in supporting social causes, and improve your competitive context at the same time. The job of today’s leaders is to stop being defensive and start thinking systematically about corporate responsibility.”

Michael Porter, Professor, Harvard Business School, at the April 2005 Business and Society Conference on Corporate Citizenship, sponsored by the University of Toronto’s Rotman School of Management

**YOU ARE
THE SALT OF THE EARTH**

**YOU ARE
THE LIGHT OF THE WORLD**

Caution: if salt loses its savor, how can it be made salty again? It is not good for anything, except to be thrown out

So let your light shine before others, that they may see your good works and praise your Father in heaven

Matthew 5 // Salt & Light

GodTreks.com // Gospel Graphs

"CSR" – ACT NOW FOR A SUSTAINABLY INSURED WORLD!

CORPORATE SOCIAL RESPONSIBILITY FRAMEWORK - A SNAPSHOT

S/N TO DO	OBJECTIVES
1 Plan	Carry out a CSR Assessment and Develop your Strategy around it Work around core ethical values of insurance and financial security
2 Act	Create and Implement CSR Commitments Decide how you define your commitments into bite size and document your activities and processes towards achievements
3 Check	Monitor your level of compliance and report your progress by engaging your stakeholders for feedback
4 Enhance	Review and Improve your CSR Strategy and Commitments to identify and plug compliance gaps noting clogs and cogs

In short "PACE" (Plan, Act, Check and Enhance) yourselves to sustain your World



“CSR” - PACE AND STOP WAITING FOR GODOT ...

“**Let us do something**, while we have the chance! It is not every day that we are needed. Not indeed that we personally are needed. Others would meet the case equally well, if not better. To all mankind they were addressed, those cries for help still ringing in our ears! But at this place, at this moment of time, **all mankind is us**, whether we like it or not. Let us make the most of it, before it is too late! Let us represent worthily for one the foul brood to which a cruel fate consigned us! What do you say? It is true that when with folded arms we weigh the pros and cons we are no less a credit to our species. The tiger bounds to the help of his congeners without the least reflection, or else he slinks away into the depths of the thickets. But that is not the question. What are we doing here, *that* is the question. And we are blessed in this, that we happen to know the answer. Yes, in the immense confusion one thing alone is clear. We *(must not wait)* for Godot to come -- ”

— [Samuel Beckett](#), [Waiting for Godot](#)

Italics mine.

Thank you for listening

QUESTIONS?

